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Texas State Board Report

January 1999

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Austin, Texas

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AT ITS NOVEMBER 12, 1998, MEETING THE BOARD CONSIDERED THE TEXAS Society of CPAs' ("TSCPA") request for an opinion regarding alternative business structures ("ABS"). This article is a summary of the opinion. [See page 3 for the complete text of the request for opinion.] In the opinion letter, the Board stressed its specific statutory mandate to protect the public interest by enforcing the provisions of the *Public Accountancy Act*, whose purpose is to insure that CPAs "... continue to maintain high standards of professional competence, integrity, and learning..."

Alternative

BUSINESS STRUCTURES

What's allowed, and what's not

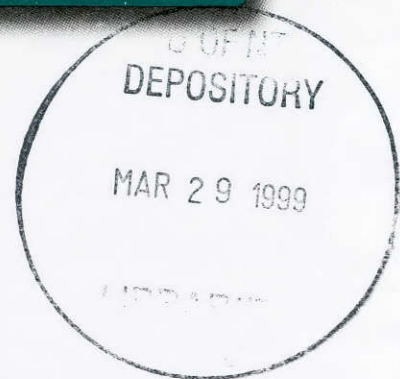
The *Act* also specifically directs the Board to insure "...that the activities and competitive practices of those practicing public accountancy be regulated to be free of commercial exploitation toward the end that the public will be provided with a high level of professional competence at reasonable fees by independent, qualified persons." The Board's role in regulating the profession is not to design or dictate the structure of new business models, but only to insure that the profession continues to meet its high standards and that the pressures of the market do not overwhelm the profession's obligations to the public.

The opinion is neither an endorsement nor a rejection of any alternative business structures, but instead is an outline of the legal and regulatory principles implicated by an ABS so that the profession will have effective, meaningful guidance in making business decisions regarding any proposed ABS. The Board will continue to evaluate each claim that the *Act* or the rules has been violated based on the facts of each case. Therefore, while the opinion de-

scribes the principles suggested by some of these new business practices, the Board retains its full statutory authority to enforce the *Act* and the rules and to adopt new rules.

The TSCPA's letter describes an ABS increasingly favored by the market. Generally, in this situation, a licensed CPA firm owned by CPAs enters into an arrangement with a support company which is not eligible for licensure with the Board as a CPA firm. The CPA firm performs all attest work, including but not limited to audits, compilations, and reviews. The support company performs consulting and business advisory services for clients and supplies administrative services to the CPA firm. All owners of the CPA firm are also employees of the support company. All the administrative and professional staff are employees of the support company and are made available to the CPA firm pursuant to an agreement. The owners of the CPA firm perform con-

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Opinion

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sulting and business advisory services for clients as employees of the support company, and the administrative and professional staff of the support company perform attest services under the supervision of the owners of the CPA firm.

Statutory requirements.

The Act limits the client practice of public accountancy in Texas to registered accounting firms owned by CPAs. While Board regulations permit CPAs to offer a range of services in non-traditional business entities, including tax, management consulting, and financial planning, only registered accounting firms wholly owned by CPAs may perform attest work in Texas under the provisions of Section 501.40 (*Registration Requirements*) of the Board's rules. The ownership requirement insulates

the professional judgment crucial to the attest function from the pressures of the marketplace by insuring that those ultimately responsible for the professional decisions of any CPA firm are themselves licensed professionals.

An ABS complies with the Act only if the CPA firm continues to be a separate entity and the professional judgment of the CPA firm essential to the attest function is separated from the pressures of the marketplace. Because the owners of the CPA firm in the ABS are simultaneously employees of the support company, the ABS puts some pressure on their business judgment. Additionally, the staffing arrangements make the CPA firm more vulnerable to the influence of the support company. To comply with Texas law, however, the

CPA firm must in fact and in appearance maintain its integrity, both as a business entity separate from the support company and as a licensed professional entity under the Act. This is accomplished by establishing the following requirements:

- ◆ **The support company must neither directly nor indirectly control the professional decisions of the CPA firm.** This requirement is not satisfied by mere recitations in the initial documents, but is instead an ongoing requirement of independent management of the CPA firm by licensed professionals. Among the areas in which the ABS places extreme pressure is the hiring and firing of CPAs. If employment decisions at the CPA firm are effectively being made by the

support company, the CPA firm may not be independent. The professional judgment of any individual CPA regarding attest work that must be performed only in the CPA firm may be unfairly pressured by fear that he or she may be fired by the support company.

- ◆ **The CPA firm must register with the Board and maintain a current license.** Each CPA working for the CPA firm must maintain a current license. The CPA firm must meet the Board's quality review requirements, and the CPA firm, its members, and employees must comply with the Board's rules.
- ◆ **All attest work, including but not limited to compilations and reviews, must be performed only by the CPA firm and must meet professional standards. The support company may not perform any attest work.**
- ◆ **The CPA firm and the support company should present themselves to the public as separate entities.** Each entity should have a separate name, letterhead, and logo. Each entity should have a separate engagement letter with its clients and bill its clients separately. The marketing materials of each entity should reflect that separation. CPAs associated with the support company must comply with the disclaimer requirement of Section 501.40 of the Board's rules.
- ◆ **The fiscal relationship between the two entities must reflect the integrity of the CPA firm.** The income streams of the two entities must be proportional to the work performed by the entities. The CPA partners may be compensated by the support company only at the fair value of the services they actually perform. The CPA firm should pay only the fair market value of the services which it receives.
- ◆ Other than insurance arrangements common in a CPA practice, the CPA firm should bear financial responsibility for the consequences of its actions. The support company may not indemnify the CPA firm for violations of professional standards.

Implementing standards of conduct in the ABS.

When the CPA firm establishes itself as a separate entity with sufficient autonomy to meet the statutory standards, the CPA firm and its associated CPAs must comply with the Board's rules. The close affiliation between the support company and the CPA firm requires careful analysis, and often particular application, of the rules to protect the public. Therefore, in order for the public to be assured that CPAs will continue to adhere to high standards of professional conduct, even in an ABS,

“The Board’s role in regulating the profession is not to design or dictate the structure of new business models, but only to insure that the profession continues to meet its high standards and that the pressures of the market do not overwhelm the profession’s obligations to the public.”

the following minimum standards must apply.

◆ **Neither the CPA firm nor the support company may use the ABS to evade or minimize the obligations of a CPA to a member of the public for whom the CPA performs services.** Section 501.42 (*Acting through Others*) of the Board's rules prohibits a CPA from allowing others to take actions which, if performed by the CPA, would violate the rules. A CPA employed in any capacity within the ABS may offer clients non-attest services, including tax, personal financial planning, and litigation support services, through the support company. However, the CPA must observe the Board's rules concerning the non-attest services and insure that the support company also complies with the rules. Any failure of the support company to comply with Board rules exposes the CPA to disciplinary action. A non-exhaustive list of Board rules that may be implicated by the crossover of a CPA to the service of support company clients includes, but is not limited to:

- Section 501.31 (*Confidential Client Communications*)
- Section 501.32 (*Records*)
- Section 501.41 (*Discreditable Acts*)

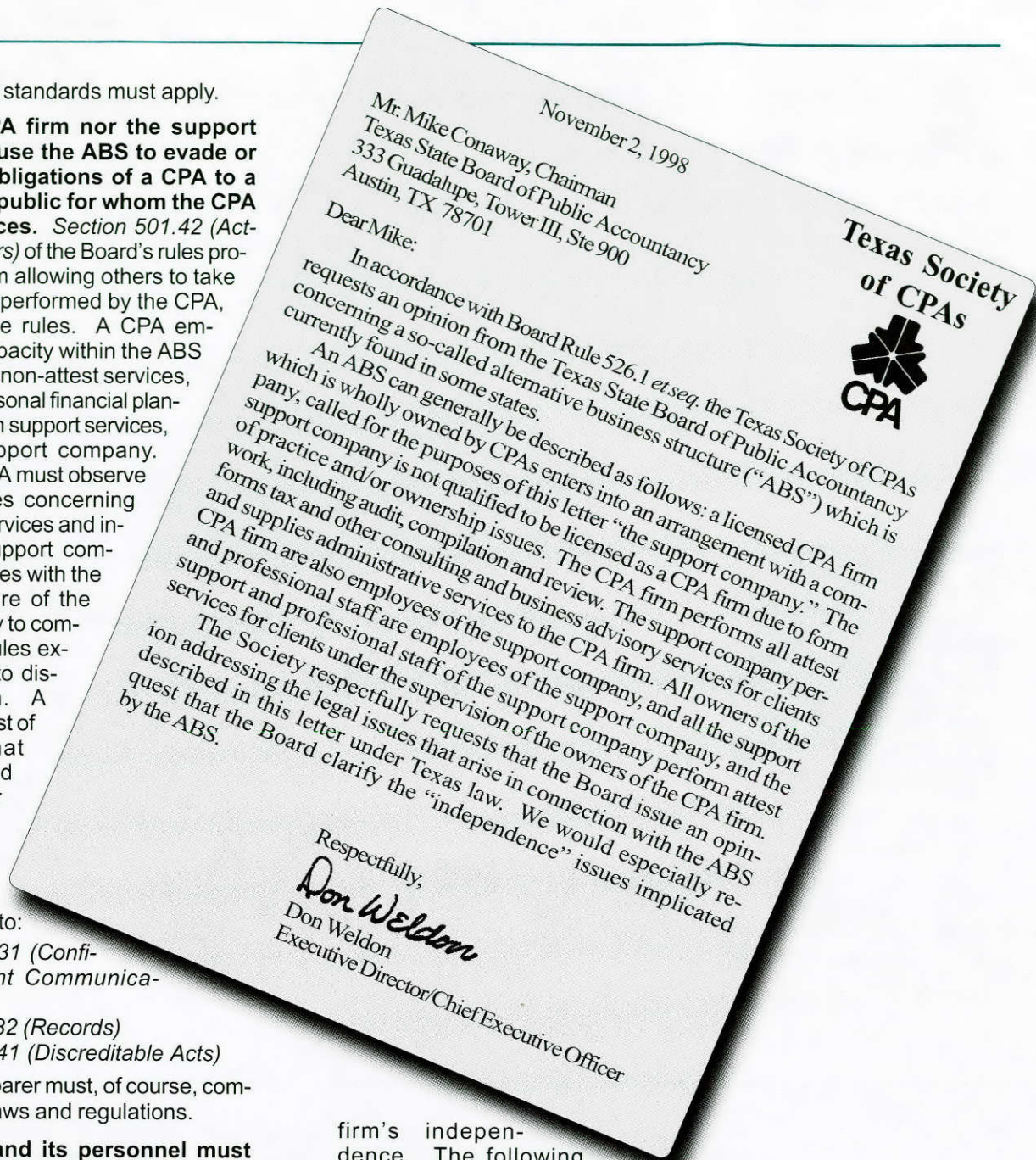
A federal tax preparer must, of course, comply with federal laws and regulations.

