



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
TENNESSEE BOARD OF ACCOUNTANCY

500 James Robertson Parkway
Davy Crockett Tower
Nashville, TN 37243-1141
615-741-2550 or 888-453-6150

Program Website: <https://www.tn.gov/commerce/section/accountancy>

This meeting of the Tennessee State Board of Accountancy was held on Friday,
October 16, 2015 at Davy Crockett Tower, 500 James Robertson Parkway in
Conference Room 1-A.

MEMBERS PRESENT:	Bill Blaufuss, Chair Don Royston, Vice-Chair Casey Stuart, Secretary Janet Booker-Davis Stephen Eldridge Larry Elmore Gay Moon Gabe Roberts
MEMBERS ABSENT:	Charlene Spiceland Trey Watkins
STAFF PRESENT:	Wendy Garvin, Acting Director Don Mills, Investigator Ray Butler, Investigator Karen Condon, Board staff Jarrod Stamper, Board staff
LEGAL COUNSEL	Anthony Glandorf, Chief Counsel Benjamin Glover, Assistant General Counsel
MEMBERS OF THE PUBLIC PRESENT:	Kara Fitzgerald, TSCPA

CALL TO ORDER

Mr. Blaufuss called the meeting to order. Board members present identified themselves by roll call.

ANNOUNCEMENTS

- The meeting was properly noticed on the Board's website.
- Jennifer Brundige has resigned from the Board.
- Governor Haslam has appointed Judy Wetherbee to the Board.
- Jarrod Stamper was introduced as the staff's new Complaint Coordinator and was welcomed by the Board.
- The Board welcomed Kara Fitzgerald, CFO of the Tennessee Society of CPAs.

- Board members were reminded to speak into the microphone and to submit time sheets and travel information.
- The Chairman asked for any changes to the published agenda; there were none.
- Approval of minutes from the July meeting was deferred pending revision.
- Mr. Blaufuss has been given authority to appoint members to Committees, and had distributed the current list of proposed appointments.

MOTION and second to approve the Committee appointments. Motion passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Ms. Garvin presented the report (attachment A) and requested approval for two new meeting dates: October 16, 2016 and January 17, 2017.

Discussion:

- Does the Board need to be more proactive in the area of employee benefit plan audits?
- Should firms offering those services be contacted with information regarding professional standards.
- Can relevant information be emailed to all firms?
- Should staff discover how other states proceed?

MOTION and second to approve the proposed meeting dates. Motion passed unanimously.

LICENSING COMMITTEE—STEPHEN ELDRIDGE

Mr. Blaufuss noted that all Board members were present during Committee meetings.

— Gabrielle Lorbiecki has submitted additional information requested at the July meeting. Credits for online ASPPA exams were not accepted during the audit of her CPE.

MOTION and second to approve the Committee's recommendation of approval of the request for CPE credit for Ms. Lorbiecki and to consider approval of the exams for CPE credit. Motion passed unanimously with Mr. Eldridge recused.

— Request to approve Series 66 Exam for CPE credit

The Committee recommended approval of FINRA Series 65 and 66 exams and to remove the Series 64 exam from the list of approved exams. Motion passed unanimously.

— Applications for reinstatement of revoked license for Tracy Wright and Warren H. Pennington. Documents were submitted to the Board to request consideration at the January 2016 meeting.

The Committee recommended the presentation of both applications at the January 2016 meeting.

- Request for acceptance of Intermediate Accounting from South College as upper division credit – Jonathan Overton

The Committee recommended approval of the request.

- Request for extension of exam scores – Nadya Jassani

The Committee recommended granting the requested score extension and requiring 80 technical credits of CPE to be completed in the two years prior to the application for licensure.

- Firm permit process change. Firm permit renewals will be reviewed for completion before approval.

The Committee recommended approval of this process change.

- State Ethics course approvals

The Committee recommended continuing the present policy of not approving new providers pending review of the TSCPA course.

MOTION and second to recommend approval of the Committee's recommendations. Motion passed unanimously.

ENFORCEMENT COMMITTEE—CASEY STUART

Mr. Stuart presented the Legal Report (attachment B).

MOTION and second to approve the recommended action for all items, excluding item 12 and amending item 9 to recommend dismissal.

MOTION and second to approve item 12 with amendments:

- Civil Penalty of \$3000.00
- Respondent shall pay \$1000.00 for each month not enrolled in a peer review program, to accrue on the 16th of each month until all materials have been provided to the peer reviewer.

Motion passed unanimously.

EXECUTIVE COMMITTEE—BILL BLAUFUSS

- Review of operating results for FY15 (attachment C)
- Review of draft of FY17 budget (attachment D). This will be revisited at the January 2016 meeting when more information is available.

- Review of Travel costs
- Performance review results

Ms. Garvin, Brian McCormack, and Mr. Blaufuss will attend the upcoming sunset hearing. The principle issue will involve peer review requirements. Ms. Garvin asked for the Board's support for legislative change to address the concerns of the legislative auditors regarding the Board's limited ability in overseeing the peer review program. The requested change would make peer review results available to the Board, but would limit exposure to the Peer Review Committee and reviewers. Any Board discussions of peer review results would not involve the name of the firms or individuals.

MOTION and second to approve the request. Motion unanimously passed.

- Requirement for Peer Review Oversight Committee

Ms. Garvin asked if the Board would like to continue the requirement for this committee. Mr. Stuart noted that TSCPA provides an oversight function and Mr. Blaufuss clarified that the TSCPA program is periodically reviewed by the AICPA.

LEGAL REPORT

Mr. Glover presented thoughts for discussion on the use of the word "Accounting" and "Accountant". The Board agreed to defer further discussion. Legal staff will explore the possibility of Executive Session for legal advice.

Mr. Glover presented the Proposed Rule Changes (attachment E).

MOTION and second to delete from Rule 0020-05-.03(3)(c) the language "or any consulting engagement which would constitute the attest function". Motion unanimously passed.

MOTION and second to approve the proposed changes to Rule 0020-05 3 and 3c and to delete section 3d in its entirety. Legal will redraft section 3d and present the draft and any other necessary changes to chapter 3 to the Board. Motion unanimously passed.

MOTION and second to approve the remainder of the proposed Rule changes. Motion unanimously passed.

MOTION and second to approve the Joint Operations Committee Statement. Motion unanimously passed.

MOTION and second to approve the Economic Impact Statement. Motion unanimously passed.

MOTION and second to approve the Regulatory Flexibility Act Statement. Motion unanimously passed.

NEW BUSINESS

Legislative Change-Sitting for the Exam.

Board members were asked to review a letter received regarding exam requirements (attachment F).

The Georgia Board of Accountancy allows candidates to complete the education requirement within one year of sitting for the exam. The Tennessee Board allows 200 days for completion of the education requirement. The Board was asked to consider whether or not to support a change to state law, allowing candidates to sit for the exam after having earned a bachelor's degree and a certain number of accounting hours.

Discussion:

- Requirements of other states
- The number of proposed changes to Tennessee law
- The need for more information before making a recommendation

Mr. Roberts commended the work of the Accountancy legal staff and the support they have given the Board.

ROLL CALL VOTE FOR PROPOSED RULE CHANGES

MOTION and second to affirm the prior motions regarding the approval of the proposed Rule changes.

Board Member	Vote	Board Member	Vote
Gabe Roberts	aye	Bill Blaufuss	aye
Stephen Eldridge	aye	Gay Moon	aye
Casey Stuart	aye	Janet Booker-Davis	aye
Don Royston	aye	Larry Elmore	aye

ADJOURN

With no further business before the Board, the meeting was adjourned.

Tennessee State Board of Accountancy
DIRECTOR'S REPORT
October 16, 2015

Future Meeting Dates

Friday January 22, 2016
Friday May 6, 2016
Friday July 15, 2016
Friday October 21, 2016
Friday January 20, 2017

Public Member Appointment

Governor Bill Haslam has appointed Judy C Wetherbee to serve on the Board of Accountancy as the Public Member. Her appointment is effective immediately. Please find in your materials a copy of Ms. Wetherbee's resume.

Exposure Drafts

CPA Exam – The AICPA released an exposure draft on proposed changes to the Uniform CPA Examination on Sept 1, 2015. The next version of the Exam is set to launch in 2017. The comment period runs through Nov 30, 2015.

