

Texas State Board Report

May 2000

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Austin, Texas

VOL. 70

WATCH FOR A SPECIAL MAILING IN MAY TO ALL **4,450** TEXAS PUBLIC ACCOUNTING firms claiming an exemption from the quality review requirement in 1999.

Quality review affidavits being mailed to firms

The letter in the packet asks the firms to complete an affidavit enclosed with the accompanying letter to document the firm's eligibility for the exemption. According to *Section 501.48 (Responses)* of the Board's rules, the firms must return the affidavit to the Board within thirty days of its receipt.

The affidavit requests each of these firms to report the number of specific kinds of engagements performed in license year 1999 and to give an explanation of the reasons the firm claims it is exempt from the quality review requirement in license year 2000.

In addition to tax services, financial consulting, and litigation support, the affidavit also asks for a projection of the percentage of the firm's practice during 2000 in the following areas:

- ◆ accounting;
- ◆ auditing;
- ◆ reviews/compilations;
- ◆ forecasts;
- ◆ projections;
- ◆ special reports (see sidebar on page 14 for definition); and
- ◆ other services.

SECTION 527.5 EXEMPTIONS

A firm which does not perform services as set out in *Section 527.4(1)* of this title (relating to *Quality Review Program*) is exempt from review and shall annually notify the board as to this status. A firm claiming an exemption shall submit a request for the exemption in writing to the board with an explanation of the services offered by the firm. A firm which begins providing services as set out in *Section 527.4(1)* of this title (relating to *Quality Review Program*) shall notify the board of the change in status within 30 days and provide the board with enrollment information within 12 months of the date the services were first provided and have a review within 18 months of the date the services were first provided.

A firm which does not perform these services is exempt from review; however, the firm must annually notify the Board of this status in writing along with an explanation of the services the firm offers. If a firm begins providing non-exempt services, it is required to notify the Board of the change in status within thirty days. It must also provide the Board with quality review enrollment information within twelve

See *Quality Review*, page 11

Changes to the Board's

Rules of Professional Conduct

LICENSEES SHOULD LOOK FOR REVISIONS TO THE BOARD'S *RULES OF PROFESSIONAL CONDUCT* in the next few months. Amendments proposed at the November 11, 1999 Board meeting are scheduled to be adopted on second reading at the May 18, 2000 Board meeting.

“Financial statement”

Financial statement

- A presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles. Incidental financial data to support recommendations to a client or in documents for which the reporting is governed by statements on Standards for Attestation Engagements and tax returns and supporting schedules do not constitute financial statements for the purposes of this definition.

The proposed revisions to the *Rules of Professional Conduct* are a result of the Board's legislatively mandated rule review process. Under state law, each agency is to review its rules to determine, at a minimum, whether the reason for the rule continues to exist. The Board's Rules Committee, in performing the review of Chapter 501, began by examining the history of the Texas rules of professional conduct and comparing them to the rules of the AICPA and the New York and California licensing boards.

Having decided on an outline of the revised code, the committee asked a subcommittee, chaired by Board member April Eyeington, to prepare a revised draft. The new code is reorganized so that it is easier to read and understand. The committee moved many definitions to the definitions section of Chapter 501, modernized the language, and, to avoid confusion between the order of the new rules and the old ones, renumbered the new rules. A chart in new Section 501.54 shows the relationship between the old numbering system and the new.

One change of interest to the profession is the revision to the competence rule (new Section 501.74) which now specifies that competence includes due professional care, ad-

equating planning and supervision, and obtaining adequate data to complete an engagement. These changes materially strengthen the Board's rule in this area.

Another significant change is in the definition of “financial statement” in Section 501.2 (which was renumbered as Section 501.52). The proposed change (see sidebar, left) updates the Board's definition in accordance with current professional standards adopted by generally recognized bodies responsible for setting accounting standards.

In conjunction with the proposed change to the definition of “financial statement”, the committee also suggests that a definition of “report” be adopted, also shown in the sidebar above.

The Board's committees have done an excellent job of working through the Board's two hundred-odd rules in under a year. The changes the committees have recommended to the Board have been insightful and will help to streamline every aspect of the Board's operations.

“Report”

Report – When used with reference to financial statements, means either an engagement performed through the application of procedures under the Statement on Standards for Accounting and Review Services or any opinion, report, or other form of language that states or implies assurance as to the reliability of any financial statements and/or includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in accounting or auditing. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that he or it is an accountant or auditor or from the language of the report itself. The term “report” includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any assurance as to the reliability of the financial statements to which reference is made and/or special competence on the part of the person or firm issuing such language; and it includes any form of language conventionally used with respect to a compilation or review of financial statements, and any other form of language that implies such special knowledge or competence.

A LICENSE TO PRACTICE ACCOUNTING MAY OPEN DOORS WHICH MIGHT otherwise be closed, but it cannot shield a CPA against the three most widespread career killers: *substance abuse*, *depression*, and *stress*. One's physical and mental health directly influence client relationships and job functioning. Any impairment of a CPA's performance ultimately harms the client, the profession, and society.

Alcoholism, substance abuse, stress, and depression in CPAs*

* (and how the peer assistance program can help)

A conservative estimate is that ten percent of CPAs endure these easily identifiable and treatable illnesses. So while most CPAs will never experience substance abuse or depression, at some point in their careers all will have a colleague or client who does. However, virtually all CPAs find themselves facing stress on a daily basis, which can, if not effectively managed, grow into paralyzing distress or debilitating burnout.