◆ **The CPA firm and its personnel must maintain independence from the support company and clients of either entity where independence is required by Board rules and professional standards.** [See Section 501.11 (*Independence*) of the Board's rules.] The relationship between the CPA firm and the support company imposes limitations on both entities where independence is required. The CPA firm must consider that the support company is an affiliated party for the purpose of applying the independence rules; therefore, the CPA firm may not provide any accounting services to the support company. Likewise, the support company (or other companies affiliated with the support company) may not provide services to an attest client of the CPA firm in a way that would compromise the CPA

firm's independence. The following minimum standards apply:

- Neither the support company nor its affiliates may offer loans or extensions of credit to the attest client.
- There can be no deposit relationships between the attest client and the support company or its affiliates which are not fully insured by the FDIC.
- Neither the support company nor its affiliates may provide the attest client with qualified or non-qualified plan management where the support company is a fiduciary under ERISA.
- Neither the support company nor its affiliates may provide the attest client with investment advisory and/or broker/dealer services other than those on

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As Texans, we are very aware of our neighbor, Mexico, and since the passage of NAFTA, international trade between Texas and Mexico has increased dramatically. There is every indication that it will continue to grow and prosper.

TEXAS
and
MEXICO . . .

THIS PAST SUMMER I WAS FORTUNATE TO PARTICIPATE in a symposium hosted by Austin Community College for the purpose of fostering an international exchange of knowledge and experience between Texas and Mexico. Attending the Austin Community College Symposium were faculty members and students from the *Colegio de Contadores Públicos de Queretaro, A.C.* (which is equivalent to the Texas Society of CPAs), as well as ACC faculty, members of the Texas Society of CPAs, and staff from the Texas State Board of Public

IRS Service Center.

Mexico's accounting profession dates to 1907. The *Instituto Mexicano de Contadores Públicos* (IMCP) was created in 1923, and in the late 1940s, state societies (or *colegios*) began emerging; there are 59 *colegios federados* in Mexico. IMCP members currently may receive their CPA designation by completing accounting programs at authorized universities and then registering with their local *colegios*. IMCP members in public practice must earn sixty hours of CPE each year; those engaged in other fields are required to earn forty hours. Officials with the IMCP hope that the new certification process will bring more accountants into the organization's fold and that the organization, in turn, will be able to offer services, guidance, and rules to its members.

The IMCP is taking steps to speed up its standard-setting process, which it hopes will advance international reciprocity. To this end, the IMCP has recruited two of the top Mexican business schools to research

and develop accounting standards, primarily in the areas of financial instruments, consolidations, business combinations, and joint venture investments. They next plan to look at accounting standards for pensions and labor. The IMCP plans to implement the first phase of its standards by January 1, 1999.

My interest in the area of international reciprocity has also landed me the honor of membership on the National Association of State Boards of Accountancy's International Qualifications Appraisal Board. More specifically, I have recently been appointed to the IQAB task force assigned to review Mexico's application for recognition of its *contadores públicos*. Serving with me on this task force are Sonia Gomez de Torres, CPA (Puerto Rico) and Jerry C. Tobin, CPA (New Jersey). ○

William Treacy, Executive Director
Texas State Board of Public Accountancy

Accountancy. This conference is the result of a request by Victor R. Vega Villa, president of the *Colegio* after a mutually successful meeting last spring in Mexico attended by ACC representatives.

In the hopes of establishing a long-term relationship between *contadores públicos* and CPAs in Texas, the ACC conference consisted of lectures on the accounting fields in Mexico, including taxation, economics, and accounting and auditing standards. Mexican representatives spoke on their newly enacted certification rules, plans for its first uniform accounting examination this fall, educational qualifications, as well as experience and continuing professional education requirements.

While in Austin, the visiting Mexican delegation also toured area businesses and the

How many people and firms are licensed or registered to practice public accountancy in Texas?

The number of Texas CPAs is steadily growing. At the end of FY 1997 (August 31, 1997), the Board had 52,801 actively licensed CPAs (out of a total of 74,719 certificates issued since the Board was created in 1915), a 3.01 percent increase from the previous year. As of August 31, 1998, this figure had gone up another 1.81 percent for a total of 53,755.

Conversely, the number of licensed *public accountants* is diminishing, as no individuals have been added to this classification of accountants since 1945. At the end of FY 1996 (August 31, 1996), there were 95 active public accountants in Texas; in FY 1997 this number decreased to 92, and in FY 1998 there were only 82 remaining.

In FY 1996 there were sixty active *Section 14* registrants (CPAs of other states and persons holding similar titles in foreign countries who are registered to practice in Texas). By FY 1998 this figure had dropped to fifty.

The Board projects that by 2001 there will have been 84,688 individuals certified since 1915.

Practice units are also proliferating; at the current rate, the Board projects that there will be 19,862 practice unit records to be maintained in 2001. FY 1998 saw a 4.12 percent increase in the number of registered corporations. However, the number of partnerships and sole proprietorships have gone down slightly.

What is the cost per license record maintained by the Board?

According to the Legislative Appropriation Request for FY 2000-2001, the Board's cost for maintaining individual license records has steadily decreased since 1980. The accompanying table reflects this trend.

Funding the Board's licensing activities

A STATISTICAL REVIEW

How does the number of license records maintained compare to the Board's legislative appropriations?

In 1980, when there were 21,609 individual license records, the Texas Legislature appropri-

LEGISLATIVE APPROPRIATIONS

	1980	1988	1990	1998	2000 *	2001 *
Individual License Records Maintained	21,609	51,219	56,922	76,809	82,238	84,688
Practice Unit Records Maintained	0	3,123**	8,888	18,024	19,290	19,862
Legislative Appropriations	\$1,254,059	\$2,561,508	\$3,036,988	\$3,220,321	\$2,925,717	\$2,900,375
Cost per license maintained	\$58.03	\$47.14	\$46.15	\$33.96	\$28.82	\$27.74

* Estimated.

** First year to register practice units.

ated \$1,254,059 for Board operations. In 1998, with 94,833 license records (including both individuals and practice units), the Legislature appropriated \$3,220,321, a figure not commensurate with the Board's increased workload. The estimated amount for 2001, when the Board estimates a total number of license records maintained to be 104,550, the requested appropriation is only \$2,900,375.

Despite the lack of funding, the Board and its staff continue to take pride in providing superior service to its licensees and the people of the State of Texas. ○

The November, 1998 Uniform CPA Examination was conducted at six locations in Texas, with 4,083 candidates writing one or more parts. The Board relies on members of the profession to proctor, as it would be unable to conduct an exam of this magnitude without assistance. The Board sends its sincere appreciation to the following individuals who proctored in November, and to their employers who allowed them to help in this effort. So . . .

Thank you, proctors!

