



An Audit Report on

The Board of Public Accountancy: A Self-directed, Semi-independent Agency

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The Board of Public Accountancy (Board) had processes to ensure the accuracy and completeness of its financial data and for setting fees and penalties. However, it should strengthen its processes for reconciliations and performance data reporting. In addition, the Board should address certain weaknesses related to user access rights to its information systems.

- [Background](#) | p. 3
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This audit was conducted in accordance with Texas Government Code, Section 472.103.

MEDIUM

FINANCIAL AND PERFORMANCE DATA

The Board accurately recorded the financial data tested but did not review and approve all reconciliations. It reported accurate results for one of the two types of performance data tested.

However, not all penalties assessed were reported in the correct fiscal year.

[Chapter 1 | p. 4](#)

LOW

SETTING FEES AND PENALTIES

The Board had an adequate process for setting its fees and penalties.

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Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of Chapter 1 in this report. The Board agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

The Board of Public Accountancy (Board) is responsible for overseeing the practice of public accountancy in Texas, including licensing, credentialing, continuing professional education, enforcement, and administering scholarships for accounting students. As of August 31, 2024, the Board oversaw 78,259 individual CPA licenses in Texas.

The Board became a self-directed, semi-independent (SDSI) agency effective September 1, 2001, and operates as a self-sustaining agency, funding its operations through fees collected from license renewals, firm registrations, exams, and other services.



MEDIUM

Chapter 1 Financial and Performance Data

The Board had processes designed to ensure the accuracy and completeness of financial data. However, weaknesses were identified in its processes for reconciliation approvals and performance data reporting. In addition, the Board should address certain weaknesses related to user access rights to its information systems.

The Board had adequate processes for its financial data.

The Board's fiscal year 2024 annual financial report balances for revenues and expenditures were supported by information in the Uniform Statewide Accounting System (USAS) and the Board's internal accounting system. In addition, the transactions tested were determined to be accurately recorded, reviewed, and supported. Specifically:

- All **salaries, wages, and payroll-related costs**, totaling approximately \$5.3 million, were paid only to active employees.
- All **state grant pass-through** expenditures, totaling approximately \$1.0 million, were appropriately disbursed to public universities as approved.
- The **CPA license fee** revenue tested, totaling \$964,015, was accurately collected from licensees in accordance with the Board's fee schedule and deposited with the Texas Treasury Safekeeping Trust Company, as required.

Monthly Reconciliations. In fiscal year 2024, the Board's policy was to perform several reconciliations each month, including one reconciliation each for cash, expenditures, and revenues. The Board accurately completed all three of these monthly reconciliations for each of the three months tested from fiscal year 2024. However, the Board did not review and approve any of the cash and expenditure reconciliations as required by its policy.

As of April 2025, the Board had completed only one of the three reconciliations for December 2024. The Board asserted that it transitioned to quarterly reconciliations beginning fiscal year 2025 but had not updated its policies and procedures.

Lack of proper review and approval of reconciliations, as well as outdated procedures, increase the risk of not detecting errors that may affect the accuracy of financial reporting.

The Board inaccurately reported performance data on penalty assessment and rate of collection.

The Board submitted its 2024 annual report and 2025 biennial report as required by Texas Government Code, Section 472.104 (see text box for more on the required reports). The following two types of performance data from the 2024 annual report were tested:

- **Number of CPA License Holders.** The Board accurately reported 78,259 individual CPA license holders.
- **Penalties Assessed and Collected.** The Board did not accurately report the amount of administrative penalties assessed for fiscal year 2024. The Board reported that it assessed penalties totaling approximately \$3.1 million; however, there was a \$30,000 discrepancy in the reported amount due to the following:
 - \$42,500 in penalties assessed in fiscal year 2024 were not included in the report, as the Board's practice is to report penalties only upon receipt of payment, rather than at the time of assessment.
 - \$12,500 in penalties reported as assessed in fiscal year 2024 were actually assessed in prior fiscal years and therefore should not have been included in the current report.

Required SDSI Reports

Texas Government Code, Section 472.104, requires certain self-directed, semi-independent (SDSI) agencies to submit:

- A biennial report to the Legislature and the governor by the first day of each legislative session, including information such as audit and financial reports, performance data, and changes in fees, if applicable.
- An annual report to the governor, the committee of each house of the Legislature that has jurisdiction over appropriations, and the Legislative Budget Board by November 1, including information such as budgets, operating plans, and trend analysis on performance data.

As a result, the rate of collection of assessed penalties was overreported by 1.4 percent.

Furthermore, the Board had not established policies and procedures for preparation of its required SDSI reports, which could provide clear guidelines for accurate reporting of administrative penalties and other performance data.

The Board should review user access to its information systems.

