

SELF-EVALUATION REPORT
TO
THE SUNSET ADVISORY COMMISSION



**TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY**
SELF-DIRECTED, SEMI-INDEPENDENT

September 1, 2017

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Texas State Board of Public Accountancy Self-Evaluation Report

I. Agency Contact Information

Texas State Board of Public Accountancy Exhibit 1: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	Email Address
Agency Head	William Treacy Executive Director	333 Guadalupe, Tower 3, Suite 900 Austin, TX 78701-3900	512-305-7801 - Office 512 305-7854 - Fax	wtreacy@ tsbpa.texas.gov
Agency's Sunset Liaison	Alan Hermanson, CPA Director of Administrative Services/CFO	333 Guadalupe, Tower 3, Suite 900 Austin, TX 78701-3900	512-305-7814 - Office 512 305-7854 - Fax	accounting@ tsbpa.texas.gov

II. Key Functions and Performance

A. Provide an overview of your agency's mission, objectives, and key functions.

Mission

The mission of the Texas State Board of Public Accountancy is to protect the public by ensuring that persons issued certificates as certified public accountants (CPAs) possess the necessary education, skills, and capabilities to perform competently in the profession of public accountancy.

Objectives

The Texas State Board of Public Accountancy has the responsibility and authority to regulate the practice of public accountancy in Texas in order to ensure the availability of competent CPAs to serve the public and to protect the public from persons who are not qualified or licensed to practice public accountancy in Texas.

The certification of accountants as CPAs serves several essential objectives of the State and of the United States.

These are:

1. The CPA licensing structure provides the public with the only individuals qualified to prepare attestation reports on financial statements. These reports, called audits, reviews or compilations, evaluate and report objectively on the reliability of financial information. The CPA licensing structure administered by the Texas State Board of Public Accountancy helps ensure the availability of individuals qualified to prepare these reports in accordance with uniform standards. The public financial markets, the banking system and the insurance system of the United States and the State of Texas not only rely on these reports, but also require them.¹ In addition, all of the grant programs administered by the United States and Texas require and rely on reports prepared by CPAs.² State and federal contractors must also provide audits as a condition of doing business with the government.³
2. The CPA licensing structure provides the public with individuals uniquely qualified to understand and implement the State's and the United States' complex tax structure. The availability of this expertise helps the public pay the lawful amount of taxes and thereby provides the governing structure with the monies needed to fund government programs. Qualified CPAs licensed by the State are admitted to practice before the United States Tax Court and in that capacity also serve to administer justice in the interests of the State.
3. The CPA licensing process provides the State with individuals qualified to perform key state services. The State employs CPAs to perform several key state government functions including auditing government accounts. In addition, CPAs licensed in Texas may perform audits of sales tax accounts. Previously, only employees of the Comptroller's office were authorized to provide this function.
4. The CPA licensing structure provides the public with individuals uniquely qualified to manage and foster wealth. This ready availability of expertise to the general public promotes the State's objectives of improving the welfare of its inhabitants.

Functions

The above objectives are accomplished through the following functions:

Qualifications and Licensing

Qualifications – Agency staff review applications from exam candidates to verify that educational and other requirements have been met. Texas standards, which include 150 hours of college coursework, are among the highest in the country. Under an agreement with the American Institute of Certified Public Accountants (AICPA), the National Association of State Boards of Accountancy (NASBA), and Prometric, the Board administers the Uniform CPA Examination to candidates who satisfy the Board's requirements. The exam is offered in four two-month testing windows at Prometric testing centers throughout the state. Only those candidates who have passed all parts of the examination are eligible for the certificate of certified public accountant.

Since administration of the Fifth-Year Accounting Student Scholarship Fund was transferred from the Higher Education Coordinating Board to the Texas State Board of Accountancy by the 2009 Legislature, the Board has been proactive in providing larger scholarships to more qualified students. Texas exam candidates are required to complete 150 hours of college credit to sit for the exam, which practically dictates a fifth year of college. These scholarship grants enable more students to pursue the CPA designation.

Funds for the scholarships are generated by a statutorily mandated \$10 fee paid by each licensee at the time of license renewal.

Certification – The Board certifies:

- applicants who have passed all parts of the Uniform CPA Examination in Texas and have met all other statutory requirements for the CPA certificate in Texas as required by *Sections 901.251 and 901.252 of the Act (Certificate Required and Eligibility Requirements)*; and
- 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 Act (Certification Based on Reciprocity)*.

Registration - The Board requires registration of the following entities:

- sole proprietorships, partnerships, limited liability partnerships, limited liability companies, corporations or other legally recognized business engaged in the practice of public accountancy; and
- individuals qualifying under *Section 901.355 (Registration for Certain Foreign Applicants)* of the *Public Accountancy Act*.

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

- certified public accountants;
- public accountants;
- individuals registered under *Section 901.355 of the Public Accountancy Act*; and
- offices: sole proprietorships, partnerships, limited liability partnerships, limited liability companies, corporations or other legally recognized business entity engaged in the practice of public accountancy.

Continuing Professional Education (CPE) – Texas CPAs are required to comply with *Chapter 523, Continuing Professional Education of the Board's Rules*. These rules require 120 hours of CPE every three-year reporting period, with a minimum of 20 hours each year. The goal is to encourage CPAs to remain current in their skills and knowledge in order to better serve their clientele and/or employers. To count as valid CPE, courses should enhance a licensee's competency.

Sponsor Review Program – Through its Sponsor Review Program, the Board reviews continuing professional education courses offered to Texas CPAs with the objective of assuring high quality CPE for licensees. Knowing that they are subject to review every three years encourages sponsors to strengthen the quality of the courses they offer in order to meet Board guidelines.

Peer Review – Through the Board’s Peer Review Program, a firm that performs any attest services as defined in *Section 901.002* of the *Act* and *Chapter 501.52(4), (11)* and *(23)* of the Board’s *Rules* for adherence to quality control standards adopted by practitioners and the profession is are required to undergo peer review every three years in accordance with *Chapter 527, Peer Review* of the Board’s *Rules*.

Enforcement – When a licensee or other entity registered with the Board violates statutory provisions related to the practice of public accountancy or the *Rules of Professional Conduct*, the Board has the authority to revoke, suspend, or refuse to renew a license or registration, or take other disciplinary action. In addition, the Board has the authority to enforce specific statutory prohibitions against practicing or offering to practice public accountancy without a valid license. As a part of the Enforcement Division, agency staff, with the aid of the Constructive Enforcement Committee (CEC), monitors the unauthorized practice of public accountancy by individuals claiming expertise in accountancy that they do not have. The CEC members are CPA volunteers who have been agency trained to recognize violations of the *Public Accountancy Act*, such as non-licensees advertising auditing services. Most of these violations are resolved through voluntary compliance but some require Agreed Consent Orders when referring to themselves as CPAs or auditors.

Accountants Confidential Assistance Network (ACAN) - The Accountants Confidential Assistance Network is a statutorily mandated peer assistance program specifically dedicated to helping Texas CPAs, CPA candidates, and accounting students deal with alcohol, chemical dependency, or mental health issues. The program is administered by the Texas Society of CPAs with financial support and oversight from the Board. Although a CPA, candidate, or student may self-refer to ACAN, participation in the program is sometimes required by the Board after multiple convictions, such as DWI or DUI are disclosed. It is important that help is provided by CPA volunteers who themselves are in recovery and who have particular insight into issues faced by those in the profession.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

Yes. The **Qualifications** function serves to review and certify that statutory qualifications for initial certification have been met. As a clearinghouse for aspiring CPAs, the department reviews the education, ethics, and experience requirements and examines evidence of good moral character. If deficiencies are found, candidates are advised of what they must do to correct them before they will be allowed to take the qualifying exam.

The **Registration** function establishes Board authority over CPA offices and is supported by **Peer Review**, which reviews the attest function of CPA firms (offices) for compliance with applicable standards every three years. It is the peer review process that would discover incompetencies in the work done at a CPA office. **Licensing** is an annual procedure during which licensees are reviewed for the completeness of their required CPE, including ethics requirements. Without this requirement and oversight, many CPAs might opt out of CPE and fail to keep up with the ever-changing nature of the accounting environment and the laws that pertain to it. The **Enforcement** function handles complaints from the public, other licensees, and other entities who allege wrongdoing by licensees or by unlicensed persons who may be practicing public accountancy. This function protects both CPAs and the public by identifying “bad practices” or negligence of licensees and fraudulent practices of persons asserting expertise they do not have. All of these functions go toward providing qualified practitioners of public accountancy and protecting the public from incompetent practitioners, whether licensees who are not in compliance with Board rules, or those who are not licensed but advertise as providing accounting or attest services. Failure to perform any of these functions would endanger the public by failing to provide competent accountants or failing to police the accounting profession, both authorized and unauthorized.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The fact that the number of CPAs dramatically increase each year demonstrates that the Board is fulfilling the role of providing qualified CPAs for the citizens of Texas. In spite of the increase in the number of licensees, the Board staff has not increased. This is in large part due to the initiation of efficient operations such as the staggered scheduling for renewals and promotion of online services. The lower number of enforcement actions in spite of the rising number of licensees speaks to our efficiency and proficiency in fulfilling our mandate to regulate the profession and to protect the public.

We believe this decline in enforcement actions is also the result of ethics requirements for both exam candidates and licensees. In addition, the Board is making effective use of the “eyes and ears” of our licensees in identifying persons practicing without a license and the unauthorized use of reserved terms.

D. Does your agency’s enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions?

Yes. The agency’s statute, *Chapter 901* of the *Act*, correctly reflects the Texas State Board of Public Accountancy’s mission, key functions, powers, and duties.

The following powers and duties are statutory in nature and can be found in *Subchapter D (Board Powers and Duties)* of *Chapter 901* of the *Act*.

<i>Sec. 901.151</i>	<i>General Powers and Duties of Board</i>
<i>Sec. 901.152</i>	<i>Advisory Committees</i>
<i>Sec. 901.153</i>	<i>Enforcement Committees</i>
<i>Sec. 901.154</i>	<i>Fees</i>
<i>Sec. 901.155</i>	<i>Scholarship Trust Fund for Fifth-Year Accounting Students</i>
<i>Sec. 901.156</i>	<i>Rules of Professional Conduct</i>
<i>Sec. 901.157</i>	<i>Rules for Specialization</i>
<i>Sec. 901.158</i>	<i>Rules Restricting Competitive Practices</i>
<i>Sec. 901.159</i>	<i>Peer Review</i>
<i>Sec. 901.160</i>	<i>Availability and Confidentiality of Certain Board Files</i>
<i>Sec. 901.161</i>	<i>Privilege for Certain Information</i>
<i>Sec. 901.162</i>	<i>Immunity from Liability</i>
<i>Sec. 901.163</i>	<i>Statistical Analysis of Complaints</i>

E. Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

Legislation enacted to improve the agency's operations can be found throughout Section III, History and Major Events.

F. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

No. This Board alone regulates the practice of public accountancy in Texas. Each state of the United States establishes its own licensing standards for CPAs. Practice standards are required to be in accordance with national standards including standards promulgated by the American Institute of Certified Public Accountants (AICPA) and other nationally recognized professional standard setting organizations.

G. In general, how do other states carry out similar functions?

Every state in the United States, together with the District of Columbia, Puerto Rico, Northern Mariana Islands, Virgin Islands, and Guam, has a program similar to that of the Texas State Board of Public Accountancy.

H. What key obstacles impair your agency's ability to achieve its objectives?

The agency's Self-Directed, Semi-Independent (SDSI) status generally provides the means and the flexibility to overcome any operational and administrative challenges that might otherwise impair the agency's ability to achieve objectives.

I. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

North Carolina State Board of Dental Examiners v. Federal Trade Commission, 547 U.S. (2015). For over 70 years State Boards of Accountancy have been presumed to be immune from federal antitrust laws as long as they were established by law as state agencies and their otherwise anticompetitive actions were clearly authorized by state statutes. This agency is closely monitoring cases that could further define the scope and effect of this decision on this board.

J. What are your agency's biggest opportunities for improvement in the future?

Because of constant changes and developments in government regulation, technology, and the global economy, this agency is continually evolving in its efforts to regulate the accounting profession while protecting the interests of the public. To that end, the Board will build on the success of the following initiatives while developing others as the need and opportunities arise:

Improved Use of Technology

The agency continues to improve its online services for its licensees and exam candidates.

1. Online applications of CPA candidates. Almost 100% of Eligibility Applications to take the CPA exam are now filed and paid for online. The exam on the *Rules of Professional Conduct* can also be completed online. Most candidates are computer and Internet proficient and make ready use of the online options. Candidates can track all activities online as they complete the examination process. Grades can be viewed online after the Board receives them.
2. Over 98% of individuals renew their licenses online and over 75% of firms renew their licenses on the Board's website. Individuals can make such changes as address changes online, which greatly streamlines that process. Licensees can report their CPE hours as they are earned, so that they can monitor their CPE and know how many hours they still need to take within the reporting period. When licensees pay their renewal fees online, and when all information is provided correctly, they are notified within one business day that their licenses have been issued. Licensees can make corrections online to the information submitted for renewal until the license is issued.
3. Licensees must confirm and accept anything they submit or update through the online services on our agency's website. Online services are used by licensees to renew their license (individual or firm), update their contact information, report CPE, input the date a firm or office dissolved, submit information about an office that has just been organized, input main office designation updates, make changes to the list of CPA owners associated with an office, and assign resident manager designation.

Online services available to exam candidates include the ability to review testing activities, scores, credits, diagnostic reports, and information submitted to qualify to sit for the exam. Exam candidates can also apply online to sit for sections of the exam. When anything is submitted via online services the user must click a box that states they accept and confirm the information that they have submitted. This process is very similar to an online software agreement acceptance box you would check to agree to its terms.

4. The agency uses digital 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, and electronic publications such as the *Texas State Board Report*, the agency's *Strategic Plan*, NASBA's *EDigital* newsletter, and the *Candidate Chronicle*.
5. The agency has significantly reduced the cost of producing and mailing our two newsletters. The *Candidate Chronicle*, a newsletter for exam candidates, is offered solely in electronic form. The *Texas State Board Report*, a quarterly newsletter for our licensees, gets emailed to approximately 70,000 licensees by default and is also posted to our website. The *Board Report* is available on the Board's website. If licensees would like to receive the print version of the newsletter they have to proactively contact us and request the print version.

Expanded Scholarship Program

After the 2009 Legislature transferred responsibility for administering the Fifth-Year Accounting Student Scholarship Program from the Higher Education Coordinating Board to the State Board of Public Accountancy, this Board acted quickly to expand the program in both the amount of the awards given and the number of recipients. This is an important initiative because the statutory requirement of 150 college hours for licensing generally dictates the need for a fifth year of college, so any effort the Board can make in assisting accounting students serves to help ensure a pool of qualified CPAs to serve Texans in the future.

Continuing Professional Education (CPE)/Sponsor Review Program (SRP)

With initiation of the Sponsor Review Program (SRP), the agency took a significant step toward raising the quality of continuing professional education (CPE) offered to Texas CPAs. Because of the SRP, sponsors know what is required of them and that they are subject to review at least once every three years. The review process is intended to bring sponsors into compliance with applicable Board rules, and in turn to raise the quality of CPE in Texas.

Ethics Education

When complaints against CPAs made it apparent that some did not fully understand the Board's *Rules of Professional Conduct*, the Board made ethics education for licensees mandatory. In 2005, the Board also began requiring a three-hour ethics college course for future exam candidates. These initiatives appear to have made an impact as the number of complaints against CPAs declined even as the number of CPAs continued to increase. The concept of *ethical reasoning* is now incorporated into approved ethics courses in addition to an understanding of the Board's *Rules*.

Public Outreach/Protecting the Public Interest

The Board is ever mindful of its responsibility to protect the public interest, and its efforts have at least an indirect, if not a direct, impact in that area of responsibility.

- The Board timely processes complaints, usually resolving them within 180 days of filing.
- It is a violation of the *Act* to offer accounting services to the public when you are not a licensed as a CPA. The public assumes, as evidence by multiple surveys one of which was just recently completed this year that persons offering accounting services are regulated by this agency. The board has an active and effective program in identifying persons offering accounting services that are not licensed. The program is designed to be educational but the Board has the authority to require compliance with the *Act* when necessary
- In addition, the agency has made greater use of search engines such as Google, business services such as Lexis-Nexis, and other data-mining techniques in identifying UPPA offenders, many of whom are using protected terms such as *accountant* and *auditor* in their advertising or signage but who are unaware they are committing an offense.
- The Board has enhanced cooperation with other state and federal agencies that have regulatory responsibilities in accountancy, e.g., the Public Company Oversight Accountancy Board, the U.S. Department of Labor, the Texas Education Agency, the Texas Department of Transportation, and the Securities and Exchange Commission. This has been helpful in dealing with out-of-state accounting firms that are offering attest services to public companies in Texas.
- The Board also protects the public through its Peer Review Program, which subjects any accounting firm doing attest work to a review of its work product by trained CPA reviewers at least every three years.

The Board participates actively with other accounting entities, such as the National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA), which bear most of the responsibility for the computerized Uniform CPA Exam. For the 2014 Practice Analysis of the Profession, the AICPA sought input from state boards and individual CPAs nationwide to evaluate the knowledge, tasks, and skills required of CPAs entering the profession; design an appropriate instrument for testing these; and form a basis for content validity and legal defensibility of the exam.

The AICPA launched the revamped examination in April 2017 after two years of revising and testing. The exam is a cooperative effort involving individual CPAs, state boards, and other accounting entities. The exam will always be a work in progress and its evolution will always call for input from the various state boards.