Continuing Education – NASBA and the AICPA have issued proposed revisions to the Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*) for comment. The comment deadline was October 1, 2015. The proposed Standards include two new delivery methods including Blended-learning and Nano-learning.

Licensing Database

Our new licensing database known as CORE (Comprehensive Online Regulatory Enforcement) went live on Sept 9, 2015. We are still working through issues however the launch went fairly well and we've continued to be able to service licensees.

Communication

The annual newsletter to licensees will be distributed via email soon. We plan to work towards a newsletter that would be distributed on a semi-annual or quarterly basis.

NASBA Meetings/Activities

NASBA's Annual Meeting is being held October 25-28 in Dana Point, CA. Janet Booker-Davis and I have made plans to attend.

I will also be attending the next NASBA U session in Nashville on December 2nd and 3rd. This session is specifically tailored to Directors that are new to their boards.

Renewals

Licensees have previously received a postcard reminder; however, this is changing with the implementation of our new system. At the beginning of November each licensee will receive a letter with instructions on how to process their renewal.

CPE Audit

CPAs selected for audit - **513**
CPAs who have not responded - **39**
CPAs in compliance – **434**
CPAs who are non-compliant – **37**
Number of audits pending issues - **3**

DOL Audit Quality Report

A letter is included in your materials from the U.S. Department of Labor (DOL). The letter discusses the DOL's recent audit quality report and notable findings. The most concerning is that 40% of plan audits failed to comply with generally accepted auditing standards (GAAS). In this letter, Boards are encouraged to become familiar with the report and to take action against firms that jeopardize the public trust by failing to follow professional standards. In Tennessee, there are 240 CPA firms, auditing 1413 employee benefit plans, covering 2,700,251 participants and \$107.04B in plan assets.

Annual Review Process

The annual review process was completed in September. All staff members who were present for the entire fiscal year received an annual review. The department expects a merit increase to be effective in January 2016.

Investigations

Over the last eight weeks I have spent time working to understand the daily workflow of complaints, investigations and legal activities. During this time we've implemented some new goals including a 30 day turn around on investigations, weekly status updates by the investigators and improved requests for investigation from the legal staff. We are also discussing the actual steps of an investigation and if there should be any changes to this process.

Ethics webinar

For the past couple of years, 1-3 live ethics webinars have been hosted by the Board staff late in the year. Last year, this effort served 56 licensees. We have decided not to offer this service this year and will reevaluate for upcoming years.



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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TO: TENNESSEE BOARD OF ACCOUNTANCY

FROM: Benjamin Glover, Assistant General Counsel

SUBJECT: October 2015 LEGAL REPORT

DATE: October 16, 2015

Civil Penalties Authorized: 2
Amount of Civil Penalties: \$10,500
Consent Orders for Suspension, Surrender, or Revocation: 2
Placement of Complaints into Litigation Monitoring Status: 1
Letters of Information: 1
Letters of Warning: 3
Closures: 9
Re-Presentations: 2

RECOMMENDED CLOSURES

#1. L15-ACC-RBS-2015009871

On April 20, 2015, the Board staff opened a complaint alleging that Respondent, whose license was expired at the time of the initiation of the Complaint, was using the "CPA" credential, failed to maintain licensure, and was offering accounting services outside of a registered firm. The Complaint is solely based upon the Respondent's PTIN listing and bio on his current employer's website identifying him as a real estate agent. Respondent was sent notice April 20, 2015. Upon receiving notice, Respondent sent in an Affidavit for Retired CPA/PA Status and CPE Exemption stating that he had not performed services which require a CPA license since June 30, 2014. Respondent's license is currently in Retired over 65 Status.

Recommendation: Close the complaint.

#2. L15-ACC-RBS-2015013761

On June 3, 2015, the Board staff received an anonymous complaint alleging that the non-licensee Respondent was holding himself out as a CPA on two websites. The first website example of May 1, 2015 (<http://tax-preparers.findthebest.com>) is a third party website which aggregates information disbursed across the internet states that the Respondent is a CPA and tax preparer Tennessee. However, the second example website sent along with the anonymous complaint is an article from January 1, 2015 from the Times Free Press. Upon examination of the article, it clearly states that a CPA firm has hired the Respondent as “its bookkeeping and business consulting associate.” Nowhere within this article is it asserted that the Respondent is a CPA. Further, upon review of the CPA firm website, there is nothing to indicate that the Respondent is holding himself out as a CPA.

Recommendation: Close the complaint.

#3. L15-ACC-RBS-20150211351

On September 11, 2015, the Board staff received an anonymous Complaint alleging that the Respondent was operating a firm using the “CPA” title without a valid firm permit. The Respondent does have a valid CPA license. Respondent was notified by Board staff and responded promptly. Respondent stated in his response that he was unaware of the firm permit requirement and also submitted a completed application for a firm permit. Respondent’s firm permit has been approved.

Recommendation: Close the complaint.

#4. L15-ACC-RBS-20150209851

On September 04, 2015, the Board staff received a Complaint alleging that the Respondent was “holding himself out as a CPA for employment in the State of TN” without a TN CPA License and that he had been doing so for 10+ years. The Respondent does hold a valid and current CPA license from the State of Virginia. The Complainant included copies of pages from the Respondent’s LinkedIn page showing all of his past work experience which was all in industry. There is no indication from the LinkedIn page that the Respondent ever held out or offered to the public to perform any audit, attest, or other services in Tennessee which would require TN CPA licensure. Upon notification of the Complaint, the Respondent promptly responded via email stating that prior to coming work in TN he contacted the Board. The Board correctly notified him that he would not need to apply for a reciprocal license unless he were to perform services in TN requiring CPA licensure. His current and prior jobs in TN did not require a CPA license.

Recommendation: Close the complaint

#5. L15-ACC-RBS-2015015641

On June 23, 2015, the Board staff received a Complaint alleging that the Respondent firm was engaged in offering to perform and performing attest services without the requisite firm permit. The Respondent firm does not have a firm permit. The Complaint was filed because the Respondent firm issued a report on the Complainant's finances to be used in the divorce proceeding. Upon investigation, the Investigator visited the Respondent firm's office and website. The office does not contain any exterior or interior signage that identifies the firm as a CPA firm or advertises accounting or attest services. The examination of the website also revealed no indication that the firm was performing or offering to perform any attest services. Also, the website did not use the CPA designation in its title or the word "accounting" or "accountant". The Respondent firm, as part of its response to the Complaint, provided the disclaimer language utilized on any report exhibit issued as part of its services. In addition, the investigation revealed that, based upon the Statement on Standards for Attestation Agreements (SSAE), the professional services offered by this firm are specifically excluded under AT Section 101, paragraph .04, subparagraph (c). Furthermore, the Respondent firm has specifically limited their practice to litigation support and valuation services, and not attest or other services limited to CPAs and CPA firms. There is no history of any prior disciplinary action taken against the Respondent firm or the CPA who manages the firm.

Recommendation: Close the complaint

#6. L15-ACC-RBS-2015014721

On June 11, 2015, the Board staff received a Complaint alleging that the Respondent failed to provide requested information due to the Complainant as a discretionary beneficiary of a Trust and in accordance to the terms of the Trust. In addition, the Complainant alleges that the work performed ("2012 & 2013 Form 1041s and a QB File") was not up to professional standards. Respondent was notified of the complaint and responded in a timely manner. Respondent explained that the Trust, and not the Complainant, is his client in this matter. Respondent further explained that he had provided all documentation in relation to the administration of the trust to the Complainant. Upon investigation, Respondent furnished the Investigator with the copies of numerous emails from several months demonstrating his cooperation with the Complainant and the Complainant's requests for information pertaining to the Trust. Respondent also asserted that the Complainant has repeatedly failed to abide by the terms of the Trust for the disbursement of the Trust funds and that the Complainant is upset that the Respondent will not liquidate the Trust for the Complainant's benefit. Again, Complainant is a discretionary benefit of the Trust and the Respondent, as trustee, holds the power of the discretionary disbursement. The Investigator also met with the Trust's attorney and obtained an affidavit from the attorney that the Respondent has a good character and has exercised due professional care in providing the information to the beneficiaries concerning all aspects of the Trust.

