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TEXAS STATE DOCUMENTS
COLLECTION

TEXAS STATE BOARD REPORT



MAY, 1983

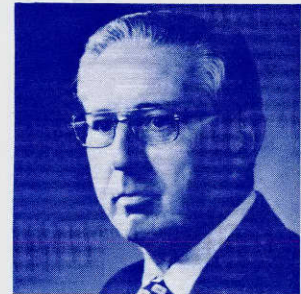
AUSTIN, TEXAS

VOL. 12

INGRAM ELECTED CHAIRMAN



JAMES D. INGRAM



STANLEY J. SCOTT



ELEAZAR S. LUCIO



FRANK T. REA

At the annual meeting conducted in April, **JAMES D. INGRAM**, CPA of Bryan, was elected Chairman for the 1983-84 year. Other officers elected were **STANLEY J. SCOTT**, CPA, Vice-Chairman; **ELEAZAR S. LUCIO**, Secretary; and **FRANK T. REA**, CPA, Treasurer.

Mr. Ingram was appointed to the Board September 26, 1979, for a term to expire January 31, 1985. He has chaired the Entry and Reentry Screening Committee, the CE Committee, and numerous hearing panels. Mr. Ingram graduated as a distinguished student from Texas A&M University and is currently a partner in the CPA firm Ingram, Wallis & Co., Inc. and a director of City National Bank in Bryan. He has served as President of the Brazos Valley Chapter of the Texas Society of CPAs (TSCPA) and as Vice-President of the state organization.

Mr. Scott is Chairman of the Department of Accounting at Southern Methodist University in Dallas, and was formerly Senior Partner in the Southwest Regional Office of Arthur Young & Co. He was appointed to the Board on October 7, 1981, for a term to run through January 31, 1987. Mr. Scott is a member of the Board's Technical Standards Review Committee. He

has served as President at both local and state levels of the TSCPA and as President and permanent member of the Council of the American Institute of CPAs (AICPA).

Appointed as a Public Member of the Board on March 9, 1982, for a term through January 31, 1985, Mr. Lucio is Vice-President of Texas Commerce Bank in Austin, where he is manager of the Professional and Executive Loan Department. He is a graduate of Pan American University, with a degree in marketing, and is a member of a number of civic and professional organizations. In addition to the Executive Committee, Mr. Lucio serves on the Board's Examination Committee.

Mr. Rea, a former partner of Price Waterhouse, was appointed to the Board on October 7, 1981, for a term extending through January 31, 1987. He holds a B.B.A. from The University of Texas at Austin and an L.L.B. from South Texas College. Mr. Rea is Past President of the TSCPA and a life member of the Society's Board of Directors. He has also served on the AICPA Council and is presently a member of the Board of Directors of the National Association of State Boards of Accountancy (NASBA).

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From The Chairman...

In my initial *From the Chairman* remarks, I would like to address what is, in my opinion, one of the single most important programs ever mandated by the Board: continuing education (CE) reporting and attendance.

As discussed in the June, 1981, BOARD REPORT, in April of that year the Board identified six major issues to be "dealt with in the near-term future." Shortly thereafter, formal resolutions were signed regarding each issue, one of which concerned mandatory CE. The resolution adopted by the Board said, in summary, that mandatory CE is:

- in the public interest,
- authorized by the Act,
- described by Board-adopted standards,
- in effect in a majority of the other states,
- being obtained voluntarily by many licensees,
- recognized as important for reciprocal purposes,
- endorsed by the Board for implementation of mandatory reporting for license year 1983 and mandatory attendance for license year 1984.

Since that time, the Board's CE goal has been to implement a **QUALITY** program. To that end, substantive rules have been passed; a staff person to handle the initial program has been employed; and a CE Committee, composed of members of the Board and representatives of the licensed community, has been appointed and is functioning.

That the Board's goal of implementing a quality program—to both protect the public and enhance the expertise of licensees—is difficult to achieve and maintain is recognized. To meet the challenge, the CE Committee is pursuing positive steps, one of which involves registration with the Board by vendors of CE courses. The specifics of this requirement are presently being outlined, and additional information will be included in the August **BOARD REPORT**. The need for vendors to insure compliance with Board requirements is obvious—poor quality of course content would waste both time and resources of licensees, and would certainly not benefit the public.

