



MINUTES
JOINT 2020-21 & 2021-22 EXECUTIVE BOARD MEETING
APRIL 22-23, 2021
VIRTUAL

2020-21 MEMBERS PRESENT

Jerry Spence, Chairman
Jason Freeman, Chairman-elect
Lei Testa, Immediate Past Chairman
Priscilla Soto, Secretary
Sheila Enriquez
Julia Hayes
Jimmy Hudson
Mohan Kuruvilla
Brandon Mays
Jay Neukomm
Tim Pike
Angela Ragan
Kate Rhoden
Jodi Ann Ray, President & CEO

2020-21 MEMBERS ABSENT

Susan Roberts, Treasurer

2021-2022 MEMBERS PRESENT

Melanie Geist, 2021-22 Treasurer-elect
Darrell Groves, 2021-22 3-year elected member
Willie Hornberger, 2021-22 1-year appointed member
Billy Kelley, 2021-22 -1-year appointed member
Tram Le, 2021-22 3-year elected member

CHAPTER GUESTS

Jacqui Belcher, Chapter Executive Director - San Antonio
Jacob Briggs, Chapter President - Fort Worth
Bryan Edwards, Chapter President-elect - San Antonio
Kelly Hunter, Chapter President-elect – Houston
Diane Joiner, Chapter Executive Director – Austin & Corpus Christi
Paul Matthews, Chapter President-elect – Austin
Mike Meurin, Chapter President - San Antonio
Kathy Kabell, Chapter President-elect - Wichita Falls
Scott Wiseman, Chapter President-elect - Central Texas

TXCPA STAFF PRESENT

Eddie Cogdell, Chief Financial Officer
Kenneth Besserman, Director of Government Affairs and Special Counsel
Melinda Bentley, Director, Marketing & Communications
Kim Newlin, Director, Learning
Jerry Cross, Director, Peer Review
Holly McCauley, Manager, Governance & Executive Operations

I. CALL TO ORDER

Chairman Jerry Spence called the Executive Board (EB) meeting to order at 3:15 p.m.

II. QUORUM CALL

Priscilla Soto, Secretary, declared a quorum.

III. CONSENT AGENDA

The consent agenda included the following items:

- Minutes from the January 25, 2021 EB meeting
- Review of Action Items List from the January 25, 2021 EB meeting

The following motion was made by Lei Testa and seconded by Angela Ragan.

Motion:

The Executive Board approves the consent agenda as presented.

Motion approved with none opposed

IV. CHAIRMAN'S REPORT

Chairman Spence shared updates from the March AICPA Regional Council Meeting, which was held virtually. He announced the newly formed Membership Task Force, which will work on the strategic plan objectives to evaluate a subscription-based membership model and to review membership categories. He provided an overview of the chapter presentations he has participated in over the past few months and will be visiting East Texas soon.

V. CHAIRMAN-ELECT REPORT

Jason Freeman, Chairman-elect, shared the coordinating officer assignments for 2021-22 and announced the final rosters for committees have been finalized. He reminded members that Leadership Day is planned for May 20, 2021 and will be held virtually and the virtual Annual Meeting will be held June 24 - 25, 2021. Mr. Freeman is scheduled to present a professional issues update virtually to South Plains on

April 27. He shared that the August EB meeting is expected to be held in person August 5-6, 2021 in Lake Tahoe. Additional details will be shared soon.

VI. CEO REPORT

Jodi Ann Ray, President & CEO, shared updates on TXCPA staffing including the resignation of the previous director of Membership. The membership department will now be combined with Marketing and Communications and will be led by Melinda Bentley. A new Manager of Membership Operations and Acquisition, Leslie Gambrell, was recently hired.

Five new members were appointed to the Texas State Board of Public Accountancy (TSBPA), including four TXCPA members: Olivia Riley (Dallas), Susan Adams (Fort Worth), Ray Garcia (Houston) and Renee Foshee (San Angelo). Other gubernatorial appointments of TXCPA members include Julia Hayes (Southeast Texas) to the Appraisal Management Companies Advisory Committee, Rene Pena (El Paso) to the Texas Optometry Board, Ben Pena (Rio Grande Valley) to the Texas Real Estate Commission, Robert Flores (East Texas) to the Stephen F. Austin State University Board of Regents, and Manoranjan Mahadeva (Dallas) to the Executive Council of Physical Therapy and Occupational Therapy Examiners.

