



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
TENNESSEE BOARD OF ACCOUNTANCY
500 James Robertson Parkway
Davy Crockett Tower
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Program Website: <https://www.tn.gov/commerce/section/accountancy>

A meeting of the Tennessee State Board of Accountancy was held on Monday, January 28, 2019 at Davy Crockett Tower, 500 James Robertson Parkway in Conference Room 1B

MEMBERS PRESENT

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

LEGAL COUNSEL

Sara Page, Assistant General Counsel
Maria Bush, Assistant General Counsel
Anthony Glandorf, Chief Counsel, Regulatory Boards & Consumer Affairs

STAFF

Wendy Garvin, Executive Director
Shari Waugh, Investigator
Karen Condon, Board Staff

MEMBERS ABSENT

Gabe Roberts

OTHERS PRESENT

Richard Hill, CPA, TSCPA Peer Review Committee
Brad Floyd, TSCPA
Kara Fitzgerald, TSCPA
Katie Cheek, TSCPA
Bob Weatherly, TSCPA Peer Review Committee

CALL TO ORDER – Casey Stuart, Chair

Public Disclaimer and Roll-call

The meeting date, time, location, and agenda were posted to the Board’s website on January 25, 2019.

Members made their presence known by roll call; Mr. Roberts was absent and Dr. Church was present via phone. Ms. Booker-Davis would be arriving late, and a quorum was established.

Announcements

Mr. Roberts has been appointed By Governor Lee as Director of TennCare; the Board congratulated him on the appointment. The Board is not yet sure how or if this appointment will affect his service on the Board. Mr. Stuart reminded members to speak into the microphone for proper recording of the meeting.

Adopt Robert’s Rules of Order

Motion and second to adopt Robert’s Rules of Order. Motion unanimously passed by roll call vote.

Review and Adopt Agenda

No deletions or additions were suggested for the agenda.

Motion and second to approve the agenda as presented. Motion unanimously passed by roll call vote.

Ms. Booker-Davis arrived 12:04.

APPROVAL OF MEETING MINUTES

No deletions or additions were suggested for the minutes of the October 23, 2019 Regular Meeting

Motion and second to approve the minutes as presented. Motion unanimously passed by roll call vote.

DIRECTOR'S REPORT – Wendy Garvin, Executive Director

Director Garvin presented an overview of the report as provided to board members.

Motion and second to approve the proposed meeting date of May 5, 2020. Motion unanimously passed by roll call vote.

Mr. Glandorf introduced the Board's new legal counsel, Maria Bush. Sara Page is leaving the Department to become the attorney for Rutherford County schools. The Board welcomed Ms. Bush and wished Ms. Page success in her new role.

AICPA PEER REVIEW PROGRAM PRESENTATION – Richard Hill, CPA

Mr. Hill presented an overview of the AICPA Peer Review Program. Mr. Hill is a peer reviewer, serves on the TSCPA Review Committee and is a prior member of the AICPA Peer Review Board

Discussion included:

- The program is evenly divided between system peer reviews and engagement reviews.
- Identifying firms not properly reporting the types of service performed Firms can be reported if failing two consecutive peer reviews
- A System peer review addresses a firm's system of quality control, not just a review of specific types of engagements.
- Compliance with benchmarks will come out every other year in oversight reports. TSCPA can also provide this information.
- Control steps to identify terminated firms that subsequently enroll as another firm.
- Merging/Dissolving firms complete a form to determine the successor firm.

NASBA BOARD OF DIRECTORS UPDATE AND COMMITTEE REPORTS

Mr. Stuart is a former member of the Board of Directors; Mr. Bonner is the present member elected during the most recent meeting. The Board held the usual breakout sessions by region.