Austin

Terri Burleson	Armbrust, Brown & Davis
Charles Thompson	Austin Berrier Darling
Kathy Garland	City of Austin
Stephen Machicek	City of Austin
Anthony Ross	City of Austin
Vickie Schobert	City of Austin
Andi Reaves	City of Austin
Catherine Wofford	Financial Foundations
Janet Bonner	Glass & Co.
Donna Lee	Glass & Co.
Susan Shrader	Mark Schiffegens & Associates
Marilyn Falkenhagen	Maxwell Locke & Ritter
Glenn Lewis	Maxwell Locke & Ritter
Thomas Spencer	Maxwell Locke & Ritter
Tammy Yandle	Maxwell Locke & Ritter
Kenneth Elliott	Texas Dept. of Insurance
Max Viescas Jr.	Texas Dept. of Insurance
Delethia Beasley	Texas Dept. MHMR
Edwin Eke	Texas Dept. MHMR
Thomas Canby	Texas Education Agency
Rita Chase	Texas Education Agency
Andrea Carter	TSBPA
Dancy Flores	TSBPA
Jean Keith	TSBPA
Stacy Smith	TSBPA
Esmeralda Velazquez	TSBPA
Margaret Wood	TSBPA

Barbara Wright	TSBPA
Fred Box	Retired
Hugh Higgins	Retired
Jennifer Chadwick	Self-employed
Diane Goodin	Self-employed
Keith Jones	Self-employed
W.J. Lawrence	Self-employed
Robert Saegert	Self-employed
Clint Schuhmacher	Self-employed
Lisa Shackelford	Self-employed
Ann Clift White	Self-employed
Pat Whiteside	Self-employed

El Paso

Peter Connorton	Coleman Pharmacy
Lisa Albert	KPMG Peat Marwick
Steven DeVor	KPMG Peat Marwick
Robert Welsh	KPMG Peat Marwick
Jessica Gomez	Loretto Academy
Anthony Benitez	New York Life
Terry Bessire	Starr, Colton, Pena, Vogel & Co.
Saturino Gonzalez	Self-employed

Fort Worth

Nancy Waggoner	Adams Title Company
Nasesh Srinivasan	American Airlines
Jason Norvel	Arthur Andersen

David Pitcher	Arthur Andersen
Michael Woodruff	Arthur Andersen
John Luxen	Auldridge & Associates
Woody Mathews	Auldridge & Associates
Stephen Davidson	Baylor Health Care System
Thomas Hill	Bishop & Anthony
Leslie Peden	Chase Bank of Texas, NA
Terri Hornberger	Cheshier and Fuller
Gene Anderson	City of Paris
W. Ray Cook Jr.	Cook, McDonald & Company
Edie McDonald	Cook, McDonald & Company
Patricia Cazabon	Fastrak Systems
Frank Norris	FDIC
Thomas Hwang	First Capital Mortgage
Terry Hobbs	Hobbs & Associates
Barbara Carmichael	IRS
Prafulla Desai	IRS
Dennis Dillinger	IRS
Michael Flahive	IRS
Roger Guess	IRS
Rene Hammett	IRS
Phil Jordan	IRS
George Lavina	IRS
Teresa Rice	IRS
Wesley Scott	IRS
Sandy Solcher	IRS
Peggy Kissinger	Kissinger & Watson
Jerri Hammer	Lane Gorman Trubitt
Kami Hendrix	Lane Gorman Trubitt
Johnna McNeal	Mainory, McNeal & Company
Marcy Renee Parish	McCaslin & Company
Myra Speer	McCaslin & Company
Charles Allen	Morrison Supply Company
Larry Farris	NationsBank
Mary Womack"	Omni American Federal Credit Union
Evan Loper	Practitioners Publishing Co.
Kelly Feik	Runnion, Anderson, Feik
Jennifer Ratcliff	Rylander, Clay & Opitz
Wendell Grandey	Stovall, Grandey & Whatley
Orel Arvid Rhodes	Texas Christian University
Philip Baker	The Rayzor Company
Susan Bahr	Weaver & Tidwell
Claudia Dettling	Weaver & Tidwell
Aaron Stephens	Weaver & Tidwell
Bonnie Vaughn	Whitley Penn & Associates
Dorothy Bertine	Retired
John Carpenter	Retired
Victor Rudolph	Retired
James Buxton	Self-employed
Royce Calk	Self-employed
Charles Carminati	Self-employed
Elaine Chen	Self-employed
James Fitzmaurice	Self-employed
Thomas Hatfield	Self-employed
Patricia Havard	Self-employed
Debbie Holter	Self-employed
Mary Jorgensen	Self-employed
Lois Kapps	Self-employed
Shirley Kennemer	Self-employed
Ray McComb	Self-employed
George Moore	Self-employed

Geraldean Robertson Self-employed
 Atul Shrmankar Self-employed
 David Walsh III Self-employed
 David Weiss Self-employed
 Cynthia Snider Sole Proprietor

Houston

James Moore Jr. Allen-Stuart Equipment Co.
 Jeanne Johnson BFI Waste Systems of NA Inc.
 Joe Okigbo City of Houston
 Homer Longenecker Clyde D. Thomas & Co.
 Regina S Halle Community Management Solutions

Cecilia Merz Cox & Lord
 William Hercules Ernest B. Bugh Jr., CPA
 Frehiwet Asefaw Ernst & Young LLP
 Regina Balderas Ernst & Young LLP
 Michael Doss Ernst & Young LLP
 Stuart Fulton Ernst & Young LLP
 Isabelle Giraudet Ernst & Young LLP
 Mary Simpson Exxon Company USA
 Thomas Roberts Fitts, Roberts & Co.
 Willam Glaw Glaw & Co.
 Hermes Troche Glaw & Co.
 Margie Patterson Harrison, Norwood & Co.
 Diana Massey Haskins & Associates
 Elysa Turla Houston Chapter TSCPA
 Frank Wilson Houston Chapter TSCPA
 Kenneth Schoppe Houston ISD

Carol Donnelly IRS
 Robert Estill IRS
 Shiela Ferguson IRS
 Jerry Hinson IRS
 John Jackson IRS
 John LeBeau IRS
 Ingrid Mathis IRS
 Sharon Warren IRS
 Evelyn Watson IRS
 Walter Winger IRS
 Mona Witson IRS

Muhammad A. Siraj Keller Williams Realty
 Thomas Oliver McGee, Wheeler & Co.
 Judy Chong MD Anderson Cancer Center
 Lynn Correa Ocean Energy, Inc.
 Michael Young PCR Systems
 Robert Pham Pham & Nguyen
 Don Rodney R&B Falcon Corporation
 Antonio Juarez Region IV Education Service Center

Everett Buck Rhett Buck CPA, Attorney
 Jane Healey Rice University
 Riaz Salam San Jacinto Methodist Hospital
 Brian Watson Service Corporation International

Glenn Wright Stephens Office Supply, Inc.
 Vivian Horne Tennero Business Services
 Gary Dullum Texas Comptroller of Public Accounts

Deborah McBride White Petrov McHone
 G.M. Barziza Self-employed
 Walter Bauer Self-employed

Theo Blue Self-employed
 Leah Cessna Self-employed
 John Childs Self-employed
 Tangie Cooper Self-employed
 Martha DeLaFuente Self-employed
 Lynn Embrey Self-employed
 Gerarld Hollinger Self-employed
 Sallie Johnson Self-employed
 Keith Kerr Self-employed
 Carolyn Lang Self-employed
 Stanley Lewandowski Self-employed
 John Manning Self-employed
 Ginger Nall Self-employed
 Curtis Nicks Self-employed
 Barbara Parrigin Self-employed
 Randy Pollard Self-employed
 Laurie Prall Self-employed
 E Vernelle Prather Self-employed
 Charles Quirk Jr. Self-employed
 Barbara Rauch Self-employed
 Sheila Root Self-employed
 Rose G. Rose Self-employed
 Harry Shepardson Self-employed
 Virginia Snider Self-employed
 Sandra Tedder Self-employed
 Gregory Vernon Self-employed
 Gregory Zissa Self-employed

Lubbock

Marion Bryant American State Bank
 Carol Self Beakley Garrett
 Donna Smith Beakley Garrett
 Sandra Bennett Bolinger, Segars, Gilbert & Moss

Celida Hernandez Diocese of Lubbock
 Beverly Cotton EnerGas
 Phillip Houchin Howard, Cunningham & Houchin

Sara Carleton Mason, Warner & Co.
 Mark Dickson Mason, Warner & Co.

Greg Freeman Mason, Warner & Co.
 Barbara Gilliam Mason, Warner & Co.
 Sherry Hightower Mason, Warner & Co.
 Karis Jesko Mason, Warner & Co.
 Karla Welch Oller Engineering
 Jana Gregory Plains National Bank
 Teresa McCord Pratas, Smith, & Moore
 Cindy Yanzuk Pratas, Smith, & Moore
 Carol Blackwell Robert Madden, Inc.
 Tony Riley South Plains College
 Frances E Grogan Texas Tech University
 Robert Picketts Texas Tech University
 Ben Trotter Texas Tech University
 Kim Turner Texas Tech University
 Richard Portwood TNM & O Coaches
 Billy Alexander Self-employed
 Michelle Hoblit Self-employed

San Antonio

Evelyn Vergara Brooke Army Medical Center
 Laura Burk Burk & Co.
 Bonita Warnell CDSA
 Sandra McDuffy David J. Bailey & Co.
 Diana Vasquez Frost Bank
 Jo Lynn Timmermann Mullins & Timmerman
 Nancy Stinson San Antonio Chapter TSCPA
 Myra Fitch Retired
 Glen Hartford Retired
 Thomas Marburger Retired
 Al Reiter Retired
 Edwin Sarrat Retired
 Roland Boysen Self-employed
 Ernie Bubenik Self-employed
 Gary Espinosa Self-employed
 James Lopez Self-employed
 Ted Meyer Self-employed
 James Odell Self-employed
 David Plemons Self-employed
 Ivan Schultz Self-employed

HELP WANTED

PROCTORS FOR THE
MAY 5-6, 1999
CPA EXAM

Call (512) 305-7851
 to volunteer

THE TEXAS STATE BOARD OF PUBLIC Accountancy has amended its ethics course rule, *Section 523.32*, to require that the Board-approved four-hour CPE ethics course on the Board's *Rules of Professional Conduct* must be taken by applicants for the CPA certificate before certification, rather than after certification, thus shifting the emphasis from already-licensed CPAs to CPA applicants. The complete text of the rule, the provisions of which will be effective September 1, 1999, is shown in its entirety below.

