

AGENCY STRATEGIC PLAN

For the Fiscal Years 2013 – 2017

by

Texas State Board of Public Accountancy

<u>Board Member</u>	<u>Dates of Term</u>	<u>Hometown</u>
A. Carlos Barrera, CPA, Presiding Officer	09/12/07 – 01/31/13	Brownsville
James C. Flagg, PhD, CPA, Assistant Presiding Officer	05/28/09 – 01/31/15	College Station
David L. King, CPA, Secretary	09/12/07 – 01/31/13	Lago Vista
Everett R. (Ray) Ferguson, CPA, Treasurer	05/28/09 – 01/31/15	Abilene
Catherine J. Rodewald, Executive Board Member-at-Large	05/28/11 – 01/31/17	Dallas
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Rocky L. Duckworth, CPA	05/25/11 – 01/31/17	Houston
Jon R. Keeney	05/28/09 – 01/31/15	Taylor Lake Village
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Steve D. Peña, CPA	02/28/08 – 01/31/13	Georgetown
Thomas G. Prothro, CPA	05/28/09 – 01/31/15	Tyler
John W. Steinberg, CFE	09/12/07 – 01/31/13	Marion

Submitted June 22, 2012

AGENCY STRATEGIC PLAN

For the Fiscal Years 2013 – 2017 Period

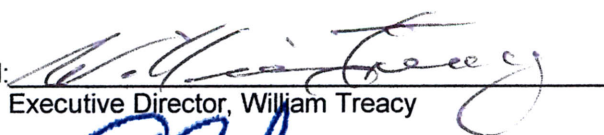
by

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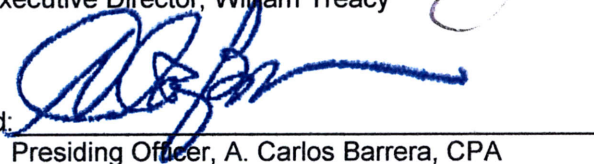
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Signed:


Executive Director, William Treacy

Approved:


Presiding Officer, A. Carlos Barrera, CPA

EXECUTIVE SUMMARY

The Texas State Board of Public Accountancy (the Board) is charged with administering the *Public Accountancy Act*, Chapter 901 of the Texas Occupations Code (West, 2007). The *Act* is administered in the public interest and involves the following areas of responsibility:

- Licensing and qualifications (examination, certification, licensing, registration, continuing professional education, sponsor review, fifth-year accounting student scholarship program, and peer review);
- Enforcement (investigation and prosecution of complaints);
- Public information/education; and
- Administration and support (executive, financial, information resources, and operating support).

The Board comprises 10 CPAs and 5 public members appointed by the governor to oversee the responsibilities of the agency. Public members have no financial affiliation with any organization regulated by the Board and provide a balance between the interests of the profession and those whom they serve.

The agency was among the first three to be designated self-directed, semi-independent as part of the *Self-Directed Semi-Independent Agency Project Act (SDSI)* effective September 1, 2001. Because of the success of the project, it has been extended through 2013. As the number of mandated activities and of new CPAs continues to rise, the agency makes more efficient use of technology and human resources to continue to provide a high level of service to its several populations—licensees, exam candidates, educators, and the general public—despite a 73% increase over the past 12 years in the number of licensed CPAs and CPA firms it regulates.

With the operational flexibility offered by its SDSI status, the Board is better able to respond to changing needs of the accounting profession while fulfilling its mandate of protecting the public interest. In recent years, the Board has expanded requirements for continuing professional education (CPE) for its licensees; instigated stronger ethics requirements for both exam candidates and licensees; strengthened its enforcement efforts; and had the ability to direct resources to prosecute major cases. The result has been a decrease in complaints and enforcement actions. A rigorous effort to pursue non-licensees engaged in the unauthorized practice of accountancy further protects the public, and a review program for CPE sponsors helps ensure that CPE offered to Texas licensees is of the highest quality. During its 2009 session, the Texas Legislature transferred responsibility for administering the Scholarship Fund for Fifth-Year Accounting Students from the Higher Education Coordinating Board to the Board of Accountancy, which has substantially enlarged the program in both the number and size of scholarships awarded. By Board rule, the agency now directs enforcement penalties to the scholarship fund to provide additional funding for the program.

Since April 2004, the Uniform CPA Examination has been administered in a computer-based format, and exam candidates can prepare for and take the four-part exam one or two sections at a time, which has resulted in consistently higher passing scores. The exam is available at Prometric testing centers nationwide and in selected international locations during four two-month testing windows each year. On January 1, 2011, a revised and reformatted exam was put into place to better address the challenges of a global economy.

Technological advances allow candidates to file eligibility applications and pay fees online through the TexasOnline ePay system and individual licensees to renew, review and update records, report CPE, and pay annual fees online. As an outreach effort directed at potential CPAs, the Board has produced a 12-minute video that explores potential accounting career paths and explains the licensing process for becoming a Texas CPA. It is available online for screening to accounting students and others.

U.S. practitioners have Mutual Recognition Agreements with licensees in Canada, Australia, Mexico, Ireland, Hong Kong, and New Zealand, which facilitates movement of practitioners across borders. Additionally, legislative action provides a “practice privilege” allowing CPAs and CPA firms licensed in states with substantially equivalent standards to practice temporarily in Texas without licensure or fees unless preparing financial statements or attestations. The Board continues to direct its efforts toward meeting the increasing demand for qualified CPAs in all sectors of the business world.

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VISION

MISSION

PHILOSOPHY

RELEVANT STATEWIDE FUNCTIONAL
GOALS AND BENCHMARKS

I. PLANNING FOR PROGRESS – The Statewide Strategic Planning Elements for Texas State Government

A. VISION

Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;

Investing in critical water, energy, and transportation infrastructure needs to meet the demands of our rapidly growing state;

Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;

Defending Texans by safeguarding our neighborhoods and protecting our international border; and

Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

B. MISSION

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high . . . we are not here to achieve inconsequential things!

C. PHILOSOPHY

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

D. RELEVANT STATEWIDE FUNCTIONAL GOALS AND BENCHMARKS

1. Relevant Goal

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards,
- Ensuring compliance,
- Establishing market-based solutions, and
- Reducing the regulatory burden on people and business.

2. Relevant Benchmarks

- Percentage of state professional licensee population without documented violations
- Percentage of documented complaints to licensing agencies resolved within six months
- Percentage of individuals given a test for licensure who received a passing score
- Percentage of new and renewed licenses issued via Internet

TSBPA MISSION

TSBPA PHILOSOPHY

II. TSBPA MISSION

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

III. TSBPA PHILOSOPHY

The Texas State Board of Public Accountancy will maintain and enforce the highest standards of ethics, accountability, efficiency, and openness, leading the profession, nationally and internationally, in the development and enforcement of public policies relating to public accountancy. We approach our activities with a deep sense of purpose and responsibility, while always remembering that we exist to serve the public. The public and business community alike are guaranteed a balanced and sensible approach to regulation.

EXTERNAL/INTERNAL ASSESSMENT

IV. EXTERNAL/INTERNAL ASSESSMENT

A. OVERVIEW OF AGENCY SCOPE AND FUNCTION

1. Statutory Basis

The Texas State Board of Public Accountancy (the "Board") operates under the authority of the *Texas Occupations Code Chapter 901*, better known as the *Public Accountancy Act* (the *Act*). According to the *Act*, the terms "accountant" and "auditor" and derivations of those terms have an implication of competence in the profession of public accountancy on which the public relies in personal, business, and public activities and enterprises. To this end, the Board examines, certifies and licenses certified public accountants (CPAs) and restricts the use of these terms to its licensees.

Senate Bill 1438 was passed and signed into law in 1999, short titled as *Tex. Rev. Civ. Stat., Art. 8930 Sec. 4(c)* (West Supp., 2012), the Self-Directed Semi-Independent Project Act. Senate Bill 736, 77th Legislature, Regular Session (2001), resolved conflicts with other laws, and the agency became a self-directed, semi-independent agency effective September 1, 2001 (FY 2002). Some of the basic points of the *Act* are as follows:

- Reinvent government. Under this plan, regulatory agencies would be accountable to their stakeholders and charged with operating as a business.
- The Governor continues to appoint Board members and to designate the Board's presiding officer.
- The regulatory agency establishes the fees charged to cover all costs of its operations.
- Licensees (clients) continue to pay the costs of regulation.
- Sovereign immunity remains intact for enforcement and disciplinary functions.
- An agency under the program remains subject to the *Open Meetings Act* and the *Public Information Act*.
- Regulatory agencies in the project are removed from the cost of state government (appropriations).
- Applicable agencies continue to collect and remit the \$200 annual professional fee for the General Revenue Fund.
- Agencies continue to be audited by the Office of the State Auditor and pay the associated costs.
- Oversight agencies such as the Legislative Budget Board and the Governor's Office of Budget and Planning are relieved of budget oversight responsibilities and associated costs.
- Licensees (clients) become directly involved in evaluating the cost of operating the agency.
- The state budget size is reduced.
- The number of state employees on the state payroll is reduced.

Tex. Rev. Civ. Stat., Art. 8930 Sec. 4(c) (West Supp., 2012) allows the Board to continue operating as a self-directed, semi-independent agency until September 1, 2013.

2. Significant Historical Events

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

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

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

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

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

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

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

1951 The Texas Legislature amended the *Public Accountancy Act of 1945*. During the 1950s the Board stepped up its enforcement of the *Act* and the *Rules of Professional Conduct*, largely as a result of the failure of several Texas chartered insurance companies. With the statutory authority to do so, the Board began policing the profession for poorly prepared audits and financial statements referred by the State Securities Board, the Texas Education Agency, and the Texas Insurance Commission.

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

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

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

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

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

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

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

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

The Board began publishing a quarterly newsletter.

- 1981 The Board held its first central swearing-in ceremony for new CPAs.
- The Legislature amended the *Public Accountancy Act of 1979*.
- The amended *Act* gave the Board strengthened authority to maintain the security and integrity of the examination process.
- The Board initiated a continuing professional education requirement for all licensees in public practice.
- 1989 The Legislature amended the *Public Accountancy Act of 1979*, giving the Board expanded sanctions to include censure, probation, and limitation on the scope of practice.
- The amended *Act* also gave the Board the authority to deny an exam application, prohibit an individual from taking the examination for up to five years, or void a candidate's grades. The amendment also increased the educational requirement for CPAs to 150 college credit hours, effective September 1, 1997.
- The *Act* directed the Board to establish a quality review program by January 1, 1992.
- 1990 For the first time, the Board licensed practice units (each office of a CPA firm).
- 1991 The Board successfully completed its second Sunset review, resulting in the *Public Accountancy Act of 1991*.
- The 1991 *Act* authorized the Board to assess an administrative penalty of up to \$1,000 per violation against persons who violate the provisions of the *Act*, a rule, or an order issued by the Board.
- Examination requirements no longer allowed a candidate to write the examination during the last semester of college. The new *Act* also gave the Board the flexibility to administer the changes expected in 1994 to the Uniform CPA Examination format.
- The *Act* extended the continuing professional education requirement to all licensees, not just those in public practice.
- The Board began collecting fees for a fifth-year scholarship fund for qualifying students to help defray the costs associated with the *Act's* 150-hour education requirement.
- 1993 The Legislature amended the *Public Accountancy Act of 1991* to allow an enrolled agent to use any designation authorized by federal law or regulations for such enrolled agents.
- 1995 The Board implemented an annual birth-month license renewal system. This conversion to a staggered birth-month license renewal system from one in which all license renewals were due on December 31 streamlined the license renewal operation, resulting in greater efficiency because the staff's workload became evenly distributed over 12 months. At that time, a properly completed license notice was reviewed, entered into the computer, and a license printed and mailed within three days after its receipt in the Board office.
- The Board began requiring each licensee to complete four CPE hours in ethics every three years. Thereafter, each licensee was to complete a two-hour course every three years after the initial three-year reporting period. The course had to be pre-approved by the Board and cover in detail the Board's *Rules of Professional Conduct*. Instructors were now required to complete a training session on the Board's *Rules* prior to teaching the ethics course.
- After more than two years of extensive study and considerable input from the CPA population, the Board, in a 1995 landmark action, redefined the practice of public accountancy. The first in the nation of this type, the rules reflect the changing nature of the accounting profession as an increasing number of CPAs practice in non-traditional accounting firms. These rules created considerable interest and were closely monitored by other state boards of accountancy, professional accounting organizations, and such diverse employers of CPAs as banks, insurance companies, consulting services, software manufacturers, and law firms.

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

1996 The Board began processing administrative complaints on a monthly basis. These administrative complaints result from the violation of basic licensing requirements in the following areas:

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

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

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

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

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

1998 The Board began its first steps toward direct interaction with its client base and the public with the development of a website and an Internet presence.

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

The Texas Legislative Council recommended that the *Public Accountancy Act* be codified and moved to Chapter 901 of the Texas Occupations Code (West, 2001). Although no substantive changes were made, language, punctuation, and reorganization modifications made it necessary to rewrite the entire *Act*. Some of the changes included the following:

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

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

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

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

The Board implemented the Application of Intent used to evaluate educational background and moral character of an individual prior to applying to take a CPA examination. This document may be submitted on a year-round basis and while a candidate is completing educational requirements.

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

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

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

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

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

- The Board underwent Sunset legislation, and the agency was renewed until 2015.
- The *Act* was revised to accommodate computer-based testing in preparation for an April 5, 2004, implementation of a computer-based exam.
- Board committees were divided into two types: policy-making committees and working committees. Non-Board members were prohibited from serving on policy-making committees.

- A limit was set on a person's ability to renew a license. If the certificate holder is otherwise ineligible to renew, that person will be barred from public accounting while unlicensed.
- *Section 29* required the Board to study and report to the governor, lieutenant governor, and speaker of the House of Representatives regarding conforming state law and Board rules to the *Sarbanes-Oxley Act [SOX]*, the Government Accounting Office's audit rotation report, and related legislation. A task force was appointed to make the study and subsequent report.
- The following changes were made to the Board's enforcement powers:
 - Sharing criminal background information on licensees and exam candidates with other licensing and law enforcement agencies became easier.
 - Restitution was added to the Board's list of sanctions in disciplinary cases.
 - The Board's subpoena power was expanded.
 - The Board was authorized to order emergency suspensions without notice and hearings in cases of immediate threat to the public welfare.
 - The maximum penalty in disciplinary cases was raised to \$100,000.
 - The permanent injunction remedy was removed and replaced with a cease and desist order.

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

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

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

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

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

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

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

- 2006 On May 4, 2006, the Board began accepting online payments for exam eligibility applications through the TexasOnline ePay system. Candidates could apply for one to four sections of the exam through the online payment system. The Board also implemented firm license renewal on a staggered basis throughout the year to replace the former system, which required all firms to renew in December. Staggering firm renewal dates streamlines the process and leads the way for additional interaction with firms through the Internet.

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

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

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

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

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

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

The agency initiated a program to use "data mining" to identify persons in the unauthorized practice of public accountancy in Texas. Using information found on the internet enabled the Board to quadruple the number of non-licensees identified during its reporting periods.

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

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

In May the Board held its first educators conference in Austin, which provided a forum for accounting educators from across Texas to hear speakers and share mutual concerns. One of the results was to strengthen the Board's outreach program by making staff members available for presentations to accounting students in Texas colleges and universities, where they discuss licensing procedures and the larger agenda of protecting the public through enforcement of professional standards and the *Public Accountancy Act*. The Board is also developing an electronic presentation for use when personal visits are not feasible.

The Texas Board continues to be highly visible on the national and international stages through participation in the National Association of State Boards of Accountancy (NASBA), the American Institute of CPAs (AICPA), and other professional entities. A former Board presiding officer chairs NASBA's Board of Directors and past and current Board members serve in other NASBA and AICPA capacities. In November, NASBA presented its Lorraine P. Sachs Standard of Excellence Award to TSBPA Executive Director William Treacy for his outstanding leadership as a board executive since 1990. Mr. Treacy also has chaired NASBA's International Qualifications Appraisal Board for several years. Both staff and individual CPAs provided significant input into the updating and overhauling of the electronic Uniform CPA Examination, which will be launched on January 1, 2011.

The agency is also continuing the process of digitizing critical documents, forms, and applications to create a permanent image database.

- 2010 The Board initiated a program to identify foreign auditing firms performing audit services to companies registered as being headquartered in Texas. This practice violates Texas law and, as a consequence, the Board issued Cease and Desist Orders to the foreign auditing firms providing these services.

The agency began a project of imaging all exam candidate files and building a database of the records in an effort to preserve the data while reducing the volume of paper files stored in the Board's office and at the State Library. One FTE was added, with primary duties to prepare, image, verify, and maintain the records in the database.

In conjunction with NASBA, the Board developed a video about the Board and the process of becoming a Texas CPA. The video is available at no charge on the Board's website for use by accounting educators and students, as well as by the public. Development of the video was an outreach effort intended to inform accounting students and others of the many career opportunities available to CPAs.

The agency initiated rule review, in accordance with 2001.039 of the Texas Administrative Procedure Act, to determine whether rules needed to be updated and if the reasons for initially adopting the rule continue to exist. Rule review is expected to be completed in 2012.

- 2011 On January 1, 2011, the AICPA launched CBT-e (Computer-Based Testing-evolution) which is the collective name for the many improvements that were made to the electronic CPA examination. Examination sections were reorganized so that all written communication tasks are in one section. Time allocations were changed for two exam sections. Short Task-Based Simulations (TBS) replaced longer simulations. These changes were significant enough to require a reassessment and establishment of a new passing score process. CBT-e introduced International Financial Accounting Standards (IFRS) into the exam, as well as other content changes.

In August, NASBA, in conjunction with the AICPA and testing vendor Prometric, began offering the CPA exam internationally in Japan, Bahrain, Kuwait, Lebanon, and the United Arab Emirates. In 2012 test centers were to be established in Brazil, so that individuals in Brazil, Argentina, Venezuela, and Columbia could take the CPA exam at a closer venue. The opening of international test centers allows Texas residents working abroad to test at one of the international locations.

CPAs can now enter their CPE hours into the database throughout the year as they are earned rather than having to keep up with and enter them at license renewal time. This enables licensees to see at a glance how many more hours they need to fulfill the CPE requirement. The Sponsor Review Program is nearing completion of the second round of the three-year cycle of reviews of CPE sponsors, an effort begun to monitor and raise the quality of CPE offered to Texas CPAs. CPA reviewers handle about 250 sponsor reviews each year.

By rule, the Board was authorized to transfer all administrative penalties it collects to the Fifth-Year Accounting Student Scholarship Program.

3. Affected Populations

Because the Board's primary purpose is to serve the public, the populations most directly affected by the Board and its licensees are those individuals and organizations who:

- rely on financial information prepared or examined by CPAs;
- use the services of CPAs in public practice; and
- employ CPAs in their own organizations.

The populations governed by the Board include the following:

- examination candidates;
- individual licensees;

- accounting firms; and
- non-CPA owners of CPA firms.

In addition, the Board has a direct impact on the following:

- providers of continuing professional education;
- higher education institutions;
- other regulatory agencies;
- associations of accounting professionals;
- individuals interested in taking the CPA examination; and
- reviewers in the peer review and sponsor review programs.

4. Main Functions

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

a. Licensing and Qualifications

Evaluation – Under *Section 901.302 of the Public Accountancy Act*, the Board evaluates the education and moral character of individuals who desire to take the Uniform CPA Examination. The evaluation is completed throughout the year, and applicants are informed of education deficiencies they need to complete before applying to take the CPA examination.

Qualifications - The Board, in conjunction with the American Institute of Certified Public Accountants (AICPA), the National Association of State Boards of Accountancy (NASBA), and Prometric, offers the Uniform CPA Examination via computer on a year-round basis at Prometric testing centers throughout the state and elsewhere. Only applicants who were determined by the Board to be eligible to test may schedule and take the CPA examination. Eligibility is reassessed with each application submitted to the Board.

Certification - The Board certifies the following:

- applicants who have passed all sections of the Uniform CPA Examination in Texas and have met all other statutory requirements under *Section 901.252 of the Public Accountancy Act* for the CPA certificate in Texas;
- applicants who have passed all sections of the Uniform CPA Examination in another jurisdiction and transferred those sections to Texas under *Section 901.258 of the Public Accountancy Act* and have met all other statutory requirements under *Section 901.252 of the Public Accountancy Act* for the CPA certificate in Texas; and individuals licensed as certified public accountants in other jurisdictions who wish to practice public accountancy in Texas and receive a Texas CPA certificate under *Section 901.259 of the Public Accountancy Act* (Certification Based on Reciprocity).

Registration - The Board requires registration of the following entities:

- professional corporations, partnerships, limited liability companies, registered limited liability partnerships, and sole proprietorships engaged in the practice of public accountancy;
- individuals qualifying under *Section 901.355 of the Public Accountancy Act*.

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

- certified public accountants;
- public accountants;
- individuals registered under *Section 901.355* of the *Public Accountancy Act*; and
- offices: professional corporations, partnerships, professional limited liability companies (PLLC), registered professional limited liability partnerships (PLLP), and sole proprietorships engaged in the practice of public accountancy.

Continuing Professional Education - CPAs are required to comply with the Board's requirements for mandatory continuing professional education.

Sponsor Review - The sponsor review program is charged with ensuring that CPE sponsors meet Board requirements and that the programs they offer provide high-quality continuing education that is in compliance with professional standards.

Peer Review - The Board has promulgated rules governing peer review and has implemented a program whereby the work product of persons in firms practicing public accountancy is measured for adherence to quality control standards adopted by practitioners and the profession.

b. Enforcement

Enforcement - When a licensee or other entity registered with the Board violates statutory provisions related to the practice of public accountancy or the *Rules of Professional Conduct*, the Board has the authority to revoke a certificate, suspend a license, refuse to renew a license or registration, or take other disciplinary action. The Board also has the authority to enforce specific statutory prohibitions against practicing or offering to practice public accountancy without a valid license. As a part of the program, it monitors violations with agency staff and Constructive Enforcement Advisory Committee (CEAC) members. The CEAC members are CPA volunteers who have been agency-trained to recognize violations of the *Public Accountancy Act*.

5. Qualifications of CPAs

Since the inception of the Board, the requirements for certification and licensure as a CPA have steadily become more stringent. As illustrated in the chart on the following page, an individual licensed in 1915 needed only one year of study in accounting. If the individual took the CPA examination, then only one year of experience was required. If the individual did not take the CPA exam, the Board required three years of experience. By contrast, an individual who desires to acquire the CPA designation today must now complete the "4Es":

Education - a minimum of a bachelor's degree and 150 semester hours of college credit, to include 36 semester hours of accounting and 24 semester hours of related business courses prior to taking the CPA examination.

