

Texas State Board of Public Accountancy

November 14, 2019

The Texas State Board of Public Accountancy met from 10:00 a.m. until 12:10 p.m. on November 14, 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 2:22 p.m. on October 31, 2019. (TRD #2019-006507).
(ATTACHMENT 1)

Board Members Present

Manuel Cavazos IV, Esq., CPA
Presiding Officer
Lisa A. Friel, CPA
Executive Committee
Member-at-Large
James D. Ingram IV, CPA
Ross T. Johnson, CPA
Executive Committee
Member-at-Large
Kevin J. Koch, CPA
Timothy L. LaFrey, Esq., CPA
Secretary
Roselyn E. Morris, Ph.D., CPA
Assistant Presiding Officer
Benjamin Peña, CPA
Treasurer
Debra D. Seefeld, CPA
Debra S. Sharp
Kimberly E. Wilkerson, Esq.
Executive Committee
Member-at-Large
Joyce A. Yannuzzi

Members Absent

Kelly V. Aimone, Esq.
Excused
Jamie D. Grant
Excused

Others Present

Frank Sands
Mark Vane, Esq.

Staff Present

Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Gilbert Gutierrez
Ann Hallam, PMP
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
John Moore, Esq.
Kenny Pettitte
Julie Prien
Marisa Rios
Andrea Smith
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.

Mr. Peña moved to excuse the absences of Ms. Aimone and Mr. Grant from the Board meeting. Mr. Ingram seconded the motion and it passed unanimously.

At this time, the following three new Board Members were introduced:

1. Kevin J. Koch, CPA, of Temple
2. Debra D. Seefeld, CPA, of Montgomery
3. Joyce A. Yannuzzi of New Braunfels

Mr. Cavazos presented service awards to:

1. Andrea Smith for 5 years of Board service
2. Gilbert Gutierrez for 25 years of Board service
3. Ismael Castillo for 25 years of Board service
4. J. Randel Hill, Esq., for 20 years of service

- II. Mr. Ingram moved to approve the September 19, 2019 Board meeting minutes as presented. Ms. Friel 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 November 13, 2019 committee meeting.

Members Present

Manuel Cavazos IV, Esq., CPA
Lisa A. Friel, CPA
Ross T. Johnson, CPA
Timothy L. LaFrey, Esq., CPA

Roselyn E. Morris, Ph.D., CPA
Benjamin Peña, CPA
Kimberly E. Wilkerson, Esq.

Others Present

Frank E. Sands

Staff Present

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

- A. Mr. Peña moved to approve the Board's FY 2019 Annual Financial Report and end-of-the year overview as presented. Mr. Koch seconded the motion and it passed unanimously. Mr. Peña moved to approve the Board's September FY 2020 financial statements. Ms. Yannuzzi seconded the motion and it passed unanimously.

B. Fiscal Matters:

- Mr. Peña moved to approve the Board's FY 2020 Fee Schedule as corrected to include the license fee increase for the public accountant license and the recalculation of the late payment fees for the individual license. Ms. Friel seconded the motion and it passed unanimously.

C. Mr. Treacy discussed the status of the office relocation.

D. Mr. Treacy discussed the Board's response to Governor Abbott concerning state agencies review of rules that do not impede capable and qualified individuals from entry into the professions.

E. Mr. Treacy reported on NASBA/AICPA matters:

- NASBA dates of interest:
 - Mr. Treacy reported on NASBA's 112th Annual Meeting – October 27-30, 2019

F. Ms. Sharp moved to approve the following professional service contract. Mr. Koch seconded the motion and it passed unanimously.

FY 2020 contract

Peer Review Oversight Board:

- Robert Goldstein, CPA 12/1/19 – 8/31/20 \$18,600

G. Mr. Cavazos reviewed correspondence from the public.

V. Mr. LaFrey, Rules Committee Chair, reported on the November 13, 2019 committee meeting.

Members Present	Members Absent	Staff Present
Manuel Cavazos IV, CPA (<i>ex officio</i>)	Lisa A. Friel, CPA	Alan Hermanson, CPA
Ross Johnson, CPA	Others Present	J. Randel Hill, Esq.
Timothy L. LaFrey, Esq., CPA	Frank E. Sands	Donna Hiller
Roselyn E. Morris, Ph.D., CPA		Marisa Rios
Benjamin Peña, CPA		William Treacy
Kimberly E. Wilkerson, Esq.		Dan Weaver

