



TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Self-Directed, Semi-Independent Agency Report

Texas Government Code

*Chapter 472
Section 472.104*

January, 2025



**TEXAS STATE BOARD
of PUBLIC ACCOUNTANCY**

William Treacy, Executive Director

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January 13, 2025

Honorable Greg Abbott, Governor
Honorable Dan Patrick, Lieutenant Governor
Honorable Dade Phelan, Speaker of the House

Gentlemen:

We are pleased to submit the Texas State Board of Public Accountancy's report as required by Section 472.104 (a), Chapter 472 of the Texas Government Code. In addition to an overview for this agency, the report contains the requirements specified in Section 472.104 (a) as follows:

(a) An agency shall submit to the legislature and the governor by the first day of the regular session of the legislature a report describing all of the agency's activities in the previous biennium. The report shall include:

- (1) an audit required by Section 472.103;*
- (2) a financial report of the previous fiscal year;*
- (3) a description of any changes in licensing fees;*
- (4) a report on the number of examination candidates, licensees, certificate holders, and enforcement activities and any changes in those figures; and*
- (5) a description of all new rules adopted or repealed.*

If you have any questions, please call Lorna Schwimmer-Staggs, CPA, at (512) 305-7815.

Sincerely,

TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY

WILLIAM TREACY
Executive Director

Enclosure

xc: TSBPA Executive Committee

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SECTION A

Self-Directed, Semi-Independent Agencies

Self-Directed, Semi-Independent Agency Overview:

I. Agency Progress as Self-Directed Semi-Independent Agency

For the past 23 fiscal years, the Texas State Board of Public Accountancy (Board) has operated as a Self-Directed, Semi-Independent (SDSI) agency pursuant to *Chapter 472* of the *Government Code*. Without receiving appropriations, the Board's budget is established to cover all direct and indirect costs of operating the agency.

The most challenging task facing the Board is to provide services that protect the public. To meet this challenge, the Board must be able to hire qualified staff and avail itself of other resources necessary to carry out its functions. With implementation of SDSI, the Board has the flexibility to respond to the changing needs of a global profession. SDSI status allows the Board to function in a more business-like manner to meet the challenges of the 21st century.

Since becoming a SDSI agency, the number of individual licensees has increased by 33% (annualized growth rate 1.43%), and the number of exam candidates has increased by over 87% (annualized growth rate 2.77%). At the same time, the agency's annual number of Full Time Equivalents has declined from 39.4 to 35.7 as the result if increased use of automation. While the licensee population has increased, the average number of days to issue a license has decreased from 7-10 days to 1.07 days.

Additionally, over the same time the rate of enforcement violations has decreased. A series of innovative programs instituted by the Board may have influenced this reduction in violation rates:

- The Board's Continuing Professional Education Program (CPE) helps ensure that licensees serve the public in a competent manner. CPE requirements support licensees' technical competence and knowledge of current accounting methods.
- The Board established stronger ethics requirements for licensees and exam candidates.
- The Board approved changes to its continuing professional education *Rules*, which allows licensees to receive CPE credit for sponsored nano learning and blended learning courses.
- The Board initiated the first-in-the-country Sponsor Review Program. This program is charged with ensuring that CPE sponsors comply with the Board's rules, and their courses enhance the professional competence of licensees. The program monitors Board registered CPE sponsors and their courses, emphasizing high-quality education and compliance with professional standards.

- The Board's Peer Review Program may have also contributed to the decline in violation rates. The Peer Review program provides for a review of the work product of persons or firms practicing public accountancy in order to monitor adherence to quality control standards adopted by practitioners and the profession.
- The Board's Public Education Program provides a coordinated system of public information to provide all interested parties with information concerning the *Public Accountancy Act (the Act)*, as well as Board rules and procedures.
- The Board's Peer Assistance Program, established under the Texas Health & Safety Code, is administered by the Texas Society of CPAs. By law, all of the program's communications and records are confidential, and staff and volunteers are prohibited from reporting or releasing any information to the Board in disciplinary matters without the CPA's permission.

As an SDSI agency, the Board has implemented online processing of exam candidate applications and individual and firm license renewals. Licensees may also use the online system to input CPE hours. Currently, participation by licensees in the online system is nearly 99 percent.

II. Agency Engagement with National Issues of Public Accounting

Faced with the magnitude of the issues facing the field of public accounting, the Board has emerged as a leader among the 55 state and territorial boards of accountancy, and many of its programs serve as models for other jurisdictions:

- Texas standards for earning and maintaining a certificate are among the highest in the country.
- Texas was among the first states to facilitate mobility with legislation creating a practice privilege for out-of-state licensees.
- Board members and staff participate actively in national and international organizations within the accounting profession to remain at the forefront of this changing environment.
- The Board has strict ethics course requirements for both candidates and licensees.
- The Board requires peer review every three years for any firm providing attest services.
- The Sponsor Review Program helps ensure good-quality CPE for Texas CPAs by reviewing what is being offered to Texas CPAs.
- The Board actively pursues alleged instances of the unauthorized practice of public accountancy.
- Technological advances have been put into place to handle applications, payments, and renewals more efficiently, and candidates and licensees now have the ability to access their records online. Board forms are interactive for user-friendliness.
- The Board communicates with its licensees by means of a quarterly newsletter, available in print and electronic format. The Board also utilizes website posts, email blasts, infographics, and social media to share relevant and timely news and updates with licensees and candidates.

- The Board is converting files and documents to a digital format for better data storage.
- The Board is making more funds available to accounting students with the goal of increasing the number of CPAs in Texas.
- As part of its outreach efforts, the Board has developed an electronic presentation that answers questions about the profession and the licensing process.

Providing quality services depends on being able to respond in a timely manner to public inquiries, requests for information and publications, complaints, and public hearings. It depends on having sufficient staff to answer incoming telephone calls from a growing profession and the public and sufficient monies to fund its programs. Finally, it depends on being able to hire and retain the most qualified staff available. To this end, the Board has reviewed and reclassified a number of positions to better reflect the level of work required of employees in those positions. The agency hires with an eye for choosing employees with the education and/or experience that will allow them to advance to positions of greater responsibility.

CPA Pipeline

The demand for the services CPAs can provide is at an all-time high across the United States. The number of graduates entering the CPA profession is not keeping pace with the number of retirements. Various factors, related to demographic trends, professional demands, and student choices may have contributed to this CPA pipeline dilemma. Some of these factors have been years in the making:

- U.S. birthrates
- COVID-19
- Overall college and university enrollment
- Cost of higher education
- The number of accounting graduates
- The number of CPA Examination candidates
- Cost of the CPA Exam
- Navigating CPA Exam changes and score release schedules
- Pay and work schedules for entry-level accountants

Some attribute the pipeline crisis to the 150-credit hour requirement required for licensure, which has been the law in most states and jurisdictions since the year 2000. This educational requirement is one of the cornerstones of substantial equivalency recognition and CPA mobility to practice across jurisdictional boundaries without necessitating additional licensure.

The American Institute of CPAs (AICPA) and National Association of State Boards of Accountancy (NASBA) issued an exposure draft on a CPA Competency-Based Experience Pathway and the Uniform Accountancy Act. Their proposal would reduce the education needed to obtain a license by adding to the work experience requirement. Boards of Accountancy and stakeholders across the U.S. considered this proposal. The Board engaged stakeholders from TXCPA, Texas practitioners, and accounting educators to discuss its impact. The Board responded to these exposure drafts that more information was needed.

2023 amendments to the Public Accountancy Act and subsequent Board Rule changes may help address the decline in the number of individuals taking the CPA

Exam in Texas. The 2023 education changes reduced the requirements for students to begin taking the CPA Exam to the following:

- A baccalaureate degree
- 120 semester credit hours of academic coursework
- 21 semester credit hours of upper-level accounting coursework
- 24 semester credit hours of upper-level business coursework

After passing the CPA Exam, individuals must provide evidence of completing additional education requirements and work experience:

- Additional semester credit hours of academic coursework to total 150 credit hours
- 6 additional semester credit hours of upper-level accounting coursework
- 3 semester credit hours of accounting ethics
- One year of accounting work experience supervised by a CPA

New Initiatives

Applicant Reassessment Program

The Applicant Reassessment Program was created to prevent COVID-19-related hardships from derailing the CPA aspirations of exam candidates. As of January 10, 2025, 214 individuals have requested and received reinstatement of exam credits that expired as the result of COVID-19 hardships. 42 of these have become licensed CPAs.

Exam Fee Financial Aid (EFFA) Program

In October of 2024, the Board initiated the Exam Fee Financial Aid program to provide financial assistance to Texas applicants in the process of taking the CPA Exam who find the cost of the exam to be a financial hardship. The program reimburses individuals for the cost of the first exam section passed, which may help with financial need for additional exams and encourage completion of CPA requirements.

III. Sunset Review

The mission and performance of the Board were evaluated by the Sunset Advisory Commission (SAC) most recently in 2019. The final report of the SAC includes a recommendation to the Legislature to continue the agency for 12 years.

IV. Changes to the Uniform CPA Examination

The latest version of the Uniform CPA Examination was launched on January 1, 2024. The CPA Evolution Initiative, launched prior to the COVID pandemic, is based on the transformation of the profession to meet the growing and changing needs of the marketplace. The new CPA licensure and CPA Exam model is a Core + Discipline model. The model starts with a robust core in accounting, auditing, and tax that all candidates have to complete. Then, each candidate must choose a Discipline section in which to demonstrate greater skills and knowledge. Technology knowledge and skills are tested in all sections, as it pertains to each section. Regardless of a candidate's chosen discipline, this model leads to a full

CPA license, with rights and privileges consistent with any other CPA. The new Disciplines reflect three pillars of the CPA profession:

- Business analysis and reporting (BAR)
- Information systems and controls (ISC)
- Tax compliance and planning (TCP)

V. Scholarship Fund

The Board's scholarship program provided 4,681 scholarships totaling over \$11.5 million over the past 14 academic years (2010–2024). Scholarships were established in 1991 to aid disadvantaged students needing assistance in financing a fifth year of college often necessary to meet increasing educational requirements to take the CPA Exam. The Texas Legislature later transferred administration of the accounting scholarship trust fund for accounting students from the Texas Higher Education Coordinating Board to the Board (*House Bill 2440*, 81st Legislature, 2009 and *Senate Bill 777*, 82nd Legislature, 2011). Starting in fiscal year 2024, the program was expanded to include any accounting students with financial need with at least 15 hours of upper-level accounting coursework.

The Act provides for the establishment and maintenance of the scholarship program. It is funded by Texas CPAs who contribute a legislatively mandated \$10 fee to the scholarship program through their annual license renewal. Funds are allocated to Texas colleges and universities, whose financial aid offices make the decisions on providing scholarships to individual students. An online system was developed by agency staff to integrate the Board's enterprise database to provide for colleges and universities to submit student awards online which are verified with the Board's database for eligibility. No administrative costs were assessed by the Board to administer the scholarship program.

VI. New CPA Certificates Issued

The Board has issued Texas CPA certificate number 127,271 as of December, 2024. It took 56 years, from 1915 to 1971, to license the first 10,000 CPAs in Texas, but it took under 4 ½ years to go from 115,000 to 125,000.

In-person Swearing-in Ceremonies resumed at the end of calendar year 2021 following the pandemic. In the last 2 years, they were held at the Palmer Events Center in Austin, Texas, on June 25, 2023, December 10, 2023, and June 22, 2024. The next event is scheduled for January 25, 2025.

VII. Unauthorized Practice of Public Accountancy

Bookkeepers and accounting graduates alike (even those with accounting degrees who have passed the exam but have not yet been licensed) are in violation of the *Act* if they use terms that wrongly suggest that they are CPAs. This includes any derivations of the words *accounting* or *auditing*.

The *Act* applies to any business (including CPA firms) offering accounting services to the public. A business that does not offer bookkeeping or related services to the public may have an internal accounting department and refer to its employees as

accountants. If employees of such a business leave their positions and establish bookkeeping businesses on their own, they are not entitled to hold themselves out to the public as accountants even though they held that job title in their previous employment.

In order to protect the public, the Board pursues anyone believed or reported to be illegally using these terms in promotional materials, resumes, business cards, letterhead, or any other usage because it asserts an expertise in accounting that the person may not have. Using these terms constitutes the unauthorized practice of public accountancy (UPPA).

The Board awarded a contract for a statewide opinion survey to obtain the public's perception of persons or firms using the terms accountant, accounting services, and/or auditor or auditing services. The survey results indicated that a large majority of Texans believe people representing themselves to be accountants, auditors, or offering accounting or auditing services are licensed by the Texas Board when this is not always the case. The survey determined that the public continues to share the same views evidenced in earlier surveys.

For the past two years, this agency has opened 958 cases and closed 604 cases.

VIII. Ethics

The Board has extended its emphasis on ethics training to include exam candidates. Since July 1, 2005, initial exam candidates have been required to complete a Board-approved three-hour college ethics course.

IX. Enforcement

The Board continues to periodically experience cases which entail substantial staff resources and litigation expenses. SDSI has enabled the Board to timely address these cases and to obtain the needed resources without emergency measures. The Board has contracted with outside consultants and legal counsel and utilized staff from the Office of the Attorney General on an as needed basis. This results in a substantial cost savings because it avoids the need to continuously maintain staff in anticipation of possible "major case" events.

X. Constructive Enforcement

CPAs statewide serve as the eyes and ears for the Board in identifying CPAs who may not be complying with the *Act* or orders of the Board and in acquiring information and documentation of *Act* violations. These CPA's are also available to provide testimony on behalf of the Board.

XI. Online processing for exam and license fees

Exam candidates may apply for one to four sections of the exam through the Texas Online ePay system. On-line applications account for 100% of the total applications.

Licensees utilize online payments for individual license renewals through the Texas On-line ePay system. The online annual renewal process provides for the processing of fees and information online. Requirements for CPE are integrated

with the Board's Sponsor Review Program to ensure licensees are participating in quality education programs. Online renewals account for almost 99% of the total individual renewals as of the first quarter of FY 2025.

Firms renew and pay online for their annual firm license renewal. Online renewals account for over 97% of the total firm license renewals.

XII. Peer Review - Preparation Engagements and Peer Review

The implementation of the Statement on Standards for Accounting and Review Services No. 21, Statements on Standards for Accounting and Review Services (SSARS 21) was reported as the most significant change in the AICPA review standards since the 1970s. It was expected to take a minimum of three to six years for the impact to be fully realized at the firm level. Of almost equal importance in light of the significant changes, would be the communication and shift in meeting the needs of the firm's clients and related third party constituents (primarily banks) who were accustomed to the prior service offerings. Where previously a compilation was required or expected, the CPA firm could now offer the less onerous preparation engagement (which was no longer subject to peer review in most circumstances).

