

**SELF EVALUATION REPORT**  
**TO**  
**THE SUNSET ADVISORY COMMITTEE**



**TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY**

**AUGUST 17, 2001**

## ***TABLE OF CONTENTS***

<a href="#">Self-Evaluation Report</a> .....	1
I. <a href="#">Key Functions, Powers, and Duties</a> .....	1
II. <a href="#">History and Major Events</a> .....	6
III. <a href="#">Policymaking Structure</a> .....	11
IV. <a href="#">Funding</a> .....	16
V. <a href="#">Organization</a> .....	20
VI. <a href="#">Guide to Agency Programs</a> .....	22
VII. <a href="#">Agency Performance Evaluation</a> .....	35
VIII. <a href="#">77th Legislative Session Chart</a> .....	40
IX. <a href="#">Policy Issues</a> .....	41
X. <a href="#">Comments</a> .....	42

---

## I. Key Functions, Powers, and Duties

- |   |
|---|
| <b>A. Provide an overview of the agency's mission, key functions, powers, and duties. Specify which duties are statutory.</b> |
|---|

### **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 possess the necessary education, skills, and capabilities and that they perform competently in the profession of public accountancy.

### **Functions**

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

### **Licensing and Qualifications**

**Qualifications** – The Board administers the Uniform CPA Examination twice a year at sites throughout the state. Only those candidates who have passed all parts of the examination are eligible for the certificate of certified public accountant.

**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; and

individuals licensed as accountants in other jurisdictions who wish to practice public accountancy in Texas and receive a Texas CPA certificate under *Section 901.259* of the *Public Accountancy Act (Reciprocal Registration)*.

**Registration** - The Board requires registration of the following entities:

- professional corporations, partnerships, limited liability companies, registered professional limited liability partnerships, and sole proprietorships engaged in the practice of public accountancy; and
- individuals qualifying under *Section 901.355* of the *Public Accountancy Act*.
- The Board also issues permits to firms and individuals temporarily engaged in the practice of public accountancy in this state.

**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
- practice units: professional corporations, partnerships, professional limited liability companies, registered professional limited liability partnerships (PLLP), and sole proprietorships engaged in the practice of public accountancy.

**Continuing Professional Education** – Texas CPAs are required to comply with the Board’s program of mandatory continuing professional education.

**Quality (Peer) Review** – The Board has promulgated rules governing quality review and has officially implemented this program whereby the work product of persons or firms practicing public accountancy is measured for adherence to quality control standards adopted by practitioners and the profession.

**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.

### **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 Occupations Code*:

- Sec. 901.151 General Powers and Duties of the Board*
- Sec. 901.152 Advisory Committees*
- Sec. 901.153 Enforcement Committees*
- Sec. 901.154 Fees*
- Sec. 901.155 Scholarship Fund Account for Fifth-Year Accounting Students*
- Sec. 901.156 Rules of Professional Conduct*
- Sec. 901.157 Rules for Specialization*
- Sec. 901.158 Rules Restricting Advertising or Competitive Bidding*
- Sec. 901.159 Quality Review*
- Sec. 901.160 Availability and Confidentiality of Certain Board Files*
- Sec. 901.161 Privilege for Certain Information*
- Sec. 901.162 Immunity from Liability*
- Sec. 901.163 Statistical Analysis of Complaints*
- Sec. 901.164 Annual Fiscal Report*

### **Objectives**

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 personnel 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 guarantees that these reports are prepared in accordance with uniform standards, and this guaranteed uniformity makes the reports reliable and trustworthy. 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.<sup>1</sup> In addition, all of the grant programs administered by the United States and Texas require and rely on reports prepared by CPAs.<sup>2</sup> State and federal contractors must also provide audits as a condition of doing business with the government.<sup>3</sup>
2. The CPA licensing structure provides the public with personnel 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 governmental 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 structure provides the State with personnel qualified to perform key state services. The State employs CPAs to perform several key state functions including auditing government accounts. In addition, under the provisions new legislation, S.B. 1037, 77<sup>th</sup> Legislature, (2001), CPAs licensed in Texas may perform audits of sales tax accounts. Only employees of the Comptroller's office were previously authorized to provide this function.
4. The CPA licensing structure provides the public with personnel uniquely qualified to manage and foster wealth. This ready availability of expertise to the general public promotes the State's objectives in improving the welfare of its inhabitants.

**B. Does the agency's enabling law correctly reflect the agency's mission, key functions, powers, and duties?**

Yes, the agency's statute, *Chapter 901 of the Occupations Code (Public Accountancy Act)* reflects the Texas State Board of Public Accountancy's mission, key functions, powers, and duties.

**C. Please explain why these functions are needed. Are any of these functions required by federal law?**

The explanation for the necessity of the functions listed on page 1 is outlined in *Section 901.005(e)* of the *Public Accountancy Act* listed below:

- (e) *The policy of this state and the purpose of this chapter are to provide that:*
- (1) *the admission of persons to the practice of public accountancy require education and experience commensurate with the requirements of the profession;*
  - (2) *a person who represents that the person practices public accountancy be qualified to do so;*
  - (3) *a person licensed as a certified public accountant:*
    - (A) *maintain high standards of professional competence, integrity, and learning; and*
    - (B) *demonstrate competence and integrity in all dealings with the public that rely on or imply the special skills of a certified public accountant and not merely in connection with the performance of the attest service;*
  - (4) *areas of specialized practice require special training; and*
  - (5) *the activities and competitive practices of persons practicing public accountancy be regulated to be free of commercial exploitation to provide the public with a high level of professional competence at reasonable fees by independent, qualified persons.*

None of the Board's functions are required by federal law.

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

Every state in the United States together with the District of Columbia and Puerto Rico has a program similar to the Texas State Board of Public Accountancy.

**E. Describe any major agency functions that are outsourced.**

---

## Administration

1. Contract administration of state mail services through General Services Commission.
2. Printing and mailing of quarterly TSBPA Board Report and Bi-annual Candidate Chronicle with Paragon Printing and Davis Brothers Printing respectively.
3. Microfilming contract with Precision Micrographics.
4. Interagency contract for record storage services with the Texas State Library.
5. Printing of CPA certificates with Emery Wang Graphics.

## Enforcement

In connection with the enforcement function, the agency retains consulting experts to advise the Board concerning alleged violations of professional standards. These experts review the work product of the Board's licensees, including supporting work papers, and advise the Board concerning whether these reports were prepared in accordance with professional standards. These experts may also testify in court proceedings brought by the Board to enforce professional standards. All of these experts are licensees of the Board.

In addition, in one enforcement action against a Fortune 500 Company, *Texas State Board of Public Accountancy vs. American Express Tax and Business Services*, the Office of the Attorney General agreed that the Board should retain outside counsel. This counsel provided expertise and resources not available within state government. The Attorney General's office oversees all services rendered under this contract.

## Quality (Peer) Review

The Board also retains a panel of experts, all CPAs, to monitor the Quality (Peer) Review Program. See Board Rule 527.4. Under this program, any CPA that performs services reserved to licensees must have their work audited by another CPA every three years under the supervision of the Texas Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the SEC Practice Section, or the National Conference of CPA Practitioners. CPAs performing this audit, known as "peer review" must comply with nationally promulgated standards. The standards call for the reviewer to suggest constructive changes in a CPA's practice where necessary to bring the reviewed CPA's work in line with professional standards. The Board's expert panel is called the Quality (Peer) Review Oversight Board (QROB).

QROB monitors the administration of this program to ensure that quality (peer) reviews are being conducted and reported on in accordance with quality (peer) review minimum standards and that the policies and procedures of sponsoring organizations conform with quality (peer) review minimum standards.

## Continuing Professional Education

Continuing professional education is provided by sponsors under the auspices of Board rules. Additionally, under Board rule, sponsors are required to register with the Texas State Board of Public Accountancy or the National Association of State Boards of Accountancy (NASBA).

**F. Discuss anticipated changes in federal law and outstanding court cases as they impact the agency’s key functions.**

Although many professional standards set by the federal government have changed in recent years, these changes have not altered the Board’s objectives and functions, nor have they altered the role that the Board plays in the national regulatory scheme. For example, the Securities Exchange Commission recently adopted a new definition of “independence” required of auditors of publicly traded companies. See 17 CFR 210-2-01. The SEC left unchanged its requirement that all auditors of publicly held companies be CPAs holding an active license from a state.

