

Texas State Board Report

January 2003

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Austin, Texas

Vol. 78

BOARD RECEIVES

SUNSET REPORT

Legislature to consider recommendations in 2003

THE TEXAS SUNSET ADVISORY COMMISSION HAS REVIEWED ITS staff report on the Texas State Board of Public Accountancy and will make recommendations to the 78th Legislature in 2003.

The Commission staff has recommended that the agency be continued for another 12 years and has made several substantive recommendations for changes in the *Public Accountancy Act*.

Board members and the Board's executive director attended hearings of the Commission on November 12 and December 11.

As the staff report notes, the review occurred at a time of extraordinary crisis in the regulation of the accounting profession. Against a backdrop of criticism of the regulation of the profession engendered by the crisis, the staff report recognizes "... the Board demonstrated that it has a strong effective enforcement program." These findings reflect the Board's enduring commitment to the goals the Legislature set for it in the *Public Accountancy Act*: that all persons licensed as CPAs meet the highest standards of "professional competence, integrity and learning" and that those standards are demonstrated in CPAs' dealings with the public.

Generally, the Board has no objection to the recommendations made in the staff report. In a number of areas, the Board endorses many of the staff report's conclusions and offers specific alternative suggestions in only a very few areas.

The staff report recommends that non-Board members should be excluded from the Board's Rules Committee. The Board believes that this exclusion is not necessary to achieve the objectives of the Commission staff and would result in a more cumbersome, time-consuming process of rules development. Instead, the Board suggests that non-Board members on this committee not be permitted to vote on any matter.

The Board's committee structure is unusual in state government in that most Board committees include both Board and non-Board members. The staff report

How well does the Board operate?

THE SUNSET COMMISSION staff report recognizes that the Board is effective, well managed and protective of the public. Specifically, the report states that:

- ◆ The Board functions effectively in its role of regulating the practice of public accountancy,
- ◆ ... the Board is functioning well as a stand-alone agency and should continue as currently organized
- ◆ ... the Board has shown itself to be an effective regulator and should be continued for the standard twelve years.

recommends specifically authorizing this practice for the Board's working committees, which it identifies as including the three enforcement committees, as well as the Peer Review, Qualifications, Continuing Professional Education, Licensing, and Peer Assistance Committees. The Board has no objection to this recommendation. The staff report states that advisory committee members on these committees "enabled [the Board] to access a

broad range of technical expertise in the accountancy profession."

The staff report also suggests that non-Board members should not be permitted to serve on Board policy committees, including the Executive, the Regulatory Compliance, and the Rules Committees. The Board does not object to limiting the Executive and Regulatory Compliance Committees to Board members, and *Section 505.10* of the Board's rules already does just that. Non-Board members have never served on these two committees.

The Rules Committee, however, is different from these committees and, the Board believes, should be treated like other working committees. The Executive and Regulatory Compliance Committees recommend decisions about the management of the Board itself. The Rules Committee evaluates rules suggestions for the entire accounting profession and is responsible for monitoring the Board's *Rules of Professional Conduct*. The Board needs the diversity of experience that non-Board members bring to this analysis.

The accounting profession as regulated by

defines the practice of public accountancy to include not only tax and attest services, but also financial consulting and management advisory services. Each of these practice areas have sub-specialties. Only CPAs may perform attest services, but CPAs are a recognizable market force in many other lines of commerce usually associated with other professions. CPAs compete with bookkeepers, trust departments, estate planners, appraisers, arbitrators, expert witnesses, executive search firms, insurance agents and stock brokers, to name just a few. The *Rules of Professional Conduct* must work well for all of these disciplines. No matter how large the Board is, it cannot include persons with expertise in all the areas that must be addressed by the rules. Including non-Board members in the deliberative process that evaluates rules proposals makes the Board's rules more effective and increases public participation in the rulemaking process. Because many committee members are former Board members, the Board has been able to retain its institutional memory, and does not lose the expertise Board members develop over time.

Finally, Rules Committee recommendations are *only* recommendations, which may be accepted, modified, or rejected by the full Board. The Board, and only the Board, retains final authority over any rule proposal.

The Board believes that the objectives of the staff report can be met with less burdensome changes than those suggested. If a non-Board member could only serve on a separate advisory committee, the Board would have to convene two meetings to do the work it now does in one. Instead, non-Board advisory committee members could sit on the Rules Committee under the same terms the staff report suggests for other non-Board committee members, but they could be prohibited from voting on any matter.

The staff report states that the current range of criminal and administrative penalties allowed by the *Public Accountancy Act* is an inadequate deterrent to the types of violations in today's business setting. The staff report also points out that the Board lacks the statutory power to order licensees to pay restitution to victims and that the Board's enforcement efforts are hindered by confidentiality provisions in the *Act*, lack of subpoena power, and summary suspension authority.

In addition, the staff report recommends several other amendments to the *Act* to align it with the Sunset model standards by comparing the provisions of the *Act* with other licensing

Sunset Staff Recommendations

THE SUNSET COMMISSION staff report recommends that the *Public Accountancy Act* be amended to:

- ♦ expand the range of criminal penalties;
- ♦ increase administrative penalties to a maximum of \$100,000;
- ♦ authorize the Board to order licensees to pay restitution to consumers as a part of enforcement actions;
- ♦ authorize the Board to issue summary suspension orders;
- ♦ grant the Board the authority to issue subpoena orders which would compel the production of witnesses and records in investigations; and
- ♦ grant the Board the authority to share confidential information with governmental agencies and law enforcement officials to enhance multi-jurisdictional investigations.

the Board includes a broad array of public practice areas and many complex services. The *Act*

See Sunset, page 15

The Board's Rules Committee approved the following memorandum concerning certification requested of CPAs employed in industry.

An Open Memo to Texas CPAs

THE EMPLOYEE REP LETTER

THE BOARD'S RULES COMMITTEE HAS BEEN asked to comment on a request from the management of a publicly traded company to its employee regional managers and controllers for certification of certain matters related to the company's financial statements.

This request, which we will call the "employee rep letter," asks the company's regional managers and controllers, many of whom are CPAs, to sign a statement that:

- ♦ they have reviewed the income and balance sheets for the region for accuracy of the numbers and quality of disclosures;
- ♦ the financial statements and other financial information reported fairly presented in all material respects, the financial condition, results of operations and cash flows in the region;
- ♦ they are responsible for enforcement and maintaining disclosure controls and procedures to ensure that material information concerning the region is reported timely to the appropriate corporate officer;
- ♦ they are not aware of any deficiencies in effectiveness of controls and procedures and that the controls are operating effectively; and
- ♦ they have notified and discussed with the corporate controller, the CFO or the internal auditor, any significant deficiencies in the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls.