Working singly and through the CE Committee, the Board will assist licensees whenever possible in meeting the reporting and attendance requirements. I am confident that when the Board's standards of quality are implemented, the Texas CE program will favorably compare with—or exceed—those of other states. I am also confident that quality CE, on a regular basis, will be an important step toward increasing licensee knowledgeability and, in extension, licensee service to the public.

I seek your assistance and cooperation in this important program.

James D. Ingram, CPA
Chairman

1983 LICENSE RENEWAL STATISTICS

	CPAs		PUBLIC ACCOUNTANTS		SEC. 14 LICENSEES	
	No.	Percent	No.	Percent	No.	Percent
Continuing Education						
No hours	8,829	33.5	230	70.3	36	50.0
1-20 hours	4,021	15.3	54	16.5	7	9.7
21-40 hours	5,123	19.5	27	8.3	14	19.4
41+ hours	8,115	30.9	13	4.0	14	19.4
Unknown	212	0.8	3	0.9	1	1.4
Field of Professional Activity (full-time)						
Public Acctg.	9,961	38.3	102	33.5	32	44.5
Industry	10,170	39.0	20	6.3	17	23.6
Government	1,040	4.0	10	3.2	7	9.7
Education	632	2.4	0	0.0	0	0.0
Other	1,184	4.6	8	3.0	6	8.3
None	3,044	11.7	168	54.0	10	13.9
Field of Professional Activity (part-time)						
Public Acctg.	1,952	7.3	132	38.7	5	6.8
Industry	488	1.9	10	2.9	2	2.7
Government	42	0.2	4	1.2	1	1.3
Education	245	0.9	0	0.0	1	1.3
Other	307	1.2	15	4.4	0	0.0
None	23,539	88.5	180	52.8	65	87.9
Male	21,626	82.2	300	91.7	65	90.3
Female	4,676	17.8	27	8.3	7	9.7

BOARD COMMITTEE APPOINTMENTS

Following the election of new Board officers in April, certain committee assignments were changed. Following are the standing committees of the Board as of May, 1983.

CONTINUING EDUCATION COMMITTEE

Oscar E. Reeder, CPA, Chairman
William H. Quimby
Frank T. Rea, CPA
Tom R. Locke, CPA, Non-Board member
Tommie E. Roddy, Jr., CPA, Non-Board member

ENFORCEMENT COMMITTEE

Earl C. Lairson, CPA, Chairman
James J. Pendergast, Jr., Attorney
Oscar E. Reeder, CPA

ENTRY AND REENTRY SCREENING COMMITTEE

Robert S. Driegert, CPA, Chairman
Sue W. Briscoe, CPA
William H. Quimby

EXAMINATIONS COMMITTEE

Frank T. Rea, CPA, Chairman
Eleazar S. Lucio
Miller Montag, CPA

EXECUTIVE COMMITTEE

James D. Ingram, CPA, Chairman
Eleazar S. Lucio
Frank T. Rea, CPA
Stanley J. Scott, CPA

TECHNICAL STANDARDS REVIEW COMMITTEE

Brooks Wilson, CPA, Chairman
Stanley J. Scott, CPA
Sheila W. Clark, CPA, Non-Board member
Herschel Mann, CPA, Non-Board member
Jim A. Smith, CPA, Non-Board member

THANKS TO PROCTORS

Over 300 volunteers were present at one or more sections of the May examination to assist the Board in the conduct of the exam. The Board extends its thanks to these proctors. The professionalism displayed is particularly noteworthy.

As examination sites increase both in the number of physical locations and the number of candidates, assistance of able professionals will continue to be solicited . . . and appreciated.

NOVEMBER, 1983 EXAM SCHEDULE

The schedule for the November, 1983, Uniform CPA Examination is:

Examination Sites

Austin	Lester E. Palmer Auditorium
El Paso	University of Texas at El Paso Special Events Center
Fort Worth	Tarrant County Convention Center
Galveston	Moody Convention Center
Houston	Albert Thomas Convention Center
San Antonio	San Antonio Convention Center
Lubbock	Lubbock Civic Center

Examination Times

November 2	1:30 p.m. to 6:00 p.m. Accounting Practice, Part I
November 3	8:30 a.m. to 12:00 Noon Auditing 1:30 p.m. to 6:00 p.m. Accounting Practice, Part II
November 4	8:30 a.m. to 12:00 Noon Business Law 1:30 p.m. to 5:00 p.m. Accounting Theory

The deadline for submission of applications to sit for the November exam is August 31, 1983. Grades from the May, 1983, exam will be released August 1, 1983.