Discussion at the meetings included:

- The 150-hour education requirement and the possibility of reverting to the 120 required hours. A newly-formed NASBA task force is reviewing concerns.
- NASBA met with the PCAOB and represented state boards. By invitation, PCAOB hosted the International Institute on Audit Regulations. Opportunity to exchange ideas and concerns on audit regulation from a national and international perspective. NASBA will meet with AICPA in February to discuss the evolution of the accounting profession. There is still some concern about confusing or misleading titles.
- Concern about a new AICPA Code of Conduct exposure draft (ED) issued by PEEC. The ED related to staff augmentation; arrangements and independence

- NASBA is monitoring the number of Exam applicants; Numbers are down but they are hoping to see an uptick.
- NASBA now outsourcing IT. A long-term agreement with CGI allows them to focus on core systems to advance effectiveness.
- Members were shown a preview of the new CPA audit tool.
- The Government relations committee and the international ethics board are coming to Nashville.

Ms. Wetherbee, who now serves on NASBA's Finance and Administration Committee, reported that NASBA's CFO presented financial statements with intense variance analysis.

Ms. Booker-Davis serves on the Examination Review Board. This group reviews, evaluates and reports on the appropriateness of the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Exam. Members meet several times a year to review field work and approve reports to be presented at NASBA's Eastern Regional meeting.

Dr. Church is a member of the Computer-Based Testing (CBT) Administration Committee. Recent topics discussed by the CBT included:

- Continuous testing and the expected time frame to implement the change.
- International expansion of the exam
- Changes to the login procedures during testing to address some of the difficulties that candidates have with the introductory screens prior to beginning the Exam
- The use of cell phones during exam break periods

Mr. Elmore reported that the Audit Committee recently held a meeting of introduction, with plans to meet three or four times each year.

Director Garvin is a member of the Compliance Assurance Committee, which has held one meeting focused on changes the AICPA Peer Review Board is making to Chapter 3 of the oversight handbook. Committee members were asked to provide feedback which would be submitted as suggestions for changes. The Peer Review Board will meet later in the week to vote on changes to that section.

BOARD COMMITTEE CONSIDERATIONS

Licensing – Larry Elmore, Chair

Exam Conditional Credit Extension Request – Carson

The Board may extend the term of conditional credit upon a showing the credit was lost beyond the applicant's control. Due to a variety of issues, the applicant has lost passing grades for the BEC, FAR, and AUD exams, and lately became aware that the Board may be able to extend credit.

Discussion included:

- Unlike this request, requests for extensions are typically made during the exam time frame
- While sympathetic to the applicant's situation, the Board felt too much time had passed since the exam process was started, with the most recent exam having expired on 9/30/17
- The applicant has not tested on current standards; the exam has changed too much in the interim.

Motion and second to deny the applicant's request for exam extension. Motion unanimously passed by roll call vote.

It was noted that an applicant's ability to request an extension is listed in the Accountancy Rules which are accessible via the Board's website.

Exam Review Board Survey

The Board is asked to respond to a survey about the Exam for the Exam Review Board. All Board members have received the request, and some have individually responded. Director Garvin will accept input for her response to NASBA.

Enforcement – Kevin Monroe, Acting Chair

Complaint Numbers

Board members were provided with an overview of types of complaints received. Many of the complaints stem from CPE and peer review violations. Ms. Page was asked for clarification of peer review discipline.

In reviewing complaints related to peer review violations, the current legal report reflects the assessment of smaller civil penalties coupled with more stringent peer review requirements. A tiered penalty structure would take into account the number of engagements in question. The Board must be assured that a firm is not only enrolled but completes the peer review process. Smaller firms may not do many attest services, and must be made aware of requirements.

Legal Report

The Consent Agenda contains cases for which Legal has proposed closure without the assessment of discipline.

Motion and second to accept the recommendations on the consent agenda (items 1-4) as proposed. Motion passed unanimously by roll call vote.

Proposed Discipline, Items 5-15

Motion and second to approve the recommendation for items 5-14 as specified in report. Motion unanimously passed by roll call vote.

Item 15 involved a firm that was terminated from the peer review program for failure to cooperate by receiving consecutive less than Pass peer reviews reports.. Legal has asked the Board to hold a discussion on how it wishes to proceed in cases wherein a Respondent firm is terminated from peer review for consecutive less-than-pass reports.