The company requested these certifications to support the certification of quarterly financial reports which the *Sarbanes-Oxley Act* now requires of CEOs and CFOs of publicly traded companies. [See *Sarbanes-Oxley Act* of 2002 at Section 302; 17 C.F.R. Section 240.13a-14.] The Securities and

Exchange Commission's regulations require that any certifying company maintain "disclosure controls and procedures" to provide reasonable assurance that it is able to collect, process and disclose the information required in its reports. [See 17 CFR 240.13a-14(b)(4)(i) & (c).]

The Rules Committee does not have any authority to offer an opinion about whether the proposed employee rep letter complies with the requirements of the securities laws of the United States or SEC regulations. Instead, the committee here addresses only whether execution of the form suggested could violate the *Public Accountancy Act*.

Issues of concern in reference to this requested certification include that the word "review" is a term of art in the practice of public accountancy. This term implies specific procedures and analysis which an internal CPA may not have performed, and given the lack of independence is not able to perform. In addition, a CPA may not have enough knowledge to respond fairly to the requested certification, or may believe that the financial information reported is incorrect.

Many of the CPAs asked to execute the employee rep letter are employees of the issuing company who in their duties perform accounting services only for their employer.¹ For these CPAs, the use of the term "review" concerning their employer's financial statements is permissible. Further, under the Board's rules, CPAs may not issue or otherwise be associated with financial statements that do not comply with GAAP where the departure from GAAP has a material effect on the financial statements taken as a whole, unless

"It would violate the core obligation of integrity and objectivity for a CPA to execute an employee rep letter when he or she has not satisfied themselves of all elements covered by the letter."

See Letter, page 15

A great
time to
be a

REGULATOR

K. Michael Conaway, CPA

**Presiding Officer, Texas State Board of Public Accountancy and
Chair, National Association of State Boards of Accountancy**

**This article is reprinted
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from the October 2002 issue
of NASBA's newsletter,
the State Board Report.**

"I believe that the state-based regulatory system is still the best way to regulate the accounting profession. That does not mean that it cannot be improved. We must continue to strive to eliminate differences and barriers among our states."



I HAVE SAID ON SEVERAL OCCASIONS, "IT IS A GREAT TIME TO BE A REGULATOR." Not only is it a great time to be a regulator, I take great pride in being a CPA and a regulator. We are obviously living in turbulent times. Turbulent times demand strong yet sometimes calming leadership. To use a phrase from the military, we have a "target rich environment."

We cannot ignore threats to the state-based regulatory system. One threat to the current system is the idea of changing to all public members, or a majority of public members, on state boards. My comments are in no way intended to downplay or denigrate the role of public members on state boards. I have had firsthand experience with many fine, dedicated public members. They bring a perspective to board deliberations that is essential to the success of state boards.

My logic in supporting the continued majority of CPAs on state boards is that the role of accountants' professional judgment will be even more important in a principles-based standards system than in the present rules-based system. It is a matter of fairness to the profession and, I would argue, the public that we have seasoned professionals making up the majority of the decision-makers in matters of enforcement. A majority of the decision-makers should be able to draw their own conclusions in enforcement and discipline matters involving differences in professional judgment.

Some of the impetus for the change to a majority of public members on state boards is related to the current state of self-regulatory organizations. It is inappropriate and misplaced to project the perceived ills and weaknesses of national self-regulatory organizations onto the state board system. It will be my goal to have NASBA support a state-based system where CPAs continue to make up the majority of members of state boards.

The *Sarbanes-Oxley Act* charges the General Accounting Office to complete a study of, among other things, the issue of whether and to what extent federal and state regulations impede competition among public accounting firms. I do not want to second-guess the outcome of the study, but the fact that the question was asked puts us on notice that we have a significant interest in the results. [NASBA] President David Costello has already offered NASBA's assistance to the GAO and we will try to stay on top of this study.

I believe that the state-based regulatory system is still the best way to regulate the accounting profession. That does not mean that it cannot be improved. We must continue to strive to eliminate differences and barriers among our states. The differences should exist only in rare instances where there are substantive ideals that cannot be compromised. One way to accomplish this is to continue and, in some cases, to increase our participation in the development of new rules and standards or changes to existing rules and standards that apply across state borders. As an example, each of us will be adopting new rules for the implementation of the computerized CPA examination. NASBA and the

AICPA have published recommended rules and policies for us to consider. I ask each board to adopt them with as little change as possible. Please set a very high bar for any change that your state might consider making. We must strive to eliminate the unnecessary differences in our laws and rules that are a barrier to competition or an unnecessary burden on the profession. If we do not make progress in this area, we give ammunition to those who would advocate a national license.

I first heard the term “legislative neglect” from Texas Board Executive Director Bill Treacy. Legislative neglect can best be explained as the legislature requiring a state board of accountancy to perform certain tasks and then turning a deaf ear to requests from the agency for the resources to perform those tasks. Concurrently, the legislature is berating the agency for non-performance and under-enforcement of the law.

The solution to this dilemma is for state boards of accountancy to go “off-budget,” mov-

ing the agency out from under the appropriations process. Using the North Carolina or the Texas models, I can strongly recommend to you that it’s the most viable way to run a state agency. In Texas, we call it Self-Directed Semi-Independent or (SDSI) state agency status. It allows us to collect and deposit our own funds and set our budget accordingly. I believe that North Carolina has a similar relationship to its state government. As in the past, NASBA will support your efforts before your legislature in any way that you believe would be helpful, including attempting to convince your legislature to take your agency out from under the appropriations process. Many state legislators will be dealing with budget deficits. This may be just the year to reduce your state’s appropriations budget by removing your agency from the process.

As I commented earlier, it is a great time to be a regulator. State boards and NASBA have plenty to do this coming year. I am looking forward to a great year. ❖

CONAWAY ASSUMES NASBA LEADERSHIP

K MICHAEL CONAWAY, CPA, THE BOARD’S PRESIDING OFFICER, BECAME CHAIRMAN OF THE NATIONAL Association of State Boards of Accountancy at the NASBA annual meeting in October.

NASBA is an organization whose membership is comprised of the 54 U.S. state boards of accountancy. Its purpose is to address problems and situations state boards of accountancy face as regulators of the accounting profession.

Mr. Conaway served two terms as the NASBA Southwest regional director. He was a member of NASBA’s Administration and Finance Committee for four years and also chaired the Education and the By-Laws Committees.

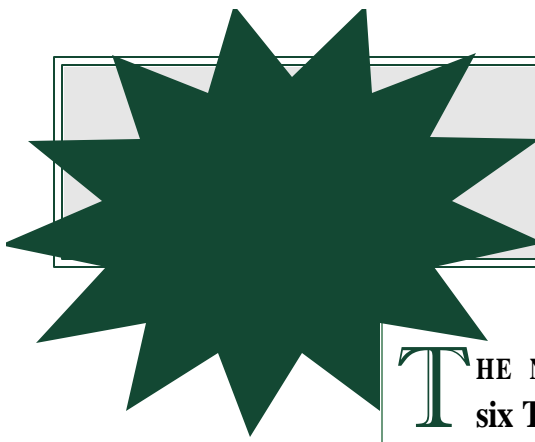
In 1995, then-Governor George W. Bush appointed him to the Texas State Board of Public Accountancy. Two years later, the governor appointed him chairman (now called presiding officer), a position he still holds.