REPORTING CONVICTIONS . . .

Examination candidates, candidates for licensure, and licensees are reminded that the Board routinely requests conviction reports from the Department of Public Safety. If an individual fails to answer questions on applications correctly regarding convictions, the failure to do so could jeopardize present and future CPA career plans. (References: BOARD REPORT, Vol. 8, May, 1983; Substantive Rule 525, Criminal Background Investigations.)

BOARD OFFICE TO MOVE IN JUNE

Effective June 13, 1983, the new Board office address will be:

Texas State Board of Public Accountancy
1033 La Posada, Suite 340
Austin, TX 78752-3894

Telephone numbers will remain the same.

La Posada is located to the East of IH-35 North, behind the Marriott Hotel, and will provide easy access to licensees and candidates. Ample parking will be available.

MAY EXAM STATISTICS

The staff processed 11,408 applications to sit for the May examination. A preliminary tally shows that the following number of papers were actually written and mailed to the American Institute of CPAs (AICPA) for grading:

Site	Numbers of Papers Written In				
	Prac.I	Prac.II	Audit	Law	Theory
Austin	676	659	669	672	688
El Paso	189	180	207	192	202
Fort Worth	1664	1629	1943	1891	1854
Galveston	1054	1015	1089	1100	1116
Lubbock	476	460	500	510	500
San Antonio	1323	1268	1522	1481	1484
Temple	325	311	387	349	356
Wichita Falls	232	224	281	257	253
Out of State	281	281	258	254	266
TOTALS	6220	6027	6856	6706	6719

MEETINGS

Texas State Board of Public Accountancy:

July 28-30, 1983
September 22-24, 1983
October 11, 1983
November 11-12, 1983

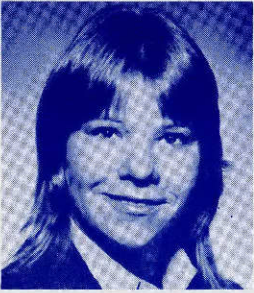
CPA Swearing-in Ceremony:

November 12, 1983 Austin, Texas

National Association of State Boards of Accountancy:

June 5-7, 1983 Regional Meeting
New Orleans,
Louisiana
Oct. 16-19, 1983 Annual Meeting
Washington, D.C.

AD HOC EXAM COMMITTEE APPOINTED



LESLIE J. ANDERSON

The Board recently appointed an *ad hoc* Examination Advisory Committee to discuss specific exam site problems, standardize and upgrade procedures, and develop a proctor procurement network. The committee will meet before and after each examination.

Appointees to the committee are the Board's Examination Committee members **Frank T. Rea, CPA**, Chairman; **Miller Montag, CPA**, and **Eleazar S. Lucio**. Also serving on the committee are **Bob E. Bradley**, Executive Director; **Donna Meredith**, staff Examination Coordinator; and representatives of local chapters of the Texas Society of CPAs which assist in furnishing proctors for the examination sites. Society representatives appointed prior to the first committee meeting are:

LESLIE J. (LEE) ANDERSON, CPA. Ms. Anderson is a senior accountant with McIntosh & Associates in Austin and was formerly on the audit staff of Peat, Marwick, Mitchell & Co. She received her B.A. in 1973 from Colorado College and her M.B.A. with concentration in accounting from The University of Texas at Austin in 1979, where her educational honors included the Dean's Award for Academic Excellence and being named Sord Scholar in the Graduate School of Business. Ms. Anderson is currently serving as president of the American Society of Women Accountants, Austin Chapter.