- Board staff routinely meets with educators through various seminars and professional programs to discuss mutual concerns and to solicit answers to questions that the Board may have concerning the direction of accounting education in the state. Staff also participates in strategic seminars with accounting students to provide information that may be helpful as they meet education requirements to take the CPA examination.

A legislative change to clarify client confidentiality in instances where CPAs are ordered by federal law or by a court order signed by a judge to disclose client information was enacted. *Section 901.457* of the *Texas Act* was revised by the Texas Legislature in 2013 to authorize a CPA to release confidential client communications pursuant to a court order signed by a judge.

Challenges are sure to come to both educators and regulatory agencies because of the work of the Pathways Commission, a joint project of the American Accounting Association and the AICPA that has charted a national strategy for the next generation of accountants.”

The Commission made broad recommendations for the future of accounting education at the same time that universities are facing a shortage of professors with accounting doctorates, budget shortfalls, and the need to act quickly with curricula changes to address changes in the business environment.

K. In the following chart, provide information regarding your agency’s key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures. Please provide information regarding the methodology used to collect and report data.

In accordance with *Texas Government Code, Chapter 472*, the Board does not receive appropriations.

Texas State Board of Public Accountancy Exhibit 2: Performance Measures - Fiscal Year 2016			
Performance Measures	FY 2016 Target	FY 2016 Actual Performance	FY 2016 % of Annual Target
Individuals Examined	11,627	12,277	106%
Average License Cost per Individual License Issued	\$10.05	\$10.49	104%
Average License Cost per Facility License Issued	\$7.45	\$7.24	97%
Number of Peer Reviews Conducted	1,241	1,376	111%
Number of CPE Sponsors Reviewed	203	218	107%
Number of CPE Sponsors Subject to Review	621	602	97%
Percentage of CPE Sponsors Receiving Favorable Review	97%	95.2%	98%
Average Time for Complaint Resolution (days) - Disciplinary	189	149.4	79%

Methodology for Performance Measures

Individuals Examined

Short Definition: The number of individuals to whom computer-based examination sections were administered during the reporting period.

Purpose/Importance: The CPA examination is offered via computer on a year-round basis at testing centers. This performance measure is important because it offers insight into the pipeline of CPAs from higher education to licensure.

Source/Collection of Data: The data for this measure comes from data collected from the Board's automated exam system. The Board receives data from NASBA about individuals who took the UCPAE.

Method of Calculation: The data is calculated by adding the number of individuals who took one or more sections of the UCPAE during each quarter. Because the information is released by NASBA, the data for one quarter may not be available until the next quarter.

Data Limitations: The number of individuals who submit eligibility applications for the UCPAE is beyond the control of the agency.

Calculation Type: Cumulative

New Measure: Yes

Desired Performance: Higher than target

Average License Cost per Individual License Issued

Short Definition: Total expenditures (including encumbrances) for direct licensing activities during the reporting period divided by the total number of individuals licensed during the reporting period.

Purpose/Importance: This measure is intended to show how cost-effectively the agency processes new and renewal license applications for individuals.

Source/Collection of Data: The number of new and renewed licenses is obtained from the agency's automated licensing system. The Information Resources Division generates a quarterly report for this measure titled "Count of Licensees by Quarter." The Accounting Division compiles the financial data from the agency's internal accounting system. A report is generated listing expenses by quarter for each division, and a worksheet is created for performance measure reporting.

Method of Calculation: Total funds expended and encumbered during the reporting period for the processing of initial and renewed licenses for individuals divided by the total number of initial and renewed licenses for individuals issued during the reporting period. Costs include the following categories: salaries; supplies, travel, postage, and other costs directly related to licensing, including document review, handling, and notification and indirect administration costs are excluded from this calculation.

Data Limitation: Factors beyond the agency's control include the number of individuals who will become licensed in a given period.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

Average License Cost per Facility License Issued

Short Definition: Total expenditures (including encumbrances) for direct licensing activities during the reporting period divided by the total number of facilities licensed during the reporting period.

Purpose/Importance: This measure is intended to show how cost-effectively the agency processes new and renewal licensing applications for facilities.

Source/Collection of Data: The number of new and renewed facility licenses issued is obtained from the agency's automated licensing system. The Information Resources Division generates a quarterly report for this measure titled "Count of Firms by Quarter." The Accounting Division compiles the financial data which comes from the agency's internal accounting system. A report is generated listing expenses by quarter for each division, and a worksheet is created for performance measure reporting.

Method of Calculation: Total funds expended and encumbered during the reporting period for the processing of initial and renewed facility licenses (numerator) is divided by the total number of initial and renewed facility licenses issued during the reporting period (denominator). Total departmental expenditures for the Licensing Division divided by the number of facilities licensed. The CPE Department expenditures are not included, as CPE is not a requirement for the licensing of firms. Costs include the following categories: salaries; supplies; travel; postage; and other costs directly related to facility licensing, including document review, handling, and notification. Indirect administration costs are excluded from the calculation.

Data Limitation: Factors beyond the agency's control include the number of new firms being registered.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

Number of Peer Reviews Conducted

Short Definition: The number of reviews conducted by the sponsoring organizations during the period.

Purpose/Importance: Each firm must be reviewed every three years to ensure the quality of the firm's work product. The importance is to emphasize education, including appropriate remedial procedures, which may be recommended or required where reporting does not comply with professional standards.

Source/Collection of Data: Data comes from sponsoring organizations and is collected by the director of the Licensing/CPE/Peer Review Division.

Method of Calculation: Sponsoring organizations report the total number of reviews conducted during the period.

Data Limitation: Data is reported by external entities.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

Number of CPE Sponsors Reviewed

Short Definition: The number of CPE sponsors reviewed by the Board-authorized reviewers during the period.

Purpose/Importance: Each sponsor must be reviewed every three years to ensure the quality of the sponsor's courses.

Source/Collection of Data: Data comes from sponsoring organizations and is collected by the director of the Licensing/CPE/Peer Review Division.

Source/Collection of Data: Data comes from sponsor review program.

Method of Calculation: The total number of CPE sponsors reviewed during the period is calculated by Board staff.

Data Limitation: None

Calculation Type: Non-cumulative

New Measure: Yes

Desired Performance: Higher than target

Number of CPE Sponsors Subject to Sponsor Review

Short Definition: The number of currently registered CPE sponsors that are subject to a sponsor review requirement.

Purpose/Importance: Sponsors are required to have a sponsor review every three years.

Source/Collection of Data: The number of sponsors currently registered is maintained by the sponsor review program staff.

Method of Calculation: Sponsors that should undergo a review as determined by the review date on file.

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: Yes

Desired Performance: N/A

Percentage of CPE Sponsors Receiving Favorable Review

Short Definition: The number of CPE sponsors receiving a favorable review divided by the total number of sponsors reviewed.

Purpose/Importance: The purpose of the program is to ensure that high-quality CPE is provided to Texas CPAs.

Source/Collection of Data: Data comes from the sponsoring organizations and is collected by the Licensing Division.

Method of Calculation: The number of CPE sponsors receiving a favorable review divided by the total number of reviews completed during the period.

Data Limitations: None

Calculation Type: Cumulative

New Measure: Yes

Desired Performance: Higher than target

Average Time for Complaint Resolution (days) – Disciplinary

Short Definition: The average number of calendar days from the opening of a disciplinary investigative file until final resolution of the file.

Purpose/Importance: This report indicates the speed and efficiency of investigating and resolving disciplinary cases.

Source/Collection of Data: Detailed tracking information is maintained in the enforcement enterprise system.

Method of Calculation: The Board’s automated system calculates how long a file was open before resolution.

Data Limitations: The nature of the way complaints are resolved does not lend itself to comparison with a static target. Legal activities in the enforcement process, such as postponements, depositions, subpoena issuances, discovery, rediscovery, and exchange of interrogatories all vary on a case-by-case basis. The variations of these elements affect the amount of time required to resolve complaints.

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

L. Please discuss any “high-value data” your agency possesses, as defined by Section 2054.1265 of the Government Code. In addition, please note whether your agency has posted those data sets on publically available websites as required by statute.

The Texas State Board of Public Accountancy does not post on our agency’s website or other websites, raw data in open standard format that allows the public to search, extract, organize, and analyze the information.

Our agency does post various reports, such as Strategic Plans, Annual Financial Reports, Annual Reports of Nonfinancial Data, as well as Exam Candidate Success Rates, but these do not support search, extract, organize, and analyze capabilities.

III. History and Major Events

Provide a timeline of your agency's history and key events, including:

- **the date your agency was established;**
- **the original purpose and responsibilities of your agency;**
- **major changes in responsibilities or statutory authority;**
- **changes to your policymaking body's name or composition;**
- **significant changes in state/federal legislation, mandates, or funding;**
- **significant state/federal litigation that specifically affects your agency's operations; and**
- **key changes in your agency's organization.**

1915 The Texas Legislature enacted the *Act of 1915*, creating the Texas State Board of Public Accountancy. The purpose of the Board was to provide for ". . . *the [CPA] examination and issuance of a certificate . . . indicative of the holder's fitness to serve the public as a competent and properly qualified accountant in public practice, and to prevent those who have no such certificate from using such titles or initials.*"

1919 The Board began using the uniform accounting examination of the American Institute of Certified Public Accountants (AICPA) to test CPA candidates in Texas.

From 1915 to 1919, State Board members developed and wrote the examination questions for the Texas CPA examination. The AICPA examination was seen as a solution to problems of uniformity among the states in certification requirements. It also removed the burden of writing the examination questions from the volunteer Board members, who had no staff resources.

1945 The Texas Legislature enacted the *Act of 1945*.

Under this *Act*, the Board was given the statutory authority to promulgate rules of professional conduct, sometimes referred to as the code of ethics.

The practice of public accountancy was limited to individuals holding licenses issued by the Board. Anyone holding out as a public accountant or certified public accountant that was not registered by the Board was subject to misdemeanor charges and a \$500 fine.

"Public Accountants" were authorized, on a one-time basis, to register with the Board.

1951 The Texas Legislature amended the *Act of 1945*. During the 1950s the Board stepped up its enforcement of the *Act* and the *Rules of Professional Conduct*, largely as a result of the failure of several Texas chartered insurance companies.

With the statutory authority to do so, the Board began policing the profession for poorly prepared audits and financial statements referred by the State Securities Board, the Texas Education Agency, and the Texas Insurance Commission.

1961 The Legislature again amended the *Act of 1945*.

The definition of "practice of public accountancy" was strengthened, delineating exactly those activities that were limited to a licensee of the Board, thus giving the Board leverage in prosecuting individuals for unauthorized practice.

1978 The Board amended the *Rules of Professional Conduct* because of a federal court order to suspend a rule that prohibited competitive bidding. Another federal court held that the Board's advertising rule violated the First Amendment.

1979 The Legislature enacted the *Act of 1979* as a result of the Board's first review by the Sunset Advisory Commission.

The new *Act* gave the Board expanded enforcement authority. A major focus toward consumer protection favored the rapid resolution of complaints.

The Board's activities became subject to the state's open meetings and open records laws. A candidate's qualifications were not considered open records, nor was information pertaining to a disciplinary action prior to a public hearing.

The method of adopting the *Rules of Professional Conduct* by a vote of all licensees was changed as a result of questions raised by the U.S. Department of Justice and the Texas Sunset Advisory Commission. Both entities contended that the relationship between the Board and those regulated by the Board should be distanced. Beginning in 1979, the Board had the sole power to promulgate rules.

1980 The Board hired its first staff attorney to act as an enforcement coordinator.

The Board began publishing a quarterly newsletter.

1981 The Board held its first central swearing-in ceremony for new CPAs.

The Legislature amended the *Act of 1979*.

The amended *Act* gave the Board strengthened authority to maintain the security and integrity of the examination process.

The Board initiated a continuing professional education requirement for all licensees in public practice.

1989 The Legislature amended the *Act of 1979*, giving the Board expanded sanctions to include censure, probation, and limitation on the scope of practice.

The amended *Act* also gave the Board the authority to deny an exam application, prohibit an individual from taking the examination for up to five years, or void a

candidate's grades. The amendment also increased the educational requirement for CPAs to 150 college credit hours, effective September 1, 1997.

The *Act* directed the Board to establish a quality review program by January 1, 1992.

1990 For the first time, the Board licensed practice units (each office of a CPA firm).

1991 The Board successfully completed its second Sunset review, resulting in the *Act of 1991*.

The 1991 *Act* authorized the Board to assess an administrative penalty of up to \$1,000 per violation against persons who violate the provisions of the *Act*, a rule, or an order issued by the Board.

Examination requirements no longer allowed a candidate to write the examination during the last semester of college. The new *Act* also gave the Board the flexibility to administer the changes expected in 1994 to the Uniform CPA Examination format.

The *Act* extended the continuing professional education requirement to all licensees, not just those in public practice.

The Board began collecting fees for a fifth-year scholarship fund for qualifying students to help defray the costs associated with the *Act's* 150-hour education requirement.

1993 The Legislature amended the *Act of 1991* to allow an enrolled agent to use any designation authorized by federal law or regulations for such enrolled agents.

1995 The Board implemented an annual birth-month license renewal system. This conversion to a staggered birth-month license renewal system from one in which all license renewals were due on December 31 streamlined the license renewal operation, resulting in greater efficiency because the staff's workload became evenly distributed over 12 months. At that time, a properly completed license notice was reviewed, entered into the computer, and a license printed and mailed within three days after its receipt in the Board office.

1996 The Board began requiring each licensee to complete four CPE hours in ethics every three years. Thereafter, each licensee was to complete a two-hour course every three years after the initial three-year reporting period.

The course had to be pre-approved by the Board and cover in detail the Board's *Rules of Professional Conduct*. Instructors were required to complete a training session on the Board's *Rules* prior to teaching the ethics course.

After more than two years of extensive study and considerable input from the CPA population, the Board, in a 1995 landmark action, redefined the practice of public accountancy. The first in the nation of this type, the rules reflect the changing nature

of the accounting profession as an increasing number of CPAs practice in non-traditional accounting firms. These rules created considerable interest and were closely monitored by other state boards of accountancy, professional accounting organizations, and such diverse employers of CPAs as banks, insurance companies, consulting services, software manufacturers, and law firms.

The Board was one of the few state agencies whose audit by the State Auditor stated that "no significant instances of noncompliance with these standards (Generally Accepted Government Auditing Standards and Generally Accepted Auditing Standards) occurred."

1997 The Board began processing administrative complaints on a monthly basis. These administrative complaints result from the violation of basic licensing requirements in the following areas:

- Individuals who report insufficient CPE hours.
- Individuals and firms who fail to provide all the information required on the license renewal notice.
- Individuals and firms who have not paid license fees for up to three successive years.
- Firms that have not completed a peer review in a timely manner.

The Board processes these complaints through computer systems that incrementally generate all documents necessary for processing the complaints.

Exam candidates were no longer allowed to retain examination booklets after testing. This non-disclosed status was necessary because of the potential conversion of the exams to a computer-based model, requiring additional security measures at the exam site.

1998 The *Act of 1991* required that initial examination candidates complete 150 semester hours of college credit prior to certification. The first exam to be affected by this amendment was the May 1998 exam. The November 1997 exam tested 30% more candidates than did the November 1996 exam.

By rule, the Board defined acceptable accounting courses as those taken after the first two principles of accounting classes.

1999 The Board began its first steps toward direct interaction with its client base and the public with the development of a website and an Internet presence.

The 76th Legislature approved a pilot program in which three state licensing boards, including the TSBPA, were to become self-directed, semi-independent agencies. Senate Bill 1438 (*Self-Directed Semi-Independent Project Act*) became effective September 1, 1999, and, if not renewed, would end August 31, 2003.

The Texas Legislative Council recommended that the *Act* be codified and moved to

Chapter 901 of the Texas Occupations Code (Vernon's 2001). Although no substantive changes were made, language, punctuation, and reorganization modifications made it necessary to rewrite the entire *Act*. Some of the changes included the following:

- rearranging existing statutes into a more logical order according to classification;
- employing a format and numbering system designed to facilitate citation of the law and to accommodate future expansion of the law;
- eliminating repealed, duplicative, unconstitutional, and other ineffective provisions; and
- restating the law in modern American English to the greatest extent possible.

2000 All initial exam applicants were required to complete 150 semester hours of college credit in addition to all other requirements prescribed by the *Act* to be eligible for the CPA examination.

The Board completed the review of its rules as mandated by Rider 167 of the *Appropriations Act of 1997*. This procedure, which began in 1998, used the following considerations to guide the review process:

- Is this rule needed for fair administration and just enforcement of the *Act* (the *Act*)?
- Does the rule reflect current Board policy and current legal interpretations of the *Act*?
- Does the rule reflect current Board procedures?
- Is the rule duplicative of other rules adopted by the Board?
- Is the rule easily understood and written in plain English?
- In reviewing the rule, deliberations included:
 - rules in other jurisdictions;
 - rules of the National Association of State Boards of Public Accountancy;
 - rules of the American Institute of CPAs;
 - rules of the Texas Society of CPAs; and
 - the joint AICPA/NASBA *Uniform Accountancy Act*.

The Board implemented the Application of Intent used to evaluate educational background and moral character of an individual prior to applying to take a CPA examination.

This document may be submitted on a year-round basis and while a candidate is completing educational requirements.

2001 The Board began operating under the SDSI pilot program along with two other licensing agencies. Senate Bill 736 was enacted to clarify conflicts with other laws.