This action stems from the fact that eventually *all* licensees should have completed the four-hour ethics course, leaving those persons who have applied for

Board amends et

certification, but whose applications have not yet been approved, as the *only ones* who still need to take the four-hour ethics course. A licensee who has not completed the ethics course requirement may be subject to Board disciplinary action.

After a licensee has completed the initial four-hour CPE ethics course, the Board rule states that the licensee must take only a two-hour "refresher" course every three years thereafter. In amending *Section 523.32*, the Board is providing an

ethics course requirement tailored to impart an initial basic knowledge with an update course in a length appropriate to any changes in the Board's *Rules of Professional Conduct*. The focus of the ethics courses has changed to reflect the Board's philosophy that "ethics are what you do when no one is looking."

As more CPAs complete the four-hour course requirement, the course will become less available. Thus, the two-hour course will become the most acces-

SECTION 523.32. ETHICS COURSE.

(a) **General.** Licensees certified or registered prior to January 1, 1995 are required to successfully complete within three years of January 1, 1995 a board approved four-hour course of comprehensive study on the *Rules of Professional Conduct* of the board. A person certified or registered on or after January 1, 1995 shall report to the board the successful completion of the four-hour course within three years of the end of the initial license period. A minimum of two hours of instruction on the board's *Rules of Professional Conduct* must be taken by and reported on every third subsequent annual license notice.

(1) An individual certified or registered on or after September 1, 1999 must successfully complete and submit to the board proof of completion of the four-hour ethics course prior to being issued a certificate. Within three years of the end of the initial license period, the individual shall take and report completion of a board approved two-hour course. The two-hour course shall be reported on the annual renewal notice. Thereafter, a minimum of two hours on instruction on the board's *Rules of Professional Conduct* must be taken by and reported on every third annual license notice.

(2) A licensee granted retired, permanent disability, or other exempt status is not required to complete the ethics course described during their exempt status. When the exemption status is no longer applicable, the individual

must complete the ethics course as defined in *Section 523.32(a)* of this title (relating to *Ethics Course*) and report it on the license notice.

(b) **Course content and board approval.** Before a provider of continuing professional education can offer this course, the content of the course must be submitted to the continuing professional education committee of the board for approval. Course content shall be approved only after demonstrating, either in a live instructor format, or a computer-based interactive format as defined in *Section 523.1(c)* of this chapter (relating to *Formal Continuing Professional Education*) that the course contains the underlying intent established in the following criteria.

(1) The course shall encourage the certificate or registration holder to educate himself or herself in the ethics of the profession, specifically the *Rules of Professional Conduct* of the board.

(2) The course shall convey the intent of the board's *Rules of Professional Conduct* in the certificate or registration holder's performance of professional services, and not mere technical compliance. A certificate or registration holder is expected to apply ethical judgment in interpreting the rules and determining the public interest. The public interest should be placed ahead of self-interest, even if it means a loss of job or client.

(3) The primary objectives of a

continuing professional education ethics course shall be to:

(A) emphasize the ethical standards of the profession, as described in this section; and

(B) review and discuss the board's *Rules of Professional Conduct* and their implications for certificate or registration holders in a variety of practices, including:

(i) a certificate or registration holder engaged in the client practice of public accountancy who performs attest and non-attest services, as defined in *Section 501.2* of this title (relating to *Definitions*);

(ii) a certificate or registration holder employed in industry who provides internal accounting and auditing services; and

(iii) a certificate or registration holder working in education or in government accounting or auditing.

(4) An ethics course shall meet the requirements of the board's continuing professional education rules as described in this chapter (relating to *Continuing Professional Education*). Effective June 1, 1996, prior to offering and scheduling an ethics course, a sponsor shall:

(A) ensure that the instructor has completed the board's ethics training program at least every three years or as required by the board;

(B) ensure that the instructor's professional license has never been

ethics course requirement

sible. To decrease the burden on the new CPA applicants, the four-hour course may be taken on the Internet.

Each CPA (with the exception of one who is in retired or disabled status or who has been granted an exemption from the CPA requirement) must take an approved ethics course from a Board-registered sponsor. For a complete list of Board-approved ethics courses (both four-hour and two-hour), see the box at right.

suspended or revoked for violation of the *Rules of Professional Conduct*; and

(C) provide its advertising materials to the board's CPE Committee for approval. Such advertisements shall:

(i) avoid commercial exploitation;

(ii) identify the primary focus of the course; and

(iii) be professionally presented and consistent with the intent of *Section 501.43* of this title (relating to *Advertising*).

(c) **Evaluation.** At the conclusion of each course, the sponsor shall administer testing procedures to determine whether the program participants have obtained a basic understanding of the course content, including the need for a high level of ethical standards in the accounting profession.

(d) **Texas resident.** A certificate or registration holder who resides in the state of Texas may not take the ethics course via self-study but must take the ethics course in a live instructor format or in an interactive computer-based format.

(e) **Out-of-state resident.** A certificate or registration holder who does not reside in the state of Texas may take the course in either a live instructor format, a computer-based interactive format, a self-study format, or may write the board to request an exemption.

Board-Approved Ethics Courses

Course title: Personal and Professional Ethics for Texas CPAs

Instructor: Raymond Clay, Ph.D.

Sponsor: Texas Society of CPAs/CPE Foundation, Inc.

Course format: Classroom or computer-based interactive format (provided by Positive Systems, Inc.)

Class length: 2 and 4 hours

For information: (800) 428-0272 or (512) 338-4002

Course title: Ethics for CPAs in Industry and Texas CPAs: Doing the Right Thing

Instructor: Nita J. Clyde, Ph.D., CPA

Sponsor: Texas Society of CPAs/CPE Foundation, Inc. and Clyde Associates

Course format: Classroom

Class length: 2 and 4 hours

For information: (972) 387-8266

Course title: Ethics and the Texas State Board of Public Accountancy Complaints

Instructor: Richard M. Forrest, CPA, JD

Sponsors: Houston, Rio Grande Valley, and San Antonio Chapters of TSCPA

Course format: Classroom

Class length: 2 and 4 hours

For information: (713) 622-7733 Houston; (956) 541-1921 Rio Grande Valley; (210) 828-2722 San Antonio

Course title: Ethics for Texas CPAs

Instructors: Wayne A. Hayenga Ph.D., JD and W.N. Cargill, Ph.D., CPA

Sponsor: Texas A&M Extension Education Foundation

Course format: Classroom, Trans Texas Video Network, or Internet

Class length: 2 and 4 hours

For information: (409) 845-5446, (956) 326-2501,

or e-mail at cargill@tamiu.edu

Course title: Sorting through Ethical Dilemmas: An Ethics Overview

Instructor: Ken Reisor (team teacher with a CPA co-instructor)

Sponsor: Values Based Management, Inc.

Course format: Classroom

Class length: 2 and 4 hours

For information: (972) 997-8203, (214) 553-8255, or e-mail at vbm@airmail.net

Course title: Ethics in Accounting: The Texas Perspective

Instructor: Pricilla D. Slade, Ph.D.

Sponsor: Pricilla D. Slade

Course format: Classroom

Class length: 4 hours

For information: (281) 499-3489

NOTE: The AICPA's ethics course is not on this list because it is not an approved course to fulfill the ethics requirements of the Texas State Board of Public Accountancy. It is a non-technical course.

ENFORCEMENT ACTIONS

Disciplinary Actions

Respondent: Christopher G. Bleier (Houston)

Complaint No.: 97-07-19L

Certificate No.: 033584

Date of Board Ratification: 7/16/98

Disposition: The respondent is required to complete the following 24 additional hours of CPE before December 31, 1998: eight hours in SEC accounting, eight hours in basic auditing, and eight hours in GAAP. The respondent was denied the privilege of appearing or practicing before the SEC by an SEC order which found that the respondent's audits of the 1991 and 1992 financial statements were not conducted in accordance with GAAS and that the financial statements did not fairly present the financial position of the audited firm in conformity with GAAP. The respondent violated Section 21(c)(4) of the Act and Sections 501.22 (*Auditing Standards*), 501.23 (*Accounting Principles*) and 501.41 (*Discreditable Acts*) of the Rules.

Respondent: Dan Bourland (Bedford)

Complaint No.: 96-09-02L

Certificate No.: 017651

Date of Board Ratification: 9/17/98

Disposition: The respondent's certificate was revoked and he was assessed \$1,453.15 in costs. The respondent failed to meet deadlines to provide payroll tax information to his client, failed to timely deposit payroll taxes, failed to respond to client inquiries, and practiced public accountancy without a current license or a registered practice unit. The respondent violated Sections 8, 10, 21(c)(2), 21(c)(4), and 21(c)(11) of the Act and Sections 501.4 (*Practice of Public Accountancy*), 501.12 (*Integrity and Objectivity*), 501.21 (*Competence*), 501.40 (*Registration Requirements*), and 501.41(12) (*Discreditable Acts*) of the Rules.

