



**State of Tennessee
Department of Commerce and Insurance
Tennessee State Board of Accountancy
500 James Robertson Parkway
Nashville, TN 37243-1141**

615-741-2550 or 888-453-6150 www.tn.gov/commerce/boards/tnsba

The Tennessee State Board of Accountancy met on Friday, January 16, 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
Gay Moon
Gabe Roberts
Charlene Spiceland
Casey Stuart
Trey Watkins

MEMBERS ABSENT: Stephen Eldridge

STAFF PRESENT: Bill Giannini, Deputy Commissioner, Regulatory Boards
Brian McCormack, Assistant Commissioner, Regulatory Boards
Mark Crocker, Executive Director
Don Mills, Investigator
Ray Butler, Investigator
Karen Condon, Board staff
Josh Canan, Board staff
Chris Kelly, Comptroller's Office

LEGAL COUNSEL: Kimberly Cooper, Assistant General Counsel

**MEMBERS OF THE
PUBLIC PRESENT:** Brad Floyd, TSCPA
Wendy Garvin, TSCPA
Divon Crutchfield, CPA
Eric Mathis and attorney Roland Leathers
John Nevel, CPA

CALL TO ORDER

Mr. Blaufuss called the meeting to order at 8:30am.

ANNOUNCEMENTS

- o The meeting was properly noticed on the Board's website on January 7, 2015.

- Members were reminded to speak into the microphones.
- Kim Cooper was welcomed as the Board's staff attorney.
- The scheduled formal hearing has been settled by consent order.
- Deputy Commissioner Bill Giannini introduced Assistant Commissioner for Regulatory Boards Brian McCormack and presented a report on Regulatory Boards expenditures (Attachment A).
- Members were asked to approve the use of Robert's Rules of Order and to sign their conflict or interests statements.
- Mr. Blaufuss noted that the Board members reviewed the minutes from the meeting held on October 17, 2014. With no suggested revision, the minutes were approved as distributed.

MOTION by Mr. Stuart and seconded by Mr. Hoss to approve the use of Robert's Rules of Order. Motion carried unanimously.

EXECUTIVE DIRECTOR'S REPORT

Mr. Crocker presented his report (Attachment B), noting that the Accountancy Board's Sunset audit is pending and due to be completed by June 2016. Mr. Crocker and Ms. Condon met with the TSCPA and intend to hold regular meetings.

MOTION by Mr. Roberts and seconded by Ms. Brundige to approve the Executive Director's report. Motion carried unanimously.

NASBA COMMITTEE REPORTS

Ms. Brundige presented an overview of the Legislative Support Committee. NASBA offers an online bill-tracking service, which details legislation regarding accountancy issues. The Committee will implement a key person contact program, identifying those members with a relationship to a legislator or staff.

LAW AND RULES COMMITTEE

The Committee reviewed and revised the Board Policy Statements and recommend the Board approve those revisions. Mr. Blaufuss noted that while he had previously questioned the need for the Policy Statements, staff finds them helpful, and that approval will include the posting of the Statements to the website.

MOTION by Dr. Spiceland and seconded by Ms. Brundige to amend and maintain the Board Policy Statements, posting them on the website after review by the Board. Motion carried unanimously.

Mr. Stuart requested that the Board receive a copy of the amended statements after review by Legal. Mr. Watkins asked for the staff to determine which policies need to be addressed by a Rule change.

LICENSING COMMITTEE REPORT

Mr. Hoss noted that the Board is in possession of an AICPA white paper about firm names as well as a study of the manner in which surrounding states view fictitious firm names. With the exception of one request for firm name approval, the Committee requested that the Board table the topic of fictitious firm names until the May meeting so that members can review this information. Kraft CPAs has established a subsidiary and the Committee recommended approval for that application.

MOTION by Mr. Hoss and seconded by Mr. Royston to approve the application of Kraft CPAs Turnaround and Restructuring Group. Motion carried unanimously, with Mr. Alexander recused.