**G. Please fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact the agency. Do not include general state statutes that apply to all agencies, such as the Open Records Act, the Open Meetings Act, or the Administrative Procedure and Texas Register Act. Provide the same information for Attorney General opinions from FY 1997 – 2001, or earlier significant Attorney General opinions, that affect the agency’s operations.**

Texas State Board of Public Accountancy Exhibit 1: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency (e.g., “provides authority to license and regulate nursing home administrators”)
Chapter 901, Texas Occ. Code (Vernon’s 2001)	Provides authority to license and regulate Certified Public Accountant.
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
N/A	

**H. Please fill in the following chart:**

Texas State Board of Public Accountancy Exhibit 2: Agency Contacts			
	Name	Address	Telephone Number Fax Number E-mail Address
<b>Agency Head</b>	William Treacy Executive Director	333 Guadalupe Tower III, Suite 900 Austin Texas 78701	512-305-7801 - office 512-305-7854 – fax executive@tsbpa.state.tx.us
<b>Agency’s Sunset Liaison</b>	Alan Hermanson, CPA Director of Administrative Services/CFO	333 Guadalupe Tower III, Suite 900 Austin Texas 78701	512-305-7814 – office 512-305-7854 – fax accounting@tsbpa.state.tx.us

## II. History and Major Events

**Provide a timeline discussion of the agency's history, briefly describing the key events in the development of the agency, including:**

- the date the agency was established;
- the original purpose and responsibilities of the agency;
- major changes in responsibilities or statutory authority;
- agency/policymaking body name and composition changes;
- the impact of state/federal legislation, mandates, and funding;
- the impact of significant state/federal litigation that specifically affects the agency's operations; and
- key organizational events and areas of change and impact on the agency's organization (e.g., a major reorganization of the agency's divisions or program areas).

1915 The Texas Legislature enacted the *Public Accountancy 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 alleviated the burden of writing the examination questions from the volunteer Board members who had no staff resources.

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

The definition of "practice of public accountancy" was strengthened, delineating exactly those activities, which 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* due to a federal court order to suspend the rule, which prohibited competitive bidding. Another federal court held that the Board's advertising rule violated First Amendment rights.

1979 The Legislature enacted the *Public Accountancy 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 *Public Accountancy 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 *Public Accountancy 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, and established the education requirement for CPAs to 150 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 *Public Accountancy Act of 1991*.

The 1991 *Act* authorized the Board to assess an administrative penalty, up to \$1,000 per violation, against persons who violate the provisions of the *Act*, a rule, or an order adopted 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 disadvantaged students to help defray the cost associated with the *Act's* 150-hour education requirement.

- 1993 The Legislature amended the *Public Accountancy 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 licenses were due on December 31 streamlined the license renewal operation, resulting in greater efficiency because the staff's workload is evenly distributed over twelve months. A properly completed license notice is now reviewed, entered into the computer, and a license printed and mailed within three days after its receipt in the Board office.

Each licensee of the Board is required to complete four CPE hours in ethics every three years. Thereafter, each licensee must complete a two-hour course every three years after the initial three-year reporting period. The course must be pre-approved by the Board and must cover in detail the Board's *Rules of Professional Conduct*. Instructors are 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 have created considerable interest and have been 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 Texas State Board of Public Accountancy was one of the few state agencies whose audit by the Office of the State Auditor stated that "no significant instances of noncompliance with these standards (Generally Accepted Government Auditing Standards and Generally Accepted Auditing Standards) occurred."

- 1996 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 reported insufficient CPE hours.
- Individuals and firms that failed 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.

The Board processes these complaints through computer programs, which are integrated with the license renewal system and incrementally generate all documents necessary for processing the complaints. For each violation the complaint process begins with the computer generation of a warning letter which is sent to the licensee or entity to inform them of the violation and how to cure it. Each month the following activities occur simultaneously for different sets of entities:

- Warning letters are created.
- Complaints are opened and notice of hearing documents are generated.
- Hearings are conducted before the State Office of Administrative Hearings.
- Proposals for decision documents are mailed to licensees and entities.
- The Board meets and considers Proposals for Decision; complaints are closed.
- Board orders are mailed to the licensees and entities.

The Board staff can now fairly and completely process administrative complaints in a very timely manner.

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

1997 The *Public Accountancy Act of 1991* required that initial examination candidates complete 150 semester hours of college credit prior to certification. As the first exam affected by this statute was the May 1998 exam, many candidates chose to “grand father” under the old requirements. The November 1997 exam tested 30% more candidates over the November 1996 exam.

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

1998 The Board’s website was created.

1999 The 76th Legislature approved a pilot program in which three state licensing boards, including the Board, 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, ends August 31, 2003. Some of the basic points of this project are:

- Reinvent government. Under this plan, regulatory agencies would be accountable to their stakeholders and charged with operating as a business.
- The Governor continues to appoint board members and to designate the board chairman.
- The regulatory agency establishes the fees charged to cover all costs of its operations.
- Licensees (clients) continue to pay the costs of regulation.
- Sovereign immunity remains intact for enforcement and disciplinary functions.
- An agency under the program remains subject to the Texas *Open Meetings Act* and the *Public Information Act*.
- Regulatory agencies in the project are removed from the cost of state government

- (appropriations).
- Applicable agencies continue to collect and remit the \$200 annual professional fee for the General Revenue Fund.
  - Agencies continue to be audited by the Office of the State Auditor and pay the associated costs.
  - Oversight agencies such as the Legislative Budget Board and the Governor's Office of Budget and Planning are relieved of budget oversight responsibilities and associated costs.
  - Licensees (clients) become more directly involved in evaluating the cost of operating the agency.
  - The state budget size is reduced.
  - The number of state employees on the state payroll is reduced.
  - This bill would appropriate to the project agencies amounts equal to 50% of their fiscal 1999 appropriations. Project agencies would repay the appropriated amounts to the General Revenue Fund, as funds become available.

The Texas Legislative Council recommended that the *Public Accountancy Act* be recodified and moved to *Chapter 901* of the *Texas Occupations Code (Vernon's 1999)*. Although no substantive changes were made, the language, punctuation, and reorganization modifications made it necessary to rewrite the entire document. Some of the changes include:

- 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.

The Board completed the sunset 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 *Public Accountancy 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;
  - National Association of State Boards of Accountancy's rules;
  - American Institute of CPA's rules;
  - Texas Society of CPA's rules; and
  - the joint AICPA/NASBA *Uniform Accountancy Act*.

There were two significant events occurring since 1999.

- The implementation of the Application of Intent
- The increase in the grading fee for the Uniform CPA Examination

The Application of Intent is the development of forms and procedures that allows for the year-round evaluation of the education and moral character of individuals who take the Uniform CPA Examination and become Texas CPAs. A person submits educational documents that allow Board staff to determine if the education requirements set out in Sec. 901.254. Subchapter F of the *Public Accountancy Act* are met. If the person is deficient with respect to the education requirements, the Board staff would inform the person so that additional coursework can be completed.

Based on Sec. 901.253. Subchapter F of the *Public Accountancy Act*, the Board completes a background investigation of the person to give some assurance that the individual is "of good moral character". The Board, in conjunction with the Texas Department of Public Safety, uses crime record files to make this determination.

Individuals, who meet the requirements of both sections mentioned above, are then eligible to apply to take the Uniform CPA Examination.

The Application of Intent process is beneficial in two ways. It not only is used as the first step in the evaluation process of educational and moral character, but it also provides individuals with a road map of their educational progress. The Board staff provides guidance to individuals that insures they would successfully meet their goal of taking the Uniform CPA Examination.

The second significant event that occurred was the fee increase for grading the Uniform CPA Examination. The examination is written and graded by the American Institute of Certified Public Accountants (AICPA) in New Jersey. The fee is set by the AICPA and applies to each paper that is graded. In May 1996, the fee increased from \$18.75 per paper to \$22.50 per paper. Beginning with the November 2001 CPA exam the fee increased to \$31.00 and an additional increase is scheduled for November 2002 raising the fee to \$45.00 per paper.

### III. Policymaking Structure

**A. Please complete the following chart:**

Texas State Board of Public Accountancy Exhibit 3: Policymaking Body				
Member Name	Term/ Appointment Dates/Appointed by George W. Bush	Qualification	Address	Telephone Number Fax Number E-mail Address
Billy M. Atkinson	6 year term 05-07-99 – 01-31-05 Governor Bush	CPA	PricewaterhouseCoopers 1201 Louisiana Ste. 2900 Houston, TX 77002	(713)356-8205 – office (713)356-8221 – fax <a href="mailto:billy.m.atkinson@pwcglobal.com">billy.m.atkinson@pwcglobal.com</a>
K. Michael Conaway	6 year term 05-17-95 – 01-31-01 Governor Bush	CPA	110 W. Louisiana, Ste. 312 Midland, TX 79701	(915) 685-1433 – office (915) 685-1435 – fax <a href="mailto:kmichaelconaway@compuserve.com">kmichaelconaway@compuserve.com</a>

