

MEMBERS PRESENT

Kevin Monroe, Chair
Gay Moon, Secretary
Andy Bonner
Janet Booker-Davis
Larry Elmore
Greg Gilbert
Trey Watkins
Judy Wetherbee

MEMBERS PRESENT VIA PHONE

Stephen Eldridge, Vice-Chair
Todd Skelton

MEMBERS ABSENT

Pamela Church

LEGAL COUNSEL

Maria Bush, Assistant General Counsel, Regulatory Boards
Stuart Huffman, Assistant General Counsel, Regulatory Boards

STAFF

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

OTHERS PRESENT

Tracy Wright, Applicant
Brad Floyd, TSCPA

CALL TO ORDER –Kevin Monroe, Chairman

Public Disclaimer and Roll-call

Chairman Monroe called the meeting to order at 8:30am, and announced that the meeting date, time, and location had been properly noticed on the Board's website on January 21, 2020.

Members made their presence known by roll call and a quorum was established.

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

Motion and second to adopt the meeting agenda. Motion unanimously passed by roll call vote.

Introduction – Toby Compton, TDCI Assistant Commissioner, Regulatory Boards

Mr. Compton will address the Board if available.

APPROVAL OF MEETING MINUTES

Motion and second to approve the minutes of the October 24, 2019 regular meeting. Motion unanimously passed by roll call vote.

EXECUTIVE DIRECTOR'S REPORT – Wendy Garvin, Executive Director

Director Garvin presented the report (attached).

Motion and second to approve the proposed meeting date of May 4, 2021. Motion unanimously passed by roll call vote.

REINSTATEMENT APPLICATION PRESENTATION

Revoked license – Tracy Wright

Ms. Wright was present to address the Board and answer questions. The Board considered the applicant’s activities since the license revocation and her efforts to reinstate.

Motion to consider reinstatement application. With no second, the motion failed. No further motions were made, and the reinstatement was not approved.

REINSTATEMENT APPLICATION EVALUATION

Bradford Jones and Jones & Associates CPA, PLLC, have submitted applications to reinstate a revoked CPA license and firm permit.

Motion and second to approve the acceptance of his application and the firm’s application for presentation of the reinstatement applications at the May 2020 meeting. Motion passed by majority vote as follows:

Andy Bonner	aye
Janet Booker-Davis	aye
Stephen Eldridge	aye
Larry Elmore	aye
Greg Gilbert	aye
Kevin Monroe	aye
Gay Moon	aye
Todd Skelton	aye
Trey Watkins	aye
Judy Wetherbee	nay

Motion and second to request Mr. Jones to appear at the May meeting. Motion unanimously passed by roll call vote.

NASBA UPDATES

Members informed the Board of recent activities within the NASBA Board and its committees.

NASBA Board of Directors | Andy Bonner

Audit Committee | Larry Elmore

Audit Committee | Judy Wetherbee

Examination Review Board | Janet Booker-Davis

Computer-Based Testing (CBT) Administration Committee | Dr. Pam Church (comments provided via email to Director Garvin)

BOARD COMMITTEE REPORTS

Licensing – Gay Moon, Chair

Ms. Moon reported that the Committee had opportunity to question staff and legal counsel regarding the presentation of reinstatement applications for Mr. Jones and Ms. Wright. The Committee also heard an update for the implementation of the continuous testing rule, which became effective on January 15, 2020. Kara Fitzgerald of TSCPA also addressed the Committee

regarding a planned fee increase for the state ethics course. There were no action items for the committee.

Enforcement – Andy Bonner, Chair

Case and Complaint Report

The Committee discussed a report of the status of those open complaints not appearing on the legal report as of January 15, 2020.

Legal Report

The Committee reviewed the details of 26 cases and voted to change the recommendations for discipline as needed. No changes were made to the consent agenda (items 1-7).

Motion and second for approval of the recommended actions for items 1-7 of the consent agenda. Motion unanimously passed by roll call vote.

The Committee recommended the following changes to items with proposed discipline.

- Item 13—amended to add a civil penalty of \$750.00
- Item 15—amended to increase the civil penalty to \$1,000.00 for each of the two violations
- Item 19—amended to correct the date cited, and to change the language to reflect that a lower penalty is recommended due to the cooperation by the Respondent
- Item 20—amended to increase the total civil penalty to \$2,250.00
- Item 22—amended to clarify that the complaint was opened by the board based on notice provided by the Comptroller’s office

Motion and second for approval of the recommended discipline for items 8-22 on the legal report as revised.

Motion revised and seconded for approval of the recommended discipline for items 8-21 on the legal report as revised. Motion unanimously passed by roll call vote.