A myriad of factors might influence a firm's decision to continue with higher risk engagements. A shift in firm personnel, a change of ownership through acquisition or merger, a change of firm culture aimed to enhance riskier client engagements, and adoption of new practice standards are all critical areas of concern for the Board and warrant a consistent and timely application of the peer review program standards to mitigate the public's risk. Invariably, a firm that is not meticulous in their attention to these details ends up with a deficient peer review. The program works.

As firms have adopted the use of preparation engagements as their highest level of service allowing them to opt out of the peer review program, the number of firms subject to peer review has dropped significantly since the initial adoption of preparation engagements for reviews occurring after December 15, 2015. The peer review cycle for each subsequent review is three years and six months after the year end of the previous review (§527.4 (c)). A firm that submitted a peer review for a compilation in 2015 would not be due for a subsequent review until 2018. By that time the availability of a preparation engagement was a welcome alternative and hundreds of firms have taken advantage.

The overall number of firms performing reviewable engagements has been declining. This could be due to a several factors, including firms choosing to shift away from compilation engagements, retirement of attest practitioners, and firms undergoing mergers or acquisitions. The count of Texas firms subject to peer review at the end of FY 2020 was approximately 2,400, and by the end of FY 2024, the count had fallen to fewer than 1,800. Nationally, only five states continue to allow no peer review if the highest level of service is a compilation (Oklahoma, Arkansas, Kansas, New York, and Pennsylvania). This is not the national norm, and it is not in line with the AICPA program standards that are adopted by the Board for the peer review program.

XIII. Information Technology Modernization and Security

The Information Resources (IR) department has been diligently maintaining and upgrading hardware, applications, and networks, while also implementing new

technology solutions to support staff, enhance the client experience, and strengthen security. Currently, the Board is embarking on a multi-million-dollar initiative to update its legacy systems. This update aims to provide improved maintainability, easier talent acquisition, enhanced scalability, better integration with new technologies, faster development, and stronger security features. The current system relies on COBOL/IBM technology, which has a shrinking pool of skilled programmers and support, leading to high costs and other challenges. By leveraging modern technologies, the new system is ultimately expected to reduce costs and streamline operations.

SECTION B

Section 472.104 (a) (1) an audit required by Section 472.103

The most recent audit of this agency conducted by the State Auditor's Office was issued in December, 2017. The State Auditor's Office *Overall Conclusion* is attached.

The following is a list of audits and reviews of this agency during the past two years:

Internal Audit Program:

The agency's internal audit program was established over 30 years ago in 1993. With the elimination of the annual \$200 fee for accountants and other licensed professionals in Texas (*HB 7*, effective September 1, 2015), the Board does not meet any of the three criteria requiring an internal audit as provided for in *Chapter 2102, Section 2102.004, Texas Government Code*.

Texas Workforce Commission Civil Rights Division Review of Personnel Policies and Procedural Systems.

Pursuant to the Texas Labor Code Sections 21.451-456, this report is submitted to the Governor, Lieutenant Governor, Speaker of the House of Representatives, and the Legislative Budget Board. The most recent review report was issued on January 9, 2025.

State Office of Risk Management Risk Management Program Review.

Pursuant to the *Chapter 412, Texas Labor Code*, the most recent review report was issued on February 7, 2023.



An Audit Report on
The Board of Public Accountancy:
A Self-directed, Semi-independent Agency

December 2017
Report No. 18-007



An Audit Report on

The Board of Public Accountancy: A Self-directed, Semi-independent Agency

SAO Report No. 18-007
December 2017

Overall Conclusion

The Board of Public Accountancy (Board) had controls to accurately report financial data and appropriately set fees and assess penalties.

Financial Reporting and Financial Processes. The **Board's fiscal year 2016 annual financial report** was accurate, complete, and properly reported. The Board had effective financial processes and controls over revenues, expenditures, and other financial information to help ensure that it accurately reported key financial statement amounts.

Scholarship Program. The Board had effective processes and related controls to help ensure that it administered its Fifth-year Accounting Student Scholarship Program in compliance with statutes and rules. It awarded a total of \$1,741,800 in scholarship funds in academic years 2015-2016 and 2016-2017.

Fees and Penalties. The Board had a documented process for setting fees that was based on its budgetary needs, and it complied with statutes and rules when calculating license fees from September 1, 2015, through May 31, 2017. The Board also had a documented process to assess penalties consistently and in compliance with statutory requirements. However, the Board did not have documented policies and procedures for abating penalties for the late payment of license fees; as a result, it did not always document its decision to abate penalties for the late payment of license fees.

Self-directed, Semi-independent (SDSI) Reporting. The Board complied with the SDSI reporting requirements of Texas Government Code, Section 472.104. However, it did not accurately report in its annual SDSI report the results for one of the two performance measures tested for fiscal year 2016.

Information Systems. The Board should address certain weaknesses related to user access and change management. To minimize security risks, auditors communicated details about certain issues directly to the Board in writing. However, auditors did not identify any significant issues regarding the reliability of data in the Board's information systems.

Auditors communicated other, less significant issues to Board management separately in writing.

Background Information

The Board of Public Accountancy (Board) regulates the public practice of accounting in Texas. Its major functions include licensing and continuing professional education, qualifications (examination), enforcement, and peer review.

Effective September 1, 2001, the Board became a self-directed, semi-independent (SDSI) agency. It is permitted to continue as an SDSI agency until at least September 1, 2019, when it will be subject to sunset review.

The Board establishes its own budget, which must be supported with the revenue the Board generates. Its governing board includes 15 members and, as of August 15, 2017, the Board regulated 74,000 certified public accountants.

Sources: Texas Government Code, Texas Occupations Code, and the Board.

This audit was conducted in accordance with Texas Finance Code, Section 16.004; Texas Government Code, Section 472.103; and Texas Occupations Code, Section 1105.004.

For more information regarding this report, please contact Michael Simon, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating ^a
1	The Board Had Effective Controls to Help Ensure the Accuracy and Completeness of Its Financial Data	Low
2	The Board Had Effective Controls to Administer Its Fifth-year Accounting Student Scholarship Program in Compliance with Statutes and Rules, But It Should Formalize Its Reallocation Process and Implement Controls to Help Ensure the Accuracy of Scholarship Data	Low
3	The Board Had a Budget Process and Complied with Requirements for Setting Fees and Imposing Penalties; However, It Should Formalize Its Processes for Assessing Direct Administrative Costs and Abating Penalties for the Late Payment of Fees	Medium
4	The Board Complied with SDSI Reporting Requirements, But It Should Improve Its Performance Measure Reporting	Low
5	The Board Should Strengthen Certain Controls Over Passwords, User Access, and Change Management; It Should Also Comply with Certain Requirements in the Texas Administrative Code	High

^a A chapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter is rated Low if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Summary of Management's Response

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. In its responses, the Board specified the actions that it asserts it has taken or that it plans to take to address the recommendations.

Audit Objectives and Scope

The objectives of this audit were to:

- Determine whether the Board has processes and related controls to help ensure the accuracy and completeness of financial and performance data.

Texas Workforce Commission

A Member of Texas Workforce Solutions

Bryan Daniel, Chairman
Commissioner
Representing the Public

Alberto Trevino III
Commissioner
Representing Labor

Joe Esparza
Commissioner
Representing Employers

Edward Serna
Executive Director

January 9, 2025

VIA EMAIL ATTACHMENT

William Treacy, Executive Director
Texas State Board of Public Accountancy
505 E. Huntland Dr., Ste 380
Austin, Texas 78752

Re: CERTIFICATION LETTER - Texas Workforce Commission Civil Rights Division Review of Personnel Policies and Procedures System.

William Treacy,


The Texas Workforce Commission Civil Rights Division (the “Division”) has completed the review of the personnel policies and procedures system of your agency/institution of higher learning (“agency”) under Texas Labor Code §§ 21.451 – 21.456. Based on that review and your implementation of recommendations, I hereby certify that your agency’s system complies with Texas Labor Code Chapter 21.

As specified in the Texas Labor Code, §21.454, your agency must submit a report to the Governor, the Legislature, the Legislative Budget Board, and the Civil Rights Division within 60 days. A sample report format is attached. Please provide an electronic copy of the report to the Civil Rights Division’s EEO Compliance Monitor.

Although this review is now concluded, your agency is scheduled for its next review in six (6) years. The Division may advance or delay this schedule up to one year to account for the abolishment or combination of agencies and the creation of new agencies. In addition, if a risk assessment indicates a need for more frequent review, such review may be conducted pursuant to Texas Labor Code §21.453(a-1). Until your next review, we are available for technical assistance under Texas Labor Code §21.003(a)(5).

Thank you for the opportunity to work with your staff. If you have questions, please contact, Jessianna Marshall, EEO Compliance Monitor, at (737) 667-5960 or jessianna.marshall@twc.texas.gov.

Sincerely,



Bryan Snoddy, Director
Civil Rights Division

cc: Maria Lagunas, Manager

Findings and Recommendations: None

Observations and Best Practices: None

 x Certified as in compliance

 Certified as in compliance after implementing recommendations

 Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements

SIGNATURES:



CEO Compliance Monitor

Month Day, Year
January 9, 2025
Date



Director

Month Day, Year
January 9, 2025
Date



Risk Management Program Review Report

Texas State Board of Public Accountancy

February 7, 2023

Conducted by:
David Woodfork, Enterprise Risk Specialist





State Office of Risk Management

300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.STATE.TX.US

February 7, 2023

William Treacy
Executive Director
Texas State Board of Public Accountancy
505 E. Huntland Drive, Suite 380
Austin, TX 78752-3757

Agency #457

Re: Risk Management Program Review (RMPR)

Dear William Treacy,

The State Office of Risk Management (SORM) conducted a Risk Management Program Review (RMPR) with the Texas State Board of Public Accountancy on February 7, 2023. The consultation was conducted under the authority of the Texas Labor Code, Title V, Subtitle A, Chapter 412, and is designed to assist state agencies with developing and implementing comprehensive risk management programs that meet the Texas Enterprise Risk Management (TERM) Guidelines.

EXECUTIVE SUMMARY

The review period covered FY18 through February 2023. The following individuals participated during the RMPR:

- **State Office of Risk Management (SORM)**
 - David Woodfork, Enterprise Risk Specialist
- **Texas State Board of Public Accountancy (TSBPA)**
 - Maria Lagunas, Staff Services Officer
 - Lorna Schwimmer-Staggs, Director of Accounting

The following SORM core mission areas were discussed:

- Workers' Compensation: TSBPA submitted zero claims during the review period, FY18 through February of 2023, which incurred \$0 in medical costs and other income benefits.
- Insurance: TSBPA is currently participating in the following lines of insurance: Auto,

Property, and Directors' and Officers'.

- Continuity of Operations (COOP): SORM received and reviewed the TSBPA COOP plan in FY14. Recommendations for improving the plan were provided to the agency.
- Training: TSBPA has taken advantage of several of SORM's complimentary training, including Driving Safety, Directors' & Officers'/Property Symposium, and Workers' Compensation Claims Coordinator Training.

Noteworthy observations made during the consultation include the following:

- TSBPA has not submitted a claim for workers' compensation loss since July 2008.
- The TSBPA Health & Safety Manual (updated in October of 2022) contains an excellent, signed statement from the Administrative Services Coordinator committing herself and the agency to the safety and well-being of all agency employees.
- Agency documents emphasize the practice of "maximum results – minimum waste"; A good practice for overseeing state assets.
- At the end of the program review, an office walkthrough of TSBPA was conducted, and the office appears to follow TSBPA's standard of safety.

Opportunities for improvement of the agency's risk management program and any action items are included in the attached report.

We hope you take a moment to complete our [Customer Service Survey](#) to let us know how we did during our visit. We appreciate your feedback to help us enhance future visits for our client agencies and institutions.

Please convey my sincere appreciation to the staff at the Texas State Board of Public Accountancy for their cooperation and assistance during the consultation. If you have any questions or concerns regarding the information detailed in this report, please contact me by either phone at 512-936-1570 or email at david.woodfork@sorm.texas.gov.

Sincerely,



David Woodfork
Enterprise Risk Specialist
State Office of Risk Management

SECTION C

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Self-Directed, Semi-Independent Agency Report
Texas Government Code, Chapter 472, Section 472.104 (a)

Section 472.104 (a) (2) a financial report of the previous fiscal year

Please see the Board's *Annual Financial Report* for the year ended August 31,
2024 (attached).

Texas State Board of Public Accountancy



Annual Financial Report

For the Fiscal Year Ended August 31, 2024

www.tsbpa.texas.gov

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2024

WILLIAM TREACY
EXECUTIVE DIRECTOR

Prepared by: Lorna Schwimmer-Staggs, CPA
Director of Accounting
(512) 305-7815



**TEXAS STATE BOARD
of PUBLIC ACCOUNTANCY**
William Treacy, Executive Director

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October 31, 2024

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty II, Director, Legislative Budget Board
Lisa R. Collier, CPA, CFE, CIDA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas State Board of Public Accountancy for the year ended August 31, 2024, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Lorna Schwimmer-Staggs, CPA, at (512) 305-7815.