His Board activities also include membership on the Executive Committee (vice-chairman and chairman/presiding officer), the Behavioral Enforcement Committee, Major Case Enforcement Committee (chairman), Regulatory Compliance Committee, and Behavioral Enforcement Task Force on Specialization (chairman). He was a member of the Texas State Board/Texas Society of CPAs (TSCPA) task force on the *Uniform Accountancy Act*. In September 2000 he testified on behalf of the Texas State Board of Accountancy at the Securities and Exchange Commission’s hearing regarding the proposed changes to the SEC’s Independence Rules.

Mr. Conaway’s current professional affiliations include membership in the Texas Society of CPAs, the Permian Basin Chapter of the Texas Society of CPAs, and the American Institute of CPAs. He is also active in many civic organizations. ❖



K. Michael Conaway



PROCTORS

THE NOVEMBER 2002 UNIFORM CPA EXAMINATION WAS CONDUCTED AT six Texas locations, with 3,324 candidates writing one or more parts. The Board relies on members of the profession to proctor, as it would be unable to conduct an exam of this magnitude without assistance. The Board sends its sincere appreciation to the following individuals who proctored in November and to their employers who allowed them to help in this effort.

AUSTIN

Mike Crain	Amil International
Anthony Ross	Austin Energy
Thomas Cherian	Austin Housing Authority
Christina Boateng	CSC
Darlene Tusa	Deaton Engineering
Kimberly Gamez	Dell Computers
Rosanne Levbarg	Donovan Miller
Susan Shrader	Gindler Chappell Morrison & Co
Linda Teneyuque	Hays County
Erin Anker	Jaime Phillips & Associates
Gary Gilliam	Prosoft Training
Nancy Foss	Resources Connection
Carlie Mims	St. David's Partnership
Eric Morson	Self-Employed
Roger Reese	Self-Employed
Robert Saegert	Self-Employed
Connie White	Self-Employed
Melody Chung	Southwest Key Program
Rita Chase	Texas Education Agency
Donald Woods	USAO
John Raymond	US Department of HHS
Wesley Tucker	Comstar Communications

EL PASO

Ed Lobdell	Bixler & Co.
Brenda Yeager	Pate & Appleby
Gary Harper	Pena Vogel Briones
Cory Gano	Rogers Fitzhugh & Co.

FORT WORTH

Marsha Smith	Atmos Energy Corp.
Cindy Fallis	Capstar Commercial
Gene Anderson	City of Paris
Robert Clyde	Clyde Associates

Ray Cook	Cook McDonald & Co.
Edie McDonald	Cook McDonald & Co.
Robert Schmidt	Farris Concrete Co. Inc.
Carl Clemencich	Evercom Systems Inc.
Linda De Jesus	Fort Worth C & V
Jennifer Ratcliff	Hecht & Jones
Randy Ellis	Hobbs & Associates
Terry Hobbs	Hobbs & Associates
George Lavina	IRS
Teresa Ovesen	Lane Gorman Trubitt
Bonnie Vaughn	Lange & Associates
Steven Katten	Law Offices of Steve Katten
Johnna McNeal	Malrony & McNeal
Terry Mencke	Medical Matrix, Inc.
Kwadwo Ofori- Mensah	North Texas Tollway Authority
Hank Pearson	Pearson Consultants Inc.
Don King	Retired
Anthony Adeyemo	Self-Employed
Walter Baldree	Self-Employed
Jim Buxton	Self-Employed
Donna Chamberlain	Self-Employed
Richard Crow	Self-Employed
Gwen Dillow	Self-Employed
Tom Hatfield	Self-Employed
Patricia Havard	Self-Employed
Kathryn Isbell	Self-Employed
Shirley Kennemer	Self-Employed
Jim Klenzendor	Self-Employed
Sheldon Levy	Self-Employed
Ray McComb	Self-Employed
Steve Miller	Self-Employed
Sydney Nguyen	Self-Employed
Frank Norris	Self-Employed
A.Z. Smith	Self-Employed
Ruth Ann Walker	Self-Employed
Dave Walsh	Self-Employed

Vickie Watson	Self-Employed
Lynn Crenshaw	Sproles Woodard
Michaela Cromar	Sproles Woodard
Red Tatro	Sproles Woodard
Toylin Adeniji	TDHS
Melinda Ratliff	Tufco Technologies
Jennifer Giannani	The Walton Group
Holly Pontier	Weaver and Tidwell

HOUSTON

Donna McGinnis	AON Consulting
Sandra Wellen	Bickley Prescott & Co.
Hermes Troche	Bond Snider Glaw & Londergan
John Markey	Briggs & Veselka Co.
Keith Kerr	Centerpoint Energy
Milton Elliott	Chevron Texaco
Randell Naquin	City of Houston
Melvin Williams	College of the Mainland
Gary Dullum	Comptroller of Public Accounts
Michael Young	David-Serves-Us
Adam Watts	Ernst & Young
Michael Frogge	Harper & Pearson
Kristina Hoang	Harper & Pearson
Thomas Oliver	Harper & Pearson
Rosemary Burke	IRS
Robert Estill	IRS
Shiela Ferguson	IRS
Carol Donnelly	IRS
James Mudd	IRS
Nancy Springer	IRS
Evelyn Watson	IRS
Kimberly Thurmond	Null-Lairson
Kristi Albaugh	Pricewaterhousecoopers
Michael Croom	Pricewaterhousecoopers
Veronica Suarez	Pricewaterhousecoopers
Christopher A. Arnold	Ray Smith & Associates
Margarita Menendez-Sharma	Schlumberger
Robert Crooks	Self-Employed
John Dewberry	Self-Employed
Lynn Embrey	Self-Employed
Andrew Francis	Self-Employed
Bernardo Garica	Self-Employed
Kraig Hall	Self-Employed
Gerald Hollinger	Self-Employed
Joseph Logiudice	Self-Employed
John Manning	Self-Employed
Aleyamma Mathew	Self-Employed
Barbara Parrigin	Self-Employed
Hoa Pham	Self-Employed
Randy Pollard	Self-Employed
Charles Quirk	Self-Employed
Steven Smith	Self-Employed
Diana Tiberia	Self-Employed
Jaydean A. Tullos	Self-Employed

Gregory Zissa	Self-Employed
Greta Baymon	Shell Oil Co.
M. Lynn Corria	Silvertech Systems
Glenn Wright	Stephens Office Supply Inc.
Elyse Turla	TSCPA Houston Chapter
Timothy Hartley	Union Carbide