Examination – take and pass all parts of the Uniform CPA Examination and an examination on the *Rules of Professional Conduct*.

Experience – complete one year of qualifying work experience under a CPA's supervision.

Ethics – complete a three-semester-hour, Board-approved, comprehensive college course on professional ethics and ethical reasoning.

The chart that follows reflects changes over the years in educational requirements for those wanting to qualify to take the CPA examination.

	EXAMINATION	EDUCATION						WORK EXPERIENCE
YEAR	Required (Yes/No)	Years of College Experience in Lieu of Work Experience	Total Semester Hours	Accounting	Other Business Hours	Ethics	Required Degree	Number of Years
1915	Y	1		n/a	n/a		None	1
1915*	N	1	n/a	n/a	n/a		None	3
1945	Y	n/a	n/a	20	10		Junior or senior college diploma	3
1945*	Y	n/a	n/a	n/a	n/a		High school diploma	4
1961	Y	n/a	n/a	Major in Accounting	n/a		Bachelor's degree	2
1961*	Y	2	n/a	n/a	n/a		None	6
1979	Y	n/a	n/a	30	20		Bachelor's degree	2
1979*	Y	n/a	n/a	30	20		Master's degree	1
1991	Y	n/a	n/a	30	20		Bachelor's degree	2
1991*	Y	n/a	n/a	30	20		Master's degree	1
1997	Y	150 college semester hours	n/a	30	20		Bachelor's degree	1
1997*	Y	n/a	n/a	30	20		Master's degree	1
2000	Y	n/a	150	30	20		Bachelor's or Master's degree	1
2001	Y	n/a	150	36	20		Bachelor's or Master's degree	1
2003	Y	n/a	150	36	20		Bachelor's or Master's degree	1
2005	Y	n/a	150	36	21	3	Bachelor's or Master's degree	1
2008	Y	n/a	150	36	24	3	Bachelor's or Master's degree	1

* Alternate requirements, as set forth in the applicable Public Accountancy Act.

B. ORGANIZATIONAL ASPECTS

1. Board Structure

The *Public Accountancy Act* provides for 15 Board members appointed by the Governor, with the advice and consent of the Senate, for six-year staggered terms. Board members are required to be citizens of the United States and residents of Texas. Board membership is structured in the following manner:

- 8 must be licensed CPAs who are in public practice at the time of their appointments to the Board;
- 2 must be other licensed CPAs who may or may not be in public practice at the time of their appointments to the Board; and
- 5 must be public members not licensed under the *Act* and not financially involved in an organization subject to regulation by the Board.

Each member of the Board receives \$30 for each day on which the member conducts Board business. The Board, by rule, may determine activities that constitute Board business. In addition, a Board member is reimbursed for actual and necessary expenses incurred in discharging official duties. Meals and lodging expenses are reimbursed in accordance with state guidelines.

Throughout its history, the Board has seen structural changes in its membership. The chart below summarizes these changes.

Membership	1915	1945	1951	1971	1979	1986	1991	1995	1997
CPAs in public practice	5	5	5	5	7	9	10	10	8
Public accountants	0	0	4	0	0	0	0	0	0
CPAs or public accountants in public practice	0	0	0	4	2	0	0	0	0
Public members	0	0	0	0	3	3	3	5	5
Other CPAs (no requirement to be in public practice)	0	0	0	0	0	3	2	0	2
Total	5	5	9	9	12	15	15	15	15
Length of term (in years)	2	2	2	6	6	6	6	6	6
Staggered terms (Yes/No)	N	Y	Y	Y	Y	Y	Y	Y	Y

Until 1951, all Board members were CPAs in public practice. With the registration of public accountants in 1946, the Board was obliged to provide for their representation on the Board. With the subsequent decline in their numbers, public accountants no longer serve on the Board.

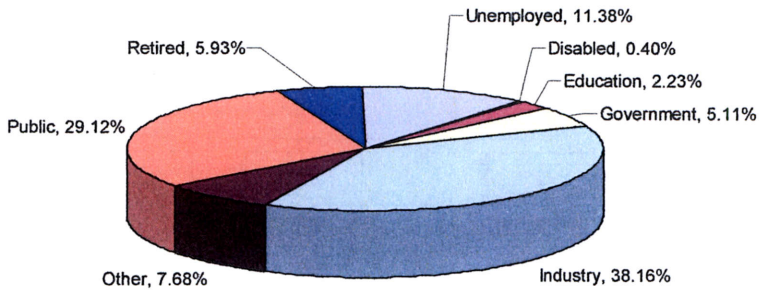
Two changes that have occurred since 1971 and which are still factors today are the need for public representation and representation of CPAs not in public practice (i.e., in industry, government, and education).

Public Representation

In 1979, the Legislature restructured the Board to emphasize its role as a licensing and public-oriented agency rather than a profession-oriented agency. Consequently, three public members were added to the Board to represent the public interest and serve as consumer advocates. In 1992, that number was increased to five, or one-third of the Board's total membership. The Board has carried this effort further by requiring (as stated in the *Act*) that at least one member of each of its enforcement committees be a public member.

Representation of CPAs Not in Public Practice

Over half of the Board’s licensees are employed in industry, government, and education. In 1989, three Board member positions were filled with individuals from these classifications. In 1992, an amendment to the *Public Accountancy Act* converted one of these slots and one of the CPA positions to public member positions. The *Act* requires eight of the 10 CPA positions to be filled by licensees in public practice at the time of their Board appointments. The following chart indicates the current representation of CPAs practicing in Texas.



Board Committee Structure

The Board uses a committee structure to assist in the performance of its duties. The policy-making committees consist entirely of Board members. The working committees consist of two to five Board members plus non-Board members who can bring a particular expertise to the committee. All committee members are appointed by the presiding officer of the Board. The committees do not have binding authority, but make recommendations to the full Board and Executive Director.

Board committees. Significant among the changes to the *Act* in the 78th Legislature (2003) was an amendment requiring the Board to separate its policy-making functions from the Board staff’s management functions. Along these lines, Board committees are divided into two types:

- **Policy-making committees** are defined as those that assist the Board in formulating policies, drafting rules, setting budgets, representing the Board, and performing oversight duties to administer the *Act*. Only Board members may sit on policy-making committees. These committees are:

Executive Committee

Rules Committee

- **Working committees** are those that assist the Board in carrying out functions such as enforcement, examination, and licensing matters. Non-Board members are full voting members of working committees. The previously mentioned prohibition on membership or affiliations also applies to non-Board working committee members, who must comply with the financial disclosure requirements applicable to Board members.

This provision also defines when a non-Board member is prohibited from holding a position on a working committee. A licensee who was disciplined by the Board is prohibited from serving on an enforcement committee. The *Public Accountancy Act* requires that all enforcement committees have at least one public Board member. The following are the Board’s standing committees:

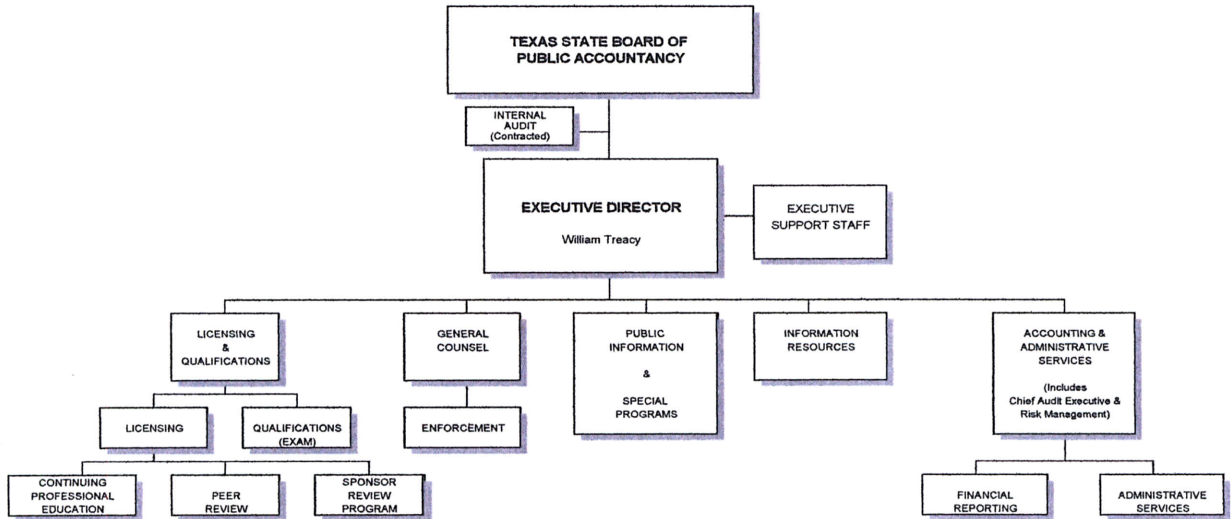
Licensing
 Peer Review
 Peer Assistance Oversight
 Constructive Enforcement

Technical Standards Review
 Behavioral Enforcement
 Continuing Professional Education
 Qualifications

2. Agency Structure

The agency staff is organized along functional lines, as shown below:

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
 ORGANIZATION CHART**

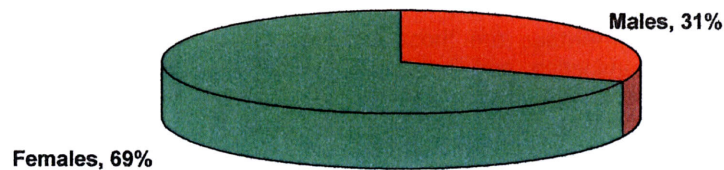


The executive director reports directly to the Board and manages the activities of the various divisions. The agency utilizes management by objectives, allocating resources to those tasks deemed highest in priority to ensure that objectives are met in a timely and efficient manner.

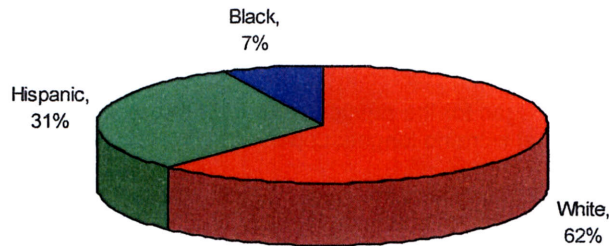
Size and Composition of Workforce

The TSBPA has a workforce of 42 full-time employees, of whom 41 (98%) are in classified positions and one (2%) is exempt. The following charts show the EEO composition of the Board staff as of December 31, 2011.

Gender



Ethnicity



Human Resource Strengths and Weaknesses

The Board estimates that administrative complaints processed will number approximately 3,500 in 2012. These complaints are initiated by the licensing, peer review, and continuing professional education staff members, who monitor all licensees for compliance with the *Act* and Board rules.

In 1990, the enforcement staff of seven processed 279 disciplinary complaints and 2,539 administrative complaints. In 2011, the enforcement staff of six processed 536 disciplinary complaints and 2,781 administrative complaints. The increase in workload has been managed, to date, with a smaller staff and increased efficiencies in caseload management. These increases affect not only the particular functional areas, but all administrative support functional areas as well. For example, any increase in population – whether in licensees or the number of complaints or the number of licensee and non-licensee written, email, and telephone inquiries–increases the amount of mail processed, the number of entries required on the Board’s automated tracking systems, and the amount of revenues and expenditures recorded.

Historically, the Board has had difficulty recruiting and competing with other state agencies and private industry for qualified applicants because of low pay rates and a lack of clerical positions in higher classifications as incentives for advancement. Generally, the Board has been able to hire applicants with the minimal requirements for entry-level positions, but some stay only a few months before accepting higher paying jobs elsewhere or accepting another job elsewhere before ever reporting to work at the Board.

With the implementation of SDSI, the Board’s management has had the flexibility to exercise its authority and to manage workforce issues within the parameters of general state government guidelines. SDSI offers the opportunity to apply a more business-like approach to the management of the agency because it can allocate resources where they are most needed in order to build a staff that better serves the public and the CPA population. To that end, the Board has reclassified some positions and is offering more opportunities for cross-training and career advancement.

Capital Asset Strengths and Weaknesses

Since the first automation of the Board’s activities, the computer systems at the Board have been a core component of the daily operations and thus a very valuable asset to the State. These computer systems maintain an enterprise database of over 164,244 licensees, 50,185 exam candidates, and 91,700 enforcement complaints where each year millions of dollars in fees and penalties are processed and thousands of client and Board activities are tracked. State-of-the-art methods of analysis and design are used to create and maintain an enterprise database and systems that are simple, secure, and functional.

Changes in the Board’s status as a result of the *Self-Directed Semi-Independent Project Act* have meant the Board can effectively use all its resources to complete, on schedule, projects that result in systems that are stable, secure, and maintainable. The Board has been able to operate as a business, successfully combining internal and external resources as needed. Prior to the Board’s change in status, lack of funding and a tedious procurement process meant the Board’s resources

were engaged in maintaining old equipment and software, and critical resources could not be used in the design and development of systems. While continuing to be fiscally conservative in the purchase of equipment and services, the Board has been able to expand the benefits of information technology to an ever-expanding client base. A look at the history of computer-related activities follows.

1980 The Board completed the automation of its major activities on a Texas Instruments/990 minicomputer.

1985 Planning began for the replacement of TI/990, which was aging, offered little data security, had components that were no longer supported by the original vendor, and had no upgrade path.

1989 The Board purchased an IBM AS/400 computer with a token-ring local area network connecting PC work stations and shared network printers with the host.

IBM PS/2 model 30s and 70s were purchased as workstations on the ring. The remainder of the PC work stations were IBM PC ATs and compatibles purchased prior to the AS/400 purchase.

Microsoft WORD and Lotus 123 for the DOS operating system were installed as the agency-supported PC software packages.

1992 PC software packages were upgraded to a current release for the DOS operating system.

1994 A minimal upgrade on the enterprise server was completed to another model line as the original line would no longer be supported by the vendor. Twelve PC workstations were replaced.

1996 The Board replaced five PC workstations, but continued to use outdated PC software, and 24 staff members were still using PC workstations that were purchased in 1989 when the AS/400 was purchased.

1997 The Board connected to the Internet and set up an initial home page and email.

The Legislature recognized the rapidly deteriorating hardware and software at the Board and authorized funding for replacements.

1998 The enterprise server was upgraded and the enterprise system laser printer was replaced. Processes that had taken two days to complete were reduced to half a day to complete.

The 24 remaining IBM PS/2 model 30s and 70s were replaced, allowing the Board to upgrade to current PC operating system and office automation software.

1999 The Board replaced 12 PCs that were unable to run critical PC software. As an example, these machines were unable to run the latest anti-virus software.

2000 Soon after the installation of the Board's first Internet server and home page, the Board began planning for the replacement of the Internet server. As the Board looked to inclusion of information from the enterprise database and the need to keep designs simple, plans were finalized for the purchase of an Internet server that would have the same operating system and database structures as the enterprise server. The Board was finally able to issue a purchase order in December, eight months after the request for bids was issued.

Also in late December, after months of making requests, the Board's Internet connection was upgraded to a connection to the capital network. This connection meant that the Board could make further enhancements to the information offered through the home page.

2001 After connecting to the capital network, the Board was able to enhance customer service by installing the Callwise telephone monitoring system offered by the State. Two new PC workstations were installed to administer the Callwise system.

After installation of the Internet server, the Board was able to complete the first stage of its design to make information from the enterprise database available on the home page. During the installation, two new PC workstations were installed for administration of the network and the Board's site. The Board began offering to the public a general search of the database for licensed individuals, licensed firms, and sponsors of continuing professional education. Also, individual licensees and firms could enter a secure area of the site and check the information maintained by

the Board that directly affects whether a license would be issued. In addition, the Board implemented the initial part of its plan to collect information online by the inclusion of an online contact update function.

In the fall, the Board began meeting with TexasOnline to design a process to allow the payment of fees online.

In September 2001, the Board began implementing the provisions of the new *Act*. The new *Act* added to the requirements for collecting and processing fees and for registering and processing entities. To support these new processing requirements on the host AS/400, additional memory and disk drives were installed.

2002 The Board was able to upgrade PC hardware and software with the replacement of 37 PCs and the addition of an IBM XSeries 342 PC server. The PC server has allowed required upgrades to the Board's accounting package and has improved the management and security of the Board's PC workstations.

2003 The Board continued to plan for online payment of fees. The Board began converting systems to manage activities related to the start of computer-based testing (CBT) in 2004. Revisions to systems to manage CBT are based on activities that will occur daily instead of twice a year. Included in the new design were the ability to accept exam application fees and critical information online and the ability to present status information to the exam candidate online.

2004 The Board continued to plan for increased interaction with its client base through the Internet. The Board staff completed a total revision of systems to support CBT activities. Board systems were changed to send and receive information about CBT activities with the National Association of State Boards of Accountancy (NASBA) on a daily basis.

The Board made a strategic upgrade to its enterprise server and upgraded system laser printer hardware to support evolving printer requirements. As workstation standards stabilized, the Board began replacing stations as needed, as a routine event.

2005 The Board began to focus on enhancements to the presentation of all types of information through the Internet. Enterprise and Internet systems were integrated so that detailed information on the examination process could be presented to exam candidates online. The information presented allows the candidate to view qualification information, exam application and processing information, and exam grade information. Systems have been integrated to keep candidate information secure while effectively serving the client base. A combination of methods of communication with the candidate was developed to best serve all sections of the exam client base.

Access to information on all aspects of the CPA qualification process was added. Detailed information for educators was also made available. Detailed status information on licensees was added to serve the public better. The information includes employment information and comprehensive enforcement information about licensees.

To further secure the process of taking the CBT exam, the Board began issuing ID cards to each candidate to be used to gain entrance to an exam site.

The Board began design and development changes to enterprise and Internet systems that would allow candidates to apply online to sit for the Uniform CPA Examination.

2006 The Board began allowing candidates to apply online to take the Uniform CPA Examination. The Board worked with TexasOnline and the Comptroller of Public Accounts to automate all aspects of the online fee payment process.

During the 2006 renewal cycle, the Board began the transition to year-round firm licensing. Before mailing renewals, each firm was assigned a "renewal month," which determined the number of months billed and also identified the month in which future license renewals would be due. Firms were billed for 13 months to 24 months depending on the renewal month assigned, and fees were prorated based on the number of months in the license period. The year-round renewal process has meant the Board can function more efficiently as workloads are distributed throughout the year. Conversion has moved the Board the first step toward realizing an online renewal process for firms.

2007 The Board made changes to systems to support changes in the Act. System revisions were completed to support processing for a "practice privilege" for out-of-state firms and individual licensees.

Legislation effective September 1, 2007, created a "practice privilege" for CPAs and CPA firms licensed in a substantially equivalent state to temporarily practice in Texas without licensure in Texas. CPAs who qualify for the practice privilege are not required to provide notice or to pay a fee prior to practicing in Texas in person or by mail, telephone, or other electronic means.

If, however, an out-of-state CPA who qualifies for the practice privilege intends to prepare a financial statement in accordance with Statements on Auditing Standards, Standards for Attestation Engagements, or an engagement in accordance with standards of the Public Accounting Oversight Board, the CPA is required to perform the service through a firm licensed in Texas.

In May, the Board began allowing individuals to complete the annual license renewal online. During the online renewal process, individuals can enter all requirements for licensing, including continuing professional education hours. The Board worked with TexasOnline and the Comptroller to complete the process.

In October 2007 the Board replaced its IBM AS/400 enterprise and Internet servers with an IBM iSeries that is partitioned into two logical servers that work together to balance processing needs. This replacement was necessary to allow continued Internet development.

2008 In January the Board installed a Barracuda web filter and email spam filter. These filters were critical to securing the Board's systems as the Board extended Internet access to all staff. The email spam filter has been able to block the extensive volume of unwanted and unsecured email.

In April the Board replaced its website to allow the integration of additional information and systems for the public and the accounting profession.

In July the Board completed a server reconfiguration of its Windows servers. The conversion created an environment of virtual servers where resources can easily be allocated to support expanding functions. The infrastructure upgrade was needed to replace aging servers and to create an infrastructure that is secure and will support a functional imaging system. During the upgrade, the email system was changed to Exchange Server to allow expanded email functionality and security.

In November the Board began sending email notification to exam candidates instead of sending notification by regular mail. Within months email notification has almost completely replaced the traditional paper notification for all types of letters that contain status and warning information. Exam candidates have responded very favorably.

The initial documents were added to the Board's imaging system in December when scanning began on information related to exam candidate qualification. The image system relates documents to entity information in the enterprise database and was designed for the organization and addition of information for any entity in the enterprise database.

2009 During 2009 the online system security was enhanced, and a system was implemented to allow entity login with a password.

The Board continues to move toward a paperless environment in appropriate areas. In March, the Board completed steps that have led to the distribution of and access to information online for Board and committee members instead of by the traditional printing and mailing of large volumes of paper. Wireless access points were established at strategic locations in the Board offices, and an Internet portal was established where files and documents can be distributed to Board members and committee members. Members can now use electronic devices to access information while in the Board offices.

In April, online services for individual licensees were enhanced to include the ability to enter CPE courses at any time to satisfy the annual CPE requirement and the ability to correct at any time annual license renewal deficiencies. These features have streamlined the annual renewal process and eliminated the need to return paper documents to the Board offices.

The Board continued to systematically modify systems to eliminate paper processing. Exam candidates and licensees are directed to the Board's website to complete processing.

2010 Additional types of documentation have been added to the imaging system for individual licensees and firms. Specifically, the imaging system now includes images of documents relating to administrative complaint processing and images related to the registration of firms.

The licensee lookup provided to the public through the online system was enhanced to allow multiple selection criteria to be used for ease in locating an individual licensee, a firm, or a registered sponsor of continuing professional education. Once an entity is identified, changes now allow the public to view detailed enforcement actions against the entity.

Changes in the uniform CPA examination indicated the need to report score information to exam candidates in a more useful format. Online systems were modified to allow exam candidates to view online critical score performance information on the exam diagnostic report as soon as scores are available.

In the continued effort to simplify systems for the client base and to reduce the use of paper documents, the Board revised the individual license renewal system. Based on the pattern of submission of the individual license renewal for recent years, the license renewal system was modified so that individuals receive by email, notification of the license renewal that is due. The revised process allows the individual to submit a renewal on the first day renewals are accepted and then to receive the license on the next business day if all information submitted is complete.

The Board will continue to revise online systems to increase security and add functionality.

All processing is being revised to speed communication with exam candidates and licensees by sending email notification and posting more entity-specific information in online services. Email notification has eliminated the need to send paper notification.