Sincerely,

TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY

WILLIAM TREACY
Executive Director

Enclosure

xc: Legislative Reference Library
Texas State Library

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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2024

MEMBERS OF THE BOARD (As of August 31, 2024)

Debra D. Seefeld, CPA, Presiding Officer.....	Georgetown
Jeannette P. Smith, CPA, Assistant Presiding Officer & Secretary	Mission
Olivia Espinoza-Riley, CPA, Treasurer.	Addison
Ray R. Garcia, CPA, Executive Committee Member-at-large	Houston
Jamie D. Grant, Executive Committee Member-at-large	Arlington
Jill A. Holup, Executive Committee Member-at-large.....	Austin
Susan I. Adams, CPA.....	Colleyville
Kimberly D. "Kim" Crawford, CPA	Arlington
Renee D. Foshee, Esq., CPA.....	San Marcos
Sherri B. Merket.....	Midland
Thomas M. Neuhoff, CPA	Tyler
Sheila M. Vallés-Pankratz.	Mission
Susan M. Warren, CPA.....	Georgetown

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Austin, Texas

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I. COMBINED FINANCIAL STATEMENTS

- A. Exhibit I: Combined Balance Sheet/Statement of Net Assets –
Governmental Funds
- B. Exhibit II: Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities –
Governmental Funds

UNAUDITED

Texas State Board of Public Accountancy (457)

Exhibit I - Combined Balance Sheet/Statement of Net Position – Governmental Funds

August 31, 2024

	Governmental Fund Types				Statement of Net Position
	General Funds (EXH A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 21,387.20	\$ 21,387.20	\$ -	\$ -	\$ 21,387.20
Cash in Bank (Note 3)	8,699.36	8,699.36			8,699.36
Cash in State Treasury	360,789.94	360,789.94			360,789.94
Cash Equivalents (Note 3)	9,627,856.98	9,627,856.98			9,627,856.98
Receivables	1,243.51	1,243.51			1,243.51
Due From Other Funds (Note 12)	121,197.22	121,197.22			121,197.22
Due From Other Agencies (Note 12)	2,000.00	2,000.00			2,000.00
Prepaid Items	97,698.82	97,698.82			97,698.82
Total Current Assets	<u>10,240,873.03</u>	<u>10,240,873.03</u>	<u>-</u>	<u>-</u>	<u>10,240,873.03</u>
Non-Current Assets:					
Capital Assets (Note 2):					
Depreciable, net					
Furniture and Equipment			385,206.93		385,206.93
Less Accumulated Depreciation			(286,289.69)		(286,289.69)
Vehicles, Boats, and Aircraft			16,348.14		16,348.14
Less Accumulated Depreciation			(16,348.14)		(16,348.14)
Capital Lease - Right to Use			3,367,839.30		3,367,839.30
Less Accumulated Amortization			(1,092,270.01)		(1,092,270.01)
Other Non-Current Assets	52,262.53	52,262.53			52,262.53
Total Non-Current Assets	<u>52,262.53</u>	<u>52,262.53</u>	<u>2,374,486.53</u>	<u>-</u>	<u>2,426,749.06</u>
Total Assets	<u>\$ 10,293,135.56</u>	<u>\$ 10,293,135.56</u>	<u>\$ 2,374,486.53</u>	<u>\$ -</u>	<u>\$ 12,667,622.09</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Accounts Payable	60,293.40	60,293.40			60,293.40
Payroll Payable	360,666.43	360,666.43			360,666.43
Due To Other Funds (Note 12)	121,197.22	121,197.22			121,197.22
Due To Other Agencies (Note 12)	65,668.01	65,668.01			65,668.01
Employees' Compensable Leave (Note 5)	-	-		306,298.51	306,298.51
RTU Interest Payable				2,526.96	2,526.96
Right to Use Lease Obligations (Note 5, 8)				344,045.98	344,045.98
Total Current Liabilities	<u>607,825.06</u>	<u>607,825.06</u>	<u>-</u>	<u>652,871.45</u>	<u>1,260,696.51</u>
Non-Current Liabilities:					
Employees' Compensable Leave (Note 5)	-	-		270,500.67	270,500.67
Right to Use Lease Obligations (Note 5, 8)				2,076,790.65	2,076,790.65
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,347,291.32</u>	<u>2,347,291.32</u>
Total Liabilities	<u>607,825.06</u>	<u>607,825.06</u>	<u>-</u>	<u>3,000,162.77</u>	<u>3,607,987.83</u>
FUND FINANCIAL STATEMENT-FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable					
Committed:	149,961.35	149,961.35			149,961.35
Board Policy Reserve (See Note 1.D)	2,836,691.00	2,836,691.00			2,836,691.00
Board Policy Contingency Reserve (See Note 1.D)	2,250,000.00	2,250,000.00			2,250,000.00
Other	4,448,658.15	4,448,658.15			4,448,658.15
Total Fund Balances	<u>9,685,310.50</u> *	<u>9,685,310.50</u>	<u>-</u>	<u>-</u>	<u>9,685,310.50</u>
Total Liabilities and Fund Balances	<u>\$ 10,293,135.56</u>	<u>\$ 10,293,135.56</u>			
GOVERNMENT-WIDE STATEMENT-NET POSITION					
Net Position:					
Net Investment in Capital Assets,					
Net of Related Debt			2,374,486.53		2,374,486.53
Restricted					
Unrestricted				(3,000,162.77)	(3,000,162.77)
Total Net Position			<u>\$ 2,374,486.53</u>	<u>\$ (3,000,162.77)</u>	<u>\$ 9,059,634.26</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNAUDITED

Texas State Board of Public Accountancy (457)
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds
For the Fiscal Year Ended August 31, 2024

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
License, Fees & Permits	8,625,437.68	8,625,437.68			8,625,437.68
Interest and Investment Income	408,747.67	408,747.67			408,747.67
Other	100,626.99	100,626.99			100,626.99
Total Revenues	<u>9,134,812.34</u>	<u>9,134,812.34</u>	-	-	<u>9,134,812.34</u>
EXPENDITURES					
Salaries and Wages	3,302,272.86	3,302,272.86		41,100.40	3,343,373.26
Payroll Related Costs	1,074,013.36	1,074,013.36			1,074,013.36
Professional Fees and Services	324,692.68	324,692.68			324,692.68
Travel	26,661.48	26,661.48			26,661.48
Materials and Supplies	176,952.54	176,952.54			176,952.54
Communication and Utilities	81,132.66	81,132.66			81,132.66
Repairs and Maintenance	77,461.13	77,461.13			77,461.13
Rentals & Leases	56,514.56	56,514.56			56,514.56
Printing and Reproduction	26,342.89	26,342.89			26,342.89
State Grant Pass-Through	623,490.85	623,490.85			623,490.85
Intergovernmental Payments	328,890.84	328,890.84			328,890.84
Public Assistance Payments	134,253.00	134,253.00			134,253.00
Other Expenditures	312,486.78	312,486.78			312,486.78
Debt Service:					
Principal	328,816.56	328,816.56		(328,816.56)	-
Interest	33,108.88	33,108.88		(343.21)	32,765.67
Capital Outlay	73,705.63	73,705.63	(73,705.63)		-
Amortization Expense			364,090.00		364,090.00
Depreciation Expense	-	-	28,798.77		28,798.77
Total Expenditures/Expenses	<u>6,980,796.70</u>	<u>6,980,796.70</u>	<u>319,183.14</u>	<u>(288,059.37)</u>	<u>7,011,920.47</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,154,015.64</u>	<u>2,154,015.64</u>	<u>(319,183.14)</u>	<u>288,059.37</u>	<u>2,122,891.87</u>
OTHER FINANCING SOURCES (USES)					
Transfers In (Note 1.F.)	7,806,026.46	7,806,026.46			7,806,026.46
Transfers Out (Note 1.F.)	(8,448,343.13)	(8,448,343.13)			(8,448,343.13)
Total Other Financing Sources and Uses	<u>(642,316.67)</u>	<u>(642,316.67)</u>	-	-	<u>(642,316.67)</u>
SPECIAL ITEMS					
	-	-			-
EXTRAORDINARY ITEMS					
	-	-			-
Net Change in Fund Balances/Net Position	1,511,698.97	1,511,698.97			1,480,575.20
FUND FINANCIAL STATEMENT - FUND BALANCES					
Fund Balances, Beginning	8,099,503.44	8,099,503.44			8,099,503.44
Adjustment to Fund Balances (Restatement) Note 14	74,108.09	74,108.09			74,108.09
Fund Balances, September 1, 2023, As Adjusted	8,173,611.53	8,173,611.53			8,173,611.53
Fund Balances, August 31, 2024	<u>\$ 9,685,310.50</u>	<u>\$ 9,685,310.50</u>			<u>\$ 9,654,186.73</u>
GOVERNMENT-WIDE STATEMENT OF NET POSITION					
Net Assets/Change in Net Position		9,685,310.50	(319,183.14)	288,059.37	9,654,186.73
Net Position-Beginning			2,693,669.67	(3,288,222.14)	(594,552.47)
Restatements (Note 14)					-
Net Position, September 1, 2023, as Restated			<u>2,693,669.67</u>	<u>(3,288,222.14)</u>	<u>(594,552.47)</u>
Net Position, August 31, 2024			<u>\$ 2,374,486.53</u>	<u>\$ (3,000,162.77)</u>	<u>\$ 9,059,634.26</u>

The accompanying notes to the financial statements are an integral part of this statement.

II. NOTES TO THE FINANCIAL STATEMENTS

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The Texas State Board of Public Accountancy (the Board) operates under the authority of the *Public Accountancy Act, Chapter 901 of the Texas Occupations Code*. The Board regulates the public practice of accounting in Texas as a self-directed, semi-independent agency under *Chapter 472 of the Texas Government Code*. Its major functions include Licensing and Continuing Professional Education, Qualifications (Examination), Enforcement, Peer Review, Public Education, and Sponsor Review. (For more detailed information about the Board and its functions, refer to Section IV of this report.)

The financial records of the Board comply with state statutes and regulations. This includes compliance with the *Reporting Requirements for Annual Financial Reports of State Agencies*, issued by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report. Therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

B. FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Funds

General Revenue Fund (0001)

This fund is used to account for all financial resources of the state except for those required to be accounted for in another fund.

Texas State Board of Public Accountancy Local Operating Fund (2858,1009)

The agency became a self-directed, semi-independent agency effective September 1, 2001. The Board operates under Fund 2858 which includes local funds in the Texas Treasury Safekeeping Trust Company and Fund 1009 used to pay the agency's expenditures in USAS.

TSBPA Local Scholarship Trust Fund for Accounting Students (6106,7106)

The TSBPA Local Scholarship Trust Fund, 6106 contains the \$10 scholarship fees collected annually from individual licensees in the Texas Treasury Safekeeping Trust Fund. Fund 7106 is for scholarship disbursements in USAS to colleges and universities. The scholarship fund is within fund 0858, included in the General Fund. General funds are used to account for all financial resources except those accounted for in other funds.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Capital Asset Adjustment Fund Type

The Capital Asset Adjustment fund type is used to convert governmental fund capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment fund type is used to convert governmental fund debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. *House Bill 11, 72nd Legislature*, imposed an additional annual professional fee of \$200 on all licensed CPAs in 1991 for remittance to the General Revenue Fund. This fee was repealed in 2015. However, because the *Public Accountancy Act* does not include an inactive license status, the Board continues to collect professional fees (including penalties) owed by those who stopped paying their fees before the repeal and wish to reinstate their licenses. In addition, *Chapter 472 of the Texas Government Code* requires that all administrative penalties collected by the Board be remitted to the General Revenue Fund (Fund 0001). The Board collects professional fees and administrative penalties within its agency fund (Fund 1002) before transferring them to USAS for deposit into the General Revenue Fund.

PROPRIETARY FUND TYPES

No proprietary fund types have been identified.

COMPONENT UNITS

No component units have been identified for this agency.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end.

The state of Texas considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Basis conversion fund types convert modified accrued basis to full accrued basis of accounting. This includes capital assets, accumulated depreciation and amortization, unpaid employee compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

C. BUDGETS AND BUDGETARY ACCOUNTING

The agency effectively became self-directed, semi-independent, on September 1, 2001 (FY 2002). Under *Texas Government Code, Chapter 472, Self-Directed Semi-Independent Agencies*, an itemized budget covering operations for the year is prepared by the Board's staff and approved by the Board. During the year, the Board's financial activity is monitored against this budget.

D. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS**ASSETS**Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates. Invested balances in the overnight repurchase agreement pool are reported as cash equivalents and identified as *Repurchase Agreement – Texas Treasury Safekeeping Trust Co.* Money held in the Texas Safekeeping Trust Fund accounts and subaccounts must be fully invested at all times and reinvested in authorized investments by the Trust Company (See Note 3).

Accounts Receivable

A receivable was recorded in the amount of \$1,120.00 for DIR circuit charge reimbursements owed to the Board per an interagency contract.

The Board imposes direct administrative costs and administrative penalties against respondents involved in disciplinary proceedings in accordance with *Section 901.501* and *Section 901.551, Occupations Code*. As of August 31, 2024, \$28,975.82 in direct administrative costs and penalties was outstanding and unpaid. Since the certainty and timing of these receipts is unknown, they are not considered measurable and available and are not included as part of Accounts Receivable on the Balance Sheet (Exhibit I).

Capital Assets

Assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year are capitalized. These assets are capitalized at cost or appraised fair value on the date of acquisition if not purchased. In accordance with GASB Statement No. 87, leases are also capitalized as right-to-use assets at the present value of payments expected to be made during the lease term (see Note 2). Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Prepaid Items

Agencies are required to use the consumption method to report prepaid items. Current prepaid items of \$97,698.82 and non-current prepaid items of \$15,252.77 were recorded for fiscal year 2024 for goods or services to be used or received in future fiscal years.

Other Non-Current Assets

A non-current security deposit in the amount of \$37,009.76 is owed to the Board in accordance with our lease agreement.

LIABILITIES

Accounts Payable

Accounts payable represents the liability for the value of goods or services received by the balance sheet date for which payment is pending.

Employees' Compensable Leave

Employees' compensable leave balances represent the liability for employees' annual leave, compensatory time and overtime that will liquidate upon employees' terminations or use of leave (see Note 5).

Lease Obligation

Lease obligations represent the amount owed for leased assets and are measured at the present value of payments expected to be made during the lease term. (See Note 8.)

FUND BALANCE/NET POSITION

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements. The "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance:

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature) are reported as committed fund balance. As such, all spendable Board fund balances are considered committed.

Every year as part of the budgeting process, the Board reviews its policy for the appropriate level of the agency's fund balance to meet anticipated obligations. The fund balance reserve is based on 1) Three months of annual operating estimated expenditures; 2) plus the annual transfer to the General Revenue Fund (currently \$703,344); and 3) a \$350,000 enforcement (litigation) reserve. 4) An additional contingency reserve for major case litigation, technology expenditures, and other unforeseen circumstances was established by the Board, beginning in FY 2024. The total fund balance reserve for FY 24 was \$5,086,691.00.

Nonspendable

The fund 1009 fund balance of \$149,961.35 for prepaid items and a non-current receivable are designated as nonspendable.

Net Assets:

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Unrestricted Net Assets

Unrestricted net assets consist of net assets that do not meet the definition of restricted net assets. This category includes changes to right-to-use lease obligations and employees' compensable leave (Note 5). Unrestricted net assets often have constraints on resources which are imposed by management but can be removed or modified.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

E. INTERFUND ACTIVITIES AND BALANCES

TRANSFERS

Operating transfers represent routine transfers of resources. Operating transfers are reported in the Other Financing Sources (Uses) section of Exhibits II, and A-2.