The 77th Legislature approved amendments to the *Public Accountancy Act*, which became effective September 1, 2001. The amendments allowed for the following:

- offering the CPA Examination via computer and contracting with a vendor for the delivery of the computer-based exam;
- non-CPA ownership of firms;
- changing the term “quality review” to “peer review”;
- providing that only firms that do the attest function or represent that they are a CPA firm must register with the Board;
- providing for reciprocity of individuals with substantially equivalent qualifications; and
- issuing temporary permits only to firms.

The Board expanded its Internet presence to include detailed information for individual licensees and firms. To assist in the licensing process, detailed information about licensing requirements and status was added. The site was expanded to include payment information, continuing education requirements, historical continuing professional education data, licensing problems, firm membership data, and firm office data.

2003 The *Act* was amended effective September 1, 2003, and incorporated the following changes:

- The Board underwent Sunset legislation, and the agency was renewed until 2015.
- The *Act* was revised to accommodate computer-based testing in preparation for an April 5, 2004, implementation of a computer-based exam.
- Board committees were divided into two types: policy-making committees and working committees. Non-Board members were prohibited from serving on policy-making committees.
- A limit was set on a person’s ability to renew a license. If the certificate holder is otherwise ineligible to renew, that person will be barred from public accounting while unlicensed.
- *Section 29* of the *Act* required the Board to study and report to the governor, lieutenant governor, and speaker of the House of Representatives regarding

conforming state law and Board rules to the *Sarbanes-Oxley Act* (SOX), the Government Accounting Office's audit rotation report, and related legislation. A task force was appointed to make the study and subsequent report.

- The following changes were made to the Board's enforcement powers:
 - Sharing criminal background information on licensees and exam candidates with other licensing and law enforcement agencies became easier.
 - Restitution was added to the Board's list of sanctions in disciplinary cases.
 - The Board's subpoena power was expanded.
 - The Board was authorized to order emergency suspensions without notice and hearings in cases of immediate threat to the public welfare.
 - The maximum penalty in disciplinary cases was raised to \$100,000.
 - The permanent injunction remedy was removed and replaced with a cease and desist order.

Senate Bill 1382 was enacted to extend the SDSI pilot program for six years.

2004 Under the *Self-Directed, Semi-Independent Agency Project Act*, the Board now had the operational flexibility (i.e., funding, budgeting, and contracting) to implement a review program whereby sponsors' continuing professional education (CPE) courses were systematically examined for quality. The Board passed the necessary rules to set the framework for implementation of this program.

On April 5, 2004, the Board began administering the CPA examination via computer in conjunction with the AICPA, NASBA, and Prometric testing centers. The computer-based format allows candidates to take one or more of the exam's four sections at any time rather than all at once and at convenient Prometric centers throughout the state and during any of four testing windows offered throughout the year.

2005 As of January 1, 2005, every licensee must complete a four-hour Board-approved ethics course every other year.

The Board expanded its Internet presence to include detailed information for exam candidates who are in the process of applying for and taking the various sections of the Uniform CPA Examination. In addition, candidates can now update their personal information through the Internet. To further secure the process of taking the computerized examination, the Board began issuing ID cards to each candidate to use for admission to the Prometric center at which the candidate is registered to take the exam.

Individual licensees were also given the ability to update personal information through the Internet.

As the accounting profession continued to work toward greater accountability for all members of the profession, the Board began participating in the creation of a national licensing database to be managed by the National Association of State Boards of Accountancy (NASBA).

2006 On May 4, 2006, the Board began accepting online payments for exam eligibility applications through the TexasOnline ePay system. Candidates could apply for one to four sections of the exam through the online payment system.

2007 On May 29, 2008, the Board accepted its first annual license renewal online through the TexasOnline ePay system. Individuals could now enter all information, including continuing professional education credits, and pay appropriate fees during the online renewal process.

Legislation effective September 1, 2007, created a “practice privilege” for CPAs and CPA firms licensed in a substantially equivalent state to temporarily practice in Texas without licensure and without providing notice or paying a fee prior to practicing in Texas unless preparing financial statements or attestations.

Two pieces of additional legislation (1) defined rules for reinstatement of a license for certain individuals who had moved to another state, and (2) set the requirements for exemption from payment of the \$200 professional fee for certain government employees.

2008 The Board completed the process of staggering firm renewal dates throughout the year in December. Added security measures, such as the addition of passwords for records access, further protected vital records. Other enhancements allow CPA candidates to view their diagnostic reports online much sooner after taking the exam than was previously possible.

In October, the Board held an orientation session for the newly revitalized Constructive Enforcement Advisory Committee. Committee members will serve as the eyes and ears of the Board statewide in reporting possible cases of the unauthorized practice of public accountancy. The Board also was active in the realization of a tripartite Mutual Recognition Agreement among Mexico, Canada, and the U.S.

The Board began the process of rules review, which is required statutorily every four years. During rules review, Board members and staff review every rule for consistency with changes in the law and with each other.

Late in 2008 and continuing for several months into 2009, Board staff converted its many forms into interactive forms so that they could be completed by the user online.

2009 With passage of House Bill 2440 during the 2009 legislative session, responsibility for administering the Fifth-year Accounting Students Scholarship Fund was transferred from the Texas Higher Education Coordinating Board (THECB) to the Texas State Board of Public Accountancy. Authority for the transfer went into effect on September 1, but over the summer and fall, the Board worked closely with THECB to put rules and procedures in place and assumed full responsibility on January 1, 2010. The Board also tripled the amount of funds available for at least the next two school years, making possible larger grants to a larger number of students. Funds are derived from a \$10 (legislatively mandated) fee added to each Texas CPA's annual license renewal.

The Texas Board continued to be highly visible on the national and international stages through participation in the National Association of State Boards of Accountancy (NASBA), the American Institute of CPAs (AICPA), and other professional entities. In November, NASBA presented its Lorraine P. Sachs Standard of Excellence Award to TSBPA Executive Director William Treacy for his outstanding leadership as a board executive over the past 19 years. Both staff and individual CPAs had provided significant input in the updating and overhauling of the electronic Uniform CPA Examination, which was launched on January 1, 2011.

The Board completed its rules review and made necessary rules adjustments to make rules and terminology consistent with the law and with each other. The Board also continued the process of digitizing critical documents, forms, and applications to create a permanent image database.

2010 Beginning in the fall, the Board started sending electronic notification of upcoming license renewals to licensees who had completed their annual renewals online in the past. This notification directs the licensee to the Online Services feature on the Board website so that the renewal can be accomplished online with the licensee supplying CPE information and paying fees by credit card.

The online lookup feature on the website was also simplified. This feature allows members of the profession and the public to look up individual licensees, firms, or CPE sponsors by entering ID numbers, if known, or parts of the name.

The Board developed a 12-minute instructional video for use by colleges and universities explaining the application process and possible career paths for aspiring CPAs. This video was a first effort to use this medium for recruitment into the profession. Future videos may be developed to illustrate other procedures and functions of the Board. The video explains the role of the Board throughout a CPA's career.

The Board reviewed and approved additional ethics courses that licensees may use to meet the 4-hour ethics course requirement that must be met every two years.

Texas CPAs also participated in various roles in the launch of the revamped CPA examination.

2011 The Board has begun actively pursuing the unauthorized practice of public accountancy by foreign firms providing attest services for publicly traded U.S. companies with principal offices in Texas in violation of the *Public Accountancy Act*.

The Board expressed concern and encouraged its licensees to comment to the AICPA on proposed changes to firm name requirements in the *Uniform Accountancy Act* upon which most state enabling legislation is based.

The agency strengthened its commitment to promoting quality CPE for Texas CPAs by naming a Board staff member to a 13-member national Task Force reviewing standards for accounting CPE promulgated a dozen years ago by NASBA.

Effective July 1, exam candidates are required to complete two semester hours in accounting research and two semester hours in communication to qualify to take the CPA exam.

The agency also conducted its second accounting educators conference on August 16. The first conference in 2009 attracted nearly 100 participants.

As a cost-saving measure, the *Board Report*, a quarterly Board publication for Texas licensees, is now offered electronically to licensees who choose to receive it that way. Those licensees who want to have a paper copy continue to receive one through the mail.

The *Candidate Chronicle*, a newsletter published twice a year for exam candidates, is published only electronically beginning with the June 2011 issue.

The enactment of SB 777 allowed the Board, under the direction of the Comptroller of Public Accounts, to set up a trust fund outside of the state treasury for the Fifth-Year Accounting Scholarship Program.

The Board established a 5th Year Accounting Scholarship Program online (website and internal programs) that allowed universities to maintain their students' candidacy for scholarships and request funds and draws.

2012 The Board revised its Business Continuity Plan to allow the recovery of mission critical business activities within 48 hours of a declared disaster. Hardware and systems were installed in August 2012 that support the duplication of all enterprise systems at an off-site data center. In January 2013, the Board completed a successful disaster recovery drill at the off-site location when all mission critical systems were restored and activated.

In October 2012, the Board made major revisions to systems that support the continued registration of individuals and firms, and in January 2013 the Board successfully assigned certificate number 100,000.

In October the Board converted its reciprocal database to newer files, making them easier to link to all existing files and records and allowing for streamlining the Reciprocal application process.

- 2013 Effective September 1, 2013, House Bill 1685, 83rd Legislative, Regular Session, (2013), codified *Article 8930, T.R.C.S.* into *Texas Government Code, Chapter 472. Section 472.110(d)* requires the agency to remit all administrative penalties collected to the comptroller for deposit into the general revenue fund. References to *Article 8930, T.R.C.S.* became obsolete in *Section 901.658 Funding in the Public Accountancy Act*.

The agency developed an online exam on the *Rules of Professional Conduct* for candidates who passed the CPA exam and are applying for the CPA certificate.

- 2014 The Board added the annual firm license renewal to the “Online Services” section of the Board’s website. This allows firms to conveniently and quickly renew their licenses and update their profile information online. Firms can notify the Board of an address change or update their list of firm owners at any time. Firms also have the flexibility to pay licensing fees online using a credit card.

The *Texas State Board Report*, the Board’s quarterly newsletter for its licensees, was redesigned for improved readability and to have a new eye-catching color scheme.

The agency established and maintains an electronic filing system of imaged documents for all CPA examination applicants and newly licensed CPAs. The imaged system not only has saved staff time in the retrieval of information, but also eliminated the necessity to store paper documents and freed up valuable office space.

An examination on the Board’s *Rules of Professional Conduct* was developed in an online format. It is transmitted, completed, returned and scored electronically and the information is stored on the individual applicants file in the Board’s database.

In 2014 the Board established an electronic fingerprinting process that is required for individuals who: submit applications to take the CPA exam; transfer CPA exam credits to Texas; apply for the CPA certificate; and submit a reciprocal application to become a Texas CPA.

This process allows access to both the Texas Department of Public Safety criminal history files and the Federal Bureau of Investigation files. *Section 901.253 of the Act (Character Investigation)* provides the statutory authority to conduct this investigation.

The Board staff continues to conduct administrative interviews with CPA examination applicants and prospective CPA candidates to discuss background

issues. Individuals are also referred to the Accountants Confidential Assistance Network (ACAN) for evaluation and follow up. ACAN is a statutorily mandated peer assistance program specifically dedicated to helping Texas CPAs, CPA candidates and accounting students deal with alcohol, chemical dependence, or mental health issues.

The Board participated in the 2014 Practice Analysis of the Profession conducted by the AICPA to help identify areas within the accounting profession where prospective new CPAs should be tested. Based on the results of the practice analysis, the AICPA set out to develop new questions and methods of testing candidates on the CPA examination. The culmination of the research and development resulted in the launch of a new exam format beginning in April 2017.

In September the Board accepted its first FIRM annual license renewal online through the Texas Online ePay system. Firms could now enter all information, including peer review exemption information, and pay appropriate fees during the online renewal process.

- 2015 The Texas Legislature approved two resolutions on January 27, 2015 to celebrate the 100-year anniversary of the professional practice of accounting in Texas and to honor the Board and the Texas Society of Certified Public Accountants (TSCPA). More than 250 CPAs visited the Capitol to commemorate the special historical event. The Board's Presiding Officer, Thomas G. Prothro, CPA; Assistant Presiding Officer, J. Coalter Baker, CPA; along with TSCPA's Chair, Mark Lee, CPA; and Chair-Elect, Allyson Baumeister, CPA, CGMA; were recognized on the floor of the House and the Senate for the presentation of the resolutions.

House Resolution 183 was presented by certified public accountant and TSCPA member, Rep. John Otto (R-Dayton) and stated that "... the House of Representatives of the 84th Texas Legislature hereby commemorate the 100th anniversary of the Texas State Board of Public Accountancy and the Texas Society of Certified Public Accountants and extend to their officers and members sincere best wishes for continued success with their important work."

Senate Resolution 18 was offered by CPA and TSCPA member Sen. Charles Perry (R-Lubbock) and also extended best wishes stating, "For the last century, the Texas State Board of Public Accountancy and the Texas Society of Certified Public Accountants have served the accounting profession and the people of Texas with distinction; it is truly fitting that they receive special recognition for their many contributions to the public good."

To celebrate the 100-year anniversary of the *Public Accountancy Act*, the Texas Board published a special commemorative booklet, entitled *A Brief Legislative History of the Public Accountancy Act*. The booklet captured in photos and words the key events and changes that comprise the history of the *Act* and the Texas Board. The booklet was sent to all new licensees with their certificates and was available for free download from the Board's website.

Effective September 1, 2015, the \$200 professional fee was repealed pursuant to HB 7, 84th Legislature, 2015; however, TSBPA continues to collect professional fees (including penalties prior to this date).

- 2016 Executive Director William Treacy was interviewed for an article that was published in the January/February issue of *Today's CPA* magazine. The profile piece discussed Mr. Treacy's 25 years of service with the Board and the 100-year anniversary of the *Public Accountancy Act*.

The Board changed its website URL from www.tsbpa.state.tx.us to www.tsbpa.texas.gov and also updated all staff email extensions from [.tsbpa.state.tx.us](mailto:tsbpa.state.tx.us) to [.tsbpa.texas.gov](mailto:tsbpa.texas.gov). The new URL and email extension are shorter and easier to remember. As a result, all forms, email signatures, website content, and publications were updated with the new URL and email extension. The agency updated its Apache web background software to a more secure system.

The Board's Continuing Professional Education (CPE) Committee evaluated possible options in regards to CPE compliance monitoring related to Board *Rule 523.111(c), Required CPE Reporting*. Compliance with this section of the Rules was normally tested as part of the internal audit process of the Board's operational activities. Due to the importance of the CPE program, the committee determined that a more frequent monitoring process should be established. The CPE department now selects a number of licensees on a random basis for compliance with the CPE rules. A new sample is selected in each subsequent quarter. The licensees selected for review are asked to provide evidence of completion that supports the CPE submissions used for licensure renewal for the most recent three-year licensing period. Licensees may be subject to disciplinary action by the Board for violation of the *Rules of Professional Conduct*, if they fail to adequately verify their compliance to the CPE reporting rules. Licensees selected for CPE compliance monitoring receive further instructions with additional information and deadlines for submitting their required documents.

The Board's year-to-date revenues were larger than projected and expenditures were less than projected. As a result, the Board lowered its application of intent and exam section fees.

The Board's fifth-year scholarship program provided 1,773 scholarships totaling \$4,275,624.62 in scholarships over the past five academic years (2012–2016). The scholarships aid disadvantaged students who need assistance financing a fifth year of college often necessary to meet the educational requirements to take the CPA Exam. Funds are allocated to participating Texas colleges and universities, whose financial aid offices make the decisions on providing scholarships to individual students.

The agency dramatically reduced the cost of printing and mailing the *Texas State Board Report* by emailing the newsletter to approximately 70,000 licensees by default. Beginning in 2016, if licensees would like to receive the print version they have to contact the agency and request it.

The *Candidate Chronicle*, an electronic newsletter for Texas CPA Exam candidates, was redesigned with a new look to appeal to its readers.

The Board implemented an employee wellness program to combat chronic disease and improve the health, well-being, and quality of life of its employees. Board staff participated in the global Million Mile Month challenge to collectively complete one million miles of physical activity in one month and ranked in the top 100 organizations, worldwide. The agency also made the Austin's Healthy All-Stars list.

2017 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.

The Board approved changes to its continuing professional education *Rules*, which will allow licensees to receive CPE credit for sponsored nano learning and blended learning programs. An in-depth article communicating these changes was published in the May 2017 issue of the Board's newsletter for licensees.

Our agency came in first place in our size category in the 2017 Everything's Fitter in Texas Challenge. We collectively logged 71,521 minutes; the greatest amount of minutes in our size category of state agencies with 51 employees or less. Our agency received a first place trophy at an awards ceremony on May 10, 2017.

The *Texas State Board Report* masthead was redesigned to include a photo of the current Board members.

The new exam format launched in April 2017. Due to the length of time needed by the AICPA to evaluate the new CPA examination questions, the scores will be delayed ten weeks. The Board extended the time of each credit earned by an applicant to compensate for the delayed score release.