The Board is continuing to focus on increased interaction with its client base through the Internet. In particular, system design and development are in process to add more functionality to the online license renewal for individuals and to present more detailed information about the license process and continuing education requirements. Systems are being modified to integrate the use of email as an effective method of contact. The Board also plans to expand its service-oriented architecture to support additional online payment of fees and the completion of required forms. The Board will increase interaction through the Internet with all sections of its client base.

As computer developments continue to be significant and occur at a rapid pace, the Board will replace hardware and software in the timely manner. As demands on computer resources continue to increase, the Board will upgrade its enterprise/Internet server to support requirements.

At all times the Board will continue to maintain secure and effective network and server configurations by planning for the replacement of hardware and software. In particular, the Board anticipates a dramatic increase in the use of the Internet by the client base as more information is available online and additional fee-paying and application processes can be completed online. As each new function is added to the Internet systems, the Board will continue to monitor online system usage increases to determine resource requirements.

Planning for the following capital improvements will continue.

- Upgrades to enterprise and Internet server
- Workstation hardware and software replacements
- System printer enhancements

2011 An online system that is integrated with the Board's enterprise database was implemented to support processing for the Fifth-Year Accounting Student Scholarship Program. Components of the online system allow participating schools to submit student awards online. Student awards must be entered in the online system before schools receive funds that will be distributed to students. As the student awards are submitted, the student eligibility is checked against information about the student in the Board's enterprise database, and the award can not be completed if all requirements are not met. The system has simplified the award process for schools while allowing the Board staff the capability to monitor, on a daily basis, the process of giving awards.

In February the final conversion to PHP (Hypertext Preprocessor) was completed for all online systems. The conversion means online systems are more secure and enhancements to systems

can be completed easily and will meet industry standards. During the conversion, the login process was enhanced for greater security, and the individual online license renewal was simplified. Major enhancements allow licensees to submit continuing professional education (CPE) courses easily. CPE requirements are recalculated each business day and are presented to the licensee online.

In March 2011, the Board added the use of Twitter and Facebook to the methods used to distribute information to its client base of licensees and exam candidates.

In the continued effort to simplify systems for the client base and to reduce the use of paper documents, the *Board Report*, the Board's quarterly newsletter, is now offered both in electronic and print form. The number of licensees selecting the electronic format is steadily increasing, and currently 52% of individual licensees have selected the electronic format. In addition, the *Candidate Chronicle*, a newsletter published twice a year to address topics of interest to exam candidates, is now offered only in electronic form.

Board staff intensified work on the design of an effective disaster recovery system that is based on off-site data replication. The initial phase of the project included the replacement of aging virtual servers and the implementation of an incremental backup system.

Use of Historically Underutilized Businesses

State agencies are required to contract a portion of their outside business with Historically Underutilized Businesses (HUBs). Of the \$656,748 total expenditures reported on the Board's HUB report for fiscal year 2011, this agency's percentage spent with certified HUBs was 8.94% compared to the statewide average of 14.46%.

Geographic Location

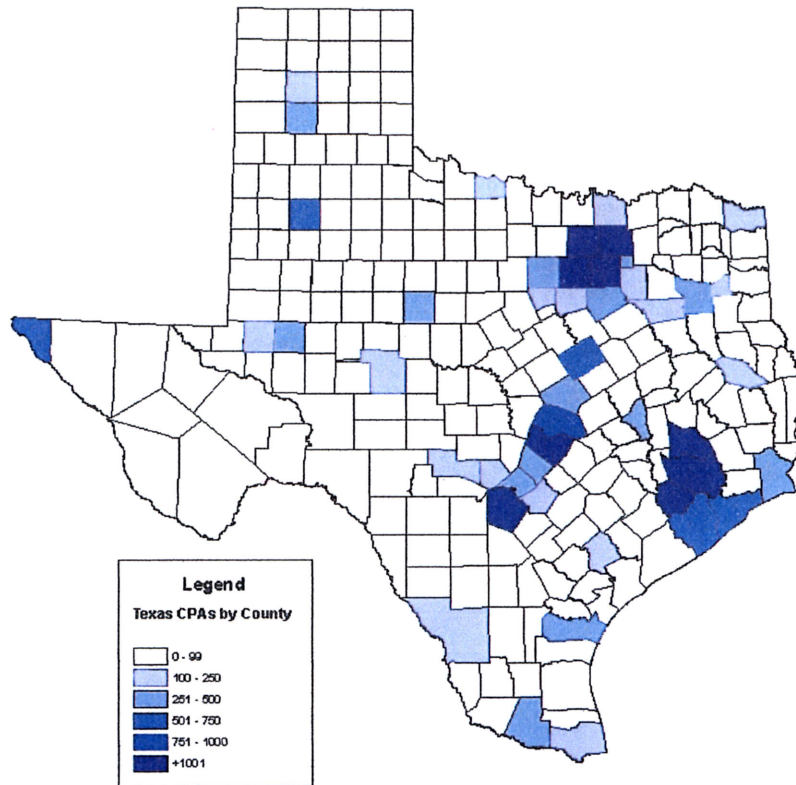
The Board office is located in Austin, Texas. There are no field offices; however, the Board, in conjunction with the AICPA, NASBA, and Prometric testing centers, offers the CPA examination at various locations around the state and in other NASBA jurisdictions on a year-round basis. As of 2011, the testing entities have allowed testing at Prometric testing centers in selected international locations where the security of the exam could be assured. This allows Texas residents working abroad to test at a site closer to where they work and avoid costly trips back to the U.S. to test.

The swearing-in ceremony is held twice a year in Austin.

As of April 2012, approximately 58,412, or 86%, of the Board's 67,502 active individual licensees reside in Texas. Of those licensees who reside in Texas, 80% live in 13 counties, as presented on the following page.

The three largest concentrations of licensees are in:

- Dallas/Fort Worth
- Houston, and
- The I-35 corridor (from San Antonio to Waco).



Legend
 Texas CPAs by County

0 - 99
100 - 250
251 - 500
501 - 750
751 - 1000
+1001

COUNTIES WITH 100+ CPAs

Angelina	124	Grayson	142	Montgomery	1,468
Bell	269	Gregg	248	Nueces	437
Bexar	3,301	Guadalupe	176	Parker	267
Bowie	101	Harris	13,077	Potter	164
Brazoria	674	Hays	328	Randall	308
Brazos	349	Hidalgo	301	Rockwall	296
Cameron	167	Hood	118	Smith	451
Collin	4,019	Jefferson	264	Tarrant	4,855
Comal	330	Johnson	202	Taylor	298
Dallas	8,427	Kaufman	117	Tom Green	195
Denton	2,260	Kendall	170	Travis	3,789
Ector	118	Kerr	113	Victoria	167
Ellis	271	Lubbock	540	Webb	114
El Paso	599	McLennan	505	Wichita	213
Fort Bend	2,722	Midland	371	Williamson	987
Galveston	589				

C. FISCAL ASPECTS

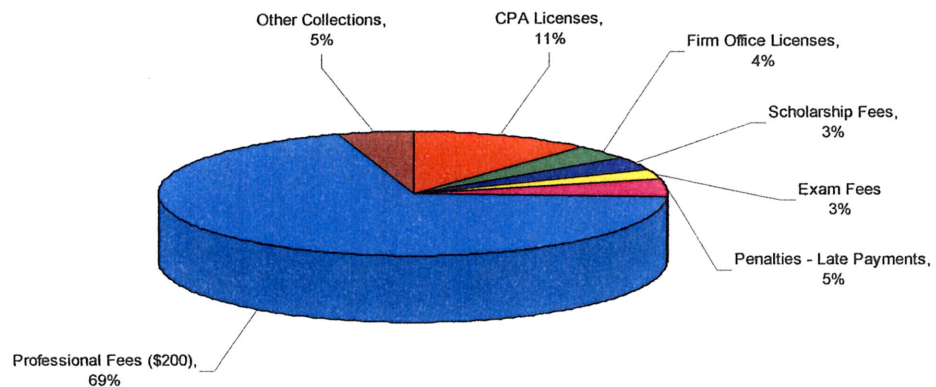
1. Revenues

The Board collects fees for examination, certification, registration and licensure. The maximum fees that the Board may charge are outlined in the *Public Accountancy Act*.

The Board has the authority to assess direct administrative costs incurred in connection with its enforcement activities and to assess an administrative penalty not to exceed \$100,000 per violation. The amounts assessed vary from case to case, and collection is not guaranteed because fines are often accompanied by license suspension or certificate revocation.

The Board also produces computer lists of licensees and examination candidates upon request from the general public and is allowed to recover the costs associated with their production.

For FY 2011, the Board collected \$18 million. The graph below shows these collections by source:



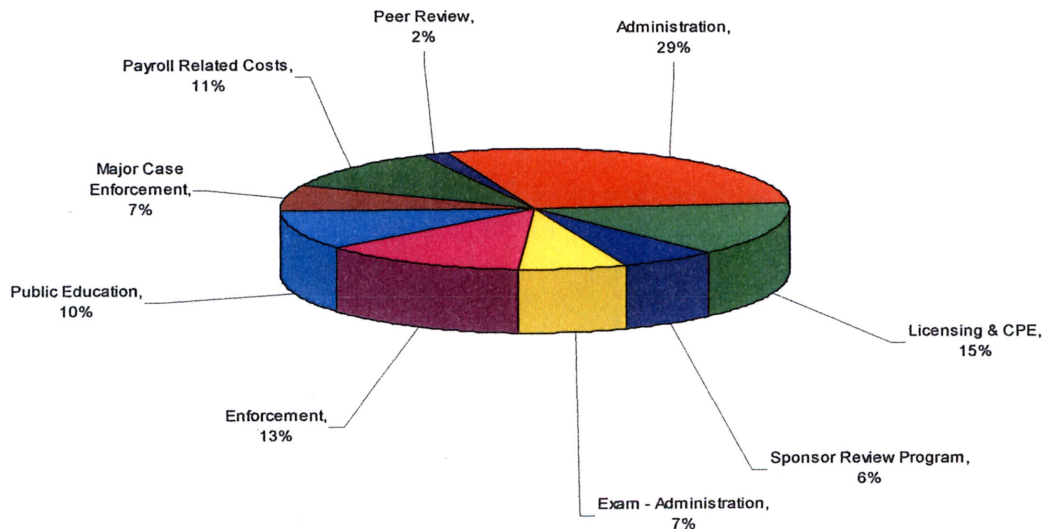
In 1992, the Board began collecting a legislatively mandated annual professional fee of \$200 and a scholarship fee of \$10. The professional fee is similar to the \$110 temporary fee imposed on CPAs and other professionals in 1988 and 1989. Prior to September 1, 1995, 75%, or \$150, of the \$200 professional fee was deposited into the state's General Revenue Fund and 25%, or \$50, was deposited into the Foundation School Fund. As of September 1, 1995, the \$200 professional fee is deposited into the General Revenue Fund. The scholarship fee (currently \$10 annually) is deposited into a scholarship trust fund used to fund scholarships for qualifying 5th-year accounting students so they can meet the educational requirements of the *Public Accountancy Act*. From 1986 through August 31, 2011, the Board had collected approximately \$370 million on behalf of the State of Texas.

During the 2009 Legislative session, the Texas Legislature passed House Bill 2440 transferring administration of the accounting scholarship trust fund for 5th-year accounting students from the Texas Higher Education Coordinating Board (THECB) to the Accountancy Board. The list that follows reflects the number of scholarships and dollar amounts awarded in fiscal years 1996 through 2011:

<u>Fiscal Year</u>	<u>No. of Scholarships</u>	<u>Amount</u>
1996	272	\$413,877
1997	572	\$1,014,854
1998	329	\$612,598
1999	311	\$506,836
2000	375	\$667,165
2001	355	\$632,874
2002	315	\$659,758
2003	371	\$660,153
2004	328	\$534,464
2005	326	\$531,960
2006	332	\$553,381
2007	352	\$553,408
2008	262	\$570,740
2009	264	\$539,521
2010	349	\$815,246
2011	599	\$2,222,019

2. Expenditures

In 2011, the Board's expenditures totaled approximately \$4.8 million. The graph below reflects expenditures by major category:

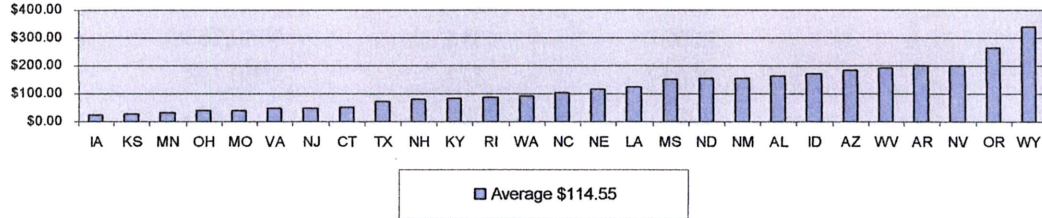


3. Method of Finance

The Board is a self-funded agency: All expenditures are paid from licenses and fee collections generated by the Board.

4. Per Capita and Other States Comparisons

According to 2011 figures compiled by the National Association of State Boards of Accountancy (NASBA) entitled, "Profiles of the State Boards of Accountancy," Texas ranks 9th out of 27 states in dollar cost per licensee at \$73.60 and is \$40.95 per licensee below the national average of \$114.55. This chart excludes states with centralized budgets and those states that did not report annual budgets.



5. Analysis of Current Budget Level

The Board's budget for fiscal year 2012 is \$5.4 million, including both direct and indirect costs.

With the flexibility of the Board's present self-directed, semi-independent status, the Board has the authority to adjust fees and other revenues to offset the increases necessary to fund enforcement activities.

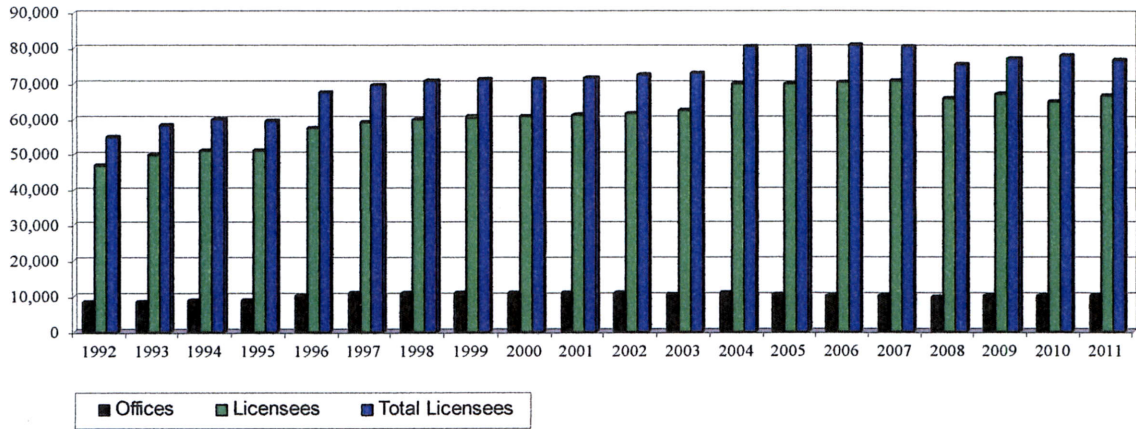
Under SDSI, the Board and other licensing agencies that have SDSI status are demonstrating their effectiveness by operating outside the confines of the *Appropriations Act*, resulting in greater flexibility in managing their own budgets. Allocating funds where they are most needed provides for a stronger enforcement program and business-like approach to agency management.

D. SERVICE POPULATION DEMOGRAPHICS

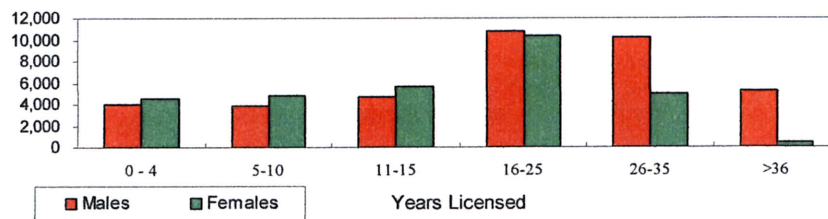
1. Historical Characteristics

Licensees

The Texas State Board of Public Accountancy began licensing practice units (offices) and sole proprietorships in 1991, which created a significant jump in the number of licensees between 1990 and 1991. Since then, the number of licensees (individuals and offices) governed by the Board has increased 43% (from 53,706 in 1991 to 76,791 in FY 2011). As shown in the table below, the growth has been relatively stable.



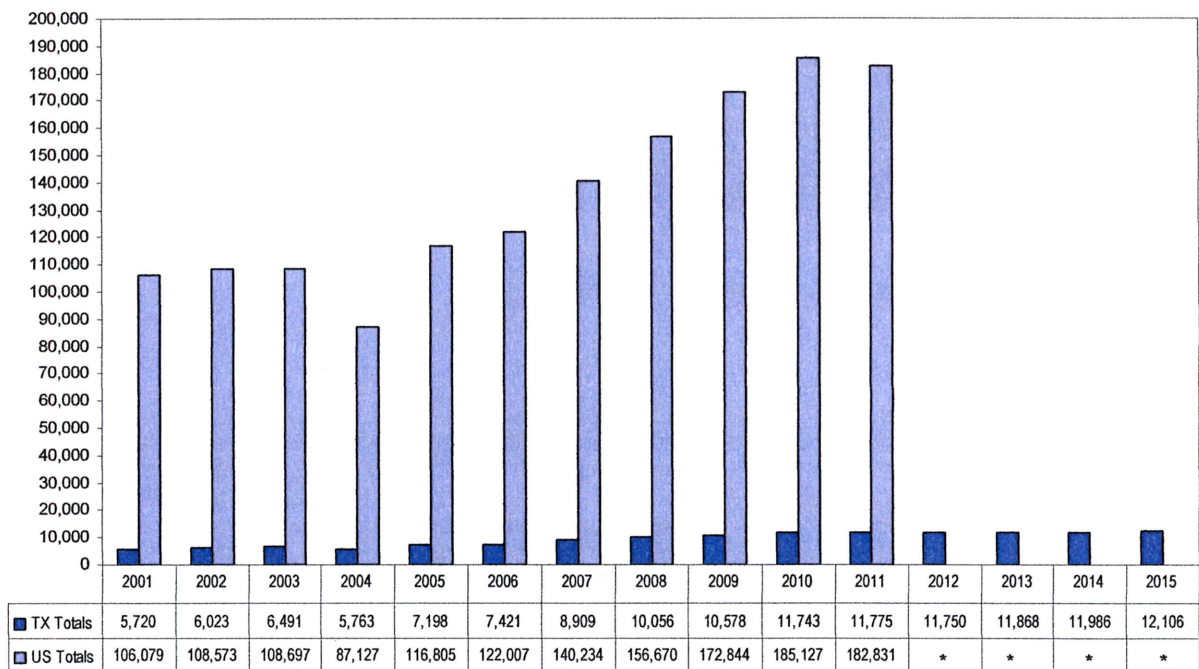
The presence of women in the accounting profession has increased dramatically over the years. The first woman sat for the examination in 1922, and in 1926, the first woman CPA in Texas was issued Certificate No. 219. In 1945, fewer than ten women had been issued Texas CPA certificates. Currently, 44.4% of the Board's licensees are women. Note that if the number of years a person has been licensed is taken into consideration, an obvious trend emerges. Of the individuals licensed less than five years, 52.7% are women, compared with less than 7.5% who have been licensed for over 35 years.



Exam Candidates

In 1997, the number of examination candidates was 10,841. The decline in exam candidates through FY 2004 can be attributed to significant changes in the Act, which increased both educational requirements and conditioning requirements. The number of examination candidates has grown due to the increased availability of the computer-based exam and increased enrollments in university accounting programs.

**Exam Candidates by Fiscal Year
 2001 – 2011 Actual
 2012 – 2015 Projected**



** Projections of US totals for 2012 - 2015 not available.
 Sources: For FY10 and FY11, Annual Financial Report
 For FY12, budget working papers
 For FY13-15, estimated increases of 1% per year*

Projecting the number of candidates taking the Uniform CPA Examination is subjective because of the extensive revisions made to computerized examination format launched in January 2011. Candidates may now select testing times throughout the year that do not interfere with their professional and personal responsibilities. It was not possible to project national figures.

Nationally, the number of candidates taking the exam has also fluctuated because of changes in educational, testing, and conditioning requirements as well as changes in the business environment in general.

Complaints

Complaints are divided into three main categories:

- administrative
- disciplinary
- Unauthorized practice of public accountancy (UPPA)

Administrative complaints result from nonpayment of annual license fees, failure to complete the annual license renewal or registration application, failure to satisfy peer review requirements, or insufficient continuing professional education hours. This category also includes individuals who have not paid license fees for three consecutive years and whose CPA certificates will be revoked as a consequence. These complaints, by sheer volume, are a significant workload for all divisions, from initiation of the complaint to final resolution.

Disciplinary complaints are fewer in number, but far more complex. These cases generally require moderate to extensive investigation, proceed to informal conferences, and may eventually become contested case hearings before an Administrative Law Judge of the State Office of Administrative Hearings.

In 2008, the agency initiated a program to use "data mining" to identify the unauthorized practice of public accountancy in Texas, that is, the offering of accounting or auditing services to the public by a person or firm not licensed by this Board. Since 2008, the Board has identified over 2,100 firms engaged in the unauthorized practice of public accountancy in Texas.

Data mining is the utilization of information found on the internet to identify non-licensees that mislead the public into believing that they are receiving services from persons with accounting skills recognized by this agency. Surveys have demonstrated that the public believes that they are receiving services from an individual licensed by this agency when they employ persons or firms offering accounting and auditing services.

Data mining has also been used to identify and sanction non-licensees representing themselves to be CPAs, as well as a number of unlicensed foreign accounting firms that have provided auditing services to Texas companies in violation of Texas law. Some of those companies have been involved in illegal pump-and-dump schemes.

2. Current Characteristics

Licensees

The number of individuals and entities licensed or in the process of being licensed by the Board in fiscal year 2011 are presented below:

Certified public accountants	68,941
Public accountants	9
Offices	11,135
Section 901.355 licensees	<u>64</u>
Total Licenses	<u>80,149</u>

(The above figures include those with expired licenses in the one- to three-year category).

Registration

In addition to the licenses in the categories shown above, the Board registers between 500 and 800 new accounting firms each year. These firms may be formed as corporations, partnerships, or sole proprietorships. In addition, 1991 marked the first year that an accounting firm could be formed as a professional limited liability partnership or a professional limited liability company.