Important to note that there are some documents provided from the Complainant where he, or the other beneficiary, have requested "full accountings" from the Respondent. The Respondent's response was to either request for more specifics so as to identify exactly what is wanted, or to recommend that the beneficiary purchase QuickBooks Pro. The Respondent stated that the Trust would then reimburse the beneficiary for the cost. This recommendation was given because it would cost far less than the Respondent's hourly rate to amass and copy the "full

accounting” and that the QuickBooks file can be emailed to the beneficiary for them to use and identify the needed documents. Other documents provided indicated the Complainant’s pleasure at both the service of the Respondent with regard to the Trust and that the Respondent’s rate was well below market.

The Investigator also reviewed the work performed allegedly not up to professional standards (2012 & 2013 Form 1041s and a QB File) and he found nothing out of the ordinary about them. A review of the Respondent’s file found one other complaint related to client records which was Closed.

Recommendation: Close the complaint.

#7. L15-ACC-RBS-2015002301

On January 20, 2015, the Board staff received a Complaint alleging that the Respondent firm was operating a without a firm permit, without the requisite percentage of ownership by licensed CPAs, and providing accounting and payroll services, including compiled financial statements. The Complainant is a former employee of the Respondent firm. The Complaint asserted that the Respondent firm should be held to the same requirements as a CPA firm, i.e. be required to issue a compilation letter with the reports and undergo a peer review. A copy of financial statements allegedly prepared by the Respondent firm for a client was included in the Complaint. This financial statement did not appear to contain any of the language used by CPAs in a compilation or review letter and contained a disclaimer stating: “UNAUDITED FINANCIAL STATEMENT, FOR MANAGEMENT USE ONLY.”

Upon investigation, the attorney for and a representative of the Respondent firm provided the following information:

- The company only works for independent retail grocers and designs their web advertising around that market.
- The company does employ several CPAs, but does not advertise that fact and does not allow its CPAs to use the designation in any correspondence, letterhead, or business cards.
- All financial statements are prepared by the company are marked with the disclaimer above and the company tries to ensure that all clients are aware that he statements are not audited or reviewed.

In addition, the letters and financial reports sent to clients do not meet the statutory definition of an attest service report. The Respondent has agreed to amend its disclaimer language to reflect the safe harbor language from Rule 0020-04-.06. Further, the use of the term “accounting” on the website is not being used as a “title or designation” and therefore is not in violation. Last, because the firm is not a CPA firm engaged in the practice of public accountancy, the Respondent firm is not required to be at least 51% owned by a CPA or obtain a firm permit

Recommendation: Close the complaint.

RECOMMENDED LETTERS OF INFORMATION

#8. L15-ACC-RBS-20150209851

On July 01, 2015, the Board staff received a Complaint alleging that the Respondent firm was unregistered and performing audits in Tennessee. The Respondent firm is based out of

California and it appears to have an office in Brentwood, TN. The Respondent's firm website indicates that it has an office in San Diego, CA and Brentwood, TN. Upon a request for investigation, the Investigator called the Brentwood phone number to speak with an employee. The call was forwarded to the California location and the employee who answered was not aware of the TN location. Then the Investigator visited the Brentwood location. The building directory does not list the firm and the receptionist at the building stated that she had never heard of the firm.

The Investigator then contacted the managing partner in California. This partner informed the Investigator that the office in Brentwood, TN was an executive office space and permits the firm to have a TN address and phone, but has never actually been used. The firm does not appear to be using the Brentwood location for meeting with clients or performing audits, etc, yet. This partner also informed the Investigator that the firm does now have a firm permit for the Brentwood, TN location. The Investigator then contacted Board staff and confirmed that the firm applied for a firm permit on July 7, 2015. The permit was approved and issued on August 25, 2015.

Recommendation: Close the complaint upon the issuance of a letter of information.

RECOMMENDED LETTERS OF WARNING

#9. L15-ACC-RBS-2015010811

The Complaint alleges that while the Respondent was employed by the Complainant firm from April 2014 until her termination in April 2015. Important to note, the Respondent was not terminated by the Complainant firm for reasons other than and not related to those included within the Complaint. Prior to the Respondent's termination, the firm believed that the Respondent was doing accounting and tax work from home but had no proof. After the respondent was terminated, the firm discovered printed materials which led the firm to believe that the Respondent may have used firm resources (printers/paper/computer/etc.) for the Respondent's work being done from home. In addition, after the Respondent's termination the Complainant firm discovered that two of the firm's clients were recruited to leave the firm and have the Respondent continue to do their CPA work. The Complaint also alleges that the Respondent was providing the individual services without a firm permit, however these services (tax return preparation) do not require the Respondent to obtain a firm permit.

Upon investigation the Investigator met with the Respondent first and the Complainant later. The Respondent provided an affidavit stating that at no point in time was the Respondent asked or required to sign a Non-Compete agreement as part of her employment with the firm. When the Investigator met with the Complainant firm, the firm confirmed that they have yet to employ a Non-Compete agreement but would consider it in the future. The main allegation by the Complainant was that the Respondent's conduct reflected adversely on the profession. The Investigator report indicated that at the very least the behavior was unethical.

A search of the Respondent's file found no previous complaints or disciplinary actions by the Board.

Recommendation: Close upon the issuance of a Letter of Warning.

#10. L15-ACC-RBS-2015010051

On March 12, 2015 a staff complaint was initiated against the Respondent alleging that the Respondent was delinquent in payment of her PPT for four years and failure to maintain her license. The complaint was initiated as a result of an email inquiry to and answer from the Department of Revenue as to the licensee's PPT status. Upon investigation, the licensee executed an affidavit on July 22, 2015 containing a plan to resolve the current complaint by either 1) obtaining from her former employer, the Tennessee Valley Authority, an email from 2012 she claims she sent to the Board requesting her license go inactive, or, in the event that fails, 2) she will follow up with the Department of Revenue to resolve the delinquent years of PPT to remove the hold from her CPA license and then move it to inactive status. The Respondent executed an Affidavit for CPE Exemption and Inactive CPA/PA Status and provided that to the Investigator for submission once the delinquent PPT was paid in full. On September 9, 2015, the Respondent notified the Investigator that the PPT had been paid to the Department of Revenue in full. The Investigator confirmed this with the Department of Revenue and submitted the Respondent's Affidavit to go inactive. The Respondent's license is now in inactive status. The Respondent has no other complaints on file.

Recommendation: Close upon the issuance of a Letter of Warning.

#11. L15-ACC-RBS-2015010601

On March 19, 2015 a staff complaint was initiated against the Respondent alleging that the Respondent was delinquent in payment of his PPT for two years and failure to maintain his license. The complaint was initiated as a result of an email inquiry to and answer from the Department of Revenue as to the licensee's PPT status. Upon investigation, the licensee executed an affidavit on September 3, 2015, indicating that the firm where he was employed paid his delinquent PPT in full. On September 9, 2015, the Investigator confirmed with the Department of Revenue that the Respondent's delinquent PPT had been paid in full plus penalty. The Respondent has no other complaints on file.

Recommendation: Close upon the issuance of a Letter of Warning.

RECOMMENDED CONSENT ORDERS

#12. L15-ACC-RBS-2015010591

On April 27, 2015 a staff complaint was initiated against the Respondent firm alleging that the Respondent firm was not enrolled in a board-approved peer review program while offering attest services. The Respondent firm was sent notification of the complaint via certified mail on the same day. On May 21, 2015 the Respondent firm contacted the TSCPA in order to re-enroll in a board-approved peer review program. Based upon the information in the AICPA Public File, the Respondent firm was due to have a peer review by November 30, 2014 for the period ending May 31, 2014. General procedures indicate that a peer review should be submitted and accepted by the peer review committee within 120 days of the due date if considered timely submitted. Therefore, the most recently accepted peer review for Mr. England should be dated on or near March 30, 2015. On July 16, 2015, the Respondent firm re-enrolled in a board-approved peer review program. On that same date, Board staff confirmed with the TSCPA that the

Respondent Firm was now enrolled in a board-approved peer review program. The Board has disciplined the Respondent firm has twice before for failure to be enrolled in a board-approved peer review program.

Recommendation: Formal hearing for the revocation of the Respondent firm's permit with authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of Three Thousand Dollars (\$3000) (one thousand dollars for each entire month not enrolled after March 30, 2015).