Someone who can spot the signs of substance abuse and depression can offer help in rehabilitation efforts in order to save the lives of many CPAs and clients, and can also shelter the public from the frequently destructive effects of the impairment.

Texas is one of the few states in the country with a peer assistance program designed to help CPAs who are impaired by physical, mental, or emotional problems. Most participants in the program are CPAs who have survived one or more of these impairments. These volunteers are dedicated to helping their fellow CPAs treat and cope with such problems through a wide range of outside resources.

Established under the *Texas Health & Safety Code* in 1989, the program is endorsed by the Board and is administered by the Texas Society of CPAs. All the program's communications and records are confidential by law. In order to maintain absolute privacy, the program's staff and volunteers are prohibited from reporting or releasing any information to the Board in disciplinary matters without the CPA's permission.

The majority of referrals to the program come from CPAs who are recovering from or who have survived these impairments. Other referrals come from co-workers, courts, clients, family, friends, and occasionally from the Board.

Alcoholism, chemical dependency, and substance abuse

The American Medical Association recognizes alcoholism as a primary disease, not a weakness, sin, lack of character, or symptom of some other emotional or psychological problem. It does not develop from another illness or an underlying emotional or psychological problem.

According to Don Jones, former director of the Professional Enhancement Program of the State Bar of Texas and the author of numerous books and papers on the subject, the disease follows a predictable and progressive course. "Left untreated, alcoholism or other chemical dependency will pass through progressively worse stages, each with its characteristic symptoms, until finally it leads to death." The disease affects all aspects of a person's life.

"The disease is permanent and chronic," he continues. He emphasizes, though, that such an impairment is treatable: "Millions of recovering alcoholics and chemically dependent people can attest that the disease can be treated and arrested."

He states, "How or why a person acquired the disease is less important than diagnosis and treatment." Chemically dependent people eventually lose control over their use of the chemical, and continue to use it despite negative consequences.

Medical professionals contend that substance use can escalate into substance abuse and finally into dependency. When consumption begins to cause or aggravate a person's problems or repeated use alcohol in hazard-

Substance abuse, alcoholism, and chemical dependency

Symptoms

- ♦ One uses alcohol or other drug to manage emotions and stress; eventually the substance becomes the primary stress reduction tool.
- ♦ One's behavior becomes steadily less responsible and affects one's work, such as drinking or using at work or lunch, failing to return telephone calls or show up for appointments.
- ♦ One's drinking or using begins to intensify negative emotions.
- ♦ One's behavior begins to conflict with one's values and ethics (e.g., lying, mis-handling funds, getting DWIs).
- ♦ The alcohol or drug begins to take center stage in one's life: socialization stops unless it involves drinking or using; one begins drinking or using alone; one's drinking or using becomes a preoccupation; one protects one's supply to avoid running out.
- ♦ One tries to control the use by controlling the substance used, its amount, or the time of use. These temporary measures eventually fail.
- ♦ One's mental functioning and concentration are affected, spurring a delusional (possibly grandiose) thought system and memory lapses. Handling stress is more difficult.
- ♦ One's tolerance to the substance increases. Eventually, tolerance levels become totally unpredictable.
- ♦ One's health deteriorates; ultimately, the disease is fatal.

See *Peer assistance*, page 4

Peer assistance
continued from page 3

ous situations, such as while driving, the person has moved into the abuse stage. “Some people are able to back out of this abuse stage and never return. Many, however, cannot; and their use eventually leads to physical dependencies.”

The warning signs. Although there are professional diagnostic methods, anyone with a basic knowledge of the disease’s stages, its manifestations, and a willingness to objectively observe, can, at a minimum, determine if a professional evaluation is warranted. In his paper, “Career Killers: Substance Abuse, Depression, and Stress in the Accounting Profession,” Mr. Jones lists some examples of possible red flags (see sidebar, page 3).

Denial as a symptom. Alcoholism/chemical dependency is one of the few dis-

eases whose symptoms include denial of the disease itself, even in the presence of overwhelming contradictory evidence. Mr. Jones says that awareness of the dynamics of denial increase one’s ability to assist someone with a substance abuse problem.

Getting treatment. Treatment generally requires medical supervision. Treatment options range from intensive in-patient treatment to Alcoholics Anonymous groups or similar programs.

“Whatever type of treatment is indicated, it is generally accepted that abstinence from mood-altering chemicals is necessary. Chemically dependent people are not susceptible only to addiction to their substance of choice, be it alcohol or cocaine or prescription drugs. They are susceptible to addiction to any mood-altering or psychoactive chemical,” advises Mr. Jones.

Taking action. Alcohol or substance abuse is not a problem that will solve itself over time. Until addressed, it will only get progressively worse. He suggests the following principles and actions to help a chemically dependent colleague or client.

♦ **AVOIDING ENABLING.** Despite an enabler’s well-intentioned behavior, actions that permit the affected person to persist in his or her self-destructive activities only hurt the person. “An enabler, by words or actions,

helps the affected person continue to deny the disease and continue spiraling downward in his or her disease,” cautions Mr. Jones. He says the most common forms of enabling are: denying that the affected person has a problem; rationalizing the person’s drinking, using, or resulting behavior; making excuses and lying for the person; doing for the affected person what he or she should be handling personally; rescuing that person from the consequences of his or her behavior; and avoiding confronting the problem at all.

