

Texas State Board of Public Accountancy

July 16, 2020

The Texas State Board of Public Accountancy met virtually from 10:08 a.m. until 12:56 p.m. on July 16, 2020 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 July 6, 2020. (TRD #2020-003653).
(ATTACHMENT 1)

Board Members Present

Kelly V. Aimone, Esq.
Manuel Cavazos IV, Esq., CPA
Presiding Officer
Lisa A. Friel, CPA
Executive Committee
Member-at-Large
Jamie D. Grant
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
Jeannette P. Smith, CPA
Kimberly E. Wilkerson, Esq.
Executive Committee
Member-at-Large
Joyce A. Yannuzzi

Others Present

Kenneth Besserman, Esq.
Julie Davis
Felicia Farrar, CPA
Arthur Juarez
Jodi Ann Ray
Chris Smith
Larry Stevens

Staff Present

Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Ann Hallam, PMP
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Kyle McGaw
John Moore, Esq.
Julie Prien
Marisa Rios
William Treacy
Daniel Weaver

- I. Mr. Cavazos, Presiding Officer, called the meeting to order at 10:08 a.m. Mr. Treacy called roll and declared a quorum.
- II. Mr. Ingram moved to approve the May 14, 2020 Board meeting minutes as presented. Ms. Sharp 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 May 29 and July 15, 2020 virtual committee meetings.

May 29, 2020

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

Charles Cooley, CPA
Hope Everett
Jodi Ann Ray
Chris Smith

Staff Present

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

- Dr. Morris moved to approve the minutes of the virtual Executive Committee meeting held on May 29, 2020 as presented. Mr. Ingram seconded the motion and it passed unanimously.

Discussion of letter dated May 20, 2020 from Governor Abbott, Lieutenant Governor Dan Patrick and Speaker of the House Dennis Bonnen concerning prudent fiscal management by state agencies to address the economic ramifications of COVID-19.

Mr. Treacy briefed the committee on the May 20, 2020 letter from Governor Abbott, Lieutenant Governor Dan Patrick and Speaker of the House Dennis Bonnen, which request agencies to submit a plan identifying savings that will reduce general and general revenue related appropriations by five percent for the 2020-2021 biennium.

The committee reached a consensus that because the agency does not receive legislative appropriations, further action will be taken only if further information is requested by the Legislative Budget Board or the Governor's Office.

July 15, 2020

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

Kenneth Besserman, Esq.
Jodi Ann Ray

Staff Present

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

- A. Mr. Peña moved to approve the Board's financial statements as presented. Mr. Koch seconded the motion and it passed unanimously.
- B. Fiscal Matters:
1. Mr. Koch moved to approve the Board's FY 2021 budget as presented. Dr. Morris seconded the motion and it passed unanimously.
 2. Dr. Morris moved approve the FY 2021 Scholarship Allocation in the amount of \$750,000. Mr. Koch seconded the motion and it passed unanimously.
- C. Mr. Treacy reported the following:
- The agency was just informed that the building space passed the final inspection by the City of Austin and the certificate of occupancy is expected to be issued today. The agency was originally slated to move by the end of July, however, a delay in the internet connectivity for the new office created a setback. The agency was notified by AT&T that the fiber optic cable for our service was damaged and a repair will need to be installed, which may take several weeks due to COVID-19 issues. Our IR team continues to explore connectivity options.
- Although the agency's Hobby building lease ends at the end of July, we expect to be able to delay our move by several weeks. Mr. Treacy added that it may be necessary to pay rent on the new office space and for our existing office space for a short period.
- The COVID-19 work-from-home protocols and office staffing will remain in place so that we can continue to provide the best service possible to our clients and offer the staff alternative working conditions. These are extraordinary times, but it has still been all hands on deck to prepare for the move.
- Ms. Friel moved to authorize the executive director to continue negotiating the Board's existing lease with the Texas Facilities Commission on behalf of the Board. Mr. Koch seconded the motion and it passed unanimously.
- D. Mr. Treacy reported on NASBA/AICPA matters:
- NASBA dates of interest:

- a. Mr. Treacy reported on the Western Regional Meeting – June 2-4, 2020 - Virtual
 - b. 113th Annual Meeting – November 1-4, 2020
- E. Mr. Peña moved to approve the following professional service contract amendments. Ms. Smith seconded the motion and it passed unanimously.