#13. L15-ACC-RBS-2015015661

On June 16, 2015, the Complainant, through counsel, submitted a Complaint against the Respondent alleging a failure to exercise due professional care in the preparation and filing of tax returns for the years 2012 and 2013. The Respondent never responded to the notification of the Complaint. The Complainant is the executor of her deceased brother's estate and the Respondent was the deceased's accountant for many years. Due to this pre-existing business relationship between the deceased and the Respondent, the Complainant hired the Respondent to address an audit of the deceased's 2012 taxes and file the deceased's 2013 taxes in order to wind up the estate. The Complainant requested the Respondent to file a 6 month extension for the 2013 taxes to afford the Complainant more time to gather all the information needed to file the taxes. The Complainant gathered and submitted the information to the Respondent and then requested that the Respondent file the 2013 taxes. The Respondent requested a copy of the filed tax return and as of the time of filing the Complaint had still not received a copy of the tax return.

In addition, the Complainant received notice from the IRS that the deceased's 2012 tax return, prepared by the Respondent, was being audited. The Complainant notified the Respondent, sent the IRS notice to the Respondent, and the Respondent stated he would contact the IRS to address the audit. The Respondent stated he was familiar with what the IRS was questioning on the return and felt he could offer beneficial information which should answer the IRS' questions. The Complainant has asked the Respondent several times for a copy of the correspondence with the IRS regarding the audit, but has never received anything from the Respondent.

The Complainant also requested a return of the documents sent to the Respondent to file the taxes and had not received that back yet either. As of October 1, 2015, the Respondent never submitted the 2013 taxes. The Complainant hired a new CPA to handle the audit and file the 2013 taxes. The Respondent never returned the documentation to the Complainant, but instead the Complainant had to go to the Respondent's office to get some of the documents. While the Complainant was there, the Respondent left the office out of the back door. The Complainant states that there is still a lack of documentation for \$24,000 worth of deductions claimed on the 2012 taxes. Due to this discrepancy in the amount of verifiable deductions, the IRS claims that the deceased taxpayer owes a deficiency in the taxes for 2012. Because this deficiency has not been paid in a timely manner, the IRS has issued a 20% penalty on the owed amount. That penalty is \$2,189. The IRS also charges interest on deficiencies, and the interest charges at the time of the filing of the Complaint were \$806.73. At the time of presentment of this case and to the knowledge of legal, the Respondent has not offered to cover the cost of the penalties and interest resulting from his poor and delinquent work on the decedent's taxes.

During the course of the investigation, the Respondent provided an affidavit. This affidavit all but admits fault. In essence, the Respondent's statement is that his mother began

chemotherapy, he did not manage his workload due to the sudden situation. The Respondent further states that he has made adjustments to meet his obligations for his clients but does not elaborate as to what are the adjustments.

A search of the Respondent's file found three previous complaints against his individual license:

- 2005 – Lack of due professional care in 2000 tax return;
- 2009 – Failed to file taxes in a timely manner for a client which caused large penalties and interest; and
- 2014 – Failure to exercise due professional care in the filing of a 2012 estate tax return which caused large penalties and interest.

In addition, the Respondent's firm, co-owned by the Respondent, has also been disciplined by the Board three previous times:

- 1998 – Issuing a substandard report and without a valid firm registration;
- 1999 – Late renewal of Firm Permit and CPA license – neither had been renewed since 1994; and
- 2001 – Failure to comply with peer review program.

Recommendation: Formal hearing for the revocation of the Respondent's license with authority to settle via Consent Order upon:

- A) The Respondent's payment of a civil penalty in the amount of Seven Thousand Five Hundred Dollars (\$7,500) (\$1,000 for failure to timely respond to the complaint, \$1,000 for failing to provide client documents justifying the \$24,000 deduction from the 2012 taxes, and \$500 per month of delinquency in filing decedent client's 2013 taxes and/or extension before Complainant hired a new preparer (March 2014-February 2015));
- B) Suspension of Respondent's CPA license for a period of one (1) year;
- C) If Respondent submits proof of payment to the Board of the penalties and interest assessed by the IRS on the decedent's taxes, the suspension of the Respondent's license shall be reduced to six (6) months; and
- D) Respondent agrees to allow full access to the Board Investigators to inspect his and his firms files for unlicensed activity by the Respondent during the period of suspension.

RECOMMENDED PLACEMENT INTO LITIGATION MONITORING

#14. L15-ACC-RBS-2015018881

The Complainant submitted a Complaint against the Respondent alleging, at the least, a lack of due professional care and a fee dispute. As part of the complaint, the allegations regarding the lack of due professional care focus around an audit the Complainant believes to be a part of poor quality work from the Respondent, purported late filing of taxes, a failure to abide by the Complainant's directions and misrepresentations as to the cost of the work to be done. Upon receipt of the Complaint, the Respondent provided extensive documentation between the parties, including an executed engagement letter, the facts and basis of the audit, emails, text messages, etc. The Respondent denies any allegations of a lack of due professional care and pointed to instances where the Complainant threatened retaliation if the Respondent did not give into the Complainant's demands. Furthermore, the Respondent has initiated a civil suit against the Complainant alleging breach of contract and provided the civil complaint. The parties are

still in the discovery stage of the lawsuit. As such, it is recommended that this complaint be placed into Litigation Monitoring status and that a Litigation Monitoring Consent Order be executed by the Respondent and his attorney.

Recommendation: Place this complaint into Litigation Monitoring status pending the disposition of the Respondent's case.

RE-PRESENTATIONS

#15. L14-ACC-RBS-2014027461

Original Information: The complaint alleges that the Respondent failed to timely pay professional privilege tax as required by law for at least two (2) years. As of the writing of this report, the Respondent has surrendered her license and her license has been closed.

New Information: At the request of a department litigator, the Respondent's file was given an additional and in depth review. Respondent has neither lived nor practiced as a CPA in Tennessee since 2012. On May 30, 2013, the Respondent executed, notarized, and submitted to the Board an Affidavit for CPE Exemption and Inactive CPA/PA Status. On June 5, 2013, this affidavit was received by the Board and the former executive director marked the affidavit as "Approved". This should have ceased any additional assessments for professional privilege tax from the Department of Revenue – meaning that the Respondent should not have been assessed PPT for 2015. Also, due to the fact that the Respondent executed the affidavit on May 30, 2013, it is likely that an email to the Department of Revenue could have removed the PPT assessment for 2014. Failure to pay the 2014 and 2015 PPT was the basis of the original complaint. For an unknown reason the Respondent's license was either not put into inactive status, or it was put into inactive status but the Department of Revenue continued to assess PPT. Respondent closed her CPA license as of October 3, 2014 by submitting an Affidavit for Surrender of CPA/PA Certificate. Respondent's PPT assessments/penalties have since been removed by the DOR and her PPT account closed. Furthermore, the file shows extensive efforts by the Respondent to try to rectify any problems with her PPT or CPA license by repeatedly inquiring and communicating with Board staff and the Department of Revenue.

Original Approved Recommendation: Authority to settle via Consent Order which closes the Respondent's license until the Respondent provides proof to the Board of payment of all past due professional privilege tax (including interest and penalties) or until she provides proof of a payment arrangement regarding her privilege tax delinquency.

Current Recommendation: Close the complaint.

#16. L15-ACC-RBS-2015006751

Original Information: The Complaint alleges that the Respondent firm, owned by a non-licensee, is using the word "accounting" in its advertising of its services on its webpage. Respondent did not respond to the March 2015 complaint. The Investigator visited the firm on July 2, 2015 and Respondent refused to sign an Affidavit to correct the website without first speaking with her attorney. Investigator left a copy of the "Prohibited Acts" and a copy of the

Law and Rules. Respondent has not returned calls from Investigator checking up on the status of the Affidavit.

New Information: On March 13, 2015, the Board staff opened up a complaint against the Respondent business for using the prohibited term “accounting” in several areas of its website. The Respondent firm neither has nor needs to be registered as a firm as it does not provide or offer attest services. Respondent was sent a warning letter in late January 2015 and notice of the Complaint in March 2015. Respondent did not respond to either. Throughout early July the Investigator attempted to obtain an affidavit from the Respondent stating that the website would be changed. The Respondent stated that she would not sign anything without first contacting her attorney. The Investigator left the Respondent with a copy of the Law & Rules.