Each firm's application is reviewed to determine if any outstanding litigation should be referred to the Enforcement Division. Before a new firm is registered, each partner or owner associated with the firm must have a current Texas license as defined in *Section 901.354* of the *Act*. Each firm must submit a copy of its articles of incorporation for review and have a certificate of approval issued by the Secretary of State. In addition, the name of the firm must comply with the Board's *Rules of Professional Conduct*.

Continuing Professional Education

In 1981, the Board implemented a requirement for CPAs in public practice to complete 40 hours of continuing professional education (CPE). Beginning in 1993, all licensees were required to complete 120 hours of continuing professional education every three years. The goal of this program is to encourage CPAs to remain informed about the latest developments in accounting in order to better serve their clients and/or employers. This program has increased the workload of the Licensing and CPE divisions substantially. Whereas before 1981, there was no CPE requirement, in 2011 the Board staff was responsible for reviewing CPE courses reported by almost 70,000 licensees.

In addition, CPAs must take a four-hour, Board-approved ethics course every two years. Each licensee's CPE report is reviewed to determine if the course taken was a Board-approved course.

Peer Review

The Peer Review Program began on January 1, 1992. The program is a checks-and-balances system to ensure the integrity and credibility of financial statements. Peer review is seen by the Board as educational in nature rather than punitive, although disciplinary action may be initiated by the Board when deemed appropriate.

Each firm performing accounting and auditing services (that is, audits, reviews, and compilations of financial statements or preparation of forecasts, projections, and other special reports) must undergo a peer review every three years.

A firm not performing these services may claim an exemption; for example, a firm compiling data and preparing tax returns is exempt from the peer review requirement, unless the data are presented separately in financial statement form. If a firm claiming an exemption later begins providing accounting and auditing services, that firm must have a peer review within 18 months of the date the services were first provided.

Participation in the program is required of each firm licensed or registered with the Board that performs any attest service or any accounting and/or auditing engagements, including audits, reviews, compilations, forecasts, projections, or special reports. A firm which issues only compilations where no report is required under the Statements on Standards for Accounting and Review Services is required to participate in the program. A firm that does not perform any of the services listed above must annually submit a request for an exemption. A firm that provides these services must schedule a peer review. The firm must adopt the review date assigned by the sponsoring organization and notify the Board of this date.

As of April 2012, the Board had 9,820 issued or paid firms, of which:

- 5,449 firms that have claimed an exemption
- 4,371 firms that have not claimed an exemption

Sponsor Review

In January 2005, the TSBPA implemented a sponsor review program (SRP) with the goal of ensuring the availability of high-quality continuing professional education for Texas CPAs by conducting reviews of sponsor's courses at least every three years. The long-needed program became feasible after the Board was designated a self-directed, semi-independent agency (SDSI), which gave it the discretion necessary over how operating funds were used.

By the end of calendar year 2009, all sponsors who were registered with the Board as of August 31, 2009, had had at least one review of a sample of courses they conducted during the prior year, thus completing the first rotation. Those sponsors who were determined not to be in compliance with one or more Board rules have provided letters to the Board outlining corrective action they will take. The SRP program is operating efficiently and achieving the desired result of improving the quality of CPE for Texas CPAs.

Examination

The computer-based Uniform CPA Examination was developed and is graded by the American Institute of Certified Public Accountants (AICPA) and covers four content areas that entry-level CPAs are required to know. On January 1, 2011, AICPA launched an extensively revised exam that

was the culmination of several years of information gathering, review, and pre-testing. The Board and Texas CPAs were active in providing input into the revision process, which addressed changes in the profession and the global economy. Any AICPA decision concerning the format of the examination, its content, or duration has a direct impact on the Board, examination candidates, and Texas colleges and universities. The Board has an obligation to inform instructors and examinees of changing conditions as they relate to the CPA Examination.

The table that follows indicates the number of candidates who sat for the Uniform CPA Examination during the four most recent testing windows for which data were available:

	<u>CPA EXAMINATION WINDOW</u>			
	Jan.-Feb. 2012	Oct.-Nov. 2011	July-Aug. 2011	Apr.-May 2011
Number of Candidates	2,579	2,741	2,946	2,749
Number of Sections Taken	3,335	3,661	4,147	3,836
Number of Sections Passed	1,774	1,630	2,021	1,883
Percentage of Sections Passed	53.2	44.5	48.7	49.1
Successful candidates who are eligible to apply for CPA certificates	327	450	453	438

ENFORCEMENT

Complaints Opened

From September 1, 2010, through August 31, 2011, the Board issued 76 cease and desist orders against individuals misrepresenting themselves as accountants. Also during this period, the Executive Committee of the Board did not conduct any emergency suspension hearings.

During this period, the Board opened 3,603 investigative files against licensees and non-licensees alleged to be in violation of the *Public Accountancy Act*. Of those complaints, 1,718 remained open at year end. The pending cases included 1,258 administrative complaints and 460 disciplinary complaints. All 460 will require committee and Board review.

Complaints originated from the following sources (Note: Some licensees may have more than one complaint file, therefore, the total number of complaints opened does not equate to the total number of sources):

FEDERAL AGENCIES		STATE AGENCIES		OTHER	
PCAOB	1	Texas St Bd of Pub Accountancy	3,347	Public	220
SEC	1	Texas Dept. of Transportation	11	CPAs	5
HUD	3	Alabama St Bd of Public Accountancy	1	Harris Co. Dist Attorney	1
US Dept of Education	2	New Mexico St Bd of Public Accountancy	2		
US Inspector Gen	1	Texas Education Agency	2		
		Tx Secretary of State	5		
		Tx State Auditor's Office	1		

Complaints Closed

From September 1, 2010, through August 31, 2011, the Board closed 3,317 complaints. The average time to close a complaint during fiscal year 2011 was 5.96 months. The disposition of these complaints is presented in the following chart:

DISPOSITION	NUMBER OF COMPLAINTS CLOSED
Administrative Complaints:	
Voluntary Compliance	2,222
Dismissed	156
Revoked	238
Suspension	152
Reprimand	4
Probation	0
Limited Scope	8
Other	1
Total Administrative Complaints	2,781
Disciplinary Complaints:	
Voluntary Compliance	315
Dismissed	82
Revoked	21
Suspension	1
Reprimand	5
Limited Scope	9
Probation	0
Other	103
Total Disciplinary Complaints	536
Total, Administrative and Disciplinary Complaints	3,317

Alleged and Actual Violations

The complaints closed in fiscal year 2011 included alleged and actual violations set forth in the chart below. Many complaints included more than one alleged or actual violation of the *Rules* and the *Public Accountancy Act*.

VIOLATION NUMBER Col. A	DESCRIPTION Col. B	NUMBER OF ALLEGED VIOLATIONS Disciplinary Admin Col. C		NUMBER OF ACTUAL VIOLATIONS Disciplinary Admin Col. D		AVG TIME TO CLOSE (in months) Col. E
Rules Violations						
501.53	Applicability of Rules of Prof Conduct	1	0	0	0	8.23
501.60	Auditing Standards	30	0	14	0	27.02
501.61	Accounting Principles	18	0	2	0	34.19
501.62	Other Professional Standards	14	0	4	0	33.57
501.62 (2)	Other Professional Standards	3	0	1	0	6.40
501.63	Financial Statement Standards	1	0	0	0	2.13
501.70	Independence	8	0	2	0	26.31
501.71	Other Compensation	2	0	0	0	7.36
501.73	Integrity and Objectivity	13	0	2	0	17.06
501.74	Competence	52	0	12	0	15.37
501.74 (b)	Competence	14	0	6	0	9.76
501.75	Confidential Client Communications	3	0	1	0	7.72
501.76	Records	18	0	10	0	12.73
501.76 (a)	Records	2	0	2	0	14.80
501.76 (f)	Records	2	0	2	0	5.73
501.77	Acting Through Others	2	0	0	0	6.81
501.80	Annual License	0	15	0	9	12.07
501.80	Annual License	2	0	2	0	6.81
501.81	Practicing Without a License	0	46	0	19	10.08
501.81 (a)	Practicing Without a License	1	0	0	0	3.13
501.82	Advertising	9	0	2	0	4.80
501.83	Firm Names	11	0	3	0	4.76
501.83(a)(2)	Firm Names	2	0	2	0	5.73
501.90	Discreditable Acts	31	0	7	0	7.95
501.90(2)	Dishonesty, fraud or gross negligence in the practice of public accountancy	16	0	3	0	12.42
501.90(4)	Final conviction of felony or imposition of deferred adjudication or community supervision	5	0	5	0	3.42
501.90(5)	Final conviction of a crime or imposition of deferred adjudication or community supervision	11	0	9	0	6.78
501.90(7)	Suspension or revocation of or voluntary consent decree concerning right to practice before any state/federal agency for a cause which in the opinion of the Board warrants action	17	0	13	0	18.49
501.90(8)	Knowingly participating in the preparation of false or misleading financial statement or tax return	8	0	0	0	6.97
501.90(9)	Fiscal dishonesty or breach of fiduciary responsibility	12	0	1	0	10.97
501.90 (10)	Failure to comply with a final order of any state or federal court	1	0	1	0	6.83
501.90(11)	Repeated failure to respond to client's inquiry	15	0	9	0	15.73
501.90(12)	Misrepresenting facts or making a misleading or deceitful statement to a client	7	0	2	0	12.39
501.90(13)	False swearing or perjury in any communication to the Board	1	0	1	0	25.66
501.90(14)	Threatening bodily harm or retribution to a client	2	0	0	0	6.81
501.90(17)	Breaching terms of an Agreed Consent Order or any Board order	4	0	4	0	6.97
501.91	Reportable Events	16	0	12	0	8.52
501.93	Responses	0	17	0	15	11.57
501.93 (a)	Responses	1	0	1	0	15.86
501.93 (c)	Responses	1	0	1	0	15.86
501.94	Mandatory CPE	0	915	0	152	5.10
513.15	Firm Offices	3	0	0	0	4.44
513.15 (d)	Firm Offices	2	0	2	0	27.56
515.01	Failure to Complete License Renewal	0	27	0	0	5.73
515.3	Failure to Complete License Renewal	0	381	0	5	5.08
515.8(a)	Retired Status	1	0	0	0	2.63
527.4	Operation of the Peer Review Program	0	21	0	10	1.75
527.4 (b)	Enrollment and Participation in Peer Review	1	0	1	0	15.86
527.4 (c)	Enrollment and Participation in Peer Review	1	0	0	0	3.13
527.5	Exemptions to Peer Review	0	1	0	1	6.20
527.6	Peer Review Reporting Requirements	0	2	0	2	11.70
Total, Rules Violations		336	1,425	139	222	

Alleged and Actual Violations

VIOLATION NUMBER Col. A	DESCRIPTION Col. B	NUMBER OF ALLEGED VIOLATIONS Disciplinary Admin Col. C		NUMBER OF ACTUAL VIOLATIONS Disciplinary Admin Col. D		AVG TIME TO CLOSE (In months) Col. E
Act Violations						
901.351	Firm License	0	13	0	5	3.40
901.451	Use of CPA Designation	252	0	123	0	5.18
901.453	Use of Accountant or Auditor Restricted	381	0	190	0	4.07
901.456	Reports on Financial Statements	19	0	11	0	4.62
901.456	Reports on Financial Statements	2	0	1	0	5.01
901.460	Performing Attest Services	1	0	0	0	2.90
901.461	Practice by Out-of-State Firms	2	0	1	0	7.60
901.462	Out-of-State Practitioner	13	0	7	0	3.87
901.501	Disciplinary Powers of Board	4	0	0	0	67.60
901.502	Grounds for Disciplinary Action	1	0	1	0	6.20
901.502(10)	Final Felony Conviction	6	0	5	0	3.01
901.502(11)	Lack of Fitness	136	0	46	0	12.01
901.502(12)	Other Rule or Order Violation	24	0	8	0	8.64
901.502(12)(B)	Other Rule or Order Violation	1	0	0	0	16.70
901.502(12)(C)	Other Rule or Order Violation	3	0	2	0	8.84
901.502(2)	Dishonesty, Fraud, Gross Negligence	11	0	1	0	9.61
901.502(2)(A)	Dishonesty, Fraud, Gross Negligence	1	0	0	0	4.76
901.502(2)(B)	Failing to File License Holder's Own Tax	2	0	2	0	14.80
901.502(3)	Failure to Obtain Firm License for 3 Years	1	0	0	0	0.03
901.502(3), (4)	3-Year No Pay	0	423	0	238	5.13
901.502(4)	Failure to Renew License	2	0	0	0	38.30
901.502(5)	Violation of 901.401	2	0	1	0	4.86
901.502(6)	Violation of Rule	167	0	61	0	9.92
902.502(8)	Action by Another State	1	0	0	0	6.13
901.502(9)	Right to Practice Before State or Federal Agency	10	0	6	0	24.14
Total, Public Accountancy Act violations		1,042	436	466	243	
GRAND TOTAL VIOLATIONS		1,408	1,861	605	465	

Explanation of Columns:

- Column C is a count of the number of times this alleged violation occurred for complaints opened during FY 2011.
- Column D is a count of the number of times this alleged violation occurred for complaints closed during FY 2011 with this being one of the rules actually violated.
- Column E is the average amount of time it took to close all of the investigative files closed during FY 2011, regardless of the fiscal year in which they were opened and where that particular rule was listed as being the primary rule violated.
- Zeros occur in column D when no complaints closed during FY 2011 had this violation as one of many alleged violations.
- Zeros occur in column E when there were no complaints closed during FY 2011 with this violation as the primary alleged violation.

3. Future Trends

Qualifications and Licensing

Section 901.305 of the *Public Accountancy Act* (the *Act*) mandates that the Board administer the CPA examination. Through a contractual agreement with the National Association of State Boards of Accountancy (NASBA), testing vendor Prometric makes the computer-based exam available to Texas candidates during four two-month testing windows throughout the year and at conveniently located testing centers across the state and elsewhere. A Qualifications Team member visits each Texas testing center at least once annually to guarantee that Prometric meets its contractual agreement in providing accessible and secure venues for testing.

A great majority of the Texas candidates now test in cities near their places of residence or work. The Board maintains its statutory responsibility to determine that only individuals meeting the requirements of the *Act* take the exam, and the Board oversees the security and integrity of the examination process mandated in Section 901.306 of the *Act*. The Board will continue to offer the CPA Examination at the most economical cost to the state and the candidates. An extensively revised and upgraded Uniform CPA Examination was launched on January 1, 2011. Those taking the exam have encountered no issues with the upgraded format. The new exam was the result of several years of study and testing by the American Institute of CPAs, NASBA, and state boards of accountancy and reflects changes in tax and other domestic laws as well as accounting standards in the global environment.

Eligibility Fees

With the computer-based CPA Examination format, delivery, and testing, it is the Board's responsibility to determine that candidates are eligible for the section or sections for which they are applying. The Board requires an application and nominal fee from a candidate each time he/she applies for a section of the examination in order to ensure the integrity of this process. The Board revisits this fee annually to determine if it should be decreased or increased as exam section test data are received.

Examination Fees

The computer-based CPA Examination was developed and is scored by the AICPA and is the only examination available for use in obtaining the CPA designation. The computer-based delivery of the examination allows candidates the flexibility of taking each of the four sections independent of other sections and in any order. The examination fees include computer seat time, scoring, and site security. Because the examination covers four content areas with various test times, the fees also vary. Volume increases have allowed the vendor to reduce the per-hour seat time. A fee structure adjustment will go into effect November 17, 2012, as follows:

Prometric computer seat time – per hour	\$19.10
AICPA examination grading	\$90.00
NASBA Gateway security	\$18.00
Prometric digital photo & biometric fingerprints	\$ 5.95

Examination candidates pay for the section or sections for which they applied and were approved by the Board. The four sections require various completion times, resulting in the following unique fees:

Audit and Attestation	4 hours	\$190.35
Financial Accounting and Reporting	4 hours	\$190.35
Regulation	3 hours	\$171.25
Business Environment and Concepts	3 hours	\$171.25

These fees are set by the AICPA, NASBA, and Prometric to cover the costs associated with the responsibilities of each organization involved in the exam process. The Board does not collect these fees nor does it receive proceeds from these fees.

Utilization of Online ePay

In May 2006, the Board implemented an online ePay process for exam candidates to electronically pay fees associated with the eligibility application for the CPA Examination. The Board, in cooperation with the Texas Department of Information Resources and TexasOnline, developed this system, which expedites the process for exam candidates. Beginning in May 2007, individual licensees gained the ability to renew their licenses, update records, and pay annual fees online. The Board will continue to implement additional online systems for use by its client base.

International Qualification Examination

The AICPA has prepared, and NASBA has implemented, the International Qualification Examination (IQEX), a qualifying exam for individuals who hold an accounting designation in another country. This examination is available to qualified accountants of other countries who are covered under mutual recognition agreements (MRAs) with the United States. As of December 31, 2011, NASBA had negotiated and signed MRAs with Canada, Mexico, Ireland, Australia, Hong Kong, and New Zealand and was in negotiation with licensing entities in other countries.

The Board does not incur any costs for the examination, as it is administered at a limited number of exam sites by NASBA.

Enforcement

State and federal legislation, the Internal Revenue Service, the Securities and Exchange Commission, the Federal Trade Commission, the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, other state agencies, state and federal court decisions, economic conditions, Board emphasis, and the number of licensed practitioners are factors that influence the volume and type of allegations received by the Board.

Disciplinary complaints processed are expected to average about 175 a year. Administrative complaints processed are expected to average about 3,500 a year. Administrative complaints based on failure to pay annual license fees, failure to satisfy the requirement for continuing professional education hours, failure to pay annual license fees for three consecutive years, and failure to participate in peer review are expected to remain constant. Administrative complaints based on failure to comply with the peer review program have leveled off as a result of all licensees having completed a full three-year reporting cycle.

The Board's Constructive Enforcement Committee comprise a number of CPAs statewide who have been trained by the Board to identify CPAs who may not be complying with the *Public Accountancy Act* or orders of the Board. They also alert the staff to alleged violations of the *Act* or *Rules* by non-CPAs who may be practicing accountancy without a license or misleading the public by misuse of terms that imply an expertise in accounting they do not have. A survey indicated that a large percentage of the public is misled by the (mis)use of such terms as "accounting" or "attest services" by persons who are not CPAs.

These steps, along with the use of data mining to identify both domestic and foreign firms operating in violation of the *Act*, have increased the agency's ability to identify violators of the *Act* and bring them into compliance.

E. TECHNOLOGICAL DEVELOPMENTS

The Board maintains automated systems with the following information:

- Licensing and Qualifications – examination candidates, licensees (individuals and firms), continuing professional education records, providers of continuing professional education, and peer review statistics.
- Enforcement – complaints, including major cases.
- Administration – fee data, management data, and statistical information.

Information on the Board's client base and their activities is maintained in an enterprise database. Formatted subsets of the enterprise database are made available on the Board's Internet server. Information in these formatted subsets allows licensees to monitor detailed information about the renewal process, update personal information, and complete the annual license renewal online, and it allows exam candidates to monitor information about the qualification process, see activities completed while taking the Uniform CPA Examination, and apply online.

The Board has focused its efforts on the creation of an integrated, accurate, and complete enterprise database where all clients of the Board and their activities are maintained. As a result, valuable information is ready for rapid retrieval and presentation using any interface.

The Board's client base of licensees is constantly increasing, which intensifies demands for immediate processing and varying requests for information. As the accounting profession enacts new and progressive programs to regulate the profession, the Board must be ready for immediate response.

In addition, changes in the rules of international trade and reciprocity have begun to cause even more major changes in the day-to-day operations of the Board as the number of accountants increases and the rules of the profession change. These changes will mean not only the need to store additional information, but also the need to communicate in new ways with a client base that is spread throughout the world.

As evidenced by recent rapid developments in the Internet, the Board realizes that the Internet is an important and critical method of communicating with its client base of exam candidates, individual and firm licensees, sponsors of continuing professional education, and the public. As standards develop on the Internet, the Board will continue to develop systems that allow the client base and the public the option of interacting with the Board online. As members of the accounting profession have always been leaders in the use of technology, the Board has a client base that will be ready and receptive to new methods of communication.

The Board must continue to be ready to interface computer systems with many more outside entities and must be able to communicate with examination candidates and licensees at varying times and in new ways.

The Board will continue to concentrate on the security of all systems and the need to modify systems to speed communication with its client base and reduce the dependence on paper documents.

As demonstrated since 1980, the Board has carefully planned all computer purchases of hardware and software and has been conservative with these requests. As standards in the computer industry are changing more rapidly now than in the past, the Board will replace server and workstation hardware and software as the industry standards change and the demands from the client base change.

In planning for new development on the Internet, the Board is aware of the need to provide additional staff training. In particular, the information resources staff will learn about new software and technology. As standards are in place for new application development languages, the information resources staff will learn these languages to participate in industry trends that will mean rapid system development.

The Board is updating its plan for business continuity. Automated systems at the Board now integrate more functions to support the expanding and changing activities at the Board. Mission-essential functions depend heavily on automated systems, and as a result the Board has revised its disaster recovery plan for restoring automated systems to responsibly meet the current computing environment.

Securing the Board's automated systems is an ongoing activity that is of great importance to the Board. To that end the Board staff has devoted many hours of research to determine the best solution for the Board.

Specifically, the Board will change the method used to back up its data, programs, and system configuration to off-site data replication at a secure data center. This change will allow the Board to meet the following requirements:

- Properly secure its data and systems
- Test the restoration of automated systems at an off-site location annually
- Restore computer systems in a timely and responsible manner

In 2012 the Board will complete the implementation of the revised business continuity plan which includes a disaster recovery plan for the restoration of automated systems.

F. KEY ECONOMIC VARIABLES

- General condition of the economy;
- State tax structure; and
- Population growth

How the Board's Service Populations Are Affected by Economic Conditions

In an economic downturn such as the United States has been experiencing, many accountants employed in industry may find themselves without jobs and feel the necessity to return to public accounting. Unfortunately, some may find that the continuing professional education (CPE) they have been taking to keep their certificates current has been too industry-specific and they are left unprepared to perform public accounting engagements that meet professional standards. They may, for example, not be up to date on changes in tax laws, which would limit their ability to work in the public sector, which in turn would limit their ability to make a living. When this lack of knowledge results in substandard work, there may be an increase in complaints filed with the Board's Enforcement Division, as was the case in an earlier economic downturn.