FY 2020:

Independent consultant contract (SOAH litigation):

- Dubois Bryant & Campbell 7/1/20 – 8/31/20 \$36,500
(Increase contract by \$36,500 from \$87,750 to \$124,250)

Technical Standards Review consultant:

- Harper & Pearson, Co., PC 5/1/20 – 8/31/20 \$64,500
(Increase contract by \$64,500 from \$87,500 to \$152,000)

- F. No correspondence from the public was received.
- G. Mr. Treacy reported on the excerpt from the Customer Service Report, which is required to be included in the agency's Strategic Plan.
- H. Mr. Cavazos announced that any possible discussion and or action regarding the performance evaluation of the executive director will be heard at the end of the meeting.
- V. Mr. LaFrey, Rules Committee Chair, moved to publish the proposed repeal of Board *Rule 523.121 (CPE for Non-CPA Owners)* in the *Texas Register*. Dr. Morris seconded the motion and it passed unanimously.
- VI. Dr. Morris, Qualifications Committee Chair, reported on the July 9, 2020 virtual committee meeting.
 - A. Mr. Peña moved to authorize the staff to work with the committee to develop a response on behalf of the Board to NASBA regarding the revisions to the *Uniform Accountancy Act Model Rules*. Mr. Koch seconded the motion and it passed unanimously.
 - B. Dr. Morris informed the Board that the committee discussed accelerated degree programs offered at educational institutions and took no action.
 - C. Dr. Morris reported that the committee discussed the recognition of educational coursework completed as pass/fail or similar wording related to the awarding of academic credits and took no action.
 - D. Dr. Morris informed the Board that the committee discussed the ethics course requirements and unanimously approved to suspend the policy that the ethics course must be taught in a traditional face-to-face format annually and that the policy may be reconsidered at a later date.
 - E. Dr. Morris reported that extensions have been provided to candidates and unanimously recommends that the executive director provide future extensions to applicants, as needed, due the closures of Pro-metric testing centers resulting from Covid-19.
 - F. Dr. Morris reported that the committee had discussed electronic transcripts and unanimously authorized the continuation of accepting electronic transcripts provided to the Board by the educational institution or its agent. Furthermore, the committee recommends that this policy be incorporated into Board rules during the rule-review process.
 - G. Dr. Morris reported to the Board that the committee received NASBA's response to the AICPA *Exposure Draft: Maintaining Relevance of the Uniform CPA Examination* and no action was taken.
- VII. Mr. Weaver, Director of Licensing, reported on the status of the fingerprinting process and on the Unauthorized Practice of Public Accountancy.
- VIII. Mr. Peña, Behavioral Enforcement Committee Chair, reported on the following committee meeting:

April 22, 2020

Members Present

Charles B. Allison, CPA
Patrick Durio, CPA
James D. Ingram IV, CPA
Karen Jones, CPA
Kevin Koch, CPA
Benjamin Peña, CPA
Debra S. Sharp

Members Absent

John Pearce, Esq., CPA

Staff Present

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

- A. Dr. Morris moved to dismiss Investigation Nos. 19-12-10L¹ and 19-12-11L¹ based on voluntary compliance with the *Act* or the *Rules*. Ms. Yannuzzi seconded the motion and it passed. The BEC members did not participate in the vote.
 - B. Other – The committee considered 10 other matters during its meeting; however, these matters do not require Board action at this time.
 - C. The next committee meeting was scheduled for August 5, 2020 at 9:15 a.m.
- IX. Mr. Johnson, Technical Standards Review Committee Chair, reported on the following committee meeting:

May 14, 2020

Members Present

Kelly V. Aimone, Esq.
Lisa A. Friel, CPA
Pete M. Gonzales, CPA
Jamie Grant
Jeffrey L. Johanns, CPA

Ross Johnson, CPA
Robert M. McAdams, CPA
Debra Seefeld, CPA
Dilliana Stewart, CPA
Juliet Williams, CPA

Staff Present

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

- A. Mr. Ingram moved to deny a request from **Investigation No. 19-12-03A²** for a waiver of the provisions of Board *Rule* 527.5. Mr. Koch seconded the motion and it passed. The TSR committee members did not participate in the vote.
 - B. Mr. Ingram moved to deny a request from **Investigation No. 16-05-01L²** to lift the limitation of scope sanction. Mr. Koch seconded the motion and it passed. The TSR committee members did not participate in the vote.
 - C. Other – The committee considered 11 other matters during its meeting; however, these matters do not require Board action at this time.
 - D. The next committee meeting was scheduled for July 16, 2020 at 12:00 p.m.
- 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 (ACOs) and administrative disciplinary actions:

A. Agreed Consent Orders:

Behavioral Enforcement Committee

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

1. Investigation Nos.:	09-03-05L & 09-07-15L	Hometown:	Manor, TX
Respondent:	Veronica Lynn Kumpf	Certificate No.:	074674

Respondent entered into an ACO with the Board whereby Respondent's certificate was conditionally reinstated and Respondent was placed on a one year probated Revocation during which time Respondent would be required to pay the administrative costs and penalties assessed when her certificate was revoked. Respondent practiced with a delinquent, expired license, failed to complete clients' tax returns, failed to return client records and failed to respond to Board communications.¹

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| 2. | Investigation No.: 18-05-03L | Hometown: Irving, TX |
| | SOAH Docket No.: 457-20-3218 | Certificate No.: 092976 |
| | Respondent: Viswanath Palepu | |
| | Rule Violations: 501.81, 501.93 | |
| | Act Violations: 901.502(6), 901.502(11) | |