Upon re-investigation at the direction of the Board, the Investigator again visited the Respondent’s office on August 6, 2015. The Investigator discussed with Respondent that the prohibited terms needed to be removed from the website. The Respondent, in the Investigators presence, contacted the website administrator and requested to have the prohibited terms removed. After all changes were made, the Investigator requested, and the Respondent again refused, to sign an affidavit. The Investigator conducted a follow up review of the Respondent’s website and found the website to be in compliance with the Law & Rules.

Original Rejected Recommendation: Close upon the issuance of a Letter of Warning.
(The Board rejected this recommendation at the July Meeting and a re-investigation was ordered.)

New Recommendation: Close the complaint.

REGULATORY BOARDS
EXPENDITURES
For Fiscal Years 2012-2015

	FY11-12	FY12-13	FY13-14	FY14-15
EXPENDITURES BY OBJECT	ACCTY	ACCTY	ACCTY	ACCTY
Regular Salaries and Wages (70100)	\$ 373,352	\$ 412,522	\$ 409,427	\$ 399,938
Longevity (70102)	9,800	10,300	9,900	7,700
Overtime (70104)	-	-	-	-
Employee Benefits (702)	121,342	134,752	141,989	121,057
Payroll Expenditures	504,494	557,574	561,316	528,695
Travel	50,602	37,998	37,911	31,647
Printing, Duplicating & Binding	4,695	26,141	-	35
Utilities and Fuel	-	-	-	-
Communications	26,058	14,356	24,822	22,239
Maintenance, Repairs & Service	-	-	-	-
Third Party Prof. & Admin. Svcs	31,841	33,972	48,284	29,895
Supplies & Materials	5,575	3,835	1,262	7,199
Rentals and Insurance	1,614	1,614	1,614	1,211
Motor Vehicle Operations	-	-	-	-
Awards and Indemnities	396	561	-	-
Grants and Subsidies	(795)	-	-	-
Unclassified	1,200	1,200	1,200	800
Inventory	-	-	-	-
Equipment	-	-	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Lost Discounts	-	-	-	-
Highway Construction	-	-	-	-
Training of State Employees	13,346	7,695	5,320	5,115
Computer Related Items	31,924	2,049	343	1,533
Professional Services & Dues State	88,050	100,931	78,803	74,141
Total Other Expenditures	254,506	230,352	199,560	173,814
GRAND TOTAL	759,000	787,926	760,876	702,509
Cost Backs:				
Administration	227,152	179,543	157,764	314,190
Investigation	-	-	-	-
Legal	-	44,012	46,622	-
Total Cost Backs	227,152	223,554	204,386	314,190
TOTAL EXPENDITURES	986,152	1,011,481	965,261	1,016,699
Licensing Revenue	1,191,101	1,117,648	1,134,073	1,064,955
Case and Complaint Revenue		31,857	26,710	18,615
Less: State Regulatory Fee	59,050	86,065	86,900	89,670
NET REVENUES	1,132,051	1,063,440	1,073,883	993,899
FISCAL YEAR BALANCE	145,899	51,959	108,622	(22,800)
PRIOR FISCAL YEAR RESERVE	614,644	760,543	812,502	850,660
RESERVE BALANCE	760,543	812,502	921,124	827,860
CORE Expense	-	-	70,464	-
RESERVE BALANCE AFTER CORE EXPENSE	760,543	812,502	850,660	827,860

Costbacks for FYE 2015

<u>Accountancy</u>	<u>Budgeted \$\$\$\$ Spending Plan</u>	<u>Number of Complaints</u>	<u>Number of Licenses</u>		<u>Admin Share Average %</u>	<u>Investigative Hours</u>
Accountancy	\$839,500	197	12,580			0
Total Reg Boards	10,414,200	3,236	234,819			10,407
Percentage	8.06%	6.09%	5.36%	=	6.50%	0.0000%

Reg Bd Admin Costs except for Directly billable Investigative		4,832,162.08	x	6.50%	=	314,190.23
Investigative Costs		759,427.06	x	0.0000%	=	0.00
Total Regulatory Board Admin Costs		5,591,589.14				314,190.23

Board of Accountancy

Actual vs Budget Fiscal 2015

Discussion of Line Item Variances

Revenues: Gross revenue was 4% less than projected and roughly 6% less than the prior year. Complaint revenue was 30% less than the prior year.

State Regulatory Fee: At the end of each fiscal year the Board is charged \$10 for each active individual license. As of June 30, 2015, the board had 7856 active licensees. In addition, there is a fee of \$5 for each active firm license. There were approximately 2200 firm licenses as of June 30, 2015. The state regulatory fee came in 43% higher than budgeted. This was most likely due to a misunderstanding of a new calculation for this item.

Salaries: The salaries line item was not as high as projected due to changes in personnel during the year and due to no salary increase even though there was a budgeted amount for that possibility.

Travel: Travel was less than projected due to staffing changes and because NASBA events were less expensive than projected.

Printing, Duplicating: This line item is now being included in communications and shipping.

Third party prof and admin services: This item covers shredding service, expenses incurred for formal hearings (judges, court reporters), NASBA dues, calligraphy services, credit card processing and any other third party related items. Without any formal hearings and a suspension of calligraphy services late in the year we came in under budget for this item.

Employee Training: This covers training provided by the Department for staff as well as paid CPE for the professional staff. We budgeted for additional CPE for staff and for NASBA attendance (registration fee) for Board members.

Computer Related Items: We did not need much in the way of new equipment this year.

State professional services: This item covers telephone, convenience fee (flow through item also in revenue), rent allocation, state printing, lease rate on cars, fuel and usage charges.

Year End Cost Backs: Cost backs came in roughly 40% more than expected. Cost backs include overhead for Regulatory Boards. This includes costs associated with the Deputy Commissioner's office, Assistant Commissioner's office, legal etc. The number of

complaints opened during FY15 was double that of recent years and attributed to some of the additional fees for this item.

Tennessee State Board of Accountancy
FY2016 Operating Results YTD

	FY 16 Budget	YTD Act Aug FY 16	YTD Act Aug FY 15	YTD 2016 vs 2015
Revenues	1,102,210	23,807	15,938	33.1%
Less: State Regulatory Fee	(62,750)	0	0	0
Net revenues	<u>1,039,460</u>	<u>23,807</u>	<u>15,938</u>	<u>33.1%</u>
Salaries	429,700	54,819	62,974	-14.9%
Longevity compensation	7,200	600	2,900	-383.3%
Employee benefits	160,000	17,019	18,468	-8.5%
Travel	48,400	4,038	5,721	-41.7%
Printing, duplicating	-	-	-	0.0%
Communications and shipping	20,000	1,327	1,585	-19.4%
Third party prof and admin services	40,000	7,074	7,227	-2.2%
Supplies and furniture	7,500	68	4,866	-7055.9%
Rentals and insurance	1,600	-	135	#DIV/0!
Awards	500	-	-	0.0%
Unclassified	1,200	-	-	0.0%
Employee training	20,000	-	-	0.0%
Computer related items	10,000	612	-	100.0%
State professional services	70,000	10,188	2,702	73.5%
Regular expenditures	<u>816,100</u>	<u>95,745</u>	<u>106,578</u>	<u>-11.3%</u>
Year end cost backs	220,000	-	-	0.0%
Total expenditures	<u>1,036,100</u>	<u>95,745</u>	<u>106,578</u>	<u>-11.3%</u>
Net revenue to reserves	3,360	(71,938)	(90,640)	-26.0%
Reserves		<u>827,860</u>	<u>850,660</u>	<u>-2.8%</u>
Reserve balance		755,922	760,020	-0.5%