Tough economic times may also encourage some non-CPAs, such as tax preparers and bookkeepers, to imply expertise and education they do not have in order to expand their businesses into areas such as attestation, which they cannot legally perform. By reactivating its Constructive Enforcement Committee, the Board committed itself to directing more attention toward protecting the public from the unauthorized practice of accountancy by persons not currently licensed in the state of Texas. The effort includes (1) committing more staff time to identifying businesses or individuals who may be practicing accountancy without a license or who may be misleading the public by misusing terms that imply they have the education and expertise needed for licensure, and (2) training volunteer CPAs statewide to do likewise. This renewed effort is in response to a Board survey that indicated that a large percentage of the public is misled by the (mis)use of such terms as "accounting" or "attest services" by persons who are not CPAs.

G. OTHER ISSUES

1. Uniformity Among Licensing Jurisdictions

Texas CPAs or CPA candidates are sometimes affected by changes in accountancy laws in other states. Likewise, if Texas makes changes to its professional regulations, other states may be similarly affected. The Board believes that uniformity among the states and other countries is critical to the future of the profession and the public interest. Therefore, the Board participates in meetings of state and national organizations that address the standards and current issues in the accounting profession. Specifically, the Board participates in the National Association of State Boards of Accountancy (NASBA). This organization encompasses the boards of accountancy in every state and five U.S. territories and promotes uniformity in public accountancy in all licensing jurisdictions. The *Uniform Accountancy Act* (UAA) serves as a model for amending laws that govern the accountancy profession because it covers a broad range of issues from qualifications and licensing to enforcement and peer review.

In addition to pursuing uniformity among the states, it is necessary in a global economy to establish uniformity with other countries. The UAA, endorsed by the directors of NASBA, the AICPA, and the Canadian Institute of Chartered Accountants, was an early means of addressing reciprocity between the United States and Canada. Under the terms of their agreement, U.S. boards of accountancy recognized the qualifications of Canadian chartered accountants as equivalent to those of U.S. CPAs. A chartered accountant desiring to become a CPA was required to complete a qualifying examination on U.S. accounting principles but not required to sit for the Uniform CPA Examination required of U.S. applicants. The IQEX (International Qualification Examination),

administered by NASBA, was intended to test a chartered accountant's knowledge of relevant U.S. business law, standards, and practices. (It is still used with applicants from countries with substantially equivalent requirements.) A chartered accountant was also required to meet the CPA license experience requirements of the applicable U.S. licensing jurisdiction.

Mutual Recognition Agreements (MRAs) are now used to address reciprocity and, to date, they have been negotiated and signed with the licensing agencies of six other countries that have been adjudged to have substantially equivalent qualifications to those for U.S. CPAs: Ireland, Australia, New Zealand, Canada, Hong Kong, and Mexico. In 2008, a tripartite MRA was signed by representatives of the licensing entities of Mexico, Canada, and the U.S. This MRA is believed to be the first such agreement in any profession.

In addition to NASBA, Board members also participate as officers and committee members with other policy-making organizations such as the AICPA, the Texas Society of Certified Public Accountants, and others to represent the interests of Texas licensees and the public and to share information concerning emerging issues in the accounting profession.

2. Americans with Disabilities Act (ADA)

The *Americans with Disabilities Act* (ADA) requires that individuals who have a permanent disability that substantially limits a major life activity, and who apply and are qualified to take a professional licensing examination, may request testing accommodations that are not available in the current test environment.

The Board's objective is to provide effective and necessary accommodations to qualified applicants without fundamentally altering the measurement of the skills or knowledge the CPA examination is intended to test; imposing an undue administrative or financial burden on the Board; compromising the security, validity, or reliability of the exam; or providing an unfair advantage to the applicant with the disability. With the examination now in a computer-based format, it is sometimes necessary to consult with health care professionals to determine appropriate accommodations for particular disabilities. Because the Board is unaware of the requests for testing accommodations of future candidates until they apply for the examination, a projected cost for services is not possible. The number of candidates requesting and using testing accommodations fluctuates from year to year.

<u>Fiscal Year</u>	<u>Candidates Testing Under ADA</u>
1995	8
1996	16
1997	20
1998	40
1999	20
2000	11
2001	11
2002	25
2003	40
2004	12
2005	13
2006	35
2007	36
2008	18
2009	20
2010	20
2011	21

3. Other Requirements Affecting the Board and Its Budget

Federal and state laws, as well as the regulations of other state agencies, require the expenditure of Board funds.

H. SELF-EVALUATION AND OPPORTUNITIES FOR IMPROVEMENT

1. Increased Workload

Over the past 31 years, the Board has seen tremendous growth in each of its basic programs. The following key performance measures, as of April 2012, illustrate this point:

	<u>1980</u>	<u>2011</u>	<u>Growth</u>
Active continuing professional education records	N/A	62,517	100x
Total active individual licensees (CPAs and Pas)	22,806	67,502	2.96x
Complaints opened	<u>83</u>	<u>3,603</u>	43.4x
TOTALS	<u>22,889</u>	<u>133,622</u>	5.84x

Although the total program activity at the Board has risen nearly six times during the past 30 years, only two FTEs have been added.

From FY 07 to FY 11, there was a 40% increase in the number of Applications of Intent. During that same period, there was a 72% increase in the number of Eligibility Applications since the launch of CBT. The Board began building and maintaining an electronically imaged record database of exam candidate files. To date, almost 25,000 records are contained in the database. One FTE was added to image documents for the department.

Based on historical trends, it appears that the increases in the Board's affected populations will continue.

2. Enforcement

The Enforcement program is responsible for protecting the public by ensuring that the quality of the practice of accounting meets minimum standards. The Enforcement Division investigates and prosecutes allegations of professional incompetence, criminal convictions, violations of accounting and auditing principles and standards, violations of a statute or rule, and civil and administrative proceedings. Board committees that are supported by the Enforcement Division staff review the merits of each allegation and respond in writing to the complainant. These same committees also conduct informal conferences to resolve issues without requiring the parties to engage in a contested case hearing. All licensees are afforded due process in the contested case hearings. Contested case hearings are significantly more expensive, involve more people, take much longer to reach a final resolution, and consume many more employee hours than the committee investigations. The workload in identifying and investigating cases of alleged unauthorized practice of public accountancy has greatly increased in recent years.

3. Major Cases

The Board's "major cases" involve CPA firms implicated in failed audits in which the investigation and prosecution of the cases are complex and require substantial resources.

Major cases are investigated by the Technical Standards Review committee.

I. PERFORMANCE BENCHMARKING

The performance benchmarks developed for this agency are in accordance with *Section 901.005*. Findings, Public Policy, Purpose of the *Public Accountancy Act*, which provides, in part:

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

The benchmarks are as follows:

GOAL: PUBLIC STANDARDS

BENCHMARK: Individuals certified as a percentage of applicants received.

GOAL: PROTECT PUBLIC/ENFORCEMENT

BENCHMARKS: Percent of disciplinary complaints closed with voluntary compliance or specific continuing professional education courses required.

Average time for complaint resolution.

GOAL: PUBLIC INFORMATION

BENCHMARK: Percent of inquiries responded to within 30 days.

The state-level benchmarks to which the agency's benchmarks link are:

- Percent of state professional licensee population with no documented violations.
- Percent of documented complaints to professional licensing agencies resolved within six months.
- Percent of individuals given a test for professional licensure who received a passing score.
- Percent of new and renewed professional licenses issued via Internet.

The examination, licensing, peer review, enforcement, and public education strategies impact the relevant statewide benchmark. Examination procedures are designed to review and evaluate applications of individuals who desire to become Certified Public Accountants. Licensing and certification procedures serve to verify individuals' eligibility for certification after successfully completing the *Uniform Certified Public Accountancy Examination*. In addition, continuing professional education requirements ensure that CPAs remain knowledgeable of current accounting methods and maintain technical competence. Peer Review functions measure the work product of firms in the client practice of public accountancy for adherence to quality control standards of the profession. Enforcement of the *Public Accountancy Act* and the Board's *Rules*

serves to resolve complaints, emphasizing voluntary compliance and education. Public education activities provide public information services to ensure the Board's ultimate responsibility of protecting the public.

J. SUMMARY

The most challenging task facing the Texas State Board of Public Accountancy is to provide the services that protect the public. To meet this challenge, the Board must be able to hire qualified staff and avail itself of other resources necessary to carry out its functions. With implementation of SDSI, the Board now has the flexibility to respond to the changing needs of a global profession. SDSI status allows the Board to function in a more business-like manner to meet the challenges of the 21st century. Faced with the magnitude of the issues facing the field of public accounting, the Board has emerged as a leader among the 55 state and territorial boards of accountancy and many of its programs serve as models for other jurisdictions:

1. Its standards for earning and maintaining a certificate are among the highest in the country.
2. Texas was among the first states to facilitate mobility with legislation creating a practice privilege for out-of-state licensees.
3. Board members and staff participate actively in national and international organizations within the accounting profession to remain at the forefront of this changing environment.
4. The Texas Board has strict ethics course requirements for both candidates and licensees.
5. The Texas Board requires peer review every three years for any firm providing attest services.
6. The Sponsor Review Program helps ensure good quality Continuing Professional Education for Texas CPAs by reviewing what is being offered to Texas CPAs.
7. The Board actively pursues alleged instances of the unauthorized practice of public accountancy.
8. Technological advances have been put into place to handle applications, payments, and renewals more efficiently, and candidates and licensees now have the ability to access their records online. Board forms are interactive for user-friendliness.
9. The Board communicates with its licensees by means of a quarterly newsletter, available in either print or electronic form, as requested by licensee, and with its candidates with an electronic newsletter addressing concerns of particular interest to them.
10. The Board is converting files and documents to a digital format for better data storage.
11. The Board is making more monies available to 5th-year accounting students with the goal of increasing the number of CPAs in Texas.
12. The Board has developed as part of its outreach efforts an electronic presentation that answers questions about the profession and the licensing process.

Providing quality services depends on being able to respond in a timely manner to public inquiries, requests for information and publications, complaints, and public hearings. It depends on having sufficient staff to answer incoming telephone calls from a growing profession and the public and sufficient monies to fund its programs. Finally, it depends on being able to hire and retain the most qualified staff available. To this end, the Board has reviewed and reclassified a number of positions to better reflect the level of work required of employees in those positions. The agency is working to provide a viable career ladder for its employees and to hire with an eye to choosing employees with the education and/or experience that will allow them to advance to positions of greater responsibility.

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TSBPA GOALS

V. TSBPA GOALS

- A. PUBLIC STANDARDS.** To establish standards in education, examination, and experience for Texas CPAs in the private and public sectors that will protect the public and meet the requirements for certification, licensing, and practice throughout domestic and international jurisdictions, but not necessarily restrict entry to the profession.
- B. PROTECT PUBLIC/ENFORCEMENT.** To aggressively enforce state regulations relating to the accounting profession; ensure swift, fair, and effective disciplinary action for violators of these standards; and require the re-education and rehabilitation of those violating these laws. To aggressively develop and implement high standards for the accounting profession in emerging issues as they relate to the welfare of the general public.
- C. PUBLIC EDUCATION.** To inform the public concerning Board functions and the procedures by which complaints are filed, processed, and resolved so that the citizens of Texas may better utilize CPA services and be protected from exploitation.
- D. HISTORICALLY UNDERUTILIZED BUSINESSES.** To establish and carry out policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses.
- E. CUSTOMER SERVICE.** To develop and carry out procedures to provide quality customer service to external customers.

GOAL 01: PUBLIC STANDARDS. To establish standards in education, examination, and experience for Texas CPAs in the private and public sectors that will protect the public and meet the requirements for certification, licensing, and practice throughout domestic and international jurisdictions, but not necessarily restrict entry to the profession.

OBJECTIVES

01-10 In each year of the biennium, qualify only those individuals and accounting firms who have met the requirements of the Public Accountancy Act.

01-02 Ensure that only those accounting firms providing services according to the industry standards are allowed to offer a full range of accounting services to the public.

01-03 Ensure that only registered CPE sponsors provide high-quality CPE for Texas CPAs.

OUTCOME MEASURES

.01 Accounting firms registered as a percentage of applications received

.02 Individuals certified/registered as a percentage of applications received

.03 Percentage of individual licensees meeting CPE requirements

.04 Percentage of licensees with no recent violations

.05 Percentage of licensees who renew online

.06 Percentage of new individual licenses issued online

.01 Percentage of accounting firms reviewed

.02 Percentage of accounting firms receiving favorable review

.01 Percentage of CPE sponsors reviewed

.02 Percentage of CPE sponsors receiving favorable review

STRATEGIES

01-01-01 Licensing. Manage a comprehensive licensing and examination program.

OUTPUT MEASURES

.01 Number of intent applications processed

.02 Number of intent applications approved

.03 Number of eligibility applications for the examination processed

.04 Individuals examined

.05 Applications processed for certification/registration (individuals)

.06 Number of applications processed for firm registration

.07 Number of new licenses issued to individuals

.08 Number of licenses renewed (individuals)

EFFICIENCY MEASURES

- .01 *Average cost per section taken*
- .02 *Average licensing cost per individual license*
- .03 *Average licensing cost per facility license issued*
- .04 *Percentage of new individual licenses issued within ten (10) days*
- .05 *Percentage of individual license renewals issued within seven (7) days*

EXPLANATORY MEASURES

- .01 *Number of active CPE providers registered*
- .02 *Total number of individuals licensed*
- .03 *Total number of business facilities licensed*

OUTPUT MEASURES

01-01-02 **Examination.** To promote uniformity and reciprocity with other licensing jurisdictions and ensure that sections taken by candidates are graded consistently

- .01 *Number of sections of the examination taken*
- .02 *Number of sections of the examination passed*

OUTPUT MEASURES

01-02-01 **Peer Review.** Develop and implement a comprehensive peer review program for all accounting firms utilizing industry standards as the measure of competence and oversight through a Peer Review Oversight Board.

- .01 *Number of peer reviews conducted*
- .02 *Number of peer reviews examined by the Peer Review Oversight Board (PROB)*

EFFICIENCY MEASURES

- .01 *Average cost per peer review conducted*

EXPLANATORY MEASURES

- .01 *Number of accounting firms subject to peer review*

OUTPUT MEASURES

01-02-01 **Sponsor Review.** Develop and implement a comprehensive sponsor review program to ensure the availability of high-quality Continuing Professional Education (CPE) Courses.

- .01 *Number of CPE sponsors reviewed*

EFFICIENCY MEASURES

- .01 *Average cost per sponsor reviewed*

EXPLANATORY MEASURES

- .01 *Number of CPE sponsors subject to sponsor review*

GOAL 02: PROTECT PUBLIC/ENFORCEMENT. To aggressively enforce state regulations relating to the accounting profession; ensure swift, fair, and effective disciplinary action for violators of these standards; and require the re-education and rehabilitation of those violating these laws. To aggressively develop and implement high standards for the accounting profession in emerging issues as they relate to the welfare of the general public.

OBJECTIVE

02-01 In each year of the biennium, ensure that complaints are resolved swiftly according to established time frames, emphasizing voluntary compliance and education as the preferred means of resolution, and ensure that enforcement actions are effective and fair.

OUTCOME MEASURES

- .01 *Percentage of administrative complaints closed within 4 months*
- .02 *Percentage of documented complaints resolved within 6 months*
- .03 *Percentage of disciplinary complaints closed with voluntary compliance or continuing professional education*
- .04 *Rate of violations*
- .05 *Recidivism rate for those receiving disciplinary action*
- .06 *Percentage of complaints resolved resulting in disciplinary action*
- .07 *Total administrative penalties and direct administrative costs assessed for major cases*

STRATEGY

02-01-01 **ENFORCEMENT.** Operate a system of enforcement that includes investigation and resolving complaints and promulgating rules to effectuate the *Public Accountancy Act*.

OUTPUT MEASURES

- .01 *Number of disciplinary complaints/referrals processed*
- .02 *Number of administrative complaints processed*
- .03 *Number of complaints resolved*
- .04 *Number of rules changed*

EFFICIENCY MEASURES

- .01 *Average cost per major case*
- .02 *Average time per complaint resolved*
- .03 *Average cost per complaint resolved*

EXPLANATORY MEASURES

- .01 *Jurisdictional complaints received*

GOAL 03: PUBLIC EDUCATION: To inform the public concerning Board functions and the procedures by which complaints are filed, processed, and resolved so that citizens of Texas may better utilize CPA services and be protected from exploitation.

OBJECTIVE

03-01 In each year of the biennium, ensure that 100% of active licensees receive information on Board activities, rules, new legislation, disciplinary actions, and other pertinent information and respond to 90% of all requests for information within 30 days.

OUTCOME MEASURE

.01 Percentage of inquiries responded to within 30 days

STRATEGY

03-01-01 Provide Education. Develop and operate a coordinated system of public information to provide all interested parties information concerning the *Public Accountancy Act*, as well as Board rules and procedures pertaining to qualification, examination, licensing, enforcement, and peer review.

OUTPUT MEASURES

.01 Number of written responses to other licensing authorities and the public including emails received

.02 Number of newsletters and publications distributed

GOAL 04: HISTORICALLY UNDERUTILIZED BUSINESSES. To establish and carry out policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses.

OBJECTIVES

04-01 To include historically underutilized businesses (HUBs) in at least 10% of the total value of contracts and subcontracts awarded annually by the agency in purchasing and public works contracting.

OUTCOME MEASURES

.01 Percentage of total dollar value of purchasing and public works contracts and subcontracts awarded to HUBs

STRATEGY

04-01-01 Develop and implement a plan for increasing the use of historically underutilized businesses through purchasing and public works contracts and subcontracts.

GOAL 05: CUSTOMER SERVICE. To develop and carry out procedures to provide quality customer service to external customers.

OBJECTIVE

05-01 To provide customer satisfaction on background information, the Board facilities, the Board staff, the Board's website, printed information, and overall performance.

OUTCOME MEASURES

- .01 *Percentage of surveyed customer respondents expressing overall satisfaction with services received*
- .02 *Percentage of surveyed customer respondents identifying ways to improve service delivery*

STRATEGY

05-01-01 Develop and implement procedures to provide quality customer service in each of the agency's divisions.

OUTPUT MEASURES

- .01 *Number of customers surveyed*
- .02 *Number of customers served*

EFFICIENCY MEASURE

- .01 *Cost per customer surveyed*

EXPLANATORY MEASURES

- .01 *Number of customers identified*
- .02 *Number of customer groups inventoried*

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VI. TECHNOLOGY INITIATIVE

Technology Initiative	Related Agency Objective	Related SSP Strategy/ (IES)	Status	Anticipated Benefit(s)	Innovation, Best Practice, Benchmarking
1. Enhance online Internet systems to allow all entities to complete processing online	Customer Service	05-01	Current	Faster and more efficient licensing; less paperwork and manual processing; increased client satisfaction.	
	Public Standards	01-01			
	Public Standards	01-02			
2. Enhance Web security	All Objectives		Current	Increased security for Internet systems; increased ease of use for clients.	
3. Continue to add documents for all entity types to the imaging system	Customer Service	02-01	Planned	Increased security for critical information; faster retrieval of supporting information necessary for approvals.	
	Public Standards	01-01			
	Public Standards	01-02			
4. Revise systems to replace paper notification with email notification and enhanced online functions	Customer Service	05-01	Planned	Faster notification to increase public satisfaction; reduction in time spent handling paper; reduction in postage costs.	
	Public Standards	01-01			
	Public Standards	01-02			
5. Revise disaster recovery system by migrating to an online backup system	All Objectives		Current	Enhanced disaster recovery mechanism.	
6. Enhance the website to deliver expanded information and instructions for the public and the Board's client base	Public Education	03-01	Current	More informed and satisfied client base and public; reduction in questions to the Board staff.	
7. Expand online services for firms; allow firms to pay the annual license renewal fee online	Public Standards	01-01	Current	Faster and more efficient licensing process; more satisfied client base; reduction in manual processes.	Integration with TexasOnline
	Public Standards	01-02			
	Customer Service	05-01			
8. Expand online services for sponsors of continuing professional education; allow sponsors to pay the annual license renewal fee online	Public Standards	01-03	Current	Faster and more efficient licensing process; more satisfied client base; reduction in manual processes.	Integration with TexasOnline

9. Revise the enforcement system to enhance tracking and allow the presentation of additional information to the public; integrate a resolution tracking system	Protect Public/Enforcement	02-01	Current	More informed public; reduction in questions to the Board staff; more satisfied public.	
10. Expand online services to allow payment of all application fees online and to allow submission of related information online	Protect Public/Enforcement	02-01	Current	More informed Board staff and public; enhanced reporting, tracking, and monitoring capabilities.	
11. Upgrade hardware and software intelligently to balance industry standards with existing standards	Protect Public/Enforcement	02-01	Planned	Enhanced public protection; more informed Board staff and public.	
12. Secure and organize email through an archiving system					

APPENDICES

APPENDIX A

AGENCY PLANNING PROCESS

The strategic planning coordinator and executive director met to discuss the approach to the agency strategic planning process (January 2012).

A strategic planning coordinator and a workflow team were selected (January 2012).

The strategic plan materials were distributed to division directors for their review and input (March 27, 2012).

Instructions for Preparing and Submitting Agency Strategic Plans extracted from the Governor's Office of Budget and Planning website (March 31, 2012).

The Instructions were reviewed by the strategic planning coordinator and workflow team (April 2012).

The Board's strategic plan was submitted to the LBB and the Governor's Budget Office (June 2012).