Motion and second for approval of the recommended discipline for item 22 on the legal report as revised. Motion unanimously passed by roll call vote.

Motion and second for approval of the recommended actions for items 23-26 on the legal report. Motion unanimously passed by roll call vote.

Request to lift probation – Breard

Mr. Breard requested his current CPA license status of Probation be changed to Active, having satisfied the conditions of the consent order.

Motion and second to approve the request. Motion unanimously passed by roll call vote. Mr. Skelton had been briefly disconnected from the meeting and was not able to vote on this motion.

Law and Rules – Janet Booker-Davis, Chair

Policy revisions

Legal and Board staff review of the Board’s Policy Statements revealed statements that were outdated, and others that were addressed by current law or rule. The Committee reviewed proposed changes to the Policy Statements (attached).

Motion and second to approve the suggested revisions, amended to require a minimum of 10% of active licensees to undergo CPE audit during each renewal period. Motion unanimously passed by roll call vote.

Executive – Kevin Monroe, Chair

The Committee reviewed the year-to-date financial results for Fiscal Year 2020 (attached) and Director Garvin provided a summary of the materials provided.

LEGISLATIVE UPDATE – Maria Bush, Legal Counsel

Ms. Bush reported that Senate Bill 1692 has been introduced to extend the Board’s Sunset provisions to June 30, 2026. The continuous testing rule was passed and effective January 15, 2020.

OLD BUSINESS

No old business was reported.

NEW BUSINESS

CPA Exam - Practice Analysis Exposure Draft

AICPA Board of Examiners has released an exposure draft related to the CPA exam. This project is running concurrently with, but separate from, the CPA Evolution project. A 2019 practice analysis was used to determine the current status of the profession and what is needed for new CPAs to be successful. The exposure draft detailing changes to the exam has been shared with Boards of Accountancy and the community with an invitation to comment. Director Garvin will send a summary to Board members, highlighting areas for consideration.

ADJOURN

The meeting adjourned at 11:10am.



Chair



Secretary

**Tennessee State Board of Accountancy
EXECUTIVE DIRECTOR'S REPORT
January 28, 2020**

FUTURE MEETING DATES

Tuesday May 5, 2020
Tuesday July 28, 2020
Tuesday Oct 20, 2020
Tuesday Jan 26, 2021
Tuesday May 4, 2021 - proposed

NASBA MEETINGS

NASBA Annual Meeting

Chairman Monroe, Andy Bonner, Larry Elmore, Greg Gilbert and I attended NASBA's 112th Annual Meeting in Boston, MA from Oct. 27-30, 2019. Topics included a report from the NASBA chair, PCAOB update, pipeline trends, UAA issues, relevant court cases, deregulation, increasing relevance, Exam updates and tutorial and the CPA Evolution Project.

Upcoming NASBA Meetings

Executive Director and Legal Conference – March 2020 – Clearwater, FL
Eastern Regional Meeting – June 9-11, 2020 – White Sulphur Springs, WV
Western Regional Meeting – June 2-4, 2020, Colorado Springs, CO
Annual Meeting – Nov 1-4, 2020, San Diego, CA

CPA EVOLUTION PROJECT

A new licensure model has been proposed by NASBA and the AICPA to recognize the rapidly changing skills and competencies the practice of accountancy requires today and will require in the future. Those at the annual meeting heard a presentation on this. Following are some resources to bring you up to speed on the details.

<https://www.evolutionofcpa.org/>

<https://www.journalofaccountancy.com/podcast/new-cpa-licensure-model.html>

NEWSLETTER

The fall/winter newsletter was distributed via email on November 25, 2019. It was also posted to the website homepage.

CPE TRACKER AND AUDIT TOOL

NASBA's new CPE Tracker and Audit Tool launched in May 2019 with the seven (7) states on the original platform, including TN. TSCPA has been working with NASBA to feed over their attendance records to provide some benefit to those who take their courses. While some licensees are enjoying this new tool there have also been problems. These include things such as; login issues, carry-over calculations, data feed issues etc.

This remains a voluntary tool in TN and I would recommend we leave it as voluntary until improvements can be verified.

AICPA BOARD OF EXAMINERS (BOE) – STATE BOARD COMMITTEE

Our committee has not met since our last meeting but I did attend the BOE update call on Nov 18, 2019. We heard updates on the implementation of continuous testing, monitoring of the CPA Evolution Project, financial update (decline of 3.5% of scored sections compared to 2018), international volume is up 13.5%, 2020 budget reflects lower volume, tri-party agreement renewal discussions underway and the current practice analysis.

NASBA COMPLIANCE ASSURANCE COMMITTEE (CAC) – PEER REVIEW OVERSIGHT

I attended the CAC conference call meeting on Dec 9, 2019. This was a short call to update the group on progress of items discussed at the Sept joint meeting with the AICPA.

