

# CPA Legislator Cuts Red Tape on Small Business in Texas

PLANO, Texas, March 14, 2013 (SEND2PRESS NEWSWIRE – The Texas Association of CPAs (TACPA), supports effort to reduce burdensome regulations in Texas.

Texas Representative Phil Stephenson, 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 program to inspect the work product of Texas CPAs. Again, this was for the purpose of insuring compliance with AICPA professional standards.

To put the H.B.1756 in perspective, it does not affect audit reports, or review reports, only compilation reports.

The Texas State Board of Accountancy, however, interprets the AICPA program as being mandatory for any Texas CPA who performs any attest work, regardless of the size of the entity about which a financial report is prepared. The state of New York, in 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.

**About TACPA:**

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/> .

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