Member Name	Term/ Appointment Dates/Appointed by George W. Bush	Qualification	Address	Telephone Number Fax Number E-mail Address
Jerry A. Davis	6 year term 05-17-95 - 01-31-01 Governor Bush	CPA	811 Barryknoll Court Houston, TX 77079	(713) 465-5514 – home (281) 589-2076 – fax jerryandgaildavis@yahoo.com
Kimberly Dryden	6 year term 05-07-99 – 01-31-05 Governor Bush	Public Member	Neely, Craig & Walton, LLP 1101 S. Taylor Amarillo, TX 79101	(806) 376-6301 – office (806) 376-1449 – fax kdryden@neely.com
April L. Eyeington	6 year term 05-22-96 – 01-31-05 Governor Bush	CPA	1803 Green Field Plaza Bryan, TX 77802	(979) 268-1350 – office (979) 268-1560 - fax april@becocpa.com
Edwardo B. Franco	6 year term 05-07-99 – 01-31-05 Governor Bush	Public Member	Frost Capital Group 1010 Lamar, Suite 700 Houston, TX 77002	(713) 388-7502 – office (214) 388-7551 – fax <a href="mailto:efranco@congressfinancial.com">efranco@congressfinancial.com</a>
Gwen Gilbert	6 year term 05-20-97 – 01-31-03 Governor Bush	CPA	4424 Emerson Dallas, TX 75205	(214) 631-4664 – office (214) 634-8947 – fax <a href="mailto:Gwen.Gilbert@dallaspump.com">Gwen.Gilbert@dallaspump.com</a>
Rebecca B. Junker	6 year term 05-20-97 – 01-31-03 Governor Bush	CPA	Rebecca Beard Junker, P.C. 212 Jackson St. Richmond, TX 77469	(281) 342-9476 – office (281) 239-7503 – fax rjunker@intertex.net
Robert C. Mann	6 year term 05-07-99 – 01-31-05 Governor Bush	CPA	4916 Westbriar Ft. Worth, TX 76109	(817) 732-1029 – office (817) 732-6647 – fax mann1122@earthlink.net
Jimmie L. Mason	6 year term 05-17-95 – 01-31-01 Governor Bush	CPA	Mason, Warner & Company, P.C. PO Box 93360 Lubbock, TX 79493	(806) 787-3251 – office (806) 791-7816 – fax jmason@mwccpa.com
Reagan S. McCoy, Esq.	6 year term 5-20-97 – 01-31-03 Governor Bush	Public Member	Concord Oil Company 105 S. St. Mary's St. 1500 San Antonio, TX 78205	(210) 224-4455 – office (210) 224-6430 – fax concordoil@stic.net
Lou Miller	6 year term 05-30-95 – 01-31-01 Governor Bush	Public Member	Lou Miller Insurance 1717 N. Loop 1604 East, Ste. 220 San Antonio, TX 78232	(210) 490-5200 – office (210) 490-5294 – fax loumins@aol.com
Janet F. Parnell	6 year term 06-29-95 – 01-31-01 Governor Bush	Public Member	HCR 2 Box 42 Canadian, TX 79014	(806) 323-6015 – home (806) 323-5524 – fax parnell@yft.net

Member Name	Term/ Appointment Dates/Appointed by George W. Bush	Qualification	Address	Telephone Number Fax Number E-mail Address
Edward L. Summers, Ph. D.	6 year term 05-20-97 – 01-31-03 Governor Bush	CPA	3608 Highland View Austin, TX 78731	(512) 471-5330 – office (512) 471-2153 – fax ed.summers.@bus.utexas.edu
Barbara J. Thomas	6 year term 05-20-97 – 01-31-03 Governor Bush	CPA	11107 Lark Brook Lane Houston, TX 77065	(281) 469-1103 – office (281) 897-1191 - fax sbthomas2@earthlink.net

**B. How is the chair of the policymaking body appointed?**

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

**C. Describe the primary role and responsibilities of the policymaking body.**

The primary responsibilities of the Board are to meet periodically to update or create agency rules, to oversee the administrative operations of the Board, to qualify exam candidates and to certify them provided that all requirements have been met and to take final action on complaints and sanctions against licensees.

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

A unique feature about the policymaking 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 follow:*
- (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 the policymaking body meet? How many times did it meet in FY 2000? In FY 2001?**

Generally, the Board meets every two months. In FY 2000 the Board met six times: September 16, 1999, November 11, 1999, January 20, 2000, March 9, 2000, May 18, 2000, and July 20, 2000. In FY 2001 the Board met six times: September 13, 2000, November 9, 2000, January 24, 2001, March 22, 2001, May 17, 2001 and July 26, 2001.

The committees of the Board outlined on the following page met approximately 48 times in FY 2000 and as of July 26, 2001 the committees have met 42 times in FY 2001.

**F. What type of training do the agency’s policymaking body members 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: constitutional sections and laws affecting individual Board members, standards of conduct, general information, board organization, committee structure, legislative budget and appropriations 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 the agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, please describe these policies.**

Yes, the agency does have policies that describe the respective roles of the policymaking 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 Occupations Code* and the *Rules* promulgated by the Texas State Board of Public Accountancy. Copies of these publications are being provided at the time of the submission of the Self-Evaluation Report.

**H. If the policymaking body uses subcommittees or advisory committees to carry out its duties, please fill in the following chart.**

Texas State Board of Public Accountancy Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How members are appointed	Purpose/Duties	Legal Basis for Committee
Behavioral Enforcement Committee	8 – members 6 – CPAs 2 –Public Members Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.153
Continuing Professional Education	11 – members 8 – CPAs 3 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152
Executive Committee	6 – members 5 – CPAs 1 – Public Member Elected by Board	See Board Rule 505.10	Public Accountancy Act §901.055
Licensing Committee	7 – members 5 – CPAs 2 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152

Name of Subcommittee or Advisory Committee	Size/Composition/How members are appointed	Purpose/Duties	Legal Basis for Committee
Major Case Enforcement Committee	8 – members 6 – CPAs 2 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.153
Peer Assistance Oversight Committee	4 – members 4 – CPAs Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152
Qualifications Committee	6 – members 3 – CPAs 3 – Public Members Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152
Quality Review Committee	7 – members 6 – CPAs 1 – Public Member Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152
Rules Committee	6 – members 6 – CPAs Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152
Regulatory Compliance Committee	5 – members 5 – CPAs Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.152
Technical Standards Review Committee	10 – members 9 – CPAs 1 – Public Member Appointed by Presiding Officer	See Board Rule 505.10	Public Accountancy Act §901.153

**I. How does the policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of the 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 *Public Accountancy 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 and by e-mail. 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 (composed of the 54 U.S. boards of accountancy), 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 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.

**IV. Funding**

**A. Describe the agency’s process for determining budgetary needs and priorities.**

In consultation with general directives of the Board, and the Board’s staff, the Director of Administrative Services/Chief Financial Officer prepares the Legislative Appropriations Request (LAR) in compliance with instructions provided by the Legislative Budget Board and the Governor’s Office of Budget and Planning. The LAR is reviewed and approved by the Executive Director and presented to the Regulatory Compliance Committee. The LAR is then presented to the full Board for its review and approval. After approval by the Board, the request is submitted to the budget offices of the Legislature and the Governor.

**B. Show the agency’s sources of revenue. Please include all local, state, and federal sources.**

<b>Texas State Board of Public Accountancy Exhibit 5: Sources of Revenue – Fiscal Year 2000 (Actual)</b>	
GR – Legislative Appropriations	\$2,965,323
GR – Legislative Appropriations - SDSI <sup>a</sup>	\$1,457,527
GR – Legislative Appropriations - PRC <sup>b</sup>	\$417,486
License, Fees and Permits	\$63,432
Sales of Goods and Services	\$2,837
Other Revenues	\$11,155
<b>Total Revenues (Exhibit A-2, FY 00 AFR)</b>	<b>\$4,917,760</b>
Other Funds Collected	
Scholarship Fee	\$568,514
Professional Fee	\$10,914,100
CPA License Fee	\$1,731,481
Practice Unit License	\$544,842
Exam Fees	\$970,770
Penalties	\$711,265
Other Collections	\$231,379
<b>Total Other Funds Collected (Table III, FY 00 AFR)</b>	<b>\$15,672,351</b>

<sup>a</sup>SDSI = Self-Directed, Semi-Independent (see SB 736, 76<sup>th</sup> Legislature (1999))

<sup>b</sup>PRC = Payroll Related Costs (includes state matching for retirement, insurance, and OASI contributions)

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

Texas State Board of Public Accountancy Exhibit 6: Federal Funds — Fiscal Year 2000 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
N/A				

**D. Show the agency’s expenditures by strategy.**

Texas State Board of Public Accountancy Exhibit 7: Expenditures by Strategy — Fiscal Year 2000 (Actual)	
Goal/Strategy	Amount
<b>Goal A: Public Standards</b>	
A.1.1. Strategy – Licensing	\$659,957
A.1.2. Strategy – Examination	\$494,060
A.1.3. Strategy – Quality Review	\$57,826
<b>Goal A Total</b>	<b>\$1,211,843</b>
<b>Goal B: Protect Public/Enforcement</b>	
B.1.1. Strategy – Enforcement	\$470,058
<b>Goal B Total</b>	<b>\$470,058</b>
<b>Goal C: Public Education</b>	
C.1.1. Strategy – Public Information	\$229,171
<b>Goal C Total</b>	<b>\$229,171</b>
<b>Goal D: Indirect Administration</b>	
D.1.1. Strategy - Indirect Administration	\$812,221
<b>Goal D Total</b>	<b>\$812,221</b>
<b>TOTAL</b>	<b>\$2,723,293</b>