LUBBOCK

Kathy Vanderpool	Beakley & Associates
Dottie Lewis	City of Lubbock
Jo Paul Archer	Claus & Associates
Kim Miller	Clifford Field & Krier
Elaine Flynt	CTSI
Patricia Higgs	Mason Warner & Co.
Sherry Hightower	Mason Warner & Co.
Julie Berger	McDougal Company
Ricky Green	PNB Financial
Jana Gregory	PNB Financial
Raymond Thornton	Retired
Melanie Davis	Self Employed
Amanda Tomlin	United Supermarkets

SAN ANTONIO

Jo Lynn Timmermann	Mullins & Timmermann
Bob Montgomery	Retired
Glen H. Hartford	Retired
Bonita Warnell	San Antonio Water System
Luther Boyd	Self-Employed
Roland Boysen	Self-Employed
Sandra Ferguson	Self-Employed
Theodore Meyer	Self-Employed
Al Reiter	Self-Employed
Lloyd C. Tschirhart	Self-Employed

WANT TO PROCTOR THE NEXT EXAM?

If you are interested in proctoring even one session of the May 2003 exam, please call your local TSCPA chapter or contact the Board at:

exam@tsbpa.state.tx.us

May 2003 exam locations:

AUSTIN	FORT WORTH	LUBBOCK
EL PASO	HOUSTON	SAN ANTONIO

Highlights of the November

Swearing-in Ceremonies

THE BOARD HELD swearing-in ceremonies on November 2 in Arlington, Austin, and Humble to present certificates to 833 new CPAs.

Also honored were 37 individuals who have maintained their CPA licenses for fifty years.

Swearing-in ceremonies are held twice a year in June and November.



In Arlington, the Board's executive director William Treacy (center) posed with Top Ten candidates David Lassen, Lyn Demy, Paulette Ditto, and Raymond Schieffer

Top Ten Candidates

ELEVEN OF THE NEW CPAS WERE RECOGNIZED FOR EARNING THE TEN HIGHEST scores on the CPA examination. They are:

TEXAS: (Addison) Timothy T. Alguire
(Carthage) Raymond S. Schieffer
(Houston) Max R. Dunlap; Jane G. Jenkins
(League City) Sudipta Roy
(Longview) David Lassen Jr.

(Missouri City) Fei Lee Crowe
(Spring) Joanna M. Carlozzi
(Waco) Michelle R. Walton
(Winnsboro) Paulette L. Ditto
RHODE ISLAND: Lyn E. Demy

RIGHT: Top Ten candidates Fei Lee Crowe, Sudipta Roy, Michelle Walton, Timothy Alguire participated in the Austin ceremony.

Also attending the ceremony in Humble, but not pictured were Top Ten candidates Joanna Carlozzi, Max Dunlap, and Jane Jenkins.



Fifty-Year CPAs

THE FOLLOWING CPAS WHO HAVE MAINTAINED THEIR licenses for fifty years were honored at the ceremonies.

ARKANSAS: W. Clyde Hopkins
COLORADO: Homer H. Martin
GEORGIA: Warren W. Mote
OKLAHOMA: Sam W. Hunsaker
TEXAS: (Abilene) James A. Young
 (Austin) Marvin M. Henry; Francis V. Hurt; Carl E. Richard; Maurice M. Williams
 (Corpus Christi) George E. Stephens
 (Dallas) Harold T. Baxter; William H. Jamieson; Jack R. Mosier; Cecil L. Smith; William S. Wymond
 (El Campo) G.M. Chambles
 (Fort Worth) Lowell W. Stephens; John R. Walker
 (Gonzales) Ernest L. Minyard
 (Houston) Reuben W. Blackburn; Sam J. Jeffrey; E. James Lowrey; David N. Miller; James T. O'Brien; Bernard L. Schwarzbach
 (Kerrville) William H. Rutledge
 (La Marque) Elmo J. Henske
 (Lubbock) Harold J. Douglas
 (Midland) Hansel O. Kincaid
 (Richardson) George E. Moon
 (San Angelo) Tom W. Gregg; Thomas B. Potter
 (San Antonio) Louis Joseph Hoofard



Bernard L. Schwarzbach (center) was recognized in Humble as one of the CPAs who has maintained his license for fifty years. His son, Stephen L. Schwarzbach, and daughter-in-law, Emily Bush Schwarzbach, also CPAs, attended the ceremony.



Fifty-year honorees in Austin were Maurice M. Williams, Carl E. Richard, and E. James Lowry.

(Sinton) Morris Ray Harris
 (Spring) Thomas F. Scully
 (Texarkana) Charlie W. Dunn
WASHINGTON: Wayne E. Simpson

MEMBERS OF THE PROFESSION AND the Board staff volunteered to usher at the swearing-in ceremonies. The Board expresses its appreciation to the following ushers:

Austin: Carol Boyd; Donna Dempsey; Gladys Garza; Gary Gilliam; Micaela Hernandez; Eric Morson; Kym Rusch; Jay Scheumack.

Arlington: Margaret Campbell; Patsy Culver; Charles Farr; Terri Hornberger; Bill Lee; Sharon Lukich; Kevin McDonnell; Jennifer McDonnell; Melissa Totsch; Kathy Xu.

Humble: Lynn Correa; John Manning; Barbara Parrigin; Terri Hornberger; Michael Young.

Ushers



Among the ushers at the Arlington ceremony were Patsy Culver, Bill Lee, Melissa Totsch, and Sharon Lukich.

ENFORCEMENT ACTIONS

DISCIPLINARY ACTIONS

Respondent: Becky Lynn Armstrong (Lancaster)

Certificate No.: 043677

Investigation No.: 01-04-07L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby the respondent's certificate was revoked in lieu of further disciplinary proceedings.

The respondent embezzled funds from a client. In addition, the respondent practiced public accountancy in an unregistered entity. The respondent's conduct violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.81 (Registration Requirements)* and *501.90(2)* and *(9) (Discreditable Acts)* of the *Rules*.

Respondent: Cecil Eugene Berry (Lubbock)

Certificate No.: 009105

Investigation No.: 01-06-19L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby the respondent's certificate was revoked in lieu of further disciplinary proceedings. The respondent failed to repay personal loans made to the respondent and his relatives by his client. In addition, the respondent practiced public accountancy with a delinquent, expired personal license and in an unregistered entity.

The respondent's conduct violated *Sections 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.80 (Practice of Public Accountancy)*, *501.81 (Registration Requirements)*, *501.90 (Discreditable Acts)*, and *501.93 (Responses)* of the *Rules*.

Respondent: Brian Keith Boggs (Austin)

Certificate No.: 036228

Investigation No.: 01-10-10L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded for practicing public ac-

countancy in an unregistered entity and failing to respond to Board communications in a timely manner.