**Tennessee State Board of Accountancy
Operating Results**

	FY 14	FY 15	FY 15	FY 16	Draft FY 17
	Actual	Actual	Budget	Budget	Budget
Revenues	1,160,783	1,083,570	1,132,430	1,102,210	1,043,570
Less: State Regulatory Fee	(86,900)	(89,670)	(62,750)	(62,750)	(89,700)
Net revenues	<u>1,073,883</u>	<u>993,899</u>	<u>1,069,680</u>	<u>1,039,460</u>	<u>953,870</u>
Salaries	409,427	399,938	428,892	429,700	419,000
Longevity compensation	9,900	7,700	8,900	7,200	6,200
Employee benefits	141,989	121,057	160,355	160,000	157,500
Travel	37,911	31,647	64,500	48,400	51,400
Printing, duplicating	-	35	6,000	-	-
Communications and shipping	24,822	22,239	20,000	20,000	20,000
Third party prof and admin services	48,284	29,895	50,000	40,000	50,000
Supplies and furniture	1,262	7,199	7,500	7,500	5,000
Rentals and insurance	1,614	1,211	1,620	1,600	1,600
Awards	-	-	500	500	-
Unclassified	1,200	800	1,200	1,200	800
Employee training	5,320	5,115	10,000	20,000	10,000
Computer related items	343	1,533	10,000	10,000	4,000
State professional services	78,803	74,141	70,000	70,000	57,000
Regular expenditures	<u>760,875</u>	<u>702,510</u>	<u>839,467</u>	<u>816,100</u>	<u>782,500</u>
Year end cost backs	204,386	314,190	224,000	220,000	250,000
Total expenditures	<u>965,261</u>	<u>1,016,700</u>	<u>1,063,467</u>	<u>1,036,100</u>	<u>1,032,500</u>
Net revenue to reserves	108,622	(22,801)	6,213	3,360	(78,630)
Reserves	<u>812,502</u>	<u>850,660</u>	<u>827,860</u>	<u>834,072</u>	<u>837,432</u>
Reserve balance	921,124	827,859	834,073	837,432	758,802
CORE Expense	(70,464)				
Reserve balance	<u>850,660</u>				

Attachment A

FY 17 Personnel Budget

<u>Employee Name</u>	<u>Annual Salary</u>	<u>Longevity Pay</u>
Butler, Ray	\$71,280	\$500
Condon, Karen	\$37,308	\$500
Cooper, Sandra	\$28,008	\$1,700
Demastus, Brenda	\$31,800	\$2,000
Garvin, Wendy	\$103,008	\$0
Hickerson, Denise	\$32,904	\$700
Mills, Don	\$72,396	\$800
Stamper, Jarrod	\$29,832	\$0
Total	\$406,536	\$6,200
Increase	X 3%	
	<u>\$12,196</u>	
Total Office Salaries for FY 17	\$418,732	
	<u>\$6,200</u>	
Total for Benefit Computation	<u>\$424,932</u>	
Estimated Benefits for FY 16		X 37%
		<u>\$157,225</u>
Salaries for FY 16	\$418,732	
Longevity for FY 16	\$6,200	
Benefits for FY 16	\$157,225	
Board Members [(11 X \$100) X 4]	\$4,400	
Total Personnel Budget	<u>\$586,557</u>	

Attachment B

Board of Accountancy
Travel Plan
FY 17

<u>Month</u>	<u>Attendee</u>	<u>Event</u>	<u>Location</u>	<u>Cost</u>
July	ED or Designee	Miscellaneous Board Business		\$200
August	ED or Designee	Miscellaneous Board Business		\$200
September	ED or Designee	Miscellaneous Board Business		\$500
October	ED or Designee ED, 3 Board Members	Miscellaneous Board Business NASBA Annual Meeting	TBD	\$500 \$10,000
November	ED or Designee	Miscellaneous Board Business		\$1,000
December	ED or Designee	Miscellaneous Board Business		\$1,000
January	ED or Designee	Miscellaneous Board Business		\$250
February	ED or Designee	Miscellaneous Board Business		\$250
March	Executive Director Investigators/Staff Attorney ED or Designee	NASBA Executive Directors' conference NASBA Legal Counsel conference Miscellaneous Board Business	TBD	\$2,000 \$4,000 \$250
April	ED or Designee	Miscellaneous Board Business		\$250
May	ED or Designee	Miscellaneous Board Business		\$500
June	ED and 2 Board Members ED or Designee	NASBA Regional meeting Miscellaneous Board Business	TBD	\$6,000 \$500
			Subtotal	\$27,400
Various	Investigator	Investigations	Tennessee	\$12,000
Various	PROC	PROC Meetings		\$0
Various	Various	NASBA Committee meetings		\$0
Quarterly	Board members	TSBA meetings	Tennessee	<u>\$12,000</u>
		Total estimated travel expenses		<u><u>\$51,400</u></u>

Board of Accountancy

Fiscal 2017 Budget

Discussion of Line Items

Revenues: The decrease in gross revenues from the FY15 actual amount is 3.7% or \$40,000. Licensees will no longer be required to pay a convenience fee or a credit card processing fee when renewing their licenses. The decrease in revenue represents this loss in fees collected.

Regulatory License Fees: At the end of each fiscal year the Board is charged \$10.00 each active individual license. In addition, there is a fee of \$5.00 assessed on all active firm licenses. This fee ultimately covers indirect costs associated with the Department of Commerce & Insurance including human resources, fiscal, IS and the commissioner's office.

Salaries: Assumes a staff of 5, the executive director and 2 investigators. Also assumes a 3% compensation increase.

Longevity Compensation: Each employee receives a longevity payment of \$100 per year of service on their anniversary date. Employees must have 36 months of service before they are eligible for this benefit. See personnel budget (Attachment A) for details.

Employee Benefits: This amount is computed as 37% of salaries and longevity.

Travel: Travel is detailed in the attached Travel Plan (Attachment B).

Printing, Duplicating: These expenses are being included in Communications and Shipping going forward.

Communications and Shipping: Covers all postage charges which include items such as the renewal letter, certified mail and wall certificates. The newsletter is now being distributed via email by NASBA free of charge.

Third Party Professional and Administrative Services: This item covers shredding services, expenses incurred for formal hearings (judges, court reporters), NASBA dues, credit card processing. Credit card processing fees used to be a flow-through item for the Board so it was included in revenue and in expense. With the implementation of CORE this item will no longer show up as revenue, but will still be recorded as an expense to the Board therefore increasing this line item. Calligraphy services used to be included here however in May 2015 we discontinued the calligraphy services and are having the wall certificates printed in house. This expense will move to State Professional Services. Additional CORE related expenses will fall in this category. I've anticipated an ongoing expense of \$12,000 for this.

Supplies and Furniture: We are up to date with regards to furniture and I don't expect any supply expense out of the ordinary.

Rentals and Insurance: This is the total for the rental of the copier.

Employee Training: This covers training provided by the Department for staff as well as paid CPE for the professional staff. It also includes a reclassification of fees incurred for attending events at NASBA. Each event costs approximately \$695 per attendee, and this amount was previously part of the travel budget. Fiscal is now breaking this out as Employee Training.

Computer Related Items: These are charges incurred for any computer related work done by the IT staff as well as any new equipment purchased.

State Professional Services: Rent for our office space is now \$34,900 of this total. This line item also includes our telephone billing, charges for the two state vehicles driven by investigators and printing services provided by the state. This previously included a \$2.00 charge per credit card transaction that all licensees are charged when renewing online (a possible total of \$18,800). This was a flow-through item for the Board so it was included in Revenue and in Expense. This item goes away completely for FY17.

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File Date: _____
Effective Date: _____

Proposed Rule(s) Filing Form

Proposed rules are submitted pursuant to Tenn. Code Ann. §§ 4-5-202, 4-5-207, and 4-5-229 in lieu of a rulemaking hearing. It is the intent of the Agency to promulgate these rules without a rulemaking hearing unless a petition requesting such hearing is filed within ninety (90) days of the filing of the proposed rule with the Secretary of State. To be effective, the petition must be filed with the Agency and be signed by twenty-five (25) persons who will be affected by the amendments, or submitted by a municipality which will be affected by the amendments, or an association of twenty-five (25) or more members, or any standing committee of the General Assembly. The agency shall forward such petition to the Secretary of State.

Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).