The agency eliminated the need for SOAH hearings for all administrative complaints. The agency now gives licensees the opportunity for a hearing and if one is not requested within 20 days the administrative complaint is taken to the Board for final disposition. Agency and SOAH resources and costs are substantially reduced as a result.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Texas State Board of Public Accountancy Exhibit 3: Policymaking Body			
Member Name	Term/ Appointment Dates/ Appointed by	Qualification	City
J. Coalter Baker Presiding Officer	6 years 05/25/11 – 01/31/17 Governor Perry	CPA	Austin
John R. Broaddus	6 years 05/25/11 – 01/31/17 Governor Perry	CPA	El Paso
Jonathan B. Cluck	6 years 05/25/11 – 01/31/17 Governor Perry	Public Member	Fair Oaks Ranch
Rocky L. Duckworth Executive Committee Member at Large	6 years 05/25/11 – 01/31/17 Governor Perry	CPA	Houston
Susan Fletcher	6 years 05/24/13 – 01/31/19 Governor Perry	Public Member	Frisco
Donna Hugly Assistant Presiding Officer	6 years 05/24/13 – 01/31/19 Governor Perry	CPA	Fredericksburg
Ross Johnson	6 years 11/04/15 – 01/31/21 Governor Abbott	CPA	Houston
Timothy L. LaFrey	6 years 11/04/15 – 01/31/21 Governor Abbott	CPA	Austin
William Lawrence Executive Committee Member at Large	6 years 05/24/13 – 01/31/19 Governor Perry	Public Member	Taylor Lake Village
Robert M. McAdams Treasurer	6 years 07/30/13 – 01/31/19 Governor Perry	CPA	San Antonio
Roselyn Morris	6 years 11/04/15 – 01/31/21 Governor Abbott	CPA	San Marcos

Member Name	Term/ Appointment Dates/ Appointed by	Qualification	City
Benjamin Peña	6 years 11/04/15 – 01/31/21 Governor Abbott	CPA	Brownsville
Steve D. Peña Secretary	6 years 5/24/13 – 01/31/13 Governor Perry	CPA	Georgetown
Kimberly Wilkerson	6 years 11/04/15 – 01/31/21 Governor Abbott	Public Member	Lubbock
Phillip W. Worley	6 years 10/15/13 – 01/31/17 Governor Perry	Public Member	Hebbronville

B. Describe the primary role and responsibilities of your policy-making body.

The primary role and responsibilities of the policy-making body are provided for in Board Rule 505.2, *Duties of the Board*:

- (a) *The board is statutorily empowered to regulate the practice of accountancy in Texas.*
- (b) *The board may adopt rules as necessary to govern its proceedings, perform its duties, regulate the practice of accountancy in Texas, and enforce applicable law.*
- (c) *The board may act directly under its statute and rules or through the executive director or a committee of the board.*
- (d) *Pursuant to the Public Accountancy Act, the board is responsible for policy-making decisions and the executive director is responsible for the agency's management decisions.*

C. How is the chair selected?

Under the *Occupations Code, Chapter 901, Section 901.055 (Officers; Executive Committee)*, the Governor designates a member of the Board as presiding officer.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

A unique feature about the policy-making body is its membership. *Section 901.051 (Board Membership)* reads as follows:

- (a) *The Texas State Board of Public Accountancy consists of 15 members appointed by the governor with the advice and consent of the senate as follows:*

- (1) 10 certified public accountant members, at least eight of whom are, on the date of appointment:
- (A) a sole practitioner; or
 - (B) an owner or employee of a certified public accountancy firm;
- and
- (2) five public members who are not:
- (A) licensed under this chapter; or
 - (B) financially involved in an organization subject to board regulation.
- (b) Each member of the board must be a United States citizen.
- (c) Appointments to the board shall be made without regard to the race, color, disability, sex religion, age, or national origin of the appointee.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2016? In FY 2017?

Generally, the Board meets every two months. In FY 2016, the Board met six times: September 17, 2015, November 19, 2015, January 14, 2016, March 24, 2016, May 12, 2016, and July 14, 2016. In FY 2017, the Board met six times: September 22, 2016, November 17, 2016, January 19, 2017, March 9, 2017, May 18, 2017, and July 13, 2017.

F. What type of training do members of your agency's policymaking body receive?

An orientation is conducted at the Board office for newly appointed members of the Texas State Board of Public Accountancy, which includes a review of the following: *Open Meetings Act*, *Public Information Act*, and administrative law, standards of conduct, general information, board organization, committee structure, budget process, insurance coverage, telephone information, travel policy, and external accounting organizations such as the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA). Additionally, the Governor's Office provides a new board member orientation.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

Yes. The agency does have policies that describe the respective roles of the policy-making body and the agency staff in running the agency. Policies describing respective responsibilities of the Board and the staff are found throughout *Chapter 901* of the *Act* and the Board's *Rules* promulgated by the Texas State Board of Public Accountancy. A link to these publications is being provided at the time of the submission of the Self-Evaluation Report.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

The policy-making body regularly receives the materials located under attachment 18 to keep them informed of the agency's performance.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The Board's rulemaking process serves as its policymaking procedure, as specified in *Section 901.151*, under which its policies are predicated throughout the *Act*. As a general rule, the Board's rulemaking process has its origins at the committee level, then proceeds to the full Board in the form of a committee recommendation. From there, the Board follows the provisions for rulemaking as mandated by the *Texas Register Act* (i.e., two readings and passage by the full Board at regularly scheduled Board meetings, as well as officially filing notice with the Secretary of State of the Board's intent to adopt, amend, or repeal a rule). The entire proposed amendment, repeal or new rule is published in the *Texas Register* after the first reading, along with a request for public comment. Notice of Final Board Action and effective date are also published in the *Texas Register*.

The Board receives written input from the public, its licensees, and its examination candidates by regular mail, fax or email. Other input impacting the Board's rules is based on information received from the Texas Society of CPAs, the National Association of State Boards of Accountancy (comprising 55 U.S. boards of accountancy plus those of Guam, the District of Columbia, the Virgin Islands, the Northern Mariana Islands, and Puerto Rico that operate under its standards), the American Institute of Certified Public Accountants, the Securities and Exchange Commission and other governmental entities, judicial decisions as well as various other international jurisdictions and accounting organizations.

The Board's staff handles nearly all routine matters and a certain number of non-routine matters. However, issues requiring a Board consensus are placed on the Board's next meeting agenda for consideration, having first been filtered through an appropriate Board committee for recommendations to the Board, where appropriate.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart. In addition, please attach a copy of any reports filed by your agency under Government Code, Chapter 2110 regarding an assessment of your advisory committees.

Texas State Board of Public Accountancy Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Behavioral Enforcement Committee	8 – members 7 – CPAs 1 – Public Member Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.153</i>
Constructive Enforcement Committee	6 – members 3 – CPAs 3 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.153</i>
Continuing Professional Education	6 – members 5 – CPAs 1 – Public Member Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.152</i>
Executive Committee	6 – members 5 – CPAs 1 – Public Member Elected by Board	See Board Rule 505.10	<i>Public Accountancy Act §901.055</i>
Licensing Committee	5 – members 3 – CPAs 2 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.152</i>
Peer Assistance Oversight Committee	5 – members 2 – CPAs 3 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.152</i>
Peer Review Committee	9 – members 9 – CPAs Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.152</i>
Qualifications Committee	6 – members 6 – CPAs Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.152</i>
Rules Committee	6 – members 5 – CPAs 1 – Public Member Appointed by Presiding Officer	See Board Rule 505.10	<i>Public Accountancy Act §901.152</i>

Texas State Board of Public Accountancy Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Fifth Year Accounting Scholarship Program Committee	8 – members See Board <i>Rule 520.9</i> for Composition and Committee Appointments	See Board <i>Rule 520.9</i>	<i>Public Accountancy Act §901.657</i>
Technical Standards Review Committee	7 – members 6 – CPAs 1 – Public Member Appointed by Presiding Officer	See Board <i>Rule 505.10</i>	<i>Public Accountancy Act §901.153</i>

Texas Government Code, Chapter 2110.006 is not applicable to the Texas State Board of Public Accountancy as it applies to appropriated funds.

V. Funding

A. Provide a brief description of your agency's funding.

In consultation with general directives of the Board, and the Board's staff, the Director of Administrative Services/Chief Financial Officer prepares the agency's annual budget. The budget is reviewed and approved by the Executive Director and the Board's Executive Committee. The budget is then presented to the full Board for review and approval.

B. List all riders that significantly impact your agency's budget.

N/A

C. Show your agency's expenditures by strategy.

Texas State Board of Public Accountancy Exhibit 5.1: Expenditures by Department Fiscal Year 2016 (Actual)			
Department	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
Licensing/CPE	\$867,454	16%	\$6,303
Peer Review	122,673	2%	51,165
Qualifications	483,339	9%	N/A
Enforcement	1,299,439	25%	493,305
Public Education	307,346	6%	16,636
Sponsor Review	269,577	5%	110,606
Indirect Administration	1,928,835	37%	108,278
GRAND TOTAL:	\$5,278,663	100%	\$786,293

Texas State Board of Public Accountancy Exhibit 5.2: Scholarship Expenditures Fiscal Year 2016 (Actual)			
Department	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
Fifth-year Accounting Student Scholarships	\$1,182,891	100%	N/A
GRAND TOTAL:	\$1,182,891	100%	

D. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Texas State Board of Public Accountancy Exhibit 6: Sources of Revenue - Fiscal Year 2016 (Actual)	
Source	Amount
Board of Public Accountancy Operating Fund	\$6,881,965
Board of Public Accountancy Scholarship Fund	\$674,125
TOTAL	\$7,556,090

E. If you receive funds from multiple federal programs, show the types of federal funding sources.

Texas State Board of Public Accountancy Exhibit 7: Federal Funds - Fiscal Year 2016 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
N/A				

F. If applicable, provide detailed information on fees collected by your agency.

Texas State Board of Public Accountancy Exhibit 8.1 : Fee Revenue — Fiscal Year 2016				
Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
CPA License (Sec. 901.154* & Rule 521.1)	56/125	75,465	\$3,859,560	TSBPA Operating Fund
Public Accountants/Out-of-State/Foreign Registration (Sec. 901.154)	56/125	3	45	TSBPA Operating Fund
Office License Fee (Sec. 901.159(b) & Rule 521.13)	60/200	10,877	626,784	TSBPA Operating Fund
Firm Organization Fee (Sec's. 901.154 & 901.351, Rules 521.13)	0-25/25	2,392	511,565	TSBPA Operating Fund
Reciprocal Registration (Sec. 901.154 & Rule 521.3)	100/250	668	66,415	TSBPA Operating Fund
Late Penalty-Individual CPA (Sec. 901.405)	99-198/99-198	2,815	445,724	TSBPA Operating Fund
Late Penalty-Practice Unit (Sec. 901.351 (e)(3), Rule 521.13)	150-250/ By Rule	A	69,941	TSBPA Operating Fund
Certificate Fee—Issuance (Sec. 901.257, Rule 521.9)	60/100	1,893	94,450	TSBPA Operating Fund
Exam Application of Intent (Sec. 901.302 & Sec 901.303, Rule 521.12)	60/100	4,217	246,210	TSBPA Operating Fund
Exam Eligibility Fee (Sec. 901.304 & Rule 521.14)	20/N/A	20,759	419,700	TSBPA Operating Fund
Sponsor Review Program (Rule 523.144)	400-1250/ N/A	557	311,245	TSBPA Operating Fund
Transfer of Credit In/Out (Sec. 901.258 & Rule 521.7)	In 100/100 Out 40/50	A	17,980	TSBPA Operating Fund
Direct Administrative Costs (Sec. 901.551)	Varies/N/A	A	200,248	TSBPA Operating Fund
Sale of Lists (Rule 521.6)	Varies/N/A	A	1,755	TSBPA Operating Fund
Sale of Public Records (Rule 521.6)	Varies/N/A	A	370	TSBPA Operating Fund

* Historically, license fees were not to exceed \$250 based on a time when the Board issued biennial licenses; however, when the language was repealed, the amount did not change. The Board interprets the amount to be \$125.

Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Replacement CPA Certificate (<i>Rule 521.11</i>)	50/50	A	2,780	TSBPA Operating Fund
Interest and Investment Income (<i>Article 8930 VTCS</i>)	Varies/N/A	N/A	5,143	TSBPA Operating Fund
AICPA Regrade (<i>Rule 511.79</i>)	Varies/N/A	A	1,200	TSBPA Operating Fund
Return Check	Varies/N/A	A	240	TSBPA Operating Fund
Other Miscellaneous Revenue	Varies/N/A	A	610	TSBPA Operating Fund
TOTAL FEE REVENUE			\$6,881,965	

A – Number of persons/entities not tracked for corresponding fees.

Texas State Board of Public Accountancy Exhibit 8-2: Other Fees Collected — Fiscal Year 2016				
Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
CPA Professional Fee (<i>Sec. 901.406 & Rule 521.1</i>)	N/A	1,468	\$616,224	General Revenue
Administrative and CPE Penalties (<i>Texas Govt Code, Chap 472</i>)	Varies		\$1,828,861	General Revenue
TOTAL Other Fees Collected			\$2,445,085	

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division. Detail should include if possible, department heads with subordinates, and actual FTEs with budgeted FTEs in parenthesis.

See attachment 21 for organizational chart and FTEs in each program.

B. If applicable, fill in the chart below listing field or regional offices.

Texas State Board of Public Accountancy Exhibit 9: FTEs by Location and Fiscal Year 2016			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2016	Number of Actual FTEs as of August 31, 2016
Central Headquarters	Austin	42	40
TOTAL		42	40

C. What are your agency's FTE caps for fiscal years 2016-2019?

Pursuant to *Texas Government Code, Chapter 472, Self-Directed Semi-Independent Agencies*, the Texas State Board of Public Accountancy is exempt from FTE caps.

D. How many temporary or contract employees did your agency have as of August 31, 2016? Please provide a short summary of the purpose of each position, the amount of expenditures per contract employee, and the procurement method of each position.

The Texas State Board of Public Accountancy had three temporary employees and no contract employees as of August 31, 2016. The agency used two Administrative Assistants and a temporary receptionist. The total expenditures for the first Administrative Assistant II were \$4,580.25. The total expenditures for the second Administrative Assistant II were \$10,288.15. The total expenditures for the receptionist were \$5,044.75. Both Administrative Assistants assisted in the qualifications, licensing and administrative services divisions with filing, scanning, preparing mail, and relieving the receptionist for breaks and lunch. The third temporary served as the receptionist for a short period of time. All temporary services were purchased through TIBH.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Texas State Board of Public Accountancy Exhibit 10: List of Program FTEs and Expenditures Fiscal Year 2016			
Program	Number of Budgeted FTEs as of August 31, 2016	Actual FTEs as of August 31, 2016	Actual Expenditures
Licensing/CPE	8.20	7.4	\$867,454
Peer Review	1	1	122,673
Qualifications	6.20	5.4	483,339
Enforcement	8	8	1,299,439
Public Education	1	1	307,346
Sponsor Review	2	2	269,577
Indirect Administration	15.60	15.20	1,928,835
TOTAL	42	40	\$5,278,663

VII. Guide to Agency Programs

Qualifications

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Qualifications
Location/Division	333 Guadalupe, Tower 3, Suite 900 Austin, TX 78701
Contact Name	Donna Hiller
Actual Expenditures, FY 2016	\$483,339
Number of FTEs as of June 1, 2017	5.4
Statutory Citation for Program	<i>Subchapters F, G, and N The Public Accountancy Act Chapter 901 of the Occupations Code Section 901.503 Board Action Involving Applicant</i>

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objectives of the Qualifications Division are to ensure that the requirements of the *Act* and the agency's *Rules* are met by each individual who applies to become a Texas Certified Public Accountant.

The objective of the Fifth-Year Accounting Student Scholarship Program is to provide scholarships to accounting students in the fifth year of a program designed to qualify each student to apply for certification as a CPA.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also, please provide a short description of the methodology behind each statistic or performance measure.

Performance Measures	FY 2015	FY 2016	FY 2017 (three quarters provided)
Number of intent applications processed	3,594	4,230	2,850
Number of intent applications approved	2,990	3,420	2,416
Number of eligibility applications for the CPA exam processed	18,375	20,880	16,201
Individuals examined	11,512	12,277	10,041
Number of applications processed for certifications/registration	1,771	1,875	1,580
Number of sections of the CPA exam taken	15,528	16,242	13,983
Number of sections of the CPA exam passed	5,449	5,298	4,363

See Attachment 23 for the Uniform CPA Examination Comparative Pass Rate Schedule.

Statistical data is also available on the Board's website – www.tsbpa.texas.gov

Performance measure descriptions and methodology can be found with Attachment 11.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The information that is provided in the general agency history includes a discussion of the Uniform CPA Examination. As long as the Texas Legislature sees the need to license and regulate CPAs, and uses the Uniform CPA Examination as the benchmark for entry into the profession, the Qualifications Division will be needed. The agency manages the Fifth-Year Accounting Student Scholarship Program and has been able to offer more scholarships with higher values to Texas students who are taking the necessary curriculum to become Texas CPAs.

Beginning in FY 2015, the Board began utilizing the online electronic fingerprint process services of the Texas Department of Public Safety (DPS) to access the criminal history records housed at the DPS and the Federal Bureau of Investigations. This is a requirement for individuals who: submit applications to take the CPA exam; transfer CPA exam credits to Texas; apply for the CPA certificate; and submit a reciprocal application to become a Texas CPA. *Section 901.253 of the Act (Character Investigation)* provides the statutory authority to conduct this investigation.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The program affects individuals who wish to become CPAs in Texas. Indirectly it affects Texas colleges and universities that are responsible for providing rigorous accounting education programs to prepare individuals for this learned profession, which requires specialized education and experience.

The Qualifications Division is responsible for ensuring that applicants to take the Uniform CPA Examination meet the education and background requirements of the *Act* and the agency's rules, as listed:

- Demonstrate good moral character by a lack of history of dishonest or felonious acts as determined by the *Act* (Sec. 901.253);
- Hold a baccalaureate or graduate degree, or its equivalent as determined by Board rule, conferred by a Board-recognized institution of higher education as determined by the *Act* and Board Rule (Sec. 901.254(1) and 511.52);
- Complete at least 150 semester hours or quarter-hour equivalents in Board-recognized courses, including an accounting concentration or equivalent courses as determined by *Act* and Board Rule (Sec. 901.254(2) and 511.59);
- Complete at least 30 semester hours or quarter-hour equivalents of upper level accounting courses as determined by Board Rule (511.57);
- Complete at least 24 semester hours or quarter-hour equivalents of upper-level business courses as determined by Board Rule (511.58); and
- Complete at least 3 semester hours of a Board-approved ethics course as determined by Board Rule (511.58(c)).