Strategy-level directors meetings:

August 17, 2009

September 7, 2010

October 27, 2009

January 31, 2011

December 16, 2009

March 21, 2011

June 1, 2010

July 11, 2011

July 13, 2010

September 6, 2011

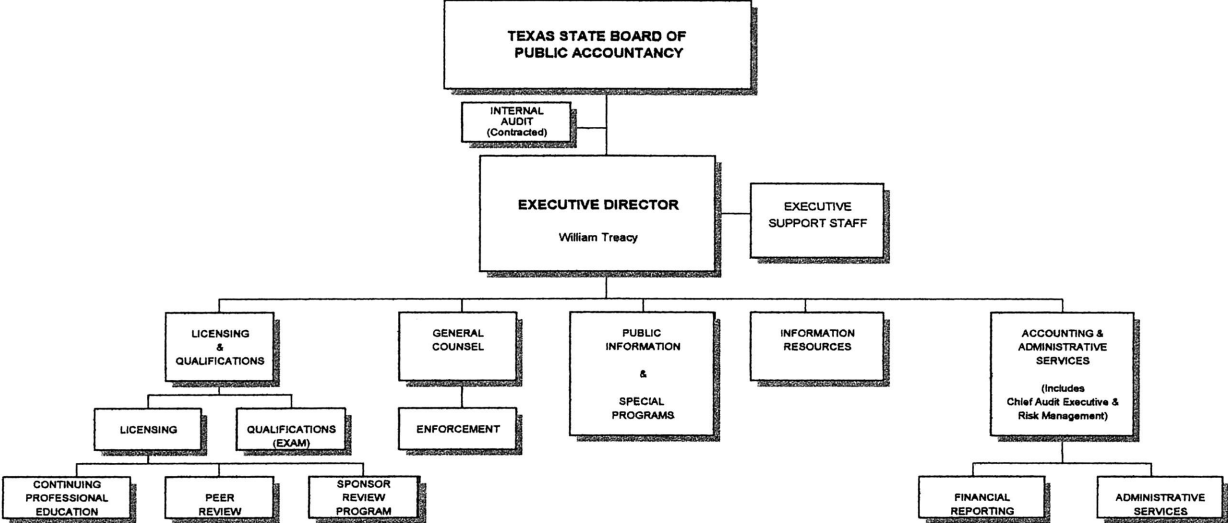
July 19, 2010

April 9, 2012

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APPENDIX B

CURRENT ORGANIZATIONAL CHART



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APPENDIX C

PROJECTIONS OF OUTCOME MEASURES

Estimated FY2013	Estimated FY2014	Estimated FY2015	Estimated FY2016	Estimated FY2017
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PUBLIC STANDARDS

Qualify all eligible individuals and firms meeting requirements

Outcome Measures:

.01	Accounting firms registered as a percentage of applications received (includes temporary practice permits)	97.0%	97.0%	97.0%	97.0%	97.0%
.02	Individuals certified/ registered as a percentage of applications received (no longer a Key Measure; as of FY 00)	95.0%	95.0%	95.0%	95.0%	95.0%
.03	Percentage of individual licensees meeting continuing professional education requirements (no longer a Key Measure; as of FY 98)	99.0%	99.0%	99.0%	99.0%	99.0%
.04	Percent of licensees with no recent violations	95.0%	95.0%	95.0%	95.0%	95.0%
.05	Percent of licensees who renew online	75.0%	75.0%	75.0%	75.0%	75.0%
.06	Percent of new individual licenses issued online	99.5%	99.5%	99.5%	99.5%	99.5%

Allow only qualified accounting firms to provide services to the public

Outcome Measures:

.01	Percentage of accounting firms reviewed (formerly a Key Measure)	33.0%	33.0%	33.0%	33.0%	33.0%
.02	Percentage of accounting firms receiving favorable review	K	97.0%	97.0%	97.0%	97.0%

Allow only registered CPE sponsors to provide high-quality CPE

Outcome Measures:

.01	Percentage of CPE sponsors reviewed	33.0%	33.0%	33.0%	33.0%	33.0%
.02	Percentage of CPE sponsors receiving favorable review	97.0%	97.0%	97.0%	97.0%	97.0%

PROTECT PUBLIC/ENFORCEMENT

Resolve complaints timely emphasizing voluntary compliance & education

Outcome Measures:

.01	Percentage of administrative complaints closed within 4 months Revised from 3 months to 4 months.	33.0%	33.0%	33.0%	33.0%	33.0%
.02	Percentage of documented complaints resolved within 6 months Disciplinary complaints only. (no longer a Key Measure; as of FY 98)	12.9%	12.9%	12.9%	12.9%	12.9%
.03	Percentage of disciplinary complaints closed with voluntary compliance or Continuing Professional Education	33.0%	33.0%	33.0%	33.0%	33.0%
.04	Rate of violations	1.4%	1.4%	1.4%	1.4%	1.4%
.05	Recidivism rate for those receiving disciplinary action (no longer a Key Measure; as of FY 98)	5.1%	5.1%	5.1%	5.1%	5.1%
.06	Percent of complaints resolved resulting in disciplinary action	K	16.2%	16.2%	16.2%	16.2%

PUBLIC EDUCATION

Respond to requests in a timely manner

Outcome Measures:

.01	Percentage of inquiries responded to within 30 days	K	100.0%	100.0%	100.0%	100.0%
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HISTORICALLY UNDERUTILIZED BUSINESSES

Annual purchase contracts with HUBs of at least 15% per year

Outcome Measures:

.01	Percent of total dollar value of purchasing and public works contracts and subcontracts awarded to HUBs.	15.0%	15.0%	15.0%	15.0%	15.0%
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CUSTOMER SERVICE

Outcome Measures:

.01	Percentage of surveyed customer respondents expressing overall satisfaction with services received	K	100.0%	100.0%	100.0%	100.0%
.02	Percentage of surveyed customer respondents identifying ways to improve service delivery	K	10.0%	10.0%	10.0%	10.0%

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APPENDIX D

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

LIST OF MEASURE DEFINITIONS

01 PUBLIC STANDARDS

01-01 Qualify all eligible individuals and firms meeting requirements

Outcome Measures:

.01 Accounting firms registered as a percentage of applications received

Short Definition: Firm registrations, which include professional corporations, professional partnerships, professional limited liability companies, registered limited liability partnerships, sole proprietors, and firms expressed as a percentage of applications received.

Purpose/Importance: Registering of firms in the client practice of public accountancy ensures that firms meet the legal standards of the profession, which is the goal of the agency.

Source/Collection of Data: Data comes from manual tracking in Licensing Division and an automated system query generated by the Information Resources Division.

Method of Calculation: The number of firms registered divided by the number of applications received.

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

.02 Individuals certified/registered as a percentage of applications received

Short Definition: The number of individuals certified or registered during the quarter divided by the number of applications received for certification or registration. This includes newly certified individuals, individuals qualifying under *Section 901.355 of the Act* (Registration for Certain Foreign Applicants), and individuals applying for certification under *Section 901.259 of the Act* (Certification Based on Reciprocity).

Purpose/Importance: A successful certification structure ensures that legal standards for the profession and the practice of public accountancy are met prior to licensure. This measure is a primary workload indicator and is intended to show the percentage of individuals who applied and were documented to have successfully met all the certification criteria established by statute and rule as verified by the agency during the quarter.

Source/Collection of Data: The information comes from the agency database that records the number assigned to each newly approved individual. The information comes from a list generated by the Information Resources Division.

Method of Calculation: Divide the number of certificates issued to previously uncertified individuals during the reporting period by the total number of applications received for certification and registration, regardless of when the application was originally received.

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

APPENDIX D

.03	Percentage of individual licensees meeting continuing professional education (CPE) requirements
<u>Short Definition:</u>	The percentage of licensees who have met the CPE requirements.
<u>Purpose/Importance:</u>	Licensees are required to meet CPE requirements to ensure that persons who hold a certificate have met the current standards of the profession. CPE is intended to help ensure that licensees are able to serve the public in a competent manner.
<u>Source/Collection of Data:</u>	The information comes from a query generated by the Information Resources Division.
<u>Method of Calculation:</u>	The measure is calculated by dividing the number of individuals meeting the CPE requirements by the total number of licensees. If an exemption from CPE has been granted, this is the same as meeting the requirement. The total number of licensees minus the number of CPE complaints filed divided by total individual licensees.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target
.04	Percentage of licensees with no recent violations
<u>Short Definition:</u>	The percent of the total number of licensed, registered, or certified individuals at the end of the reporting period who have not incurred a violation within the current and preceding 2 years (3 years total).
<u>Purpose/Importance:</u>	Licensing, registering, or certifying individuals helps ensure that practitioners meet legal standards for professional education and practice, which is a primary agency goal. This measure is important because it indicates how effectively the agency's activities deter violations of professional standards established by statute and rule.
<u>Source/Collection of Data:</u>	The Board's automated enforcement and licensing system is the source for this information.
<u>Method of Calculation:</u>	The total number of individuals currently licensed, registered, or certified by the agency who have not incurred a violation within the current and preceding 2 years divided by the total number of individuals currently licensed, registered, or certified by the agency. The numerator for this measure is calculated by subtracting the total number of licensees with violations during the 3-year period from the total number of licensees at the end of the reporting period. The denominator is the total number of licensees at the end of the reporting period.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measures:</u>	No
<u>Desired Performance:</u>	Higher than target
.05	Percentage of licensees who renew online
<u>Short Definition:</u>	The percentage of licensees completing the renewal process online (via the Internet) during the reporting period.
<u>Purpose/Importance:</u>	This measures the ability of the agency to increase the overall percentage of licensees renewing and the timeliness of license renewal by offering alternate methods of interfacing with the client base.

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<u>Source/Collection of Data:</u>	Data comes from the agency licensing database that keeps a record of those individuals renewing online.
<u>Method of Calculation:</u>	The number of licensees renewing online divided by the total number of licensees who renewed their license during the reporting period.
<u>Data Limitations:</u>	The simple percentage of licensees renewing online is not a measure of the benefits of offering online renewals. The agency could have a drop in the percentage of licensees renewing and have an increase in late license renewals, while increasing the number of individuals renewing online.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.06 Percentage of new individual licenses issued online

<u>Short Definition:</u>	For individuals completing the renewal process for the first time, the percentage of licensees renewing online to those renewing by an alternate method.
<u>Purpose/Importance:</u>	This measures the ability of the agency to increase the overall percentage of licensees renewing and the timeliness of license renewal by offering alternate methods of interfacing with the client base of licensees who are renewing for the first time.
<u>Source/Collection of Data:</u>	The data is maintained in the automated licensing system. The Information Resources Division runs a report that lists new individual licenses issued online during the reporting period.
<u>Method of Calculation:</u>	The number of new individual licenses issued online divided by the total number of new individual licenses issued during the reporting period.
<u>Data Limitations:</u>	For the licensees renewing for the first time, the simple percentage of licensees renewing online is not a measure of the benefits of offering online renewals. The agency could have a drop in the percentage of licensees renewing and have an increase in late license renewals, while increasing the number of individuals renewing online.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

01-01-01 LICENSING – manage a comprehensive licensing and examination program

Output Measures:

01. Number of intent applications processed

<u>Short Definition:</u>	The number of intent applications submitted by individuals to determine if the education and moral character requirements are met to apply to take the Uniform CPA Examination (UCPAE). Process includes approvals pending and denials.
<u>Purpose/Importance:</u>	This performance measure is important in ensuring that individuals meet exam education and moral character requirements prior to testing and in determining staff workload.
<u>Source/Collection of Data:</u>	The data for this measure comes from data collected from the Board's automated exam system. Each individual who has never taken the UCPAE in Texas must submit an application of intent so that the Board may determine if the individual meets the education and moral character requirements for testing. The application of intent is effective for 2 years from the date of submission. An individual who takes the exam within the 2-year effective date is not required to refile an application of intent.

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<u>Method of Calculation:</u>	The data is calculated by adding the number of applications of intent submitted through the last day of the quarter.
<u>Data Limitations:</u>	The number of individuals who submit intent applications for the UCPAE is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.02 Number of intent applications approved

<u>Short Definition:</u>	The number of intent applications approved by the Board.
<u>Purpose/Importance:</u>	This performance measure is important because the applicants have to meet statutory and Board rule requirements to apply, to take the UCPAE.
<u>Source/Collection of Data:</u>	The data for this measure comes from data collected from the Board's automated exam system. Each individual who files an application of intent that is approved by the Board shall maintain this status for 2 years from the date of submission. An individual who takes the exam within the 2-year effective date is not required to refile an application of intent.
<u>Method of Calculation:</u>	The data is calculated by adding the number of applications of intent approved during the quarter.
<u>Data Limitations:</u>	The number of individuals who submit intent applications for the UCPAE is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.03 Number of eligibility applications for the examination processed

<u>Short Definition:</u>	The number of eligibility applications submitted by individuals to take one or more sections of the UCPAE.
<u>Purpose/Importance:</u>	This performance measure is important in determining staff workload of ensuring applicants are eligible to take the UCPAE.
<u>Source/Collection of Data:</u>	The data for this measure comes from data collected from the Board's automated exam system. Each eligibility application must be submitted with an eligibility fee for the section(s) of the CPA exam for which the individual wants to apply. The Board must verify that the individual is eligible for each section of the CPA exam.
<u>Method of Calculation:</u>	The data is calculated by adding the number of eligibility applications submitted during the quarter.
<u>Data Limitations:</u>	The number of individuals who submit eligibility applications for the UCPAE is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

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04. Individuals examined

<u>Short Definition:</u>	The number of individuals to whom computer-based examination sections were administered during the reporting period.
<u>Purpose/Importance:</u>	The CPA examination is offered via computer on a year-round basis at testing centers. This performance measure is important because it can be used as a tool for comparison purposes with the former written exam.
<u>Source/Collection of Data:</u>	The data for this measure comes from data collected from the Board's automated exam system. The Board receives data from NASBA about individuals who took the UCPAE.
<u>Method of Calculation:</u>	The data is calculated by adding the number of individuals who took one or more sections of the UCPAE during each quarter. Because the information is released by NASBA, the data for one quarter may not be available until the next quarter.
<u>Data Limitations:</u>	The number of individuals who submit eligibility applications for the UCPAE is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.05 Number of applications processed for certification/registration (individuals)

<u>Short Definition:</u>	An individual who has passed all parts of the UCPAE must submit an application and meet other requirements of the <i>Act</i> to receive the CPA Certificate or Registration.
<u>Purpose/Importance:</u>	This performance measure is important in determining staff workload.
<u>Source/Collection of Data:</u>	The data for this measure comes from the Board's automated examination and licensing system. Each application must be submitted with a certificate or registration fee. The fees are entered into the automated exam and licensing system. The number of fees that are collected documents this performance measure.
<u>Method of Calculation:</u>	The data is calculated by adding the number of certification and registration fees received for each quarter.
<u>Data Limitations:</u>	The number of individuals who submit applications for certification or registration is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.06 Number of applications processed for firm registration

<u>Short Definition:</u>	The number of applications processed for partnerships, professional corporations, professional limited liability companies, registered limited liability partnerships, and sole proprietorships.
<u>Purpose/Importance:</u>	Registering firms in the client practice of public accountancy ensures that the firms meet the legal standards of the profession, which is the goal of the agency. This measure is important because it indicates the number of firms licensed to practice public accountancy in Texas.

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<u>Source/Collection of Data:</u>	Data comes from manual tracking in the Licensing Division and the Board's automated licensing system.
<u>Method of Calculation:</u>	This measure counts the total number of firms registered during the reporting period, regardless of when the application was originally received. Those firms that were certified in the previous period are not counted.
<u>Data Limitations:</u>	Firms must meet all the criteria for registration as required by statute and rule.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.07 Number of new licenses issued to individuals

<u>Short Definition:</u>	The number of licenses issued to previously unlicensed individuals during the reporting period.
<u>Purpose/Importance:</u>	A successful licensing structure must ensure that legal standards for professional education and practice are met prior to licensure. This measure is a primary workload indicator that is intended to show the number of unlicensed persons who were documented to have successfully met all licensure criteria established by statute and rule as verified by the agency during the reporting period.
<u>Source/Collection of Data:</u>	The data comes from a query generated by the Information Resources Division. Each license notice must be submitted with a fee. The fees are entered into the licensing records. The number of fees that are collected documents this performance measure.
<u>Method of Calculation:</u>	This measure counts the total number of licenses issued to previously unlicensed individuals during the reporting period, regardless of when the application was originally received. Those individuals who had a license in the previous reporting period are not counted. Only new licenses are counted. Licenses are counted as new for persons who were previously licensed, but whose license expired so that they were required to meet all criteria of a new applicant.
<u>Data Limitations:</u>	The number of individuals who choose to obtain a license is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.08 Number of licenses renewed (individuals)

<u>Short Definition:</u>	The number of licensed individuals who held licenses previously and renewed during the current reporting period.
<u>Purpose/Importance:</u>	Licensure renewal is intended to ensure that individuals who want to continue to practice public accountancy satisfy current legal standards established by statute and rule for the profession and practice. This measure is intended to show the number of licenses that were issued during the reporting period to individuals who currently held a valid license.

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<u>Source/Collection of Data:</u>	The information comes from the agency licensing database that keeps a record of those individuals renewing their licenses.
<u>Method of Calculation:</u>	The measure is calculated by querying the agency licensing database to produce the total number of licenses issued to previously licensed individuals who have submitted fees and met the CPE requirement.
<u>Data Limitations:</u>	The number of individuals who choose to renew their licenses is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

Efficiency Measures:

.01 Average cost per section taken

<u>Short Definition:</u>	Total costs expended for examination activities during the reporting period divided by the total number of exam sections taken during the reporting period.
<u>Purpose/Importance:</u>	The Board is obligated to offer the exam as efficiently and cost effectively as possible to individuals approved to take a specific section. This performance measure is important in monitoring costs and for estimating the cost of future CPA examinations.
<u>Source/Collection of Data:</u>	The data for this measure comes from the Board's records of salaries, supplies, travel, postage, application review and handling, notification and other costs directly related to the examination function.
<u>Method of Calculation:</u>	The agency determines the total funds expended divided by the number of exam sections that were taken during the quarter.
<u>Data of Limitations:</u>	Some of the costs associated with this measure are beyond the control of the agency due to economic factors.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Lower than target

.02 Average licensing cost per individual license issued

<u>Short Definition:</u>	Total expenditures (including encumbrances) for direct licensing activities during the reporting period divided by the total number of individuals licensed during the reporting period.
<u>Purpose/Importance:</u>	This measure is intended to show how cost-effectively the agency processes new and renewal license applications for individuals.
<u>Source/Collection of Data:</u>	The number of new and renewed licenses is obtained from the agency's automated licensing system. The Information Resources Division generates a quarterly report for this measure titled "Count of Licensees by Quarter." The Accounting Division compiles the financial data from the agency's internal accounting system. A report is generated listing expenses by quarter for each division, and a worksheet is created for performance measure reporting.
<u>Method of Calculation:</u>	Total funds expended and encumbered during the reporting period for the processing of initial and renewed licenses for individuals divided by the total number of initial and renewed licenses for individuals issued

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during the reporting period. Costs include the following categories: salaries; supplies, travel, postage, and other costs directly related to licensing, including document review, handling, and notification. Costs related to the examination function and indirect administration costs are excluded from this calculation.

<u>Data Limitation:</u>	Factors beyond the agency's control include the number of individuals who will become licensed in a given period.
<u>Calculation Type:</u>	Non-Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.03 Average licensing cost per facility license issued

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

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

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

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

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

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Lower than target

.04 Percentage of new individual licenses issued within 10 days (new measure as of FY 06)

Short Definition: The percentage of initial individual license applications that were processed during the period within 10 days from the time of receipt of the initial completed application until the date the license is mailed.

Purpose/Importance: Measures the ability of the agency to process new license applications in a timely manner and its responsiveness to the licensees.

Source/Collection of Data: Each license renewal and check is date stamped by the mailroom when the mail is opened. The renewal and check is given to the cashier to separate the checks and renewals. The checks are deposited and the

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renewals are given to the Information Resources Division for keying of information. If the licensee has met all the requirements for issuance of a license, the license is printed. The process takes 10 days. All documentation is retained in the office.

Method of Calculation: Information Resources runs a report of the date received and the date the license was printed.

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

.05 Percentage of individual license renewals issued within 7 days (new measure as of FY 06)

Short Definition: The percentage of individual license renewal applications that were processed during the reporting period within 7 days of receipt, measured from the time the renewal was received until the date the license was printed.

Purpose/Importance: This measures the ability of the agency to process license renewals in a timely manner and its responsiveness to the licensees.

Source/Collection of Data: Each license renewal and check is date stamped by the mailroom when the mail is opened. The renewal and check is given to the cashier to separate the checks and renewals. The checks are deposited and the renewals are given to the Information Resources Division for keying of information. If the licensee has met all the requirements for renewal of a license, the license is printed. The process takes 7 days. All documentation is retained in the office.

Method of Calculation: Information Resources runs a report of the date received and the date the license was printed.

Data Limitation: None

Calculation Type: Non-cumulative

New Measure: No

Desired Performance: Higher than target

Explanatory Measures:

.01 Number of active CPE providers registered

Short Definition: The number of active CPE providers registered with the Board.

Purpose/Importance: Organizations registered with the Board must adhere to the standards of the Board as established by rule. This ensures that licensees take courses from providers who have registered with the Board and that the courses will enhance their professional competence.

Source/Collection of Data: Providers desiring to register as a provider of CPE submit an application provided by the Board. The number of active CPE providers is from a database of the providers who request to remain active each year.

Method of Calculation: The Information Resources Division maintains a database of all registered providers. The providers are the entities who request on an annual basis to remain active. Information comes from a query generated by the Information Resources Division.