Respondent entered into an ACO with the Board whereby Respondent was reprimanded. In addition, Respondent must pay an administrative penalty of \$500 and administrative costs of \$1,041.45 within 30 days of the Board Order. Respondent failed to take recommended corrective action regarding his firm license and failed to respond to Board communications in a timely manner.³

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| 3. | Investigation Nos.: 19-08-03L & 19-08-04L | Hometown: Mesquite, TX |
| | Respondents: Gregory Brian Porter & Gregory Brian Porter (Firm) | Certificate No.: 068747 |
| | | Firm License No.: T03176 |
| | Rule Violations: 501.80, 501.81 | |
| | Act Violation: 901.502(6) | |

Respondent entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay an administrative penalty of \$1,000 and \$527.71 in administrative costs within 30 days of the Board Order. Respondent held himself out as a CPA while his license was expired and practiced public accountancy through an unregistered entity.¹

Technical Standards Review Committee

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

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| 1. | Investigation No.: 20-02-05L | Hometown: Benbrook, TX |
| | Respondent: Linda L. Hawkins | Certificate No.: 052884 |
| | Rule Violations: 501.60, 501.93, 527.4 | |
| | Act Violations: 901.159, 901.502(6), 901.502(11) | |

Respondent entered into an ACO with the Board whereby Respondent's certificate and license were revoked and Respondent is ordered to pay \$10,000 in administrative penalties and \$118.89 in administrative costs within 30 days of the Board Order. Respondent issued, reviewed, and compiled financial statements without her firm being enrolled in the AICPA Peer Review Program. Respondent also failed to respond to written communications from the Board.²

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| 2. | Investigation Nos.: 19-12-05L & 19-12-06L | Hometown: Austin, TX |
| | Respondents: Donald K. McPhee & PMB Helin Donovan, LLP | Certificate No.: 053069 |
| | | Firm License No.: P05374 |
| | Rule Violation: 501.90(7) | |
| | Act Violations: 901.502(6), 901.502(11) | |

Respondents entered into an ACO with the Board whereby Respondent McPhee was placed on limited scope prohibiting him from serving, or supervising the work of another person who is serving, as an engagement partner, engagement quality reviewer, or similar capacity, or exercising signature authority, in the performance of audits, compilations and reviews conducted pursuant to Public Company Accountability and Oversight Board (PCAOB) audit standards. This limitation is imposed for a period of two years from the date of the PCAOB Order whereby Respondent Firm was placed on limited scope prohibiting it from performing audits, compilations and reviews conducted pursuant to PCAOB audit standards. This limitation is imposed for a period of two years from the date of the PCAOB Order and until such time as the PCAOB may grant any future application of the Firm for registration, whichever is later. Respondent McPhee is ordered to pay an administrative penalty of \$10,000, Respondent Firm is ordered to pay an administrative penalty of \$20,000 and Respondents are ordered to pay administrative costs of \$346.90 within 30 days of the Board order. Respondent McPhee and Respondent Firm were the subjects of a PCAOB Order in PCAOB Release No. 105-7019-031, styled *In the Matter of PMB HELIN DONOVAN, LLP and DONALD K. MCPHEE, Respondents*, dated December 17, 2019. The PCAOB Order accepted Offers of Settlement submitted by Respondents who, without admitting or denying the PCAOB's findings, agreed to the disciplinary measures imposed by the PCAOB.²

B. Administrative Disciplinary Actions:

Mr. Peña moved to approve the following Disciplinary Actions as presented. Mr. Ingram 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 2)**

Investigation Numbers

20-02-10001 – 20-02-10051

20-03-10001 – 20-03-10055

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 3)**

Investigation Numbers

20-02-10052 – 20-02-10218

20-03-10124 – 20-03-10268

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 4)**

Investigation Numbers

20-02-10219 – 20-02-10235

20-03-10269 – 20-03-10289

- XII. Dr. Morris moved to adopt the following Board Rule as presented. Mr. Peña seconded the motion and it passed unanimously.

- *Section 511.57 Qualified Accounting Courses (ATTACHMENT 5)*

- XIII. At 12:01 p.m., Mr. Cavazos announced that the Board will be going into Executive Session in order to conduct the annual performance evaluation of the executive director pursuant to *Section 551.074(a)(1) of the Open Meetings Act*.

At 12:54 p.m., Mr. Cavazos announced in Open Session that the board was coming out of Executive Session. In open meeting, Dr. Morris moved to approve a 4.5% salary increase effective July 1, 2020 and a one-time salary adjustment of \$10,000 effective August 1, 2020 for the executive director. Mr. Ingram seconded the motion and it passed unanimously.

- XIV. Mr. Cavazos adjourned the meeting at 12:56 p.m.

ATTEST:

Manuel Cavazos IV, Esq., CPA, Presiding Officer

Timothy L. LaFrey, Esq., CPA, Secretary

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

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

³*Mr. Ingram, Mr. Peña, and Ms. Sharp recused themselves from participating in this matter.*