Ms. Ray shared a draft letter the Federal Tax Policy Committee has composed asking to provide sufficient funding to the IRS. Items the letter addresses are:

- Funds needed to address 2021 Tax Season Issues and to deliver Covid relief and stimulus checks;
- Funds needed to address backlog from last year;
- Funds needed to improve taxpayer service;
- Funds needed to interact with tax professionals;
- Funds needed to accommodate its increasing workload; and
- Funds needed to collect unpaid taxes.

Ms. Ray shared membership stats as of March 31, 2021. Total membership is 26,398 with 22,564 of those being CPA members and 16,102 as full dues CPAs.

Ms. Ray shared an update on the CPA domain and a question that was recently raised by a member. It was questioned whether the .cpa domain being used by TXCPA went against the Texas Public Accountancy Act. Ms. Ray has discussed this with AICPA and TSBPA to ensure there are no issues. Since TXCPA and chapters using the domain are non-profit organizations dedicated to promoting and protecting the value of the CPA designation, neither are in the business of offering accounting services to the public. Questions have also been raised by members regarding the Texas Comptroller of Public Accountants for using the initials CPA on its letterhead as an abbreviation for Comptroller of Public Accounts. The abbreviation is accurate, and it is not being offered for the purpose of obtaining accounting services. Finally, the use of CPA in the email domain does not violate any of the provisions of the act.

VII. GOVERNMENT AFFAIRS UPDATE

Kenneth Besserman, Director of Government Affairs and Special Counsel, presented updates on the legislative session. He also shared updates on TXCPA legislative priorities, which include:

- Fingerprinting deadline extension – extending deadline to August 2022;
- PPP loan forgiveness;
- Pandemic liability act;
- Sales tax on professional services; and
- Deregulation of accounting profession.

Mr. Besserman presented additional Government Affairs updates. Additional lobbyist firm Davis Kaufman was hired in fall 2020. TXCPA worked closely with TSBPA to ensure correct language was used in the new rules to address CPA Evolution and new CPA Exam starting in 2024. Approximately 75 virtual legislative visits were held during Advocacy Day and the weeks after in January and February. A new session page is active on the TXCPA website, which provides regular updates and news and a weekly column. The 2022 election season will start following the legislative session.

Mr. Besserman stated an additional \$13,500 was raised for the CPA-PAC from the Board of Directors after a request in December 2020 was sent asking for 100% participation. Board participation is currently at 60.4% - up from 50% in December. The 2022 goal is to have 5% member participation in CPA-PAC giving and 100% Board giving.

The meeting was recessed until April 23, 2021.

The meeting reconvened at 9:00 a.m. on April 23, 2021.

VIII. TREASURER'S REPORT

Eddie Cogdell, CFO, reviewed the investments portfolio and provided updates on member dues.

She reported on the financial statements for the month ending March 31, 2021. The Society had a year-to-date net revenue of \$2,756,935. The CPE Foundation ("Foundation") had a year-to-date net revenue of \$744,602. The Accounting Education Foundation (AEF) had a year-to-date net revenue of \$661,050.

Melanie Geist, Treasurer-elect, reviewed the 2021-22 budget process and presented the 2021-22 proposed budgets.

For the Society, there are no new capital items budgeted. The budget includes a 3.1% decrease in member dues revenue - \$75,000 of the decrease is attributed to a significant number of members moving to 40-year member or retired status. The budget includes new investments for a new technical content developer position, data analytics software, an additional lobbying firm and the previously approved transfer to the AEF for educational initiatives. The proposed Society budget is a net expense of (\$196,563).

Ms. Geist presented the revenue and expense highlights for the proposed CPE Foundation budget. The budget includes a decrease in sponsorship revenue due to virtual meetings. The proposed CPE Foundation budget is a net revenue of \$225,256.

Ms. Geist presented the revenue and expense highlights for the proposed AEF budget. The budget includes revenue from contributions and the transfer of funds from the Society. The proposed AEF budget is a net expense of (\$18,875).

Ms. Geist presented the revenue and expense highlights for the proposed budget for the Peer Assistance Foundation. Revenue includes a grant from TSPBA. The proposed Peer Assistance Foundation budget is a net expense of (\$40,671).

The Compensation Committee approved the following motion on April 21, 2021:
Approve the 2021-22 salary and benefit budget of \$5,006,000 including a 3% merit increase, 1.3% discretionary and restructuring, \$110,000 bonus pool and 30% fringe benefit poll (allows for 10% increase in health insurance costs).