Fund 6106

Transfers In - includes the following:		
Transfer from agency 457, Fund 7106	\$60.00	a
Total Transfers In	<u>\$60.00</u>	

Transfers Out - includes the following:		
Transfer to agency 457, Fund 7106	(\$954,441.69)	b
Total Transfers Out	<u>(\$954,441.69)</u>	

Fund 7106

Transfers In - includes the following:		
Transfer from agency 457, Fund 6106	\$954,441.69	b
Total Transfers In	<u>\$954,441.69</u>	

Transfers Out - includes the following:		
Transfer to agency 457, Fund 6106	(\$60.00)	a
Total Transfers Out	<u>(\$60.00)</u>	

Fund 2858

Transfers In - includes the following:		
Transfer from agency 457, Fund 1002	\$61,027.33	f
Transfer from agency 457, Fund 1009	\$4,769.31	c
Total Transfers In	<u>\$65,796.64</u>	

Transfers Out - includes the following:		
Transfer to agency 457, Fund 1009	(\$6,785,728.13)	d
Total Transfers Out	<u>(\$6,785,728.13)</u>	

Fund 1009

Transfers In - includes the following:		
Transfer from agency 457, Fund 2858	\$6,785,728.13	d
Total Transfers In	<u>\$6,785,728.13</u>	

Transfers Out - includes the following:		
Transfer to agency 902, Fund 0001	(\$703,344.00)	e
Transfer to agency 457, Fund 2858	(\$4,769.31)	c
Total Transfers Out	<u>(\$708,113.31)</u>	

Fund 1002

Transfers Out - includes the following:		
Transfer to agency 457, Fund 2858	(\$61,027.33)	f

Total Other Financing Sources (Uses) – General Funds

Total Transfer In (EXH II, A-2)	\$7,806,026.46
Total Transfers Out (EXH II, A-2)	(\$8,509,370.46)
Total Other Financing Sources (Uses)	<u>(\$703,344.00)</u>

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

- a. Transfer of refunds from Fund 7106 to Fund 6106 to allocate to appropriate revenue objects.
- b. Transfer of scholarship funds from local Fund 6106 to Fund 7106 to pay scholarship expenditures.
- c. Transfer of refunds from Fund 1009 to Fund 2858 to allocate to appropriate revenue objects and transfer of hotel tax refunds remaining in Fund 1009 on August 31st.
- d. Transfer of funds from local Fund 2858 to Fund 1009 to pay agency expenditures and accounts payable.
- e. Transfer of annual payment to General Revenue (Agency 902, Fund 0001) pursuant to *Texas Government Code, Chapter 472*.
- f. Transfer from Fund 1002 to Fund 2858 of accrued interest, net of service charges, for interest within agency fund 1002 that belongs to the Board.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2024, is presented below:

	PRIMARY GOVERNMENT						<u>Balance 8/31/2024</u>
	<u>Balance 9/1/2023</u>	<u>Adjustments</u>	<u>Completed CIP</u>	<u>Reclassifications</u>		<u>Additions*</u>	
			<u>Inc- Int'agy Trans</u>	<u>Dec- Int'agy Trans</u>			
Governmental Activities:							
Depreciable Assets:							
Furniture and Equipment	\$311,501.30				73,705.63		\$385,206.93
Vehicles, Boats & Aircraft	<u>16,348.14</u>						<u>16,348.14</u>
Total Depreciable Assets at historical costs:	327,849.44				73,705.63		401,555.07
Less Accumulated Depreciation for:							
Furniture and Equipment	(257,490.92)				(28,798.77)		(286,289.69)
Vehicles, Boats & Aircraft	<u>(16,348.14)</u>						<u>(16,348.14)</u>
Total Accumulated Depreciation	(273,839.06)				(28,798.77)		(302,637.83)
Governmental Activities Capital Assets, Net	<u>\$54,010.38</u>				<u>44,906.86</u>		<u>\$98,917.24</u>
Total Amortizable Assets-IRTU:							
Building and Building Improvements	3,367,839.30						3,367,839.30
Total Accum. Amort.-IRTU: Bldg. & Bldg. Improvements	(728,180.01)				(364,090.00)		(1,092,270.01)
Governmental Activities IRTU, net	<u>\$2,639,659.29</u>				<u>(364,090.00)</u>		<u>\$2,275,569.29</u>
Business Type Activities:	Not applicable						

*The additions column represents current year purchases and depreciation

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

Pursuant to the Funds Management Agreement with the Comptroller's Office, money held in the Texas Safekeeping Trust Fund accounts and subaccounts shall be fully invested at all times and reinvested by the Trust Company in authorized investments described under Sections 404.024 and 404.106 of the Texas Government Code.

A. DEPOSITS OF CASH IN BANK

As of August 31, 2024, the carrying amount of deposits was \$8,699.36 as presented below:

Governmental and Business-Type Activities	
CASH IN BANK – CARRYING AMOUNT	
Texas Treasury Safekeeping Trust Company	\$8,699.36
Cash in Bank per AFR	<u>\$8,699.36</u>

Governmental Funds Current Assets Cash in Bank		
GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 500.00
GAAP Fund 1009, D23 Fund 2858	Exhibit A-1	\$ 8,109.36
GAAP Fund 0858, D23 Fund 6106	Exhibit A-1	<u>\$ 90.00</u>
Cash in Bank per AFR		<u>\$ 8,699.36</u>

B. INVESTMENTS & REPURCHASE AGREEMENTS

As of August 31, 2024, the net asset value and fair value of investments and repurchase agreements are as presented below:

Governmental and Business-Type Activities	Net Asset Value	Fair Value
Repurchase Agreements - Texas Treasury Safekeeping Trust Company	\$9,627,856.98	\$9,627,856.98

Governmental Funds Current Assets Cash Equivalents

GAAP Fund 1000, D23 Fund 1002	Exhibit A-1	\$ 125,895.34
GAAP Fund 1009, D23 Fund 2858	Exhibit A-1	\$8,508,576.31
GAAP Fund 0858, D23 Fund 6106	Exhibit A-1	<u>\$ 993,385.33</u>
Current Assets Cash Equivalents per AFR		<u>\$9,627,856.98</u>

C. STANDARD & POOR'S

As of August 31, 2024, the agency's investment grade rating was:

Fund Type	Investment Type	AA+
01	U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	\$9,627,856.98

NOTE 4: SHORT-TERM DEBT

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 5: LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

During the year ended August 31, 2024, the following changes occurred in long-term liabilities:

GOVERNMENTAL ACTIVITIES	BALANCE 9/1/2023	ADDITIONS	REDUCTIONS	OTHER CHANGES	BALANCE 8/31/2024	AMOUNTS DUE WITHIN ONE YEAR	AMOUNTS DUE THEREAFTER
Right to Use Lease Obligations	\$2,749,653.19	\$0.00	\$328,816.56	\$0.00	\$2,420,836.63	\$344,045.98	\$2,076,790.65
Employees' Compensable Leave	\$535,698.78	\$470,320.15	\$351,523.12	(\$77,696.63)	\$576,799.18	\$306,298.51	\$270,500.67
TOTAL GOVERNMENTAL ACTIVITIES	\$3,285,351.97	\$470,320.15	\$680,339.68	(\$77,696.63)	\$2,997,635.81	\$650,344.49	\$2,347,291.32

NOTES AND LOANS PAYABLE

Not applicable.

CLAIMS AND JUDGMENTS

Not applicable.

RIGHT TO USE LEASE OBLIGATIONS

In accordance with GASB Statement No. 87, a lease liability has been recorded at the present value of payments expected to be made during the lease term for the Board office location. The lease term is through November 2030.

EMPLOYEES' COMPENSABLE LEAVE

A state employee is entitled to be paid for all unused vacation time accrued following separation from state employment, provided the employee has had continuous state employment for six months. For employees subject to the *Fair Labor Standards Act (FLSA)*, the Board must grant either time off or pay at a rate of 1-1/2 times the hours or pay for each hour of overtime worked. Any overtime hours granted must be used within 12 months of the date the overtime was accrued. FLSA-exempt executive, administrative, and professional employees are expressly limited to 1 hour of compensatory time off for each hour of overtime worked, as determined by the Board.

Expenditures for accumulated annual and compensatory leave are recognized as expenditures in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets.

The Board's monetary liabilities for compensable future absences as of August 31, 2024, as computed by the CAPPs Leave Liability Report for Fiscal Year 2024, were as follows:

	General Long-Term Debt
	<u>Account Group</u>
Annual Leave	\$553,743.71
FLSA & State Compensable Time	23,055.47
Overtime	<u>0.00</u>
Total	<u>\$576,799.18</u>
	(Exhibit I)

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

POLLUTION REMEDIATION OBLIGATIONS

Not applicable.

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Not applicable.

NOTE 6: BONDED INDEBTEDNESS

Not applicable.

NOTE 7: DERIVATIVE INSTRUMENTS

Not applicable.

NOTE 8: LEASES

Under GASB Statement No. 87, the Board recognizes a lease liability for the 10-year office space lease with the following future minimum payments:

Year Ending August 31,	Principal	Interest	Total Lease Payments
2025	344,045.98	28,754.58	372,800.56
2026	359,706.82	24,294.30	384,001.12
2027	375,895.06	19,632.06	395,527.12
2028	392,586.38	14,801.23	407,387.61
2029	409,989.48	9,674.41	419,663.89
2030	427,820.17	4,364.17	432,184.34
2031	110,792.75	236.53	111,029.28
Total Minimum Future Lease Payments			2,522,593.92

The Board receives payments from the Texas Board of Architectural Examiners to reimburse for shared spaces within the above lease. Reimbursements are contracted as follows:

Year End Aug. 31,

2025	45,740.92
2026	47,115.18
2027	48,529.37
2028	49,984.60
2029	51,490.84
2030	53,027.04
2031	<u>13,622.79</u>
Total Future Reimbursements	<u>\$309,510.74</u>

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

Additional lease obligations were below the Comptroller’s capitalization threshold. Noncapitalized operating lease expenditures (including image overage costs) of \$26,014.85 for copiers and printers were incurred in fiscal year 2024.

NOTE 9: DEFINED BENEFIT PENSION PLANS AND DEFINED CONTRIBUTION PLAN

The state has joint contributory retirement plans for substantially all of its employees. The Board participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each state agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

NOTE 10: DEFERRED COMPENSATION

The state of Texas offers a deferred compensation plan to all state employees. This plan is in accordance with Internal Revenue Code Section 457 and permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available to employees until distribution due to termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust by the Employees Retirement System (ERS) Board of Trustees for the exclusive benefit of participants and their beneficiaries. It may not be used for or diverted to any other expense, except to defray the reasonable expenses of administering the plan.

The Board of Trustees is not liable to participating employees for the diminution in value or loss of all or part of the participating employees’ deferred amounts or investment income because of market conditions or the failure, insolvency, or bankruptcy of a qualified vendor.

The state also administers the Texa\$aver 401(k) plan. The assets of this plan do not belong to the state, and the state has no liability related to this plan.

NOTE 11: POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable.

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

See Note 1F for transfer activity. Due From/To activity as of August 31, 2024, follows:

Due From/Due To Other Agencies	Due From Other Agencies	Due To Other Agencies	Source
GENERAL (01)			
Appd Fund 0858, D23 Fund 7106			
From Agency 759, D23 Fund 7999	\$2,000.00		A
Appd Fund 0001, D23 Fund 1002			
To Agency 902, D23 Fund 0001		\$65,668.01	B
Total Due From/To Other Agencies (EXH. I)	\$2,000.00	\$65,668.01	

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

- A Due from other agencies consists of scholarship grant funds that were not disbursed to students by agency 759 and were not returned to the Board by fiscal year end. Due From is reported by this agency, and Due To is reported by University of Houston – Clear Lake (Agency 759).
- B Due to other agencies consists of Professional Fees and other fees and penalties collected and held by the agency at year-end as either Cash on Hand, Cash in State Treasury, or Cash Equivalents. Due To is reported by this agency, and Due From is reported by Comptroller’s Office (Agency 902).

Due From/Due To Other Funds	Due From Other Funds	Due To Other Funds	Source
GENERAL (01)			
Appd Fund 1009, D23 Fund 1009			
From Agency 457, D23 Fund 2858	\$60,169.89		C
Appd Fund 9999, D23 Fund 2858			
To Agency 457, D23 Fund 1009		\$60,169.89	C
Appd Fund 9999, D23 Fund 2858			
From Agency 457, D23 Fund 1002	\$61,027.33		D
Appd Fund 0001, D23 Fund 1002			
To Agency 457, D23 Fund 2858		\$61,027.33	D
Total Due From/To Other Funds (EXH. I)	\$121,197.22	\$121,197.22	

- C Due From/To Other Funds consists of local funds in the Texas Treasury Safekeeping Trust Company owed to the Board operating fund in USAS for accounts payable.
- D Due From/To Other Funds consists of interest, net of service fees, in agency fund 1002 owed to the Board operating fund in USAS.

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

The *Texas Sunset Act* requires that all state agencies be reviewed every 12 years to determine whether they provide essential services to the citizens of Texas and should continue operations. In 2019, the Board was continued as a separate agency of Texas state government.

Sec. 901.006, Occupations Code, APPLICATION OF SUNSET ACT provides the following:

The Texas State Board of Public Accountancy is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the board is abolished and this chapter expires September 1, 2033.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

CORRECTION OF AN ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During fiscal year 2024, the Board identified accounts payable of \$7,998.95 established in fiscal year 2021 that were not reversed in fiscal year 2022. As a result, accounts payable were overstated in fiscal years 2022 and 2023. Expenditures were overstated in fiscal year 2022, and the fund balance for fiscal year 2022 and 2023 were understated. A restatement to the beginning fund balance of fiscal year 2024 was recorded. The effects of correcting the error are shown in the table below as A.

CHANGE IN ACCOUNTING PRINCIPLE

Under GAAP, both the purchases method and the consumption method for recognizing prepaid assets are permitted. Before fiscal year 2024, the Board used the purchases method, recognizing

expenditures as goods and services were purchased. However, the Comptroller’s Office utilizes the consumption method. This requires that agencies recognize prepaid assets when items are purchased and recognize expenditures when the assets are consumed. In order to implement the consumption method without causing expenditures in fiscal year 2024 to be understated, a restatement to the beginning fund balance of fiscal year 2024 was made. This entry created fiscal year 2023 prepaid assets of \$66,109.14 to be recognized as expenditures in fiscal years 2024 and 2025. The result was an increase in the fiscal year 2024 beginning fund balance. Effects of the restatement are shown in the table below as B.

Net Position/Fund Balance at 8/31/23	8/31/2023 As Previously Reported	Error Correction (A)	Change in Accounting Principle (B)	8/31/2023 As Restated
Government-Wide				
Governmental Activities (Net Position)	7,504,950.97	7,998.95	66,109.14	7,579,059.06
Governmental Funds				
Operating Fund (1009/2858) (Fund Balance)	6,888,289.20	7,998.95	66,109.14	6,962,397.29
Total Fund Balance	8,099,503.44	7,998.95	66,109.14	8,173,611.53

NOTE 15: CONTINGENCIES AND COMMITMENTS

Not applicable.

NOTE 16: SUBSEQUENT EVENTS

Not applicable.

NOTE 17: RISK MANAGEMENT

Not applicable.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Total revenues increased by 11.4 percent and operating (fund 2858/1009) revenues increased by 11.5 percent from fiscal year (FY) 2023 to FY 2024. This was due to an individual license fee increase of \$12 initiated by the Board to cover current and future projected expenditures.

Scholarship (fund 6106/7106) expenditures increased by 29.9 percent between FY 2023 and FY 2024 due to HB 2217 of the 88th legislature. Effective in fiscal year 2024, this bill amended the *Public Accountancy Act* to reduce the requirements of scholarship applicants from students in their fifth year of an accounting program to those with 15 hours of upper-level accounting coursework.

