



State of Tennessee
Department of Commerce and Insurance
Tennessee State Board of Accountancy
Davy Crockett Tower
500 James Robertson Parkway
Nashville, TN 37243
615-741-2550 or 888-453-6150

The Tennessee State Board of Accountancy met on Friday, May 1, 2015 at Davy Crockett Tower, 500 James Robertson Parkway in Conference Room 1-A.

**MEMBERS
PRESENT:**

Bill Blaufuss, Chair
Don Royston, Vice-Chair
Henry Hoss, Secretary
Vic Alexander
Jennifer Brundige
Stephen Eldridge (via telephone)
Gay Moon
Gabe Roberts
Charlene Spiceland
Trey Watkins

**MEMBERS ABSENT:
STAFF PRESENT:**

Casey Stuart
Brian McCormack, Assistant
Commissioner, Regulatory Boards
Don Mills, Investigator
Ray Butler, Investigator
Karen Condon, Board staff
Vanessa Huntsman, Legal staff

LEGAL COUNSEL

Kimberly Cooper, Assistant General
Counsel
Anthony Glandorf, Chief Counsel

**MEMBERS OF THE
PUBLIC PRESENT:**

Brad Floyd, TSCPA
Wendy Garvin, TSCPA
John Nevel, CPA
Dan McCarthy

CALL TO ORDER

Mr. Blaufuss called the meeting to order at 8:45am and made the following announcements.

ANNOUNCEMENTS

o Chairman Blaufuss made the following statement:

Earlier this morning Mark Crocker resigned his position as TSBA Executive Director. We thank Mark for his TSBA service and wish him well.

While the position of ED is vacant, the TSBA staff will function with the direction and assistance of the Assistant Commissioner of Regulatory Boards, and myself as needed.

I respectfully request a motion for the Department of C&I to coordinate the solicitation of applications of qualified candidates for the TSBA ED position. In consultation with the TSCPA and C&I, applicants will be screened. I would also request the authority to convene a search committee to review and interview those applicants recommended in the first process. The search committee would then make a recommendation to the full TSBA which would have final approval of any recommendation. Please let me know if you have an interest in serving on the search committee.

MOTION by Mr. Royston and seconded by Mr. Hoss to grant those requests as stated.

Members made their presence known by roll call. The motion was unanimously passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

o Approval of the Minutes from the meeting held on October 17, 2014. Ms. Condon explained that though the minutes were approved at the January meeting, no vote had been taken for the approval.

MOTION by Mr. Hoss and seconded by Mr. Watkins to approve the minutes. The motion was unanimously passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

o Approval of the Minutes from the meeting held on January 16, 2015. Due to questions regarding the substance of the minutes, Mr. Blaufuss suggested deferring approval pending review and consultation with Ms. Condon.

EXECUTIVE DIRECTOR'S REPORT

The Executive Director's report was presented (attachment A).

NASBA COMMITTEE REPORTS

Ms. Brundige reported no new issues regarding the Legislative Support Committee.

LICENSING COMMITTEE REPORT

Registered accounting firm Eaton and Hartung, PLLC has requested to use the dba Eaton Tax and Business Services. Mr. Crocker suggested that the dba may be misleading as Ms. Eaton is an owner of the firm but not a CPA. The firm is registered with Mr. Hartung, a licensed CPA, as majority owner.

MOTION by Mr. Eldridge and seconded by Dr. Spiceland to accept the Committee's recommendation to deny the request as a misleading firm name. The motion was unanimously passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

The next items were additional requests for firm name approvals. The Committee requested the full Board to review the method of handling future requests for approval of fictitious firm names.

Mr. Hoss suggested consideration of a Policy stating the firms names not including the name of a partner, former partner, or the initials of such be viewed as deceptive or misleading. Though the applications should be reviewed individually, firms not using the names or initials of partners make it difficult to determine the nature of the business. Mr. Nevel of CompassEAST addressed the Board regarding his request for firm name approval. Points raised included:

- The AICPA's definition and interpretation of misleading names
- Firm names not referencing the owners' names are not necessarily misleading
- CompassEAST is not false or misleading, but ambiguous
- All business materials for the firm explain the services offered

Mr. Roberts recused himself from discussion regarding this firm.