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<u>Data Limitations:</u>	The number of entities who desire to register as providers of CPE is not under the control of the agency.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.02 Total number of individuals licensed

<u>Short Definition:</u>	The total number of individuals licensed at the end of the reporting period.
<u>Purpose/Importance:</u>	The measure shows the total number of individual licenses currently issued, which indicates the number of individuals who are currently active.
<u>Source/Collection of Data:</u>	The information comes from the agency licensing database that maintains a record of those individuals who have submitted the annual license fee and reported CPE.
<u>Method of Calculation:</u>	The measure is calculated by querying the agency licensing database to determine those individuals who have submitted the fee and reported the required CPE.
<u>Data Limitations:</u>	Individuals must submit the correct fees and meet the CPE requirement to be issued a license.
<u>Calculation Type</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.03 Total number of business facilities licensed

<u>Short Definition:</u>	The unduplicated number of licenses processed for partnerships, professional corporations, professional limited liability companies, registered limited liability partnerships, and sole proprietorships.
<u>Purpose/Importance:</u>	Licensing firms in the client practice of public accountancy ensures that the firms meet the legal standards of the profession, which is the goal of the agency. This measure is important because it indicates the number of firms licensed to practice public accountancy in Texas.
<u>Source/Collection of Data:</u>	Data comes from the agency database maintained by the Information Resources Division.
<u>Method of Calculation:</u>	This measure counts the total number of firms that have submitted the correct fees and information regarding peer review during the reporting period.
<u>Data Limitation:</u>	Firms must meet all the criteria for licensing as required by statute and rule. The number of firms that wish to register is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

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01-01-02 EXAMINATION – Utilize national exam to promote uniformity and reciprocity for licensees

Output Measures:

.01 Number of sections of the examination taken

<u>Short Definition:</u>	The number of sections of the UCPAE taken within a quarter.
<u>Purpose/Importance:</u>	This performance measure is important as a tool for comparison purposes with the former written exam.
<u>Source/Collection of Data:</u>	The data for this measure comes from data collected from the Board's automated exam system. The Board will receive preliminary data from the National Association of State Boards of Accountancy (NASBA) when an individual takes a section of the CPA examination.
<u>Method of Calculation:</u>	The data is calculated by adding the number of sections of the CPA exam taken during the quarter.
<u>Data Limitations:</u>	The number of individuals who write papers during a UCPAE is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.02 Number of sections of the examination passed

<u>Short Definition:</u>	The number of sections of the UCPAE passed during a quarter.
<u>Purpose/Importance:</u>	This performance measure is an important tool in determining the staff workload for future exam and certification applications.
<u>Source/Collection of Data:</u>	The data for this measure comes from data collected from the Board's automated exam system. The Board receives advisory scores from NASBA for each individual who takes a section(s) of the CPA exam.
<u>Method of Calculation:</u>	The data is calculated by adding the number of passed sections of the CPA exam during the testing window. Because NASBA releases the information, the data for one quarter may not be available until the next quarter.
<u>Data Limitations:</u>	The number of individuals who take sections of the UCPAE is beyond the control of the agency.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

01-02 PEER REVIEW – Allow only qualified accounting firms to provide services to the public

Outcome Measures:

.01 Percentage of accounting firms reviewed

<u>Short Definition:</u>	The number of accounting firms reviewed by the sponsoring organizations divided by the total number of firms subject to peer review.
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<u>Purpose/Importance:</u>	To review the work product of those firms for compliance with applicable standards adopted by generally recognized bodies responsible for setting accounting standards.
<u>Source/Collection of Data:</u>	Information is maintained in the licensing database.
<u>Method of Calculation:</u>	The number of firms reviewed by sponsoring organizations divided by the total number of firms subject to peer review.
<u>Data Limitations:</u>	The number of accounting firms reviewed is reported by external entities.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.02 Percentage of accounting firms receiving favorable review

<u>Short Definition:</u>	The number of accounting firms receiving a favorable review divided by the total number of firms reviewed.
<u>Purpose/Importance:</u>	The purpose of the program is to monitor compliance with applicable accounting standards adopted by generally recognized standard-setting bodies.
<u>Source/Collection of Data:</u>	Data comes from the sponsoring organizations and is collected by the Licensing Division.
<u>Method of Calculation:</u>	The number of firms receiving a favorable review divided by the total number of reviews completed during the period.
<u>Data Limitations:</u>	Data on favorable reviews is provided by external entities.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

01-02-01 PEER REVIEW

Output Measures:

.01 Number of peer reviews conducted

<u>Short Definition:</u>	The number of reviews conducted by the sponsoring organizations during the period.
<u>Purpose/Importance:</u>	Each firm must be reviewed every 3 years to ensure the quality of the firm's work product. The importance is to emphasize education, including appropriate remedial procedures, which may be recommended or required where reporting does not comply with professional standards.
<u>Source/Collection of Data:</u>	Data comes from sponsoring organizations and is collected by the director of the Licensing/CPE/Peer Review Division.
<u>Method of Calculation:</u>	Sponsoring organizations report the total number of reviews conducted during the period.
<u>Data Limitation:</u>	Data is reported by external entities.

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<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.02 Number of peer reviews examined by the Peer Review Oversight Board

<u>Short Definition:</u>	The Peer Review Oversight Board (PROB) monitors sponsoring organizations for assurance that reviews are conducted and reported in accordance with standards.
<u>Purpose/Importance:</u>	The PROB reviews the policies and procedures of the sponsoring organization for their conformity with the review standards. On the basis of the review of the procedures, the PROB makes an annual recommendation to the Board as to continuing the qualification of the approved sponsoring organization.
<u>Source/Collection of Data:</u>	The chairman of the PROB reports the number of reviews to the director of Licensing/CPE/Peer Review Division.
<u>Method of Calculation:</u>	The chairman of the PROB maintains a record of the number of reviews the PROB conducts.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

Efficiency Measure:

.01 Average cost per peer review conducted

<u>Short Definition:</u>	Total departmental expenses for the peer review program during the reporting period divided by the number of peer reviews conducted.
<u>Purpose/Importance:</u>	This measure is intended to show the average cost of peer reviews.
<u>Source/Collection of Data:</u>	The director of Licensing obtains the number of peer reviews conducted from the sponsoring organizations. The Accounting Division compiles the financial data. This information comes from the agency's internal accounting system. A report is generated listing expenses by quarter for each division and a worksheet is created for performance measure reporting.
<u>Method of Calculation:</u>	Total funds expended and encumbered during the reporting period for the peer review program (numerator) is divided by the total number of peer reviews conducted during the reporting period (denominator). Costs include the following categories: salaries, supplies, travel, postage, and other costs directly related to facility licensing, including document review, handling and notification.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

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Explanatory Measure:

.01 Number of accounting firms subject to peer review

<u>Short Definition:</u>	The number of currently licensed accounting firms that are subject to a peer review requirement.
<u>Purpose/Importance:</u>	Firms that perform accounting/or auditing engagements, including, but not limited to, audits, reviews, compilations, forecasts, projections, or other special reports are required to have a peer review every 3 years. To monitor compliance with applicable accounting and auditing standards adopted by generally recognized standard-setting bodies.
<u>Source/Collection of Data:</u>	The number of firms currently licensed as determined by the licensing database. The date for the review is submitted by the firm after contacting a reviewing organization.
<u>Method of Calculation:</u>	Firms that should undergo a review as determined by the review date on file. The year in which the firm is subject to a review is irrelevant when determining the number.
<u>Data Limitations:</u>	Used to estimate other measures. Taken alone, this measure is not indicative of unfavorable or favorable performance by the Board.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	N/A

01-03 Allow only registered CPE sponsors to provide high-quality CPE

Outcome Measures:

.01 Percentage of CPE sponsors reviewed

<u>Short Definition:</u>	The number of CPE sponsors reviewed by Board-authorized reviewers divided by the total number of CPE sponsors subject to review.
<u>Purpose/Importance:</u>	To review the work product of sponsors for compliance with applicable standards.
<u>Source/Collection of Data:</u>	Information is maintained in the sponsor review program.
<u>Method of Calculation:</u>	The number of sponsors reviewed by Board-authorized reviewers divided by the total number of CPE sponsors subject to review.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.02 Percentage of CPE sponsors receiving favorable review

<u>Short Definition:</u>	The number of CPE sponsors receiving a favorable review divided by the total number of sponsors reviewed.
<u>Purpose/Importance:</u>	The purpose of the program is to ensure that high-quality CPE is provided to Texas CPAs.
<u>Source/Collection of Data:</u>	Data comes from the sponsoring organizations and is collected by the Licensing Division.
<u>Method of Calculation:</u>	The number of CPE sponsors receiving a favorable review divided by the total number of reviews completed during the period.

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<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

01-03 SPONSOR REVIEW

Output Measures:

.01 Number of CPE sponsors reviewed

<u>Short Definition:</u>	The number of CPE sponsors reviewed by the Board-authorized reviewers during the period.
<u>Purpose/Importance:</u>	Each sponsor must be reviewed every 3 years to ensure the quality of the sponsor's courses.
<u>Source/Collection of Data:</u>	Data comes from sponsoring organizations and is collected by the director of the Licensing/CPE/Peer Review Division.
<u>Source/Collection of Data:</u>	Data comes from sponsor review program.
<u>Method of Calculation:</u>	The total number of CPE sponsors reviewed during the period is calculated by Board staff.
<u>Data Limitation:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

Efficiency Measures:

.01 Average cost per sponsor reviewed

<u>Short Definition:</u>	Total division expenses for the sponsor review program during the reporting period divided by the number of sponsors reviewed.
<u>Purpose/Importance:</u>	This measure is intended to show the average cost of reviews per sponsor.
<u>Source/Collection of Data:</u>	Sponsor review staff obtains the number of sponsors reviewed. The Accounting Division compiles the financial data. This information comes from the agency's internal accounting system. A report is generated listing expenses by quarter for each division, and a worksheet is created for performance measure reporting.
<u>Method of Calculation:</u>	Total funds expended and encumbered during the reporting period for the sponsor review program (numerator) is divided by the total number of sponsors reviewed during the reporting period (denominator). Costs include the following categories: salaries, supplies, travel, postage, and other costs directly related to the program.

Explanatory Measure:

01. Number of CPE sponsors subject to sponsor review

<u>Short Definition:</u>	The number of currently registered CPE sponsors that are subject to a sponsor review requirement.
<u>Purpose/Importance:</u>	Sponsors are required to have a sponsor review every 3 years.

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<u>Source/Collection of Data:</u>	The number of sponsors currently registered is maintained by the sponsor review program staff.
<u>Method of Calculation:</u>	Sponsors that should undergo a review as determined by the review date on file.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	N/A

02 PROTECT PUBLIC/ENFORCEMENT

02-01 Resolve complaints in a timely manner, emphasizing voluntary compliance and education

Outcome Measures:

.01 Percentage of administrative complaints closed within 4 months

<u>Short Definition:</u>	The percentage of administrative complaints that are closed within 4 months.
<u>Purpose/Importance:</u>	Reports the efficiency and speed of processing a large number of files.
<u>Source/Collection of Data:</u>	Data comes from the Board's automated enforcement enterprise system.
<u>Method of Calculation:</u>	Total number of administrative complaints opened and closed within 4 months divided by the number of administrative complaints opened during the period.
<u>Data Limitations:</u>	The Board has no control over whether licensees will pay their annual license fees and no control over the amount of time required by the State Office of Administrative Hearings.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.02 Percentage of documented complaints resolved within 6 months

<u>Short Definition:</u>	The percentage of documented complaints that were resolved within 6 months.
<u>Purpose/Importance:</u>	The measure is intended to show the percentage of complaints resolved within a reasonable period of time. Reports the efficiency and speed of processing complaints to resolution.
<u>Source/Collection of Data:</u>	Detailed tracking information on disciplinary complaints is maintained in the enforcement enterprise database.
<u>Method of Calculation:</u>	The number of complaints resolved within 6 months is divided by the total number of complaints closed during the period.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

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.03 Percentage of disciplinary complaints closed with voluntary compliance or CPE

<u>Short Definition:</u>	The percentage of disciplinary complaints that were closed with voluntary compliance or continuing professional education.
<u>Purpose/Importance:</u>	This report indicates the percentage of cases in which the Board achieved its enforcement goal through voluntary compliance or CPE. The Board prefers corrective and educational action over punitive and disciplinary action.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise database.
<u>Method of Calculation:</u>	The number of disciplinary complaints closed during the period with voluntary compliance or CPE divided by total disciplinary complaints closed during the period.
<u>Data Limitations:</u>	The Board has limited control over complainants or other third parties.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

.04 Rate of violations

<u>Short Definition:</u>	The rate at which violations occur.
<u>Purpose/Importance:</u>	This measure is intended to show the rate at which violations occur among licensees on an annual basis.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise database.
<u>Method of Calculation:</u>	The number of actual violations divided by the number of individuals licensed.
<u>Data Limitations:</u>	The Board has limited control over complainants and other third parties.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.05 Recidivism rate for those receiving disciplinary action

<u>Short Definition:</u>	The number of repeat offenders at the end of the reporting period as a percentage of all offenders during the most recent 3-year period.
<u>Purpose/Importance:</u>	This measure is intended to show how effectively the agency enforces its regulatory requirements and prohibitions. It is important that the agency enforce the <i>Public Accountancy Act</i> (the <i>Act</i>) and Board rules strictly enough to ensure consumers are protected from unsafe, incompetent, and unethical practice by a registered or licensed professional.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise database.
<u>Method of Calculation:</u>	The number of individuals with two or more disciplinary actions within the last 3 years is divided by the number of individuals who received disciplinary action within the last 3 years.

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<u>Data of Limitations:</u>	The Board has no control over complainants or other third parties.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.06 Percentage of complaints resulting in disciplinary action

<u>Short Definition:</u>	The percentage of complaints that were resolved that resulted in disciplinary action.
<u>Purpose/Importance:</u>	This measure is intended to show the extent to which the agency exercises its disciplinary authority in proportion to the number of complaints received. It is important that both the public and licensees have an expectation that the agency will work to ensure fair and effective enforcement of the Act, and this measure seeks to indicate agency responsiveness to this expectation.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise database.
<u>Method of Calculation:</u>	The number of cases closed with disciplinary action divided by the total number of complaints closed during the period.
<u>Data Limitations:</u>	The Board has limited control over complainants and other third parties.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.07 Total administrative penalties and direct administrative costs assessed for major cases

<u>Short Definition:</u>	The total dollar amount of penalties and direct administrative costs assessed by the Board against individuals and firms involved in a major case complaint. This will not include unpaid license fees collected as part of the agreement, which are recorded as license fees.
<u>Purpose/Importance:</u>	This measure is intended to show the dollar amount assessed on an annual basis against individuals and firms involved in major cases.
<u>Source/Collection of Data:</u>	Data comes from the Enforcement Division.
<u>Method of Calculation:</u>	Manual calculation by the Enforcement Division.
<u>Data Limitations:</u>	Projecting the amount of costs assessed for enforcement cases is subjective in nature.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

02-01-01 ENFORCEMENT - Investigate and resolve complaints and promulgate rules

Output Measures:

.01 Number of disciplinary complaints/referrals processed

<u>Short Definition:</u>	The number of disciplinary complaint files opened during a period of time.
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<u>Purpose/Importance:</u>	Reports the volume of disciplinary complaints received or generated that results in an investigative file being opened.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise database.
<u>Method of Calculation:</u>	Calculated by automated system from data entry sheets.
<u>Data Limitations:</u>	The Board has limited control over third-party complaint sources such as clients, CPAs, and state or federal agencies.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.02 Number of administrative complaints processed

<u>Short Definition:</u>	The number of administrative complaints opened during a period of time.
<u>Purpose/Importance:</u>	Reports the volume of administrative complaints generated by the Board.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise system.
<u>Method of Calculation:</u>	Calculated by computer from data entry sheets (Complaint Activity Details Report).
<u>Data Limitations:</u>	The Board has limited control over whether its licensees will pay their license fees, complete CPE requirements, and have a peer review performed if required.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.03 Complaints resolved

<u>Short Definition:</u>	The number of disciplinary and administrative investigative files that were closed during a period of time.
<u>Purpose/Importance:</u>	Reports the workload of disciplinary and administrative files that were closed during this period of time.
<u>Source/Collection of Data:</u>	The Board's automated system is both the source and the collector of data.
<u>Method of Calculation:</u>	Detailed tracking information is maintained in the enforcement enterprise system.
<u>Data Limitations:</u>	Hearings before the State Office of Administrative Hearings are not under this Board's control. The Board has no control over complaints, witnesses, and other third parties.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

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.04 Number of rules changed

<u>Short Definition:</u>	The number of rules adopted by the Board.
<u>Purpose/Importance:</u>	This measure attempts to quantify the Board's responsiveness to needed changes to regulate the profession.
<u>Source/Collection of Data:</u>	Manually tracked.
<u>Method of Calculation:</u>	The <i>Texas Register</i> of the Office of the Secretary of State reports the number of rules that were adopted by the Board during a period.
<u>Data Limitations:</u>	The Board has limited control over changes in professional standards, laws, or court opinions.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	N/A

Efficiency Measures:

.01 Average cost per major case

<u>Short Definition:</u>	The total cost incurred for investigating and prosecuting major cases divided by the number of major cases investigated during the period.
<u>Purpose/Importance:</u>	This measure is intended to show how cost-effectively the agency processes major cases.
<u>Source/Collection of Data:</u>	The data comes from the Enforcement Division's major case summary and complaint log. The Accounting Division compiles the financial data. An expenditure report is generated from the agency's internal accounting system, which lists all costs associated with major cases during the period.
<u>Method of Calculation:</u>	Total funds expended and encumbered during the reporting period for the processing of major cases (numerator) is divided by the number of major cases investigated during the reporting period (denominator). Costs include the following categories: salaries, supplies, travel, postage, and other costs directly related to processing major cases, including document review, handling, and notification.
<u>Data Limitations:</u>	Factors out of the agency's control include the number of new cases that develop during a period and the time it takes to process a major case.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.02 Average time for complaint resolution

<u>Short Definition:</u>	The average number of calendar days from the opening of a disciplinary investigative file until final resolution of the file.
<u>Purpose/Importance:</u>	This report indicates the speed and efficiency of investigating and resolving disciplinary cases.
<u>Source/Collection of Data:</u>	Detailed tracking information is maintained in the enforcement enterprise system.
<u>Method of Calculation:</u>	The Board's automated system calculates how long a file was open before resolution.

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<u>Data Limitations:</u>	The nature of the way complaints are resolved does not lend itself to comparison with a static target. Legal activities in the enforcement process, such as postponements, depositions, subpoena issuances, discovery, rediscovery, and exchange of interrogatories all vary on a case-by-case basis. The variations of these elements affect the amount of time required to resolve complaints.
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

.03 Average cost per complaint resolved

<u>Short Definition:</u>	This measure is calculated by dividing the Enforcement Division expenditures by the number of complaints resolved.
<u>Purpose/Importance:</u>	This measure is intended to show the cost efficiency of the agency in resolving a complaint.

<u>Source/Collection of Data:</u>	The Information Resources Division creates reports from the agency's computer database on complaint activity for the Enforcement Division for performance measure reporting. The Accounting Division generates an expenditure report in its internal accounting system. The report lists funds expended by the Enforcement Division.
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<u>Method of Calculation:</u>	The total funds expended and encumbered during the reporting period for complaint processing, investigation, and resolution (numerator) is divided by the number of complaints resolved (denominator). Costs include the following categories: salaries, supplies, travel, postage, subpoena expenses, and other costs directly related to the agency enforcement function, including charges of the State Office of Administrative Hearings (if applicable). These costs should be computed using the appropriate expenditures (including encumbrances) shown from each category in the agency accounting system. Indirect administration costs are excluded from this calculation. For multiple reporting periods, year-to-date performance is calculated by adding all costs related to complaints for all reporting periods (numerator) and dividing by the number of complaints resolved for all reporting periods (denominator).
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<u>Data Limitations:</u>	The nature of the way complaints are resolved does not lend itself to comparison with targets. Legal activities in the enforcement process, such as postponements, depositions, subpoena issuances, discovery, re-discovery, and exchange of interrogatories all vary on a case-by-case basis. The variations of these elements affect the amount of time required to resolve complaints and the number of complaints resolved in any given period.
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<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Lower than target

Explanatory Measure:

.01 Number of jurisdictional complaints received

<u>Short Definition:</u>	The total number of complaints received that are within the Board's jurisdiction of statutory responsibility.
<u>Purpose/Importance:</u>	Reports the volume of files opened during a period of time.
<u>Source/Collection of Data:</u>	Data entry sheets. The Board's automated system collects this data (Complaint Activity Detail Report).

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<u>Method of Calculation:</u>	Automated system reports.
<u>Data Limitations:</u>	Requires estimates which are subjective in nature.
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	N/A

03 PUBLIC EDUCATION

03-01 Respond to requests in a timely manner

Outcome Measure:

.01 Percentage of inquiries responded to within 30 days

<u>Short Definition:</u>	Total number of inquiries responded to divided by the total number of inquiries received in a given period.
<u>Purpose/Importance:</u>	This measure is intended to show that the Board is responding to inquiries in a timely manner.
<u>Source/Collection of Data:</u>	All requests/inquiries are logged into a book and maintained by the Licensing Division.
<u>Method of Calculation:</u>	The numbers are manually calculated from the log book in the Licensing Division.
<u>Data Limitation:</u>	None
<u>Calculation Type:</u>	Non-cumulative
<u>New Measure:</u>	No
<u>Desired Performance:</u>	Higher than target

03-01-01 PUBLIC INFORMATION – Develop system of public information concerning the *Public Accountancy Act*.

Output Measures:

.01 Number of written responses to other licensing authorities and the public including emails received

<u>Short Definition:</u>	The number of written responses sent to other licensing authorities and the public.
<u>Purpose/Importance:</u>	To keep other licensing authorities informed regarding the status of licensees. To help the public in determining when a Certified Public Accountant is licensed and in good standing.
<u>Source/Collection of Data:</u>	All outgoing and incoming requests are logged by the Licensing Division.
<u>Method of Calculation:</u>	Manual count.
<u>Data Limitation:</u>	None
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	No

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Desired Performance: Higher than target

.02 Number of newsletters and publications distributed

Short Definition: Total number of newsletters and publications mailed and emailed to licensees and other interested parties.

Purpose/Importance: This measure is intended to show that the agency is keeping licensees and the public informed.

Source/Collection of Data: This data comes from the bulk rate postage charge reports sent by the U.S. Postal Service and is filed in the Accounting Division and IR reports.

Method of Calculation: This measure is calculated by adding the number of newsletters and publications distributed on all bulk rate postage charge reports to the number of newsletter emails reported by IR to people who did not also receive them by mail.

Data Limitation: Budget limitations impose restrictions on the number of mailings to licensees and other interested parties.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

04 HISTORICALLY UNDERUTILIZED BUSINESSES

04-01 Annual purchase contracts with HUBs of at least 15% per year

Outcome Measure:

Short Definition: Total dollar amount of purchases and payments made under contracts awarded to underutilized businesses using six procurement categories: Heavy Construction, Building Construction, Special Trade, Professional Services, Other Services, and Commodity Purchasing.

Purpose/Importance: To make purchases from businesses owned by one or more persons who are economically disadvantaged because of their identification as members of certain groups, including Black Americans, Hispanic Americans, women, Asian Americans, and Native Americans, and have suffered the effects of discriminatory practices.

Source/Collection of Data: Monthly, semi-annual, and annual agency reporting methods are used to track HUB usage: Agency maintains monthly information on total dollar amount of purchases and payments awarded to HUB businesses. Semi-annual and annual reports are made to the Comptroller of Public Accounts on total dollar amount of purchases and payments awarded to HUBs.

Method of Calculation: A percentage is obtained by dividing the total HUB expenditures by the total adjusted expenditures of the agency.