Agency/Board/Commission:	Accountancy Board
Division:	Department of Commerce and Insurance
Contact Person:	
Address:	
Zip:	
Phone:	
Email:	

Revision Type (check all that apply):

- Amendment
 New
 Repeal

Rule(s) Revised (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please enter only **ONE Rule Number/Rule Title per row)**

Chapter Number	Chapter Title
0020-01	Board of Accountancy, Licensing and Registration Requirements
Rule Number	Rule Title
0020-01-.08	Renewal of Licenses
0020-01-.11	Applications and Renewal of CPA and PA Firm Permits

Chapter Number	Chapter Title
0020-02	Education and Experience Requirements
Rule Number	Rule Title

Chapter Number	Chapter Title
0020-04	Disciplinary Action and Civil Penalties
Rule Number	Rule Title
0020-04-.04	Return of Certificate, Registration or Permit.

Chapter Number	Chapter Title
0020-05	Continuing Education
Rule Number	Rule Title

Chapter 0020-01
Board of Accountancy, Licensing and Registration Requirements

Amendments

Rule 0020-01-.01(1) is amended by inserting a new subparagraph after subparagraph (o) consisting of the following language and renumbering the remaining subsequent paragraphs consistent with the existing ordering:

- (p) “Professional service” means any service performed or offered by a licensee for a client in the course of the practice of public accountancy.

Rule 0020-01-.08 is amended by deleting paragraph (2) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (2) An individual or firm choosing not to renew his, her, or its license shall notify the Board of his, her, or its intention prior to the expiration of that license, ~~and shall surrender the license to the Board immediately upon its expiration.~~

Rule 0020-01-.11 is amended by deleting paragraph (1) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (1) Each ~~CPA and/or PA firm providing accounting services or engaged in the practice of public accountancy in this state as a sole proprietorship, partnership or corporation of certified public accountants and/or public accountants shall~~ sole proprietorship, corporation, partnership or other form of organization providing attest services to the public or using the title "CPAs," "CPA firm," "PAs" or "PA firm" shall obtain a permit from the Board for each office location for the ensuing calendar year. Applications for initial issuance and for renewal of permits shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than two (2) months prior to and no later than the expiration date.

Rule 0020-01-.12 is amended by deleting subparagraph (1)(g) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (g) Establishment of a new office or location ~~providing accounting services~~engaged in the practice of public accountancy in this ~~state~~State or the closing or change of address of an office location registered in this State; and

Chapter 0020-02
Educational and Experience Requirements

Amendment

Rule 0020-02-.01 is amended by deleting paragraph (1) in its entirety and substituting, instead, the following language so that, as amended the rule shall read:

- (1) As used in this chapter, a “semester hour” means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds. Semester hours received from a class for which dual credit is given may only be applied once towards an applicant’s required semester hours.

Rule 0020-02-.02 is amended by deleting subparagraph (1)(b) in its entirety and substituting, instead, the following language so that, as amended the rule shall read:

- (b) Not more than ~~three (3)~~ six (6) semester or ~~four (4)~~ eight (8) quarter hours may be

internship programs which may be applied to the thirty (30) semester or forty-five (45) quarter hours in accounting; and,

Chapter 0020-03
RULES OF PROFESSIONAL CONDUCT

Amendments

Rule 0020-03-.17 is amended by deleting the rule in its entirety and substituting, instead, the following language so that, as amended the rule shall read:

A licensee shall maintain copies, or other obtainable facsimile records, or computer records, in whatever manner kept, of all work papers and work product used to render or support rendering ~~public~~-accounting services to a client for a period of five (5) years. The five (5) year period shall commence at the end of the fiscal period in which the engagement was conducted. Premature destruction of these records shall subject the licensee to disciplinary action.

Chapter 0020-04
Disciplinary Action and Civil Penalties

The Table of Contents is amended by deleting it in its entirety and substituting, instead, the following language, so that the Table of Contents shall read:

0020-04-.01 Definitions	0020-04-.04 Return of Certificate Registration or Permit Repealed
0020-04-.02 Civil Penalties	0020-04-.05 Review of Professional Work Product
0020-04-.03 Grounds for Discipline Against Licensees	0020-04-.06 Safe Harbor Language

Repeal

Rule 0020-04-.04 is repealed.

Chapter 0020-05
Continuing Education

Amendments

Rule 0020-05-.03 is amended by deleting paragraph (3) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (3) Upon application for **inactive status** supported by such evidence as the Board may require, those licensees not **engaged in the practice of public accountancy** ~~practicing~~ in Tennessee, ~~who do not perform or offer to perform for the public one (1) or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters,~~ may be exempted from any continuing professional education requirements provided that:

Rule 0020-05-.03(3) is amended by deleting subparagraph (c) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (c) A certificate holder who has been granted inactive status may not for compensation **engage in the practice of public accountancy** ~~perform or offer to perform for the public,~~

~~including the providing of any accounting service from a licensed accounting firm, or perform or offer to perform~~ any of the following services: any accounting or auditing service which involves the issuance of reports on financial statements (~~including which includes~~ opinions, reviews, compilations, or attest engagements); ~~or~~ any consulting engagement which would constitute the attest function, ~~or furnishing advice on tax matters.~~

Rule 0020-05-.03(3) is amended by deleting subparagraph (d) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (d) ~~Notwithstanding the foregoing section (c) of this Rule 0020-05-.03(3), a~~A certificate holder who has been granted inactive status may ~~perform the services set forth in (c) above~~ engage in the practice of public accountancy, so long as:
- (1) the services are provided without compensation to the certificate holder;
 - (2) the services are performed solely for the certificate holder's employer and such employer is not a licensed accounting firm; or,
 - (3) the certificate holder does not use the CPA or PA designation in association with his or her name while providing such lawful services ~~without placing the word "inactive" adjacent to their CPA or PA designation.~~

Rule 0020-05-.03 is amended by deleting paragraph (5) in its entirety and substituting, instead, the following language so that, as amended, the rule shall read:

- (5) Upon application supported by such evidence as the Board may require, licensees age seventy (70) and over, disabled for more than six (6) months or in active military service may be exempted from payment of a license renewal fee and/or CPE requirements so long as they do not ~~engage in the practice of public accountancy perform practice public accountancy or offer accounting services to the public.~~

* If a roll-call vote was necessary, the vote by the Agency on these rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)

I certify that this is an accurate and complete copy of proposed rules, lawfully promulgated and adopted by the (board/commission/other authority) on _____ (date as mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222. The Secretary of State is hereby instructed that, in the absence of a petition for proposed rules being filed under the conditions set out herein and in the locations described, he is to treat the proposed rules as being placed on file in his office as rules at the expiration of ninety (90) days of the filing of the proposed rule with the Secretary of State.

Date: _____

Signature: _____

Name of Officer: _____

Title of Officer: _____

Subscribed and sworn to before me on: _____

Notary Public Signature: _____

My commission expires on: _____

All proposed rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

Herbert H. Slatery III
Attorney General and Reporter

Date

Department of State Use Only

Filed with the Department of State on: _____

Effective on: _____

Tre Hargett
Secretary of State

Regulatory Flexibility Addendum:

Pursuant to T.C.A. §§ 4-5-401 through 4-5-404, prior to initiating the rule making process as described in T.C.A. § 4-5-202(a)(3) and T.C.A. § 4-5-202(a), all agencies shall conduct a review of whether a proposed rule or rule affects small businesses.

1. The type or types of small business and an identification and estimate of the number of small businesses subject to the proposed rule that would bear the cost of, or directly benefit from the proposed rule:

This rule would affect any small business providing public accounting services. There are currently 4,324 licensed CPA and PA firms, 14,819 licensed CPAs (including active and inactive) in Tennessee.

2. The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed rule, including the type of professional skills necessary for preparation of the report or record:

This amendment increases in the number of hours permissible for an externship credit for licensure. Specifically the credits allowed have increased from 3 semester or 4 quarter hours to 6 semester or 8 quarter hours. As such, this may decrease the education costs associated for licensure. However, these changes are not anticipated to create a cost to a licensee or create a professional skill necessary for the preparation of a report or record for compliance.

These amendments repeal the requirement for licensees to mail back a physical wall certificate to the board once their license status is closed. As such, this is a reduced administrative action which should save each previous licensee the cost of postage and time to prepare the postage for compliance. The current postage rate is \$0.49.

3. A statement of the probable effect on impacted small businesses and consumers:

Consumers and small businesses will likely benefit from a clarification of these rules which will more clearly allow licensed CPAs and PAs to do non-attest tax preparation work and other non-attest accounting services through a non-licensed firm. As such, this should increase the number of CPAs and PAs available to consumers and small businesses to conduct such work outside of a licensed PA or CPA firm. There is no estimate as to any increase or decrease in the cost of such service.