The Qualifications Division is responsible for ensuring that applicants wanting to receive the certificate of CPA in Texas meet the requirements of the *Act* (Sec. 901.252) and the agency's Rules (511.161 through 511.163), as listed:

- Be of good moral character;
- Meet the education requirements;
- Pass the uniform CPA examination;
- Meet work experience requirements; and
- Pass an examination on the *Rules of Professional Conduct*.

The Qualifications Division is responsible for managing the Fifth-Year Accounting Student Scholarship Program based on the statutory requirements of the *Act* (Subchapter N). The following factors are considered by the agency as it awards funds to participating Texas colleges and universities for distribution to eligible students who meet the criteria for the award:

- Financial need;
- Ethnic or racial minority status; and
- Scholastic ability and performance.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The Qualifications Division is administered by the Board and managed by the executive director and a division director.

Information about the program is provided separately under Attachment 24.

The Board is responsible for offering the CPA examination through the National Association of State Boards of Accountancy (NASBA). Contractual agreements between NASBA, the AICPA, and Prometric are in place for the uniform development, offering, and scoring of the Uniform CPA Examination.

NASBA – represents each board of accountancy

AICPA – develops and scores the CPA examination

Prometric – delivers the CPA examination under standardized and secure conditions

While the Board does not have field or regional service offices, the Qualifications Division is responsible for conducting site visits of each Prometric test center within Texas, to determine that the facility is conforming to established standards and security policies. Additional site visits are conducted if the Qualifications Division receives information from a third party or exam candidate that the standards are in question or there is a potential breach in the security policies.

Individuals submit an application along with their higher education transcripts and report any arrests and convictions that are on their criminal history record. The individual also complies with the electronic fingerprinting process established by the Texas Department of Public Safety and the FBI to access the criminal history database. Board staff reviews each application and evaluates all educational documents to insure that the applicant meets the Board's education requirements. Staff receives the results of the electronic fingerprints and investigates criminal history records of the individuals. Individuals who do not meet the requirements are notified of the deficiencies and asked to provide material or information to comply with the requirements.

The application is valid for two years based on *Section 901.302 of the Act (Application of Intent)*. Individuals meeting the requirement and with approved applications are notified via email and given instructions on the steps to follow to take the CPA examination. Individuals with international education are evaluated to determine if their education is equivalent to comparable higher education in the United States.

Individuals submit an online application to take a section of the CPA examination. The application is usually approved the next business day and the individual is notified of the approval. Individuals approved have 90 days, to pay the examination fee to the National Association of State Boards of Accountancy (NASBA), schedule with Prometric – the testing vendor, and take the exam.

Individuals who have passed all sections of the CPA examination in accordance with *Section 901.310 of the Act (Conditional Examination Credit)* may submit an application for the CPA Certificate. Board staff evaluates the application, education, work experience and background and notifies the individual of any deficiencies. A link to an online examination on the Board's *Rules of Professional Conduct* is provided to individuals with complete applications. After the individual passes the online examination, the individual is registered as a CPA and is asked to pay a license fee.

With the recent addition of the fingerprint process additional staff time is needed to receive the fingerprint results, associate the information with the individuals application, update the agency database, review all criminal history information, contact the individual for additional information, if needed, and make a determination on the status of the application. It may be necessary to schedule and administrative interview to meet the individual and learn more about the background information to advance the application. It also may be in the best interest of the Board and the individual to refer to the Accountants Confidential Assistance Network (ACAN) for further meetings.

The Fifth-Year Accounting Student Scholarship Program requires communication throughout the fiscal year with participating Texas institutions of higher education.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify.

Funding is generated from fees submitted with the Applications of Intent, Eligibility Applications, and Applications for Issuance of the CPA Certificate.

Section 901.155 of the Act provides for funding for the Fifth-Year Accounting Student Scholarship program. A \$10 annual fee is added to the license renewal fee paid by Texas CPAs.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are no programs that perform the same functions as the Qualifications Division at the agency.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2016;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

See Exhibit 5.1 for FY 2016 contract expenditures.

A third party has been in place since 2004 for the Uniform CPA Examination. The National Association of State Boards of Accountancy (NASBA) represents the Texas Board and maintains a national database of CPA examination applicants and licensees; the American Institute of Certified Public Accountants (AICPA) is the developer and grader of the CPA examination; and Prometric, the testing vendor. Costs associated with testing and grading are paid directly by the CPA examination applicant to NASBA. An applicant who requests a rescore of their CPA examination pays a fee for this service to the Board and the amount, in total, is passed through to NASBA.

L. Provide information on any grants awarded by the program.

The *Act* does not provide for the awarding of grants.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

The *Act* does not specify an amount of time in which an applicant who passes the CPA examination must become a licensee. There are a large number of individuals who have not completed the process. It is suggested that the *Act* be updated to provide a time limitation to become a licensee after completing the CPA exam.

Section 901.255 (Special Education Requirements for Part-time Student) should be repealed and removed from the PAA as it is no longer relevant.

Section 901.306(c) Content and Security of Examination) provides a qualifying statement. If the examination is secured by the preparer, the board may not release a copy of any question or answer to any person. The CPA examination was computerized in 2004 and the questions and answers are not available to the agency or the individuals who take the exam. This subsection of the *Act* should be repealed and removed as it is no longer relevant.

Section 901.310 (Conditional Examination Credit) should be updated to comport with the current structure of the CPA examination. The statute as written describes the paper and pencil CPA examination format which ended in 2004. The current CPA examination is offered in an online format on a year-round basis.

The following section of the *Act* place limits on the fees that the Board can charge for specific activities related to the CPA examination and certification process. It is suggested that the amounts be removed and the Board be allowed to establish fees based on current costs and processing.

Section 901.257(2) Oath and Certificate Fee

Section 901.258(c) Transfer of Complete Examination Credit Between States

Section 901.303 Filing Fee

Section 901.312(c) Transfer of Partial Examination Credit Between States

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

The Qualifications Division is also responsible for interfacing with accounting/business schools at Texas colleges and universities to provide information about the Board, the CPA examination and the requirements to become a CPA. Disseminating information occurs by meeting with faculty members and students on the university campus, at regional professional society meetings, and through education seminars conducted at the Board's office.

During the 2009 legislative session, the administration for the Fifth-Year Accounting Student Scholarship Program was transferred from the Texas Higher Education Coordinating Board to the Texas State Board of Public Accountancy.

This transfer has allowed the Board to provide more scholarships with a higher value to deserving Texas students who are completing their education to take the CPA examination and become Texas CPAs.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The Qualifications function is needed because of the requirement of the *Act*. It is the charge of Qualifications to evaluate the background and education of each person who submits an Application of Intent to take the CPA exam to determine if the person meets the statutory and regulatory requirements.

Each Application of Intent is evaluated using two criteria:

1. A background verification is conducted with the Texas Department of Public Safety – Crime Records Department and the FBI criminal history files utilizing the online fingerprint process established by DPS to determine if the applicant has a criminal history record which may impact his/her ability and fitness to serve the people of Texas as a CPA. To have a complete understanding of an applicant's background the person may be referred to the Accountants Confidential Assistance Network or asked to attend an administrative meeting with members of the Board staff. Based on the ACAN or the administrative meeting the applicant may be permitted to take the CPA exam, provided all other requirements are met. Applicants may be monitored throughout the examination and certification process. The online fingerprinting process has a feature that allows the Board to receive updates on criminal history activities when they occur, referred to as Rap Back. This service eliminates the need for exam candidates and licensees to have repeated background checks.
2. A verification of the applicant's education is conducted to determine if the applicant has met all of the educational requirements. This is done by a thorough review of each official transcript of degrees awarded and college credits earned by the applicant. The verification also includes an assessment of the accreditation of the college or university to insure that the institution is recognized by the Board. Applicants who completed education at international institutions may require a separate educational evaluation. The Board utilizes the reporting institution in the state for educational transfer of credit practices. The University of Texas at Austin – Graduate and International Admissions Office provides this service.

Applications of Intent are processed year-round and the applicants are notified of deficiencies that must be resolved before they are approved and can apply for the CPA examination.

Applicants who are approved to take the CPA exam must submit an online Eligibility Application to apply to take a section of the exam. This Board's processing time is 24-48 hours and the applicant is notified electronically about the payment of the examination fee to NASBA and scheduling the CPA examination with the testing vendor – Prometric.

After a person passes all sections of the CPA exam within the time constraints established by the *Act*, the person submits an Application for Issuance of the CPA Certificate. The following components of the application must be evaluated prior to approval:

1. With the online fingerprint process and the rap back service it is no longer necessary to conduct a second background verification of the Texas Department of Public Safety and FBI criminal history files.
2. A verification of the applicant's work experience is conducted to determine that the applicant meets the requirements established by the *Act* and the Board's *Rules*.
3. The Board created an online examination. A passing score of 85% is required.
4. A notarized *Oath of Office* is verified.
5. Any updates to the applicant's education are verified.

Independent inspections and audits are made of an applicant's file by other Qualifications staff members.

Applicants who do not meet the requirements needed to take the CPA exam or to become registered as Texas CPAs are sent deficiency notices.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Texas State Board of Public Accountancy Qualifications Exhibit 11: Statistical Information Fiscal Years 2015 and 2016		
	FY 2015	FY 2016
Total number of Applications of Intent	3,594	4,230
Total number of Eligibility Applications	18,375	20,880

Texas State Board of Public Accountancy Qualifications Exhibit 11: Statistical Information (continued) Fiscal Years 2015 and 2016		
	FY 2015	FY 2016
Total number of Transfer of Credit Applications of Intent	57	46
Total number of Applications for Issuance of the CPA Certificate	1,771	1,875
Total number of Background Verifications conducted	6,225	6,725
Total number of telephone calls received	13,255	14,879
Total number of applicants referred to the Accountants Confidential Assistance Network (ACAN)	165	88
Total number of administrative interviews with exam applicants	20	12

Licensing/Continuing Professional Education/Peer Review

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Licensing/Continuing Professional Education/Peer Review
Location/Division	333 Guadalupe Tower 3, Suite 900, Austin Texas 78701
Contact Name	Daniel Weaver
Actual Expenditures, FY 2016	\$990,127
Number of FTEs as of June 1, 2017	8.4
Statutory Citation for Program	<i>Public Accountancy Act Subchapter F, G, H, I, J and 901.159,</i>

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of the licensing program is to evaluate the licensing requirements to ensure that only qualified persons are licensed to practice public accountancy in Texas.

The major activities performed in the Licensing/Continuing Professional Education/Peer Review Division are:

- License all individuals who hold a certificate as a CPA.
- License all individuals who are registered as public accountants.
- License all business offices practicing public accountancy in Texas.
- Maintain records for individuals and business offices.
- Fulfill requests for information regarding Texas licensees to other state boards of accountancy and to the American Institute of Certified Public Accountants.
- Process applications for a CPA by reciprocity.
- Verify current licensure for each individual applying for certification/registration by reciprocity.
- Obtain criminal background information from law enforcement agencies on each individual applying for certification by reciprocity.
- Test Reciprocal applications on the *Rules of Professional Conduct*.
- Present a CPA certificate to all individuals who have met the qualifications as required by the *Act*.
- Process applications for registration of individuals and firms.
- Require that CPAs attend continuing professional education courses to maintain and enhance their competence in the practice of public accountancy.
- Audit continuing education of licensees.
- Maintain records for licensees of their continuing professional education.
- Process applications of non-CPA owners of firms.
- Respond to public inquiries via mail, email and telephone.
- Provide for the review of firms work product to ensure that firms performing attest services are practicing according to applicable standards.
- Provide guidance and counseling on a one-to-one basis to individuals and firms on adherence to the *Act* and *Rules*.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also, please provide a short description of the methodology behind each statistic or performance measure.

The *Act* ensures that only qualified individuals are certified and licensed to provide professional accounting services and further extends to firms that provide attest services to the public. This assurance contributes to the strength of the economy and public markets of this state and the soundness and reliability of the financial system. A person certified and licensed under the *Act* must maintain high standards of professional competence, integrity and learning.

The effectiveness and efficiency are captured through the following performance metrics that highlight the quantity of licensees that are subject to the *Act* and how the department manages the program.

Key Performance Measures:

- Total number of individuals licensed
- Total number of business facilities licensed
- Average licensing cost per individual license issued
- Average licensing cost per facility license issued

Outcome Performance Measures:

- Percentage of Licensees who renew online
- Percentage of new individual licenses issued online
- Percentage of accounting firms reviewed
- Percentage of accounting firms receiving favorable review

See Performance Measures in Attachment 10 for specific results and descriptions.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The information provided in the general history includes a discussion of the laws that have evolved in order for the public to be provided with a high level of professional competence by independent qualified persons, which was and is the intent of the *Public Accountancy Act*.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The program affects the public, Certified Public Accountants, and public accounting firms. In order to be certified and licensed in Texas the requirements of *Subchapter F, G, H, I, and J Chapter 901* of the *Occupations Code/Act* must be met.

Number of persons and entities affected as of May 2017:

CPAs	74,292
Firm offices	10,209
PAs and individuals registered under <i>Section 901.355</i> of the <i>Act</i>	58

Refer to the *Act* and *Rules* for qualifications and eligibility requirements.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The Licensing Division consists of three sections: licensing, continuing professional education, and peer review programs. The division is primarily responsible for the issuing of certificates to individuals, registering firms and individuals, the issuance of licenses to firms and individuals, and ensuring that at each annual renewal period, the licensees are in compliance with the *Act* and Board *Rules*.

The Division consists of 8.4 staff members:

- 3 staff members are assigned to CPE with the responsibility of reviewing the CPE reported by licensees for compliance.
- 1 staff member is assigned to Peer Review. She reviews the reports submitted from firms regarding the current status of their review and answers inquiries concerning Peer Review
- 3 staff members accomplish the certification/registration and licensing functions, such as processing and reviewing license notices of firms for compliance to the rules and the Act. The staff also processes approximately 150 refunds a year, name changes, scans information to the agency's data base and communicates with other states by providing information on Texas licensees and exam candidates by forms and letters.
- 0.4 employees provide general clerical help for the division.
- 1 Director provides management oversight to staff and is the liaison to the Licensing Committee, the Continuing Professional Education Committee, and the Peer Review Committee of the Board.

Initial licensing and registration for individuals and firms:

The requirements for issuing certificates are defined in *Subsection F* of the *Act*. The Licensing Division assures compliance to *Section 901.259* of the *Act* in registering individuals who are seeking a certificate through reciprocity (someone who holds a CPA license in good standing from another state). The division also provides leadership for a swearing-in ceremony twice a year in Austin to present all new Texas CPAs their certificates.

Firms are registered as sole proprietorships, partnerships, limited liability partnerships, limited liability companies, corporations or other legally recognized business entity engaged in the practice of public accountancy. Certain firms have Non-CPA owners associated with firms and are required to be in compliance with *Section 901.354* of the *Act*.

Annual renewal of licenses:

Once the certification/registration processes have been accomplished individuals and firms must pay a license fee set by the Board to be issued a license. For an individual license, the fee is \$56 with a \$10 scholarship fee (*Section 901.155*). The fee for a firm is \$50 per office plus a graduated amount per CPA owner, Non-CPA owner, and CPA employee of the firm.

Staff reviews license notices for CPE and Peer Review compliance, ensuring that the individuals and firms have met the current requirements of the Act and Rules before the license to practice is issued.

A license will not be issued to an individual if the individual has not met the current CPE requirement, (which is 120 credits every three years with 20 credits current in any one year), failed to answer the conviction question or failed to sign the license notice. The firm license will not be issued if the firm's members are not current i.e. the member has not reported the correct number of CPE credits, has not paid the current license fee or has failed to answer the conviction question on the license notice, or not signed the form. Also the license will not be issued to the firm if the firm has not scheduled a peer review or claimed an exemption. A licensee receives notification of noncompliance via email and regular mail with instructions to remedy the deficiency

A licensee (individuals and firms) can complete their license renewal and pay online by credit card during their annual renewal period (generally available 15 days prior to the respective renewal month). Notifications of the renewal period are emailed and mailed giving the licensees about 45 days to complete the process. The online services are available throughout the year so that licensees can submit required information.

The licensing division works closely with the Enforcement Division when processing deficiencies of the required CPE reporting and failure to renew the license for 3 consecutive years. Licensees are administratively revoked by the Board in these situations in accordance with *Section 901.501* of the Act).

The Licensing staff consults with licensees, other licensing jurisdictions, and the public via phone (approximately 1,800 received calls per month) and by email (approximately 3,500 a month) providing information to help licensees come into compliance with the Act and Rules.

The Licensing Division does not have field/regional services.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

N/A

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are no programs internal or external to the agency that perform the same function as the Licensing/Continuing Professional Education/Peer Review Division.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2016;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Licensing Division contracted expenditures are as follows.

Name	FY 2016 Expenditures	Purpose	Contracting Problems
Austin Convention Center – Palmer	\$7,050	Facility rental for semiannual swearing-in-ceremony	None

L. Provide information on any grants awarded by the program.

No grants are awarded through the Licensing Division.

M. Are there any barriers or challenges that impede the program’s performance, including any outdated or ineffective state laws? Explain.

None

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Refer to the *Act* and Board’s *Rules* for further understanding of the program.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Why is the regulation needed?

To protect the public.

The scope of and procedures for inspections or audits of regulated entities.