Mr. McCarthy of CompassEAST addressed the Board, requesting the members to consider defining a fictitious name. Points raised included:

- Confusion created for the public upon changing an established name
- Impediment of competition with non-registered firms
- The owner's name may not be the best choice for a company from a marketing standpoint

Mr. Nevel and Mr. McCarthy answered the Board's question regarding the history of their firm and other state registrations, stating that EAST is an acronym for Entrepreneur Accountants Solutions Team, a phrase which is present on all business materials. The firm does not offer attest services.

The Committee recommendation was to suspend all name approvals until a policy is developed. Mr. Watkins noted that Mr. Hoss had previously mentioned a policy that

precludes any name other than one containing the names or initials of partners or former partners.

Dr. Spiceland questioned the need for a firm permit if no attest services are provided. Dr. Spiceland noted that the Board still has authority over the name chosen. The representatives of CompassEAST stated that the firm wants to be held to the standards of a CPA firm but needs clarification of the Rules. Mr. Glandorf noted that a firm must hold a permit if providing attest services or if using the title CPA. The company's website references Mr. Nevel's status as a CPA.

Mr. Glandorf asserted that an applicant which qualifies for a permit must be granted one. Mr. Watkins asked if the Board should grant licenses to those not required to have one. Would the Board still have authority over the firm? Mr. Glandorf clarified that the Board would still have disciplinary authority over the firm and the CPA in question. The Board does not have the discretion to deny a permit to those who qualify.

Dr. Spiceland noted that this firm would like to compete with other, non-registered firms, and the Board would put them at a disadvantage if the name is denied. She felt that the firm should not register for a permit, allowing them to use a name of their choosing. Mr. Watkins asked if discipline can be imposed on a firm permit that was under no obligation to obtain a permit. Mr. Glandorf stated that anyone who has been granted a permit is under the authority of the Board.

Mr. Alexander stated that he has no problem with the name CompassEAST, and wish for a decision to be made. Mr. Alexander noted that past interpretation of the statute was that all firms must register, and that the interpretation has now changed. Future Boards may have another interpretation, placing this firm in danger.

Mr. Eldridge wanted clarification on the requirements for having to register for a firm permit. He asked if Eaton Tax and Accounting Services should then be notified that they need not register? Mr. Watkins felt that the staff should do so. Mr. Glandorf noted the Rule prohibiting any firm not holding a license to use the terms "accounting" or "accountant". Mr. Eldridge asserted that CompassEAST must then be registered.

MOTION by Mr. Watkins and seconded by Mr. Alexander to approve the firm name CompassEAST. The motion was passed with a roll call vote as follows:

Spiceland	nay	Blaufuss	aye	Moon	yes
Roberts	recused	Hoss	no	Eldridge	yes
Watkins	aye	Brundige	yes		
Royston	nay	Alexander	yes		

Mr. Roberts is not recused from further discussion of firm names.

Mr. Watkins would like to take the suggestion of Mr. Hoss that a policy be developed. Mr. Eldridge summarized that firms using the terms CPA, PA CPA Firm or PA Firm must be registered, but those using Tax are not required to do so. Ms. Cooper clarified that those meeting the requirements for a firm permit must be granted one. Mr. Roberts asked if those non-attest firms will still be subject to Board discipline. Mr. Glandorf reiterated that the Board has authority over any licensee or firm holding a license.

Mr. Watkins asked if it would be appropriate to require non-attest applicants for firm permits to sign a statement of their understanding that no firm permit is needed. Mr. Glandorf felt this is not necessary, but Mr. Roberts thought it would be a good idea given the confusion over the Board's authority in governing the behavior of licensees that do not offer attest services. Mr. Glandorf stated that the statute does not require a voluntary statement that certifies the licensee will perform the services for which they are licensed. The Board's authority for disciplinary actions does not depend on the licensee performing those services, but rather governs the behavior of the licensee.

Mr. Watkins asked if it would be lawful to add to the application a paragraph that specifies that the licensee recognizes that no permit is required if no attest services are offered.

Mr. Glandorf clarified that the Board has authority over the owners of a registered firm, not just the CPA owners.