DR. FRED W. NORWOOD, CPA. Dr. Norwood received his bachelor's and master's degrees from the University of Mississippi and his Ph.D. from The University of Texas at Austin, and is currently chairman of the Department of Accounting at The University of Texas at El Paso. He became certified in 1952. Dr. Norwood has also taught at The University of Texas at Austin and Texas Tech University, and has served as chairman of the Accounting Department at Colorado State University. He is co-author of several books and monographs on tax matters, among them *Federal Taxation: Research, Planning and Procedures*.



FRED W. NORWOOD



TRAVIS L. MARTIN

TRAVIS L. MARTIN, CPA. Active in the San Antonio Chapter of the Texas Society of CPAs, Mr. Martin has practiced accounting with the State Auditor's office and at the CPA firm of Shieffer & Lyda in Austin, as well as at the Glidden Paint Co. in Carrollton. He attended Pan American University in Edinburg and The University of Texas at Austin, and received his CPA certificate in 1977. Mr. Martin recently incorporated his practice in George West.

DANNY M. MOORE, CPA. Mr Moore is senior partner in the Wichita Falls CPA firm of Moore, Camp & Co., and is a graduate of Midwestern State University. He is president of the Wichita Falls Chapter of the TSCPA.

DR. CECILY RAIBORN, CPA. Dr. Raiborn earned her Ph.D. from Louisiana State University in 1975 and is now associate professor of accounting at Texas Woman's University. She has also taught at Texas Christian University and The University of Texas at Arlington. She has been president of the Mid-Cities Chapter of the American Society of Women Accountants and has served on the Board of Directors of the Fort Worth Chapter of the TSCPA, as well as many of the chapter's committees. She is active in several TWU committees and is a member of the Faculty Senate. (Photo not available.)

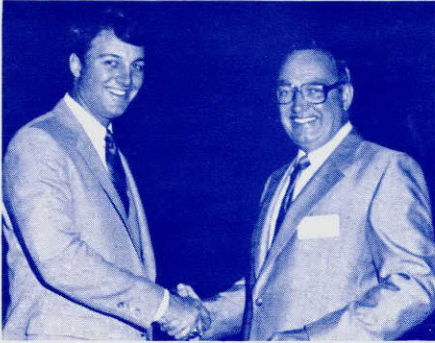
Other members of the committee are **JAMES MICHAEL BROCKWAY, CPA** of Temple, and **WILLIAM EDGAR BLAIR, CPA**, and **THOMAS G VIELE, CPA**, of Houston. Photos and biographical information were not available at press time.

More recently-appointed committee members who will assist in planning the November examination are **LINDA E. WISTHUFF, CPA** of Austin, **TERRY LYNN CRAIN, CPA** of Wichita Falls, **FRANK W. HUKILL III**, of Fort Worth, **TWYLA TOLER LORD, CPA** of San Antonio, and **RONALD J. SAWALL, CPA** of Lubbock.



DANNY M. MOORE

NASBA PRESIDENT SPEAKS AT SIC



Chairman Ingram congratulates new CPA . . . JAMES D. INGRAM IV

The president of the National Association of State Boards of Accountancy, **ROBERT L. BLOCK**, CPA, spoke to over 2,300 candidates and guests at the Swearing-in Ceremony conducted at 10:00 a.m., May 14, at the Erwin Special Events Center in Austin.

An honors graduate of the University of Illinois, Mr. Block is a senior partner of Laventhol & Horwath, Seattle, Washington, and has been in public practice for over 30 years. He has served as Chairman of the Washington State Board of Accountancy and the WSCPA, and has served in numerous other offices and associations. He is also a member of the Washington State Bar Association Fee Arbitration Panel.

In his remarks, Mr. Block urged the candidates to be "the best CPA you can, not the best of your contemporaries, but the best *you* can be—a quality person." He also stressed the importance of active participation in professional organizations.

Another highlight of the ceremony was the announcement of the Outstanding Candidate awards. The awards were presented to the ten Texas candidates who earned the highest cumulative scores on the CPA examination and who passed all parts at the initial sitting.