Respondent: Basil Brown (De Soto)

Complaint No.: 98-02-02L

Certificate No.: 049848

Date of Board Ratification: 9/17/98

Disposition: The respondent's certificate was revoked through default judgment proceedings and he was assessed administrative costs of \$487.10. The respondent failed to timely or competently pre-

pare a corporate tax return for a client and failed to return client records. The respondent violated Sections 21(c)(4) and 21(c)(11) of the Act and Sections 501.32 (*Records*) and 501.41 (*Discreditable Acts*) of the Rules.

Respondent: James D. Byington (San Antonio)

Complaint No.: 96-10-03L

Certificate No.: 012416

Date of Board Ratification: 7/16/98

Disposition: The respondent's practice of public accountancy was limited by prohibiting him from performing audits and reviews until granted written permission from the Board. The respondent failed to meet industry standards in two audit reports for a Texas corporation in violation of Sections 21(c)(2), 21(c)(4), and 21(c)(11) of the Act and Sections 501.21 (*Competence*), 501.22 (*Auditing Standards*), 501.23 (*Accounting Principles*), and 501.24 (*Other Professional Standards*) of the Rules.

Respondent: Davis, Graves and Company (Houston)

Complaint No.: 96-09-07L

Registration No.: C03544

Date of Board Ratification: 7/16/98

Disposition: The respondent firm was required to obtain a quality review by a reviewer acceptable to the Board (with specific veto power) for the years 1998 if accepted by the TSCPA, 1999 and 2000 on or before January 31 of each year. If any of these quality reviews is qualified or adverse under AICPA standards for any reason, the respondent firm shall arrange for all of its governmental audits or work performed as agreed upon procedures to be reviewed by a reviewer designated by the Board before their issuance for one year from the time of the review. Walter Dean Davis, a shareholder of the respondent, is required to complete the following hours of CPE before a third party live instructor (24 hours in governmental auditing and eight hours in the area of financial statements disclosure and reporting). In addition, each licensee currently employed by the respondent firm must take sixteen hours of CPE before a live instructor in the field of government audits. These courses must be completed within six months of the agreed consent order's ratification by the Board. The re-

spondent failed to comply with portions of SAS 75 in regard to an agreed-upon procedures engagement in a report prepared for the Office of Inspector General of the U.S. Department of Health and Human Services in which the respondent evaluated certain financial and compliance activities of a non-profit association. The respondent violated Section 21(c)(4) of the Act and Section 501.22 (*Auditing Standards*) of the Rules.

Respondent: Michael Dubois (Orange)

Complaint No.: 97-07-21L

Certificate No.: 025727

Date of Board Ratification: 7/16/98

Disposition: The respondent agreed to a reprimand and to complete 36 additional hours of CPE before a live instructor within ninety days of the Board order. Of the 36 hours, sixteen must be in compilations and reviews, eight in financial statement preparation, four in ethics, and eight in corporate income tax. The respondent failed to maintain adequate working papers and failed to provide proper reconciliation between book and tax valuation in preparing corporate income tax returns. The respondent violated Sections 21(c)(4) and 21(c)(9) of the Act and Section 501.41 (*Discreditable Acts*) of the Rules.

Respondent: Sidney Ralph Gordon (Stafford)

Complaint No.: 97-12-07L

Certificate No.: 010760

Date of Board Ratification: 7/16/98

Disposition: The respondent entered into an agreed consent order whereby his certificate was suspended for two years, with the suspension probated on the condition that he pay all licensing fees within thirty days of the Board order and that he comply with all state and federal laws related to the practice of public accountancy. The respondent practiced public accountancy without a registered practice unit since 1990 in violation of Sections 8, 10, 21(c)(4), and 21(c)(11) of the Act and Sections 501.4 (*Practice of Public Accountancy*), 501.40 (*Registration Requirements*), and 501.41 (*Discreditable Acts*) of the Rules.

Respondent: Charles R. Gray (Dallas)

Certificate No.: 008123

Respondent: Charles Gray & Co. (Dallas)

Registration No.: C03446

Complaint Nos.: 95-08-39L and 95-08-40L

Date of Board Ratification: 9/17/98

Disposition: The respondent entered into an agreed consent order requiring him to:

(1) complete by December 31, 1998 an additional 24 hours of CPE focusing on accounting and auditing for nonprofit entities; and (2) engage a qualified person, to be approved by the Board, to conduct a pre-issuance review of all future audit working papers and audit reports until the respondent receives an unqualified quality review that is accepted by the Board. The respondent and his firm failed to satisfy GAAS and GAAP in the planning, execution, and reporting of the audit of a 401(k) profit sharing and trust. The respondent violated *Sections 501.22 (Auditing Standards) and 501.23 (Accounting Principles) of the Rules and Sections 21(c)(2), 21(c)(4), and 21(c)(11) of the Act.*

Respondent: Hollis, Huff & Co., PC (Houston)

Complaint No.: 97-11-08L

Certificate No.: C02086

Date of Board Ratification: 9/17/98

Disposition: The respondent accepted an agreed consent order in which: (1) the firm will accelerate the next quality review to the period ending March 31, 1999 by a reviewer acceptable to the TSR chairman, (2) the firm will obtain a pre-issuance review of all audits for one year following the date of the order by a reviewer acceptable to the TSR chairman; and (3) Mark E. Hollis and Keith D. Huff, partners in Hollis, Huff & Co., will complete 32 additional hours of CPE before a third-party live instructor before October 31, 1998 (eight hours in compilation and review, eight hours in governmental auditing, eight hours in basic auditing and eight hours in financial statement disclosure). The respondent failed to meet professional standards in reports prepared for a regional wastewater treatment plant. The respondent violated *Sections 501.41 (Discreditable Acts) of the Rules and Section 21(c)(4) of the Act.*

Respondent: John M. Murrell (Gainesville)

Complaint No.: 97-10-16L

Certificate No.: 034257

Date of Board Ratification: 7/16/98

Disposition: The respondent's certificate was revoked and he was assessed \$623.44 in costs. The respondent failed to return client records and failed to respond to client inquiries within a reasonable time in violation of *Sections 21(c)(4) and 21(c)(11) of the Act and Section 501.32 (Records) of the Rules.*

Respondent: David Newton Read (Houston)

Complaint No.: 98-04-09L

Certificate No.: 006006

Date of Board Ratification: 9/17/98

Disposition: The respondent entered into an agreed consent order in which he will receive a suspension for the length of his current criminal probation, such suspension being probated so long as the respondent: (1) complies with all laws related to the practice of public accountancy; and (2) provides the Board with copies of all evaluations and treatment reports generated during the criminal probation period. The respondent pled guilty to the felony offense of driving while intoxicated. As a result of the plea, the respondent was given four years probation along with other conditions. Such conduct constituted a violation of *Section 501.41 (Discreditable Acts) of the Rules and Section 21(c)(5) of the Act.*

Respondent: Miguel Sanchez (Houston)

Complaint No.: 97-05-18L

Certificate No.: 007488

Date of Board Ratification: 7/16/98

Disposition: The respondent's certificate was revoked and he was assessed \$1,010.95 in administrative costs. The respondent (1) prepared audited financial statements for a neighborhood association which failed to meet industry standards, (2) issued audited financial statements at a time when he did not have a registered practice unit to practice public accountancy, (3) represented that the financial statements he prepared were prepared in accordance with GAAS when they were not, and (4) failed to enroll in the quality review program, to obtain a quality review, and to report the results of a quality review to the Board. The respondent violated *Sections 8(f), 10, 21(c)(2), 21(c)(4), and 21(c)(11) of the Act and Sections 501.22 (Auditing Standards), 501.23 (Accounting Principles), 501.24 (Other Professional Standards), 501.41 (Discreditable Acts), 527.4 (Quality Review Program), and 527.6 (Reporting to the Board) of the Rules.*

Respondent: William B. Sanders (San Antonio)

Complaint No.: 97-11-07L

Certificate No.: 009679

Date of Board Ratification: 9/17/98

Disposition: The respondent entered into an agreed consent order whereby he is: (1) suspended for a period of one year, such suspension being stayed; and (2) required to complete 24 additional hours of CPE during the period of suspension (eight hours in financial statement presentation and disclosure, eight hours in

auditing and eight hours in forecasts and projections). The respondent was denied the privilege of appearing or practicing before the Securities and Exchange Commission (SEC) for nine months by an SEC order which found that the respondent's audits of a publicly held company failed to meet GAAS and GAAP. The respondent violated *Sections 501.22 (Auditing Standards) and 501.23 (Accounting Principles) of the Board's Rules and Sections 21(c)(4) and 21(c)(8) of the Act.*

Respondent: Donald F. Van Leeuwen (Grapevine)