Discussion included:

- With access to peer review reports, whether the Board will be looking into peer reviews with the intent of determining due-care violations. The Board has the right to review peer review documents and has had discussions about using the reports for this purpose. The Board has in the past taken limited action by requiring affirmation of peer review exemption, and is now more aware of deficiencies.
- Concerns about having the Board's Investigator review past deficiencies. The Board's standards give oversight to the TSCPA and a termination by that body will bring possible action from the Board.
- Opening the peer review information will allow the Board to take fast and considered action.
- Non-cooperation with the peer review program is at issue, with a suggestion of civil penalties of \$2,500-\$3,000 based on past assessments.
- The suggested inclusion of a signed agreement that the firm will no longer provide attest services. Non-cooperating firms may be subject to a monetary penalty for each day in violation.

Motion and second to issue a consent order with a civil penalty of \$2,000 and requiring the Respondent's signed statement agreeing to no longer engage in attest work. Motion unanimously passed by roll call vote.

Re-presentations, Items 16-26

New facts or circumstances have come to light for these items, and Legal has asked the Board for reconsideration.

Motion and second to accept the revised recommendation for item 21. Motion passed by the majority as follows:

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

Motion and second to accept the revised recommendation for item 25. Motion passed by the majority as follows:

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

Motion and second to approve the recommendations for items 16-26 excluding items 21 and 25. Motion unanimously passed with roll call vote.

Ms. Page reported that a Respondent accepted a consent order which included a requirement to re-enroll in the peer review program. The Respondent has since advised via the firm permit renewal that she will no longer offer attest services and has requested exemption from peer review requirements. Legal has issued a modification of that consent order requiring the Respondent to affirm her understanding of peer review requirements. With the Board’s approval, Legal will enter the modified, signed consent order and allow the license renewal to be completed. If the terms of the original consent order are not met, the license will be automatically revoked. The Board desired more information about the matter.

Motion and second to extend the due date of consent order for this Respondent to allow review of the case at the May meeting. Motion unanimously passed with roll call vote.

Law and Rules – Gay Moon, Chair

Continuous Testing – Draft Model Rule and Proposed Rule Change

The proposed change eliminates testing windows, establishing continuous testing. This change will allow the CPA candidate to re-take a failed section upon receipt of their grades. The previous one-month period between exam windows was intended to give CPA Examination Services (CPAES) time to refresh exam, which will now be continually updated.

Proposed changes to Accountancy Rule 0020-01-.06 would:

- Eliminate the language “six (6), 3-month cycles”, referencing instead a time period of 18 months from the date the exam was taken.

- Change language to reflect “required test sections” rather than “all four test sections”. This will alleviate the need to further revise the Rule if the structure of the exam is changed.
- Eliminate subsection (a)(2)(A) if continuous testing becomes effective.

Ms. Garvin invited members to submit suggestions for a response to the Draft Model Rule.

Mr. Eldridge noted that NASBA has asked for feedback to the Uniform Accountancy Committee (UAA) regarding continuous testing. Mr. Stuart asked that Director Garvin notify NASBA of the Board’s support of the issue.

Executive – Casey Stuart, Chair

FY19 YTD Financial Results

Director Garvin provided an overview, answering questions about the increase to cost backs charged to the Board. This is largely the result of several factors, including:

- legal services being more closely tracked for each Board,
- the cost of the Board’s use of the customer service department, and
- the assessment of IT services

Travel

The Board reviewed details of recent travel by the Director and Investigator.

LEGISLATIVE UPDATE

There are no current items to report.

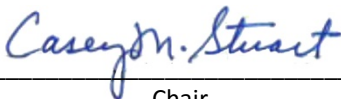
OLD BUSINESS

Mr. Bonner proposed adding information to the Board’s website regarding the illegality of using the CGMA designation without holding a CPA license. Mr. Stuart requested Director Garvin to place language on the website to clarify that any designation using the word “accountant” is a violation for non-CPAs. Also consider adding to the newsletter and/or submit for inclusion in Tennessee Society of CPAs publications.

NEW BUSINESS

Mr. Stuart suggested holding election of officers at the May, 2019 meeting, as it will be his last meeting with the Board.

ADJOURN



Chair



Secretary