As part of the budgeting process for fiscal year 2024, the Board implemented a contingency reserve for major case litigation, technology expenditures, and other unforeseen circumstances. The amount of the reserve for FY 2024 was \$2,250,000. This new reserve was in addition to existing reserves for different purposes (See Note 1D).

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 19: THE FINANCIAL REPORTING ENTITY

No component units have been identified for this agency.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable.

NOTE 21: N/A

Note 21 is not applicable to the AFR process.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Not applicable.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. TAXES RECEIVABLE

Not applicable.

B. FEDERAL RECEIVABLE

Not applicable.

C. TAX REFUNDS PAYABLE

Not applicable.

D. OTHER RECEIVABLES – NONCURRENT

Not applicable.

E. OTHER PAYABLES – CURRENT

Not applicable.

NOTE 25: TERMINATION BENEFITS

A. VOLUNTARY TERMINATIONS

Not applicable.

B. INVOLUNTARY TERMINATIONS

Not applicable.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

NOTE 26: SEGMENT INFORMATION

Not applicable.

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not applicable.

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Not applicable.

NOTE 29: TROUBLED DEBT RESTRUCTURING

Not applicable.

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not applicable.

NOTE 31: TAX ABATEMENTS

Not applicable.

NOTE 32: GOVERNMENTAL FUND BALANCES

Nonspendable balances include prepaid items of \$112,951.59 and a non-current deposit receivable of \$37,009.76 (see Note 1D).

III. COMBINING STATEMENTS
AND
SCHEDULES

UNAUDITED

Texas State Board of Public Accountancy (457)
Exhibit A-1 - Balance Sheet - All General and Consolidated Funds
 August 31, 2024

	General			Total (EXH I)
	(1000)	(0858)	(1009)	
	U/F (1002)	U/F (6106, 7106)	U/F (2858/1009)	
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 300.00	\$ 170.00	\$ 20,917.20	\$ 21,387.20
Cash in Bank (Note 3)	\$ 500.00	90.00	8,109.36	8,699.36
Cash in State Treasury	\$ -	-	360,789.94	360,789.94
Cash Equivalents (Note 3)	\$ 125,895.34	993,385.33	8,508,576.31	9,627,856.98
Receivables from:				
Accounts (Note 1)		-	1,120.00	1,120.00
Other		-	123.51	123.51
Due From Other Funds (Note 12)	\$ -	-	121,197.22	121,197.22
Due From Other Agencies (Note 12)	\$ -	2,000.00	-	2,000.00
Prepaid Item (Note 1)	\$ -	-	97,698.82	97,698.82
Total Current Assets	<u>126,695.34</u>	<u>995,645.33</u>	<u>9,118,532.36</u>	<u>10,240,873.03</u>
Non-Current Assets:				
Non-Current Prepaid Items (Note 1)			15,252.77	15,252.77
Non-Current Refundable Deposits (Note 1)			37,009.76	37,009.76
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>52,262.53</u>	<u>52,262.53</u>
Total Assets	<u>\$ 126,695.34</u>	<u>\$ 995,645.33</u>	<u>\$ 9,170,794.89</u>	<u>\$ 10,293,135.56</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts Payable	\$ -	\$ -	\$ 60,293.40	\$ 60,293.40
Payroll Payable			360,666.43	360,666.43
Due To Other Funds (Note 12)	\$ 61,027.33	-	60,169.89	121,197.22
Due To Other Agencies (Note 12)	\$ 65,668.01	-	-	65,668.01
Total Current Liabilities	<u>126,695.34</u>	<u>-</u>	<u>481,129.72</u>	<u>607,825.06</u>
Non-Current Liabilities:				
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>126,695.34</u>	<u>-</u>	<u>481,129.72</u>	<u>607,825.06</u>
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances (Deficits):				
Nonspendable			149,961.35	149,961.35
Committed:				
Board Policy Reserve (See Note 1.D)			2,836,691.00	2,836,691.00
Board Policy Contingency Reserve (See Note 1.D)			2,250,000.00	2,250,000.00
Other		995,645.33	3,453,012.82	4,448,658.15
Total Fund Balances	<u>-</u>	<u>995,645.33</u>	<u>8,689,665.17</u>	<u>9,685,310.50</u>
Total Liabilities and Fund Balances	<u>\$ 126,695.34</u>	<u>\$ 995,645.33</u>	<u>\$ 9,170,794.89</u>	<u>\$ 10,293,135.56</u>

The accompanying notes to the financial statements are an integral part of this statement.

Texas State Board of Public Accountancy (457)
Exhibit A-2 - Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – All General and Consolidated Funds
For the Fiscal Year Ended August 31, 2024

	General		Total (EXH II)
	(0858) U/F (6106/7106)	(1009) U/F (2858/1009)	
REVENUES			
License, Fees & Permits	662,312.70	7,963,124.98	8,625,437.68
Interest and Investment Income	50,707.88	358,039.79	408,747.67
Sales of Goods and Services	-	-	-
Other	23,792.20	76,834.79	100,626.99
Total Revenues	<u>736,812.78</u>	<u>8,397,999.56</u>	<u>9,134,812.34</u>
EXPENDITURES			
Salaries and Wages	-	3,302,272.86	3,302,272.86
Payroll Related Costs	-	1,074,013.36	1,074,013.36
Professional Fees and Services	-	324,692.68	324,692.68
Travel	-	26,661.48	26,661.48
Materials and Supplies	-	176,952.54	176,952.54
Communication and Utilities	-	81,132.66	81,132.66
Repairs and Maintenance	-	77,461.13	77,461.13
Rentals and Leases	-	56,514.56	56,514.56
Printing and Reproduction	-	26,342.89	26,342.89
State Grant Pass-Through	623,490.85	-	623,490.85
Intergovernmental Payments	328,890.84	-	328,890.84
Public Assistance Payments	-	134,253.00	134,253.00
Other Expenditures	-	312,486.78	312,486.78
Debt Service:			
Principal	-	328,816.56	328,816.56
Interest	-	33,108.88	33,108.88
Capital Outlay	-	73,705.63	73,705.63
Total Expenditures/Expenses	<u>952,381.69</u>	<u>6,028,415.01</u>	<u>6,980,796.70</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(215,568.91)</u>	<u>2,369,584.55</u>	<u>2,154,015.64</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	-	-
Transfers In (Note 1.F.)	954,501.69	6,851,524.77	7,806,026.46
Transfers Out (Note 1.F.)	(954,501.69)	(7,493,841.44)	(8,448,343.13)
Total Other Financing Sources and Uses	<u>-</u>	<u>(642,316.67)</u>	<u>(642,316.67)</u>
SPECIAL ITEMS			
	-	-	-
EXTRAORDINARY ITEMS			
Net Change in Fund Balances	<u>(215,568.91)</u>	<u>1,727,267.88</u>	<u>1,511,698.97</u>
FUND FINANCIAL STATEMENT - FUND BALANCES			
Fund Balances, Beginning	1,211,214.24	6,888,289.20	8,099,503.44
Adjustment to Fund Balances (Restatement) Note 14	-	74,108.09	74,108.09
Fund Balances, September 1, 2023	<u>1,211,214.24</u>	<u>6,962,397.29</u>	<u>8,173,611.53</u>
	-	-	-
Fund Balances, August 31, 2024	<u>\$ 995,645.33</u>	<u>\$ 8,689,665.17</u>	<u>\$ 9,685,310.50</u>

The accompanying notes to the financial statements are an integral part of this statement.

Texas State Board of Public Accountancy
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities
Agency Funds
 August 31, 2024

	Beginning Balance September 1, 2023	Additions	Deductions	Ending Balance August 31, 2024
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (0002)				
ASSETS				
Current				
Cash on Hand	\$ 100.00	\$ 19,890.00	\$ 19,690.00	\$ 300.00
Cash in Bank - Trust	\$ 850.00	8,100.00	8,450.00	500.00
Cash in State Treasury	-	3,146,151.68	3,146,151.68	-
Repurchase Agreement - Treasury Safekeeping	\$ 82,888.02	10,546,749.08	10,503,741.76	125,895.34
Due From Other Funds	-	-	-	-
Total Assets	\$ 83,838.02	\$ 13,720,890.76	\$ 13,678,033.44	\$ 126,695.34
LIABILITIES				
Current				
Payables	-	-	-	-
Due To Other Funds	\$ 100.00	61,027.33	\$ 100.00	\$ 61,027.33
Funds Held for Others	83,738.02	13,659,863.43	13,677,933.44	65,668.01
Total Liabilities	\$ 83,838.02	\$ 13,720,890.76	\$ 13,678,033.44	\$ 126,695.34
Local Jurisdictions Sales Tax (0882) U/F (0882)				
ASSETS				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	-	-	-
Short Term Investments	-	-	-	-
Total Assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
Current				
Payables	-	-	-	-
Funds Held for Others	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current				
Cash on Hand	\$ 100.00	\$ 19,890.00	\$ 19,690.00	\$ 300.00
Cash in Bank - Trust	\$ 850.00	8,100.00	8,450.00	500.00
Cash in State Treasury	-	3,146,151.68	3,146,151.68	-
Repurchase Agreement - Treasury Safekeeping	82,888.02	10,546,749.08	10,503,741.76	125,895.34
Due From Other Funds	-	-	-	-
Total Assets	\$ 83,838.02	\$ 13,720,890.76	\$ 13,678,033.44	\$ 126,695.34
LIABILITIES				
Current				
Payables	-	-	-	-
Due To Other Funds	\$ 100.00	61,027.33	\$ 100.00	\$ 61,027.33
Funds Held for Others	83,738.02	13,659,863.43	13,677,933.44	65,668.01
Total Liabilities	\$ 83,838.02	\$ 13,720,890.76	\$ 13,678,033.44	\$ 126,695.34

The accompanying notes to the financial statements are an integral part of this statement.

Texas State Board of Public Accountancy (457)
Schedule 1-B - Schedule of State Grant Pass-Throughs
From/To State Agencies
For the Fiscal Year Ended August 31, 2024

State Pass-Through Grants To:

Scholarships for Fifth-Year Accounting Students

737	Angelo State University	\$	10,400.00
755	Stephen F. Austin State University	\$	16,300.00
713	Tarleton State University	\$	16,300.00
711	Texas A&M University	\$	61,536.85
760	Texas A&M University - Corpus Christi	\$	9,000.00
749	Texas A&M University - San Antonio	\$	1,000.00
754	Texas State University	\$	42,370.00
733	Texas Tech University	\$	51,300.00
731	Texas Woman's University	\$	11,700.00
730	University of Houston	\$	71,900.00
759	University of Houston - Clear Lake	\$	18,700.00
784	University of Houston - Downtown	\$	20,500.00
752	University of North Texas	\$	51,600.00
773	University of North Texas at Dallas	\$	8,000.00
714	University of Texas at Arlington	\$	7,884.00
721	University of Texas at Austin	\$	72,700.00
738	University of Texas at Dallas	\$	69,000.00
724	University of Texas at El Paso	\$	30,000.00
743	University of Texas at San Antonio	\$	9,000.00
746	University of Texas Rio Grande Valley	\$	38,300.00
750	University of Texas at Tyler	\$	6,000.00

Total State Pass-Through Grants To Other Agencies (Exh. II)

\$ 623,490.85

IV. ADDENDA

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)
ADDENDA**ORGANIZATION OF THE BOARD**

The Texas State Board of Public Accountancy (the Board) operates under the authority of the *Public Accountancy Act* (the Act), Chapter 901 of the Texas Occupations Code. The Act provides for 15 Board members appointed by the Governor, with the advice and consent of the Senate, for six-year overlapping terms. Appointments expire on January 31 of odd-numbered years. Board members are required to be citizens of the United States and residents of Texas.

The Act provides that 10 members shall be Certified Public Accountants (CPAs), at least eight of whom shall be sole practitioners or owners or employees of firms engaged in public practice on the date of their appointment to the Board. Five members shall be public member representatives who are not CPAs and who are not financially involved in an organization subject to Board regulation.

Members of the Board may receive \$100 per diem for each day on which the member conducts Board business. In addition, members are reimbursed for actual and necessary expenses incurred in discharging their official duties. The Board, by rule, may determine activities that constitute Board business.

The following were members of the Board as of August 31, 2024:

<u>NAME</u>	<u>RESIDENCE</u>	<u>TERM EXPIRES JANUARY 31,</u>
Debra D. Seefeld, CPA, Presiding Officer	Georgetown	2025
Jeannette P. Smith, CPA, Assistant Presiding Officer and Secretary	Mission	2025
Olivia Espinoza-Riley, CPA, Treasurer	Addison	2027
Ray R. Garcia, CPA, Executive Committee Member-at-large	Houston	2027
Jamie D. Grant, Executive Committee Member-at-large	Arlington	2029
Jill A. Holup, Executive Committee Member-at-large	Austin	2025
Susan I. Adams, CPA	Colleyville	2027
Kimberly D. "Kim" Crawford, CPA	Arlington	2029
Renee D. Foshee, Esq., CPA	San Marcos	2027
Sherri B. Merket	Midland	2029
Thomas M. Neuhoff, CPA	Tyler	2029
Sheila M. Vallés-Pankratz	Mission	2027
Susan M. Warren, CPA	Georgetown	2029

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)**FUNCTIONS OF THE BOARD**

The Board has the responsibility and authority to regulate the practice of public accountancy in Texas. This is accomplished through the following programs:

QUALIFICATIONS

Evaluation - Under *Section 901.252 (Eligibility Requirements)* of the Act, the Board evaluates the education of applicants who desire to take the Uniform CPA Examination. Staff also evaluate applicants' history related to dishonest or felonious acts. Evaluations are completed throughout the year, and applicants are informed of education deficiencies that need to be completed before applying to take the examination.

Eligibility - The Board, in conjunction with the American Institute of Certified Public Accountants (AICPA), the National Association of State Boards of Accountancy (NASBA) and Prometric, offers the Uniform CPA Examination on a year-round basis at various testing centers throughout the state. Only applicants who have been confirmed eligible to test may schedule and take the CPA Examination. Eligibility is assessed with each application submitted to the Board.

Certification - The Board certifies the following applicants through the Qualifications Division:

- Applicants who have passed all sections of the Uniform CPA Examination in Texas and have met all other statutory requirements under *Section 901.252 (Eligibility Requirements)* of the Act for the CPA certificate in Texas.
- Applicants who have passed all sections of the Uniform CPA Examination in another jurisdiction and transferred those sections to Texas under *Section 901.258 (Transfer of Complete Examination Credit Between States)* of the Act and have met all other statutory requirements under *Section 901.252 (Eligibility Requirements)* of the Act for the CPA certificate in Texas.

LICENSING

Licensure - The following individuals and entities must be licensed by the Board in order to lawfully practice public accountancy in Texas:

- CPAs
- Public accountants
- Individuals registered under *Section 901.355 (Registration for Certain Foreign Applicants)* of the Act
- Offices: professional corporations, partnerships, professional limited liability companies (PLLC), registered professional limited liability partnerships (PLLP), and sole proprietorships engaged in the practice of public accountancy.