**E. Show the agency's expenditures and FTEs by program.**

Texas State Board of Public Accountancy					
Exhibit 8: Expenditures and FTEs by Program — Fiscal Year 2000 (Actual)					
Program	Budgeted FTEs, FY 2000	Actual FTEs as of August 31, 2000	Federal Funds Expended	State Funds Expended	Total Actual Expenditures
Licensing	2.9	2.6	NA	\$237,585	\$237,585
Continuing Professional Education	2.7	2.4	NA	\$92,394	\$92,394
Exam Administration	5.4	4.8	NA	\$329,978	\$329,978
Grading of CPA Exam	NA	NA	NA	\$494,060	\$494,060
Enforcement	9.4	8.4	NA	\$322,253	\$322,253
Major Case Enforcement	NA	NA	NA	\$147,805	\$147,805
Public Education	3.5	3.1	NA	\$229,171	\$229,171
Quality Review	0.8	0.8	NA	\$57,826	\$57,826
Indirect Administration	18.3	16.4	NA	\$812,221	\$812,221
<b>TOTAL</b>	<b>43</b>	<b>38.5</b>	<b>NA</b>	<b>\$2,723,293</b>	<b>\$2,723,293</b>

**F. If applicable, please provide information on fees collected by the agency.**

Texas State Board of Public Accountancy				
Exhibit 9: Fee Revenue and Statutory Fee Levels — Fiscal Year 2000				
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)	30/125	59,959	\$1,731,481	General Revenue Fund
CPA Professional Fee (Sec. 901.406 & Rule 521.1)	200/200	54,509	\$11,119,313	General Revenue Fund
CPA Scholarship Fee (Sec. 901.155 & Rule 521.1)	10/10	57,662	\$568,514	Fund 106
Public Accountants (Sec. 901.154)	30/125	64	\$1,020	General Revenue Fund
Out-of-state/Foreign Registration (Sec. 901.355 & Rule 521.4)	250/250	47	\$5,338	General Revenue Fund
Practice Unit License (Sec. 901.154)	50/125	11,619	\$544,914	General Revenue Fund
Reciprocal Registration (Sec. 901.154 & Rule 521.3)	100/250	197	\$19,340	General Revenue Fund
Temporary Practice (Sec. 901.356 & Rule 521.5)	100/100	35	\$3,500	General Revenue Fund
Late Penalty-Individual CPA (Sec. 901.405)	140-230/250	4,197	\$444,268	General Revenue Fund
Late Penalty-Practice Unit (Sec. 901.405)	90-180/250	613	\$59,195	General Revenue Fund
Certificate Fee-Issuance (Sec. 901.257 & Rule 521.9)	50/50	1,631	\$72,105	General Revenue Fund

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)
Exam Application of Intent (Sec. 901.302)	50/100	1,849	\$123,250	General Revenue Fund
Exam Fees (Sec. 901.304 & Rule 521.2)	60-180/250	5,521	\$847,480	General Revenue Fund
Transfer of Credit Out (Sec. 901.258 & Rule 521.7)	40/50	1791	\$15,865	General Revenue Fund
Transfer of Credit In (Sec. 901.258 & Rule 521.7)	100/100	112	\$10,850	General Revenue Fund
Out of State Proctoring (Rule 521.10)	60-180/N/A	A	\$5,580	General Revenue Fund
Direct Administrative Costs (Sec. 901.551)	Varies/N/A	A	\$2,196	General Revenue Fund
Sale of Lists (Rule 521.6)	Varies/N/A	A	\$61,659	General Revenue Fund
Sale of Public Records (Rule 521.6)	Varies/N/A	A	\$3,603	General Revenue Fund
Replacement CPA Certificate (Rule 521.11)	30/N/A	141	\$4,800	General Revenue Fund
Review of Papers (Rule 511.79)	40-65/N/A	A	\$5,980	General Revenue Fund
Candidate Evaluation of Papers (Rule 511.78)	130/N/A	A	\$315	General Revenue Fund
Sale of Furniture & Equipment (General Appropriations Act Sec. 9-8.04)	Varies/N/A	A	\$301	General Revenue Fund
Suspense Fund	N/A	A	\$21,486	Fund 900
<b>TOTAL FEE REVENUE</b>			<b>\$15,672,353</b>	

A – Number of persons/entities not tracked for these fees

**G. Please fill in the following chart.**

Texas State Board of Public Accountancy Exhibit 10: Purchases from HUBs (A)				
FISCAL YEAR 1998				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0.0%	11.9%
Building Construction	0	0	0.0%	26.1%
Special Trade	670	0	0.0%	57.2%
Professional Services	15,215	0	0.0%	20.0%
Other Services	180,152	28,641	15.9%	33.0%
Commodities	92,281	19,278	20.89%	12.6%
<b>TOTAL</b>	<b>288,318</b>	<b>47,919</b>	<b>16.62%</b>	
FISCAL YEAR 1999				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0.0%	11.9%
Building Construction	0	0	0.0%	26.1%
Special Trade	544	0	0.0%	57.2%
Professional Services	11,838	5,500	46.46%	20.0%
Other Services	176,554	27,077	15.34%	33.0%
Commodities	64,388	8,892	13.81%	12.6%
<b>TOTAL</b>	<b>253,324</b>	<b>41,469</b>	<b>16.37%</b>	

FISCAL YEAR 2000				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0	0	0.0%	11.9%
Building Construction	0	0	0.0%	26.1%
Special Trade	731	0	0.0%	57.2%
Professional Services	11,605	5,500	47.39%	20.0%
Other Services	230,233	50,612	21.98%	33.0%
Commodities	91,009	6,428	7.06%	12.6%
<b>TOTAL</b>	<b>333,578</b>	<b>62,540</b>	<b>18.75%</b>	

A – Expenditures as adjusted for AICPA exam grading costs

**H. Does the agency have a HUB policy? How does the agency address performance shortfalls related to the policy?**

The agency follows purchasing rules as issued by the General Services Commission. 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 exist.

**V. Organization**

**A. Please fill in the chart below. If applicable, list field or regional offices**

Texas State Board of Public Accountancy Exhibit 11: FTEs by Location — Fiscal Year 2000			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2000	Number of Actual FTEs as of August 31, 2000
Central Headquarters	Austin	43	41
<b>TOTAL</b>		<b>43</b>	<b>41</b>

**B. What was the agency’s FTE cap for FY 2000?**

The agency’s FTE cap for FY 2000 was 43.

**C. How many temporary or contract employees did the agency have as of August 31, 2000?**

As of August 31, 2000, the Texas State Board of Public Accountancy employed no temporary or contract workers.

**D. Please fill in the chart below.**

Texas State Board of Public Accountancy Exhibit 12: Equal Employment Opportunity Statistics							
Fiscal YEAR 1998							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	7	0%	5%	14.3%	8%	57.1%	26%
Professional	13	0%	7%	18.2%	7%	63.6%	44%
Technical	2	0%	13%	0%	14%	0%	41%
Protective Services	NA	NA	13%	NA	18%	NA	15%
Para-Professionals	9	11.1%	25%	33.3%	30%	77.8%	55%
Administrative Support	12	30%	16%	50%	17%	90%	84%
Skilled Craft	NA	NA	11%	NA	20%	NA	8%
Service/Maintenance	NA	NA	19%	NA	32%	NA	27%

Fiscal YEAR 1999							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	7	0%	5%	14.3%	8%	57.1%	26%
Professional	13	15.4%	7%	15.4%	7%	69.2%	44%
Technical	2	0%	13%	0%	14%	0%	41%
Protective Services	NA	NA	13%	NA	18%	NA	15%
Para-Professionals	8	14.3%	25%	42.9%	30	71.4%	55%
Administrative Support	13	18.2%	16%	45.5%	17%	81.8%	84%
Skilled Craft	NA	NA	11%	NA	20%	NA	8%
Service/Maintenance	NA	NA	19%	NA	32%	NA	27%

Fiscal YEAR 2000							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	7	0%	5%	14.3%	8%	57.1%	26%
Professional	13	15.4%	7%	15.4%	7%	76.9%	44%
Technical	1	0%	13%	0%	14%	0%	41%
Protective Services	NA	NA	13%	NA	18%	NA	15%
Para-Professionals	9	11.1%	25%	33.3%	30%	77.8%	55%
Administrative Support	13	8.3%	16%	50%	17%	75%	84%
Skilled Craft	NA	NA	11%	NA	20%	NA	8%
Service/Maintenance	NA	NA	19%	NA	32%	NA	27%

**E. Does the agency have an equal employment opportunity policy? How does the 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.

**VI. Guide to Agency Programs**

**Qualifications**

**A. Please complete the following chart.**

Texas State Board of Public Accountancy Exhibit 13: Program Information — Fiscal Year 2000	
Name of Program	Qualifications
Location/Division	333 Guadalupe, Tower III, Suite. 900
Contact Name	Donna Hiller
Number of Budgeted FTEs, FY 2000	5.4
Number of Actual FTEs as of August 31, 2000	4.8

**B. What are the key services and functions of this program? Describe the major program activities involved in providing all services or functions.**

1. Evaluation of education and moral character of exam candidates
2. Process and approve Applications of Intent
3. Process and approve applications for the Uniform CPA Examination
4. Conduct the Uniform CPA Examination
5. Process and approve applications for issuance of the CPA Certificate
6. Evaluate work experience
7. Provide accurate information to the public and the profession concerning the services and functions of the program, and interpretation of the Public Accountancy Act and Board Rules.

