

Texas State Board of Public Accountancy

September 19, 2019

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:25 a.m. on September 19, 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 10:25 a.m. on September 6, 2019. (TRD #2019-005286).
(ATTACHMENT 1)

Board Members Present

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

Susan Fletcher
Executive Committee
Member-at-Large
Excused
Donna J. Hugly, CPA
Excused
William Lawrence
Excused
Steve D. Peña, CPA
Excused

Others Present

Felicia C. Farrar, CPA
Sean McVey, Esq.
Jodi Ann Ray
Frank Sands
Christopher Smith

Staff Present

Paulette Beiter, Esq.
Sandra Bradshaw
Roel Cantu
Ismael Castillo
Rhonda Fellner
Gilbert Gutierrez
Ann Hallam, PMP
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
John Moore, Esq.
Julie Prien
Marisa Rios
April Serrano
Tina Smith
William Treacy
Cherylyn Turner
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.

Mr. B. Peña moved to excuse the absences of Ms. Fletcher, Ms. Hugly, Mr. Lawrence, and Mr. S. Peña from the Board meeting. Mr. Johnson seconded the motion and it passed unanimously.
- II. Dr. Morris moved to approve the July 18, 2019 Board meeting minutes as presented. Mr. Ingram 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 September 18, 2019 committee meeting.

Members Present

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

Members Absent

Susan Fletcher
Robert M. McAdams, CPA

Others Present

Jodi Ann Ray
Frank E. Sands

Staff Present

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

- A. Mr. Grant moved to approve the Board's financial statements as presented. Ms. Wilkerson seconded the motion and it passed unanimously.
- B. Fiscal Matters:
 - Mr. B. Peña moved to approve the Board's FY 2020 Fee Schedule as presented. Ms. Sharp seconded the motion and it passed unanimously.

- C. Dr. Morris moved to authorize the executive director to enter into a lease for office space. Mr. Ingram seconded the motion and it passed unanimously.
- D. Mr. B. Peña reported that due to the Sunset Advisory Commission follow-up review schedule for the fall of 2020 and the impending office relocation in the current fiscal year, consideration of an internal audit would be delayed until later this fiscal year.
- E. Mr. Treacy reported on NASBA/AICPA matters:
 - 1. NASBA dates of interest:
 - 112th Annual Meeting – October 27-30, 2019 – Boston, MA.
 - 2. Mr. Treacy reported on the Board's response to CPA Evolution Guiding Principles.
- F. Mr. Treacy reported on the State Office of Risk Management's report.
- G. Mr. B. Peña moved to approve the following FY 2020 professional service contracts and Peer Assistance Grant (ACAN). Mr. Ingram seconded the motion and it passed unanimously.

FY 2020 contracts

Technical Standards Review and Behavioral Enforcement Committee consultants:

1. Belen Briones, CPA	9/1/19 – 8/31/20	\$5,000
2. Harper & Pearson, Co., PC	9/1/19 – 8/31/20	\$50,000
3. Peter DelVecchia	9/1/19 – 8/31/20	\$10,000

Peer Review Oversight Board:

1. John Mason Andres, CPA	9/1/19 – 8/31/20	\$22,700
2. John Michael Waters, CPA	9/1/19 – 8/31/20	\$18,600

Legal:

DuBois, Bryant, & Campbell	9/1/19 – 8/31/20	\$87,750
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Tax:

The Dove Firm PLLC	9/1/19 – 8/31/20	\$25,000
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Office of the Attorney General:	9/1/19 – 8/31/20	\$20,000
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State Office of Administrative Hearings:	9/1/19 – 8/31/20	\$24,750
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Sponsor Review Program consultants – each contract not to exceed \$3,500:

Master Reviewers:

Ron Huntsman	9/1/19 – 8/31/20	\$150.00/hour
Mitch Sutherlin	9/1/19 – 8/31/20	\$150.00/hour

Reviewers:

David Crumbaugh	9/1/19 – 8/31/20	\$125.00/hour
John Jones	9/1/19 – 8/31/20	\$125.00/hour
Connie Kelly	9/1/19 – 8/31/20	\$125.00/hour
Tim Madrigal	9/1/19 – 8/31/20	\$125.00/hour
Timothy Prebe	9/1/19 – 8/31/20	\$125.00/hour
Alva Winston	9/1/19 – 8/31/20	\$125.00/hour

FY 2020 Grant:

Peer Assistance (ACAN) Grant	9/1/19 – 8/31/20	\$107,500
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- H. Dr. Morris moved to approve the Committee and Board Meeting dates for CY 2020. Mr. Grant seconded the motion and it passed unanimously.
- I. Mr. Cavazos reviewed correspondence from the public.