- A. Mr. LaFrey moved to authorize the executive director to have the proposed amendments to *Rule 501.91 (Reportable Events)* published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 2)**
- B. Mr. LaFrey moved to authorize the executive director to have the proposed amendments to *Rules 513.16 (Death or Incapacitation of Firm Owner)* and *515.5 (Retired or Disability Status)* published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 3)**
- C. Mr. LaFrey moved to authorize the executive director to have the proposed amendments to *Rule 519.2 (Definitions)* published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 4)**
- D. Mr. LaFrey moved to authorize the executive director to have proposed *Rules 525.1 (Applications for the UCPAE, Issuance of the CPA Certificate, or Initial License)*, *525.2 (Applications for or Renewal of a License for Licensees with Criminal Backgrounds)* and *525.3 (Criminal Background Checks)* amendments published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. **(ATTACHMENT 5)**
- E. Mr. LaFrey reported that the next committee meeting is to be determined.

- VI. Mr. Peña, Behavioral Enforcement Committee Chair, reported on the following committee meeting:

September 18, 2019

Members Present

Charles B. Allison, CPA
Patrick L. Durio, CPA
James D. Ingram IV, CPA
Benjamin Peña, CFE, CPA
Debra S. Sharp

Member Absent

Donna J. Hugly, CPA
Karen W. Jones, CPA
Steve D. Peña, CPA

Staff Present

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

- A. Mr. LaFrey moved to dismiss the following investigations based upon insufficient evidence of a violation of the *Act* or the *Rules*. Dr. Morris seconded the motion and it passed. The BEC members did not participate in the vote.
1. Investigation Nos. 19-08-14L¹ and 19-08-15L¹
 2. Investigation Nos. 19-07-01L¹ and 19-07-02L¹
 3. Investigation Nos. 19-07-03L¹ and 19-07-04L¹
 4. Investigation Nos. 19-05-06L¹ and 19-05-07L¹
 5. Investigation Nos. 19-06-03L¹ and 19-06-04L¹
 6. Investigation No. 19-05-12L¹
 7. Investigation No. 19-05-09L¹
 8. Investigation Nos. 19-05-08L¹ and 19-05-10L¹
- 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 December 16, 2019 at 9:15 a.m.

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

September 19, 2019

Members Present

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

Member Absent

Pete M. Gonzales, CPA

Staff Present

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

- A. Dr. Morris moved to dismiss the following investigation based upon insufficient evidence of a violation of the *Act* or the *Rules*. Mr. Peña seconded the motion and it passed. The TSR members did not participate in the vote.
- Investigation No. 18-11-13L²
- B. Other – The committee considered 10 other matters during its meeting; however, eight of these matters do not require Board action at this time and two of the matters will be taken up by the Board under another item on the Board's agenda.
- C. The next committee meeting was scheduled for November 14, 2019 at 11:30 a.m.

- VIII. Mr. Weaver, Board staff, reported on the Licensing Department programs.

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

- X. The Board took the following actions on agreed consent orders (ACOs) and administrative disciplinary actions:

A. **Agreed Consent Orders:**

Behavioral Enforcement Committee

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

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|----|----------------------------|---|--------------------------|----------------|
| 1. | Investigation Nos.: | 19-01-19L, 19-01-20L,
19-03-09L & 19-03-10L | Hometown: | Georgetown, TX |
| | Respondents: | Bradley Patton Blessing
& Bradley P. Blessing CPA PC | Certificate No.: | 043732 |
| | Rule Violations: | 501.74(b), 501.90(12), 501.90(13), 501.93 | Firm License No.: | C08572 |
| | Act Violations: | 901.502(6), 901.502(11) | | |

Respondents entered into an ACO with the Board whereby Respondent's certificate and Respondent Firm's license were revoked. Respondents prepared an incorrect tax return, failed to file an amended return despite misleading a client into believing IRS issues were resolved, failed to file a client's 2017 return in a timely manner, failed to respond to a client's inquiries and failed to respond to Board communications.³

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|----|----------------------------|---|--------------------------|-------------|
| 2. | Investigation Nos.: | 19-04-01L & 19-04-02L | Hometown: | Houston, TX |
| | Respondents: | Andrew McKinny Hopkins
& A.M. Hopkins, CPA | Certificate No.: | 084465 |
| | Rule Violation: | 501.90 | Firm License No.: | R00734 |
| | Act Violations: | 901.502(2), 901.502(6), 901.502(11) | | |