The full purpose of the licensing division is to support the Board to protect the public.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Texas State Board of Public Accountancy Licensing/Continuing Professional Education/Peer Review Exhibit 11: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2015 and 2016		
	FY 2015	FY 2016
Total number of regulated persons	72,158	73,319
Total number of regulated entities	9,758	9,746

See Enforcement Program for additional information regarding complaints.

Sponsor Review Program

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Sponsor Review Program
Location/Division	333 Guadalupe, Tower 3, Ste 900 Austin, TX 78701
Contact Name	Roel Cantu
Actual Expenditures, FY 2016	\$269,577
Number of FTEs as of June 1, 2017	2
Statutory Citation for Program	<i>Public Accountancy Act, Section 901.411</i>

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Sponsor Review Program (SRP) was created in 2004 to review CPE courses offered to Texas licensees. The objective is to raise the quality of CPE offered to Texas licensees.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best conveys the effectiveness and efficiency of this function or program. Also, please provide a short description of the methodology behind each statistic or performance measure.

The SRP program requires a sponsor to respond to discrepancies if found in the review process. This process requires a written response on sponsor office letterhead which must be approved by the SRP program before a successful review letter is sent out to the sponsor.

The SRP review process has revealed a high percentage of CPE sponsors with structural problems with their course offerings, such as problems with their course advertisement, post evaluation forms or retention of course documentation. The review process has identified the problem as being a result of a high turnover rate in CPE sponsor personnel, which results in new persons not being aware of the CPE sponsor requirements. For the end of Fiscal year 2016 the SRP department notified 125 sponsors that their programs were not in compliance and over 95% agreed to make the necessary changes to come into compliance.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The SRP program evolved because of complaints about the quality of CPE courses provided by CPE sponsors. The Behavioral Enforcement Committee of the Board also determined during its proceedings that CPAs did not have quality CPE that enhanced their professional competence in various areas of practice.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The SRP Program subjects Texas Board-registered CPE sponsors to a review of any CPE course that they conducted during the previous 12 month period under review. Entities that successfully complete the review process are issued an approval letter and courses they provide qualify as CPE to Texas CPAs.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The SRP Program is administered by the director contacting (via phone) the individual CPE sponsors to randomly select course(s) depending on the actual number of courses held during the prior annual registration period. The courses are reviewed by a CPA reviewer and the review is evaluated for consistency of application of Board rules by the Master Review Group. Upon completion of the review and evaluation process, any discrepancies are noted in a Letter of Concern and must be addressed by the sponsor. CPE sponsors must submit a formal letter on their letterhead addressing the discrepancies. Upon acceptance of the sponsor's corrective action plan, the SRP Program will send a successful review approval letter.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Non-exempt CPE sponsors are charged an annual fee depending on the number of courses actually held in the prior registration period. CPE sponsors who offer 1-10 courses are charged an annual fee of \$400; a CPE sponsor who offers 11-40 courses is charged an annual fee of \$750; and a CPE sponsor who offers 41 and above courses is charged \$1,250.

H. Identify any programs, internal or external to your agency that provided identical or similar services or functions. Describe the similarities and differences.

The SRP program is unique to the other functions of the TSBPA because it is an auditing process of CPE sponsors.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memoranda of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2016;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance;
- and
- a short description of any current contracting problems.

Sponsor Review contract expenditures are displayed in Exhibit 5. The contracts are annual contracts at a flat rate of \$115 per hour for CPA reviewers and a flat rate of \$150 per hour for Master CPA reviewers.

Each course reviewed is paid at 50% of the number of CPE credit hours times the rate of the CPA reviewer, with a minimum of \$250 for courses that are 1 to 4 hours in length. A cap of \$1000 per course is generally applied for courses that exceed 16 hours. Courses in excess of 16 hours may be approved for higher compensation on a case-by-case basis upon a review by the program director.

Contracts with CPAs to perform reviews of sponsor courses are procured by advertising in the Texas State Board Report for CPAs interested in reviewing courses offered by CPE Sponsors. The advertisement includes the specific requirements needed to be met by the CPAs in order to qualify to be a reviewer.

The top 5 contracts by dollar amount for FY 2016 were:

- \$12,149.58 for Ron Huntsman to perform services as Master Reviewer
- \$ 8,825.00 for Mitch Sutherlin to perform services as Master Reviewer
- \$ 5,750.00 for Neal Van Zante to perform reviews of CPE sponsor courses
- \$ 5,500.00 for Mike Burnett to perform reviews of CPE sponsor courses
- \$ 4,875.00 for Tim Prebe to perform reviews of CPE sponsor courses

L. Provide information on any grants awarded by the program.

N/A

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

No

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

None at the present time.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

The SRP Program is necessary to ensure Texas CPAs are receiving quality CPE that directly contributes to the license holder's professional competence. All non-exempt CPE sponsors are subject to the SRP Program review process at least once every three years. A CPE sponsor whose review indicates a discrepancy with any Board rule is required to respond to the SRP director with a corrective action plan. The plan must be approved by the SRP staff prior to the issuance of a letter of successful completion of their review process.

CPE sponsors who are not cooperative with the SRP program may have their registration with the Board revoked, and if their violations are flagrant, the CPE sponsor will have their name listed on the TSBPA website as entities CPE whose courses are not acceptable to the Board.

Complaints against CPE sponsors are handled directly with the CPE sponsor's ownership by the division director and if needed, by the Board's Enforcement Division.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Texas State Board of Public Accountancy Sponsor Review Program Exhibit 11: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2015 and 2016		
	FY 2015	FY 2016
Total number of regulated entities	1,082	1,024
Total number of entities inspected	217	218

See Enforcement Program for additional information regarding complaints.

Enforcement

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Enforcement
Location/Division	333 Guadalupe, Tower 3, Suite 900 Austin, Texas 78701
Contact Name	J. Randel (Jerry) Hill, Esq.
Actual Expenditures, FY 2016	\$1,299,439
Number of FTEs as of June 1, 2016	8
Statutory Citation for Program	<i>Public Accountancy Act, Sections 901.151(b), 901.153</i>

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Enforcement Division of the Texas State Board of Public Accountancy (Board) is primarily responsible for the investigation and prosecution of professional misconduct of Certified Public Accountants (CPA) and the unauthorized practice of public accountancy (UPPA), as authorized by the *Act, Chapter 901* of the *Texas Occupations Code* and the Board's *Rules* found in *Title 22, Part 22*, of the *Texas Administrative Code* as well as serving as counsel to the Board's committees.

Division Structure

The committees of the Board advised by division staff are the Behavioral Enforcement Committee, Technical Standards Review Committee, Constructive Enforcement Committee, Peer Assistance Oversight Committee, Rules Committee, and agency ad hoc committees.

Enforcement Division staff includes the Board's general counsel, staff attorneys, investigators and administrative assistants.

Committees of the Board

The division advises the following Board committees:

The Behavioral Enforcement Committee is a working committee comprising at least two Board members, one of whom serves as chair, assisted by at least two non-Board members who serve in an advisory capacity. The committee:

- studies complaints involving suspected violations of the *Act* and the Board's *Rules* and makes recommendations to the Board as appropriate
- completes follow-up on Board orders to ensure that certificate or registration holders and others adhere to sanctions prescribed by or agreements with the Board
- makes recommendations to the Board's policy-making committees (the Executive Committee and the Rules Committee) concerning proposed changes in Board rules, opinions, and policies related to the behavioral restraints of the *Rules* and the *Act*

The committee is supported by the general counsel, a staff attorney and an administrative assistant.

The Technical Standards Review Committee is a working committee comprising at least two Board members, one of whom serves as chair, assisted by at least three non-Board members who serve in an advisory capacity. The committee:

- studies complaints from any source involving suspected violations of the technical standards included in the rules and makes recommendations to the Board as appropriate
- completes follow-up on Board orders to ensure that certificate or registration holders and others adhere to sanctions prescribed by or agreements with the Board
- makes recommendations to the Board's policy-making committees (the Executive Committee and the Rules Committee) concerning proposed changes in Board rules, opinions, and policies related to enforcement of technical standards

The committee is supported by a staff attorney and an administrative assistant.

The Constructive Enforcement Committee is a committee comprised of at least two Board members, one of whom serves as chair, assisted by non-Board CPA members who also serve as investigators. At least one committee member is a public member of the Board. The committee approves the Constructive Enforcement Program, coordinates its activities with Board committees and staff, and supervises the training of committee members. The general counsel of the Board supervises the day-to-day administration of the Constructive Enforcement Program and activities of the committee's non-Board members on behalf of the committee chairman. The committee:

- investigates matters forwarded to the committee by any other Board committee or Board staff in accordance with Board instruction and policy
- prepares, as appropriate, investigative reports regarding each referred matter
- informs referring Board committees or Board staff of the results of its investigations
- informs the appropriate committee when possible violations of the Board *Rules* and the *Act* are observed
- makes recommendations to the Board's policy-making committees (the Executive Committee and the Rules Committee) concerning proposed changes in Board rules, opinions, and policies relating to the constructive enforcement program

The committee is supported by the general counsel.

The Peer Assistance Oversight Committee is a working committee comprising at least two Board members, one of whom serves as chair, assisted by at least two non-Board members who serve in an advisory capacity. The committee oversees the Peer Assistance Program administered by the Texas Society of Certified Public Accountants (TSCPA) as required under the *Texas Health and Safety Code, Chapter 467*, and ensures that the minimum criteria as set out by the Department of State Health Services are met. It makes recommendations to the Board and the TSCPA regarding modifications to the program and, if warranted, refers cases to other Board committees for consideration of disciplinary or remedial action by the Board. The committee reports to the Board on a semi-annual basis, by case number, on the status of the program.

The committee is supported by a staff attorney and an administrative assistant.

The Rules Committee is a policy-making committee comprising at least three Board members, one of whom serves as chair. The committee makes recommendations to the Board concerning the Board's rules, opinions and policies. All working committees refer proposed changes to the Board's rules, opinions and policies to the Rules Committee for consideration for recommendation to the Board.

The committee is supported by the General Counsel and an administrative assistant.

Division Functions and Services to Licensees and the Public

The division performs the following functions on behalf of the Board:

- **Investigation and prosecution of misconduct by CPAs and CPA firms.**
 - The division receives complaints from the public, local, state and federal governments, trade associations, self-report, CPAs and accountancy firms, and staff.
 - Complaints are reviewed for merit and are then assigned to one of the Board's committees for review.
 - The appropriate committee reviews complaints at committee meetings and makes recommendations to the Board for disciplinary action including penalties and sanctions, dismissal based on voluntary compliance or dismissal based on lack of evidence, in accordance with the *Act* and the Board's *Rules*.
 - Recommendations for disciplinary action are conveyed through an Agreed Consent Order (ACO) prepared for the licensee's review and acceptance. Should the licensee accept the terms of the ACO, a signed copy is presented to the full Board for ratification. If the ACO is rejected, the investigatory file is transferred to a litigation attorney for a hearing before the State Office of Administrative Hearings. If they ACO is rejected and the Respondent licensee has been provided an opportunity for a hearing but fails to ask for a hearing the Executive Director, after providing notice of hearing before the Executive Director and Respondent failing to appear, may offer a proposed order containing the committee's findings of fact and conclusion of law and imposing disciplinary sanctions and administrative penalties and costs for the Board's consideration.
- **Unauthorized Practice of Public Accountancy**
 - It is a violation of the *Act* to offer accounting services to the public when you are not a licensed as a CPA. The public assumes, as evidence by multiple surveys one of which was just recently completed this year that persons offering accounting services are regulated by this agency. The board has an active and effective program in identifying persons offering accounting services that are not licensed. The program is designed to be educational but the Board has the authority to require compliance with the *Act* when necessary.
 - Complaints of unauthorized practice are received from the public, local, state and federal government, trade associations, CPAs and accountancy firms, and staff research are investigated by the division's investigative staff.
 - The division's investigative staff contacts respondents to notify them of their violations, whether intentional or unintentional, and seeks voluntary compliance by agreement or by the issuance of an ACO. Voluntary compliance is presented to the full Board for ratification; rejection of the

agreement or ACO transfers the investigatory file to a staff attorney for review and further attempts at voluntary compliance. As a last resort, the Board will refer the matter to the Office of the Attorney General to seek injunctive relief.

- **Board Rules**

- The division's general counsel acts as the liaison to the Rules Committee of the Board, which has the legal authority to amend, adopt and repeal rules deemed necessary or advisable to effectuate the *Act*.
- Proposed changes to Board rules may be initiated by Board staff, Board members, committee members, or the public. State legislation, federal legislation, court decisions, Board actions, new technology, and professional advancements may create the need for rule changes.
- When a request for a change is made or thought to be necessary, all comments and research are presented to the committee for initial consideration (first review). The committee may take one of the following actions:
 - If the committee determines no action is needed, the committee takes no action on the proposal;
 - If the committee determines that a rule change should be made and that it has the information necessary to proceed, the committee drafts a proposed rule change to present to the full Board; or
 - If the committee believes the proposal needs further study, the committee tables discussion or directs staff to provide additional information.
- If a proposed rule change goes to the full Board, the Board can decide not to consider the proposed change, to send the rule back to the committee for further study and later consideration, or to vote in favor of publishing the rule in the *Texas Register* seeking public comment.
- The proposed rule change is sent to the Secretary of State's office for publication in the *Texas Register*, allowing at least 30 days for public comment. If comments are received, the comments are presented to the committee for second review. If no comments are received or no substantive changes are made resulting from comments, the rule is considered by the Board for adoption.
- Should the rule be accepted by the Board (passed on second reading), the rule is adopted and published in the *Texas Register*. The rule becomes effective 20 days after being filed with the Secretary of State's Office. However, if changes are proposed when the rule is presented for second reading, the Board may choose to adopt the rule with changes, adopt the rule without changes or return the rule to the committee for its consideration. The rules process is completed within two to six months.

- **Attorney of the Day and Staff Opinions**

- The attorney of the day (AOD) is the staff attorney assigned to respond to questions from the public and licensees concerning interpretations of the *Rules of Professional Conduct (Rules)* and the *Act*. Attorneys are available by telephone during regular business hours to speak with callers. Frequently raised issues include licensing requirements, questions concerning stationery, the proper use of the CPA designation, the retention of records and work papers, and the Peer Review Program. For assistance, the AOD is encouraged to consult the *Rules*, the *Act*, and the Master Staff Opinions folder found on the shared enforcement drive.
- Questions by email to the division's general email box are answered by the attorneys as a staff opinion. Staff opinions are also written in response to a novel issue that has not yet been documented within the division's Master Staff Opinion file. Opinions are reviewed by the staff attorneys and the general counsel.

- **Litigation**

- The division's litigation attorney assists the staff attorneys with the prosecution of complaint files before the State Office of Administrative Hearings (SOAH), in accordance with SOAH's rules, the Board's *Rules of Professional Conduct*, the *Act*, the *Texas Rules of Civil Procedure*, the *Administrative Procedures Act*, and any other authority as appropriate.
- The litigation attorney receives most cases through referrals from the Board's enforcement committees. These referrals are made when the committee cannot agree to an informal settlement with the respondent in the investigation or when the respondent rejects an offer made by the committee or the Board.
- A hearing before an administrative law judge at SOAH is requested. Notice is mailed to the respondent outlining the basis for the complaint and recommendations being made by the Board to the administrative law judge.
- The respondent, at the litigation stage, may at the executive director's discretion negotiate a settlement with the litigation attorney to avoid a trial.
- Hearings before the administrative law judge result in a Proposal for Decision being issued with the administrative law judge's recommended findings, which is then given to the full Board for its consideration.

- **Monitoring**

- Upon ratification by the full Board, the disciplinary action, including penalties and sanctions, imposed on the respondent and respondent's investigatory

file(s) are monitored by a staff attorney. File status is monitored for probation, limited scope or ACO compliance.

- The requirements ordered under the ACO or the Proposal for Decision, such as fees, penalties, continuing education, and pre-issuance review, are maintained on a status log and due dates for each requirement are calculated by the staff attorney.
- The staff attorney monitors each file for compliance or failure to abide by any of the requirements imposed by the Board.
- Unresponsiveness or continued failure to abide by the requirements imposed by the Board may subject the respondent to possible revocation or suspension of a certificate/license at the discretion of the executive director.
- The monitoring program coordinates directly with the accounting division to timely collect fees and penalties issued against the respondent.
- **Administrative Disciplinary Actions**
 - Administrative disciplinary actions deal with certificate holders who have either: 1) failed to pay their license fees for three consecutive license periods; 2) failed to report their mandatory continuing professional education hours; or 3) failed to complete one or more sections of their license renewal notices. The Board's database monitors each licensee for these failures and generates complaints as the complainant.
 - Licensees are properly notified of the pending disciplinary action and their right to a hearing before SOAH. If a licensee requests a hearing, a division staff attorney is responsible for filing for the hearing before SOAH, where evidence will be presented to the administrative law judge for a ruling on the complaint and issuance of a Proposal for Decision.
 - If a hearing is held and a Proposal for Decision is issued, the Proposal for Decision is offered to the full Board for their consideration and ratification. Upon ratification, the Board then imposes the administrative law judge's recommended disciplinary action and penalties, which may include suspension, revocation, and fines.
 - If no hearing is requested, the Board imposes the recommended sanctions.
- **Candidate Interviews**
 - The agency's general counsel assists the executive director and director of qualifications in evaluating CPA candidates with a history of behavioral issues. This will often include criminal arrests and/or evidence of alcohol or substance abuse.