OUTREACH ACTIVITIES

I attended the following events since our last meeting.

- TSCPA Nashville Chapter Meeting – Nov 12, 2019
- TSCPA Upper Cumberland Chapter Meeting – Nov 13, 2019
- AGA Knoxville Chapter Meeting – Nov 14, 2019
- TSCPA Council Meeting – Nov 15, 2019
- MTSU CPE Day – Dec 5, 2019
- Lipscomb Accounting Conference – Dec 12, 2019
- TSCPA Memphis Chapter Meeting – Jan 21, 2020
- TSCPA West TN Chapter Meeting – Jan 22, 2020

EXAM RESULTS

Attached are the 2019 Q4 CPA Exam results for Tennessee, as well as the overall statistics and rankings for comparison purposes.

PERFORMANCE METRICS

Numbers are taken for Nov and Dec 2019 Customer Focused Government (CFG) Report

	Nov 2018	Nov 2019	Dec 2018	Dec 2019
Average Number of Days to License (Goal is equal to or less than the prior year)	6.77	9.0	10.33	7.30
Case & Complaint Performance (Goal is 90% of cases resolved within 180 days)		95.45%		100%
Online Adoption Rate (Goal is 80% across division)		98.46%		100%

Renewals

Odd number licensees and all firms received a renewal notice via US mail in early November. Renewal notices and reminders were also sent via email on Nov 13, Dec 16 and Jan 22. On Jan 31, 2020, all licensees in Expired-Grace status will incur a \$100 late fee. Renewal statistics are as follows.

As of January 17, 2020					
CPAs	2020	2019	Firms	2020	2019
Renewed Licenses	6695	7204	Renewed Licenses	1709	1734
Expired Grace	1329	652	Expired Grace	135	159

NEW LICENSES ISSUED

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017 Total
Individual Licenses	162	148	126	145	581
Firm Permits	23	15	20	14	72

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	
Individual Licenses	129	148	185	146	608
Firm Permits	21	4	30	22	77

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019 Total
Individual Licenses	127	163	178	198	666
Firm Permits	16	16	12	13	57

LICENSING – OVERALL POPULATION

	Individual CPAs				
	Dec 2018	Mar 2019	Jun 2019	Sept 2019	Dec 2019
Active	11613	11124	11207	11358	10548
Closed	3528	3569	3618	3632	3684
Expired License	2761	2750	2744	2941	2925
Inactive	4344	4264	4397	4415	3673
Retired 65	1067	1067	1064	1063	1062
Expired Grace	0	310	205	0	1735
Revoked	68	72	72	73	73
Retired	113	113	113	113	92
Disabled	51	51	51	45	37
Suspended	6	4	6	4	5
Active Military	2	4	4	5	5
Probation	0	0	2	3	2

	Firms				
	Dec 2018	Mar 2019	Jun 2019	Sept 2019	Dec 2019
Active	1902	1828	1862	1874	1585
Closed	2331	2369	2379	2380	2408
Expired Grace	0	54	0	0	275
Expired License	290	287	313	311	309
Revoked	21	22	22	23	23
Probation	0	0	0	0	0

CPA Exam Performance Summary: 2019 Q-4

Tennessee

Overall Performance

Unique Candidates	818
New Candidates	213
Total Sections	967
Passing 4th Section	105
Sections / Candidates	1.18
Pass Rate	51.81%
Average Score	71.78

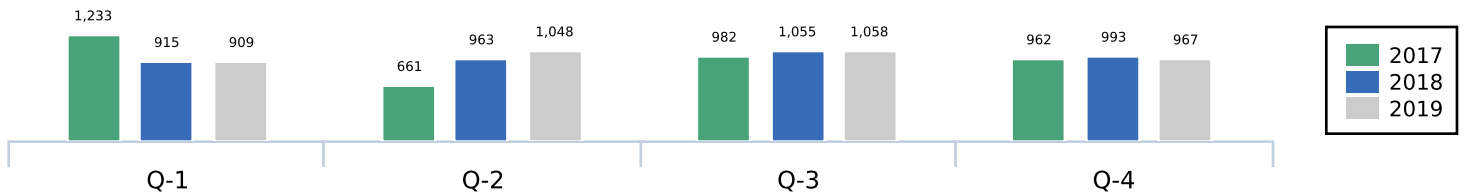
Section Performance

	Sections	Score	% Pass
First-Time	261	71.46	54.02%
Re-Exam	703	71.87	50.92%
AUD	266	73.10	55.64%
BEC	228	74.22	53.07%
FAR	257	67.62	43.58%
REG	216	72.52	55.56%