V. Mr. LaFrey, Rules Committee Chair, reported on the September 18, 2019 committee meeting.

Members Present

Manuel Cavazos IV, CPA
(*ex officio*)
Ross Johnson, CPA
Timothy L. LaFrey, Esq., CPA
Benjamin Peña, CFE, CPA

Members Absent

Donna Hugly, CPA
William Lawrence
Steve Peña, CPA

Others Present

Jodi Ann Ray
Frank E. Sands

Staff Present

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

- A. Mr. B. Peña moved to adopt the proposed revisions to *Rule 501.91 (Reportable Events)* as published in the *Texas Register* and revised in response to public comments. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 2)**
- B. Mr. B. Peña moved to adopt the proposed revisions to *Rule 515.1 (License)* as published in the *Texas Register* and revised in response to a public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 3)**
- C. Mr. B. Peña moved to authorize the executive director to have the proposed amendments to *Rule 519.21 (Investigations)* published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 4)**
- D. Mr. B. Peña moved to authorize the executive director to have proposed *Rules 519.29 (Voluntary Surrender of Certificate)* and *519.95 (Reinstatement)* amendments published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 5)**
- E. Mr. B. Peña moved to authorize the executive director to have the proposed Board *Rules 511.22 (Initial Filing of the Application of Intent)*, *511.27 (Good Moral Character Evidence from Foreign Residents)*, *511.161 (Qualifications for Issuance of a Certificate)*, *511.162 (Application for Issuance of the Certificate by Exam After Completion of the CPA Examination)*, *512.1 (Certification as a Certified Public Accountant by Reciprocity)*, *512.4 (Application for Certification by Reciprocity)*, and *513.11 (Qualifications for Non-CPA Owners of Firm License Holders)* published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 6)**
- F. Mr. B. Peña moved to authorize the executive director to have the proposed *Rule 519.7 (Misdemeanors that Subject a Licensee or Certificate Holder to Discipline by the Board)* amendments published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 7)**
- G. Mr. LaFrey reported on a letter from the Governor's Office regarding rule amendments.
- H. Mr. LaFrey reported that the next committee meeting date will be November 13, 2019.

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

July 18, 2019

Members Present

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

Member Absent

Robert M. McAdams, CPA

Staff Present

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

- A. Mr. B. Peña moved to dismiss the following investigations based upon insufficient evidence of a violation of the *Act* or the *Rules*. Mr. Ingram seconded the motion and it passed.
 - 1. Investigation No. 13-04-18L¹
 - 2. Investigation No. 18-06-12L¹

- B. Other – The committee considered six other matters during its meeting; however, these matters do not require Board action at this time.
 - C. The next committee meeting was scheduled for September 19, 2019 at 11:30 a.m.
- VII. Mr. Weaver, Board staff, reported on the status of the Unauthorized Practice of Public Accountancy Program.
- VIII. Mr. Hill, General Counsel, reported on the status of the Enforcement Division's probation monitoring program.
- IX. The Board took the following actions on Agreed Consent Orders and Administrative Disciplinary Actions:

A. **Agreed Consent Orders:**

Behavioral Enforcement Committee

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

1. **Investigation No.:** 19-03-05L **Hometown:** Clear Lake Shores, TX
Respondent: Lance Beauchamp **Certificate No.:** 059608
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 for a period of five years from the effective date of the Board Order; however, the revocation was stayed, and Respondent was placed on probation for five years. In addition, Respondent must pay \$358.20 in administrative costs within 30 days of the date of the Board Order. Respondent received five years deferred community supervision after pleading guilty to second degree felony sexual assault.²
2. **Investigation No.:** 19-08-05L **Hometown:** Longwood, FL
Respondent: Robert Sean Finnegan **Certificate No.:** 064126
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 license was suspended for 36 months. Respondent, who is not practicing in Texas, received deferred adjudication for 36 months for two felony counts of resisting with violence and one misdemeanor account of petty theft.
3. **Investigation Nos.:** 19-01-03L & 19-01-04L **Hometown:** Kerrville & Irving, TX
Respondents: Debra Lou Long & DL Long, CPA **Certificate No.:** 050243
Rule Violation: 501.74(b) **Firm License No.:** T09789
Act Violation: 901.502(6)

Respondents entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay \$476.87 in administrative costs within 30 days of the date of the Board Order. Respondents incorrectly listed taxable income as non-taxable income on a client's tax return.²
4. **Investigation Nos.:** 19-03-07L & 19-03-08L **Hometown:** Houston, TX
Respondents: Philip Nathans, III & Nathans & Nathans PC CPAs **Certificate No.:** 044264
Rule Violations: 501.74(b), 501.80, 501.81, 501.90(12), 501.93 **Firm License No.:** C00145
Act Violation: 901.502(6)