Registration - The Board requires registration of the following entities:

- Professional corporations, partnerships, limited liability companies, limited liability partnerships, and sole proprietorships engaged in the practice of public accountancy
- Individuals qualifying under *Section 901.355 (Registration for Certain Foreign Applicants)* of the Act.

Reciprocity - The board certifies individuals licensed as CPAs in other jurisdictions who wish to practice public accountancy in Texas and receive a Texas CPA certificate under *Section 901.259* of the *Public Accountancy Act (Certification Based On Reciprocity)*.

Continuing Professional Education (CPE) - CPAs are required to comply with the Board's program of mandatory CPE to ensure that persons who hold certificates meet the current standards of the profession. CPE is intended to help ensure that licensees are able to serve the public in a competent manner by maintaining technical competence and knowledge of current accounting methods and standards.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

The Board offers online submission of CPE courses for individual licensees at any time to satisfy the annual CPE requirement. Each licensee's CPE report determines whether courses taken were Board-approved. CPAs must also take a four-hour Board-approved ethics course every two years. These CPE requirements help minimize complaints and enforcement actions.

Peer Review - The Board has issued rules governing peer review and implemented a program to measure the work product of persons or firms practicing public accountancy for adherence to quality control standards adopted by practitioners and the profession. This includes monitoring CPAs' compliance with applicable accounting, auditing, and other attestation standards. The program may include education, remediation, disciplinary sanctions, or other corrective action when work performed does not comply with professional and regulatory standards. Firms subject to peer review are reviewed every three years.

SPONSOR REVIEW PROGRAM

In order to ensure CPE courses taken by Texas CPAs enhance their professional competence, the sponsor review program monitors CPE sponsors' compliance with relevant Board's rules. Every non-exempt Board-registered CPE sponsor has a representative sample of its courses reviewed every three years. Reviews emphasize high-quality education and compliance with professional standards.

ENFORCEMENT

When a licensee violates statutory provisions related to the practice of public accountancy or the *Rules of Professional Conduct*, the Board has the authority to revoke a certificate, suspend a license, refuse to renew a license or registration, assess administrative penalties and costs, or take other disciplinary action. In addition, the Board has the authority to enjoin the unauthorized practice of public accountancy.

PUBLIC EDUCATION

The Board operates a coordinated system of public information to provide all interested parties with information concerning the *Public Accountancy Act*, as well as Board rules and procedures pertaining to qualification, examination, licensing, enforcement, and peer review. The Board's audiences may include, current and potential licensees and exam candidates, the Texas state government, the general public, other U.S. and worldwide accountancy organizations and agencies, and others.

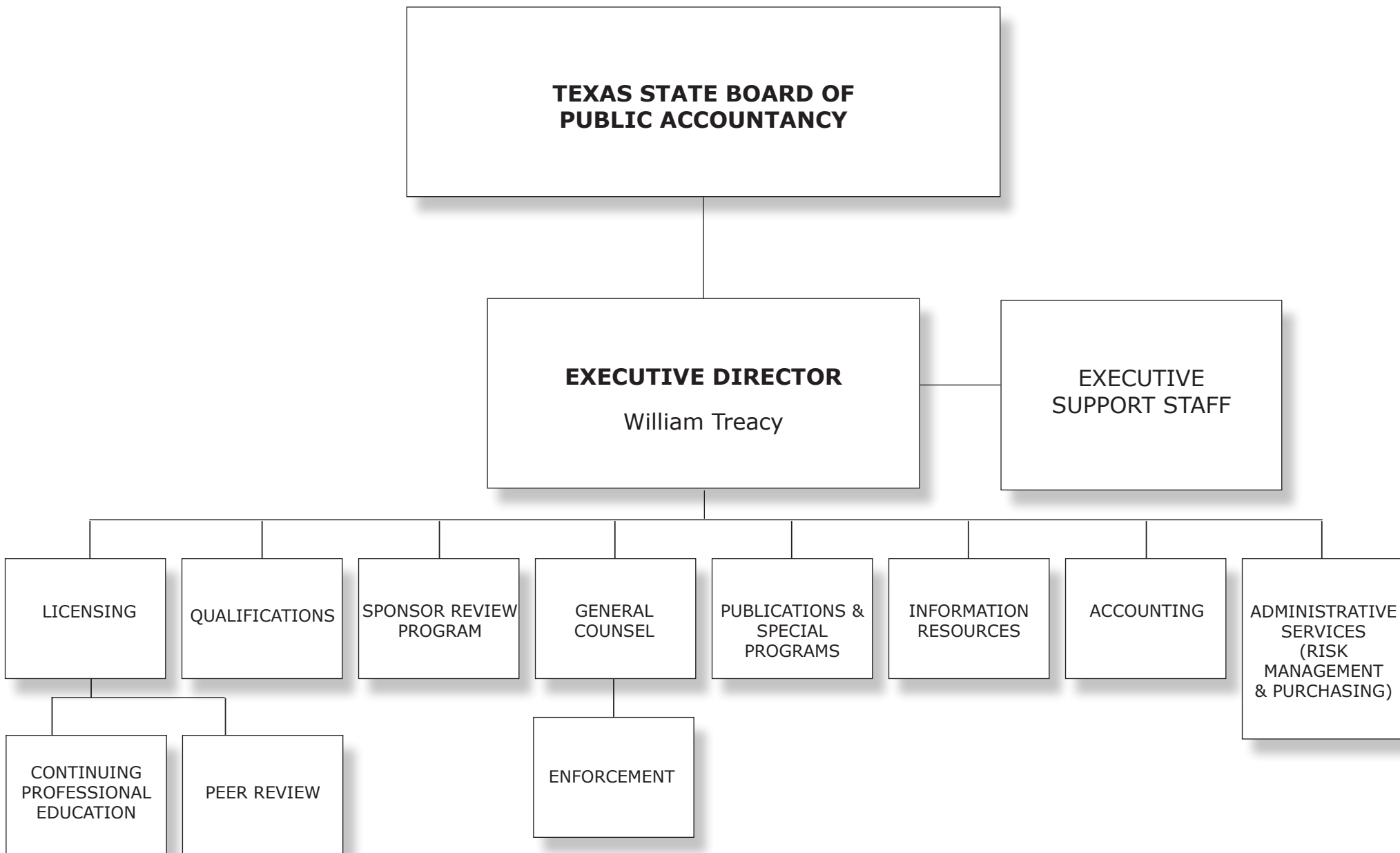
The Board's communications are a planned and sustained effort to establish and maintain goodwill and understanding between the organization and its constituents. The Board uses communications to anticipate and address public opinion and issues that might impact the administration of the *Act*. This is accomplished through a variety of media channels, including the Board's website, email blasts, press releases, public notices, meeting minutes, social media, infographics, and publications, such as the *Texas State Board Report*, the agency's *Strategic Plan*, and NASBA's *EDigital* newsletter.

SCHOLARSHIPS FOR ACCOUNTING STUDENTS

Accounting student scholarships were established in 1991 to aid disadvantaged students needing assistance financing college. Starting in fiscal year 2024, requirements were reduced from those in their 5th year of an accounting program to those with at least 15 upper-level accounting hours. Scholarship funds are allocated to participating Texas colleges and universities following identification of qualified students by school financial aid offices. The funds are derived from a legislatively mandated \$10 fee that is added to each Texas CPA's annual license renewal.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY ORGANIZATION CHART

As of October 2024



TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)
LIST OF BONDED EMPLOYEES

During the year, the Board had in force a surety bond covering all employees through the Fidelity and Deposit Company of Maryland in the amount of \$300,000. The following employees were covered as of August 31, 2024.

EMPLOYED AS OF AUGUST 31, 2024

Paul Arredondo	Accountant III
Paulette Beiter	Attorney IV
Juan A. Benitez	Program Specialist I
Josephine Briones-Febbraro	Legal Assistant III
Delia Castro	Program Specialist III
Jennifer Costilla	Program Specialist II
Nicole Duran	Manager IV
Rhonda Fellner	Program Supervisor I
J Franco	Program Supervisor V
Maria Graziani	Program Specialist III
Kiana Goldman	Program Specialist I
Ann Hallam	Director IV
Telisa Harwell	Program Supervisor III
Jerry Hill	General Counsel IV
Donna Hiller	Director III
Martha Kuhl	Program Specialist I
Amy Kulik	Legal Assistant III
Marissa Brooks	Director I
Maria Lagunas	Manager V
Kyle McGaw	Systems Analyst VII
John Moore	Attorney IV
Brian O'Neal	Staff Services Officer III
Christine Orozco	Accountant VI
Thomas Payne	Systems Analyst VI
Kenny Pettitte	Program Specialist III
Julie Prien	Information Specialist IV
Marisa Rios	Program Supervisor V
April Serrano	Program Supervisor V
Lori Shaw	Systems Analyst VI
Margie Sheehan	Program Specialist II
Tony Shumway	Systems Analyst VI
Jon Smith	Systems Analyst VI
Tina Smith	Program Specialist IV
Lorna Schwimmer-Staggs	Director II
Natalie Thaddeus	Program Specialist I
William Treacy	Executive Director
Vivian Zheng	Accountant IV

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)
STATISTICAL INFORMATION**REGISTRATION AND LICENSURE****Current Statistics**

The numbers of licenses issued by the Board in fiscal years 2023 and 2024 were as follows:

	<u>AUGUST 31,</u>	
	<u>2023</u>	<u>2024</u>
Certified Public Accountants	78,231	78,259
Public Accountants	0	0
Offices*	8,942	8,805
Other States/Foreign Countries	<u>39</u>	<u>38</u>
Total Licenses	<u>87,212</u>	<u>87,102</u>

*Out-of-state firms are no longer required to be registered.

The numbers of firms practicing public accountancy in Texas at the end of fiscal years 2023 and 2024 were as follows:

	<u>AUGUST 31,</u>	
	<u>2023</u>	<u>2024</u>
Corporations	4,398	4,484
Partnerships	327	313
Sole Proprietorships	<u>3,784</u>	<u>3,557</u>
Total Firms*	<u>8,509</u>	<u>8,354</u>

*The total number of firms does not equal the number of offices because some firms have more than one office. Out-of-state firms are no longer required to be registered.

The numbers of individuals certified or registered by the Board in fiscal years 2023 and 2024 were as follows:

	<u>AUGUST 31,</u>	
	<u>2023</u>	<u>2024</u>
CPA Certifications	1,589	1,465
Reciprocity	<u>640</u>	<u>572</u>
Total Certifications and Registrations	<u>2,229</u>	<u>2,037</u>

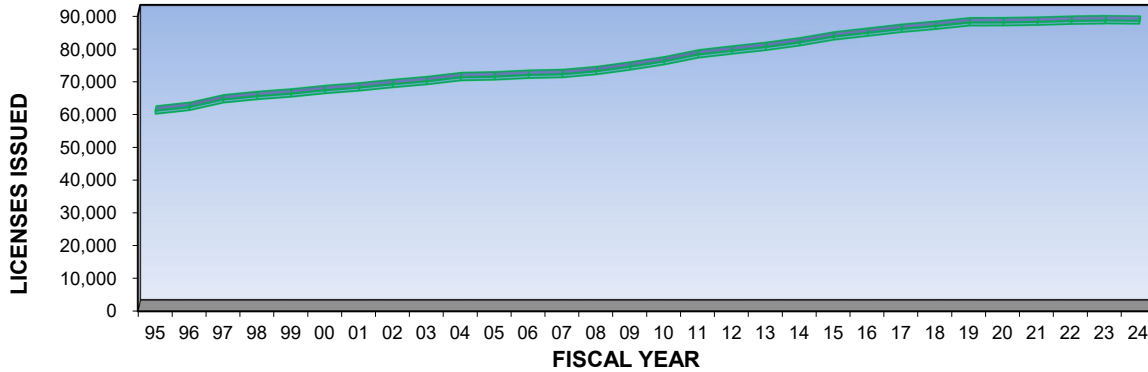
Statistical Trends

As shown in Table I, the number of licensees governed by the Board has increased by approximately 46% in the last 30 years, from 59,668 in 1995 to 87,102 in 2024. The growth has flattened in the last few years, decreasing in 2024 for the first time in 29 years.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE I

LICENSES ISSUED FROM FISCAL YEARS 1995 TO 2024



<u>FISCAL YEAR</u>	<u>TOTAL LICENSES</u>	<u>CHANGE FROM PREVIOUS FISCAL YEAR</u>
1995	59,668	-0.20%
1996	60,785	1.87%
1997	63,091	3.79%
1998	64,105	1.61%
1999	64,874	1.20%
2000	65,932	1.63%
2001	66,719	1.19%
2002	67,763	1.56%
2003	68,651	1.31%
2004	69,857	1.76%
2005	70,081	0.32%
2006	70,577	0.71%
2007	70,798	0.31%
2008	71,715	1.30%
2009	73,116	1.95%
2010	74,720	2.19%
2011	76,791	2.77%
2012	77,976	1.54%
2013	79,094	1.43%
2014	80,506	1.79%
2015	82,273	2.19%
2016	83,432	1.41%
2017	84,610	1.41%
2018	85,518	1.07%
2019	86,580	1.24%
2020	86,607	0.03%
2021	86,762	0.18%
2022	87,067	0.35%
2023	87,212	0.17%
2024	87,102	-0.13%

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

QUALIFICATIONS

Current Statistics

The following table indicates the number of candidates who sat for the Uniform CPA Examination during the last two fiscal years:

	FY 2023					FY 2024				
	Sept. 22-Nov. 22 1st Qtr.	Dec. 22-Feb. 23 2nd Qtr.	Mar. 23-May 23 3rd Qtr.	June 23-Aug. 23 4th Qtr.	FY 23	Sept. 23-Nov. 23 1st Qtr.	Dec. 23-Feb. 24 2nd Qtr.	Mar. 24-May 24 3rd Qtr.	June 24-Aug. 24 4th Qtr.	FY 24
Individuals Examined	2,225	2,238	2,180	2,845	5,250	3,187	2,949	1,887	2,689	6,084
Number of Sections Taken	2,850	2,718	3,064	3,931	12,563	4,250	3,412	2,515	3,299	13,476
Number of Sections Passed	1,341	1,184	1,472	1,944	5,941	1,891	838	555	980	4,264

