

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

and small businesses in Texas.

Mar. 14, 2013

Texas Representative Phil Stephenson, a CPA, recently filed two bills affecting CPAs and small businesses in Texas. The first bill, H.B. 1756, exempts from the state's mandatory peer review program, CPAs who only prepare financial statements for small businesses. The second bill, H.B. 1757, ensures sole practitioners are represented on the Texas State Board of Public Accountancy.

Stephenson's H.B. 1756 lessens the burden of participating in the State's inspection program by removing compilation reports prepared for micro- or small-businesses from the state's mandatory peer review program. "CPAs who prepare reports for small businesses with fewer than 100 employees and under six-million dollars in revenue do not present as great a risk for the public as those who prepare reports for large national businesses. Loosening this requirement will not harm the public's interest," said Stephenson.

John Furge, President of the TACPA, agrees. "The typical small business has stakeholders who are intimately involved with the business. They are on-site every day. There are no remote investors or pensions to protect. Even if there were to be an accounting failure, the consequences would affect very few people. The burden of inspection is simply not justified."

The AICPA, (American Institute of CPAs), peer review program inspects financial reports issued by CPA firms ONLY for the purpose of insuring compliance with AICPA standards. It does NOT look for fraud. The Arthur Andersen CPA firm, for example, was peer-reviewed "without qualification" during the same period in which it reported on Enron. In the case of Enron, the reports were in compliance with AICPA standards, but the underlying accounting was rotten.

In 1999 The Texas legislature passed a law that provides for the AICPA peer review

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

contrast, exempts unincorporated sole-practitioner firms and firms with two or fewer CPAs from its mandatory inspection program.

The Board's insistence that these small reports be peer-reviewed has harmed the accountancy industry in Texas according to Furge. He points out that the Board of Accountancy's own statistics indicate that "fifty-five percent of Texas CPA practice units have signed an affidavit stating they will no longer issue compilation reports. This is not good for the public."

Not only that, said Furge, "If you have fewer CPAs performing these services, inevitably, the cost of obtaining these services must rise. This hurts small business!"

Stephenson's introduction of H.B. 1757 is also directed at the local practitioner. This bill requires that at least two sole-practitioner CPAs be appointed to the Texas State Board of Public Accountancy.

The Texas Association of Certified Public Accountants is a Texas organization committed to representing local CPAs who practice public accountancy in their hometowns. More information: <http://tacpa.net>

Accounting • AICPA • Auditing • Firm Management • Income Tax • Small Business • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us