MEMBERS PRESENT:
Allyson Baumeister, Chairman
Kathy Kapka, Chairman-elect
Mark Lee, Immediate Past Chairman
Jesse Dominguez, Treasurer-elect
Mitch Perry, Secretary
Christi Mondrik
Jerry Spence
Toni McBe Joyner
Ryan Bartholomew
Edie Cogdell
Randy Crews
John Baines
Ben Simiskey
John M. Sharbaugh, CEO/Executive Director

2015-16 MEMBERS ABSENT:
Roxie Samaniego, Treasurer
Stephen Parker

2016-17 MEMBERS PRESENT:
Jim Oliver, Chairman-elect
Jerry Spence, Treasurer-elect
Janelle Jones, Secretary
Jason Freeman
Tom DeGeorgio
Cory Joiner
Royce Read

2016-17 MEMBERS ABSENT:
Terri Hornberger

CHAPTER GUESTS
Susan Adams, Fort Worth Chapter President
Kelly Hein, Fort Worth Chapter President-elect
Kathy Kelly, Fort Worth Chapter Executive Director
Selena Fogg, Panhandle Chapter President
Mark Goldman, San Antonio Chapter President
Next Meeting:
2016-17 Executive Board
August 5-6, 2016
Holiday Inn Amarillo West Medical Center; Amarillo, TX

I. CALL TO ORDER, WELCOME AND INTRODUCTIONS

Chairman Allyson Baumeister called the Joint Executive Board (EB) meeting to order at 8:30 am and welcomed EB members, chapter guests, and TSCPA staff present at the meeting. She noted that introductions and other traditional reporting would be made after Barry Melancon’s report.

II. QUORUM CALL

Mitch Perry, Secretary, declared a quorum present.

III. AICPA UPDATE

Barry Melancon, AICPA President and CEO gave a history of the AICPA and its offices in New York City. He provided a detailed report on current initiatives that the Institute is undertaking as well as challenges that face the profession, including constant changes in technology (i.e. artificial intelligence). Among some of the topics he discussed were changes that will take place in Peer Review and standard-setting, the CGMA issue to be voted on by the AICPA membership and a new audit technique using technology designed by one of the Big Four firms. A question and answer session followed Mr. Melancon’s report.
IV. **CHAIRMAN’S REPORT**

**Approval of Consent Agenda.** The Consent Agenda consisted of the following items:

- Minutes from the January 28, 2016, EB meeting held in El Paso, TX;
- Disciplinary actions - Suspension from TSCPA membership of John T. Caldarola; Maria A. Garza; and Frank R. Pierce. Termination of TSCPA membership for Jack B. Clendenin; Ben R. Smart; Welford K. Wheaton; and Percy P. Woodard, Jr.;
- Request for excused absence from the 2016 Midyear Board of Directors held January 29-30, in El Paso, TX for Lori Eads, CPA; and
- Approval of proposed revisions to the Austin Chapter Bylaws.

An error was noted in the January 28, 2016 EB minutes under “Approval of the Consent Agenda.” Some requests for excused absence from the January 29-30, 2016, Midyear Board of Directors meeting were missing. Jeanette Smith, CPA; Susan Sample, CPA; Lei Testa, CPA; and Alicia Pickens, CPA should be added to the minutes for a request for excused absence.

The following motion was made and seconded:

**Motion:**

To approve the Consent Agenda, as presented and amended.

- **Motion Approved**

**Review of Action Item List.** All action items from the October 30-31, 2015, EB meeting in Fort Worth, TX have been completed.

**Chapter Visits/Other Visits/Meetings/Future Meetings.** Ms. Baumeister reported on some final visits and presentations she made since the January EB meeting and noted how all the chapter leaders made her feel very welcomed during her years as chairman-elect and Chairman. She expressed her gratitude.

V. **CHAIRMAN-ELECT REPORT**

Chairman-elect, Kathy Kapka reported on the program for the upcoming Leadership Day in Dallas in May. The entire day will be Webcast for the
first time.