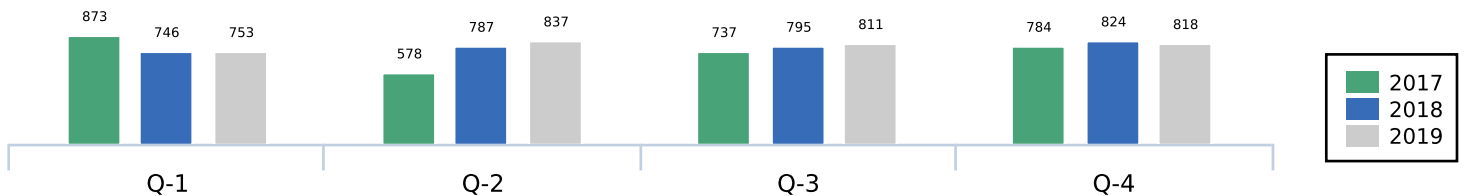
Jurisdiction Ranking

Candidates	16	Sections	17
Pass Rate	19	Avg Score	21

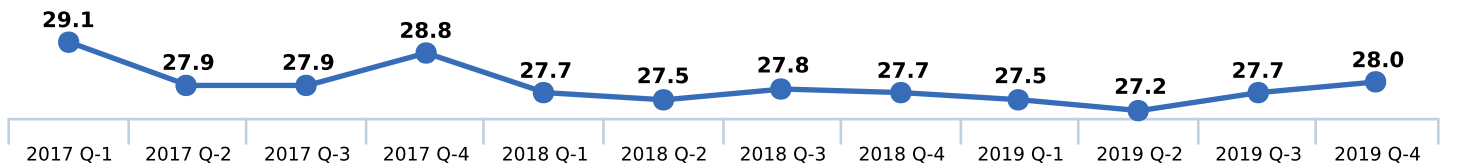
Sections



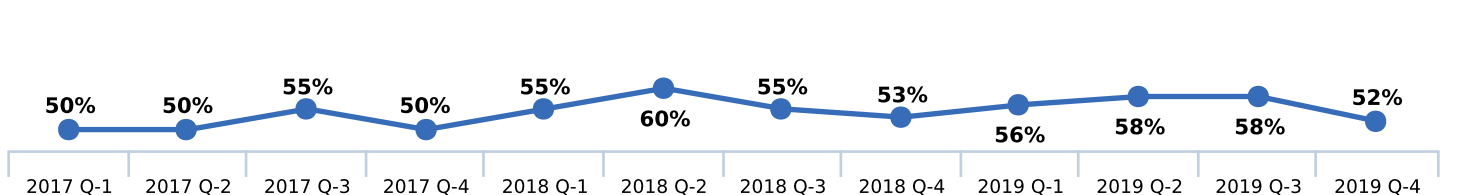
Candidates



Average Age



% Pass



CPA Exam Performance Summary: 2019 Q-4

Tennessee

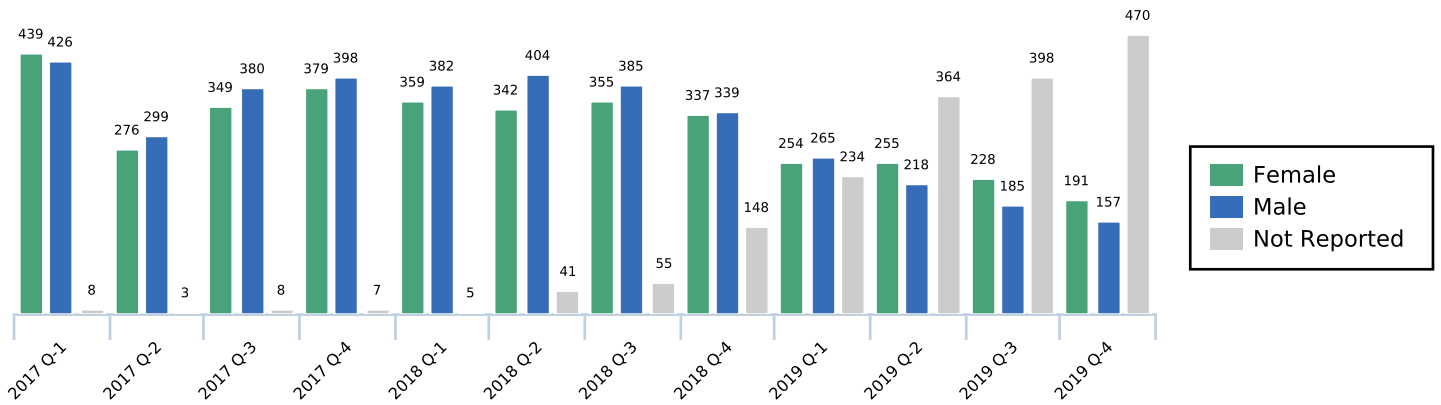
Degree Type

	Candidates	% Total
Bachelor's Degree	637	77.9%
Advanced Degree	174	21.3%
Enrolled / Other	7	0.9%