The Board has not established a process for conducting formal reviews of user access to its information systems. As a result, it did not appropriately restrict access to all information systems used for financial and performance reporting. Specifically, the permissions for certain user accounts exceeded the level appropriate for those employees' assigned job duties. Auditors communicated details related to these issues separately in writing to Board management.

Recommendations

The Board should:

- Update its accounting policies and procedures to align with its current practices for performing its financial reconciliations.
- Follow its policy for reviewing and approving all reconciliations.
- Establish and implement policies and procedures to ensure accurate preparation of its SDSI reports, including reporting penalties in the year they were assessed.
- Develop, document and implement formal reviews of user access for its information systems, and conduct those reviews periodically.

Management's Response

The Board should:

- Update its accounting policies and procedures to align with its current practices for performing its financial reconciliations.
- Follow its policy for reviewing and approving all reconciliations

Management Response:

We agree that cash and appropriations reconciliations should include evidence of review/approval and that policies and procedures should be updated to reflect current practices. During the time period being tested, Accounting was working on transitioning from a manual paper reconciliation process to a heavily automated process for cash and expenditure reconciliations. During this transition, reviews were not yet formalized, and formal policy and procedure documents had not yet been updated. Delays were due in-part to Accounting management considering these issues very low risk. This assessment was based on reconciliations being very clean, identified errors being discussed and addressed quickly, and another more comprehensive reconciliation being performed before AFRs were completed. We will update reconciliation policies and procedures to reflect practices and include a formal review and approval.

Responsible Agency Party: Director of Accounting

The Board should:

- Establish and implement policies and procedures to ensure accurate preparation of its SDSI reports, including reporting penalties in the year they were assessed.

Management Response:

We agree that administrative penalties assessed as reported on the SDSI report were \$30,000 (1%) lower than actual administrative penalties assessed. This was due to a schedule historically being used for this reporting that was intended for a different purpose. Moving forward, we will use a different schedule to track penalties assessed for SDSI reporting.

We agree that it may be beneficial to maintain more detailed internal policies and procedures regarding preparation of SDSI reports. Currently, policies and procedures refer to prior year files. These files, including detailed notes, are currently used to prepare SDSI reports, in addition to referencing Chapter 472 of the Texas Government Code, which lists reporting requirements. We will revise internal policies and procedures to include more process detail and a reference to Chapter 472.

Responsible Agency Party: Director of Accounting

The Board should:

- Develop, document and implement formal reviews of user access for its information systems, and conduct those reviews periodically.

Management Response:

We agree that there is a need for periodic user access reviews for our information systems. We're developing a clear procedure, establishing a regular review schedule, and will train relevant personnel to ensure this is effectively implemented.

Responsible Agency Party: Director of Information Resources

All recommended changes are expected to be implemented as soon as reasonably possible with a goal of full implementation by the end of fiscal year 2026.

LOW

Chapter 2

Setting Fees and Penalties

The Board had an adequate process for setting its fees and penalties.

Setting Fees. The Board set its fees and developed a budget in accordance with Texas Government Code, Section 472, and Texas Occupations Code, Section 901. The Board considered its budgetary needs as part of the fee-setting process and incorporated analysis of historical data along with projected revenues and expenditures.

The Board's governing board reviewed and approved the fiscal year 2024 and 2025 budgets, as required by Texas Government Code, Section 472.102. The approved budgets included increases in individual CPA license fees, from \$75 to \$87 for fiscal year 2024 and from \$87 to \$102 for fiscal year 2025. Additionally, the Board established a contingency fund intended to build reserves for major litigation, technology expenditures, and other unforeseen circumstances. As of August 31, 2024, the Board's fund balance totaled \$9.6 million. The Board asserted that funds are being accumulated to finance a planned technology modernization project estimated to cost approximately \$10 million.

Setting Penalties. The Board set its penalty schedule for disciplinary matters in compliance with Texas Occupations Code, Section 901.552. Between September 2023 and December 2024, it investigated 32 complaints that resulted in penalties.¹ For the 7 complaints tested, the Board accurately assessed \$3.5 million in penalties. The Board documented the factors considered and accurately calculated the penalty amounts imposed.

The Board also transferred the administrative penalties collected in fiscal year 2024 to the General Revenue Fund as required by Texas Government Code, Chapter 472.110.

¹ The amount assessed included penalties and/or reimbursement of direct administrative costs that the Board incurred in taking disciplinary action.



Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Board of Public Accountancy (Board) has processes and related controls to ensure the accuracy and completeness of financial and performance data.
- Evaluate the Board's processes for setting fees and penalties.