♦ **INTERVENTION.** Chemical dependency and substance abuse treatment is only effective when the user can no longer deny the disease’s consequences. “For some people, however, this realization may come too late – or may never happen at all. But fortunately, the chemically dependent person need not always ‘hit bottom’ before getting help. Often, an intervention is appropriate and effective,” explains Mr. Jones. An effective intervention interrupts the disease’s progress, channels the person toward treatment, and brings the reality of the disease into focus and motivates the desire for help.

A typical intervention is “a structured and rehearsed confrontation of the chemically dependent person by a group of family members and concerned others, led by an intervention specialist.” Each member of the group confronts the chemically dependent individual with specific instances of the individual’s drinking or using, and describes how that behavior affected that member of the group. “This type of intervention is highly specialized and can be very delicate. It should be undertaken only under the direction of an experienced intervention professional,” says Mr. Jones.

♦ **ACCESSING HELP.** Many resources are available to help chemically dependent people, including community councils on alcoholism and drug abuse, local Alcoholics Anonymous groups, outpatient and inpatient treatment facilities, and peer assistance groups for specialized professionals, such as CPAs, physicians, attorneys, and others. “In Texas, group insurance policies are required by statute to cover chemical dependency to the same extent that they cover other health problems,” Mr. Jones says.

DEPRESSION

Depression goes beyond sadness or grief. Day after day, it unrelentingly influences a person’s thoughts, emotions, health, and actions.

“The Board and the TSCPA are working together to provide an avenue of recovery to those affected by alcohol or drug dependency or mental health issues. There are groups in each of the major metropolitan areas and an 800 number for confidentiality. If you read this and need help, please call this number. Very few people ever recover alone, but rather in a group.”

REBECCA B. JUNKER, CPA
Board member and chairman of the
Board’s Peer Assistance Committee

CONCERNED CPA NETWORK

Offering **CONFIDENTIAL** assistance to CPAs, exam candidates, and accounting students who may have a drug or alcohol dependency problem or mental health issues. The network is sponsored by the TSCPA and is endorsed by the Board.

For information call

(800) 289-7053

LEGAL NOTICE: The identity and communications and fact of membership of anyone attending this group are confidential and protected under penalty of law under *Chapter 467* of the *Texas Health and Safety Code*.

Only about one-fifth of the estimated 17.6 million Americans who annually experience depression ever seek help. Some hesitate to acknowledge the condition for fear of seeming weak or undependable, others attempt to manage it themselves, and others simply don't even recognize a problem. According to Mr. Jones, one must acknowledge depression in order to address it. Typically, true depression cannot be self-treated, shaken off, or waited out.

Danger signs. A person with major depressive disorder displays numerous symptoms almost daily, all day, for at least two weeks. According to Mr. Jones, these include at least one of the following: losing interest in things one previously enjoyed, feeling sad, blue, or down in the dumps, plus at least three symptoms listed in the sidebar (page 3). It is important not to ignore these warnings.

"Even between depressive episodes, most people who go untreated continue to experience harmful effects, such as inability to concentrate, disorganization, and apathy. And often, it is only a matter of time before the next depressive episode begins," Mr. Jones reports. "Getting treatment is often easier and less painful than you might imagine. It is important, though, that you see a professional trained in the treatment of depression. Usually, treatment will consist of medication, psychotherapy, or some combination of the two." Sufferers frequently start to see improvement very quickly. The Texas CPA Peer Assistance Program can help by linking the depressed person up with other CPAs who have recovered from this debilitating illness and to local professionals for assessment and treatment.

STRESS and STRESS MANAGEMENT

The process of living requires a certain level of stress. However, when stress levels rise above our comfort level, difficulties turn natural stress levels into chronic distress. "Distress, is something we do to ourselves," ex-

plains Mr. Jones, "which means, of course, that much of the time we can do something about it." He says the ingredients that create distress are the situation, our perception of the situation, and our response to the situation.

"Despite all of our finger pointing and blaming, most of the time the situation itself has the least impact of all. Change the situation without changing the way you perceive and respond, and while you may experience some immediate relief, you do little to change your distress level in the long run. But change your perception and alter your response, and whether the situation has changed or not, your distress will decrease." He adds, "The more we *perceive* the situation as a threat (particularly to our self-esteem, our security, or our relationships) and the less we *perceive* that we have any ability to constructively respond, the more distress we will feel."

"When we are distressed we feel defensive, depressed, defiant, and dependent. We are disorganized and indecisive. Important aspects of our lives get out of balance. Basically life just seems unmanageable, and all sense of fun and enjoyment is out the window."

According to Mr. Jones, "Stress management is not an event, it is a process." For long-term success, stress management must encompass learning to live one's life and perceive one's work in a way that reduces the likelihood of distress. Mr. Jones offers principles (see sidebar, right) that, when practiced on a daily basis, can help manage stress and keep distress at a minimum.

But he warns, "Be careful, though, of the sinkholes many of us have fallen into in the search for 'instant stress management' – when you use alcohol or other drugs as your stress management tools, you may set yourself up for the distress of substance abuse and addiction."