**C. When and for what purpose was the program created? Describe any statutory or other requirements for this program.**

The first Public Accountancy Act was passed by the Texas Legislature in 1915, and required that all persons desiring to become certified public accountants in the State of Texas, be examined in four areas of accounting: theory, practice, auditing and commercial law. To date the requirement of examination for certification holds true. The current statutory authority is Chapter 901, Subchapters F and G, of the Occupations Code.

**D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program will no longer be needed?**

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 Certified Public Accountants, and uses the Uniform CPA Examination as the benchmark for entry into the profession, the Qualifications Program will be needed.

**E. Describe who this program serves. How many people or entities are served? List any qualifications or eligibility requirements for receiving services or benefits.**

This program serves the general public of the State of Texas, by offering the assurance that each person who holds the CPA designation has passed the examination of “minimal competence” to enter the profession. Since the Uniform CPA Examination is offered in 54 licensing jurisdictions in the United States and its territories, CPAs who come into Texas also possess the same level of “minimal competence” as those who were examined in Texas. The program also serves the profession by maintaining consistently high standards throughout the 82 years that the Uniform CPA Examination has been given in Texas.

**F. Describe how the program is administered. Include flowcharts, timelines, or other illustrations as necessary. List any field or regional services.**

Refer to question B above and the history and major events section for additional information on how the Qualifications Program is administered.

**G. If the program works with a federal government agency (e.g., Housing and Urban Development, Federal Deposit Insurance Corporation) or local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency. Briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

**H. Identify all funding sources and amounts for the program, 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, and fees/dues).**

Exam fees are the primary funding source for the Qualifications program, which is under the Licensing Strategy. See exhibits 8 and 9 under Section IV for amounts appropriated and fees.

**I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.**

Yes

**J. Identify any programs internal or external to the 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 Program.

**K. Discuss how the program is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers.**

N/A

**L. Please provide any additional information needed to gain a preliminary understanding of the program.**

Refer to the *Act* and *Rules* for further understanding of the Qualifications Program.

**M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please 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 regulation needed**

The regulation is needed to give the people of Texas the assurance that a person who holds the designation of Certified Public Accountant is bound by specific professional ethical standards and that all CPAs meet a uniform minimum level of quality.

**The scope of and procedures for, inspections or audits of regulated entities**

N/A

**Follow-up activities conducted when non-compliance is identified**

See Enforcement Program section for follow-up activities.

**Sanctions available to the agency to ensure compliance**

See Enforcement Program section for sanctions available.

**Procedures for handling consumer/public complaints against regulated entities**

See Enforcement Program section for procedures for handling consumer complaints.

**N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency’s practices.**

See Enforcement Program section for Qualifications complaints.

**Licensing**

**A. Please complete the following chart.**

Texas State Board of Public Accountancy Exhibit 13: Program Information — Fiscal Year 2000	
<b>Name of Program</b>	Licensing/Continuing Professional Education/Quality Review
<b>Location/Division</b>	333 Guadalupe, Tower. III, Suite. 900 Austin Texas 78701
<b>Contact Name</b>	V. Jean Keith
<b>Number of Budgeted FTEs, FY 2000</b>	6.4
<b>Number of Actual FTEs as of August 31, 2000</b>	5.8

**B. What are the key services and functions of this program? Describe the major program activities involved in providing all services or functions.**

1. License all individuals who hold a certificate as a certified public accountant.
2. License all individuals who are registered as a public accountant.
3. License all business offices practicing public accountancy that are registered.
4. Maintain records for licensees and firms.
5. Fulfill requests for information regarding Texas licensees to other state boards of accountancy and to the American Institute of Certified Public Accountants.

6. Issue temporary permits to all qualified individuals and businesses from other states that are conducting audits or performing accounting services in Texas.
7. Process applications of a Certified Public Accountants.
8. Obtain criminal background information from law enforcement agencies on each individual applying for certification/registration.
9. Review work experience for each individual applying for certification/registration.
10. Test individuals on the Rules of Professional Conduct.
11. Present a CPA certificate to all individuals who have qualified.
12. Process applications for registration of businesses.
13. Require that Certified Public Accountants attend continuing education courses to maintain and enhance their competence in the practice of public accountancy.
14. Process applications for providers of continuing professional education.
15. Evaluate providers of continuing professional education to ensure quality programs.
16. Audit continuing professional education of licensees and providers.
17. Maintain records for licensees, businesses and providers of continuing professional education.
18. Respond to public inquiries via mail, telephone and fax.
19. Provide for the review of firms work product to ensure that firms are practicing public accountancy according to national standards.
20. Provide guidance and counseling on a one-to-one basis to individuals and firms on the adherence to the *Act* or *Rules*.
21. Provide testimony in Administrative Court proceedings against individuals and firms alleged to be in violation of the *Act* or *Rules*.

**C. When and for what purpose was the program created? Describe any statutory or other requirements for this program.**

The purpose of the division is to assure that CPAs have a commitment to professionalism and act in a way that will protect the public interest, the public trust and that all responsibilities expected of a CPA are performed with the highest sense of integrity.

**D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program will no longer be needed?**

No, there will not be a time when the mission will be accomplished and the program will no longer be needed.

**E. Describe who this program serves. How many people or entities are served? List any qualifications or eligibility requirements for receiving services or benefits.**

1. The division serves certified public accountants, public accounting firms, and the general public.
2. CPAs – 55,504
3. Firms - 10,012
4. PAs and *Section 901.355 (Registrations)* - 93
5. Refer to *Act* and *Rules* for qualifications and eligibility requirements

**F. Describe how the program is administered. Include flowcharts, timelines, or other illustrations as necessary. List any field or regional services.**

See Attachment 11 for the Licensing Program flowcharts and illustrations.

**G. If the program works with a federal government agency (e.g., Housing and Urban Development, Federal Deposit Insurance Corporation) or local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency. Briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

N/A

**H. Identify all funding sources and amounts for the program, 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, and fees/dues).**

This program is funded by licensing fees. See exhibit 8 and 9 for more details on the amounts appropriated and fees.

**I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.**

Yes

**J. Identify any programs internal or external to the 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/quality review division.

**K. Discuss how the program is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers.**

N/A

**L. Please provide any additional information needed to gain a preliminary understanding of the program.**

Refer to the *Public Accountancy Act* and *Rules* for further understanding of the program.

**M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please 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 the regulation is needed**

The regulation is needed to protect the public.

**The scope of and procedures for, inspections or audits of regulated entities**

See Section I. E., Quality (Peer) Review Program.

**Follow-up activities conducted when non-compliance is identified**

See the Enforcement Program section for follow-up activities conducted.

**Sanctions available to the agency to ensure compliance**

Suspend the license/registration  
 Reprimand  
 Revoke until compliance is shown  
 Probation  
 Limit scope of the licensee's practice  
 Administrative costs of a hearing  
 Administrative penalty  
 Limit practice to areas directed by the Board  
 Additional continuing professional education

**Procedures for handling consumer/public complaints against regulated entities**

See the Enforcement Program section for procedures for handling complaints.

**N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency's practices.**

See Enforcement Program section for Licensing complaints.

## **Enforcement**

### **A. Please complete the following chart.**

<b>Texas State Board of Public Accountancy Exhibit 13: Program Information — Fiscal Year 2000</b>	
<b>Name of Program</b>	Enforcement
<b>Location/Division</b>	333 Guadalupe, Tower III, Suite 900 Austin, Texas 78701
<b>Contact Name</b>	Amanda G. Birrell
<b>Number of Budgeted FTEs, FY 2000</b>	9.4
<b>Number of Actual FTEs as of August 31, 2000</b>	8.4

Please note: the Program has in the past also been assisted by various attorneys in the Office of the Attorney General. These attorneys have handled cases specifically referred to them by the Board as well as defending appeals of orders entered by the Board.

### **B. What are the key services and functions of this program? Describe the major program activities involved in providing all services or functions.**

The Enforcement Program protects the public by ensuring that CPAs licensed by the Board adhere to the minimum standards of conduct that the Board has set for its licensees in the Act and the Rules. See *22 TAC Chapter 22*. The Enforcement program also ensures that non-licensees do not mislead the public by performing or offering services that only licensees are qualified to perform or misrepresenting that they are CPAs. The key services and functions of this program are:

1. The public receives competent professional services by licensees because CPAs adhere to minimum standards set by the Board. CPAs are required to adhere to minimum standards so the public can receive competent professional accounting services.
2. The public receives competent professional accounting services because non-licensees cannot perform or offer to perform services for which they are not qualified or misrepresent that they are CPAs.
3. CPAs that do not adhere to minimum standards are sanctioned appropriately for their conduct, including revocation of certificates where appropriate.
4. Non-licensees who perform or offer to perform services for which they are not qualified or misrepresent that they are CPAs are sanctioned.
5. The public has free and open access to a forum that will consider claims of professional misfeasance by a CPA.