- The general counsel assists in investigating the candidate's file in preparation for an informational meeting at the Board's office.
- The general counsel may make a recommendation to the executive director and director of qualifications based on the outcome of the interview.
- **Open Meetings Act**
 - The agency's general counsel oversees the Board's compliance with *Chapter 551* of the *Government Code* relating to open meetings.
 - The general counsel coordinates compliance of the *Open Meetings Act* with respect to the review of agenda material for Board and Committee meetings, quorums, recording of minutes, notice of meetings and notice requirements with the Texas Secretary of State, and exceptions to the *Act*, such as executive session.
 - The division maintains the Board's records for publication of notices with the Texas Secretary of State.
- **Public Information Act**
 - The agency's general counsel oversees the Board's compliance with *Chapter 552* of the *Government Code* relating to the *Public Information Act* and serves as the agency's designated public information officer.
 - The general counsel coordinates compliance with the *Public Information Act* with respect to responses, rights of access, information excepted from disclosure, procedures for access, charges for public information, issuing requests for attorney general's opinion, and enforcement.
 - The division maintains the Board's records for compliance with the *Public Information Act*
- **Agreed Consent Orders (ACO) for Payment of Fees for payment of fines in Administrative Disciplinary actions**
 - The agency's general counsel oversees the Board's ACOs for fee payment.
 - Former license holders requesting reinstatement of their certificates may appeal to the executive director, who may authorize the reissuance of a certificate contingent on an agreement between the Board and the former license holder in the form of an ACO, scheduling the payment of fees and penalties and requirements for continuing education.

- An ACO may allow a former license holder to become reinstated to practice public accountancy in Texas while making payments toward fees and penalties owed on their license.
- **Records Management**
 - The division oversees the management of the active and inactive investigation files, in accordance with the retention schedule of the Board.
 - Investigation files and records are maintained on-site at the Board's office for easy accessibility until such time as they are ready for transport to the Records Center for State Agencies at the Texas State Library and Archives Commission.
 - Records transported to the off-site records center are electronically maintained by the division for quick retrieval by staff.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also, please provide a short description of the methodology behind each statistic or performance measure.

The Board is directed by the *Act* to promulgate rules that serve the interest of the public regarding public accounting services provided to them.

The Enforcement Division of the Board investigates violations of the *Act* and the Board's *Rules* by licensees and those who are not licensed by this Board. The committees of the Enforcement Division are comprised of Board members appointed by the Governor, and professionals in public accountancy and private industry with direct knowledge of accounting principles and business subject matters.

The fundamental knowledge of accounting principles and practices comes from years of experience. Experience from members of the Enforcement committees is as follows:

Behavioral Enforcement Committee – 189 combined years of experience
Technical Standards Committee – 180 combined years of experience
Rules Committee – 152 combined years of experience
Peer Assistance Oversight Committee – 63 combined years of experience
Constructive Enforcement Committee – 132 combined years of experience

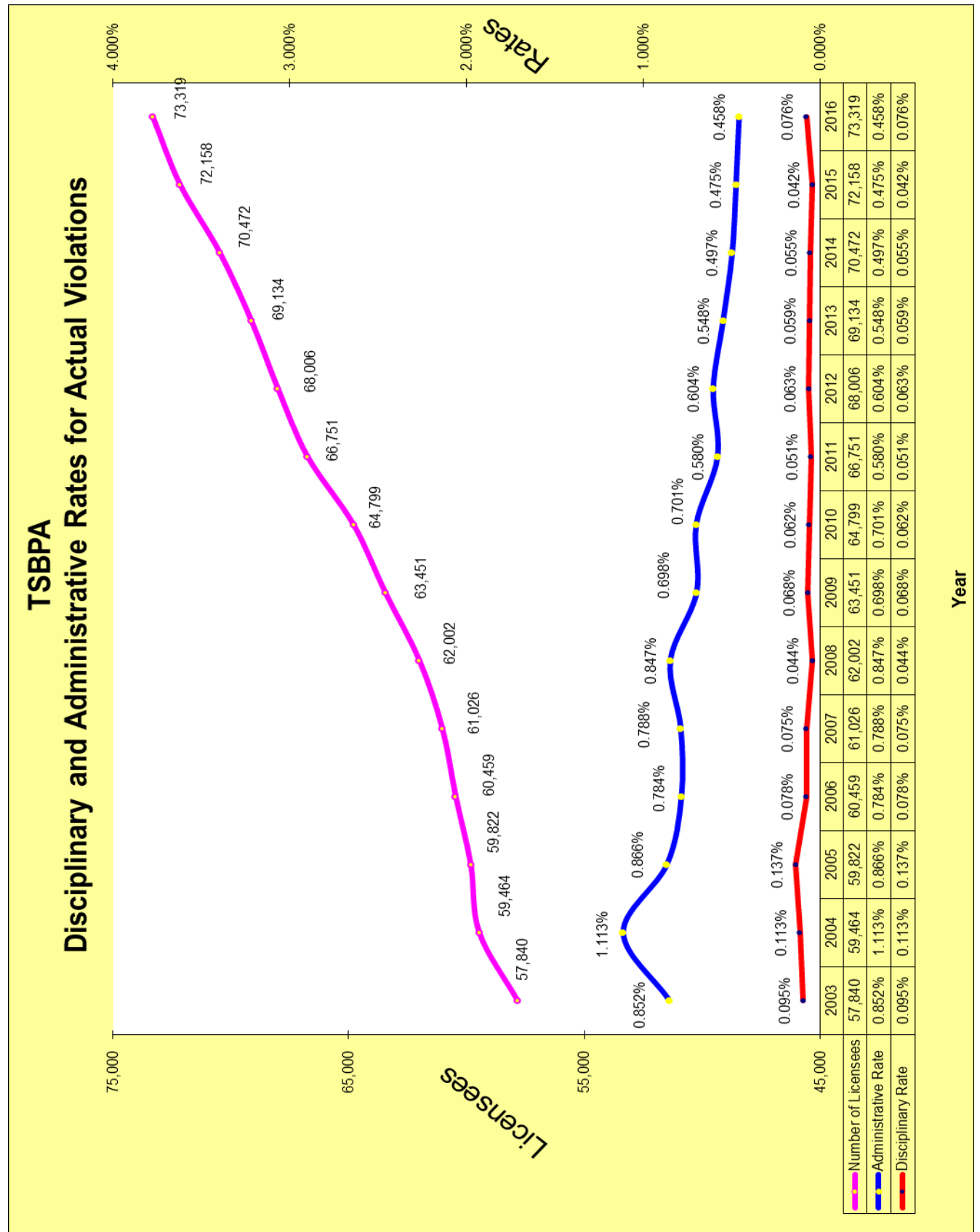
The many combined years of experience of members sitting on the Enforcement committees are necessary in reviewing and making determinations on the complaints that come before the committees.

A small portion of the complaint files the committee's hear is later referred to the litigation attorney for a hearing before SOAH by an administrative law judge. The respondents to

these complaints are given multiple opportunities to comply with the *Act* and the *Rules* and when voluntary compliance is not obtained, the Board asks an administrative law judge to recommend disciplinary action against the respondent.

The number of complaints received by the Board has actually decreased in the last several years, in part, as a result of the agency's enforcement program and required ethics training.

As the number of licensed CPAs in Texas has steadily increased, and as the Board's resources and authority have increased, the percentage of complaints has decreased. This event can be attributed to increased education and understanding on the part of licensees acquired through mandatory peer review, CPE, sponsor review, and ethics training. The chart on the following pages evidences this position.



For the period ending September 1, 2015 through May 31, 2017, the agency received \$221,137.37 in direct administrative costs. For the same period, the agency received \$1,904,077.49 in administrative penalties. All administrative penalties are transferred to the state General Revenue Fund.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Unauthorized Practice of Public Accountancy (UPPA)

The Enforcement Division continues its mission to protect the public by ensuring the professional accounting services it receives are rendered by those individuals and entities that have demonstrated knowledge of accounting practices and standards gained through education and verified through testing and work experience.

Since 2013, greater resources have been devoted to this program. Two full-time positions were created to investigate reports of unauthorized practice. The results are reflected in the following graph.

Open & Closed Files



Although cases declined in 2011, the Board averaged 528 cases per year from 2012-2016. Currently, the Board has opened nearly the same number of cases as in 2016 (466) in half the time (448).

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Enforcement Division has jurisdictional authority over certificate and license holders in Texas, out-of-state practitioners and firms who practice under a “Practice Privilege,” and those persons and/or entities who do not hold a certificate or license issued by the Board, but who provide services in this state in violation of the *Act*.

Certificate and license holders are qualified under the provisions of the *Act* and those practicing under the “Practice Privilege” qualify through the Qualification Appraisal Service of the National Association of State Boards of Accountancy.

Unlicensed persons and/or entities whose qualifications, education and experience have not been verified are not qualified to provide professional accounting services in Texas. Currently, there are approximately 74,292 individual licensees and 10,209 firm licenses in Texas.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The Enforcement Division manual is responsive and is located under Attachment 22.

The Enforcement Division does not have outside field or regional offices.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Enforcement Division is funded by the fees received by the agency from licensees and applicants wishing to take the Uniform CPA examination and any administrative costs awarded or agreed to resulting from the agency's expense to investigate and prosecute a case.

H. Identify any programs, internal or external to your agency that provides identical or similar services or functions. Describe the similarities and differences.

The Enforcement Division of the agency is the sole investigatory body responsible for enforcing the *Act*. The Board has exclusive authority to impose discipline such as revocation, suspension, probation or other disciplinary action upon a CPA or CPA firm in Texas.

Other bodies that may investigate misconduct and bring complaints against Texas CPAs or CPA firms but cannot revoke, suspend or impose probation against the certificate or license of a Texas licensee are:

1. American Institute of Certified Public Accountants (AICPA)
2. Internal Revenue Service (IRS)
3. Public Company Accounting Oversight Board (PCOAB)
4. U.S. Department of Housing and Urban Development (HUD)
5. U.S. Securities and Exchange Commission (SEC)
6. Texas Society of Certified Public Accountants (TSCPA)
7. Other state boards of public accountancy

Although the listed bodies do not have the authority to impose discipline directly against the certificate or license of a Texas licensee, they can restrict or revoke the right to practice before them or, in the case of other state boards of accountancy, may cancel, revoke, suspend or refuse to renew authority to practice as a CPA or a public accountant in their jurisdiction. These actions are cause for investigation and possible disciplinary action against a Texas certificate holder or licensee by the Board.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memoranda of understanding (MOUs), interagency agreements, or interagency contracts.

The Enforcement Division monitors actions taken by the above listed regulatory bodies and additionally has agreements with them so each advises the other of disciplinary actions taken.

Memoranda of Understanding (MOUs)

None.

Interagency Agreements

None.

Interagency Contracts

Office of the Attorney General

- Provides litigation services for the Board and its staff.

State Office of Administrative Hearings

- Conducts all administrative hearings in contested cases under *Texas Government Code §2003.001 et seq.*, including pre-hearing and post-hearing matters, and issues Proposals for Decision.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Enforcement Division coordinates with the following **federal** units:

1. Internal Revenue Service (IRS)

- a. Responsible for collecting taxes and enforcing the Internal Revenue Code

- i. Relationship to the Enforcement Division:

1. The IRS has agreed to refer complaints against Texas licensees to the division; the IRS receives Board referrals regarding disciplined licensees for review.

2. Federal Bureau of Investigations (FBI)

- a. Responsible for investigating federal crime
 - i. Relationship to the Enforcement Division:
 1. The division assists the FBI in its investigations by providing documents related to current and former licensees.

3. U.S. Department of Housing and Urban Development (HUD)

- a. Responsible for the development of communities and accessible housing
 - i. Relationship to the Enforcement Division:
 1. HUD has agreed to refer complaints of substandard work to the division for investigation.

4. U.S. Department of Education (ED)

- a. Responsible for promoting student achievement
 - i. Relationship to the Enforcement Division:
 1. ED has agreed to refer complaints of substandard work to the division for investigation.

5. U.S. Department of Interior (DOI)

- a. Responsible for the protection of natural resources and heritage
 - i. Relationship to the Enforcement Division:
 1. DOI has agreed to refer complaints of substandard work to the division for investigation.

6. U.S. Department of Justice (DOJ)

- a. Responsible for enforcing federal law
 - i. Relationship to the Enforcement Division:
 1. The DOJ receives requested information from the division regarding current and former licensees and has agreed to cooperate with the agency in providing testimony and documents of Texas CPAs they have found to have violated the law.

7. U.S. Securities and Exchange Commission (SEC)

- a. Responsible for enforcing and regulating the securities industry
 - i. Relationship to the Enforcement Division:
 1. The SEC has agreed to refer complaints against Texas licensees; receives Board referrals regarding disciplined licensees for review.

8. U.S. Department of the Treasury

- a. Responsible for the management of government revenue
 - i. Relationship to the Enforcement Division:
 - 1. The Treasury receives requested information from the division regarding current and former licensees.

The Enforcement Division coordinates with the following **state** units:

1. State Office of Administrative Hearings

- a. Conducts neutral hearings for referrals from state agencies
 - i. Relationship to the Enforcement Division:
 - 1. Hears cases involving licensees who the Board believes have violated the *Act* and Board rules.

2. Texas Department of Agriculture

- a. Regulates agricultural practices in Texas
 - i. Relationship to the Enforcement Division:
 - 1. The Department of Agriculture receives requested information from the division regarding current and former licensees.

3. Texas Board of Architectural Examiners

- a. Responsible for licensing and regulating architects, interior designers and landscape architects
 - i. Relationship to the Enforcement Division:
 - 1. The Texas Board of Architectural Examiners refers complaints of substandard work to the division for investigation.

4. Office of the Attorney General

- a. Responsible for enforcing the laws and Constitution of the state of Texas
 - i. Relationship to the Enforcement Division:
 - 1. Provides litigation services to the Board;
 - 2. Provides opinions, decisions and rulings regarding matters of Board interest;
 - 3. Provides guidelines and training for the Open Meetings Act;
 - 4. Provides guidelines and training for the Public Information Act.

5. Texas Higher Education Coordinating Board

- a. Responsible for Texas's higher education guidelines
 - i. Relationship to the Enforcement Division:
 - 1. Assists with the Fifth-Year Accounting Scholarship Program.

6. Texas Education Agency

- a. Responsible for the leadership, guidance and support to Texas schools
 - i. Relationship to the Enforcement Division:
 - 1. The Texas Education Agency refers complaints of substandard work to the division for investigation.

7. Texas Commission on Environmental Quality

- a. Responsible for protecting the state's natural and human resources
 - i. Relationship to the Enforcement Division:
 - 1. The Texas Commission on Environmental Quality refers complaints of substandard work to the division for investigation.

8. Office of the Governor

- a. The supportive agency of the Governor of Texas
 - i. Relationship to the Enforcement Division:
 - 1. The Office of the Governor receives requested information from the division regarding current and former licensees.

9. Health and Human Services Commission

- a. Responsible for the health and human service systems of Texas
 - i. Relationship to the Enforcement Division:
 - 1. The Health and Human Services Commission refers complaints of substandard work to the division for investigation;
 - 2. Receives requested information from the division regarding current and former licensees

10. Texas Department of Housing & Community Affairs

- a. Responsible for improving community development in Texas
 - i. Relationship to the Enforcement Division:
 - 1. The Texas Department of Housing & Community Affairs refers complaints of substandard work to the division for investigation.

11. Board of Law Examiners

- a. Responsible for evaluating the qualifications for licensure to practice law
 - i. Relationship to the Enforcement Division:
 - 1. The Board of Law Examiners receives requested information from the division regarding current and former licensees and provides information on discipline taken against attorney/CPAs.

12. Texas State Library and Archives Commission

- a. Responsible for preserving the records of government
 - i. Relationship to the Enforcement Division:
 - 1. The Texas State Library and Archives Commission assists the division with the records retention schedule of agency records and files;
 - 2. Provides the facility at which the division's investigatory files are housed;

13. Texas Board of Professional Engineers

- a. Responsible for licensing and regulating professional engineers
 - i. Relationship to the Enforcement Division:
 - 1. The Texas Board of Professional Engineers refers complaints of substandard work to the division for investigation.

14. Secretary of State

- a. Responsible for administering Texas elections, maintaining business filings and publishing state agency rules
 - i. Relationship to the Enforcement Division:
 - 1. The Secretary of State receives the division's rule postings for publication in the *Texas Register*;
 - 2. The division utilizes the "SOS Direct" online system to search business records in response to division investigations.
 - 3. Provides a list of business filing certificates of formations with accounting in its name.

15. State Securities Board

- a. Responsible for regulating Texas securities industry
 - i. Relationship to the Enforcement Division:
 - 1. The State Securities Board refers complaints of substandard work to the division for investigation.

16. Sunset Advisory Commission

- a. Responsible for reviewing the policies and procedures of state agencies
 - i. Relationship to the Enforcement Division:
 - 1. The Sunset Advisory Commission reviews the policies and procedures of the division to determine areas of need and/ or improvement

17. Texas Department of Transportation

- a. Responsible for Texas's transportation infrastructure
 - i. Relationship to the Enforcement Division:
 - 1. The Department of Transportation refers complaints of substandard work to the division for investigation.

18. Texas Workforce Commission

- a. Responsible for workforce development in Texas
 - i. Relationship to the Enforcement Division:
 - 1. The Texas Workforce Commission refers complaints of substandard work to the division for investigation;
 - 2. The division's general counsel assists the Texas Workforce Commission with unemployment benefit matters.

The Enforcement Division coordinates with local law enforcement agencies and the Texas Department of Public Safety, school districts, housing authorities, water and drainage districts, and city governments in the review of referrals for complaints of substandard work by Texas CPAs.