"Just focus on the daily process of stress management," he continues, "and over time you will begin to notice that the times of distress become fewer and further between." ❖

Managing your STRESS

- ◆ Take responsibility for yourself, your life, your behavior, and your stress.
- ◆ Identify your principles, values and goals — what's important to you and what you want out of life and behave consistently.
- ◆ Learn to practice a measure of acceptance in your life.
- ◆ Don't take yourself too seriously all the time.
- ◆ Conduct an inventory of yourself and identify your own personal internal stressors.
- ◆ Build yourself a support system and use it.
- ◆ Learn some of the tricks that work for you in addressing the symptoms of distress – exercise, meditation, relaxation exercises, recreation, music, worship at church or other spiritual practice – and use them regularly.

The Board thanks Don Jones for his permission to use his paper "Career Killers: Substance Abuse, Depression, and Stress in the Accounting Profession" as the primary source for this article.

-- Ed.

ACCOUNTING IS A FAMILY AFFAIR FOR BOARD MEMBER BARBARA J. THOMAS, CPA. Ms. Thomas's two daughters have followed in her footsteps and are both CPAs as well, much to their mother's delight. Both daughters became certified during Ms. Thomas's tenure on the Board.

SOWING THE SEEDS

for the new crop of CPAs

"This amazes me," Ms. Thomas says. "I never thought they'd major in accounting. *Never!* I also never thought that my signature would be on both their certificates."

Mary C. Thomas became certified in 1997. Stephanie M. Thomas will receive her certificate at the June 17 swearing-in ceremony in Humble, and her mother can't wait to officially present it to her.

Barbara Thomas's daughters work on a subcontract basis in her Houston accounting firm. Mary Thomas, who is also an attorney, uses both her legal and accounting training in the office, primarily in reviewing contracts. Stephanie Thomas assists her mother with most of the field work, including multi-state tax issues, audits, and refund claims. "We like refund claims best!" she says.

"I really do enjoy working with them. It's been fun. Although Mary will prob-

ably move on to make more use of her law degree, I hope that Stephanie will choose to continue working with me."

Barbara Thomas's daughters both admit that their mother was their inspiration for going into accounting. They followed her lead and attended the University of Houston on scholarships, graduating with honors. Mary later received a scholarship to the University of Texas Law School.

Stephanie says, "I wasn't sure what I wanted to do, but I just sort of fell into it [accounting]." She is keeping her options open and may eventually return to school for a master's degree. For now, however, she's content to work alongside her mother and sister.

According to Stephanie, there is an overlapping area between their work lives and their home lives. "We sometimes go home and discuss work," she admits.

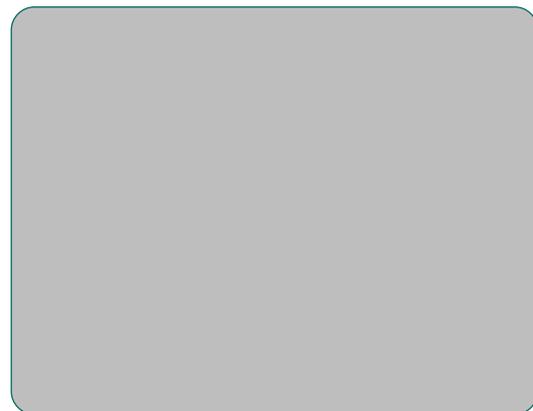


Board publications available

The following Board publications are available at no cost for one copy. Multiple copies of the same publication are available for a fee. E-mail your request to:

publicinfo@tsbpa.state.tx.us
or call **(512) 305-7802**.

- *Public Accountancy Act;*
- *Rules of Professional Conduct;*
- CPE brochure;
- QR brochure; and
- Past issues of *Texas State Board Report*.



MANY PEOPLE ARE LICENSED FOR YEARS WITHOUT KNOWING WHAT really happens at a Board meeting. Taking the mystery out might go a long way toward bridging the gap between the Board and its licensees.

Have you ever wondered . . .

What goes on at Board meetings?

Official meetings are held six times a year in the Board office. Because this is a government agency, all meetings are required to be open to the public. The staff files an open meeting notice listing all items on the agenda with the office of the Secretary of State at least eight days prior to each Board meeting; this notice is published in the *Texas Register*. If a subject isn't listed on the open meetings notice, the Board cannot discuss it or take action on the matter.

There are exceptions to the open meetings law requiring all agenda items to be considered in open session. Certain matters meeting strict criteria may be discussed in "executive session"; however, voting on these items must take place in open session. Subjects which may be discussed in executive session include pending/contemplated litigation or personnel matters.

Committee meetings are also public meetings which the Board files with the Secretary of State. Generally, most of the Board's committees meet the day before and the day of the Board meeting in order to save time as well as money on travel.

The presiding officer calls the Board meeting to order and reads the open meeting notice. He then asks the executive director to call the roll, and if a quorum is present, the meeting begins using the parliamentary procedures in *Robert's Rules of Order*.

Usually, the first matter requiring Board action is the approval of minutes of the most recent Board meeting, followed by reports from the various Board committee chairs on their most recent meetings. Reports may contain agenda items that require Board ratification, or may simply be informative in nature and require no action. Since committees act only in an advisory capacity, they have no authority to make final decisions on the matters coming before them. Therefore, any matters requiring action must be put to a vote before the full Board in open session. The Board's standing committees are: Behavioral Enforcement, Continuing Professional Education, Executive, Licensing, Major Case Enforcement, Peer Assistance Oversight, Qualifications, Quality Review, Regulatory Compliance, Rules, and Technical Standards Re-

view.