Ms. Brundige suggested that counsel do a little more analysis and come up with some language that may be better than that suggested during the meeting or tell the Board what is advisable after analysis so the Board may continue discussion. Regarding the issue of firm names containing the word tax, Ms. Brundige cited Rule 62-1-113 (h)(2) which states

No person or firm not holding a valid license issued under § 62-1-107, § 62-1-108 or § 62-1-109 shall assume or use any title or designation that includes the words "accountant" or "accounting," or any other language, including the language of a report, that implies that the person or firm holds such a license or has special competence as an accountant or auditor...

As a member of the public, when the word tax is used, Mrs. Brundige thinks of a tax accountant and considers that as a competency issue. She felt this needs to be discussed further to have a fuller understanding.

Legal counsel will provide guidance on this question.

Mr. Alexander asserted that some tax preparation services run ads promoting their CPA employees. Though the company may not use CPA in the name, it certainly

seems that the CPA employee is holding out as a CPA. Ms. Cooper will review the Rules and how they intersect properly or improperly with the statutes regarding use of the word tax.

The meeting was paused for a 10-minute break, reconvening at 10:06am.

ALL Dominus CPA Services, PLLC would like to use the dba Dominus CPA Services or Dominus CPA and Tax Services. Board staff questioned the use of the word Dominus, which implies a mastery of accounting. The firm license includes the initials of the owner. The Committee made no recommendation, desiring to wait for the Board's discussion. Mr. Watkins suggested a decision be made today. Mr. Blaufuss noted that the Board may act on this application but will develop guidelines for future use.

Pinnacle CPA Professional Services, PLLC requested a reconsideration of the firm name. The licensee has registered under his own name, but wishes to use the original name chosen. No motion was offered in this matter. Mr. Watkins felt like a decision should be made. Mr. Blaufuss expressed his agreement. Dr. Spiceland sees no difference between Pinnacle and CompassEAST and asked how the Board can approve one without approving the other.

Mr. Eldridge asserted that "Pinnacle" means "top", implying the firm is at the top of the profession. Dr. Spiceland stated that "Dominus" implies the same thing. She felt that the Board should be clear as to why approval was or wasn't granted. Mr. Hoss referenced the AICPA white paper's prohibition against over-reaching principle and felt that both names are confusing to the public. Mr. Blaufuss pointed out that both names use the term CPA, making the purpose clear.

Dr. Spiceland opposes names that imply favorable results. Mr. Blaufuss noted that this issue is discussed at every meeting, with no resolution. Mr. Watkins felt that neither name is harmful to the public.

Mr. Alexander requested a call for a vote on these two issues.

MOTION by Mr. Watkins and seconded by Mr. Alexander to approve the firm name Pinnacle CPA Professional Services, PLLC. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	yes
Roberts	aye	Hoss	no	Eldridge	no
Watkins	aye	Brundige	yes		
Royston	nay	Alexander	yes		

MOTION by Mr. Watkins and seconded by Mr. Alexander to approve the dba Dominus CPA Services. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	no	Eldridge	no
Watkins	aye	Brundige	aye		
Royston	nay	Alexander	aye		

The next item was the audit of state-specific ethics sponsors.

The Committee recommended an annual requirement for all providers to submit course information and attendance records to be reviewed by staff.

MOTION by Mr. Eldridge and seconded by Dr. Spiceland to approve the Committee's recommendation. Mr. Eldridge clarified for Mr. Hoss that all materials typically submitted upon application would be submitted annually for review. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

Mr. Blaufuss confirmed that this includes independent providers of state ethics CPE.

The next item was the issue of expiration dates for approval of state ethics courses, which will be discussed instead during the report of the Law and Rules Committee.

Mr. Eldridge reported that the TSCPA is developing a low cost or free state-specific ethics course and are interested in being the sole provider. The Committee wishes to review the course when completed before reaching a decision regarding the status of TSCPA as sole provider.

LAW AND RULES COMMITTEE

The Committee recommended the approval of the revised Policy Statements.

MOTION by Dr. Spiceland and seconded by Mr. Watkins to approve the Committee's recommendation. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

The Committee requested that Legal provide proposed changes to the Rules regarding expiration dates.

ENFORCEMENT COMMITTEE REPORT

Mr. Mills presented his report of the Status of Open Complaints (Attachment B), noting that many of the cases on the report will be disposed of at this meeting. Mr. Hoss asked if investigators are still reviewing the PTIN lists for non-compliance. Mr. Mills said that they were not, at the direction of Legal.

