



Summary of Comments Provided to the Sunset Commission on August 16, 2018, in Reference to the Sunset Commission Staff Report Related to the Texas State Board of Public Accountancy

The Texas Society of CPAs (TSCPA) is a private, voluntary, non-profit professional association comprised of approximately 28,000 members from across the state of Texas. TSCPA was founded in 1915 and for more than 100 years, it has strived to elevate the accounting profession in Texas by promoting high standards of ethical behavior and competency for all CPAs as they provide financial and accounting services to the public.

We support many of the recommendations in the Sunset Staff Report, including the recommendation to continue TSBPA and the Texas Public Accountancy Act for another 12 years. We believe that the licensure and regulation of CPAs and the practice of accountancy are vital to the interests of the public in Texas.

We also agree with the general assessment that TSBPA does a good job in fulfilling its mission to regulate CPAs and protect the public. Our experience demonstrates that the CPAs and members of the public who serve on TSBPA, and the staff that supports them, strive to carry out their responsibilities in a fair and reasonable manner.

Sunset Staff Recommendation 3.2 – Composition of TSBPA – We Oppose Moving to a Majority of Public Members

We are opposed to the recommendation to change the composition of TSBPA to require a majority of public members. This recommendation may be in response to the 2015 U.S. Supreme Court decision in the N.C. Dental Board Case. To be effective, a board needs to have members serving on it who have the appropriate knowledge and experience to assess factors that affect the profession or occupation they are regulating. Moving to a majority of public members will dilute the board and make it less effective, to the detriment of the public.

To address the antitrust concerns emanating from the Supreme Court's decision, we suggest the commission and legislature evaluate establishing a mechanism or process for "active state supervision" discussed in the Supreme Court decision and the guidance coming out of the FTC. We would encourage you to move slowly on this matter and fully research what the best answer is for all regulatory boards in Texas. In the meantime, we encourage you to maintain the current composition of TSBPA.

Sunset Staff Recommendation 2.10 – Peer Review Rules – We Oppose Amending the Peer Review Rules for CPAs to Allow for Less Frequent Reviews and to Prohibit TSCPA from Charging a Non-member Fee

We take exception with the recommendations to make changes to TSBPA's Peer Review rules. The staff recommendation to allow CPAs who only perform compilations, or only perform a few compilations a year, to undergo peer review on a less frequent basis would not be in the best interest of the public. The likelihood is that there is a greater potential for the quality of service to be substandard the less frequently a CPA performs such services. The public relies on these financial statements to make lending and investment decisions. Therefore, it is critical that compilations are performed correctly and comply with professional standards.

The [AICPA/NASBA Uniform Accountancy Act](#) also recommends that compilations be included in peer review and that peer reviews be performed every three years for any CPA or CPA firm that performs attest services. If Texas

chooses to take a different path for peer review, it could cause mobility issues for CPAs or CPA firms that practice in other states.

With respect to TSCPA eliminating the non-member fee for CPAs who wish to participate in our peer review program, we respectfully disagree with this recommendation. Any person or organization is free to develop and administer a peer review program in Texas to offer to CPAs as long as they comply with the peer review requirement spelled out in the TPAA. Nothing in the law or the rules of TSBPA gives TSCPA a monopoly on this process.

We have always permitted non-members to participate in our program for an additional “non-member” fee because our program is designed primarily for our members and because our members financially support the program through their dues to TSCPA. Dictating that TSCPA cannot charge a non-member fee runs counter to the free enterprise system of our country. We should be free to charge appropriate non-member fees to those who wish to use our services as long as they are reasonable and not excessive.

Sunset Staff Recommendation 2.1 – Require a Fingerprint-based Criminal Background Check for All Licensure Applicants and Licensees – Do Not Impose this Requirement on CPAs in “Retired Status”

We recommend that the requirement for a fingerprint-based criminal background check not be applied to the CPAs who are in retired status since they are not offering services to the public. If CPA licensees in retired status wish to re-enter the workforce, they are required to complete a new license renewal application and demonstrate that they have completed CPE since they were granted the retired status. These individuals could be required to go through a criminal background check at that point in time. We see no valid reason to make retired CPAs undergo this type of background check just to maintain their retired status.

Other Proposed Changes to the TPAA Not Addressed in the Sunset Staff Report

CPA Firm Mobility

The first item relates to the mobility of CPAs and the ability to practice across state lines without undue regulatory burdens. This is beneficial for CPAs, as well as the public they serve, by eliminating restrictive rules that do not provide for public protection. We would recommend adding “attest services” to the existing mobility provisions in the Act. Currently, all other services that CPAs provide are covered and we see no valid reason to exempt attest services from these provisions. This would bring Texas in line with the [AICPA/NASBA Uniform Accountancy Act](#), as well as the laws for most other states.

Management of CPA Firms with Non-CPA Owners

We encourage the Commission to modify the current law to allow CPA firms with non-CPA owners to allow these non-CPA owners to serve as managers of offices of the firm. The current Act prohibits this, yet the non-CPA owners in the firm must be registered with TSBPA and meet several other requirements. Attest services in the firm must be under the supervision of a CPA and a CPA must be responsible for the firm’s registration with TSBPA. These various provisions are enough to protect the public and the firm should be able to make the decision about which members of the firm are best suited to manage office operations.

We encourage the Sunset Commission to adopt changes on these two issues as part of its final report to the legislature. A draft was submitted with our written comments suggesting how the TPAA could be amended to incorporate these concepts.

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