The Board has rule-making authority granted under the provisions of the *Public Accountancy Act*. All rules must go through two readings during full Board meetings before they can be adopted. The procedure is for a committee to draft a new rule or amend the language in an existing rule. That draft is presented during the Board meeting, at which time the Board may suggest changes to the draft. The Board may proceed with the committee's recommended action by voting to take "proposed" action on first reading. It is then filed with the office of the Secretary of State and published in the *Texas Register* in order to allow public comment for the Board to consider at the second reading of the proposed rule. The second time the rule is presented at a Board meeting, the Board may vote to adopt the rule, which must once again be published in the *Texas Register* prior to becoming effective.

All decisions in disciplinary cases are made in open Board meetings. The Behavioral Enforcement Committee, Technical Standards Review Committee, and Major Case Enforcement Committee are the committees which refer potential disciplinary actions to the Board. To keep the proceedings impartial, members are required to recuse themselves from voting in disciplinary cases which their respective committees are referring. A respondent in a disciplinary case may request the opportunity to present oral arguments to petition the Board to either dismiss or amend any proposed sanctions.

Just prior to adjournment, the presiding officer reviews the schedule of future Board meetings, committee meetings, and other Board activities such as the swearing-in ceremonies and the Uniform CPA Examination.

uture Board Activities

Board Meetings

May 18, 2000
July 20, 2000
September 13, 2000
November 9, 2000

wearing-in Ceremonies

June 3, 2000 – Austin
June 3, 2000 – Fort Worth
June 17, 2000 – Humble
November 11, 2000 – Austin
November 11, 2000 – Arlington
November 18, 2000 – Humble

CPA Examinations

May 3-4, 2000
November 1-2, 2000
Austin, El Paso, Fort Worth,
Houston, Lubbock, San Antonio



ENFORCEMENT ACTIONS

Respondent: Barry N. Balkin (Houston)

Certificate No.: 028401

Complaint No.: 99-09-45L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order with the Board in which the respondent was reprimanded. The respondent prepared a partnership tax return while his license was delinquent and expired and while he did not have a registered practice unit. The respondent's conduct violated *Section 901.502(6)* of the Act and *Sections 501.4 (Practice of Public Accountancy)* and *501.40 (Registration Requirements)* of the Rules.

Respondent: Robert Barger (Garden Ridge)

Certificate No.: 045254

Investigation No.: 98-01-06L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order with the Board whereby his certificate was suspended during the appeal of his two-count federal criminal conviction. The respondent was convicted of one count of conspiracy to impede the function of the Department of the Treasury in collecting taxes and one count of making or filing a false statement before the Department of the Treasury. Should the respondent's convictions be upheld, the respondent's certificate will be revoked with no further Board action. The respondent's conduct is a violation of *Section 901.505* of the Act.

Respondent: Robert S. Barton (Ackworth, GA)

Certificate No.: 042049

Complaint No.: 99-05-06L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order whereby his certificate was revoked. The respondent was denied the privilege of appearing or practicing before the SEC. The SEC found that the respondent violated the antifraud pro-

visions of the *Securities Act of 1933* and the antifraud, books and records, and internal control provisions of the *Securities Exchange Act of 1934*. Such conduct is a violation of *Section 901.502(2)* of the Act and *Section 501.41 (Discreditable Acts)* of the Rules.

Respondent: Paula Beard (San Rafael, CA)

Certificate No.: 018405

Investigation No.: 98-01-13L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order with the Board whereby her certificate was suspended during the appeal of the respondent's federal criminal conviction. The respondent was convicted on one count of aiding and assisting in the filing of a false income tax return in violation of *26 U.S.C. Section 7206(2)*. Should the respondent's conviction be upheld, the respondent's certificate will be revoked with no further Board action. The respondent's conduct violated *Section 901.505* of the Act.

Respondent: Joseph C. Becker (Houston)

Certificate No.: 050780

Investigation No.: 99-03-17L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order whereby his certificate was revoked in lieu of further disciplinary action. The respondent disclosed confidential client information to third parties, including the IRS. The respondent's activities also violated the terms of a previous agreed consent order. His conduct violated *Sections 901.502(6)* and *901.502(11)* of the Act and *Sections 501.31 (Confidential Client Information)* and *501.41 (Discreditable Acts)* of the Rules.

Respondent: James J. Cain (Houston)

Certificate No.: 030513

Complaint No.: 99-03-43L

Date of Board ratification: 11/11/99

Disposition: The respondent entered into

an agreed consent order whereby the respondent was placed on probated suspension with reporting requirements for the duration of his criminal probation. The respondent reported that he had pled guilty to one count of receipt of child pornography, a federal felony. Such conduct is a violation of *Sections 901.502(6)*, *901.502(10)(a)*, and *901.502(11)* of the Act and *Section 501.41 (Discreditable Acts)* of the Rules.

Respondent: Hamid Faridani (Richardson)

Certificate No.: 026549

Investigation No.: 99-06-05L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order whereby he was given a reprimand for practicing public accountancy in an unregistered entity and for failing to include the name of the sole proprietor in his firm name. The respondent's certificate was also placed on suspension until he registers a practice unit and pays licensing fees for the license years in which the respondent claimed an exemption. Such conduct violates *Sections 901.502(6)* and *901.502(11)* of the Act and *Sections 501.40 (Registration Requirements)* and *501.47 (Firm Names)* of the Rules.