Candidates Sitting for the CPA Exam

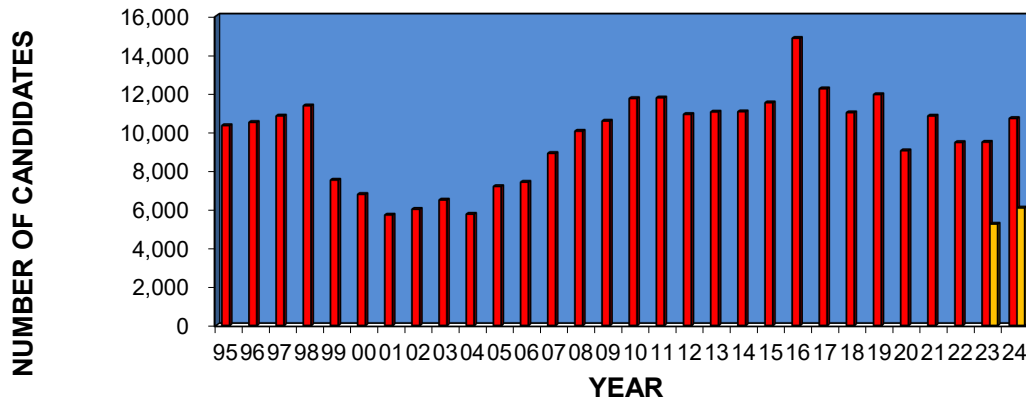
The total number of examination candidates increased from 5,250 in 2023 to 6,084 in 2024.* (See Table II)

*Totals reported in prior years counted individuals multiple times if they tested in multiple quarters. The numbers above do not.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE II

CANDIDATES TAKING THE CPA EXAM
FROM FISCAL YEARS 1995 TO 2024



<u>FISCAL YEAR</u>	<u>CANDIDATES TESTING BY QUARTER*</u>	<u>CHANGE FROM PREVIOUS YEAR</u>	<u>CANDIDATES TESTING BY FISCAL YEAR</u>	<u>CHANGE FROM PREVIOUS YEAR</u>
1995	10,344	-8.50%		
1996	10,509	1.60%		
1997	10,841	3.16%		
1998	11,365	4.83%		
1999	7,528	-33.76%		
2000	6,790	-9.80%		
2001	5,719	-15.77%		
2002	6,017	5.21%		
2003	6,497	7.98%		
2004	5,763	-11.30%		
2005	7,198	24.90%		
2006	7,421	3.10%		
2007	8,909	20.05%		
2008	10,056	12.87%		
2009	10,578	5.19%		
2010	11,743	11.01%		
2011	11,775	0.27%		
2012	10,922	-7.24%		
2013	11,044	1.12%		
2014	11,059	0.14%		
2015	11,522	4.19%		
2016	14,850	28.88%		
2017	12,244	-17.55%		
2018	11,009	-10.09%		
2019	11,944	8.49%		
2020	9,046	-24.26%		
2021	10,837	19.80%		
2022	9,472	-12.60%		
2023	9,488	0.17%	5,250	
2024	10,712	12.90%	6,084	15.89%

*Individual candidates taking exams in multiple quarters are counted multiple times

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ENFORCEMENT

COMPLAINTS OPENED

As a result of a U.S. Supreme Court decision in February 2015 and the expediency of seeking injunctive relief, the Board no longer seeks Cease and Desist Orders for non-licensees misrepresenting themselves as accountants. The Board seeks a court order enjoining the illegal conduct.

Also during this period, the Executive Committee of the Board did not conduct any emergency suspension hearings.

From September 1, 2023 through August 31, 2024, the Board opened 3,737 investigative files against licensees and non-licensees alleged to be in violation of the *Public Accountancy Act*. Of those complaints, 1,901 remained open at year end. The pending cases consist of 1,397 administrative complaints and 504 disciplinary complaints. All 504 disciplinary complaints will require committee and Board review.

Complaints originated from the following official sources:

Note: Some licensees may have more than one complaint filed, therefore the total complaints opened do not equate to the total of sources.

FEDERAL AGENCIES	STATE AGENCIES	OTHER
Department of Labor 8		PCAOB 2
Security & Exchange Commission 1		

COMPLAINTS CLOSED

From September 1, 2023 through August 31, 2024, the Board closed 3,608 complaints. The average time to close a complaint during fiscal year 2024 was 3.98 months. The disposition of these complaints is presented in the following chart:

DISPOSITION	NUMBER OF COMPLAINTS CLOSED
Administrative Complaints:	
Voluntary Compliance	1,904
Dismissed	157
Revoked	745
Suspension	305
Public Reprimand	-
Other	3
Limited Scope	-
Probation	-
Total Administrative Complaints	<u>3,114</u>
Disciplinary Complaints:	
Voluntary Compliance	324
Dismissed	83
Revoked (Includes involuntary surrender)	8
Suspension	1
Public Reprimand	22
Other	46
Limited Scope	10
Probation	-
Total Disciplinary Complaints	<u>494</u>
Total	3,608

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

The complaints closed in fiscal year 2024 contained alleged and actual violations set forth in the chart below. Many complaints contained more than one alleged or actual violation of the *Rules* and the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
501.60	Auditing Standards	24	0	14	0	8.08
501.61	Accounting Principles	23	0	14	0	7.96
501.70	Independence	4	0	2	0	8.65
501.71	Receipt of Commission, Compensation or Other Benefit	2	0	0	0	6.06
501.73	Integrity and Objectivity	41	0	1	0	12.39
501.74	Competence	7	0	2	0	6.23
501.74(a)	Competence	4	0	2	0	11.05
501.74(b)	Due Professional Care	63	0	16	0	5.47
501.75	Confidential Client Communications	5	0	0	0	4.22
501.76	Records and Work Papers	9	0	3	0	7.22
501.78	Withdrawal or Resignation	2	0	0	0	0.16
501.80	Practice of Public Accountancy	3	4	0	0	5.19
501.81	Firm License Requirements	20	8	2	0	7.71
501.82	Advertising	18	0	2	0	7.88
501.83	Firm Names	19	0	2	0	7.84
501.90	Discreditable Acts:	1	0	0	0	7.76
501.90 (2)	dishonesty, fraud or gross negligence in the practice of public accountancy	43	0	3	0	12.36
501.90 (4)	final conviction of a felony or imposition of deferred adjudication or community supervision	2	0	2	0	13.85
501.90 (5)	final conviction of a crime or imposition of deferred adjudication or community supervision	4	0	2	0	8.57
501.90 (7)	suspension or revocation of or any consent decree concerning the right to practice before any state or federal regulatory or licensing body for a cause which in the opinion of the board warrants its action	6	0	3	0	8.00
501.90 (8)	a final finding of conduct by state or federal courts of competent jurisdiction, agencies, boards, local governments or commissions for violations of state or federal laws or rules or findings of unethical conduct	37	0	2	0	13.31
501.90 (9)	knowingly participating in the preparation of a false/misleading financial stmt or tax return	1	0	0	0	4.96
501.90 (10)	fiscal dishonesty or breach of fiduciary responsibility of any type	1	0	0	0	3.36
501.90 (12)	repeated failure to respond to a client's inquiry within a reasonable time without good cause	29	0	3	0	4.75
501.90 (13)	intentionally misrepresenting facts or making a misleading or deceitful statement to a client, the board, board staff or any person acting on behalf of the board	3	0	1	0	4.50
501.91	Reportable Events	2	0	1	0	13.56
501.91(a)(2)	Reportable Events	1	0	1	0	7.93
501.93	Responses	0	7	0	7	9.32
501.94	Mandatory CPE	0	1,967	0	305	4.79
515.3	License Renewals for Individuals and Firm Offices	0	215	0	33	4.83
527.4	Enrollment and Participation	0	4	0	4	8.31
527.5	Deficient Reviews	1	0	0	0	0.03
Subtotal, Rule Violations		375	2205	78	349	
Total, Rule Violations		375	2205	78	349	

(continued on next page)

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2024.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2024, with this being one of the rules actually violated.

Column E is the average amount of time that it took to close all of the investigative files that were closed during this fiscal year, regardless of the fiscal year in which they were opened and where that particular rule was listed as being the primary rule that was violated.

Zeros occur in column C when there were no complaints closed during FY 2024 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2024 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

ALLEGED AND ACTUAL VIOLATIONS

(continued)

The chart below includes alleged and actual violations of the *Public Accountancy Act*.

VIOLATION NUMBER	DESCRIPTION	NUMBER OF ALLEGED VIOLATIONS		NUMBER OF ACTUAL VIOLATIONS		AVG TIME TO CLOSE (in months)
		Disciplinary	Administrative	Disciplinary	Administrative	
COL. A	COL. B	COL. C		COL. D		COL. E
901.159	Quality Review	0	4	0	4	8.31
901.351	Firm License Required	0	107	0	0	1.46
901.451	Use of CPA Designation	249	0	0	0	2.53
901.452	Use of Title or Abbreviation for Public Accountant	90	0	0	0	1.39
901.453	Use of Accountant or Auditor Restricted	240	0	0	0	2.56
901.460	Performing Attest Services	4	0	2	0	9.61
901.502 (2)	Dishonesty, Fraud, Gross Negligence: Services	3	0	2	0	9.45
901.502 (3), (4)	3 Year No Pay	0	910	0	712	4.77
901.502 (6)	Violation of Rule of Professional Conduct	145	0	36	0	7.96
901.502 (9)	Debarring by an Agency	5	0	2	0	7.55
901.502 (10)	Final Conviction	2	0	0	0	13.85
901.502 (11)	Lack of fitness to serve the public as a professional accountant	77	0	24	0	10.66
Total, <i>Public Accountancy Act</i> violations		815	1,021	66	716	
GRAND TOTAL VIOLATIONS		1,190	3,226	144	1,065	

Explanation of Columns:

Column C is a count of the number of times that this alleged violation occurred for complaints that were opened during FY 2024.

Column D is a count of the number of times that this alleged violation occurred for complaints that were closed during FY 2024, with this being one of the rules actually violated.

Column E is the average amount of time that it took to close all of the investigative files that were closed during this fiscal year, regardless of the fiscal year in which they were opened and where that particular rule was listed as being the primary rule that was violated.

Zeros occur in column C when there were no complaints closed during FY 2024 that had this violation as one of many alleged violations.

Zeros occur in column D when there were no complaints closed during FY 2024 that had this alleged violation as an actual violation.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)
COLLECTIONS**LICENSES, FEES, AND PERMITS**

The Board collects fees for examination, certification, registration and licensure. The Board determines the actual fees to be charged, as follows:

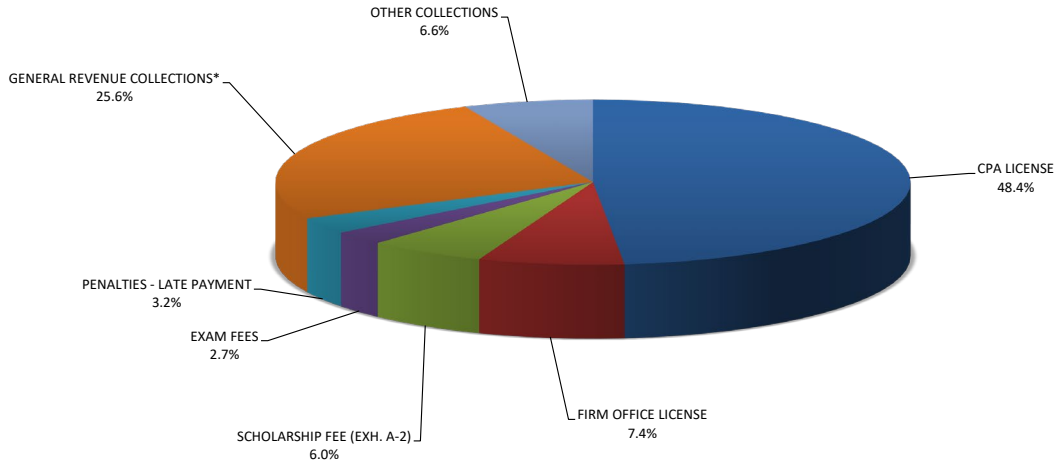
	<u>STATUTORY MAXIMUM</u>	<u>ACTUAL</u>	
		<u>FY 23</u>	<u>FY 24</u>
<u>CPA Examination Fees:</u>			
Application of Intent	\$100	\$20	\$20
Eligibility fee – per part		\$15	\$15
<u>License Fees:</u>			
Individual license	\$250	\$75	\$87
Scholarship	\$10	\$10	\$10
Firm Office License	\$200	\$60	\$60
<u>Other Fees:</u>			
Reciprocal registration	\$250	\$100	\$100
CPA certificate fee	\$50	\$50	\$50
Transfer of Credit In- Application of Intent	\$100	\$100	\$100
<u>Sponsor Review Fees:</u>			
<u>No. of Course Titles Offered:</u>			
1-10		\$400	\$400
11-40		\$750	\$750
41+		\$1,250	\$1,250

The Board collected approximately \$12.3 million during fiscal year 2024. Table III presents these collections by type, providing percentages of specific fees to total funds collected.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE III

FUNDS COLLECTED BY TYPE
For the Fiscal Year Ended August 31, 2024



	FY 2024		FY 2023	
CPA LICENSE	\$5,947,100.72	48.4%	\$ 5,189,321.50	61.8%
FIRM OFFICE LICENSE	909,281.90	7.4%	906,249.81	10.8%
SCHOLARSHIP FEE (EXH. A-2)	736,812.78	6.0%	725,888.07	8.6%
EXAM FEES	335,235.00	2.7%	318,095.00	3.8%
PENALTIES - LATE PAYMENT	394,192.36	3.2%	406,811.11	4.8%
GENERAL REVENUE COLLECTIONS*	3,148,325.59	25.6%	138,842.98	1.7%
OTHER COLLECTIONS	812,189.58	6.6%	712,064.22	8.5%
TOTAL FUNDS COLLECTED	\$12,283,137.93	100.0%	\$8,397,272.69	100.0%

Description of Funds Collected:

*General Revenue Collections include the Following:

Professional Fees (\$200) (including penalties) (Effective September 1, 2015, the \$200 professional fee was repealed pursuant to HB 7, 84th Legislature, 2015.)	\$ 21,139.44	\$ 32,347.76	See Note 1 - Agency Funds
Administrative and CPE Penalties collected from enforcement related actions	3,127,186.15	106,495.22	
Total General Revenue Collections	\$ 3,148,325.59	\$ 138,842.98	

Total General Revenue Collections does not include interest of \$66,108.47 earned in the Texas Treasury Safekeeping Trust Company.

Total Collections, Excluding General Revenue Collections:

Fund 2858: TSBPA Operating Trust Fund	\$8,397,999.56	\$ 7,532,541.64	
Fund 6106: TSBPA Scholarship Fund Reference Exhibits II and A-2.	736,812.78	725,888.07	See Note 1 B
	\$ 9,134,812.34	\$ 8,258,429.71	

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

EXPENDITURES

BY ACTIVITY

For the fiscal year ended August 31, 2024, the total expenditures of the Board were approximately \$7 million, as shown in Table IV and Exhibit A-2.

Administration includes executive support staff, information resources, accounting, administrative services, and Board member expenditures.

BY OBJECT OF EXPENDITURE

Table V represents expenditures by object.