The respondent's conduct violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.81 (Registration Requirements)*, *501.83 (Firm Names)*, and *501.93 (Responses)* of the *Rules*

Respondent: Jerry W. Crisp (Garland)

Certificate No.: 015543

Investigation No.: 01-10-06L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby the respondent's certificate was revoked in lieu of further disciplinary proceedings.

The respondent failed to timely file his personal income tax returns from 1987 through 1993. The respondent also failed to substantively respond to Board communications. The respondent violated *Sections 21(c)(4)* and *901.502(6)*, and *21(c)(11)* and *901.502(11)* of the former and current *Acts* as well as *Sections 501.41 (Discreditable Acts)* and *501.93 (Responses)* of the *Rules*.

Respondent: John Diehm (Port Arthur)

Certificate No.: 021131

Investigation No.: 01-11-01L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he agreed to retire by May 31, 2002 and to never reactivate his certificate.

The respondent's working papers generated in connection with an audit did not adequately support representations made in the audit report.

The respondent's conduct violated *Section 901.502(2)*, *(6)*, and *(11)* of the *Act* as well as *Sections 501.60 (Auditing Standards)*, *501.74 (Competence)*, and *501.90(2) (Discreditable Acts)* of the *Rules*.

Respondent: David Duncan (Houston)

Certificate No.: 038747

Investigation No.: 02-01-11L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby his certificate was revoked in lieu of further disciplinary proceedings.

The respondent entered a guilty plea in Houston federal district court resulting in a felony conviction for obstruction of justice with respect to his involvement in the Arthur Andersen audits of the Enron Corporation.

The respondent's conduct violated *Sections 901.502(6)*, *901.502(10)(A)*, and *901.502(11)* of the *Act* as well as *Section 501.90(4) (Discreditable Acts)* of the *Rules*.

Respondent: Lyle D. Fullmer (Temple)

Certificate No.: 017810

Investigation No.: 01-08-03L

Docket No.: 457-02-1506

Board ratification: 7/25/02

Disposition: The respondent's certificate was revoked, he was assessed \$8,000.00 in administrative penalties and \$718.75 in administrative costs.

The respondent violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.81 (Registration Requirements)* and *501.93 (Responses)* by practicing public accountancy with a delinquent, expired license from March 28, 1996 to the present and by failing to respond to two Board communications.

Respondent: Donald Arthur Galvin (San Antonio)

Certificate No.: 030235

Investigation No.: 01-06-03L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby his certificate was revoked in lieu of further disciplinary proceedings. The respondent took unauthorized advances totaling approximately \$50,000 from his former employer. The

respondent's conduct violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.73 (Integrity and Objectivity)* and *501.90(9) (Discreditable Acts)*.

Respondent: Edward M. Gardner (Houston)
Certificate No.: 019215

Investigation No.: 00-07-10L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded for violating a Board order and falsely claiming a peer review exemption, placed on probated suspension for two years, and restricted from performing compilations, reviews, or audits during his probation. In addition, the respondent must, within ninety days of the Board order, pay \$2,000.00 in administrative penalties, pay all delinquent licensing fees and related penalties, and complete all delinquent CPE hours. The respondent must also complete eight additional live CPE hours in compilations within ninety days of the Board's order.

The respondent violated a prior Board order by failing to complete an accelerated quality review and also prepared compilations while claiming an exemption from peer review. The respondent violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Section 501.90(13)* and *(18) (Discreditable Acts)* of the *Rules*.

Respondent: Martin Hawbaker (Dallas)

Certificate No.: 042390

Investigation No.: 02-03-37L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he must take eight hours of live CPE courses in auditing in addition to his annual CPE requirements within ninety days of the date of the Board order.

The respondent's working papers generated in connection with his audit of a client did not properly document the respondent's consideration of materiality, did not contain certain management representation letters, and did not show that the respondent considered sanctions imposed upon the client by the United States Department of Education.

The respondent's conduct violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.60 (Generally Accepted Auditing Standards)*, *501.61 (Generally Accepted Accounting Principles)*, and *501.74 (Competence)* of the *Rules*.

Respondent: Larry K. Hinson (Houston)

Certificate No.: 009273

Investigation No.: 01-07-17L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded for failing to timely retract press releases issued in July and August, 1999, on behalf of his employer, which he reviewed in his capacity as chief financial officer of the company, when the bases for the press releases were incorrect. In addition, the respondent was reprimanded as the result of a settlement agreement with the Securities and Exchange Commission, whereby the Securities and Exchange Commission issued a cease and desist order against the respondent from violating *Section 10* of the *Securities Exchange Act of 1934* and *Rule 10b-5* promulgated by the Securities and Exchange Commission.

The respondent's conduct violated *Section 901.502(6)*, *(9)*, and *(11)* of the *Act* as well as *Sections 501.74(b) (Competence)* and *501.90(7) (Discreditable Acts)* of the *Rules*.

Respondent: Andrew F. Huffmeyer (Rockport)

Certificate No.: 032311

Investigation No.: 99-08-03L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded for records and objectivity violations.

The respondent failed to produce or turn over accounting records pertaining to clients in connection with IRS audits, state court lawsuits, and bankruptcy proceedings. The respondent acted in a manner lacking in objectivity in his dealings with his clients.

The respondent violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Sections 501.12 (Integrity and Objectivity)* and *501.32 (Records)* of the *Rules*.

Respondent: Richard D. Johnston (Houston)

Certificate No.: 027638

Investigation No.: 99-12-11L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded for failing to timely renew his license and failing to register his corporation with the Board.

The respondent was delinquent in paying his license fees for the year ending De-

cember 31, 2001 and delinquent in reporting 66 hours in continuing professional education. In addition, he failed to register his corporation with the Board in 1998, although the *Rules* in effect at that time required him to do so.

The respondent's conduct violated *Sections 21(c)(4)*, *10(a)(3)*, and *20* of the *Act* as well as *Sections 501.40 (Registration Requirements)* and *515.1 (License Renewal)* of the *Rules*.

Respondent: Leonard M. Koblenz (Houston)

Certificate No.: 027672

Investigation No.: 01-04-14L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby his certificate was placed on probated suspension for one year from the effective date of this order. In addition, within 120 days of the date of the Board order, the respondent must complete eight hours of live instruction of CPE courses in the area of audits in addition to his annual CPE requirements. The CPE provider must be pre-approved by the Board. Further, within 120 days of the date of the Board order, the respondent must complete eight hours of live instruction CPE in the area of tax in addition to his annual CPE requirements. Finally, within 120 days of the date of the Board order, the respondent must complete eight hours of live instruction CPE in the area of compilations and reviews in addition to his annual CPE requirements.

The respondent failed to prepare a client's payroll tax reports, failed to make the client's tax payments on time or at all, and failed to pay the client's vendors. The respondent's conduct violated *Section 901.502(6)* and *(11)* of the *Act* as well as *Section 501.74 (Competence)* of the *Rules*.