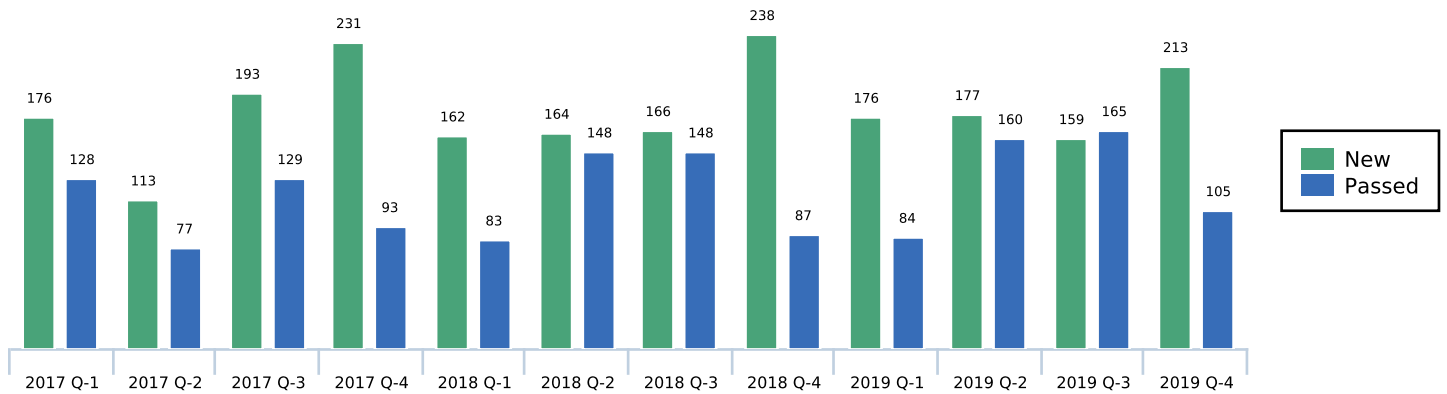
Residency

	Candidates	% Total
In-State Address	665	81.3%
Out-of-State Address	144	17.6%
Foreign Address	9	1.1%

Gender



New Candidates vs Candidates Passing 4th Section



Notes:

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
 2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
 3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.
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CPA Exam Performance Summary: 2019 Q-4

Overall

Overall Performance

Unique Candidates	41,114
New Candidates	8,587
Total Sections	51,704
Passing 4th Section	6,412
Sections / Candidates	1.26
Pass Rate	49.97%
Average Score	71.20

Section Performance

	Sections	Score	% Pass
First-Time	13,243	69.39	48.82%
Re-Exam	38,310	71.82	50.37%
AUD	13,574	71.00	47.89%
BEC	11,518	75.48	58.61%
FAR	14,950	67.34	40.57%
REG	11,662	72.14	55.90%

Most Candidates

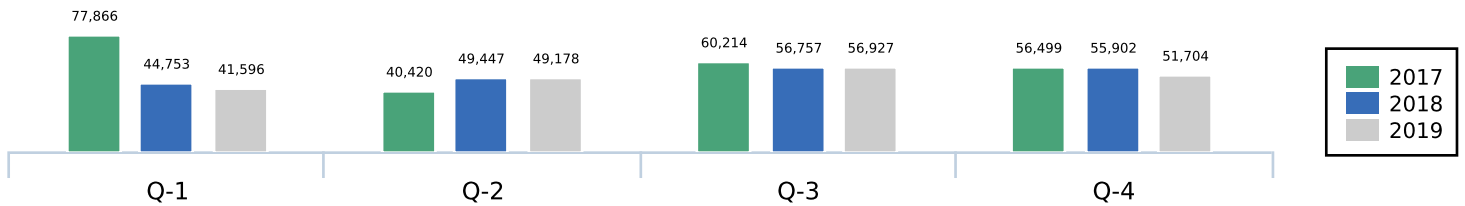
1. California	5,712
2. New York	4,905
3. Texas	2,593