The Enforcement Program includes two main subject areas along with miscellaneous functions. The main subject areas are misconduct by licensees and unlawful practice by non-licensees. The major activities involved in providing all services or functions of this program can be summarized as follows:

---

**Misconduct by licensees:**

1. The Enforcement Division investigates claims of misconduct by a licensee. This investigation includes interviewing witnesses, locating and obtaining documents, reviewing and analyzing complaints, corresponding with witnesses and licensees, working with expert witnesses, preparing reports and researching appropriate standards. This work is both paper and time intensive.
2. The Division presents the results of the investigation of claims of misconduct by a licensee to one of the three Enforcement Committees of the Board for its evaluation. This presentation includes preparing a concise accurate summary of all significant issues in the file, selecting and organizing the supporting documentation, duplicating and assembling the data and sending it to the committee members.
3. The Division coordinates all meetings of the Enforcement Committees. The Division is responsible for posting notices in compliance with the Open Meetings Act. The Division also schedules meetings.
4. The Division advises the Board Committees on the appropriate disposition of any alleged violation. The provision of this legal advice includes research and judgment about the law and the application of the law to the facts of any given complaint and Board precedent.
5. The Division documents the results of the Committees' consideration of the files. This documentation includes preparing and editing Committee reports and corresponding with the persons affected to inform them of the results of the Committees' analysis.
6. The Division negotiates with respondents against whom discipline has been recommended to reach an Agreed Consent Order imposing such sanction or corrective action. This negotiation includes the preparation of correspondence and Agreed Consent Orders, along with telephone conferences.
7. The Division prosecutes its cases at administrative hearings when discipline or corrective action was recommended and an Agreed Consent Order was not signed by the licensee. Preparing a matter for a hearing before an Administrative Law Judge of the State Office of Administrative Hearings includes preparing pleadings and conducting discovery, responding to pleadings and discovery, preparing and responding to motions, working with and preparing witnesses for deposition and for trial, preparing for and taking depositions of the opponent's witnesses, working with expert witnesses, attending hearings and trial, and preparing post trial pleadings. The administrative hearing process is time consuming and labor intensive.
  - ◆ The Division also takes to administrative hearings those files that concern non compliance by licensees with the fundamental prerequisites for annual licensure: maintaining adequate continuing professional education, paying the requisite fees and completing the annually required affidavit. These cases are tracked on the Board computer and the computer generates pleadings and all correspondence. The Enforcement Divisions presents these cases at an administrative hearing each month.
8. The Division prepares all Orders for presentation to the Board. This task includes reviewing any proposal for decision, preparing the orders, Board summaries and correspondence. This task includes conducting oral argument where appropriate.

9. The Division coordinates the defense of Board orders, which are appealed to state district court. This task includes preparing the record, reviewing and drafting pleadings, teaching the Office of the Attorney General about the details of the case, and often working with respondents to develop other solutions to their proposals.
10. The Division maintains portions of the Board's centralized computer system to record the handling of complaints against licensees.
11. The Division monitors compliance with orders previously issued by the Board. This task includes investigating the conduct of licensees subject to orders and coordinating with other entities involved in the performance of an order. Those other entities may include the TSCPA's Peer Assistance Program, the TSCPA's Peer Review Program, medical doctors or other licensed professionals who may be requested to report to the Board periodically on a licensee pursuant to an order. The Division reports on its monitored cases during each Board meeting.

Illustrative diagrams of portions of the committee process are attached (See Attachment 12).

### **Unlawful Practice by non licensee**

1. The Enforcement Division investigates all claims of unlawful practice by non-licensees. This investigation includes interviewing witnesses, reviewing and analyzing complaints, corresponding with knowledgeable parties, and on occasion working with expert witnesses, and researching appropriate standards.
2. When the Division concludes that conduct violates applicable standards, the Division attempts to negotiate an acceptable resolution with the non-licensee. If a resolution can be achieved and appropriately documented, the file is closed.
3. When the Division concludes that conduct violates applicable standards and a resolution can not be achieved by agreement, the Division prepares the file for referral to the Office of the Attorney General. This task includes preparing referral letters and affidavits along with the preparation of pleadings, discovery and orders for the Attorney General. The Division assists the Attorney General's office as requested after the referral.
4. The Division reports on the unlawful practice docket during each Board meeting.

### **Miscellaneous**

1. The Enforcement Division is also responsible for the general legal functions of the Board. Therefore, the Division handles compliance with the *Open Meetings Act*, the *Public Information Act* and the *Administrative Procedures Act*. The Division advises the Board and its staff on employment issues and other general legal questions that arise in the management of the agency's affairs.
2. The Enforcement Division assists the Executive Director and the Qualification Division in evaluating those candidates who may not be qualified for certification, for example, because of prior criminal convictions. This assistance includes investigating files and preparing for and participating in interviews of candidates and documenting the conclusion of the evaluation. In some instances the Enforcement Division represents the Board at administrative hearings requested by candidates to whom certification or permission to sit for the exam has been denied. These administrative hearings involve all of the elements of trial preparation described above and are conducted before an Administrative Law Judge of the State Office of Administrative Hearings.

**C. When and for what purpose was the program created? Describe any statutory or other requirements for this program.**

The Enforcement Program in some form has been a part of the Board's function since the Board was founded. The first bylaws adopted by the Board in 1915 gave the Board the right to revoke or recall certificates "by reasons provided by law and rules of the Board." The Public Accountancy Act of 1925 directed the Board to recall the certificates of any CPA who committed an act discreditable to the profession. The purpose of the Enforcement Program has always been the same, although its form and structure has changed over the years.

Because the Enforcement Program principally affects the property interests of CPAs in their licenses, it is bounded first by the constitutional constraints of the due process clauses of the Constitutions of the United States and the State of Texas. In addition, the State of Texas has enacted a uniform *Administrative Procedures Act, Tex. Gov't Code, Chapter 2001 et seq. (Vernon's 2001)*. Contested cases under the *Public Accountancy Act* are tried before the State Office Of Administrative Hearings, and are affected by the provisions of the *State Office of Administrative Hearings Act, Tex. Gov't Code (Vernon's 2001) Chapter 2003*. The *Public Accountancy Act* has specific statutory sections that address the bases and grounds for discipline. See *Sections 901.501-901.510 of the Act*.

**D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program will no longer be needed?**

The Enforcement Division is the "policeman" of the Board and also its district attorney. Although it is theoretically possible that there will come a time when there is perfect compliance with all the regulations of the Board by all licensees and no enforcement function would be needed, it is unlikely that perfection will ever be achieved.

**E. Describe who this program serves. How many people or entities are served? List any qualifications or eligibility requirements for receiving services or benefits.**

The persons served by the Enforcement Program are all persons and entities located anywhere who rely on financial statements audited by Texas CPAs, the people of the State of Texas who rely on the CPA designation for adherence to a minimum standard of conduct and all CPAs who rely on the Board to police their profession and uphold their professional reputation.

**F. Describe how the program is administered. Include flowcharts, timelines, or other illustrations as necessary. List any field or regional services.**

The answer to question B above and the flow charts attached hereto describe how the program is administered. The Board has no regional or field offices.

**G. If the program works with a federal government agency (e.g., Housing and Urban Development, Federal Deposit Insurance Corporation) or local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency. Briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.**

The Board investigates claims referred to it by other federal and state agencies. Agencies that in the past have referred matters to the Board include the United States Securities Exchange Commission, the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the Federal Home Loan Bank Board, the United States Department of Labor, the United States Department of Education, the Texas Commission on Alcohol and Drug Abuse, the Texas Education Agency, the Texas Natural Resource Conservation Commission, the Joint Texas Rangers-Senate Task Force, the Internal Revenue Service, the Texas Securities Board, and the Texas Department of Insurance. In some cases, the referring agency will have determined that one of the Board's licensees has prepared a substandard audit, or participated in the presentation of false financial statements. The referring agency may in some instances have disciplined the licensees, or may refer the licensee to the Board for discipline. The Board also cooperates with the Federal Bureau of Investigation, the Internal Revenue Services and various State District Attorneys in their investigations as requested. Most of this cooperation consists of responding to requests for information and records. There are no MOU's or other agreements in this area.

**H. Identify all funding sources and amounts for the program, 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, and fees/dues).**

The Enforcement Division is funded by licensing and examination fees. Since 1991, the legislature has included a specific line item in the budget to account for cases against the largest accounting firms and "other cases of a major nature." The Board has also received a grant from the Texas Society of CPAs to assist in the prosecution of a specific case which was of concern to the profession. See exhibit 8 for appropriation amounts and exhibit 9 for fees received from penalties assessed.

**I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.**

The Enforcement Program does an excellent job addressing the cases that are brought to the attention of the Board. However, the Enforcement Division is entirely reliant on the public and other agencies to refer matters to it for consideration. In other states, Board staffs include investigators who have adequate funds to travel around the state collecting evidence of claims under consideration by the Board and discovering new claims.