Complaint No.: 94-11-11L

Certificate No.: 043654

Date of Board Ratification: 7/16/98

Disposition: The respondent's certificate was revoked and he was assessed \$1,499.40 in direct administrative costs. The respondent was convicted of theft and placed on two years' deferred adjudication. He vandalized a home from which he was evicted and practiced public accountancy without a registered practice unit. The respondent violated *Sections 21(c)(4), 21(c)(5), 21(c)(6), and 21(c)(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.*

Respondent: Harold L. Walsleben (Kerrville)

Complaint No.: 98-02-08L

Certificate No.: 012679

Date of Board Ratification: 9/17/98

Disposition: The respondent's certificate was revoked and he was assessed \$289.85 in costs. The respondent failed to provide the Texas Education Agency with access to his work papers for an audit performed for a school district and failed to respond to written inquiries from the Board. The respondent violated *Section 21(c)(4) of the Act and Sections 501.22 (Auditing Standards), 501.41 (Discreditable Acts), and 501.48 (Responses) of the Rules.*

Respondent: Donald G. White (Houston)

Complaint No.: 97-07-17L

Certificate No.: 043339

Date of Board Ratification: 7/16/98

Disposition: The respondent was issued a reprimand for failing to comply with GAAS. The respondent's practice of public accounting is limited by prohibiting him from performing audits. The respondent is also required to complete the following 24 additional hours of CPE before a third party live instructor on or be-

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Enforcement Actions

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fore September 30, 1998: eight hours in GAAP presentation of financial statements and sixteen hours in compilation and review. The respondent was denied the privilege of appearing or practicing before the SEC by an SEC order in File No. 3-9485 which found that the respondent's audits of the 1991 and 1992 financial statements were not conducted in accordance with GAAS and that the financial statements did not fairly present the financial position of the client in conformity with GAAP. The respondent violated *Section 21(c)(4) of the Act and Sections 501.22 (Auditing Standards), 501.23 (Accounting Principles) and 501.41 (Discreditable Acts) of the Rules.*

Respondent: Johnny Winfred Young (Lubbock)

Complaint No.: 98-03-03L

Certificate No.: 026375

Date of Board Ratification: 9/17/98

Disposition: The respondent entered into an agreed consent order whereby he would voluntarily revoke his certificate. The agreed consent order was offered based on the respondent practicing public accountancy while his certificate was administratively revoked, failing to timely file state tax returns, and failing to respond to client inquiries in violation of *Sections 8, 10, 21(c)(4), and 21(c)(11) of the Act and Sections 501.4 (Practice of Public Accountancy), 501.21 (Competence), 501.40 (Registration), and 501.41 (Discreditable Acts) of the Rules.*

Respondent: William Raymond Zweifel (Houston)

Complaint No.: 98-04-03L

Certificate No.: 034658

Date of Board Ratification: 9/17/98

Disposition: The respondent entered into an agreed consent order with the Board whereby he will receive a reprimand. The respondent entered into an agreed judgment of public reprimand with the State Bar Grievance Committee. Such conduct constituted a violation of *Section 501.41 (Discreditable Acts) of the Rules and Section (21)(c)(8) of the Act.*

CPE Actions

Respondents: TEXAS (Arlington) Plog, James Mark; Reisdorfer, Todd Alan; (Aubrey) English, Cynthia Ann; (Austin) Taylor,

Richard Warren; Zinsmeyer, Donna K.; (Colleyville) Standifer, Monty Ray; (Corpus Christi) Delano, Ricky Dale; (Dallas) Lauro, Richard Julius II; Pervenanze, Cindy Louise; Snyder, Daniel; (Farmers Branch) Yeung, Douglas Shingtack; (Flower Mound) Hamlett, Timothy Warren; (Frisco) Simmons, Thomas Howard; (Houston) Close, George Richard; Hackbarth, Steven Joseph; Judge, David Frederick; Kazmierczak, Diane Modianos; Perkins, Bobby Lane; Phelps, Larry Michael; (Kingwood) Harbour, Donald Hugh; (Lewisville) Milam, Robert Brandon Jr.; (Richardson) Waggoner, Paul David; (Shepherd) Dillon, Glennon Mark.

Complaint Nos.: 98-03-10084 through 98-03-10327

Docket No.: 457-98-0397.B

Date of Board Ratification: 7/16/98

Disposition: The license of each respondent was suspended for three years, or until the respondent complies with the licensing requirements of the *Act*, whichever is sooner. The respondents failed to report sufficient CPE credits under *Section 15A of the Act in violation of Section 15A of the Act and Sections 501.25 (Mandatory Continuing Professional Education) and 523.62 (Mandatory CPE Reporting) of the Rules.*

Respondents: MISSOURI Ball, Thomas Ray; TEXAS (Grapevine) Robledo, Alfredo; (Humble) Densford, Robert Earl Jr.; (Plano) Adame, Nicolas; Smeltzer, Mark Allen; (Round Rock) Mundy, Kim Elizabeth; (Rowlett) Devine, Robert James Jr.; (Wichita Falls) McBride, Patricia Margaret May.

Complaint Nos.: 98-04-10083 through 98-04-10165

Docket No.: 457-98-0728.B

Date of Board Ratification: 7/16/98

Disposition: The license of each respondent was suspended for three years, or until the respondent complies with the licensing requirements of the *Act*, whichever is sooner. The respondents failed to report sufficient CPE credits under *Section 15A of the Act in violation of Section 15A of the Act and Sections 501.25 (Mandatory Continuing Professional Education) and 523.62 (Mandatory CPE Reporting) of the Rules.*

Respondents: FLORIDA Schroeder, Richard Van; Billiot, Harry Willard Jr.; GEORGIA Hamilton, David Gary; TEXAS (Austin) Drummonds, Richard Owen; Gallardo, Anthony Eugene; Land, Diane Tipton; (Coppell) Kolker, James Michael;

(Cypress) Mcentire, Thomas Tyler; (Houston) Jackson, Tracy Lee; Kron, Carla Granstrom; Williams, Barbara Frances Clark; (Liberty Hill) Clopton, Kimberly Faye; (Lubbock) Doyal, James Clifford; (Manor) Shelton, Sidney Paschal Jr.; (Midland) Roye, James Paul Jr.; (Missouri City) Medlin, Wade Scot; (Roanoke) Bednarczuk, Sue Wadene; (San Antonio) Valdez, Javier Jr.; (Sugar Land) Chou, Louise Leh-Yi; Graham, Alan; (Temple) Riddle, Ada Marie Fuller; (The Woodlands) Schulz, Cary Burton. **Complaint Nos.:** 98-05-10067 through 98-05-10360 (CPE complaints) **Docket No.:** 457-98-1034.B

Date of Board Ratification: 9/17/98

Disposition: The license of each respondent was suspended for three years, or until the respondent complies with the licensing requirements of the *Act*, whichever is sooner. The respondents failed to report sufficient CPE credits under *Section 15A of the Act in violation of Section 15A of the Act and Sections 501.25 (Mandatory Continuing Professional Education) and 523.62 (Mandatory CPE Reporting) of the Rules.*

Respondents: CALIFORNIA Jacks, Keith Randal; TEXAS (Alpine) Bailey, Bishop Lyle Jr.; (Cypress) Sneed, Robert Wayne; (Dripping Springs) Beerman, Robert Brian; (Fort Worth) McCarthy, John Patrick; (Houston) Edwards, William Howard; Elkins, Mia Marchand; Knezeak, Brian David; (McAllen) Garza, Carlos Ireneo; (The Woodlands) Morrow, Samuel Roy III.

Complaint Nos.: 98-06-10092 through 98-06-10187

Docket No.: 457-98-1035.B

Date of Board Ratification: 9/17/98

Disposition: The license of each respondent was suspended for three years, or until the respondent complies with the licensing requirements of the *Act*, whichever is sooner. The respondents failed to report sufficient CPE credits under *Section 15A of the Act in violation of Section 15A of the Act and Sections 501.25 (Mandatory Continuing Professional Education) and 523.62 (Mandatory CPE Reporting) of the Rules.*

Licensing Actions

Respondents: ALABAMA Fonti, Raymond Henry Jr.; CALIFORNIA Newman, Leonard Martin; Hughes, Jean Ann; Kim, Wonjung Wendy; Murakami, Keith Haruichi; FLORIDA Burrell, Claude

Everett; **GEORGIA** Dickerson, Caryn Sue; Williams, Kay Lauer; Jordan, Marvin Wesley Jr.; Wilkerson, Russell Wayne; **ILLINOIS** Doyle, Amy Lytle; **KANSAS** Stephens, Brian Daniel; **KENTUCKY** Kennemer, Michael Lynn; Telle, Girard Owen; **LOUISIANA** Wren, Christine Marie; **MARYLAND** Wilson, Milton; **MINNESOTA** Osterberg, Nancy Gail Stribling; **MISSOURI** Daws, Koni Janine; **NEW HAMPSHIRE** Mullet, Arthur Haas; **NEW JERSEY** Sun, Teresa Shawping; Tesoro, Nancy Anne Rosplock; **NEW YORK** Neil, Julie Midori; **OHIO** Nichols, Dana Dianne; **TEXAS (Arlington)** Green, Gary Donald; Wallace, Larry Wayne; **(Austin)** Anderson, Russell F.; Gonzalez, Patricia; **(Bellaire)** Wills, Beverly Joyce Upton; **(Boerne)** Healey, Celia Ann Powell; **(Corpus Christi)** Wheeler, Robert Green; **(Dallas)** Brett, Dennis Richard; Coleman, Thomas Gabriel Jr.; Dodd, Stephen Francis; Hall, Bruce Arthur; Hasse, John William; Maddox, Martha Ruth; McDonald, Michael Louis; McGlachlin, Bradley Kent; Rourke, Kevin Paul; Sutton, Robert Campbell; Tate, James Henry; Thompson, John Wesley III; **(Fort Davis)** Fitzgerald, Patricia Karen; **(Fort Worth)** Anderson, Susie Elizabeth; **(Houston)** Dunn, Allen Kent; Hevey, Joann M.; Holley, Cecil Leon Jr.; MacKeprang, Kevin Dean; Oxford, Roderick Leroy; Smelser, Craig Alan; Westendarp, Robert Belden; **(Irving)** Williamson, Stephen Scott; **(Mesquite)** Fox, Kathleen Jane; **(Midland)** Wilcox, Bennie Harold Sr.; **(Pasadena)** Wingo, Judith Marie Schmaltz; **(Richardson)** Skiem, Craig Harold; **(San Antonio)** Wooldridge, William David Jr.; **(Spring)** Miller, Alan King; **(Sugar Land)** McKenna, Mary Antoinette; **WASHINGTON** Burghart, Jay Allan; Trinkwald, Allan Frederick.