VI. **CEO AND GOVERNMENTAL AFFAIRS REPORT.**

Executive Director and CEO, John Sharbaugh, reported on the following:

- A new telephone system was installed at the Society;
- The new Web site is on target to be rolled out in June. The development of the Web site is a team effort from all departments. A preview of the new Web site will be shown at Saturday’s meeting in Galveston (July 2);
- A very dynamic presenter will be at the July 1-2 Annual Meeting of Members at Moody Gardens Resort in Galveston - Kimberly Ellison-Taylor, the incoming Chair of AICPA. Another keynote speaker is Jeffrey Mechanick, FASB Assistant-Director, Non-Public Entities and Chairman of the Not-For-Profit Advisory Committee. Mr. Mechanick will report on private company standards and changes affecting non-profits. We are attempting to secure the new Chairman of the House Ways & Means Committee, Congressman Kevin Brady, as a keynote speaker;
- Update on the health status of Bob Owen, Managing Director, Governmental Affairs, and his plans to continue working;
- Since the last EB meeting, Mr. Sharbaugh attended a meeting at the Texas State Board of Public Accountancy (TSBPA). The new Board members of the TSBPA are:
  - Coalter Baker, Presiding Officer
  - Tom Prothro
  - Rosie Morris
  - Ben Peña
  - Ross Johnson
  - Tim LaFrey
  - Kimberly Wilkerson

VII. **TREASURER’S REPORT**

**Review of March Financial Statements.** In the absence of Roxie Samaniego, Treasurer, Jesse Dominguez, Treasurer-elect and Steve Phillips, TSCPA CFO, reported on the financial statements for the ten months ending March 31, 2016. The Society had a net expense of ($302,341), as compared to a net expense the prior year of ($659). Some contributing factors to the variance include, but are not limited to, a loss in investment income, and an increase in expenses, which include expenses for the 100 Year Anniversary of TSCPA.
The CPE Foundation had a net expense of ($35,932) as compared to a net expense the prior year of ($143,411). Indirect expenses were higher than the prior year but program expenses were less than the prior year.

VIII. AICPA PRESENTER

Jonathan Horn, CPA, CGMA, AICPA Lead Technical Manager, AICPA Tax Policy & Advocacy gave an interesting and insightful report on the tax section of the AICPA. A question/answer session followed Mr. Horn’s report.

IX. REPORT FROM CEO SEARCH CONSULTANT

Ms. Baumeister introduced David Martin, Principal of Sterling Martin Associates, the firm that the Society contracted with to conduct a search for a replacement for Executive Director/CEO, John Sharbaugh, who is retiring in January 2017.

Mr. Martin discussed the search process timeline, key criteria for a new CEO, activities completed to date, the search process funnel, and the search process. A finalist is scheduled to be selected sometime in August following a second round of interviews for candidates.

X. EXECUTIVE SESSION

Chapter guests and TSCPA staff (other than Steve Jones) were excused from the meeting while the EB met in Executive Session to discuss the Compensation Committee report.

XI. The meeting was recessed at 12:00 Noon.

XII. The meeting was reconvened on Friday, April 29, at 8:30 am.

XIII. REVIEW AND APPROVAL OF 2016-17 SOCIETY AND CPE BUDGETS.

Treasurer-elect, Jesse Dominguez, and TSCPA CFO, Steve Phillips, presented the 2016-17 budgets for the Society and the CPE Foundation and the Capital Budget for the Microsoft Exchange Server.

If the budgets are approved, the projected fund balance for the Society at year end 2017, is budgeted at $3,509,421, or 59% of expenses, and the CPE fund balance is budgeted at $1,342,582 or 44% of expenses.
A proposed substantial increase to the Society budget was discussed for an increase in administrative and reinstatement fees charged to firms enrolled in peer review programs administered by the Society. This recommendation comes from the TSCPA Peer Review Committee. The number of firms enrolled in peer review programs have dropped from approximately 3,830 in October 2008, to 3,126 in February 2016, and the administrative fees have not been increased since June 2009. The Peer Review Department realized a deficit of approximately $70,000 during 2015-16. The Society budget would be increased approximately $287,000, with no staff impact.

The following motion was made and seconded:

**Motion:**

That the Executive Board approves the following increases in peer review fees effective June 1, 2016:

- Annual administrative fees - $75 for each firm and $15 for each professional over one with a maximum fee for firms with over 10 professionals.
- Reinstatement fee - $250 for AICPA and TSCPA member firms and would include any unpaid annual administrative fees.