Respondent: L.W. Lynch & Co. (Galveston)

Certificate No.: P04879

Investigation No.: 01-01-05L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby Lynden W. Lynch, Jr. and Patricia Cheng Lynch, partners of the respondent, must each complete eight live hours of CPE in the areas of auditing and attest standards, with an emphasis on financial statements, in addition to their required CPE hours. The CPE hours must be completed within thirty days of the Board order.

The respondent undertook a post-closing

audited balance sheet in connection with the sale of a business, a service in which the firm's partner in charge of the engagement had no previous experience. The respondent collected inadequate documentation about the purchase transaction, failed to follow standard audit procedures leading to missing two material accounts payable; and issued a recast earnings statement that should have had a report attached to it.

The respondent violated *Section 901.502(2), (6) and (11)* of the *Act* as well as *Sections 501.60 (Auditing Standards), 501.61 (Accounting Principles), 501.62 (Other Professional Standards), and 501.74 (Competence)* of the *Rules*.

Respondent: Donald Wayne Nederman (Lewisville)

Certificate No.: 081119

Investigation No.: 02-07-18L

Board ratification: 9/26/02

Disposition: The respondent voluntarily surrendered his certificate in lieu of further disciplinary proceedings. The respondent pled guilty to domestic battery and criminal trespass in the State of Indiana, County of Porter. Porter County Indiana Superior Court issued two bench warrants for the respondent's arrest based on the respondent's failure to comply with the terms of his probation and failure to pay his attorney.

The respondent's conduct violated *Section 501.90(10) (Discreditable Acts)* of the *Rules*.

Respondent: Kenneth Dale Owens (Austin)

Certificate No.: 049534

Investigation No.: 02-03-20L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby the respondent's certificate was revoked in lieu of further disciplinary proceedings.

On September 18, 2002, the respondent pled guilty to violating *Title 18 USC Section 4* regarding misprision of a felony and was placed on probation for five years. The respondent's conduct violated *Section 901.502(6), (10)(A), and (11)* of the *Act* as well as *Section 501.90(4) (Discreditable Acts)* of the *Rules*.

Respondent: Terry S. Shilling (Louisiana)

Certificate No.: 024651

Investigation No.: 01-01-26L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby his certificate was placed on probated suspension for two years and he was ordered to pay a \$2,500 fine within ninety days of the date of the Board order.

The respondent signed a voluntary consent order with the Securities and Exchange Commission enjoining him from future violations of *Section 10b* of the *Securities Exchange Act of 1934* and *Rule 10b-5* thereunder. The respondent's conduct violated *Section 901.502(6), (9), and (11)* of the *Act* as well as *Section 501.90(7) (Discreditable Acts)* of the *Rules*.

Respondent: Alan Wayne Todd (Conroe)

Certificate No.: 043616

Investigation No.: 00-12-51L

Board ratification: 7/25/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded. The respondent made threats of bodily harm and retribution to his client in a letter.

The respondent's conduct violated *Section 901.502(6) and (11)* of the *Act* as well as *Section 501.90(14) (Discreditable Acts)* of the *Rules*.

Respondent: Roger Howard Townsend (Garland)

Certificate No.: 017657

Investigation No.: 01-11-11L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby his certificate was revoked in lieu of further disciplinary proceedings.

The respondent practiced public accountancy while on a disabled license status from December 1993 until June 2002. The respondent's conduct violated *Section 901.502(6) and (11)* of the *Act* as well as *Sections 501.90(1) (Discreditable Acts), 515.8(b), 523.32 (Ethics Course), 523.62 (Mandatory Continuing Professional Education Reporting), and 523.63 (Mandatory Continuing Professional Education Attendance)* of the *Rules*.

Respondent: Benny Ralph Vaughn (Irving)

Certificate No.: 026329

Investigation No.: 01-05-05L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was placed on probated suspension for one

year from the date of the Board's order. In addition, within 90 days of the date of the Board order the respondent must complete 24 hours of live instruction CPE courses in the area of tax (eight hours individual, eight hours corporate, and eight hours partnership) in addition to his annual CPE requirements. Finally, within 90 days of the date of the Board order he must complete four hours of live instruction CPE courses in the area of ethics in addition to his annual CPE requirements.

The respondent sent letters to former clients stating that his firm was "associated" with a CPA firm, when in fact the respondent had sold his practice to that firm. Further, the respondent told his former clients that he would prepare their tax returns, knowing this to be a false statement. The respondent's conduct violated *Section 901.502(6) and (11)* of the *Act* as well as *Sections 501.82 (Advertising) and 501.90(9) and (12) (Discreditable Acts)* of the *Rules*.

Respondent: Bryan L. Walter (Fort Worth)

Certificate No.: 037721

Investigation No.: 01-06-17L

Docket No.: 457-02-1505

Board ratification: 7/25/02

Disposition: The respondent was reprimanded; in addition, he was assessed \$938.75 in administrative costs and \$5,000.00 in administrative penalties. The respondent violated *Section 901.502(6)* of the *Act* as well as *Section 501.93 (Responses)* by failing to respond to Board communications.

Respondent: Wilson Warren Whatley III (Plano)

Certificate No.: 043039

Investigation No.: 01-07-16L

Board ratification: 9/26/02

Disposition: The respondent entered into an agreed consent order with the Board whereby he was reprimanded. Additionally, within 60 days of this order he must complete four hours of live instruction CPE in ethics. The respondent failed to complete a client's corporate tax return and 2000 state franchise tax return, failed to return the client's records, and failed to return the client's telephone calls. In addition, the respondent is not in compliance with the Board's peer review requirement.

The respondent's conduct violated *Section 901.502(6) and (11)* of the *Act* as well as *Sections 501.74 (Competence), 501.76 (Records and Work Papers), 501.90(11) (Discreditable Acts), and 527.4 (Quality Review Program)*.

CPE DELINQUENCIES

Respondents: CALIFORNIA: Jones, Scott Ellis

TEXAS: (Austin) De Luna, Juan Rosendo; Hood-McDonald, Christal M.; Jones, Jack Carlton

(Flower Mound) Granado, Shirley Ann

(Houston) Broughton, Sharon Lynn

(Katy) Brady, Karen Ann

(Spring) Slaughter, Michael David

(The Woodlands) St. Clair, Keith Eli

(Woodlawn) Furlow, Leanne Michelle Brown

Investigation Nos.: 02-03-10059 through 02-03-10200

Docket No.: 457-02-2243.B

Board ratification: 7/25/02

Disposition: The license of each respondent still not in compliance as of the July 25, 2002 Board meeting was suspended for three years, or until the respondent complies with the licensing requirements of the *Act*, whichever is sooner. Additionally, a \$100 penalty was imposed for each year the respondent is in non-compliance with the Board's CPE requirements. The respondents are in violation of *Section 901.411* of the *Act* as well as *501.94* (*Mandatory Continuing Professional Education*) and *523.62* (*Mandatory Continuing Professional Education Reporting*) of the *Rules*.