The following motion was made by Lei Testa and seconded by Mohan Kuruvilla.

Motion:

The Executive Board approves the 2021-2022 Society, CPE Foundation, Accounting Education Foundation and Peer Assistance Foundation budgets as presented.

Motion approved with none opposed

IX. REPORT AND DISCUSSION REGARDING DISCIPLINARY ITEMS THAT IMPACT MEMBERSHIP STATUS THAT ARE PRESENTED TO THE EXECUTIVE BOARD

Mr. Besserman and Ms. Ray led a discussion on disciplinary action items, which are brought to the EB for action.

The EB is given authority under the Bylaws to suspend or terminate membership based on sanctions imposed by the state licensing agency, other governmental agencies, or by the court. The Bylaws permit but do not require membership sanctions under certain conditions. Questions of membership suspension or revocation are normally submitted to the EB in the consent agenda. Recent cases have highlighted a need to discuss how the EB approaches some disciplinary items based on evolving language being used by sanctioning agencies and the divergence of sanctions between state and licensing board and other governmental agencies.

Two cases were presented to the EB for discussion and a decision on whether to suspend membership based on current Bylaws language and the sanctions imposed by the Public Company Accounting Oversight Board (PCAOB) and TSBPA. The PCAOB barred one member from being associated with a public accounting firm for two years and she was limited from engaging in any Sarbanes-Oxley audits for an additional year, and the second member was limited from engaging in any Sarbanes-Oxley audits for two years and was limited in his audit activities. The TSBPA did not suspend the license of either of these members but placed them on limited scope of practice for one year.

The EB discussed considerations for cases where the TSBPA does not suspend a license, but another agency places practice limits but no suspension on the member. The EB felt that TXCPA should align with TSBPA and not impose any stricter sanctions.

The following motion was made by Angela Ragan and seconded by Jerry Spence.

Motion:

The Executive Board does not vote to suspend the two members in the disciplinary action cases presented.

**Motion Passes with none opposed
Tim Pike abstained from vote**

Ms. Ray presented a member appeal for a two-year suspension passed in the consent agenda by the EB in April 2020. On December 17, 2019 the PCAOB prohibited Mr. Donald McPhee from serving or supervising as an engagement partner on any audit of a publicly registered company for two years. In July 2020, TSBPA did not suspend Mr. McPhee's license, but did place him on limited scope. Mr. McPhee stated he accepted an offer of settlement in order to resolve an investigation into three audits led by former partners who were no longer associated with the firm and prior to the PCAOB investigation, he and his firm made the decision to cease doing public company audits altogether. As a case with similar sanctions as the previous two cases, the EB felt it would be justified in reversing his membership suspension.

The following motion was made by Angela Ragan and seconded by Lei Testa.

Motion:

The Executive Board approves the reversal of the suspension of Mr. Donald McPhee.

Motion approved with none opposed

X. GOVERNANCE UPDATE AND DISCUSSION

Angela Ragan shared updates from the Governance Committee. Work has continued on the 501c3 consolidation strategy. The three chairs of the 501c3 entities (CPE Foundation, AEF and Peer Assistance Foundation) met and a letter of intent was sent to each entity, which agreed to move forward with the continued dialogue. Jackson Walker has provided extensive due diligence work and has drafted a proposed structure for moving the strategy forward. Each entity has identified several individuals to serve on a task force and a meeting will be held in early May.

Ms. Ray shared updates on the Affiliation Agreements. Fifteen chapters have signed the agreements. The four remaining large chapters (Austin, Dallas, Houston and San Antonio) met and submitted a letter addressing concerns, which included:

- Dispute Resolution Clause - Wording provided as a suggested clause by the four chapters. The Society consulted with Jackson Walker on the language and some suggested edits were

provided. There is not an objection to adding this clause to the Affiliation Agreement as amended by Jackson Walker.

- Section IV: Omit reference to CPE vendors - Since CPE overall has been left out of the Affiliation Agreement, it was requested that this section be removed. No objection to removing; however, this activity will still take place by TXCPA.
- Section VIII: Replace "consultation" with "agreement" - If future changes need to be made, the idea is that discussion would take place between the state and chapter and then approved by the Executive Board before taking place. Jackson Walker reviewed and recommended simply shortening the sentence since this is the "Terms" section.
- .CPA Domain use by TXCPA and Chapters - A member raised concern during the large chapter meeting that the use of the .CPA domain violated the Texas Public Accountancy Act. They recommended chapters refuse to sign the Agreement until this was addressed. TXCPA reached out to the State Board and AICPA to re-confirm guidance. The State Board submitted a letter to share back with the chapters stating why this was not a violation of the Act.