- **Motion Approved**

The following motion was made and seconded:

**Motion:**

That the Executive Board approves the 2016-17 budgets for the Society and the CPE Foundation, and the Capital Budget, as presented.

A discussion ensued about the future of CPE and the fund balance for both the Society and the CPE Foundation.

- **Motion Approved**

The Society and CPE Foundation budgets and the Capital Budget will be presented to the Board of Directors for approval at the Annual Meeting of Members July 1-2, in Galveston, TX.
XIV. The meeting was recessed at 12:00 Noon.

XV. The meeting was reconvened on Friday, April 29, at 8:30 am.

XVI. PROFESSIONAL ETHICS COMMITTEE PROPOSED BYLAW CHANGE

Mitch Perry, Coordinating Officer for the Professional Ethics Committee (PEC) stated that the PEC is recommending that the EB approve a change to TSCPA Bylaws, Article III, which would provide authority to the EB to suspend a member without a hearing who has been suspended by the Public Company Accounting Oversight Board (PCAOB). The proposed language would be similar to the EB authority to suspend a member without a hearing under Article III, Section (4A)(2). He discussed the following proposed motion included in the agenda materials:

That the Executive Board approve the following recommended (or similar) change to TSCPA Bylaws Article III, Section (4A)(2), providing authority to suspend a member who has been suspended by the Public Company Accounting Oversight Board (PCAOB):

“(4A) A member may be suspended by the Executive Board without a hearing if it finds:

(2) The member’s privilege of appearing or practicing before the United States Securities and Exchange Commission (“SEC”) or the Public Company Accounting Oversight Board (“PCAOB”) has been suspended by the SEC or the PCAOB; or

(3) A court or jury of competent jurisdiction renders a finding of guilt of a felony or other crime or misdemeanor involving moral turpitude.”

Mr. Perry summarized the reasons for and against the proposal which the PEC approved on February 18, 2016. The PCAOB was created by the Sarbanes-Oxley Act of 2002 and since its inception, a loophole has existed in the Bylaws where the EB does not have absolute authority to impose disciplinary action against members suspended by the PCAOB. The AICPA imposes automatic disciplinary action on PCAOB sanctions under its Bylaws. Some case statistics were included in the EB materials.

A discussion ensued. Mr. Sharbaugh explained that the EB makes a recommendation to the BOD for Bylaw changes. Once approved by the BOD, it is sent to the TSCPA membership for an electronic vote, which is
costly. He suggested that all of the Bylaws be reviewed to see if other changes are necessary to avoid high costs for just one change and that a Bylaws Task Force be created for that purpose. The EB members agreed to move forward with creating a Bylaws Task Force to review all of the Bylaws. Mr. Perry will inform the PEC that their proposed Bylaw change will be reviewed in due time. It was not necessary to table or vote on the PEC motion.

XVII. COORDINATING OFFICERS REPORTS

In the essence of time, the coordinating officers reports were not verbally presented, but written reports were included with the agenda materials.

John Baines, CO for the TSCPA Diversity & Inclusiveness Committee briefly spoke about initiating an outreach to all TSCPA chapter presidents to identify and discuss how the Committee can be helpful to them, especially in developing a diversity pipeline plan at the local level. A summary report of the Statewide Survey of Diversity and Outreach Initiatives was included in the agenda materials.

XVIII. AICPA PRESENTERS

Sue Coffey, AICPA Senior VP, Public Practice & Global Alliances, Dan Noll, AICPA Director, Accounting Standards, and Erik Asgeirsson, President-CPA.com presented detailed reports to the EB. Question/answer sessions followed each report.

XIX. CLOSING COMMENTS/ADJOURNMENT

Ms. Baumeister graciously thanked the EB members for their support, hard work and volunteerism during her year as Chairman. This was her last meeting as TSCPA Chairman and she expressed her immense gratitude for the opportunity to serve in such an important role. The EB members gave her a standing ovation.

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

MOTIONS PASSED:

1) Approval of the Consent Agenda, as amended.
2) Approval of the following increases in peer review fees effective June 1, 2016:
• Annual administrative fees - $75 for each firm and $15 for each professional over one with a maximum fee for firms with over 10 professionals.
• Reinstatement fee - $250 for AICPA and TSCPA member firms and would include any unpaid annual administrative fees.

3) Approval of the Society and CPE Foundation budgets for 2016-17 and the Capital Budget, as presented.