The respondents failed to report sufficient CPE credits required under *Section 901.411* of the *Act*.

Respondents: TEXAS: (Arlington) James, Marvin Glen Jr.

(Austin) Davern, Alexander Matthew

(Bedford) Phillips, Phill Ellis

(Dallas) Corley, Timothy Wayne; Fulbright, James Maquestia

(Denison) Lyons, Jerri Lynn

(Houston) Johnson, Jeffrey Todd

(Plano) Smith, Beverly F.

(Rosenberg) Garrett, Randal Lee

(Whitney) Westerfeld, Dale Roy

Investigation Nos.: 02-04-10064 through 02-04-10191

Docket No.: 457-02-3100

Board ratification: 9/26/02

Disposition: The license of each respondent still not in compliance as of the September 26, 2002 Board meeting was suspended for three years, or until he or she complies with the licensing requirements of the *Act*, whichever is sooner. Additionally, a \$100 penalty was imposed for each year the respondent is in non-compliance with the Board's CPE requirements. The respondents are in violation

of *Section 901.411* of the *Act*, as well as *Sections 501.94* (*Mandatory Continuing Professional Education*) and *523.62* (*Mandatory Continuing Professional Education Reporting*) of the *Rules*. The respondents failed to report sufficient CPE credits required under *Section 901.411* of the *Act*.

Respondents: MASSACHUSETTS: Valdez, Gualde Esrael

TEXAS: (Austin) Brown, Malcom Orval Jr.; Harwell, David Bryan Jr.

(Haslet) Howsman, Timothy Mitchell

(Houston) Lawal, Omotayo Jamin

(Kingwood) Pearce, Thomas Bryant Jr.

(Lufkin) Hunter, Jesse Lee

(Plano) Krejci, Douglas Roy; Tate, Martha Elaine Fannin

(Rockwall) Nolan, Joseph Augustine

(Waco) Sheehy, James Robert Jr.

Investigation Nos.: 02-05-10050 through 02-05-10227

Docket No.: 457-02-3411

Board ratification: 9/26/02

Disposition: The respondents failed to report sufficient CPE credits required under *Section 901.411* of the *Act*.

The license of each respondent still not in compliance as of the September 26, 2002 Board meeting was suspended for three years, or until the respondent complies with the licensing requirements of the *Act*, whichever is sooner. Additionally, a \$100 penalty was imposed for each year the respondent is in non-compliance with the Board's CPE requirements. The respondents are in violation of *Section 901.411* of the *Act* and *Sections 501.94* (*Mandatory Continuing Professional Education*) and *523.62* (*Mandatory Continuing Professional Education Reporting*) of the *Rules*.

FAILURE TO RENEW

Respondents (firms): TEXAS: (Dallas) James E. Fitzmaurice

(Grapevine) Garry L. Tischler

(San Antonio) Preston & Wenthold, CPA's, PC

(Sugar Land) Fred Gular

(The Woodlands) Glennon Mark Dillon

(Tomball) Fernando Gomez Flores

Investigation Nos.: 02-04-10207 through 02-04-10300

Docket No.: 457-02-3102

Board ratification: 9/26/02

Disposition: The license of each respondent firm not in compliance as of the September 26, 2002 Board meeting was revoked without

prejudice until such time as the respondent complies with the licensing requirements of the *Act*. The respondents are in violation of *Section 901.502(6)* and *(11)* of the *Act*, and *Section 515.1* (*License Renewal*) of the *Rules*. The respondents failed to complete the renewal of their licenses required under *Section 515.1* of the *Rules*.

NON-PAYMENT OF PROFESSIONAL FEES

Respondents: CALIFORNIA: Dancer, Robin Elayne Risley; Bellow, Lloyd James

GEORGIA: Byone, Steve

HONG KONG: Kam, Yui Kay

IOWA: Sherman, Robert Gregory

NEW JERSEY: Corn, Jay Byron

NEW MEXICO: Cain, Ginger Renee

OHIO: Joshi, Shyam Devshankar

OKLAHOMA: White, Tamara Jean

OREGON: Sherman, Sean Lee; Jaquith, James John

REPUBLIC OF CHINA: Lee, Ching-Yi

SAUDI ARABIA: Abufarha, Hashem A.M.

TENNESSEE: Rodela, Elaina D'Lynn Vise

TEXAS: (Arlington) Fues, Jay Norman

(Beaumont) Parigi, Sam Vincent

(Dallas) Buie, Danny Leron; Burch, Katawna;

Li, Yifan; Marcy, Dean; Norris, Allen Joe;

Obenhaus, Rebecca Lee; Saunders, Charles

Martin; Sigler, Sally Kington Shaw

(El Paso) Petersen, Dave Eric

(Fort Worth) Boone, Ruth Estill; Erwin, Victor Frank

(Goliad) Crews, Leslie Hoff

(Grand Prairie) Simmons, Ricky Jerome

(Houston) Daniels, Steven Wayne; Mack,

Timothy Alan; Monday, Harold Bernard Jr.;

Yager, Lois Marie Kriel

(Kingwood) Kijewski, Lawrence Joseph

(Longview) Salmon, Henry Louis

(Midland) Barrett, David Michael

(Port Arthur) Traylor, Constance Marie Smith

(San Antonio) Jackson, Kathryn Di-anne

(Southlake) Surbaugh, Sarah Jean

(Spring) Duncan, Wesley Ernest

(The Woodlands) Peters, Edwin Joseph

Investigation Nos.: 02-03-10001 through 02-03-10058

Docket No.: 457-02-2243.A

Board ratification: 7/25/02

Disposition: The certificate of each respondent still not in compliance as of the July 25, 2002 Board meeting was revoked without prejudice. Each respondent may regain his or

her certificate by paying all the required license fees and penalties and by otherwise coming into compliance with the *Act*. The respondents failed to pay the licensing fees and penalties required under *Section 901.401* of the *Act* for three consecutive license periods. The respondents are in violation of *Section 901.502* of the *Act*.