Mr. Jonathan Faught addressed the Board to reconsider his firm application after having changed the requested name to Faught CFO. The firm permit application was originally submitted under the name Integrated CFO. Ms. Brundige asked if a new application would be required due to the name change. Mr. Crocker replied that the original application was in order and could be processed with a new name using the additional documentation received by email.

MOTION by Mr. Alexander and seconded by Dr. Spiceland to approve the firm application of Faught CFO. Motion carried unanimously.

The Committee had reviewed three CPA applications. Each applicant had requested a waiver of the expiration of CPA exam grades. Mr. Blaufuss noted that the Rules allow the Board to grant exemptions regarding the ten-year expiration of exam grades.

MOTION by Mr. Hoss and seconded by Mr. Royston to accept the Committee's recommendation for approval of the requests from Judith Clark, Suzanne Allmon, and Becky Gray for a waiver of the 10-year expiration of CPA exam grades. Motion carried unanimously.

The Committee also reviewed the CPA application for Eric Mathis.

MOTION by Mr. Hoss and seconded by Dr. Spiceland to accept the Committee's recommendation to deny the request by Eric Mathis for an extension of the CPA exam grade expiration. Mr. Blaufuss noted that Mr. Mathis was expected at the meeting, but is not present. Mr. Hoss stated that there are a series of issues with the application in addition to the expiration of the exam grades. Motion carried unanimously.

The staff has asked the Board for guidance regarding state-specific ethics. Mr. Crocker has discussed the possibility of TSCPA becoming the sole provider of state-specific ethics. Mr. Crocker wished to ensure that all licensees are offered consistent and quality information. Mr. Watkins had previously expressed reservations about withdrawing the approval given to current providers, and Mr. Crocker felt that with a quality product offered by TSCPA, the market may make the adjustment. Mr. Blaufuss clarified that the question is not one of withdrawing approval, but rather giving the licensees the option of opting for the TSCPA product.

Dr. Spiceland recalled that the Board had discussed approving no new sponsors while the TSCPA product is being developed. Mr. Floyd informed the Board that NASBA has provided funds to state societies to collaborate on the creation of a gold-standard product. The program would be offered online at a low cost.

Board members agreed that no new state ethics applications will be accepted and staff will audit 50% of existing programs. TSCPA was asked to continue with their development of the program. A decision regarding placing expiration dates on existing state ethics programs will be made at the May meeting after review of the audit results.

Dan McCarthy and John Nevel, CPA, addressed the Board for consideration of his proposed firm name, Compass East Financial, LLC and for the assumed name CompassEAST. Mr. Roberts recused himself from discussion of this issue. Mr. Blaufuss stated that consideration of fictitious firm names will be addressed at the May meeting. Absent a motion to evaluate this firm application, no action was taken on this matter.

Eric Mathis and his attorney, Roland Leathers addressed the Board to request consideration of the previous ruling on his request and entertained their questions. The Board did not wish to reverse their action, and expressed appreciation of Mr. Mathis's efforts. Mr. Mathis may appeal to the Board again in one year's time. Mr. Alexander felt that it would be helpful to his cause if Mr. Mathis were able to provide proof of his continued sobriety at the time of re-application. Ms. Brundige noted that Mr. Mathis is currently working in a corporate business environment, but if granted a CPA license and working in his own firm he would not have that kind of oversight and supervision. Stressful situations may cause an addict to fall back into old patterns, which they don't intend to do. It would perhaps be important for Mr. Mathis to provide evidence of times in which he has experienced stressful situations during which he has been able to stay the course, including what implementations he has put in his life to enable him to do so. Several Board members commended Mr. Mathis's efforts and expressed their appreciation for his appearance before them.

The Board discussed tax preparation by active CPAs working from unregistered firms, such as tax preparation companies, and retired or inactive CPAs working in the same situation.