Respondent: Steven L. Ferguson (Sealy)

Certificate No.: 068920

Complaint No.: 99-01-02L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order with the Board in which his certificate was placed on probated suspension for the duration of his criminal probation. Under the terms of the probation, the respondent must: (1) comply with all state and federal laws pertaining to the practice of public accountancy, and (2) make quarterly reports to the Board regarding the progress of his criminal probation. The respondent pled guilty to the offense of indecency with a child by exposure, a third degree felony. The respondent's conduct violated *Sections*

901.502(6), 901.502(10), and 901.502(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.

Respondent: Jerry Germenis III (Austin)

Certificate No.: 037069

Complaint No.: 98-09-15L

Date of Board ratification: 11/11/99

Disposition: The respondent entered into an agreed consent order whereby the respondent was reprimanded for entering into an engagement to provide tax services while his personal license was lapsed and while he did not have a registered practice unit. Such conduct is a violation of Section 901.502(6) of the Act and Sections 501.4 (Practice of Public Accountancy) and 501.40 (Registration Requirements) of the Rules.

Respondent: Julius L. Heard III (Canton)

Certificate No.: 024173

Complaint No.: 99-01-03L

Date of Board ratification: 11/11/99

Disposition: The respondent entered into an agreed consent order whereby the respondent would be placed on suspension pending the appeal of the respondent's felony conviction. The respondent reported that he had been convicted on five counts of tax and bankruptcy fraud. The respondent is released on bail pending the outcome of the appeal. Such conduct is a violation of Sections 901.502(6), 901.502(10)(b), and 901.502(11) of the Act and Sections 501.21 (Competence) and 501.41 (Discreditable Acts) of the Rules.

Respondent: Charles R. Hosack (Athens)

Certificate No.: 005757

Complaint No.: 99-07-14L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order in which he was issued a reprimand. The respondent received an eight-year, partially probated suspension from the State Bar of Texas, which found that the respondent: (1) failed to competently carry out obligations owed to his clients; (2) made a false statement of material fact to a third party; (3) committed a crime that reflected adversely on him; and (4) engaged in conduct involving dishonesty, fraud, deceit or misrepresentation. This conduct violated Sections 901.502(6), 901.502(9), and 901.502(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.

Respondent: Ruben Jimenez (San Antonio)

Certificate No.: 042474

Complaint No.: 97-10-17L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order to limit his practice for two years. This limitation may be lifted thereafter only if he receives permission from the TSR chairman. The respondent may not perform audits, reviews, compilations or any other engagement regarding compliance with audit or attestation standards. For audit engagements in progress, the respondent must engage a pre-issuance reviewer approved by the TSR chairman. The respondent failed to comply with professional standards in a report prepared for the year ended June 30, 1995. Such conduct is a violation of Sections 901.502(2), 901.502(6), and 901.502(11) of the Act and Sections 501.22 (Auditing Standards) and 501.23 (Accounting Principles) of the Rules.

Respondent: Dorothy D. Kobus (Conroe)

Registration No.: S03295

Complaint No.: 99-06-27Q

Docket No.: 457-99-1218

Date of Board ratification: 11/11/99

Disposition: The respondent firm failed to adequately report and document a quality review under Section 15B of the Act. Following a public hearing in which the respondent failed to appear, the administrative law judge recommended that the respondent firm registration be revoked until compliance with quality review reporting requirements of the Act and Rules occurs. The respondent violated Section 15B of the Act and Sections 501.48 (Responses) and 527.6 (Reporting to the Board) of the Rules.

Respondent: Charles F. Kuntz (Wheeler)

Certificate No.: 026118

Complaint No.: 98-08-09L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order whereby the respondent is required to obtain pre-issuance review of the respondent's largest school district audit. In addition, the respondent will be required to complete eight hours of live CPE instruction in school district audits. The respondent failed to comply with GAAS in the preparation of an independent audit in violation of Sections 21(c)(4) and 21(c)(11) of the Act of 1991 and Section 501.22 (Auditing Standards) of the Rules.

Respondent: Lauren C. LaRue (Dallas)

Certificate No.: 033343

Complaint No.: 99-07-13L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order with the Board in which she was issued a reprimand. The respondent received a thirty-six month probated suspension from the State Bar of Texas. The 69th District Court of Dallas County found that the respondent: (1) failed to keep her clients reasonably informed; (2) did not explain a legal matter to the extent necessary for her clients to make reasonably informed decisions; and (3) failed to timely respond to notice of the complaint from the grievance committee. This conduct violated Sections 901.502(6) and 901.502(11) of the Act and Section 501.21 (Competence) of the Rules.

Respondent: Joel J. Marin (Alvin)

Certificate No.: 060128

Complaint No.: 99-03-40L

Date of Board ratification: 11/11/99

Disposition: The respondent entered into an agreed consent order whereby the respondent was reprimanded for issuing compiled financial statements that did not disclose his lack of independence due to a 20% equity interest in the client and placed on ninety days' probation. The respondent was also ordered to complete eight hours of live CPE in advanced compilations and reviews within ninety days of the Board order. Such conduct is a violation of Section 501.11 (Independence) of the Rules and Sections 901.506(6) and 901.502(11) of the Act.