Respondents: **ARKANSAS:** Luang, Xi-Chung Luke
CALIFORNIA: Boudreaux, Leslie Parrish
COLORADO: Cooper, Marty L.
FLORIDA: Long, Wallace Samuel
HONG KONG: Kam, Patricia K.
INDIANA: Stemme, Brian Allen
LOUISIANA: Howe, Carlyle Jerry
MARYLAND: Han, Hae Kyung
NEW YORK: Wojcik, Melanie Marie
OKLAHOMA: Kirkpatrick, John Edgar III
SOUTH CAROLINA: McCarty, Darren Lee
TENNESSEE: Reid, Vaughan Eugene
TEXAS: (Austin) Dobias, Sharon Patrice; Kaiser, David Bouton; McTaggart, Stacey Lynn; Michel, Daniel Arthur
(Beaumont) Praznik, Desa McInnis

(Burnet) Nelson, Stephanie Lea Hester; Pennell, Walton Franklin
(Carrollton) Swain, Michael Lloyd
(Cypress) Pepe, Bernard Alfred Jr.
(Dallas) Easton, Joy Holshouser; Elliott, Michael Marvin; Foster, Ronnie Alan; Miller, Tanya Owen; Orsini, John Joseph; Smith, Eileen Patrice Finley
(Fort Worth) Tippet, Leslie Anne Osterloh
(Houston) Bowers, Ramon Scott; Feldt, Marcia Diane; Pichardo, Rolando Roy; Snider, Robert Richard; Vagnoni, Philip Joseph; Vu, Steven Vinh
(Pasadena) Anthony, Jerald Alan
(Plano) Maib, Keith Alan
(Richardson) Carter, Maurice Eugene
(San Antonio) Diamond, William Henry
(Turkey) Turner, Janna Lynn
VIRGINIA: Jones, Janice Lynn
Investigation Nos.: 02-04-10001 through 02-04-10063
Docket No.: 457-02-3099
Board ratification: 9/26/02
Disposition: The certificate of each respondent still not in compliance as of the September 26, 2002 Board meeting was revoked with-

out prejudice. The respondent may regain his or her certificate by paying all the required license fees and penalties and by otherwise coming into compliance with the *Act*. The respondents are in violation of *Section 901.502(4)* of the *Act*. The respondents failed for three consecutive license periods to pay the licensing fees and penalties required under *Section 901.401* of the *Act*.

Respondents: **CALIFORNIA:** Yarocho-wicz, Michael Francis; Bertz, Kurt Robert
FLORIDA: Springer, Raymond Paul
KANSAS: Ruspini, Nancy Sue
NEW JERSEY: Meehan, Robert James
NEW YORK: Wu, Jeffrey
OKLAHOMA: Clark, Stacey; Rempe, William Ralph
SOUTH CAROLINA: Taylor, John Paul
TEXAS: (Abilene) Hamilton, Susan Luann Chaney
(Aledo) Bilbrey, Larry Lee Jr.
(Dallas) Rader, Terry Don; Stedman, Jeffrey Joseph
(Fort Worth) Yeager, Amy Adams
(Galveston) Rabon, Carol Ann
(Grapevine) Sigwing, Richard Bruce
(Horseshoe Bay) Hansen, David George
(Houston) George, James Zachariah III; Radous, Kevin Paul; Tallerine, Leonard Charles Jr.
(Irving) McBride, Berri Thomas
(Katy) Schultz, Janet Lynn
(Pasadena) Barker, Bobbie Jean
(Richmond) Neuenschwander, Gottlieb William
(Roanoke) Grimes, Troy Ray
(San Antonio) Chase, Stephen Franklin
(Sugar Land) Ogunmola, Michael Olumide
(Venus) Dahl, Ann V.
WISCONSIN: Owen, Christian Duane
Investigation Nos.: 02-05-10001 through 02-05-10049
Docket No.: 457-02-3410
Board ratification: 9/26/02
Disposition: The certificate of each respondent still not in compliance as of the September 26, 2002 Board meeting was revoked without prejudice. Each respondent may regain his or her certificate by paying all the required license fees and penalties and by otherwise coming into compliance with the *Act*. The respondents are in violation of *Section 901.502(4)* of the *Act*. The respondents failed for three consecutive license periods to pay the licensing fees and penalties required under *Section 901.401* of the *Act*. ❖

To check your individual and firm

**LICENSE
STATUS**

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Sunset continued from page 2

programs and statutes to identify unwarranted variations. According to the staff report, discrepancies between the *Act* and the model standards could “prevent the proper allocation of exam fees, or inhibit the public’s ability to learn more about disciplinary actions or the accountancy profession in general.” The recommendations include:

- ♦ require the Board to define which misdemeanor convictions disqualify

an applicant from certification in the standard manner defined in the *Occupations Code*;

- ♦ authorize the Board to delegate the collection of exam fees;
- ♦ require Board members to recuse themselves from voting on disciplinary actions when they serve on the respective enforcement committees; and
- ♦ require the Board to make detailed information on disciplinary actions available to the public.

Any amendments to the *Act* will become effective September 1, 2003. ❖

Letter continued from page 3

the CPA can demonstrate that by reason of unusual circumstances the financial statements would otherwise have been misleading. [See *Sections 501.53(b)* and *501.62* of the Board’s *Rules*.] The employee rep letters are entirely consistent with this obligation and may help focus management’s and the CPA’s attention on any problematic areas in the employer’s financial statements.

All CPAs must maintain “integrity and objectivity . . . and shall not knowingly misrepresent facts nor subordinate his or her judgment to others.” [See *Section 501.73(a)* of the Board’s *Rules*.] This core obligation of the profession places particular pressure on CPAs in industry practice. These CPAs are wholly dependent on management for

their career. While an auditor in client practice may resign and turn to serve another client after a disagreement with management, a CPA employed in industry may lose his job. In addition, often these CPAs compete with non CPAs for jobs.

However, it would violate the core obligation of integrity and objectivity for a CPA to execute an employee rep letter when he or she has not satisfied themselves of all elements covered by the letter. If there are areas covered by the letter which the CPA knows to be inaccurate, the CPA should decline to execute the relevant portions and offer an explanation. Similarly, if the employee rep letter addresses matters of which the CPA has insufficient evidence to reach any conclusion, the CPA should also decline to execute the relevant portion and offer an explanation. ❖

¹ CPAs in the client practice of public accounting as defined by *Section 501.52* of the Board’s *Rules* who are performing CFO services for clients must also comply with the *Statement on Standards for Accounting and Review Services*. [See *Sections 501.53(a)* and *501.63* of the Board’s *Rules*.] This article does not analyze the treatment of employee rep letters or the *Sarbane-Oxley Act* certifications under SSARS.

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333 GUADALUPE, TOWER 3, SUITE 900
AUSTIN, TEXAS 78701-3900

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ERIN EDIGER

Accounting/Administration

(512)305-7800-FAX (512)305-7854
accounting@tsbpa.state.tx.us

CPE

(512)305-7844-FAX (512)305-7875
licensing@tsbpa.state.tx.us

Enforcement

(512)305-7866-FAX (512)305-7854
enforcement@tsbpa.state.tx.us

Executive Director

(512)305-7800-FAX (512)305-7854
executive@tsbpa.state.tx.us

Licensing

(512)305-7853-FAX (512)305-7875
licensing@tsbpa.state.tx.us

Peer Review

(512)305-7853-FAX (512)305-7875
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Public Information

(512) 305-7802-FAX (512)305-7854
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