During the review of the Affiliation Agreement there was a question about what the process would be to change the status of a chapter since the board has that authority. There has never been anything written regarding how that would take place. Proposed language for the Volunteer Policies & Procedures Manual was shared with chapters in November 2020, and again in mid-March for review and comment. The Governance Committee reviewed and approved the proposed language April 15, 2021.

The following motion was made by Angela Ragan and seconded by Lei Testa.

Motion:

The Executive Board approves the recommended changes to the Volunteer Policies & Procedures Manual regarding Chapter Status as presented.

Motion approved with none opposed

XI. CPE DISCUSSION

Kim Newlin, Director, Learning, provided updates on CPE and a CPE partnership pilot program.

Over the last year CPE has offered over 25 COVID-related programming and reached over 8,500 attendees. TXCPA has worked with 12 chapters during the pandemic to help provide CPE to members, reaching over 3,000 attendees. Demand for webcasts and On Demand programming has increased greatly due to COVID. Free programming will continue to be offered to members including the free on-demand ethics course, four professional issues updates, and four Texas Taxes webcasts. All TXCPA programming will remain virtual through September 2021 and most conferences will continue to be webcast even if held live.

TXCPA has held multiple discussions with TXCPA Fort Worth staff on how to approach the CPE Business Model to address the increased competition in the CPE learning environment, the increase in free CPE, the advancement in technology and the viability of online and hybrid learning options. Ms. Newlin presented a pilot CPE partnership program with TXCPA Fort Worth, which would create a more strategic approach to learning and avoid duplication, allow limited resources to be utilized efficiently,

and increase the competitive position in the marketplace. TXCPA has met with Austin to begin to work through a potential partnership and how it would look.

X. COORDINATING OFFICER REPORTS

The following Coordinating Officer reports were presented:

- Accounting Education Foundation
- CPA-PAC
- Professional Standards
- Federal Tax Policy
- Professional Ethics
- Strategic Planning
- Branding & Community Outreach
- Chapter Coordinating
- CPE Advisory Board
- Diversity & Inclusion
- Membership
- Peer Review
- Business & Industry Issues
- CPA Practice Issues

XI. EXECUTIVE SESSION

Current executive board went into session at 12:17 p.m.

XIII. ADJOURNMENT


There being no further business, the meeting was adjourned at 12:30 p.m.

MOTIONS PASSED

- 1. Approval of the consent agenda as presented**
- 2. Approval of the 2021-2022 Society, CPE Foundation, Accounting Education Foundation and Peer Assistance Foundation budgets as presented.**
- 3. Approval not to suspend the two members in the disciplinary action cases presented.**
- 4. Approval to reverse the suspension of Mr. Donald McPhee**
- 5. Approval of the recommended changes to the Volunteer Policies & Procedures Manual regarding Chapter Status as presented.**

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Respectfully submitted,

X  _____

Holly McCauley

Manager, Governance & Executive Operations

X 8/2/2021 _____

Date

Approved by:

X  _____

Priscilla Soto

2020-2021 Secretary, TXCPA

X Aug 2, 2021 _____

Date



Minutes from EB Mtg April 2021

Final Audit Report

2021-08-02

Created:	2021-08-02
By:	Holly McCauley (hmccauley@tscpa.net)
Status:	Signed
Transaction ID:	CBJCHBCAABAAXY403rgAiOpSxZJies8kt7wXQca8N2Hb

"Minutes from EB Mtg April 2021" History

-  Document created by Holly McCauley (hmccauley@tscpa.net)
2021-08-02 - 7:38:47 PM GMT- IP address: 216.136.49.162
-  Document emailed to Priscilla Soto (pasinsa@gmail.com) for signature
2021-08-02 - 7:39:40 PM GMT
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2021-08-02 - 9:18:48 PM GMT- IP address: 66.102.7.12
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Signature Date: 2021-08-02 - 9:21:42 PM GMT - Time Source: server- IP address: 148.66.38.78
-  Agreement completed.
2021-08-02 - 9:21:42 PM GMT