Mr. Royston presented the Legal report to the Board (Attachment C).

MOTION by Mr. Royston and seconded by Ms. Brundige to approve the recommended dismissals for items 1-9 on the report. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

MOTION by Mr. Royston and seconded by Mr. Alexander to approve the recommended Cease and Desist Orders for items 10 and 11 on the report. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

MOTION by Mr. Royston and seconded by Mr. Watkins to approve the recommended Letters of Warning for items 12-27 on the report. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

MOTION by Mr. Royston and seconded by Mr. Alexander to approve the recommended consent orders for items 28-45 on the report. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

MOTION by Mr. Royston and seconded by Mr. Watkins to approve the recommendation for Litigation Monitoring for items 46-49 on the report. The motion was passed with a roll call vote as follows:

Spiceland	aye	Blaufuss	aye	Moon	aye
Roberts	aye	Hoss	aye	Eldridge	aye
Watkins	aye	Brundige	aye		
Royston	aye	Alexander	aye		

EXECUTIVE COMMITTEE REPORT

Financial Results were reviewed. No unusual matters were noted.

Details of travel for the Executive Director and Investigators were reviewed.

The Committee had discussed complaints against unregistered professional services firms. Following decisions made at the previous Board meeting, management had proceeded to pursue licensees who were working for non-registered firms. This was done without consultation with Legal Counsel.

Mr. Glandorf summarized discussion that took place at the meeting of the Executive Committee. The Legal department looked at the facts and circumstances of those who had been sent letters because of the appearance of working at unregistered firms. It was found that the statute did not give the Board authority to require those licensees to register as sole proprietorships nor to require them to work for a registered firm in order to provide tax preparation services. An analysis was made of the Board's Rules and regulations, specifically Rule 0020-1-.11, which covers the renewal of firm permits. The interpretation of that section is that the Rule requires registered firms to obtain a license for each location in which the firm is doing business. The statute does not appear to require a non-registered firm doing tax preparation to register as a firm, nor does it require any CPA performing tax preparation services to register as a firm.

Mr. Blaufuss stated that the action that was taken has been rescinded and the matter is not being pursued further.

Mr. Roberts detailed the following requests for Legal with the goal of obtaining absolute clarity.

- Specifically look at Rule 0020-1-.11 (1) and (2) to clarify the phrases "each CPA and/or PA Firm" and "All CPA and PA Firms"
- Review the definition of accounting services in Rule 0020-01-.01 (1)(b) to ascertain the appropriateness of the inclusion of tax, consulting, and management advisory services within that definition.
- A full review of Accountancy Rules for ambiguity and overreach in the regulatory authority granted to the Board by the General Assembly.

Mr. Blaufuss requested a review and revision of the minutes from the last meeting to more accurately document the consensus of the Board at that time. Ms. Brundige

had requested a change to the minutes to better reflect contextually a comment she had made.

The discussion of Fictitious firms names was on the agenda, but discussed earlier in the meeting.

Mr. Floyd requested that the Board communicate with states that do not offer firm mobility to encourage them to do so. He raised the possibility of offering mobility to only those states that offer mobility in turn. TSCPA will draft a letter for the Board's consideration and provide background on the topic.

LEGISLATIVE REVIEW

Ms. Cooper reported no new legislative actions.

OLD BUSINESS

The Board had invited State auditors to give a status of this audit. The invitation was declined as the auditors were not in the position to give an interim report. The audit seems to be progressing with no issues, and many individuals have been contacted for information.

NEW BUSINESS

Several Board members are coming up for expiration or renewal. Appointments will be made with the help of TSCPA, which will submit names to the Governor. As the Board typically waits until the Board is reconstituted before electing officers, elections should take place at the July meeting. Mr. Blaufuss asked members to give thought to possible nominations.

Mr. Blaufuss noted that the role of the attorneys in serving the Board is appreciated.

Mr. Blaufuss announced for the record that the meeting had been duly and timely noted on the Board's website. He reminded members of his request for input and help in the search for an Executive Director. The Board will get input from TSCPA and the Department of Commerce and Insurance. Members who have a candidate in mind should let Mr. Blaufuss know. Information about the process will be distributed. Ms. Brundige clarified that the Executive Director must be a licensed CPA.

ADJOURN

With no further business before the Board, the meeting was adjourned at 10:50am.