Date of Board Ratification: 7/16/98

Complaint Nos.: 98-03-10001 through 98-03-10327

Docket No.: 457-98-0397.A

Disposition: The certificate of each respondent was revoked without prejudice until such time as the respondent complies with the licensing requirements of the Act. The respondents failed to pay the licensing fees and penalties required under Section 9 of the Act for three consecutive license periods. The respondents violated Sections 9, 9A, and 21 of the Act.

Respondents: **ARIZONA** Quint, Mary Jo; **AUSTRALIA** Kelly, Sharon Ruth Terwelp;

CALIFORNIA Burkholder, Thomas Lee; Cooper, Jack David; **COLORADO** Cookson, Theresa Lynne; Jagger, Herbert Michael; Thompson, Cathy Lankford; Watson, Arthur Dwayne; **FLORIDA** Campbell, Stewart James; Noyes, Patricia Marie Edwards; **LOUISIANA** Ball, Thomas Esrie; Prejean, Cary Andrew; **MICHIGAN** Dunleavy, Charles William; **NEW MEXICO** McLeod, Gary Douglas; **NEVADA** Magana, Sharon W.; **NEW YORK** Kirby, J.W. Jr.; **OHIO** Ritter, Robert Henry; **OREGON** Swez, Teresa Lynn; **REPUBLIC OF CHINA** Hsieh, Ying-Chih; **TENNESSEE** Hoppe, Brent Allyn; **TEXAS (Arlington)** Custer, Garry Owen; **(Beaumont)** Parigi, Rosario Charles; **(Bedford)** Gardner, Cecile Yvette; **(Dallas)** Holzer, Daryl Michael; Lyle, Harry Gene; Miller, Todd Noel; Pustmueller, Joel Jay; Severtson, Mark L.; Shabot, Robert Alan; Stanford, David Wayne; (De Soto) Allard, David Edward Jr.; **(Fort Worth)** Knight, John David; **(Garland)** Martin, Gary Winston; **(Houston)** Coward, William Clyde; Dalton, Jack Norman; Eby, Patricia Kay Sylvester; Lloyd, Cynthia Beatrice; McCreight, Curtis Wayne; Paris, Theodore William; Pillers, Virginia R.; Rich, Morton Lawrence; Rosseisen, Donald Robert; Sanjorjo, Patricio Masiga; **(Midland)** Culp, Timothy Graham; **(Missouri City)** Bush, Daryle Patterson; Kennamer, Delores Ann; **(Nacogdoches)** Atherton, Normah Jean Muller; **(Richardson)** Shelton, Stephen Craig; Sorrells, Becky Ann; **(San Antonio)** Kneese, Daniel Wayne; Roberts, Rodney Lyle; **(Spring)** Sloan, Karen Ann Kaasa; **UTAH** Benson, Heather Rust; Carter, Loneta Sue Coldiron; **WASHINGTON** Eliassen, Mark Gregory; **WYOMING** Meier, Scott Winsor.

Complaint Nos.: 98-04-10001 through 98-04-10082

Docket No.: 457-98-0728.A

Date of Board Ratification: 7/16/98

Disposition: The certificate of each respondent was revoked without prejudice until such time as the respondent complies with the licensing requirements of the Act. The respondents failed to pay the licensing fees and penalties required under Section 9 of the Act for three consecutive license periods. The respondents violated Sections 9, 9A, and 21 of the Act.

Respondents: **CALIFORNIA** McDonald, Jerry Van; **FLORIDA** Gonzalez, Jose Luis; **ILLINOIS** Goh, Helen; **LOUISIANA** Warren, Mary Ella; Hughes, Abner

Edwin; **MICHIGAN** Dowden, Elbert Olan; **MISSOURI** Goone, William Nathan; **NEW JERSEY** Letton, James Marshall III; **NEW MEXICO** Gregg, Steven McKinley; Kolb, Bethany Lynn; **OHIO** Taylor, Thomas Charles; **OKLAHOMA** Callihan, Ellen Marie; **TENNESSEE** Goff, Jacky Earal; **TEXAS (Austin)** Mermelstein, Michael Steven; **(Carrollton)** Hibbard, David Calvin; **(Carrollton)** Schneider, David Ray; **(Cleburne)** Price, Gary Lynn; **(Conroe)** Humphreys, William Preston; **(Dallas)** Clover, Charles Louis; Ribble, Renee; Vandivort, Clara Jo Frances; **(Flower Mound)** Bednarczyk, James L.; **(Houston)** Buszkiewicz, Carol Elizabeth Harz; Combs, Robert; Cook, Katherine Ann; Fajardo, Zenaida Geronimo; Lindsey, Margaret; Lynch, Lincoln Howard; Olson, Diane Marie; **(Lewisville)** Arthurs, Michael David; **(Lufkin)** Green, Keith Lamar; **(Midland)** Blazicevich, Richard Thomas; **(Missouri City)** Lorig, Sue Ann Connally; **(Plano)** Grattafiori, Cecil Jr.; **(Richardson)** Wall, Franze Mechelle Campbell; **(San Antonio)** Kiel, Douglas Brooke; Kurtz, Thomas Philip; **(Tyler)** Coody, Arby Wade Jr.; **VIRGINIA** Pursley, Anita Kay; Catchings, Benjamin Baird; McClintock, Randall Davies; Benson, Julie Lucel.

Complaint Nos.: 98-05-10001 through 98-05-10066

Docket No.: 457-98-1034.A

Date of Board Ratification: 9/17/98

Disposition: The certificate of each respondent was revoked without prejudice until such time as the respondent complies with the licensing requirements of the Act. The respondents failed to pay the licensing fees and penalties required under Sections 9, 9A, and 21(c) of the Act.)

Respondents: **ALABAMA** Davis, Mary Farrington; Hall, Thomas Alex; **ARKANSAS** Campbell, Mark Steven; Fair, Christopher Paul; Grace, Charles Barnett; **CALIFORNIA** Phillips, Garry Lee; Williams, James David; **COLORADO** Stinnett, Susan Elizabeth; Smith, Richard Kenneth; **FLORIDA** Szeltner, Elizabeth Hope; Gambardella, John Andrew; **GEORGIA** Smith, Kevin Fleming; Bowling, Terry Lynn; **ILLINOIS** Caldwell, Kimberly J.; Waldo, Barry Brandon; **INDIANA** Wilson, William Derrick; **KANSAS** Clary, Luther Alonzo; Blevins, Richard Allen; **LOUISIANA** Moore, John Allen; Porter, Kristina Mikes; Bassemier, David Michael;

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Texas State Board Report

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TEXAS STATE BOARD
OF PUBLIC
ACCOUNTANCY

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Opinion

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an account fully insured by SIPIC not involving a margin account with discretion on the part of the support company or its affiliates.

- Neither the support company nor its affiliates may prepare research reports concerning an attest client.
- There can be no beneficial ownership by the support company of the attest client's securities other than through mutual funds not managed by the support company.
- Neither the support company nor its affiliates may provide personal trust services for attest clients whose financial statements are required to be filed with the Securities and Exchange Commission, the Commodities Futures Trading Commission, or another regulatory body.
- Neither the support company nor its affiliates may provide financial planning for SEC attest clients.
- Neither the support company nor its affiliates can provide bookkeeping, record keeping, accounting systems, payroll services, or qualified and non-qualified plan administration for SEC attest clients. The support company must assist the CPA firm in complying

with the Board's quality review requirement. Specifically, employees of the support company must be adequately trained and supervised and made available for any action required or recommended by a reviewer of the CPA firm. Neither the CPA firm nor the CPAs may give or receive (either directly or indirectly) commissions, contingent fees, or referral fees except as permitted by Board rules.

In conclusion, the relationship between the CPA firm and the support company implicates many different aspects of the *Act* and the Board's rules. The public interest, as specified in the *Act*, determines how the Board regulates the practice of public accounting in Texas. That interest is served when the professionals certified by the Board are uniquely competent to exercise sophisticated judgment on complex financial matters by virtue of meeting high standards for ability, integrity, and education. That interest is served when those professionals offer their ability and integrity to the public through entities and practices free from commercial exploitation.