The "Top Ten" are **RANDALL DODGE KEYS** of Midland, the number one candidate, who spoke briefly on behalf of the candidates; **VALERIE ANNE SLOAN CASEY**, **TIMOTHY G. TAYLOR**, **JOY A. KENDALL**,



Top Ten Candidates . . . left to right, Keys, Casey, Taylor, Stengel, Burnard, Kendall, Gulinson, Parker, Fehleison, Opel



Robert L. Block, CPA, President, NASBA, stresses involvement

SUSAN M. OPEL, and **ROSE KAY PARKER** of Houston; **SHARON D. STENDEL** and **JAMES MICHAEL FEHLEISON** of Arlington; **NICHOLAS J. BURNARD**, Mesquite; and **MICHAEL JOE GULINSON**, Fort Worth.

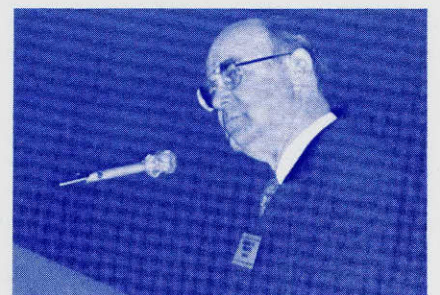
Others participating were **FRANK T. REA**, CPA, Board Treasurer, who welcomed the candidates and guests; **ELEAZAR S. LUCIO**, Board Secretary, who introduced the speaker; and **STANLEY J. SCOTT**, CPA, Vice-Chairman, who spoke on the "Oath of Office."

"Taking the CPA Oath of Office is a promise of great import," Mr. Scott said. "The Act and the rules you promise to uphold represent the voice of legal authority. Other decisions you make represent the voice of personal integrity. They are equally important."

The President of the Texas Society of CPAs (TSCPA), **CARROLL W. PHILLIPS**, CPA, spoke briefly on Society activities and programs, after which Board members presented CPA certificates.

A number of professors were present and were introduced as the Board's special guests: **Dr. Allen T. Bizzell**, The University of Texas at Austin; **Overton Faubus**, CPA, Ph.D., Abilene Christian University; **Sammie Smith**, CPA, Ph.D., Stephen F. Austin State University; **Eugene I. McNeill**, CPA, Ph.D., Houston Baptist University; **Ennis Hawkins**, CPA, Ph.D., Sam Houston State University; **Sam Sedki**, Ph.D., St. Mary's University; **Katherine M. Horstman**, CPA, The University of Texas at Arlington; **Otis G. Reese**, CPA, Southwest Texas State University; and **Stanley J. Scott**, CPA, Southern Methodist University.

The ceremony was followed by a reception hosted by the TSCPA.



Carroll W. Phillips, CPA, President, TSCPA, invites candidates and guests to reception

LETTERS TO THE EDITOR:

Dear Ms. Johnson,

I read with great interest from the February **REPORT** the article "Query From Enrolled Agents" and I am appalled with the solution. The Board has admitted that Enrolled Agents are not licensed or regulated by the Texas State Board of Public Accountancy and in the same article provides that Society with the tool to issue financial statements with opinions without its members possessing the skills required by the Public Accountancy Act of 1979 as amended.

The Board has now opened the floodgates and stripped from those of us who have met the requirements of the Act and are regulated by it, the protection of the Act. Their decision has forced myriad local Certified Public Accounting firms to compete in the market place following AICPA standards with a group that is not regulated or qualified by law to issue financial statements with opinions. Perhaps we should all just become "Enrolled Agents," which is, after all a relatively simple examination and we, too, would be out of the Board's control.

William E. Allen, CPA
Hereford, Texas

(Ed.'s note: because of the probable widespread interest in the topic addressed in Mr. Allen's letter, the Editor requested that Brooks Wilson, Chairman of the Technical Standards Review Committee, write a response.)

The Public Accountancy Acts of 1945 and 1979, as amended (the Act), expressly reserve the attest function to persons licensed by the Act. One of the elements of the attest function is a determination that the statements have been prepared in accordance with generally accepted accounting principles (GAAP). Unaudited financial statements, and reports thereon, were changed in 1978 to segregate those reports into either compilation reports or review reports. Review reports require lesser standards to be applied by licensees than to reports prepared under generally accepted auditing standards (GAAS). Compilation reports require lesser standards to be applied by licensees than review reports. The professional standards for both types of unaudited reports on financial statements require determination as to whether the statements have been prepared in accordance with GAAP. If they have not, the licensee must so state in the report.