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

Because only the Board can confer the certificate and license necessary to perform attest services in Texas, there is no other program which duplicates the work of the enforcement program of the Board. Many of the Board's licensees belong to voluntary associations, like the American Institute of Certified Public Accountants or the Texas Society of Certified Public Accountants. Membership in these organizations by itself does not permit any individual to offer services to the public that are reserved for CPAs. These voluntary associations enforce standards of conduct. Because these groups are voluntary,

an individual can avoid discipline by resigning membership or not joining at all. Other state or federal regulatory bodies can limit the ability of individuals to appear before their particular regulatory bodies, but none of these bodies can revoke a license conferred by the Board.

**K. Discuss how the program is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers.**

The Board coordinates its activities with all of the regulatory bodies described by investigating every referral of a potential violation, by keeping the referring entity informed of the progress and result of the investigation, and by requesting access to and, where appropriate, relying on the results of investigations conducted by other agencies. The Board also investigates every report it receives that its licensee may have been disciplined by another regulatory body.

**L. Please provide any additional information needed to gain a preliminary understanding of the program.**

Refer to the *Act* and *Rules* for additional information about the Enforcement Program.

**M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please 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.

Regulation is needed to give the people of Texas the assurance that a person who holds the designation of Certified Public Accountant is bound by specific professional and ethical standards.

Enforcement is part of the Board's overall regulatory program.

To review:

- Regulation of CPAs is needed to ensure compliance with minimum standards of conduct necessary to protect the public in its dealings with licensees.
- All regulated entities offering certain services must participate in a program of peer review.
- Where non-compliance is identified as a result of the enforcement program, the Board decides on a sanction or remediation appropriate to the circumstance. The peer review program includes the development of a specific remedial action plan for all entities that do not meet minimum standards.

- Under Section Sec. 901.501 of the Act, the Board may:
  - (1) revoke a certificate, firm license, or practice registration
  - (2) suspend under any terms a certificate, firm license, practice registration , or license for a period not to exceed five years;
  - (3) refuse to renew a license;
  - (4) place a license holder on probation;
  - (5) reprimand a license holder;
  - (6) limit the scope of a license holder's practice;
  - (7) require a license holder to complete a continuing education program specified by the board;
  - (8) impose on a license holder the direct administrative costs incurred by the board in taking action and
  - (9) impose an administrative penalty.
  
- The Board processes complaints about regulated entities as described in section B above.

**N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency’s practices.**

Texas State Board of Public Accountancy Enforcement		
Exhibit 14: Complaints Against Regulated Entities – Fiscal Years 1999 and 2000		
	FY 1999	FY 2000
Number of complaints opened	4685	4700
Number of complaints resolved	4002	5406
Number of complaints dropped/found to be without merit	369	416
Number of sanctions	1066	1435
Number of complaints pending from prior years	1541	2163
Average time period for resolution of a complaint	4.25 months	4.27 months
Number of entities inspected or audited by the agency	NA	NA
Total number of entities regulated by the agency	54,697 active CPA (8/99) 10,177 active practice units	55,615 active CPA (8/00) 10,206 active practice units

**VII. Agency Performance Evaluation**

**A. What are the agency’s most significant accomplishments?**

Over the past several years, the Board, through its public information section, has increased the amount of information available to the public. This has been accomplished in a number of ways:

- ♦ The standard size of the *Texas State Board Report*, the newsletter sent to all Texas CPAs, has doubled in size over the last ten years from eight pages to 16 in a typical issue. The additional pages allow the Board to include more feature articles of significance to CPAs. Articles have covered such topics as changes to the *Public Accountancy Act*, Board rules, and national standards; technical continuing professional education; quality review standards; international reciprocity and globalization of the accounting profession; CPAs volunteering to serve on state

boards and commissions, not just the Board of Accountancy; and a feature on the peer assistance program in which members of the profession help each other with the problems of alcoholism, substance abuse, stress, and depression.

- ♦ In 1997 the Board began publishing the *Candidate Chronicle*, a newsletter geared toward exam candidates to keep them abreast of news of future exams, work experience requirements, educational developments, and changes to Board rules affecting exam candidates. It also has included feature articles on protecting the integrity of the profession, the ethics course required of all CPAs, taking personal responsibility as a CPA, checking the criminal history of exam candidates, exam score statistics, and plans for the computerized CPA exam. To our knowledge The Texas State Board of Public Accountancy is the only one of the 54 U.S. licensing jurisdictions with a newsletter explicitly for its exam candidates.
- ♦ The Board's public information section increased the number of brochures and pamphlets it makes available to the public. In addition to publishing the *Public Accountancy Act* and the *Rules of Professional Conduct* in booklet form, it has begun publishing the Board's continuing professional education and quality review rules brochures. The Board also offers all its rules (approximately 300 pages) in book form, and then supplies update pages to subscribers twice a year. Two different pamphlets are routinely sent to exam candidates outlining the exam process and procedures; a brochure on the peer assistance program is also published.
- ♦ The Board has created a website, which contains a great deal of information of interest to the public. The Board's two newsletters are available on this site, as are many downloadable exam and licensing forms. The site also contains schedules of future Board meetings and swearing-in ceremonies, Board meeting minutes, as well as deadlines for exam and license applications. For those interested, the site provides a link with the Secretary of State's website where the Board's rules may be easily accessed. A recent addition to the site enables the public to access information on the status of an individual or firm's license.

Another significant accomplishment has been the streamlining of the entire Board meeting process. Board meetings that previously lasted from one and one-half to two days now take only three hours or less. The size of the Board meeting agenda book has been greatly condensed, saving considerable amounts on the cost of paper and postage, as well as production time. To further reduce travel costs, the Board schedules some of its committee meetings the day before the Board meeting, thus avoiding additional airfare, hotel, and the associated costs of a second trip.

**B. Describe the internal process used to evaluate agency performance, including how often performance is formally evaluated and how the resulting information is used by the policymaking body, management, the public, and customers.**

Monthly financials are prepared and reviewed by the Chief Financial Officer and the Executive Director and are distributed to the Board Treasurer. Every 2 months the financial statements are reviewed by the Regulatory Compliance Committee and the Board.

Quarterly performance measure reports are prepared by department heads and reviewed by the Executive Director.

Annually, the strategies are reviewed by management, the Executive Director, and the Board.

The public/customers are informed of the various measurements such as enforcement actions, exam candidate issues and licensing issues.

**C. What are the agency's biggest opportunities for improvement?**

The agency's biggest opportunities for improvement include:

1. Licensing – providing for licensees to renew and report CPE electronically.
2. Qualifications – changing to a computerized Uniform CPA Examination. The American Institute of Certified Public Accountants, the National Associations of State Boards of Accountancy, and all licensing boards of accountancy are developing a computerized Uniform CPA Examination. The process would allow for year round examination, faster grade response, and an examination that would simulate current work in the accounting profession. The target date for implementation of the computerized exam is November 2003.

**D. How does the agency ensure its functions do not duplicate those of other entities?**

*Section 901.005(a)* of the *Public Accountancy Act* provides clear direction to the Board on the matter of its functions and that of CPAs licensed by the Board. The *Act* states:

*(a) The practice of public accountancy is a learned profession that requires specialized education and experience. That practice has historically been defined to include a broad range of financial, advisory, and attest services, including:*

- (1) issuing a report on a financial statement;*
- (2) preparing a tax return;*
- (3) providing advice in a tax matter;*
- (4) providing management or financial advisory or consulting services;*
- (5) recommending the sale of a product if the recommendation requires or implies accounting or auditing skills; and*
- (6) providing litigation support services.*

Therefore, The Texas State Board of Public Accountancy is the only entity with the authority to regulate the practice of public accounting in Texas.

**E. Are there any other entities that could perform any of the agency's functions?**

No. *Section 901.005 (Findings; Public Policy; Purpose)* of the *Public Accountancy Act* provides that:

*(a) The practice of public accountancy is a learned profession that requires specialized education experience.....*

*(d) The term "accountant" and "auditor," and derivations, combinations, and abbreviations of those terms, have an implication of competence in the profession of public accountancy on which the public relies in personal, business, and public activities and enterprises.*

*(e) The policy of this state and the purpose of this chapter are to provide that:*

- (1) the admission of persons to the practice of public accountancy require education and experience commensurate with the requirements of the profession;*
- (2) a person who represents that the person practices public accountancy be qualified to do so;*

- (3) a person licensed as a certified public accountant:
- (A) maintain high standards of professional competence, integrity, and learning; and
  - (B) demonstrate competence and integrity in all dealings with the public that rely on or imply the special skills of a certified public accountant and not merely in connection with the performance of the attest service;
- (4) areas of specialized practice require special training; and
- (5) the activities and competitive practices of persons practicing public accountancy be regulated to be free of commercial exploitation to provide the public with a high level of professional competence at reasonable fees by independent, qualified persons.

**F. What process does the agency use to determine customer satisfaction and how does the agency use this information?**

As required under *Article IX, Sec. 6.41* of the *General Appropriations Act*, the Board published a customer satisfaction survey in the May 2000 issue of the *Texas State Board Report* (copy attached). The newsletter was disseminated to all licensees. The number of responses was relatively small however, the majority of responses were positive. Therefore, lacking evidence to the contrary, the Board interpreted that to mean that its customer satisfaction is generally high.