Calculation Type: Cumulative

New Measure: No

Desired Performance: Higher than target

05 CUSTOMER SERVICE

05-01 Provide quality services to agency customers

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Outcome Measures:

.01 Percentage of Surveyed Customer Respondents Expressing Overall Satisfaction with Services Received

<u>Short Definition:</u>	The percentage of surveyed customer respondents who have expressed an overall satisfaction with agency services received.
<u>Purpose/Importance</u>	To show the percentage of customers who are satisfied with the agency's services.
<u>Source Data</u>	Data is collected from the customer satisfaction survey distributed to all active individual licensees.
<u>Method of Calculation</u>	The measure is calculated by taking the number of active individual licensees who were satisfied with the Board's overall performance and dividing by the total number of surveys received.
<u>Data Limitations</u>	None
<u>Calculation Type:</u>	Non-Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.02 Percentage of Surveyed Customer Respondents Identifying Ways to Improve Service Delivery

<u>Short Definition:</u>	The percentage of surveyed customer respondents who have identified ways to improve service delivery.
<u>Purpose/Importance:</u>	To identify possible improvements to the agency's service delivery.
<u>Source of Data:</u>	The customer satisfaction surveys, which allow for the customer to make comments or identify ways to improve service delivery.
<u>Method of Calculation:</u>	The measure is calculated by dividing the number of active individual licensees who commented on ways to improve service delivery divided by the total number of active individual licensees who responded.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	N/A

Output Measures:

.01 Number of Customers Surveyed

<u>Short Definitions:</u>	The number of customers surveyed.
<u>Purpose/Importance:</u>	This measure shows the total number of customers surveyed within a customer group.
<u>Source of Data:</u>	The agency's active individual licenses derived from an automated system report.
<u>Method of Calculation:</u>	Automated system report.
<u>Data Limitations:</u>	None

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<u>Calculation Type:</u>	Cumulative
<u>New Measures:</u>	Yes
<u>Desired Performance:</u>	Higher than target

.02 Number of Customers Served

<u>Short Definition:</u>	The number of customers served by the agency.
<u>Purpose/Importance:</u>	Total number of customers served.
<u>Source of Data:</u>	The number of customers served is the number of active individual licenses.
<u>Method of Calculation:</u>	Automated system report.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Higher than target

Efficiency Measure:

.01 Cost per Customer Surveyed

<u>Short Definition:</u>	The cost per customer surveyed.
<u>Purpose/Importance:</u>	This measure reflects the cost of conducting the customer satisfaction survey.
<u>Source of Data:</u>	The amount of funds expended for conducting the survey.
<u>Method of Calculation:</u>	This measure is calculated by identifying costs associated with the survey (labor only) and dividing that number by the total number surveyed.
<u>Data Limitations:</u>	None
<u>Calculation Type:</u>	Non-Cumulative
<u>New Measure:</u>	Yes
<u>Desired Performance:</u>	Lower than target

Explanatory Measures:

.01 Number of Customers Identified

<u>Short Definition:</u>	The number of customers in the customer groups.
<u>Purpose/Importance:</u>	This measure shows the total number of customers served in the customer groups.
<u>Source of Data:</u>	Automated system report.
<u>Method of Calculation:</u>	The number is calculated by totaling all of the customers in each of the target groups.
<u>Data Limitations:</u>	None

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Calculation Type: Cumulative
New Measure: Yes
Desired Performance: Higher than target

.02 Number of Customers Groups Inventoried

Short Definition: The number of customer groups inventoried by the agency.
Purpose/Importance: This measure indicates the total number of customer groups served by the agency.
Source of Data: The number of customer groups is determined by categorizing the agency's functions.
Method of Calculation: The number is calculated by totaling all customer groups from each function of the agency.
Data Limitations: None
Calculation Type: Cumulative
New Measure: Yes
Desired Performance: N/A

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

WORKFORCE PLAN

I. Agency Overview

The Texas State Board of Public Accountancy (TSBPA) operates under the authority of the Texas Occupations Code, Chapter 901 (West, 2003), better known as the *Public Accountancy Act* (the *Act*). According to Section 901.005(d) of the *Act*, "The terms 'accountant' and 'auditor' and derivations, combinations, and abbreviations of those terms, have an implication of competence in the profession of public accountancy on which the public relies in personal, business, and public activities and enterprises." To this end, the Board examines, certifies and licenses certified public accountants (CPAs) and restricts the use of this term to these licensees.

The TSBPA has the responsibility and authority to regulate the practice of public accountancy in Texas. This is accomplished through activities that include Qualifications and Licensing, Enforcement, Public Information, and Administration and Support. The TSBPA office is located in Austin, Texas.

During the early 1990s, the agency's budgeted FTEs was 43 because practice units and sole proprietorships were licensed for the first time. Currently the total number of licensees is growing at a relatively stable rate of 2% per year, and the Board does not anticipate a significant increase in FTEs because the increased workload is being offset by better use of technology.

A. Agency Mission

The mission of TSBPA is to protect the public by ensuring that persons issued certificates as certified public accountants possess the necessary education, skills, and capabilities and that they perform competently in the profession of public accountancy.

B. TSBPA Goals

1. Goal 01 - Public Standards

To establish standards in education, examination, and experience for Texas CPAs in the private and public sectors that will protect the public and meet the requirements for certification, licensing, and practice throughout domestic and international jurisdictions, but not necessarily restrict entry to the profession.

a. Objective - In each year of the biennium, qualify only those individuals and accounting firms that have met the requirements of the *Public Accountancy Act*.

(1) Strategy – Licensing. Manage a comprehensive licensing and examination program.

(2) Strategy – Examination. Promote uniformity and reciprocity with other licensing jurisdictions and ensure that all sections taken by candidates are graded consistently.

b. Objective – Ensure that only those accounting firms providing services according to the industry standards are allowed to offer a full range of accounting services to the public.

(1) Strategy – Peer Review. Develop and implement a comprehensive peer review program for all accounting firms utilizing industry standards as the measure of competence and oversight through the Peer Review Oversight Board.

c. Objective – Ensure that only registered CPE sponsors provide high-quality CPE for Texas CPAs.

(1) Strategy – Sponsor Review. Develop and implement a comprehensive sponsor review program to ensure the availability of high-quality continuing professional education (CPE) courses.

2. Goal 02 - Protect Public/Enforcement

To aggressively enforce state regulations relating to the accounting profession; ensure swift, fair, and effective disciplinary action for violators of these standards; and require the re-education and rehabilitation of those violating these laws. To aggressively develop and implement high standards for the accounting profession in emerging issues as they relate to the welfare of the general public.

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- a. Objective - Ensure that complaints are resolved swiftly according to established time frames, emphasizing voluntary compliance and education as the preferred means of resolution, and ensure that enforcement actions are effective and fair.

- (1) Strategy – Enforcement. Operate a system of enforcement that includes investigation and resolving complaints and promulgating rules to effectuate the *Public Accountancy Act*.

3. Goal 03 - Public Education

To inform the public concerning Board functions and the procedures by which complaints are filed, processed, and resolved so that the citizens of Texas may better utilize CPA services and be protected from exploitation.

- a. Objective – In each year of the biennium, ensure that 100% of active licensees receive information on Board activities, rules, new legislation, disciplinary actions and other pertinent information; respond to 90% of all requests for information within 30 days.

- (1) Strategy – Provide Education. Develop and operate a coordinated system of public information to provide all interested parties information concerning the *Public Accountancy Act*, as well as Board rules and procedures pertaining to qualification, examination, licensing, enforcement, and peer review.

4. Goal 04 - Historically Underutilized Businesses

To establish and carry out policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses.

- a. Objective - To include historically underutilized businesses (HUB) in at least 10% of the total value of contracts and subcontracts awarded annually by the agency in purchasing and public works contracts and subcontracts.

- (1) Strategy - Develop and implement a plan for increasing the use of historically underutilized businesses through purchasing and public works contracts and subcontracts.

5. Goal 05 – Customer Service

To develop and carry out procedures to provide quality customer service to external customers.

- a. Objective – To provide customer satisfaction on background information, the Board facilities, the Board staff, the Board's website, printed information and overall performance.

- (1) Strategy – Develop and implement procedures to provide quality customer service in each of the agency's divisions.

C. Anticipated Changes in Strategies

1. Computer-Based Exam

The computer-based examination makes the exam available to candidates during four testing windows each year. The computer-based format created a significant change for the Board and how the exam is offered. The Board no longer needs to rent large convention facilities or tables and chairs. Since Texas does not have a residency requirement, the exam is available to candidates at Prometric testing centers in any of the 55 licensing jurisdictions affiliated with NASBA and, as of 2011, at selected international sites.

2. Credit Card Payments

In May 2006, the Board initiated online fee payment for the eligibility application. Since 2007, individual CPAs have been able to renew their licenses online using a credit card.

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3. Trends in Number of Expected Licensees and Exam Candidates

Since 1980, the number of licensees governed by the Board has increased 241% (from 22,806 to 76,791 in 2011). Currently the growth rate is approximately 2% per year and the Board anticipates that it will hold steady at that rate over the next five years.

The number of examination candidates taking the Uniform CPA Examination had decreased because of increased educational and conditioning requirements and initiation of the computer-based examination, but has been steadily increasing again. In 1999, the number of examination candidates had fallen to 7,528, but by 2011 the number had risen to 11,775. The annual number began to climb again after a low of 5,720 in 2001, and it is projected to increase for the next several years.

4. Legislative Changes

The 78th Legislature, Regular Session, approved amendments to the *Public Accountancy Act*, which became effective September 1, 2003: Article 8930, *Tex. Rev. Civ. Stat. (West, 2012)* as amended by SB 736, 77th Legislature, and SB 1382 of the 78th Legislature, established the Self-Directed, Semi-Independent Agency Project Act. This Act created self-directed, semi-independent status for three agencies, the Texas State Board of Public Accountancy, the Texas Board of Architectural Examiners, and the Texas Board of Professional Engineers.

The 80th Legislature, Regular Session, approved additional amendments to the Act:

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

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

The 81st Legislature, Regular Session, passed legislation transferring authority for administering the Fifth-Year Accounting Student Scholarship Program from the Texas Higher Education Coordinating Board to the Texas State Board of Public Accountancy. The transfer was effective September 1, 2009, and, after close coordination between the two agencies during the fall of 2009, the Accountancy Board put rules into place and assumed full responsibility for the program on January 1, 2010. Fees to support the program come from a \$10 fee charged to each Texas CPA at the time of annual license renewal. The Board was able to triple the amount of money committed to the trust fund and, for the 2009-2010 and 2010-2011 academic years, to offer larger scholarships to a greater number of accounting students.

II. Current Workforce Profile

A. Critical Workforce Skills

The skills listed below are important to the agency to provide basic business functions.

1. Legal Skills

- analyzing professional accounting guidelines
- conducting investigations
- interpreting legal statutes
- providing effective communication

2. Computer Services

- database development and maintenance
- system design, development, and installation
- upgrading and installation of software and hardware
- training of staff in use of equipment and software

3. Customer Service

- providing customer satisfaction surveys
- providing timely responses to calls and written requests or emails

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- distributing information quickly and accurately
- providing information in a courteous manner

4. Budgeting

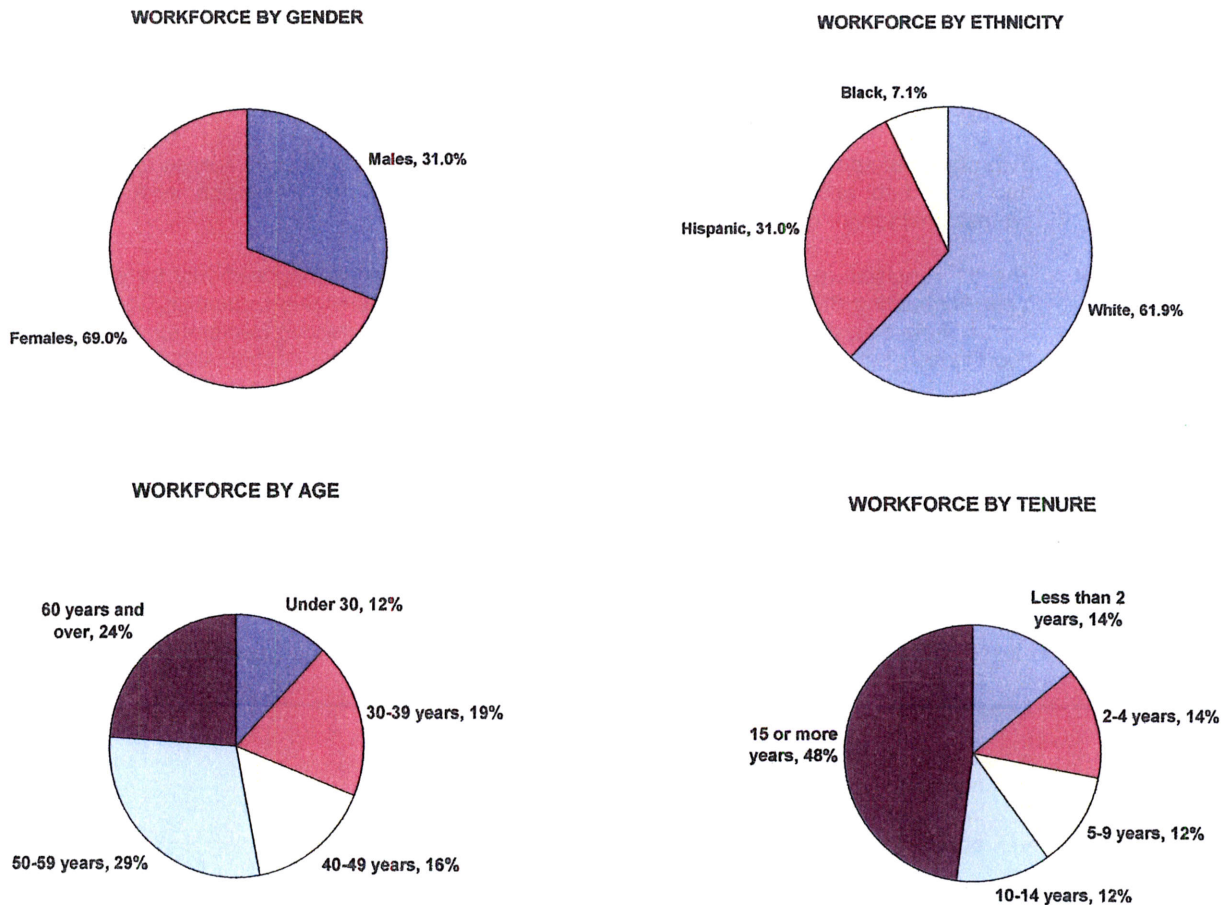
- The most challenging task facing TSBPA is to provide the services that will protect the public. To meet this challenge, the Board must be able to hire qualified staff and avail itself of other resources necessary to carry out its functions. The Board and two other state agencies are currently operating under *Article 8930, V.T.C.S., the Self-Directed, Semi-Independent Agency Project Act (SDSI)*. This legislation allows TSBPA to operate in a more business-like manner to meet the challenges of the 21st century.

5. Regulatory Process Experience

- Staff will need to keep current with rules concerning CPE, licensing, peer review, and enforcement.

B. Workforce Demographics

TSBPA is budgeted for 41.5 full-time employees. The following graphs profile the agency's workforce by age, ethnicity, gender, and tenure as of December 31, 2011:



The table that follows compares the percentages of African American, Hispanic American, and Female employees (as of December 31, 2011), to the statewide civilian workforce as reported by the Texas Commission on Human Rights.

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Job Category	African American		Hispanic American		Females	
	TSBPA %	State %	TSBPA %	State %	TSBPA %	State %
Officials, Administration	0	7.5	0	21.1	44.4	37.5
Professional	7.7	9.7	38.5	18.8	69.2	53.3
Para-Professional	0	14.1	33.3	49.9	100.0	39.1
Technical	12.5	13.9	50.0	27.1	62.5	53.9
Administrative Support	33.3	12.7	33.3	31.9	66.7	67.1

C. Employee Turnover

The Board's employee turnover rate in FY 2011 was 14.5%, compared to the statewide turnover rate of 16.8%.

Younger employees (by age and length of service) have a higher turnover rate. The greatest area of turnover is with employees with less than one year of experience who are under the age of 40.

Recruiting and competing with other state agencies and private industry for qualified applicants remains a challenge. Generally, the Board is able to hire applicants with the minimal requirements for entry-level positions. Typically, entry-level employees stay from 12 to 18 months before accepting higher paying jobs elsewhere. In some instances, the Board has offered entry-level positions to employees who accepted better paying jobs before reporting to work or who stayed only for a short period of time before accepting a better paying position.

With the implementation of SDSI, the Board's management is exercising its authority and flexibility to manage workforce issues within the parameters of general state guidelines.

D. Retirement Eligibility

29% of the workforce will be eligible to retire in the next five years.

III. Future Workforce Profile

A. Critical Functions

- On April 5, 2004, the CPA examination was administered electronically for the first time by the Board in conjunction with the AICPA, NASBA, and Prometric. The revisions to the CPA examination are significant to Texas and allow candidates to take the exam on a year-round basis, utilizing a computer-based format at Prometric testing centers. Because of this change, the Board has updated materials sent to examination candidates, educational institutions, and the general public, as well as implemented changes to the board's operating processes and procedures.

B. Expected Workforce Changes

- Employees cross-trained in functional areas to address increased demands.
- Increased use of technology to revise and streamline work processes.

C. Anticipated Increase/Decrease in Numbers of Employees Needed

- No significant increase anticipated in FTE count.

D. Future Workforce Skills Needed

The agency relies on a competent and knowledgeable staff to carry out its functions efficiently and effectively; therefore, the future workforce skills are essentially the same as the critical workforce skills.

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IV. Gap Analysis – Anticipated Surplus or Shortage of Workers or Skills

Faced with the magnitude of the issues in the field of public accounting, the Board has emerged as a leader among the 55 state and territorial boards of accountancy under the NASBA umbrella. Texas, probably more than any other state, continues to benefit from NAFTA. The Board recognizes that the language of trade is accounting, and, without accountants, the exchange of goods and services cannot take place. Subsequent legislation, such as the Sarbanes-Oxley Act, for example, continues to increase the need for competent accountants, and accounting has proven to be a growing field even in a depressed economy. Technological advances, however, have enabled Board staff to perform existing duties more efficiently so that it can absorb new responsibilities that come its way, such as the administration of the Fifth-Year Accounting Student scholarships.

Therefore, this state's CPAs, more than any other group or profession, are at the forefront of the economic conditions resulting from NAFTA. To support this far-reaching legislation, the Board must have the resources to enable its staff to provide quality services to its licensees. It must be able to respond to the needs of examination candidates and licensees, as well as to the public.

Providing quality services depends on such basics as being able to respond in a timely manner to public inquiries, requests for information and publications, complaints, and public hearings. It depends on being able to afford supplies and services, the cost of which are often beyond the Board's control. The Board will continue to expand its Internet presence to lessen the need for requests by telephone, email, and mail that require direct staff responses. Finally, it depends on being able to hire and retain the most qualified staff available. Hiring employees with more education and experience not only increases the professional level of the staff, but allows for more advancement opportunities and maintenance of a viable career ladder.

Despite the many challenges facing the Board, no significant changes are anticipated in the number of employees. The Board will provide training to increase the skills of its employees and, to increase flexibility, will continue to cross-train, where feasible, throughout the agency.

V. Strategy Development

A. Develop a competent, well-trained workforce

1. Development of skills and expertise to improve the effectiveness and productivity of the agency by providing opportunities to enhance the employee's present skills and to learn new ones.
2. Management and leadership development – outside training opportunities provided for all levels of agency supervisors and division directors.
3. Organizational development – support services and training activities provided to divisional/cross-functional workgroups and individual employees in the areas of planning, goal setting, managing change, team building, group process, consulting, problem solving, conflict resolution, and other identified areas.
4. Continuing education for certified professional staff – complete continuing education requirements annually to maintain credentials required to fulfill their job responsibilities.

B. Develop plan to retain employees longer than 2 years

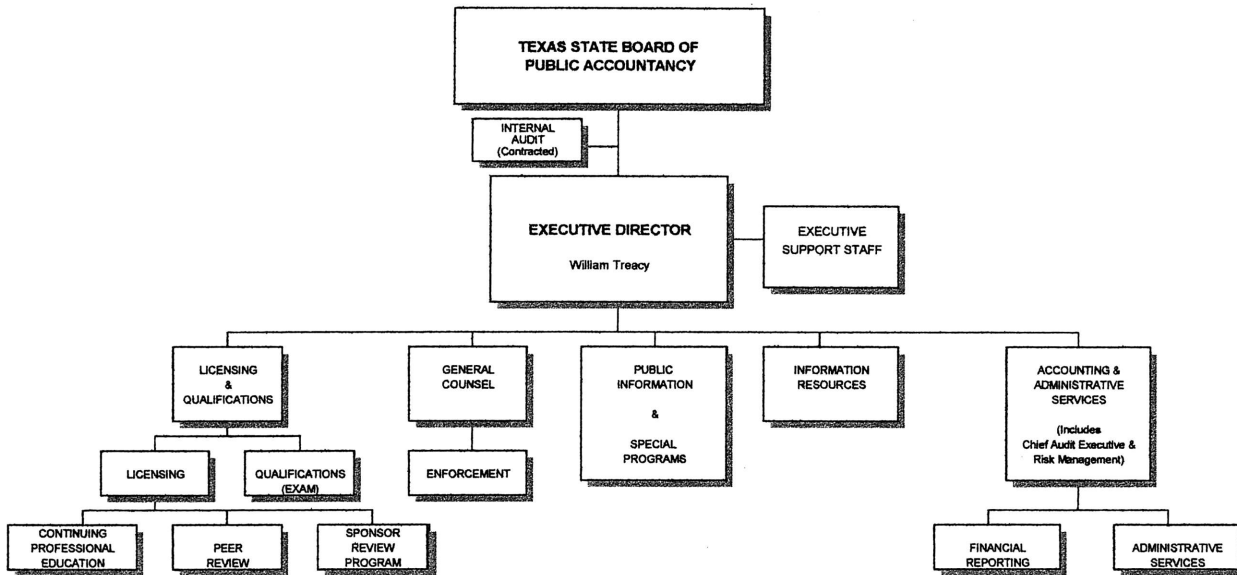
1. Develop strategies to prepare lower-level staff to move into jobs with higher-level skill requirements.
2. Implement mentoring programs matching seasoned employees with new employees.
3. Utilize pay incentives to attract and retain staff by adjusting salaries within assigned pay ranges for employees in positions that are critical or have high turnover rates.

APPENDIX E

VI. Organization Chart

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY ORGANIZATION CHART

The executive director reports directly to the Board and manages the activities of the various divisions. The agency utilizes management by objectives, allocating resources to those tasks deemed highest in priority to ensure that objectives are met in a timely and efficient manner.



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APPENDIX F

SURVEY OF EMPLOYEE ENGAGEMENT

The Texas State Board of Public Accountancy (TSBPA) participated in the University of Texas Survey of Organizational Excellence. Eighty-nine percent of the employees participated in the survey in 2007. According to the Survey of Organizational Excellence, rates higher than 50% suggest soundness in an agency. The survey is grouped into five workplace *dimensions* which capture the total work environment. For all five dimensions, and seventeen of the twenty dimension subgroups, or *constructs*, TSBPA scored over 300, which indicates that employees perceive the issues more positively than negatively. There were no areas that indicated a significant source of concern (scores less than 200).

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