MOTION by Mr. Hoss and seconded by Dr. Spiceland to accept the Committee's recommendation that those active CPAs doing tax preparation from an unregistered firm must themselves register as a firm. Motion carried unanimously. The Board asked Ms. Cooper to review the Rule regarding the allowed activities of retired and inactive licenses.

MOTION by Mr. Hoss and seconded by Dr. Spiceland to deny the request from Stephen Russell to allow credit for the course "Law and Accounting" as an upper-level credit. Motion carried unanimously.

EXECUTIVE COMMITTEE REPORT

FY14 results, year-to-date FY15 information and travel information (Attachments C and D) were reviewed. Mr. Hoss and Dr. Spiceland commented on their attendance at the recent NASBA annual meeting.

Mr. Crocker addressed the topic of national firms that use the term "accounting" in the name without proper licensure. He wished to know how the Board would like to proceed regarding the prohibition of the use of this term and the possibility of pursuing complaints against these companies. Mr. Roberts asked if the Secretary of State's office ensures proper licensure if the word accountant appears in a business name. Mr. Crocker revealed that he has met with that office in the past, but no such actions have been taken. Ms. Brundige felt that coordination with the Secretary of State's office would be important to prevent an unwitting violation of the law.

Mr. Stuart asserted that such firms should be compelled to comply with state law. Mr. Watkins suggested that staff should search the Secretary of State website for instances of the term accounting and compare this list to our licensee database.

ENFORCEMENT COMMITTEE REPORT

Ms. Cooper presented the Legal Report (Attachment E)

MOTION by Mr. Stuart and seconded by Mr. Alexander to approve the Committee's recommendation of approval of the Legal Report, which includes an amendment to item 44 which removes the reference to revocation. Motion carried unanimously.

Civil Penalties Authorized: 10
Amount of Civil Penalties: \$14,750
Consent Orders for Suspension, Surrender, or Revocation: 10
Placement of Complaints into Litigation Monitoring Status: 0
Cease and Desist Letters: 2
Letters of Warning: 21
Dismissals: 15

Ms. Cooper noted that the formal hearing scheduled for today, case number L13-ACC-RBS-2013020751, was settled pending the Board's approval. The original complaint alleged the respondent failed to pay the Professional Privilege tax for the years 2010, 2011, and 2013. The matter was previously presented to the Board and a recommendation was made for a civil penalty in the amount of \$2,500.00 as well as the provision that the respondent provide proof as payment of all the delinquent tax. The current settlement offer is for a civil penalty of \$1,000.00 and that the respondent's license remained closed unless and until the respondent comes before the Board to provide proof of payment. The respondent has submitted paperwork to close the license and has moved out of state.

MOTION by Mr. Stuart and seconded by Mr. Roberts to approve the revised discipline. Motion carried unanimously.

Mr. Mills presented a report on the status of open complaints (Attachment F).

Going forward, Mr. Crocker will issue cease and desist letters to those firms that appear to be in violation of the prohibition against the unlicensed use of the terms "accountant" and "accounting" in the firm's name.

NASBA PRESENTATION

Janice L. Gray, Chair of NASBA's Compliance Assurance Committee addressed the Board regarding Peer Review oversight.

LEGISLATIVE REVIEW

Ms. Cooper reported no new legislative actions.

NEW BUSINESS

Wendy Garvin, presented the TSCPA's Annual Report on oversight (Attachment G).

NASBA has requested that the Board release email information for candidates and recently licensed CPAs to take part in a survey to study accounting graduates who do not

pursue CPA licensure. Mr. Roberts noted that the emails will also be used for marketing purposes.

MOTION by Mr. Watkins and seconded by Mr. Hoss to approve the release of email addresses to be used only for survey purposes. Motion carried unanimously.

AICPA has requested comment on their paper regarding Peer Review and practice monitoring. Mr. Crocker requested the formation of an ad hoc committee to develop a response. Members of the Law and Rules Committee will serve for that purpose.

ADJOURNMENT

With no other business before the Board, the meeting was adjourned at 12:16pm. .