K. If contracted expenditures are made through this program please provide:

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2016;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Enforcement Division contracted expenditures are as follows:

Name	FY 2016 Expenditures	Purpose	Contracting Problems
Mary Alice Boehm-McKaughan	\$229,747.24	Litigation of Complaint Files	None
Strasburger & Price, LLP	\$2,137.40	Expert Review of Federal Tax Standards	None
Dubois Bryant & Campbell	\$7,462.50	Litigation of Complaint Files	None
Davis Kinard	\$35,183.91	Expert Review of Federal Tax Standards	None
Harper & Pearson PC	\$162,985.85	Expert Review of Technical Standards	None
Belen Briones	\$16,108.46	Expert Review of Technical Standards	None
Cantrell & Cantrell, PLLC	\$4,620.00	Expert Review of Federal Tax Standards	None
Allen, Pinnix & Nichols, PA	\$2,515.51	Provides Legal Research	None
Virginia Moher	\$4,943.75	Provides Technical Standards Assistance	None
Office of the Attorney General	\$17,635.20	Provides Board Legal Representation	None
State Office of Administrative Hearings	\$25,742.00	Conducts Administrative Hearings in Contested Cases	None
Total FY 2016 Expenditures:	\$509,081.82		

Note: Contract expenditures on the chart above may include the portion charged to Public Education.

L. Provide information on any grants awarded by the program.

None.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

No.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Please refer to the *Act*– Attachment 1 and Enforcement Division Manual – Attachment 22.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

The Enforcement Division is responsible for the investigation and prosecution of alleged professional misconduct of CPAs and the unauthorized practice of public accountancy by unlicensed persons and/or firms. The need for the regulation of these persons and/or firms is critical to the welfare of the citizens of Texas who rely on competence and sworn ethical standards when receiving professional accounting services.

The division continues to investigate incoming complaints from a variety of sources: the general public; CPAs and CPA firms; local, state and regulatory bodies; accounting associations; and those found through the divisions own initiative. The need exists for the division to investigate all claims of misconduct to minimize potential harm to the public. The sanctions imposed on licensees do not always result in revocation; in cases of probation, sanctions can actually foster professional growth for a licensee required to take additional professional education or seek personal help for substance abuse issues.

The division's goal is compliance; however, when compliance is not obtained, the division has been given authority through the *Act* to impose sanctions:

- Transfer of file to litigation for a hearing before an administrative law judge
- Revocation, suspension, reprimand, probation, limitation on the scope of a licensee's practice, refuse to renew a license, continuing education, administrative penalties, administrative costs, restitution
- Emergency suspension
- Criminal penalties may be imposed by local governmental entities

Non-licensees who do not voluntarily comply could have the following imposed upon them:

- An Agreed Consent Order issued against them or court-ordered injunction
- Fees and penalties imposed against them
- Transfer of case to the Office of Attorney General for the collection of fees

The division's complaint procedure is discussed in this division's procedures manual.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Texas State Board of Public Accountancy Enforcement Exhibit 11: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2015 and 2016		
	FY 2015	FY 2016
Total number of regulated persons	72,158	73,319
Total number of regulated entities	9,758	9,746
Total number of entities inspected	N/A	N/A
Total number of complaints received from the public	354	392
Total number of complaints initiated by agency	2,595	2,457
Number of complaints pending from prior years	1,366	1,367

Texas State Board of Public Accountancy Enforcement Exhibit 11: Information on Complaints Against Regulated Persons or Entities Fiscal Years 2015 and 2016 (continued)		
	FY 2015	FY 2016
Number of complaints found to be non-jurisdictional	N/A	N/A
Number of jurisdictional complaints found to be without merit	196	180
Number of complaints resolved	2,931	2,849
Average number of days for complaint resolution	5.41 months	4.94 months
Complaints resulting in disciplinary action:		
administrative penalty	130	132
reprimand	13	40
probation	0	0
suspension	121	125
revocation	252	238
other	62	49

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2011 – 2015, or earlier significant Attorney General opinions, that affect your agency’s operations.

Texas State Board of Public Accountancy Exhibit 12: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency
<i>Chapter 901, Tex. Occ. Code (West 2017)</i>	Provides authority to license and regulate Certified Public Accountants
<i>Chapter 472, Texas Govt. Code (West 2017)</i>	Provides authority for status as a Self-Directed Semi-Independent Agency
<i>Chapter 2003.021(b), Tex. Government Code</i>	Authorizes the Board to appoint the State Office of Administrative Hearings as its fact finder.
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
GA-0811	Clarifies the exemption of professional fees for Brazos River Authority employees who are CPAs.
GA-0711	Clarifies that a county auditor, who is also a CPA, may ethically perform an audit under section 775.082.
GA-0159	Clarifies that persons whose license has been expired for two years or more requesting renewal of their license are not required to undergo a certification examination.
DM-457	Board volunteers who assist in investigations on behalf of the Board have an absolute privilege against a civil action for defamation and a conditional or qualified privilege against a defamation suit.
C-444	Authorized the agency to revoke or suspend the certificate of a person who does not have a “live permit.”

Attorney General Opinions (continued)	
Attorney General Opinion No.	Impact on Agency
WW-539	Requires a person who is styled or known as a CPA or Certified Public Accountant to hold a permit to practice public accountancy, regardless of whether or not such person is engaged in the practice of public accountancy.
WW-239	Authorizes to hold hearings in connection with its investigation as to whether proceedings should be instituted for the purpose of cancelling or suspending any certificate or permit issued by the agency.
MS-193	Clarifies the Act of 1945; <ol style="list-style-type: none"> 1. Persons who perform services and/or who hold themselves out as accountants fall under the provisions of the Act; 2. Persons falling under the provisions of the Act are subject to the penalties of the Act; 3. The use of “public accountant” or other similar designation, without the right to do so, are holding out to the public as a public accountant; 4. Certain abbreviations are prohibited from use by persons not registered and considered holding out to the public as a public accountant.
MS-77	Persons holding out to the public as an accountant possessing a permit or certificate in which they had not been duly licensed would be a misdemeanor.
V-1470	Clarifies that any member of the Board, individually, or any other citizen may file a complaint with the Board against persons who are practicing as public accountants without a certificate or permit to do so by the Board.
V-1384	Authorizes the use of “CPA” by a certified public accountant but not “PA” by a public accountant.

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass. Place an asterisk next to bills that could have a major impact on the agency.

**Texas State Board of Public Accountancy
Exhibit 13: 85th Legislative Session Chart**

Legislation Enacted – 85th Legislative Session

Bill No.	Author	Summary of Key Provisions/Intent
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N/A

Legislation Not Passed – 85th Legislative Session

Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
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N/A

IX. Major Issues

N/A

X. Other Contacts

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent email address.

Texas State Board of Public Accountancy Exhibit 14: Contacts			
INTEREST GROUPS (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone	Email Address
Texas Society of Certified Public Accountants Jodi Ann Ray	14651 Dallas Pkwy Suite 700 Dallas, Texas 75254	(972) 687-8500	jray@tscpa.net

INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS (that serve as an information clearinghouse or regularly interact with your agency)			
Group or Association Name/ Contact Person	Address	Telephone	Email Address
National Association of State Boards of Accountancy Ken Bishop	150 Fourth Ave. North, Ste. 700 Nashville, TN 37219-2417	(615) 880-4201	kbishop@nasba.org

LIAISONS AT OTHER STATE AGENCIES (with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)			
Agency Name/Relationship/ Contact Person	Address	Telephone	Email Address
Office of the Attorney General/Josh Godbey	Financial Litigation Division – 017 300 West 15 th St., 6 th Floor Austin, TX 78701	(512) 475-4209	joshua.godbey@texasattorneygeneral.gov

XI. Additional Information

A. *Texas Government Code, Sec. 325.0075* requires agencies under review to submit a report about their reporting requirements to Sunset with the same due date as the SER. Include a list of each agency-specific report that the agency is required by statute to prepare an evaluation of the need for each report based on whether factors or condition have changed since the statutory requirement was put in place. Please do not include general reporting requirements applicable to all agencies, reports that have an expiration date, routine notifications or notices, posting requirements, federally mandated reports, or reports required by G.A.A. rider. If the list is longer than one page, please include it as an attachment.

Texas State Board of Public Accountancy Exhibit 15: Evaluation of Agency Reporting Requirements					
Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is Report Still Needed? Why?
SDSI Report	<i>Texas Government Code, Section 472.104 (a)</i>	Biennial	Legislature, Governor	Financial and performance measures	Yes
SDSI Report	<i>Texas Government Code, Section 472.104 (b)</i>	Annual	Governor, Senate Finance Committee, House Appropriations Committee, and Legislative Budget Board	Financial and performance measures	Yes

See Attachment 19 for current reports.

B. Has the agency implemented statutory requirements to ensure the use of “first person respectful language”? Please explain and include any statutory provisions that prohibits these changes.

We have reviewed the agency’s regulations and will replace avoidable language in accordance with *Chapter 392* of the *Texas Govt. Code*. We are in the process of revising the agency’s Personnel Policy Manual to reflect *Chapter 392*.

C. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency’s practices.

There have been no complaints filed within the agency among staff nor complaints filed against the agency other than lawsuits challenging the Board’s decision to discipline licensees.

D. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases.

Texas State Board of Public Accountancy Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2015				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0	11.2%
Building Construction	0	0	0	21.1%
Special Trade	0	0	0	32.9%
Professional Services	14,565	14,565	100.00%	23.7%
Other Services	362,140	39,581	10.93%	26.0%
Commodities	85,532	13,038	15.24%	21.1%
TOTAL	462,237	67,184	14.53%	
FISCAL YEAR 2016				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0	11.2%
Building Construction	0	0	0	21.1%
Special Trade	0	0	0	32.9%
Professional Services	10,642	10,642	100.00%	23.7%
Other Services	532,661	175,737	32.99%	26.0%
Commodities	63,376	29,505	46.56%	21.1%
TOTAL	606,680	215,885	35.58%	
FISCAL YEAR 2017 (As of February 28, 2017)				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0	11.2
Building Construction	0	0	0	21.1%
Special Trade	0	0	0	32.9%
Professional Services	23,900	23,900	100.00%	23.7%
Other Services	324,590	159,016	48.99%	26.0%
Commodities	28,959	13,959	48.20%	21.1%
TOTAL	377,449	196,876	52.16%	

E. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Sec. 2161.003; TAC Title 34, Part 1, rule 20.15b)

The agency follows purchasing rules from the State of Texas Procurement Manual issued by the Comptroller of Public Accounts. The director of administrative services/CFO monitors purchases, and if performance shortfalls occur the agency increases its efforts to include more HUBS in the purchasing process whenever business opportunities occur.

F. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Texas Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.14)

N/A

G. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.

	Response / Agency Contact
1. Do you have a HUB coordinator? (Texas Government Code, Sec. 2161.062; TAC Title 34, Part 1, rule 20.26)	Alan Hermanson, CPA Director of Administrative Services/CFO
2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Sec. 2161.066; TAC Title 34, Part 1, rule 20.27)	TSBPA is not required to participate in HUB forums because the agency's biennial budget does not exceed \$10 million.
3. Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Sec. 2161.065; TAC Title 34, Part 1, rule 20.28)	TSBPA is not required to participate in HUB mentor-protége because the agency's biennial budget does not exceed \$10 million.

H. Fill in the chart below detailing your agency’s Equal Employment Opportunity (EEO) statistics.¹

**Texas State Board of Public Accountancy
Exhibit 18: Equal Employment Opportunity Statistics**

1. Officials / Administration

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	8	0.0%	7.4%	0.0%	22.1%	50.0%	37.4%
2016	9	0.0%	7.4%	0.0%	22.1%	33.3%	37.4%
2017	9	0.0%	7.4%	0.0%	22.1%	33.3%	37.4%

Table 1 Exhibit 18 EEO Statistics for Officials/Administration

2. Professional

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	18	5.6%	10.4%	44.4%	19.3%	72.2%	55.3%
2016	20	10.0%	10.4%	50.0%	19.3%	75.0%	55.3%
2017	24	8.3%	10.4%	50.0%	19.3%	75.0%	55.3%

Table 2 Exhibit 18 EEO Statistics for Professionals

3. Technical

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	6	50.0%	14.4%	33.3%	27.2%	83.3%	55.3%
2016	4	50.0%	14.4%	50.0%	27.2%	75.0%	55.3%
2017	2	100.0%	14.4%	0.0%	27.2%	100.0%	55.3%

Table 3 Exhibit 18 EEO Statistics for Technical

4. Administrative Support

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	2	50.0%	14.8%	0.0%	34.8%	50.0%	72.1%
2016	2	50.0%	14.8%	0.0%	34.8%	50.0%	72.1%
2017	2	50.0%	14.8%	0.0%	34.8%	50.0%	72.1%

Table 4 Exhibit 18 EEO Statistics for Administrative Support

5. Service / Maintenance – N/A

6. Skilled Craft – N/A

I. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

Yes, the agency has an equal employment opportunity policy. Performance shortfalls related to the policy are addressed in the agency’s affirmative action plan approved by the Texas Commission on Human Rights. The executive director submits an Affirmative Action/EEO Program Progress Report to the Board on an annual basis.

XII. Agency Comments

None

1. See e.g., 15 U.S.C. § 78j-1 (Publicly traded companies must have their annual financial statements audited by independent certified public accountants); 74 F.R. 18616, Securities and Exchange Commission Regulation S-X Sec. 201.10-01 (Publicly traded companies must have their quarterly reports audited by independent accountants); 75 F.R. § 1274.2 (Bank audits); 12 C.F.R. § 550.460 (Savings Associations audit requirements); 12 U.S.C.A. § 1782 (Audits required of all insured credit unions); 12 U.S.C. § **1827(d)** (audit of FDIC); TEX. INS. CODE § 401.011 (Independent Audit of Financial Statement required of all insurance carriers); Tex. Lab. Code § 407A.352 (Audit required of certain employers under Worker's Compensation Commission).

2. See e.g., 22 U.S.C.A. § 2199(c) (Requiring audits of Overseas Private Investment Corporation and its grantees); 7 C.F.R. § 1773-7 (Audit required for grantees from Department of the Agriculture); U.S. Agency for International Development Automated Directive System 591.3 (Audit requirement for grant recipients of the Agency for International Development); 24 C.F.R. § 964.230 (Department of Housing and Urban Development grant recipient audit requirements); 29 C.F.R. § 96.12 (Department of Labor grant recipients standards for audits); 32 C.F.R. § 34.16 (Department of Defense audits of grant recipients); 19 T.A.C. § 109.23 (Texas Education Agency School District Audit requirements); 40 T.A.C. § 101.5757 (Audit required of grant recipients of Interagency Council on Early Childhood Intervention); 1 TAC § 355.105 (Texas Health and Human Services Commission audit requirements).

3. See e.g. 7 C.F.R. § 400.203 (Contractors must supply an audit); 43 T.A.C. § 9.12 (State highway contractors must provide audit).

XIII. Attachments

Attachments Relating to Key Functions, Powers, and Duties

1. The agency's enabling statute, *The Act* can be found at <https://www.tsbpa.texas.gov/pdffiles/TSBPAACT.pdf#pagemode=bookmarks>
2. Each annual report published by the agency from FY 2015 – 2017 (See Annual Financial Report) can be found at <http://www.tsbpa.state.tx.us/general/reports.html>.
3. Each internal or external newsletter published by the agency from FY 2015 – 2016. The *Texas State Board Report* can be found at <https://www.tsbpa.texas.gov/general/board-reports.html>.
4. A **list** of publications and brochures describing the agency is available at <https://www.tsbpa.texas.gov/general/publications.html>
5. A **list** of studies from other states, the federal government, or national groups/associations that relate to or affect the agency or agencies with similar duties or functions is being submitted electronically.

Attachments Relating to Policy-making Structure

6. Biographical information on all policy-making body members.
7. The agency's most recent rules can be found at [http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=3&ti=22&pt=22](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=3&ti=22&pt=22)

Attachments Relating to Funding

8. Each Annual Financial Report from FY 2015 – 2016 can be found at <http://www.tsbpa.state.tx.us/general/reports.html>.
9. Operating budget from FY 2015 – 2017.

Attachments Relating to Agency Performance Evaluation

10. Each quarterly performance report completed by the agency in FY 2015 – 2017 will be submitted electronically.
11. The methodology used for performance measures.
12. Recent studies on the agency or any of its functions conducted by outside management consultants or academic institutions will be submitted electronically.
13. The agency's current internal audit plan can be found at <http://www.tsbpa.texas.gov/general/reports.html>
14. The agency's current strategic plan can be found at: https://www.tsbpa.texas.gov/pdffiles/TSBPA_ASP_2017_2021.pdf
15. Internal audit reports from FY 2013 – 2017 completed by or in progress at the agency will be submitted electronically (see attachments 15A – 15F).
16. A **list** of State Auditor reports from FY 2013 – 2017 that relate to the agency or any of its functions. No reports issued during this time period; however, the agency is currently under review.

Attachments - Other

17. The agency's Report on Customer Service completed in FY16.
18. Each annual report of non-financial data from FY 2015 – 2016 can be found at <http://www.tsbpa.state.tx.us/general/reports.html>.
19. The Self-Directed, Semi-Independent Reports dated November 2016 and January 2017.
20. The materials disclosed to the agency's policy-making body as requested in the policymaking structure section.
21. The agency's organizational chart with FTEs.
22. The agency's Enforcement Division procedures manual.
23. A **link** to the Uniform CPA Examination Comparative Pass Rate Schedule is provided: <https://www.tsbpa.texas.gov/statistics/university-statistics.html>.
24. Information produced by the Qualifications Division.
25. The Sponsor Review Program process.
26. Thank you notes and words of appreciation addressed to the agency.