Respondents entered into an ACO with the Board whereby Respondents were reprimanded and placed on probated suspension. In addition, Respondent must pay a \$1,000 administrative penalty and \$264.95 in administrative costs. Respondent was suspended from practicing before the IRS indefinitely from November 14, 2018 for failure to file a tax return for 2015, 2016 and 2017. In addition, Respondent failed to notify the Board of the suspension.³

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|----|---------------------------|-------------------------|-------------------------|--------------|
| 3. | Investigation No.: | 19-03-06L | Hometown: | Granbury, TX |
| | Respondent: | Gary Lee Pennington | Certificate No.: | 013008 |
| | Rule Violation: | 501.90(5) | | |
| | Act Violations: | 901.502(6), 901.502(11) | | |

Respondent entered into an ACO with the Board whereby the Board agreed to accept Respondent's involuntary surrender of his certificate in lieu of further disciplinary action. Respondent pleaded guilty to a DWI Second.³

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| 4. | Investigation Nos.: | 19-06-01L & 19-06-02L | Hometown: | Orcutt, CA |
| | Respondents: | Jacob Joseph Roldan &
Jacob Roldan, CPA | Certificate No.: | 099210 |
| | Rule Violations: | 501.90(4), 501.90(5) | Firm License No.: | R00853 |
| | Act Violations: | 901.502(6), 901.502(11) | | |

Respondents entered into an ACO with the Board whereby Respondent's certificate and Respondent Firm's license were revoked. Respondent pleaded no contest to felony Oral Copulation with a Person Under 18, Lewd Act Upon a Child and the misdemeanor offense of sexual battery.³

Technical Standards Committee

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

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|----|----------------------------|--|--------------------------|-----------------|
| 1. | Investigation Nos.: | 19-01-11L & 19-01-12L | Hometown: | San Antonio, TX |
| | Respondents: | Paul J. Fitzgerald &
Paul J. Fitzgerald, P.C. | Certificate No.: | 030129 |
| | Rule Violation: | 501.60 | Firm License No.: | C04941 |
| | Act Violations: | 901.502(6), 901.502(11) | | |

Respondents entered into an ACO with the Board whereby Respondents were reprimanded and Respondents' certificate and firm license placed on limited scope until a petition for removal is approved by the Board. Respondents are ordered to pay \$6,500 in administrative penalties and \$382.38 in administrative costs within 30 days of the Board Order. Respondents are prohibited from performing audits of automobile finance companies. Respondent Firm issued audit reports for automobile finance companies where Respondent and Respondent Firm failed to meet Generally Accepted Auditing Standards.²

2. **Investigation No.:** 06-06-10L **Hometown:** San Antonio, TX
Respondent: Amber Schatz **Certificate No.:** 073038

Respondent petitioned for reinstatement of her certificate as a CPA and entered into an ACO with the Board whereby Respondent's certificate was reinstated and placed on limited scope prohibiting her from performing audits, compilations and reviews. Respondent's certificate was revoked by a Board Order on November 9, 2006. Respondent issued audited financial statements for a company for which she lacked independence.²
3. **Investigation No.:** 16-05-01L **Hometown:** Lewisville, TX
Respondent: David Scott Hall **Certificate No.:** 037991

Respondent petitioned for reinstatement of his certificate as a CPA and entered into an ACO with the Board whereby Respondent's certificate was reinstated and placed on limited scope prohibiting him from performing audits, compilations and reviews. Respondent's certificate and license had been previously revoked on May 18, 2017 for failing to obtain sufficient audit evidence and failing to exercise due professional care in connection with audited financial statements filed with the Public Company Accounting Oversight Board.²
4. **Investigation Nos.:** 18-12-08L & 18-12-09L **Hometown:** New Braunfels, TX
Respondents: Frederick R. Matthews & **Certificate No.:** 012452
Frederick R. Matthews, L.L.C. **Firm License No.:** C08878
Rule Violation: 501.81
Act Violations: 901.401, 901.502(6)