The Board has brought the requirements affecting compilation and review statements under the Professional Standards portion of the Rules of Professional Conduct, and has consistently held that compilation and review reports issued in Texas by licensees under the Act are a portion of technical work reserved to licensees. (Many accountancy boards of other states allow unlicensed persons to prepare and issue compilation and review reports using all of the technical language applicable to these reports. Not so in Texas!)

The Board has always recognized that unlicensed persons have the right to transmit data to their clients as a result of bookkeeping and tax services. Those rights, however, do not include determination that the statements are in accordance with GAAP.

In June, 1981, the Board approved and published language for use in those reports by unlicensed persons, and in so doing indicated that unlicensed persons who adhered to the language would not be challenged by the Board for practicing public accountancy without a license. In other words, the Board granted a "safe harbor" language, elements of which are to indicate that the statements were **prepared** by the unlicensed person, and that the preparer was **neither licensed nor regulated by the Board**.

The correspondence in question (from the Texas Enrolled Agents Society) was referred by the Board to the Technical Standards Review Committee and was in the nature of desired Board approval for expression of opinions by unlicensed members of that society on financial statements. The Society was asking, in effect, for Board approval of the use of audit opinion language by unlicensed persons. Everyone recognizes that federal tax preparers in Texas are not limited to licensees of the Board, and that accounting methods used in the preparation of income tax returns may or may not be in accordance with GAAP for financial statement presentation for financial accounting purposes. The committee recommended, and the Board approved, a response to the Society incorporating substantially the exact "safe harbor" requirements as earlier approved by the Board. Therefore, the technical standards related to determination of GAAP in audited and unaudited reports on financial statements, and the technical language relating to compilation and review reports are reserved for licensees of this Board.

Persons who have passed the Treasury Department examination relating to federal taxation have the right to represent taxpayers before the Internal Revenue Service. The recommendation of the committee to incorporate these elements in the language was approved unanimously by the Board as being non-technical, non-deceiving, and in the public interest.

Committee on Technical Standards Review
Brooks Wilson, CPA, Chairman

(Please address letters to **Jane I. Johnson**, Editor **TEXAS STATE BOARD REPORT**, Texas State Board of Public Accountancy, 1033 La Posada, Suite 340, Austin, TX 78752-3894.)

IN MEMORIAM . . .

C. A. "Jake" Freeze, CPA of San Angelo, was known by the profession as one of the most active Texas CPAs. He served on the Board for 22 1/2 years—the most years of service of any Board member—and was its Chairman from 1951–1953. His multiple contributions to the profession and to the public are noteworthy. Mr. Freeze died April 9.

The Board extends sympathy to family, colleagues, and friends.

SUBSTANTIVE RULES

Final Adoption – April meeting

Rule 523.64(b), Disciplinary Actions Relating to CE.

The amendment to the rule requires that documentation of CE credit hours attended be retained for five (rather than three) years.

Initial Adoption – May meeting

Rule 511.122, Acceptable Experience.

The Amendment deletes language permitting a CPA who audits the applicant's employer to certify to the applicant's experience.

Rule 511.123, Comparable Experience.

The amendment requires that experience be under the "direct supervision" of a CPA.

Respondent: Jack David Teter (Certificate No. 12271)

Committee Recommendation: The Committee on Technical Standards Review considered at its meeting on February 24, 1983, Respondent's audit report and related financial statements included in a prospectus filed for registration with the State Securities Board of Texas. The committee concluded that Respondent was not independent with respect to the entity reported on for the reason that the entity was managed and controlled by Respondent's brother. The Committee further concluded that Respondent's failure to comply with GAAS by virtue of rendering an unqualified opinion where independence was lacking constituted violations of Sec. 501.11 (Rule 101) and Sec. 501.22 (Rule 202) of the Rules of Professional Conduct, grounds for disciplinary action under Section 21(b)(4) of the Act. Respondent agreed to a published reprimand including the condition that he obtain 120 hours of continuing education over the next three CE reporting periods, reduced by the number of hours accrued during the preceding 24 months. The Consent Order was ratified by the Board on April 22, 1983.

ENFORCEMENT

Reinstatements

John Phillip Elson - (Certificate No. 9413) effective February 25, 1983.

Betty R. Jackson - (Certificate No. 13678) effective April 22, 1983.

