



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>

A meeting of the Tennessee State Board of Accountancy was held on Friday, May 5, 2017 at Davy Crockett Tower, 500 James Robertson Parkway in Conference Room 1-A.

### **MEMBERS PRESENT**

Don Royston, Chair  
Casey Stuart, Vice-Chair  
Stephen Eldridge, Secretary  
Janet Booker-Davis  
Pamela Church  
Larry Elmore  
Kevin Monroe  
Gay Moon  
Trey Watkins  
Judy Wetherbee

### **LEGAL COUNSEL**

Sara Page, Assistant General Counsel  
Liz Goldstein, Assistant General Counsel  
Matt Reddish, Assistant General Counsel

### **STAFF**

Wendy Garvin, Director  
Karen Condon, Board staff  
Vanessa Huntsman, Legal staff

### **MEMBERS ABSENT**

Gabe Roberts

### **CALL TO ORDER**

Chairman Don Royston called the meeting to order at 8:30am.

Board Members identified themselves by roll call and established a quorum.

### **ANNOUNCEMENTS**

The meeting was properly noticed on the Board's website.

Board members were reminded to sign a signature authorization form and to speak into the microphone.

## **APPROVAL OF MEETING MINUTES**

**MOTION** and second to approve the minutes of the January 20, 2017 meeting. Motion unanimously passed.

**MOTION** and second to approve the minutes of the April 20, 2017 meeting. Motion unanimously passed.

## **EXECUTIVE DIRECTOR'S REPORT**

Ms. Garvin presented the report (attachment A).

## **REINSTATEMENT REQUESTS**

The Board reviewed the applications submitted by Teresa Joy Wilder to reinstate her revoked CPA license and firm permit.

**MOTION** and second to accept the reinstatement applications to be reviewed at the next Board meeting, and to require Ms. Wilder to be present at that meeting.

**MOTION** amended and seconded to notify Ms. Wilder of the requirement to appear before the Board, and to inform applicant that the Board will ask for information regarding the firm's peer review history. Motion unanimously passed.

## **NASBA COMMITTEE REPORTS**

### **Audit Committee (Larry Elmore)**

Mr. Elmore reported that the Committee has held an introductory telephonic meeting, and has planned a meeting in September.

### **Ethics Committee (Judy Wetherbee)**

Ms. Wetherbee reported that the Committee has held several meetings, discussing these topics:

- a response to the AICPA regarding non-compliance with Laws and Regulations (NOCLAR)
- whistle blowers and a resolution process for administrators who don't act on reported violations.

## **LICENSING COMMITTEE—LARRY ELMORE, COMMITTEE CHAIR**

### **Requests for CPE Credit**

**MOTION** and second to award CPE credit for the CAIA Level 2 Exam. Motion unanimously passed with Dr. Church recused.

**MOTION** and second to award CPE credit for the CSCA Exam in the category Management Advisory Services. Motion unanimously passed.

**MOTION** and second to withdraw the previous motion regarding the CAIA Level 2 Exam. Motion unanimously passed with Dr. Church recused.

**MOTION** and second to award CPE credit for the CAIA Level 2 Exam in the category Management Advisory Services. Motion unanimously passed with Dr. Church recused.

### **Request for Approval of Revised State Ethics Course**

The Board reviewed a request from Accounting Tools. The Board had previously notified approved sponsors of the December 31, 2017 expiration date of all Board-approved State ethics courses.

**MOTION** and second to deny the application as submitted due to the inaccuracies of the course content. Motion unanimously passed.

### **CPE Fields of Study**

The Board addressed the differing areas in categorization of technical and non-technical credits as accepted by NASBA and the Board.

**MOTION** and second to change the Board's classification of credits earned in the fields Economics, Statistics, and Specialized Knowledge and Applications (SKA) as meeting the definition of technical credits as stated in Accountancy Rule 0020-05-.03. Motion unanimously passed.

**MOTION** and second to consider credits earned in the Marketing field as non-technical, while maintaining the technical classifications for the categories IT, Business Management and Organization, and Behavioral Ethics courses.

This motion was withdrawn before a vote.

Discussion included:

- The desire to align the Board's classifications with NASBA's
- Whether credits earned in the field Business Management and Organization should be considered as technical credits, as skills learned may be applied to client services
- The ability of a licensee to petition the Board if the licensee disagrees with a classification

**MOTION** and second to align with NASBA's classifications in all categories of CPE. Motion passed by majority vote.



The Board desired to contact NASBA to discuss classifications, particularly that of Business Management and Organization courses. Ms. Garvin will arrange for a NASBA representative to address the Board at the next meeting regarding the process of categorizing credits.

## **LAW AND RULES COMMITTEE—TREY WATKINS, COMMITTEE CHAIR**

### **Peer Review Submission Rule**

The Board reviewed the revised Peer Review Submission Rule, 0020-06-.07. Ms. Goldstein read into the record the proposed revision to the Rule, the Regulatory Flexibility Addendum and the statement of Impact on Local Governments.

**MOTION** and second to approve the items noted above. Passed by roll call vote as follows:

Pamela Church	aye	Janet Booker-Davis	aye
Trey Watkins	aye	Gay Moon	aye
Casey Stuart	aye	Judy Wetherbee	aye
Don Royston	aye	Larry Elmore	aye
Stephen Eldridge	aye	Kevin Monroe	aye

### **Proposed Rule Changes**

Three proposed Rule changes were reviewed, which would:

- Correct the definition of “expired”
- Correct the definition of “license”
- Require preapproval for requests for CPE credit from unregistered sponsors

Ms. Goldstein read into the record the proposed changes to Rules 0020-01-.01(h), 0020-01-.01(j), and 0020-05-.04; the Regulatory Flexibility Addendum; and the statement of Impact on Local Governments.