The following members of the State Auditor's staff performed the audit:



- Michelle Rodriguez, CFE (Project Manager)

- Allison Fries, CFE (Assistant Project Manager)
- Garrett Hadden, CFE
- Jessica McGuire, MSA
- Cynthia Saye
- Emilie Scanlon
- Brian K. Thornton
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (Audit Manager)

Scope

The scope of this performance audit included a review of financial and performance data, applicable processes, and other supporting documentation for the period from September 1, 2023, to December 31, 2024.

The scope also included a review of significant internal control components related to the Board's revenue collection, expenditures, penalties assessed and collected, and accuracy and completeness of related data.

Methodology

We conducted this performance audit from January 2025 through May 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Board management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Board management and staff to gain an understanding of financial and performance data reported; fee and penalty setting; and required reports.
- Identified the relevant criteria:
 - The Board’s policies and procedures.
 - Texas Government Code, Chapter 472.
 - Texas Occupations Code, Chapter 901.
 - Texas Administrative Code, Title 22, Part 22, and Title 1, Part 10, Chapter 202.
- Compared and traced the information in the Board’s annual financial report and the financial information included in the self-directed, semi-independent (SDSI) annual report to the Board’s underlying accounting records.
- Analyzed the Board’s payroll expenditures to determine whether (1) salaries, wages, and payroll-related costs were paid to only active employees and (2) monthly payrolls were reviewed and approved appropriately.
- Verified whether state grant pass-through expenditures were appropriately disbursed as approved by the Board.

- Tested selected monthly reconciliations of cash, revenue, and expenditures and verified whether they were mathematically accurate, sufficiently supported, and prepared and reviewed by separate individuals.
- Verified whether the Board submitted the required information in the annual and biennial reports for SDSI agencies to the Office of the Governor, the Legislature, and, as applicable, the Legislative Budget Board; and whether the reports included the required information.
- Tested selected performance data in the 2024 SDSI annual report for the number of CPA license holders by reviewing the query used to calculate this data and testing a sample of license holders to verify that individual licenses were active during the reporting period.
- Tested selected performance data in the 2024 SDSI annual report for the amount of administrative penalties assessed and the rate of collection of assessed administrative penalties by tracing the amount of penalties assessed to the Board's meeting minutes and verified the accuracy of the calculation used to determine rate of collection.
- Verified whether closed complaints, including those resulting in administrative penalties and/or direct administrative costs, were supported and assessed in compliance with rules and statutes.
- Evaluated the Board's processes for setting licensing fees and penalty amounts by reviewing the Board's policies and procedures, meeting minutes, and annual budget.
- Verified that the Board's fee schedules for fiscal years 2024 and 2025 were reviewed and approved by members of its governing board and within the limits set forth in Texas Government Code, Section 472.
- Analyzed selected license fees collected to determine whether the Board charged and recorded the revenues in accordance with its established fee schedule and whether those fees were deposited with the Texas Treasury Safekeeping Trust Company.
- Reviewed user access controls over the Board's information technology systems used for financial and performance processes.

Figure 1 on the next page provides more information about the samples tested.

Figure 1

Populations and Samples

Description	Population	Sample Size	Sampling Methodology
Monthly reconciliations (expenditure, cash, and revenue)	48	12 reconciliations	Tested a risk-based sample ^a of four months for each reconciliation type to provide coverage of different times of fiscal year.
Revenue batch deposits for CPA license fees paid online	85 ^b totaling \$2,257,724	16 batch deposits totaling \$964,015	Tested a risk-based sample ^a of batch deposits for significant coverage of dollar value.
Active CPA license holders	78,188	25 licenses	Tested a nonstatistical random sample so that the sample could be evaluated in the context of the population. ^c
Complaints that resulted in penalties and/or administrative costs	32	7 complaints	Tested a stratified risk-based sample ^a for coverage of penalties and administrative costs with different rule violations and highest penalty dollar amounts.

^a The risk-based samples were not representative of the populations; therefore, it would not be appropriate to project the test results to the populations.

^b The population of batch deposits was taken from the four months of revenue reconciliations selected for testing: October 2023 and July, August, and December 2024.

^c The random sample is representative of the population; therefore, it would be appropriate to project the test results to the population.

Data Reliability and Completeness

Auditors determined that all data sets obtained for the period from September 2023 through December 2024 were sufficiently reliable and complete for purposes of this audit by (1) observing the Board staff extract requested data populations, (2) reviewing data queries and report parameters, (3) analyzing the populations, and (4) testing user access rights over the Board's four information systems:

- Uniform Statewide Accounting System (USAS) – revenue, expenditures, and cash in treasury.
- Centralized Accounting and Payroll/Personnel System (CAPPS) – expenditures.
- The Board's internal accounting system – revenue and expenditures.
- The Board's licensing and enforcement system – performance data.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



Copies of this report have been distributed to the following:

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The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Board of Public Accountancy

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Mr. William Treacy, Executive Director



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