4. A description of any less burdensome, less intrusive or less costly alternative methods of achieving the purpose and objectives of the proposed rule that may exist, and to what extent the alternative means might be less burdensome to small business:

The proposed changes to the existing rules are not burdensome/intrusive to small businesses and there is no known less intrusive or less costly alternative methods. These rules decrease the administrative actions required and as such are less burdensome.

5. A comparison of the proposed rule with any federal or state counterparts:

There are no federal or state counterparts to the issues addressed by these rules.

6. Analysis of the effect of the possible exemption of small businesses from all or any part of the requirements contained in the proposed rule:

These amendments do not create new requirements on small businesses. In one instance, the repeal of the rule requiring submission of a license from a closed licensee (expired or surrendered license) will reduce the current administrative requirements.

Impact on Local Governments

Pursuant to T.C.A. §§ 4-5-220 and 4-5-228 “any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments.” (See Public Chapter Number 1070 (<http://state.tn.us/sos/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly)

These proposed rules are not anticipated to have any impact on local governments.

Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to T.C.A. § 4-5-226(i)(1).

- (A) A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

The changed rule increases the amount of credit hours earned from internships to be utilized towards the requisite number of semester or quarter hours for licensure. The other changes to the increase the clarity and conformity of the existing rules with the statutes and other related rules.

- (B) A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

There are no federal laws or regulations mandating such a rule. T.C.A. § 62-1-105(e) gives the board the power to adopt rules in order to enforce the statutes of the Tennessee Accountancy Act of 1998.

- (C) Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

Licensed CPAs, non-licensed, CPAs, CPA firms and non-CPA firms employing CPAs are most directly affected by this rule and these entities are silent as to the adoption or rejection of this rule.

- (D) Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule;

There are no known AG opinions or judicial rulings which directly relate to this rule.

- (E) An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

There is no indication that there will be any increase or decrease in state and local government revenues and expenditures as a result of the promulgation of this rule. If there is any increase or decrease, such change will be less than two percent (2%) of the agency's annual budget.

- (F) Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Wendy Garvin and Benjamin Glover of the TN State Board of Accountancy from the TN Dept. of Commerce and Insurance

- (G) Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Wendy Garvin and Benjamin Glover of the TN State Board of Accountancy from the TN Dept. of Commerce and Insurance

- (H) Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

Wendy Garvin; 500 James Robertson Parkway, Nashville, TN 37243; 615-615-532-7397; wendy.garvin@tn.gov
Benjamin Glover; 500 James Robertson Parkway, Nashville, TN 37243; 615-770-0085; benjamin.glover@tn.gov

(I) Any additional information relevant to the rule proposed for continuation that the committee requests.

There is no additional information relevant to the rule requested.



Accounting & Information Management

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Knoxville, Tennessee 37996-0560
Phone: (865) 974-2551
Fax: (865) 974-4631

October 5, 2015

Larry Elmore
Pugh and Company, CPAs
315 N. Cedar Bluff, Suite 200
Knoxville, Tennessee 37923

Dear Larry:

A few weeks ago, we discussed the need for the state of Tennessee to revise the education requirements to sit for the CPA Exam. The purpose of this letter is to explain the problems our graduate students face when planning to sit for the CPA Exam in Tennessee, to summarize why our faculty believe the state needs to change the education requirements, and describe the benefits that we believe the state of Tennessee will realize from this change.

CPA candidates in Tennessee may sit for the CPA Exam when they have either met the accounting educational requirements or within 200 days of meeting the accounting educational requirements. For students in our Master of Accountancy program, the earliest they can sit for the CPA exam is after they have completed their first semester in December.

The Master of Accountancy program is designed to prepare students to be fully prepared upon graduation to become successful professional accountants. To meet the needs of the profession, we believe that graduates should successfully complete all or most of the CPA Exam prior to graduation in June. We have incorporated CPA Exam preparation and completion into our 10-month Master of Accountancy program to accomplish this objective. The effectiveness of this initiative is evidenced by last year's 90 percent student pass rate for all sections taken.

Most of our students are planning to begin their careers with professional firms in either Georgia or Tennessee. While Tennessee requires candidates to complete the education requirements within 200 days of sitting for the exam, Georgia permits candidates a full year to complete these requirements. This difference permits Georgia-bound graduates to begin sitting for the CPA exam a year before completing their Master of Accountancy. Tennessee-bound graduates must wait until December to begin sitting for the exam.

This 200 day/one year difference in when candidates are eligible to sit for the exam creates a very strong incentive for students to sit for the exam in Georgia even if they will begin their careers in Tennessee. The demands of preparing and sitting for the CPA exam while also enrolled in a 30-hour graduate program are challenging. We believe our students will

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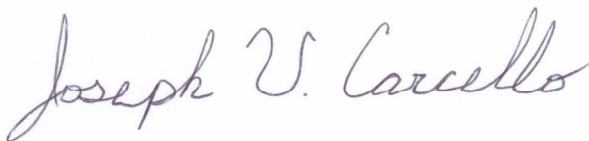
benefit from being able to spread their CPA preparation efforts over the entire year rather than just the spring and summer semesters.

As a result of this Georgia/Tennessee difference, every current Master of Accountancy student planning to begin his or her career in Tennessee has registered to take the CPA Exam in Georgia. While the students' interest are furthered by this choice, it has a negative impact on the state of Tennessee's CPA Exam pass rates and profile. As previously mentioned, CPA Exam pass rates for our graduate students are very high and, for this year, the state of Georgia will receive the benefits of our students' success.

On behalf of our faculty and students, I am asking you to facilitate a change in the State of Tennessee's timing requirements to sit for the CPA Exam to align with those in the State of Georgia. We believe this change will assist our Tennessee-bound graduate students and enhance the state's CPA Exam profile and results.

We appreciate your assistance with this request. Please do not hesitate to contact me to discuss this issue.

Respectfully,



Joseph V. Carcello
Department Head – Accounting and Information Management
Executive Director – Neel Corporate Governance Center
EY and Business Alumni Professor

Tenn. Code Ann. § 62-1-106 (2014)

62-1-106. Requirements for certification as certified public accountant.

(c) (1) The education requirement for a certificate that must be met before an applicant is eligible to receive the certificate described in § 62-1-107 shall be at least one hundred fifty (150) semester hours of college education, including a baccalaureate or higher degree conferred by a college or university acceptable to the board, the total educational program to include an accounting concentration or equivalent as determined by board rule to be appropriate. **The board may admit to the examination prescribed in subsection (d) any candidate who has completed the educational requirements of this subsection (c) or who will complete the requirements within two hundred (200) days immediately following the date of examination;** provided, that the board, upon written request of an applicant and for good cause as determined by the board in its discretion, may extend the period for completion of the educational requirements established by this subsection (c).



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	Examination		
	Education - 150 semester hours required to sit for exam	Education - Allows less than 150 semester hours to sit	Education - Allows less than 150 semester hours to sit only, but completion of 150 semester hours required within designated time as determined by specific state board
AL	✓		
AK			✓
AZ		✓	
AR		✓	
CA		✓	
CO		✓	
CNMI		✓	
CT		✓	
DE		✓	
DC		✓	
FL		✓	
GA		✓	
GU		✓	
HI			✓
ID		✓	
IL			✓
IN			✓
IA		✓	
KS	✓		
KY		✓	
LA	✓		
ME			✓
MD		✓	
MA		✓	
MI		✓	
MN			

			✓
MS	✓		
MO			✓
MT		✓	
NE			✓
NV	✓		
NH		✓	
NJ		✓	
NM		✓	
NY		✓	
NC		✓	
ND			✓
OH		✓	
OK	✓		
OR	✓		
PA		✓	
PR	✓		
RI		✓	
SC		✓	
SD			✓
TN			✓
TX	✓		
UT		✓	
VT		✓	
VI		✓	
VA		✓	
WA			✓
WV		✓	
WI		✓	
WY			✓
Examination			
Education - 150 semester hours required to sit for exam		Education - Allows less than 150 semester hours to sit	Education - Allows less than 150 semester hours to sit only, but completion of 150 semester hours required within designated time as determined by specific state board

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