Top 3 Jurisdictions

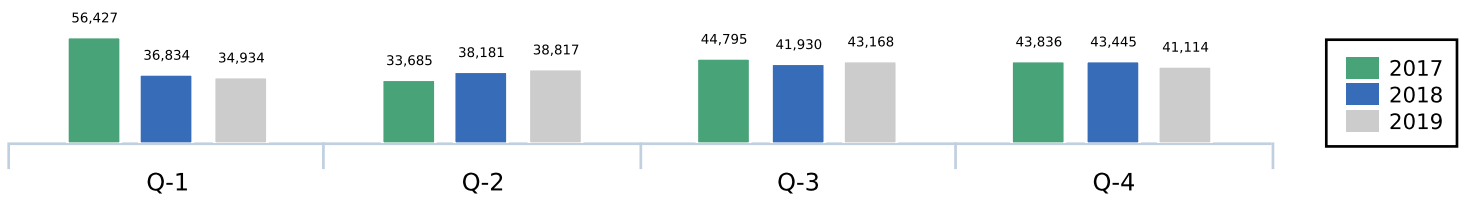
1. Utah	64.78%
2. Iowa	59.25%
3. Nebraska	59.07%

Highest Pass Rate

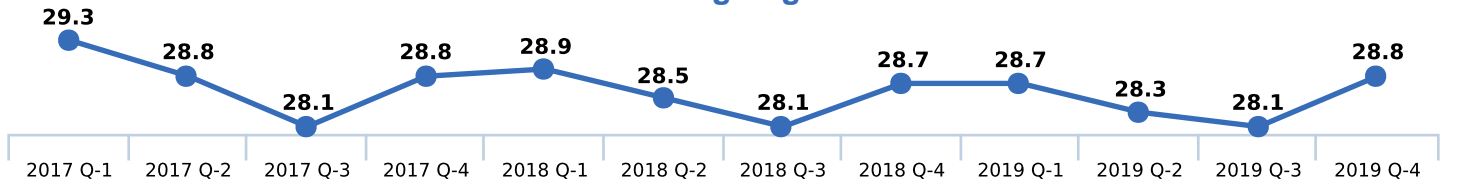
Sections



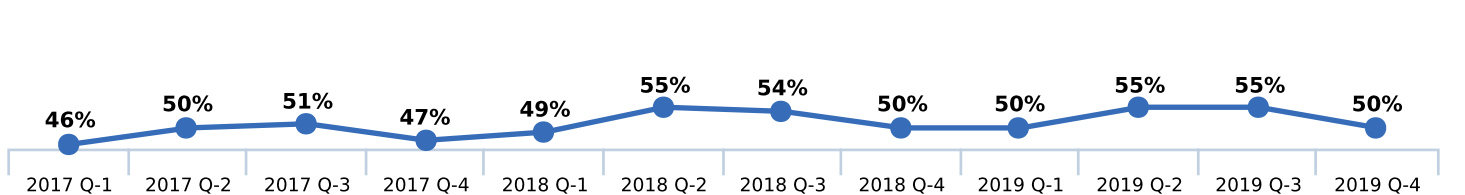
Candidates



Average Age



% Pass



CPA Exam Performance Summary: 2019 Q-4 Overall

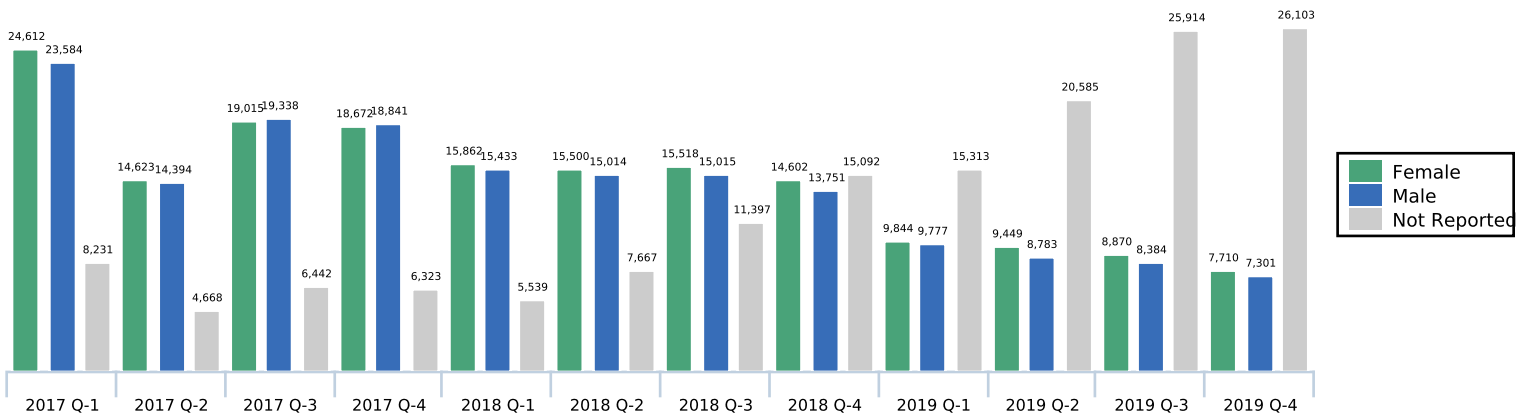
Degree Type

	Candidates	% Total
Bachelor's Degree	29,150	70.9%
Advanced Degree	8,321	20.2%
Enrolled / Other	3,643	8.9%