Respondent: Sandra J. Palmer (Houston)

Certificate No.: 016289

Complaint No.: 99-01-06L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order with the Board in which she was reprimanded. In addition, the respondent is required to complete eight hours of live CPE instruction in estate tax preparation and eight hours of inheritance tax issues with a component regarding Texas inheritance tax returns within 180 days of the Board order. The respondent failed to exercise due diligence in preparing a Texas inheritance tax return and unnecessarily made estimated tax payments on an estate tax return. The respondent's conduct violated Sections 901.502(6) and 901.502(11) of the Act and Section 501.21 (Competence) of the Rules.

See *Enforcement Actions*, page 10

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Automated Information

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Enforcement Actions

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Respondent: Charlie R. Perrin (Corpus Christi)

Certificate No.: 007219

Investigation No.: 99-03-01L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order issuing him a reprimand and limiting his practice. For all governmental audits for which the respondent has partner responsibilities, the respondent must engage a pre-issuance reviewer approved by the TSR chairman. The respondent must also comply with professional standards concerning the re-issuance of the report and subsequent affected reports. The respondent failed to comply with GAAP in a report he prepared. Such conduct is a violation of *Sections 901.502(2), 901.502(6), and 901.502(11) of the Act and Section 501.23 (Accounting Principles) of the Rules.*

Respondent: Ronald R. Russell (Houston)

Certificate No.: 050472

Complaint Nos.: 98-11-01L and 99-01-37L

Docket No.: 457-99-1136

Date of Board ratification: 11/11/99

Disposition: The respondent failed to comply with professional standards and exercise professional competence in the preparation and issuance of an audited financial statement for his client. In addition, the respondent failed to respond to client and Board inquiries concerning his work product. Following a public hearing in which the respondent appeared in his own defense, the administrative law judge recommended that the certificate be revoked and administrative costs of \$503.16 be assessed. The respondent violated *Sections 21(c)(4) and 21(c)(11) of the Act and Sections 501.41 (Discreditable Acts) and 501.48 (Responses) of the Rules.*

Respondent: William L. Russell (Houston)

Certificate No.: 010601

Complaint No.: 99-03-02L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order in which his practice was limited. The respondent may not perform audits, reviews, or any other engagement regarding compliance with audit or attestation standards until he has been granted written permission to do so. The respondent may perform compilations

if he completes eight hours of live CPE in compilations by June 30, 2000 and maintains an adequate library to support that practice, such as the *PPC, Guide to Compilations and Review*. The respondent failed to comply with GAAS, government auditing standards, and GAAP in a report for a client in violation of *Sections 901.502(2), 901.502(6), and 901.502(11) of the Act and Sections 501.22 (Auditing Standards) and 501.23 (Accounting Principles) of the Rules.*

Respondent: Marcelo Schiller (North Miami Beach, FL)

Certificate No.: 026992

Investigation No.: 99-09-05L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order whereby his certificate was revoked in lieu of further disciplinary action. The respondent pled guilty to one count of conspiracy to commit mail fraud and to make a false, fictitious, and fraudulent claim to a federal government agency. As a result, the respondent was sentenced to 46 months' imprisonment and ordered to make joint and several restitution of \$14,630,808. The respondent's conduct violated *Sections 901.502(6), 901.502(10), and 901.502(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.*

Respondent: John K. Vague (Houston)

Certificate No.: 061999

Investigation No.: 99-05-13L

Date of Board ratification: 1/20/00

Disposition: The respondent entered into an agreed consent order whereby his certificate was revoked in lieu of further disciplinary action. The respondent embezzled in excess of \$1,000.00 from a client. Such conduct violated *Sections 901.502(6) and 901.502(11) of the Act and Section 501.41 (Discreditable Acts) of the Rules.*

Respondent: Karyn A. Ward (Plano)

Certificate No.: 044540

Complaint No.: 99-10-07L

Date of Board ratification: 3/9/00

Disposition: The respondent entered into an agreed consent order with the Board in which the respondent was reprimanded. The respondent offered to perform tax-related services constituting the client practice of public accountancy while the respondent did not have a registered practice unit. The respondent's conduct violated *Section 901.502(6) of the Act and Section 501.40 (Registration Requirements) of the Rules.*



Approved QR sponsoring organizations

ONLY QUALITY REVIEWS PERFORMED BY THE FOLLOWING organizations will be approved by the Board:

- ♦ SEC Practice Section (SECPS);
- ♦ American Institute of Certified Public Accountants Peer Review Program;
- ♦ state CPA societies fully involved in the administration of the AICPA Peer Review Program;
- ♦ National Conference of CPA Practitioners; and
- ♦ other entities which are approved by the Board.

Definitions relating to quality review

SECTION 527.3 DEFINITIONS

The following words and terms used in this chapter shall have the following meanings, unless the context clearly indicates otherwise.

Firm - All practice units owned by the same entity.

Practice unit - Each office of a firm (partnership, professional corporation, professional limited liability company, registered limited liability partnership, or sole proprietorship) required to be registered with the board for the purpose of the client practice of public accountancy.

Review or review program - The review conducted under the peer review program.

Review year - The review covers a one-year (twelve month) period. Engagements selected for review normally would have periods ending during the year under review.

Sponsoring organization - An entity (individual, firm, partnership, professional corporation, professional limited liability company, registered limited liability partnership, or professional organization or association of CPAs) that meets the standards specified by the board for administering the review. The board shall periodically publish a list of sponsoring organizations, which have been approved by the board.