**MOTION** and second to approve the items noted above. Passed by roll call vote as follows:

Pamela Church	aye	Janet Booker-Davis	aye
Trey Watkins	aye	Gay Moon	aye
Casey Stuart	aye	Judy Wetherbee	aye
Don Royston	aye	Larry Elmore	aye
Stephen Eldridge	aye	Kevin Monroe	aye

### **Fictitious Firm Names**

The Board was presented with a draft of proposed Rule changes, as well as comments from Board Member Gabe Roberts. The Board will further review at the meeting in July, 2017, and will provide feedback to the Legal team in the interim.

### **EXECUTIVE COMMITTEE—DON ROYSTON, COMMITTEE CHAIR**

#### **FY17 YTD Financial Results**

Discussion included:

- the amount held in reserve by the Board
- the possibility of lowering license renewal fees
- the need to replace aging equipment
- the benefits and costs associated with Alternate Work Schedules
- the desire for Board staff to share ideas on improving operations

#### **Travel Report**

The Board reviewed details of travel by the Executive Director.

#### **Evolution of Peer Review Administration DRAFT Response Letter**

**MOTION** and second to approve the Board's response to the AICPA's Proposed Evolution of Peer Review Administration. Motion unanimously passed.

### **ENFORCEMENT COMMITTEE—KEVIN MONROE, ACTING COMMITTEE CHAIR**

The committee presented an overview of the revised Legal Report, noting all amendments made by the Committee.

- Item #9 was revised to remove erroneous language not affecting the outcome of the recommended action
- Item #24 revised to change the Civil Penalty amount to \$5,000.00
- Item # 26 was revised to authorize a formal hearing or payment of a Civil Penalty of \$3,000.00 with a signed consent order
- Item # 28 was modified to deny the applicant's request for an informal conference.



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**MOTION** and second to approve Legal's recommendations for items 1-10 and 12-28 as presented on the revised legal report. Motion unanimously passed.

**MOTION** and second to approve Legal's recommendation for item #11 as presented on the revised legal report. Motion unanimously passed, with Mr. Watkins recused.

## **LEGISLATIVE UPDATE**

Ms. Goldstein informed the Board of the progress of certain Legislative matters, including:

- HB0326/SB1217—Administrative Procedure
- HB0775/SB1083—Fees
- Various Bills addressing the Professional Privilege Tax
- HB0566/SB0449—Professions and Occupations

## **OLD BUSINESS**

### **Accountancy Licensee Database (ALD) – Disciplinary Data**

The Board heard information regarding the types of discipline to be reported to the database. The Board was presented with a listing of violations, separated into two categories:

#### **Category 1 - Violations that would require a flag on the ALD**

Failure to follow applicable standards in the performance of services  
Failure to comply with peer review requirements (enrollment, timely peer review etc.)  
Failure to exercise due professional care  
Felony conviction  
Dishonesty, fraud or gross negligence  
Divulging confidential information  
Conduct reflecting adversely upon the licensee's fitness to perform services  
Discreditable Acts  
Independence Violations  
Conduct unbecoming of a professional  
Failure to comply with a consent order  
Practicing on a revoked license  
Failure to return client records  
Failure to File Personal Income Tax  
Gross Negligence in Performance of Services  
Breached Fiduciary Responsibility  
Sanctioned by IRS, SEC etc.  
Fiscal Dishonesty  
Failure to maintain client records  
Misappropriated Funds  
Party to a Ponzi scheme  
Violation of AICPA Code of Conduct



Practicing without a proper license or permit, practicing on an expired or revoked license (if it resulted in a license status change)

Performing attest services without being properly licensed (if it resulted in a license status change).

Failure to pay child support or default on student loans (License is automatically suspended in these situations)

#### Category 2 - No flag needed on the ALD, but typically included by other states

Failure to register firm

Failure to comply with continuing education

Failure to respond to CPE audit or other notice

Issuing attest work without a firm permit (if the result did not include a license status change)

Failure to renew license while still practicing

Failure to Pay Professional Privilege Tax

Failure to report involvement in civil suit

Offering services on an expired license or permit

Discussion included:

- Whether the database is currently available to the public
- The length of time the discipline flag would remain associated with the license
- Whether the discipline noted will be historical, or added going forward
- Tennessee is the only state that has not yet authorized the use of disciplinary flags

**MOTION** and second to proceed with the inclusion of those violations listed in Category 1 to be reported to the ALD. Motion passed by majority vote.

**MOTION** and second to exclude those violations listed in Category 2. Motion passed by majority vote.

Mr. Elmore requested a re-vote to clarify his position.

**MOTION** and second to withdraw the previous vote regarding violations listed in Category 1, above. Motion passed by majority vote.

**MOTION** and second to proceed with the inclusion of those violations listed in Category 1 to be reported to the ALD. Motion passed by majority vote.

#### State-Specific Ethics

The State will enter a Memorandum of Understanding with the TSCPA, which will present the state ethics course materials to the Board. TSCPA is developing a pricing strategy for the course, and will have a finalized product for the Board to be presented at the July 2017 meeting.



### **Fictitious Firm Name Clarification Project**

This topic was addressed earlier in the meeting and will be discussed further at the July 2017 meeting.

### **NEW BUSINESS**

The Board will elect officers at the meeting in July.

The Department of Human Resources has approved the hiring of new Investigator Sharon Waugh. Ms. Waugh will join the staff on May 22<sup>nd</sup>.

Chairman Don Royston was presented with plaque commemorating his last meeting as a member of the Board. Members expressed their admiration and respect for Mr. Royston.

### **ADJOURN**

With no further business before the Board, the meeting was adjourned at 11:33am.

Casey M. Stuart  
Chairman

D. Royston  
Secretary