Jerry Lee Winchester - (Certificate No. 15540) effective April 22, 1983.

Consent Orders

Respondent: Wayne E. Brown (Certificate No. 5482)

Date of Informal Conference: December 10, 1982

Committee Recommendation: The Committee on Technical Standards Review considered Respondent's audit reports on various independent school districts and local governmental units. Respondent acknowledged that his audit reports failed to comply with generally accepted auditing standards (GAAS) and that the financial statements reported on failed to conform to generally accepted accounting principles (GAAP). The Committee concluded that the failure to comply with GAAP and GAAS constituted violations of Sec. 501.21 (Rule 201) and Sec. 501.22 (Rule 202) of the Rules of Professional Conduct, grounds for disciplinary action under Section 21(b)(4) of the Act. Respondent agreed to a published reprimand with conditions, including a voluntary abstention from the audit area of practice for a period of three years and forty hours of continuing education courses during the next three CE reporting periods. The Consent Order was ratified by the Board on January 28, 1983.

Disciplinary Actions

One Panel Hearing involving two Respondents was conducted at the Board's meeting on April 21, 1983. The Panel's recommendations are scheduled for ratification at the Board's meeting in May, 1983.

ENFORCEMENT ACTIVITY

February 1, 1983 – April 30, 1983

	<u>Rules</u>	<u>Act</u>	<u>Total</u>
Active files			
January 31, 1983	107	245	352
Files opened			
during period	<u>14</u>	<u>26</u>	<u>40</u>
	121	271	392
Files closed			
during period	<u>21</u>	<u>48</u>	<u>*69</u>
Active files			
April 30, 1983	100	223	323

* 44 via voluntary compliance, 10 via Board action, and 15 otherwise (unlicensed individuals who have ceased doing business, cannot be located, or died).

QUESTIONS AND ANSWERS

- Q.** May a licensee participate in a barter organization by accepting referrals of accounting clients where a membership fee is paid to the organization?
- A.** No. Accepting client referrals through a barter organization where a membership fee is paid would constitute payment of a commission in violation of Sec. 501.13 of the Rules of Professional Conduct.
Source: Sec. 501.13
- Q.** May a licensee accept an engagement to perform accounting services incident to a lawsuit contemplated by a prospective client, where the client is liable for the fee only in the event that a judgment or settlement of the lawsuit is obtained in the client's favor?
- A.** Yes. So long as the fee is based on an hourly rate and not on a percentage of the amount recovered in the lawsuit, such a fee arrangement would not violate Sec. 501.14 of the Rules of Conduct concerning contingent fees.
Source: Sec. 501.14
- Q.** May a licensee disclose confidential client information such as balance sheets and corporate data in litigation against the client?
- A.** No. Sec. 501.31(B)(1) of the Rules of Professional Conduct and Section 26(b)(1) of the Public Accountancy Act of 1979 permit such a disclosure in an action by the client **AGAINST THE LICENSEE**. However, without the client's consent a licensee may not disclose confidential information in legal action initiated by the licensee unless required to defend a counterclaim.
Source: Sec. 501.31(B)(1) of the Rules and Section 26(b)(1) of the Act.
- Q.** Is a firm's independence considered impaired with respect to a bank where a retired partner owns stock in the bank? The retired partner maintains an office

in the firm and works part time for the firm with compensation on an hourly basis.

- A.** Yes. Ownership of bank stock by the retired partner would impair the firm's independence with respect to the bank regardless of materiality, inasmuch as it is a direct interest and the retired partner is still closely associated with the firm.

Source: Sec. 501.11(A)(1)(a)

Texas State Board Report

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Board of Public Accountancy

1033 La Posada, Suite 340
Austin, Texas 78752-3894

Current Info.

(512) 451-3060

Admin. and Enforcement

(512) 451-0241

Licensing, Exam and CE

(512) 451-6576

EDITOR Jane I. Johnson

BOARD MEMBERS

James D. Ingram, CPA, Chairman

Stanley J. Scott, CPA, Vice-Chairman

Eleazar S. Lucio, Secretary

Frank T. Rea, CPA, Treasurer

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Brooks Wilson, CPA

EXECUTIVE DIRECTOR Bob E. Bradley



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