Special reports - Includes reports issued in connection with the following:

(A) financial statements that are prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles;

(B) specified elements, accounts, or items of a financial statement;

(C) compliance with aspects of contractual agreements or regulatory requirements related to audited financial statements;

(D) financial presentations to comply with contractual agreements or regulatory provisions;

(E) financial information presented in prescribed forms or schedules that require a prescribed form of auditor's reports; or

(F) internal audits by a firm for a client or a governmental entity.

Quality Review

continued from page 1

months of the date the services were first provided and complete a review within eighteen months.

Following are frequently asked questions about the Board's quality review requirements.

How often is a firm required to undergo a quality review?

The Board's rules require a firm that offers services requiring a quality review to have a review every three years. A new firm must enroll in a quality review program of an approved sponsoring organization (see sidebar, left) within one year from its initial licensing date and notify the Board of the review date within thirty days of the assignment of the review date.

How does a firm choose a sponsoring organization for its quality review?

The Board does not require the firm to become a member of any particular sponsoring organization; however, the sponsoring organization must be approved by the Board.

What criteria does the Board use in approving quality review sponsoring organizations?

The Board has adopted "Standards for Performing and Reporting on Peer Reviews" of the American Institute of Certified Public Accountants as its minimum standards for review of firms.

How can a firm find out more about the Board's quality review program and get a copy of the rules governing quality review?

The Board publishes a brochure containing all its quality review rules, which may be ordered by calling **(512) 305-7853** or e-mailing **licensing@tsbpa.state.tx.us**; this telephone number and e-mail address can also be used for specific questions about the quality review program. ❖

IN AN EFFORT TO IMPROVE STATE operations, the 76th Texas Legislature enacted Article IX, Sec. 6.41 of the *General Appropriations Act* requiring each state agency to survey its client base for customer satisfaction in order to assess and develop customer service standards.

In this case, some of the Board's customers are its licensees. The results of this survey will be included in the Board's strategic plan. Please take a few minutes to help evaluate the job this agency is doing for you.

If you have any additional constructive information you would like to share with the Board, please attach a separate sheet. In order for your survey to be tabulated, you must include your name and certificate number.

Name _____ Certificate Number _____

I. Background information . . .

How many times have you been in contact with the Board in the past twelve months?

- None
- One time
- Two times
- Three times
- More than three times

For what type of information did you contact the Board? *(Mark all that apply.)*

- Application
- Complaint
- CPE
- Ethics course
- License renewal
- Quality review
- Name/address change
- Board rules
- Other

II. If you have visited or attempted to visit the Board office, please rate your experience:

- The office was easily accessible.
- The location was conveniently located.
- Signs directing you to the Board office were clear and informative.
- The office was clean and neat.

Strongly Agree	Somewhat Agree	NA/ Don't Know	Somewhat Disagree	Strongly Disagree
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				

III. The Board staff . . .

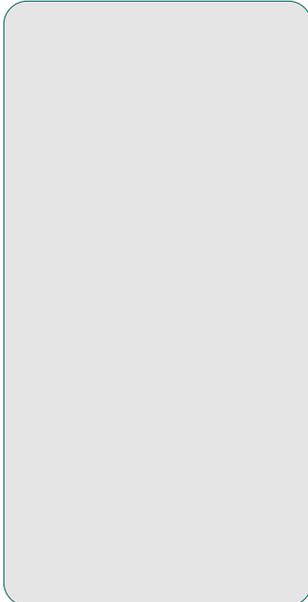
- ...is accessible by telephone.
- ...is available to meet when necessary.
- ...provides requested information.
- ...listens to your concerns.
- ...understands your needs/objectives.
- ... accurately assesses the issues.
- ...completes work in a timely manner.
- ...keeps you informed of status of investigations, where applicable.

<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				
<input type="checkbox"/>				

IV. Overall . . .

- Regarding the Board's operations, are you . . .
- Are you satisfied with how the Board handles your concerns?

Very Satisfied	Somewhat Satisfied	NA/ Don't Know	Somewhat Dissatisfied	Very dissatisfied
<input type="checkbox"/>				
<input type="checkbox"/>				



IN COMPLIANCE WITH THE INTERNAL AUDITING ACT, *GOVERNMENT CODE, CHAPTER 2101*, THE BOARD IS soliciting proposals from qualified persons or entities to provide the Board's internal auditing services.

Board seeks internal auditor

Bidders must be certified public accountants or certified internal auditors with at least three years of auditing experience. Related certifications are encouraged, including certified information system auditors. Bidders must have a continuing professional education program for the professional development of staff which complies with the *Standards for the Professional Practice of Internal Auditing*. Additionally, bidders must conduct quality assurance reviews in accordance with professional standards and periodically take part in an external peer review conducted in accordance with *Standards for the Professional Practice of Internal Auditing* and generally accepted governmental auditing (quality review) standards.

Further information regarding the Board's history and operations can be found in the agency's *1999 Annual Financial Report*, which is available upon request from the Board. A management control audit of the Board was com-

pleted by the State Auditor's Office during 1998. This report is accessible through the State Auditor's website at:

www.sao.state.tx.us

For a proposal to be considered, the Board must receive it no later than 5:00 p.m. CST on May 31, 2000. Bidders should be prepared to give a formal presentation to the Board or its Regulatory Compliance Committee at the Board's or committee's convenience, if requested. The committee will make the final selection.

Performance under a contract pursuant to this engagement will begin upon contract execution. The Board has the option to extend the term of the contract for one year. ❖



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