Respondent Matthews entered into an ACO with the Board whereby Respondent Matthews was reprimanded and ordered to pay \$1,000 in administrative penalties and \$163.88 in administrative costs within 30 days of the Board Order. Respondent Firm was dissolved on January 10, 2019 and no action was taken against the firm. Respondent erroneously issued reviewed financial statements through a previously dissolved firm.²
5. **Investigation Nos.:** 19-03-01L & 19-03-02L **Hometown:** La Grange, TX
Respondents: Gregory Lee Trlicek & **Certificate No.:** 057479
Trlicek & Co., P.C. **Firm License No.:** C07660
Rule Violation: 501.81
Act Violations: 901.401, 901.461, 901.502(6), 901.502(11)

Respondents entered into an ACO with the Board whereby Respondents were reprimanded and ordered to pay \$1,000 in administrative penalties and \$218.50 in administrative costs within 30 days of the Board Order. Respondents issued audit reports for a school district when the license for the Respondent Firm was held, expired for failing to finalize the Respondent Firm's peer review.²
6. **Investigation Nos.:** 18-12-01L & 18-12-02L **Hometowns:** Beeville &
San Antonio, TX
Respondents: Gilbert Del Bosque & **Certificate No.:** 086913
Del Bosque & Park, PLLC **Firm License No.:** C06497
Rule Violation: 501.81
Act Violations: 901.401, 901.461, 901.502(6), 901.502(11)

Respondents entered into an ACO with the Board whereby Respondents were reprimanded and ordered to pay \$5,000 in administrative penalties and \$163.88 in administrative costs in accordance with the payment schedule outlined in the ACO. Respondents issued reviewed financial statements for a company which were submitted to the Texas Department of Transportation when the license for the Respondent was blocked and an administrative penalty was owed to the Board for failing to obtain the requisite continuing professional education hours necessary to maintain the license and the Respondent Firm's license was delinquent, expired.²
7. **Investigation No.:** 19-04-17L **Hometown:** Marietta, GA
Respondent: David Joseph Middendorf **Certificate No.:** 085311
Rule Violations: 501.90(1), 501.90(2)
Act Violations: 901.502(6), 901.502(10), 901.502(11)

Respondent entered into an ACO with the Board whereby Respondent surrendered his certificate in lieu of further disciplinary action. Respondent was convicted of one count of conspiracy to commit wire fraud and three counts of wire fraud in the U.S. District Court for the Southern District of New York.

B. Administrative Disciplinary Actions:

Mr. Ingram moved to approve the following Disciplinary Actions as presented. Mr. Koch 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 6)**

Investigation Numbers

19-06-10001 – 19-06-10058

19-07-10001 – 19-07-10038

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 7)**

Investigation Numbers

19-06-10058 – 19-06-10224

19-07-10039 – 19-07-10215

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 8)**

Investigation Numbers

19-06-10225 – 19-06-10235

19-07-10216 – 19-07-10228

XI. Mr. Peña moved to adopt the following Board *Rules* as presented on second reading. Mr. Ingram seconded the motion and it passed unanimously.

1. *Section 511.22 (Initial Filing of the Application of Intent)* **(ATTACHMENT 9)**
2. *Section 511.27 (Evidence from Foreign Residents of a Lack of a History of Dishonest or Felonious Acts)* **(ATTACHMENT 10)**
3. *Section 511.161 (Qualifications for Issuance of a Certificate)* **(ATTACHMENT 11)**
4. *Section 511.162 (Application for Issuance of the Certificate by Exam After Completion of the CPA Examination)* **(ATTACHMENT 12)**
5. *Section 512.4 (Application for Certification by Reciprocity)* **(ATTACHMENT 13)**
6. *Section 519.7 (Criminal Offenses that May Subject a Licensee or Certificate Holder to Discipline or Disqualify a Person from Receiving a License)* **(ATTACHMENT 14)**
7. *Section 519.21 (Investigations)* **(ATTACHMENT 15)**
8. *Section 519.29 (Voluntary Surrender of Certificate)* **(ATTACHMENT 16)**
9. *Section 519.95 (Reinstatement)* **(ATTACHMENT 17)**

- XII. Mr. Cavazos reviewed the schedule of future Board meetings.
- XIII. Mr. Cavazos adjourned the meeting at 12:10 p.m.

ATTEST:

Manuel Cavazos IV, Esq., CPA, Presiding Officer

Timothy L. LaFrey, Esq., CPA, Secretary

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

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

³Mr. Ingram and Mr. Peña recused themselves from participating in this matter.