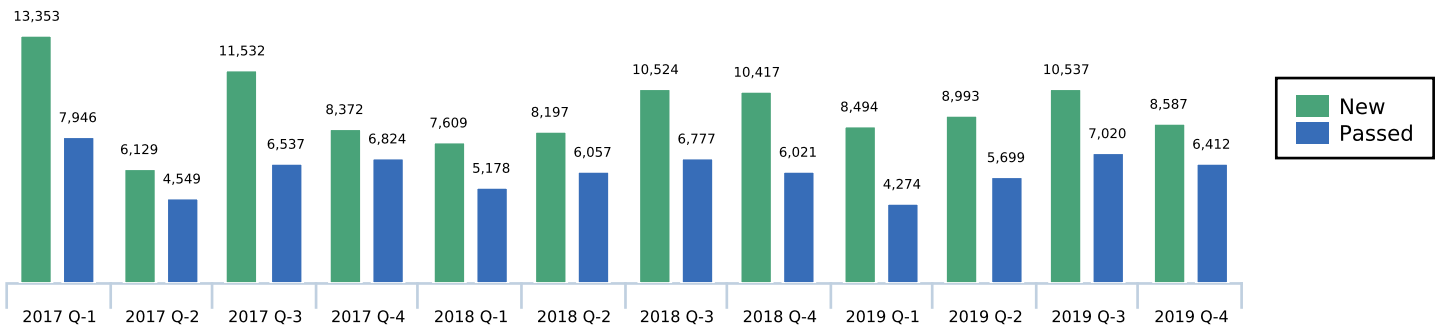
Residency

	Candidates	% Total
In-State Address	30,651	74.55%
Out-of-State Address	6,046	14.71%
Foreign Address	4,417	10.74%

Gender



New Candidates vs Candidates Passing 4th Section



Notes:

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
 2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
 3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.
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Overall Statistics for Testing Window 2019 Q-4

Jurisdiction	Count Candidate	Count Sections	FT Sections	RE Sections	Average Pass Rate	Average Score	Average Age
Alabama	262	325	133	192	50.77%	71.01	28.28
Alaska	1,162	1,456	411	1,042	46.43%	70.90	30.47
Arizona	555	715	163	552	45.03%	70.21	29.21
Arkansas	221	284	80	204	45.77%	71.12	29.53
California	5,712	7,217	2,254	4,941	49.74%	70.49	29.49
Colorado	614	755	165	587	56.29%	73.61	29.44
Connecticut	507	613	168	443	44.21%	69.79	27.46
Delaware	196	251	46	201	47.41%	69.62	31.57
District of Columbia	81	97	28	68	50.52%	70.02	31.39
Florida	1,605	1,967	449	1,509	54.25%	73.00	29.72
Georgia	1,140	1,418	368	1,046	51.06%	71.17	28.96
Guam	1,096	1,615	610	1,000	45.57%	69.24	30.61
Hawaii	126	147	52	94	36.73%	67.10	29.44
Idaho	142	168	72	96	50.60%	72.70	30.33
Illinois	1,944	2,438	627	1,806	53.65%	72.60	27.73
Indiana	528	690	149	540	47.68%	70.53	28.07
Iowa	318	427	99	328	59.25%	74.14	26.06
Kansas	126	156	48	108	50.64%	72.22	28.83
Kentucky	399	496	128	367	52.02%	72.01	27.68

Jurisdiction	Count Candidate	Count Sections	FT Sections	RE Sections	Average Pass Rate	Average Score	Average Age
Louisiana	366	446	98	347	46.64%	71.02	29.24
Maine	398	585	168	414	49.57%	69.55	31.68
Maryland	634	764	164	600	46.73%	70.19	29.17
Massachusetts	1,166	1,469	339	1,127	54.12%	73.07	26.50
Michigan	977	1,215	296	919	53.66%	72.85	27.75
Minnesota	683	886	276	603	51.92%	71.87	26.46
Mississippi	187	229	65	164	43.23%	68.48	27.99
Missouri	459	575	144	430	57.57%	73.19	27.28
Montana	363	543	218	324	45.67%	70.23	28.73
Nebraska	165	215	41	173	59.07%	74.21	27.77
Nevada	207	254	86	162	54.33%	73.06	29.55
New Hampshire	495	623	84	536	40.29%	68.76	31.77
New Jersey	1,216	1,450	335	1,112	41.10%	67.46	28.28
New Mexico	139	169	29	139	43.79%	69.63	33.60
New York	4,905	6,058	1,240	4,801	48.56%	71.06	27.57
North Carolina	769	985	253	727	50.25%	71.73	28.37
North Dakota	152	215	55	160	52.09%	71.50	28.32
Ohio	1,050	1,331	434	891	50.64%	71.31	27.18
Oklahoma	308	390	114	276	46.67%	70.08	31.51
Oregon	355	478	166	311	52.51%	72.24	29.98