The opinion letter is intended to provide guidance to the public. It does not constitute rulemaking by the Board, and it may not be relied upon to create a right or benefit, substantive or procedural, enforceable at law or in equity, by any person. The Board may take action at variance with this guidance. ○

Enforcement Actions

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Hunter, Richard Joseph; Ball, Suzanne Rucker; **MARYLAND** Williams, Timothy Charles; **MICHIGAN** Kauffman, Samantha Jordan; **NEW JERSEY** Norton, Patrick Joseph; **OKLAHOMA** Lingle, Kenneth Harry; **OREGON** Allen, David Miles; **REPUBLIC OF CHINA** Lee, Jung-Lin; **TENNESSEE** Barrett, Myra Camile Rytting; **TEXAS (Arlington)** Copeland, Walter Bernard; **(Austin)** Kaberline, Eugene; **(Azle)** Murray, Robert Kistler II; **(Boerne)** Tschoepe, Paul Baumli; **(Carrollton)** Morrow, Shelli Ann; **(Dallas)** Hilliard, Brent Allison; Kuykendall, Patricia McCraw; Long, Bruce Allen; McFall, Mark Russell; McInnis, Sally Louise Neely; Tassell, Michael Warren; **(Dumas)** Hutches, Douglas Don; **(Farmers Branch)** Beach, William Newell Jr.; Van Steenberg, Steven L.; **(Friendswood)** Willis, Johnny Dean; **(Georgetown)** Graves, Billy Frank; **(Houston)** Cantrell, Curtis Ray; Crochet, Cynthia Farris; Daniels, Thomas Towle; Fowler, Clyde Mitchell; Hamilton, William Mark; Inman, Anthony Joseph; LaFollette, Dan Russell; Ledbetter, James Bradley; Staats, Frank George; Vaughan, George William III; Womack, Troy Arnold; **(Irving)** Langston, Kimberly Michelle; **(Kingwood)** Owen, Ted Warren; Whalen, Robert Paul; **(New Braunfels)** Henry, Gary Lynn; **(Plano)** Janacek, Jimmy Wayne; Popkess, Jo Ann; Yeh, Kwao Hsiung; **(Port Arthur)** Hamill, Nancy Lynn; **(San Antonio)** D'Antonio, Linda Lee; Hale, William Maxwell; **(Silsbee)** Heathman, Lynn Doyle; **(Spring)**

Smith, Mark Thomas; **VIRGINIA** Richardson, Genae Marchette; **WASHINGTON** Hetzler, Peggy Marie.

Complaint Nos.: 98-06-10001 through 98-06-10091
Docket No.: 457-98-1035.A

Date of Board Ratification: 9/17/98

Disposition: The certificate of each respondent was revoked without prejudice until such time as the respondent complies with the licensing requirements of the *Act*. The respondents failed to pay the licensing fees and penalties required under *Section 9* of the *Act* for three consecutive license periods. The respondents violated *Sections 9, 9A, and 21c* of the *Act*.

Respondents: **TEXAS (Alpine)** Bishop L. Bailey Jr.; **(Cedar Hill)** Leslie Howard Wallace; **(Fort Worth)** Glen Edson Smith; **(Fort Worth)** Hecht & Jones, PC; **(Garland)** Kenneth Ramey; **(Gonzales)** Larry D. Finch; **(Houston)** Gordon G. Smith, PC; Lawrence M. Adler; Lindsay Vachel McWilliams; **(Irving)** David H. Holcombe; **(Jasper)** Roy Wayne Isom; **(Laredo)** Jorge Guadalupe Salazar; **(Lufkin)** Rebecca A. Luce; **(Plano)** Kimberly H. Morton; **(Waco)** Jamie L. Anderson, PC.

Complaint Nos.: 98-06-10206 through 98-06-10279
Docket No.: 457-98-1035.D

Date of Board Ratification: 9/17/98

Disposition: The certificate of each respondent was revoked without prejudice until such time as the respondent complies with the licensing requirements of the *Act*. The respondents failed to complete the renewal of their licenses in violation of *Section 515.1 (License)* of the *Rules*. ○

BITS & PIECES

AMONG THE HIGHLIGHTS OF THE NOVEMBER 14, 1998 SWEARING-IN CEREMONIES WAS the tribute to the 36 CPAs who have maintained their licenses since 1948.

Larry B. Stitt from Amarillo attended the ceremony in Arlington, as did Robert B. Struwe of Boise, Idaho and his brother, Charles E. Struwe of Garland. [Charles Struwe was actually certified in 1944, but

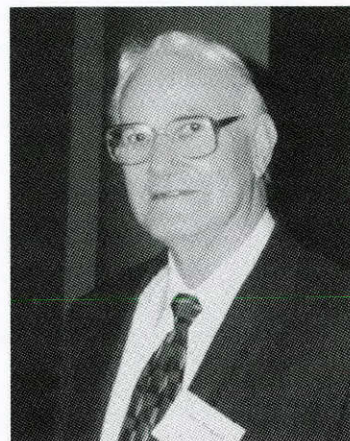


Board members Lou Miller, Gwen Gilbert, and Janet Parnell posed with fifty-year honorees Oscar E. Reeder, Robert B. Struwe, Charles E. Struwe, and Larry B. Stitt at the Arlington swearing-in ceremony.

he was unable to attend the June 1998 ceremonies when the Board first recognized individuals who had been licensed for fifty or more years.] Also present was former Board chairman Oscar E. Reeder of Scroggins. Attending the ceremony in Houston was Travis G. Howard of Houston. The Board gave the following fifty-year licensees a certificate of recognition:

FLORIDA Thomas, David A.; **IDAHO** Struwe, Robert; **ILLINOIS** Bohne, Carl J.; **NEW MEXICO** Hagelstein, Mary; **TEXAS (Abilene)** Huff, Norman L.; Wright, Robert J.;

(Amarillo) Stitt, Larry B.; **(Burton)** Evans, James E.; **(Canyon Lake)** Rogers, Marvin W.; **(Corpus Christi)** Doughty, Samuel P.; Brunken, John E.; **(Dallas)** Einsohn, Felix; Lasater, William J.; Rucker, Guy W.; Wofford, Clinton J. Jr.; **(Fort Worth)** Ray, Hilton T.; **(Houston)** Culwell, Don A.; Dunn, James F. Jr.; Gregory, Merrill V.; Howard, Travis G.; Jones, James G.; Lothman Lester T.; Mackey, William S.; McGee, Creath M.; Newmann, Fred W.; Rodgers, Thomas L.; Schoenemann, Oswald M.; Thompson, Clark W. Jr.; Zubrod, George E. Jr.; **(Kilgore)** Habenicht, Harold G.; **(Pearland)** Pearce, Paul; **(Plano)** Field, Oliver F.; **(San Antonio)** McAtee, Robert H.; **(Scroggins)** Reeder, Oscar E.; **(Uvalde)** Crouch, Loyd M. ○



Travis G. Howard, who has been a CPA for fifty years, attended the Houston swearing-in ceremony on November 14.

Fifty-year licensees honored

CHRISTINE LYNN HOWARD OF SOUTHLAKE, TEXAS HAS WON THE AICPA'S ELIJAH WATT Sells gold medal for earning the highest score in the country on the May, 1998 Uniform CPA Examination. Approximately 70,000 candidates nationwide take one or more sections of the exam twice a year.

Howard, an employee of Ernst & Young, LLP in Dallas, is only the eighth Texas candidate to win the gold medal since the award's inception in 1924. She is a May 1998 graduate of the University of Texas at Austin.

The award is named for Elijah Watt Sells (1858 - 1924) who was active in the creation of the AICPA. A founding partner of Haskins & Sells (a predecessor to the international firm Deloitte & Touche), he became one of the first CPAs in 1896 under the provisions of a New York law, and he later qualified as a CPA in eight other states. ○

Texan wins gold medal

WE HAVE RECEIVED A NOTICE FROM THE POSTAL INSPECTION SERVICE RECRUITMENT coordinator for Texas and Louisiana who states that the Service is seeking CPAs in a hiring effort that will increase over the next two years. The Service is a federal law enforcement agency which does significant work for the U.S. Postal Service.

Interested persons should contact Trent Strasburg by e-mail at:

SMTP:TWStrasburg@uspis.gov

Postal Inspection Service needs CPAs

Board elects new officers

At its November 12, 1998 meeting, the Texas State Board of Public Accountancy elected its officers for terms to run from December 1, 1998 through November 30, 1999.

Jimmie L. Mason, CPA from Lubbock, was re-elected as the Board's vice-chairman, and Jerry A. Davis, CPA from Houston, was re-elected to a second term as treasurer. The Board elected Houston CPA Barbara J. Thomas as its new secretary.

K. Michael Conaway, CPA from Midland, will continue as Board chairman, as designated by the Governor.

Elected as at-large members of the Board's Executive Committee were Wanda R. Lorenz, CPA from Dallas; Janet Parnell, a public member from Canadian; and Edward L. Summers, Ph.D., CPA from Austin. ○

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