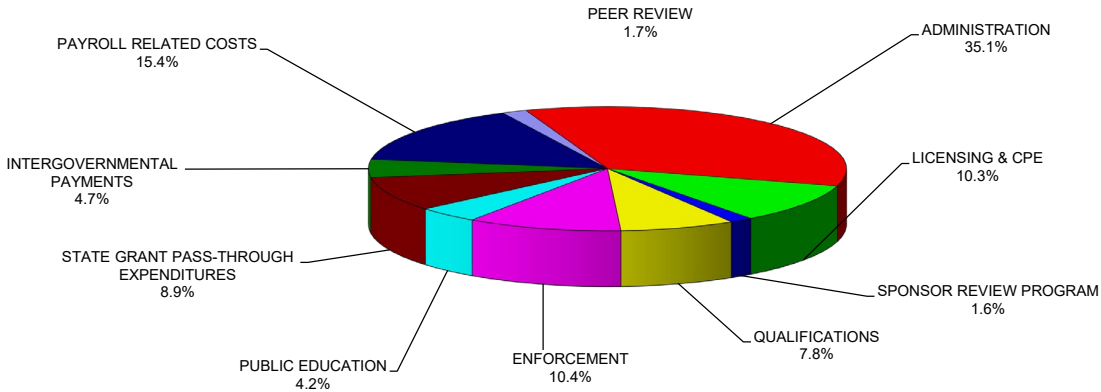
The Board's expenditures for Salaries and Payroll Related Costs were 63% of total expenditures, which is typical of a service-oriented organization.

The next largest category was Accounting Scholarships paid to colleges and universities, comprised of State Grant Pass-Through Expenditures and Intergovernmental Payments. Other Expenditures include online credit card processing fees, temporary employee costs, and other fees. The debt service categories are for the capitalized lease of the office building. The Professional Fees expenditure category includes legal and expert witness services and other contracted services related to peer review, sponsor review, and information technology.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE IV
EXPENDITURES BY ACTIVITY

For the Fiscal Year Ended August 31, 2024



	FY 2024		FY 2023	
LICENSING AND CPE	\$716,851.32	10.3%	\$775,477.38	12.1%
SPONSOR REVIEW PROGRAM (SRP)	108,786.94	1.6%	168,205.79	2.6%
QUALIFICATIONS & EXAM	541,169.79	7.8%	503,799.40	7.9%
ENFORCEMENT	729,279.82	10.4%	739,728.00	11.6%
PUBLIC EDUCATION	292,401.73	4.2%	311,853.43	4.9%
STATE GRANT PASS-THROUGH EXPENDITURES	623,490.85	8.9%	477,596.00	7.5%
INTERGOVERNMENTAL PAYMENTS	328,890.84	4.7%	255,700.00	4.0%
PAYROLL RELATED COSTS	1,074,013.36	15.4%	1,047,731.88	16.4%
PEER REVIEW	117,036.98	1.7%	57,024.34	0.9%
ADMINISTRATION	2,448,875.07	35.1%	2,065,330.41	32.3%
TOTAL EXPENDITURES	\$6,980,796.70	100.0%	\$6,402,446.63	100.0%

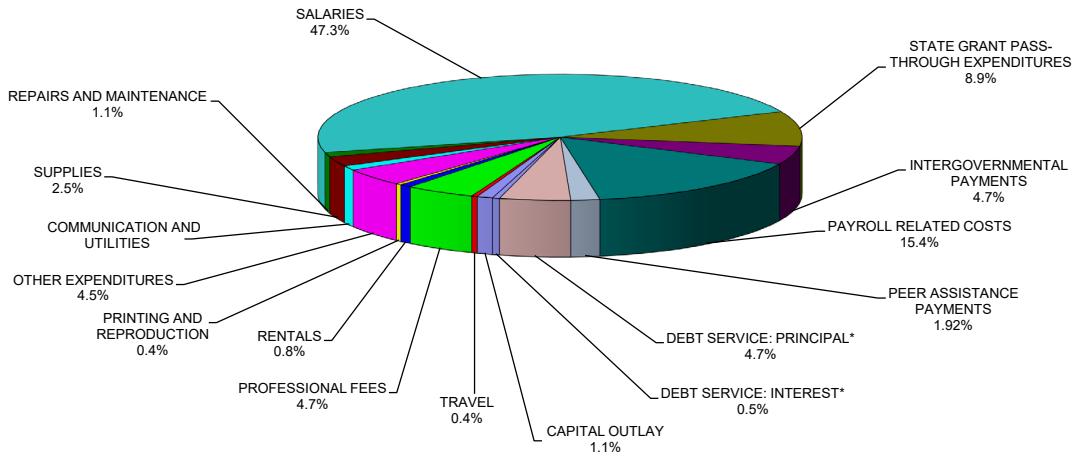
(Exhibit II)

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY (457)

TABLE V

EXPENDITURES BY OBJECT

For the Fiscal Year Ended August 31, 2024



	FY 2024		FY 2023	
SALARIES AND WAGES	\$3,302,272.86	47.3%	\$3,224,147.54	50.4%
PAYROLL RELATED COSTS	1,074,013.36	15.4%	1,047,731.88	16.4%
PROFESSIONAL FEES AND SERVICES	324,692.68	4.7%	209,706.16	3.3%
TRAVEL	26,661.48	0.4%	27,243.27	0.4%
MATERIALS AND SUPPLIES	176,952.54	2.5%	166,132.49	2.6%
RENTALS AND LEASES	56,514.56	0.8%	57,596.61	0.9%
PRINTING AND REPRODUCTION	26,342.89	0.4%	13,526.37	0.2%
REPAIRS AND MAINTENANCE	77,461.13	1.1%	60,128.39	0.9%
COMMUNICATION AND UTILITIES	81,132.66	1.2%	66,750.99	1.0%
STATE GRANT PASS-THROUGH EXPENDITURES	623,490.85	8.9%	477,596.00	7.5%
INTERGOVERNMENTAL PAYMENTS	328,890.84	4.7%	255,700.00	4.0%
OTHER EXPENDITURES	312,486.78	4.5%	310,453.15	4.8%
PEER ASSISTANCE PAYMENTS	134,253.00	1.9%	134,253.00	2.1%
DEBT SERVICE: PRINCIPAL*	328,816.56	4.7%	314,385.51	4.9%
DEBT SERVICE: INTEREST*	33,108.88	0.5%	37,095.27	0.6%
CAPITAL OUTLAY	73,705.63	1.1%	-	0.0%
TOTAL EXPENDITURES	\$6,980,796.70	100.0%	\$6,402,446.63	100.0%

(Exhibit II)

**Debt Service: Principal, "Debt Service: Interest," are due to implementation of GASB Statement No. 87 - Leases.

SECTION D

Section 472.104 (a) (3) a description of any changes in licensing fees

Individual License Fee: increase from \$87 to \$102 effective FY 2025, due in-part to necessary upcoming information technology updates. History of license fees:

FY 2002 – 2004	\$30
FY 2005 – 2006	\$60
FY 2007 – 2008	\$45
FY 2009 – 2012	\$30
FY 2013 – 2014	\$41
FY 2015	\$47
FY 2016 – 2019	\$56
FY 2020 – 2021	\$65
FY 2022	\$60
FY 2023	\$75
FY 2024	\$87
FY 2025	\$102

Retired/Disabled Fee: increase from \$10 to \$15 effective FY 2016. History of Retired/Disabled fee:

FY 2002 - 2015	\$10
FY 2016 - 2024	\$15

Office License Fee: increase from \$50 to \$60 effective FY 2020. History of Office License fees:

FY 2002 - 2015	\$50
FY 2016	\$60
FY 2017 - 2019	\$50
FY 2020 - 2024	\$60

Firm Organization Fee:

Effective FY 2015:

CPA Employees and non-CPA Owners:

1-5	0
6-9	\$10
10-49	\$20
50 or more	\$25

Prior amounts:

CPA Employees and non-CPA Owners:

1	0
2-5	\$10
6-9	\$15
10-49	\$20
50 or more	\$25

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Self-Directed, Semi-Independent Agency Report
Texas Government Code, Chapter 472, Section 472.104 (a)

Exam Filing Fee: decrease from \$60 to \$20 effective FY 2017. History of Exam Filing Fee:

FY 2002 – 2015	\$50
FY 2016	\$60
FY 2017 – 2024	\$20

Exam Eligibility Fee per part: increase from \$10 to \$15 effective FY 2020. History of exam eligibility fee per part:

FY 2002	\$68.50 1 part, \$107 2 parts, \$214 4 parts
FY 2003	\$73.50 1 part, \$117 2 parts, \$234 4 parts
FY 2004 – 2007	\$70 per part
FY 2008	\$35 per part
FY 2009 – 2012	\$15 per part
FY 2013 – 2016	\$20 per part
FY 2017 – 2019	\$10 per part
FY 2020 – 2024	\$15 per part

SECTION E

Section 472.104 (a) (4) a report on the number of examination candidates, licensees, certificate holders, and enforcement activities and any changes in those figures.

Please see the Board's *Annual Financial Report* for the year ended August 31, 2024 (attached).

For exam candidates, please refer to Section C, pages 34 – 35.

For licensees and certificate holders, please refer Section C, pages 32 – 33.

For enforcement activities, please refer to Section C, pages 36 - 38.

SECTION F

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Self-Directed, Semi-Independent Agency Report
Texas Government Code, Chapter 472, Section 472.104 (a)

Section 472.104 (a) (5) a description of all new rules adopted or repealed

Please see the attached report.

RULE ADOPTIONS
December 2022 – November 2024

55 AMENDMENTS
1 REPEAL
8 NEW
TOTAL = 52 ADOPTIONS

December 2022 Adoptions

None.

January 2023 Adoptions

501.55 concerning Definition of Acronyms (Amendment)
502.2 concerning Texas State Board of Public Accountancy Policy Statement of the Peer Assistance Oversight Committee (Amendment)
505.10 concerning Board Committees (Amendment)
511.80 concerning Granting of Credit (Amendment)
523.132 concerning Board Authorized Ethics Instructors (Amendment)
527.3 concerning Standards for Peer Reviews and Sponsoring Organizations (Amendment)
527.6 concerning Reporting to the Board (Amendment)
527.7 concerning Peer Review Oversight Board (Amendment)

February 2023 Adoptions

None.

March 2023 Adoptions

511.57 concerning Qualified Accounting Courses (Amendment)
511.58 concerning Definitions of Related Business Subjects and Ethics Courses (Amendment)
511.72 concerning Uniform Examination (Amendment)

April 2023 Adoptions

None.

May 2023 Adoptions

None.

June 2023 Adoptions

None.

Rule Adoptions

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July 2023 Adoptions

None.

August 2023 Adoptions

None.

September 2023 Adoptions

511.22 concerning Initial Filing of the Application of Intent (Amendment)
511.52 concerning Recognized Institutions of Higher Education (Amendment)
511.53 concerning Evaluation of International Education Documents (Amendment)
511.54 concerning Recognized Texas Community Colleges (Amendment)
511.56 concerning Educational Qualifications under the Act (Amendment)
511.57 concerning Qualified Accounting Courses (Amendment)
511.58 concerning Definitions of Related Business Subjects and Ethics Courses (Amendment)
511.59 concerning Definition of 150 Semester Hours (Amendment)
511.60 concerning Qualified Accounting Courses Prior to January 1, 2024 (Amendment)
511.73 concerning Notice to Applicant to Schedule Taking a CPA Exam Section (Amendment)
511.80 concerning Granting of Credit (Amendment)
511.83 concerning Granting of Credit by Transfer of Credit (Amendment)
511.122 concerning Acceptable Work Experience (Amendment)
511.161 concerning Qualifications for Issuance of a Certificate (Amendment)
511.164 concerning Definition of 150 Semester Hours to Qualify for Issuance of a Certificate (New)
520.1 concerning Authority and Purpose (Amendment)
520.3 concerning Institutions (Amendment)
520.4 concerning Eligible Students (Amendment)
520.5 concerning Award Amounts and Uses (Amendment)
521.14 concerning Eligibility Fee (Amendment)

October 2023 Adoptions

None.

November 2023 Adoptions

511.57 concerning Qualified Accounting Courses to take the UCPAE (Amendment)
527.5 concerning Deficient Reviews (Amendment)

December 2023 Adoptions

None.

Rule Adoptions

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January 2024 Adoptions

511.52 concerning Recognized Institutions of Higher Education (Amendment)
511.53 concerning Evaluation of International Education Documents (Amendment)
511.58 concerning Definitions of Related Business Subjects to take the UCPAE (Amendment)
511.59 concerning Definition of 120 Semester Hours to take the UCPAE (Amendment)
511.60 concerning Qualified Accounting Courses Prior to January 1, 2024 to take the UCPAE (Amendment)
511.80 concerning Granting of Credit (Amendment)
511.87 concerning Loss of Credit (Amendment)
511.164 concerning Definition of 150 Semester Hours to Qualify for Issuance of a Certificate (Amendment)
515.5 concerning Reinstatement of a Certificate or License in the Absence of a Violation of the Board's Rules of Professional Conduct (Amendment)
515.11 concerning Licensing for Military Service Members, Military Veterans, and Military Spouses (Repeal)
516.1 concerning Definitions (New)
516.2 concerning Licensing for Military Service Members and Spouses (New)
516.3 concerning Licensing for Military Veterans (New)
516.4 concerning Accounting Practice Notification by Military Service Members and Spouses (New)

February 2024 Adoptions

None.

March 2024 Adoptions

501.62 concerning Other Professional Standards (Amendment)
521.9 concerning Certificate Fee (Amendment)

April 2024 Adoptions

None.

May 2024 Adoptions

None.

June 2024 Adoptions

None.

July 2024 Adoptions

511.163 concerning Examination on the Board's Rules of Professional Conduct Requirements (Amendment)

Rule Adoptions

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523.130 concerning Ethics Course Requirements (Amendment)

523.140 concerning Program Standards (Amendment)

August 2024 Adoptions

None.

September 2024 Adoptions

511.161 concerning Qualifications for Issuance of a Certificate (Amendment)

520.1 concerning Authority and Purpose (Amendment)

520.2 concerning Definitions (Amendment)

520.3 concerning Institutions (Amendment)

520.4 concerning Eligible Students (Amendment)

520.5 concerning Award Amount and Uses (Amendment)

520.6 concerning Allocations (Amendment)

520.7 concerning Disbursements to Institutions (Amendment)

520.8 concerning Retroactive Disbursements (Amendment)

520.11 concerning Eligible Applicants for Examination Fee Financial Aid (EFFA) Program (New Rule)

520.12 concerning Award Amounts and Uses Through the Examination Fee Financial Aid (EFFA) Program (New Rule)

520.13 concerning Documentation for the Examination Fee Financial Aid (EFFA) Program (New Rule)

October 2024 Adoptions

None.

November 2024 Adoptions

None.