

TEXAS SUNSET ADVISORY COMMISSION

September 5, 2018

I, John Charles Cooley CPA, and an active member of the Texas Association of CPAs submit the following.

I serve on the Government Affairs Committee and was a witness at the Sunset Committee hearings in Austin, Texas on August 30, 2018. As a witness the time for presentation was limited to three (3) minutes. The most important points to be made did not appear to be well received, therefore, I would like to add the following:

All of the expenses of the trip and time spent were NOT reimbursed by any organization or individual. I provide all time and expenses personally because I want to see the profession that has been good to me continue to serve the Public. The other witnesses may or may not have been paid or reimbursed for expenses by the TSBPA or some other organization.

In Auditing one of the base ideas is to "follow the money".

The American Institute of CPAs during its history has served the accounting profession and the country. One of the things the AICPA has done is to provide to each of the states a uniform accountancy act. The act in Texas states the CPAs will follow the AICPA rules and the Texas State Board must base its rules on those rules.

1. The AICPA is no longer a CPA organization only, it has joined force with another non-CPA organization.
2. The AICPA no longer sets General Accepted Accounting Principles. This is done by other agencies such as Security Exchange Commission, Financial Accounting Standards Board and others.
3. The law in Texas and the TSBPA requires CPAs to follow the rules set out by the AICPA and yet these individuals and the public must pay the AICPA to read the rules.
4. The AICPA in the uniform act requires all accounting firms undergo a Peer Review every 3 years, if the firm prepares any financial statements. The cost of this program is to each firm which has only one (1) CPA and is not a member of the AICPA or the Texas Society is \$525.00 per year just to be listed as a firm subject to Peer Review. It is called an administrative fee. During the year of the PR the firm must hire a Peer Reviewer cost is about \$1,000.00 minimum. If you are a member of the TSCPAs or the AICPAs you get a large discount for following the Texas law and the TSBPA rules.
5. The Texas State Board of Accountancy for over 15 years has had a paid lobbyist sitting at the table with his own name plate as if a member of the Board?
6. Appointed Board members serve 6 year terms.
7. The other person that is not a member of the Board who sits at all meetings is the Ex. Director.

If follow the money, AICPA writes law. AICPA sells access to the law.

AICPA is the only provider of Peer Review for small firms.

One item that the people representing the TSBPA appeared to have a problem with was changing the number of CPAs vs. the number of Public members appointed to the Board. The government is there to serve the Public not special interest groups or professions. CPA are certified to serve the Public not the accounting profession. Reducing the number of CPA firms from over 18,000 in 1999 to 9,500 presently is not serving a state which has had over 25% population increase during that period. CPAs are licensed to give opinions on financial statements. This is the only thing we do that no one else is licensed to do. Another item is that of the 9,500 firms in Texas less than 4,000 still do opinions on financial statements.

During the July Board meeting the Ex. Director stated that one word in a new rule needs to be changed. The word was changed from "Should" to "Shall" this is a substantial change. The rule had been thru the Rules Committee and the Executive Committee. Why did it say Should and not Shall during those months of work by the committees? Why would a non-Board member be allowed to make such a change?

The TSBPA has three (3) attorneys on staff. How many government agencies have three attorneys on staff and yet hires a contract attorney for each case that goes outside the staff rulings?

The Rules Committee meeting was scheduled at 1:300PM on July 18, 2018. The Executive Committee meeting of the TSBPA was scheduled for 3:00PM on July 18, 2018 per the TSBPA website. This meeting was completed before 3:00PM. Please, see the attached printings from the TSBPA web site.

John Charles Cooley

SUNSET ADVISORY COMMISSION

Thursday, August 30, 2018

Review of the Texas State Board of Public Accountancy

TEXAS ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Public Testimony offered by: John Charles Cooley, CPA

Thank you for the opportunity to appear here today and to the Sunset Advisory Commission (Commission) for the work they have done in the review of the Texas State Board of Public Accountancy (Board).

After review of the items in the Commission's staff report I would like state that we agree with the report as presented.

The base of the Certified Public Accountant profession is to issue an opinion on Financial Statements. This is the only thing CPAs are licensed to do that no other professional or non-professional can do in the state of Texas.

There are two (2) levels of opinions; Audit and Review.

The AICPA list 2 others Compiled and Prepared.

The first 2 require Independence. These are Attest services.

The second 2 do not require independence. These are not Attest services per the CPAs letter.

There are a few additional items I would like considered.

1. In the Board's staff response to the Commission's report on page 2 under **Successful Prosecution** the staff states that 98% success rate. Does this include Agreed Consent Orders and the ones where there were no changes in what the Board staff and attorneys (3 on staff) have first charged the licensee?
2. **PEER REVIEW OVERSIGHT.** The American Institute of CPAs (AICPA) presents the Uniform Accountancy Law as a standard for states to adopt. AICPA then appears as part of Texas state law which regulates the Board and the Profession. To read a copy of the requirements for CPAs to follow they must then purchase copies from the AICPA and pay \$590.00 per year for the AICPA oversee the PR program. Until 2 years ago the Texas Society of CPAs did provide this service for about \$275.00 per year. These amounts are for 1 CPA firms that are not members of the AICPA. Some States do not require PR for services provided by small firms 2 or less CPAs.

3. Multi office firms have one PR per firm. If the rules were changed to each office is required to have a PR it could be that some of the problems for the profession in the past could have been stopped before becoming a world news problem for the profession.
4. **FIRM NAMES.** The size of the firm determines the method by which a name MUST be judged under the Board rules. Large firms, names are not judged by the same standard. Small firms must use sir names and small partnership must change names if a partner leaves even if by death.
5. The Board has 3 full time attorneys on staff and in my opinion those attorneys should be able to handle most cases without contracting outside attorneys. If the case requires outside attorneys, the Office of Attorney General may be able to provide that service at a lower cost. It is not just asking permission to get outside contractors, it is also about State agencies working together for better service to the public to be served.
6. The Board should have a CPA on staff. It is understood that there are several CPAs that offer limited services at no cost, however, a staff CPA could offer services from a professional point of view.
7. **ADMINISTRATIVE COSTS.** The Board over the years have moved from low administrative cost and high penalties OR higher administrative cost and lower penalties. Penalties are limited to \$100,000.00 and at present there is NO limit on administrative cost. It is my opinion that if the Board takes a case and later losses the case in court the Board should pay the licensee for expenses incurred.
8. The Board present make up is 10 CPAs and 5 members of the public. The make of the Board gives the appearance of a profession that only looks out for the betterment of the profession not to serve the Public.
9. The Board is a Semi-independent agency and operates without elected oversite. It sets its budget and fee increases and staff payroll increases. The Board presently is planning for additional increases without knowing the needs. Pay raises are given without approval of any elected official. I do not know of any government agency that has cash on hand as large as next years' budget requirements.
10. Board members vote to Revoke many CPA certificates each year for nonpayment of dues and/or not reporting CPE. Could it be that some of these individuals stopped paying dues after the date of Death?