**G. Describe the agency's process for handling complaints against the agency, including the maintenance of complaint files and procedures for keeping parties informed about the process. If the agency has a division or office, such as an ombudsman, for tracking and resolving complaints from the public or other entities, please provide a description.**

Complaints regarding the agency are very infrequent and are generally handled informally. They may be directed to a program director or to the Executive Director as appropriate. A complaint is evaluated to determine its merit and, if appropriate, action is taken to address issues set forth in the complaint. A person who has submitted a complaint is generally advised of the action, if any, taken by the agency. No formal tracking system has been established for these matters.

Other than counterclaims that arise in the normal course of the enforcement business, the Board has received a total of 2 complaints in FY 99 and FY 00. These complaints were handled by other agencies and the time for resolving them were not within the control of the Board.

The first complaint, concerning termination of an employee, was dismissed as unfounded both by the Texas Commission on Human Rights and the Equal Employment Opportunity Commission. The second, concerning publication of a summary of a disciplinary action, was dismissed by the United States District Court for the Western District of Texas and the dismissal was upheld by the United States Court of Appeals for the Fifth Circuit.

**H. Please fill in the following chart. The chart headings may be changed if needed to better reflect the agency’s practices.**

Texas State Board of Public Accountancy Exhibit 15: Complaints Against the Agency – Fiscal Years 1999 and 2000		
	FY 1999	FY 2000
Number of complaints received	2	N/A
Number of complaints resolved	2	N/A
Number of complaints dropped/found to be without merit	2	N/A
Number of complaints pending from prior Years	0	N/A
Average time for resolution of complaint	See response for G above.	N/A

**I. What process does the agency use to respond to requests under the Public Information (Open Records) Act?**

The Board responds to *Public Information Act* requests in the manner described below. In summary, the Board makes large amounts of information available without a request, either by mailing it out or by posting it in a publicly available format. The Board responds to questions from the public.

First, the Board distributes large amounts of information directly to the public. The Board mails its publication, the *Board Report*, to each of its licensees and other interested parties. This publication contains articles about the Board and regulatory issues, as well as summaries of all of the Board’s disciplinary and corrective actions.

The Board’s website now includes Board minutes, forms, links to the Board’s rules, the *Board Report* and the *Chronicle*. It also permits the public to check the license status of any individual or firm.

Second, all personnel in the Licensing and Enforcement Divisions routinely respond to oral or E-mail requests for information. The volume of these calls is substantial: the Licensing Division alone handles approximately 390 calls per day and the Qualifications Division handles an average of 150 calls per day. The Enforcement Division handles an additional estimated 90 calls per day.

Third, written requests and oral or E-mail requests for information exempted from disclosure are referred the Enforcement Coordinator. With assistance from other Board personnel, the records sought are collected. Advice from the Attorney General’s office concerning records requested but exempt is sought when there is no Attorney General Opinion on point.

Because so much of the Board’s information is distributed or made available informally, the Board does not receive a large number of written requests for records.

**J. Please fill in the following chart with information that is as current and up-to-date as possible:**

<b>Texas State Board of Public Accountancy Exhibit 16: Contacts</b>		
<b>INTEREST GROUPS</b> (groups affected by agency actions or that represent others served by or affected by agency actions)		
<b>Group or Association Name/ Contact Person</b>	<b>Address</b>	<b>Telephone Number Fax Number E-mail Address</b>
American Institute of Certified Public Accountants Barry Melancon	1211 Avenue of the Americas New York, NY 10036-8775	(212) 596-6200 – Phone (212) 596-6213 – Fax <a href="mailto:bmelancon@aicpa.org">bmelancon@aicpa.org</a>
Texas Society of Certified Public Accountants John Sharbaugh	148609 Montfort Drive Suite 150 Dallas Texas 75240-6705	(800) 428-0272 – Phone (972) 687-8620 – Fax <a href="mailto:jsharbaugh@tscpa.net">jsharbaugh@tscpa.net</a>

<b>INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS</b> (that serve as an information clearinghouse or regularly interact with the agency)		
<b>Group or Association Name/ Contact Person</b>	<b>Address</b>	<b>Telephone Number Fax Number E-mail Address</b>
National Association of State Boards of Accountancy David Costello	150 Fourth Avenue North Suite 700 Nashville TN 37219-2417	(615) 880-4201 – Phone (615) 880-4291 – Fax <a href="mailto:dcostello@nasba.org">dcostello@nasba.org</a>

<b>LIAISONS AT OTHER STATE AGENCIES</b> (with which the 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)		
<b>Agency Name/ Relationship/ Contact Person</b>	<b>Address</b>	<b>Telephone Number Fax Number E-mail Address</b>
Legislative Budget Board Analyst Rick Travis	1501 Congress Avenue 5th Floor Austin Texas 78701	(512) 463-1200 – Phone (512) 475-2902 – Fax <a href="mailto:Rick.Travis@lbb.state.tx.us">Rick.Travis@lbb.state.tx.us</a>
Governor’s Office of Budget and Planning Analyst Smiley Garcia	1100 San Jacinto 4th Floor Austin Texas 78701	(512) 463-1778 – Phone (512) 463-1880 – Fax <a href="mailto:Sgarcia@governor.state.tx.us">Sgarcia@governor.state.tx.us</a>
Office of the Attorney General Chief Financial Litigation Division David C. Mattax	209 W. 14th Street Austin Texas 78711	(512) 463-2018 – Phone (512) 477-2348 – Fax <a href="mailto:david.mattax@oag.state.tx.us">david.mattax@oag.state.tx.us</a>

**VIII. 77<sup>th</sup> Legislative Session Chart**

**Fill in the chart below or attach information if it is already available in an agency-developed format.** In addition to summarizing the key provisions, please provide the intent of the legislation. For example, if a bill establishes a new regulatory program, please explain why the new program is necessary (e.g., to address specific health and safety concerns, or to meet federal mandates). For bills that did not pass, please briefly explain the issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

Texas State Board of Public Accountancy Exhibit 17: 77 <sup>th</sup> Legislative Session Chart		
Legislation Enacted in the 77 <sup>th</sup> Legislative Session		
Bill Number	Author	Summary of Key Provisions/Intent
HB 430	Pitts	This bill provides for a transition to a computer-based test.
SB 736	Duncan	Self-Directed, Semi-Independent Project. This bill allows TSBPA, TBPE, and TBAE to implement the terms of Article 8930 which was enacted by the 76 <sup>th</sup> Legislature.
SB 1037	Ellis	This bill authorizes the comptroller to create a certified audit program to train and certify independent CPAs to conduct tax audits
SB 1358	Armbrister	This bill modernizes the <i>Public Accountancy Act</i> .
Legislation Not Passed in the 77 <sup>th</sup> Legislative Session		
Bill Number	Author	Summary of Key Provisions/Intent/Reason the Bill did not Pass
CSHB 784	Isett	This bill was related to creating an inactive status for CPAs.

**IX. Policy Issues**

**A. Brief Description of Issue**

Should the legislature create an inactive status for licensees who are not retired due to age or disability.

**B. Discussion**

During the past several legislative sessions, proposed legislation was filed in an attempt to create an inactive status for licensed CPAs.

**C. Possible Solutions and Impact**

*Section 901.409 (Fee Reduction for Retired or Disabled Persons)* of the *Public Accountancy Act* provides that the Board may establish a reduced license fee for licensees who do not engage in the practice of public accountancy because of retirement or permanent disability.

The fiscal implications of this proposed legislation were estimated to be an annual loss of \$1 million to general revenue.

Administratively, the movement of licensees between active and inactive status would be cumbersome. Currently, there are 55,504 active licensees in the state, which represents the potential for a large volume of activity. Licensees whose employment does not involve the practice of public accountancy could seek inactive status. Subsequently, this individual could change employment to an area which involved the practice of public accountancy and would be required to re-establish active status.

Increased enforcement related activity would also be required such as for stay at home individuals nominally involved in fee for service accounting related activities.

---

## X. Comments

None.

---

1. See e.g., 17 U.S.C. § 78aa (25) and (26)(Publicly traded companies must have their annual financial statements audited by independent certified public accountants); 17 C.F.R. § 210.10-01(d), Article 10 of Regulation S-X (Publicly traded companies must have their quarterly reports audited by independent accountants); 12 C.F.R. § 989.2 (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); 22 U.S.C.A. § 2199 (audit of FDIC); TEX. INS. CODE Art. 1.15A. (Independent Audit of Financial Statement required of all insurance carriers); 28 T.A.C. § 114.3 (Audit required of certain employers under Worker’s Compensation Commission).

2. See e.g., 22 U.S.C.A. § 2199 (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); 20 U.S.C.A. § 1099c (Audits required of Educational institutions receiving federal funds); 22 C.F.R. § 203.2 (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); 30 C.F.R. § 229.123 (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); 25 T.A.C. § 621.26 (Audit required of grant recipients of Interagency Council on Early Childhood Intervention); 40 T.A.C. 144.212 (Texas Commission on Alcohol and Drug Abuse grant recipient 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).