Respondents entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay an administrative penalty of \$2,500 and \$443.28 in administrative costs within 30 days of the date of the Board Order. Respondents filed an incorrect tax form, practiced public accountancy with expired individual and firm licenses, failed to respond to a client's inquiry within a reasonable time without good cause, and failed to respond to Board communications in a timely manner.²
5. **Investigation No.:** 19-01-08L **Hometown:** Kerrville, TX
Respondent: Gregory Allen Shoultz **Certificate No.:** 087792
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 third degree felony theft of property of a value more than \$30,000 but less than \$150,000.

Technical Standards Committee

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

Investigation Nos.:	19-03-03L & 19-03-04L	Hometown:	Garland, TX
Respondents:	William L. Dunn & Dunn & Dill CPAs, P.C.	Certificate No.:	033777
Rule Violation:	501.81	Firm License No.:	C06645
Act Violations:	901.401, 901.460, 901.502(6), 901.502(11)		

Respondents entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay an administrative penalty of \$1,000 and \$393.31 in administrative costs within 30 days of the date of the Board Order. Respondents issued a compiled financial statement that was submitted to a government agency when the Respondent Firm did not have a license issued by the Board.¹

B. Administrative Disciplinary Actions:

Mr. B. Peña moved to approve the following Disciplinary Actions as presented. Mr. Johnson 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. 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

19-04-10001 – 19-04-10059
19-05-10001 – 19-05-10043

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 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 9)**

Investigation Numbers

19-04-10060 – 19-04-10222
19-05-10044 – 19-05-10236

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 10**)

Investigation Numbers

19-04-10223 – 19-04-10235

19-05-10237 – 19-05-10246

- X. Mr. B. Peña moved to adopt the following Board *Rules* as presented on second reading. Dr. Morris seconded the motion and it passed unanimously.

1. *Section 511.21 (Examination Application)* (**ATTACHMENT 11**)
2. *Section 511.122 (Acceptable Work Experience)* (**ATTACHMENT 12**)
3. *Section 511.123 (Reporting Work Experience)* (**ATTACHMENT 13**)
4. *Section 512.1 (Certification as a Certified Public Accountant by Reciprocity)* (**ATTACHMENT 14**)
5. *Section 513.11 (Qualifications for Non-CPA Owners of Firm License Holders)* (**ATTACHMENT 15**)
6. *Section 513.15 (Firm Offices)* (**ATTACHMENT 16**)
7. *Section 515.2 (Initial License)* (**ATTACHMENT 17**)
8. *Section 515.3 (License Renewals for Individuals and Firm Offices)* (**ATTACHMENT 18**)
9. *Section 515.5 (Reinstatement of a Certificate or License in the Absence of a Violation of the Board's Rules of Professional Conduct)* (**ATTACHMENT 19**)
10. *Section 515.8 (Retired or Disability Status)* (**ATTACHMENT 20**)
11. *Section 515.10 (Licenses for Individuals with Defaulted Student Loans)* (**REPEAL**)
12. *Section 519.2 (Definitions)* (**ATTACHMENT 21**)
13. *Section 519.13 (Direct Administrative Costs)* (**(New)**) (**ATTACHMENT 22**)
14. *Section 519.20 (Complaints)* (**ATTACHMENT 23**)
15. *Section 527.1 (Establishment of Peer Review Program)* (**ATTACHMENT 24**)
16. *Section 527.2 (Definitions)* (**ATTACHMENT 25**)
17. *Section 527.12 (Engagement Reviews and System Reviews)* (**(New)**) (**ATTACHMENT 26**)

- XI. Mr. LaFrey moved to approve the following slate of officers and Executive Committee members-at-large for terms to run from 2019 through 2020. Mr. Ingram seconded the motion and it passed unanimously.

Dr. Morris	Assistant Presiding Officer
Mr. B. Peña	Treasurer
Mr. LaFrey	Secretary
Ms. Friel	Executive Committee member-at-large
Mr. Johnson	Executive Committee member-at-large
Ms. Wilkerson	Executive Committee member-at-large

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

- XIII. Mr. Cavazos adjourned the meeting at 11:25 a.m.

ATTEST:

Manuel Cavazos IV, Esq., CPA, Presiding Officer

Timothy L. LaFrey, Esq., CPA, Secretary

¹Ms. Friel, Mr. Grant and Mr. Johnson recused themselves from participating in this matter.

²Mr. Ingram and Mr. B. Peña recused themselves from participating in this matter.