Jurisdiction	Count Candidate	Count Sections	FT Sections	RE Sections	Average Pass Rate	Average Score	Average Age
Pennsylvania	1,576	1,905	451	1,449	47.82%	70.60	27.33
Puerto Rico	308	334	80	253	35.93%	63.89	28.80
Rhode Island	81	98	22	75	42.86%	68.61	27.84
South Carolina	230	286	44	239	50.35%	71.92	28.80
South Dakota	59	74	13	60	51.35%	71.11	27.73
Tennessee	818	967	261	703	51.81%	71.78	28.04
Texas	2,593	3,256	386	2,867	50.40%	71.40	30.44
Utah	327	406	163	241	64.78%	76.71	29.19
Vermont	147	216	85	131	43.06%	66.14	27.66
Virginia	1,264	1,552	426	1,119	53.93%	72.51	29.40
Washington	1,276	1,648	413	1,231	52.49%	72.10	30.38
West Virginia	94	114	28	86	40.35%	68.19	29.01
Wisconsin	572	685	198	486	56.50%	73.60	26.26
Wyoming	41	48	18	30	52.08%	72.29	29.43



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
OFFICE OF LEGAL COUNSEL
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243
PHONE: (615) 741-3072
FAX: (615) 532-4750**

TO: TENNESSEE STATE BOARD OF ACCOUNTANCY

FROM: Maria Bush, Assistant General Counsel

SUBJECT: January 2020 Legal Report

DATE: January 28, 2019

CONSENT AGENDA

- 1. 2019074731 (MB)**
First Licensed: 02/24/1998
Expiration: 12/31/2021
Type of License: Certified Public Accountant
History: 2014 – One complaint closed with \$1,000 civil penalty for failure to respond to CPE audit.

A complaint was filed by a former client alleging that the Respondent failed to exercise due professional care in the completion of tax returns and was grossly negligent in the provision of services. The Complainant engaged the Respondent to prepare and file delinquent tax returns for tax years 2012-2016. She later engaged the Respondent to complete both her 2017 and 2018 tax returns. The Respondent filed extensions for the 2016, 2017 and 2018 tax returns. However, the completed tax returns were never filed for any of the tax years covered under the engagement.

The complaint also references a fee dispute which is outside the purview of the Board.

According to the Respondent, he made multiple attempts over a three-year period to obtain the necessary information to meet due diligence requirements for the preparation of the returns, but never received the information in an acceptable format.

An investigation was completed. Additional documentation was provided by both parties. Numerous email chains were provided evidencing the engagement and all tax documentation exchanged was done electronically. There is no evidence that the Complainant provided hardcopy documents to the Respondent.

The correspondence provided supports the claims of the Respondent. Information was not provided until multiple requests were made by the Respondent. Information provided by the Complainant supporting tax deductions were in the form of bank and credit card transaction downloads that were not categorized or summarized for use by the Respondent. While more diligent follow-up and

instruction by the Respondent may have resulted in a more favorable outcome for the engagement, it appears that the primary drivers of the dysfunction were the Complainant's failure to provide accurate accounting records and exercise diligence in ensuring that the proper information was provided to the Respondent.

It is also important to note that the Complainant filed a complaint with the Tennessee Division of Consumer Affairs regarding the same matter. A copy of the final decision by the Consumer Affairs Division was forwarded to the Board communicating that the matter had been closed with no action.

Recommendation: Close.

Committee Recommendation:

Board Decision:

2. **2019075431 (SH)**
First Licensed: 03/13/1995
Expiration: 12/31/2020
Type of License: Registered Accounting Firm
History: None.

Respondent self-reported an Order issued by the SEC in which the Respondent was censured and fined for violation of the Commission's independence rules. The censure was due to deficiencies in Respondent's quality control around auditor independence, including certain procedures, systems, and training, between 2014 and 2015. This resulted in the firm's failure to identify and avoid prohibited non-audit services and a prohibited employment relationship as to at least 15 audit clients over that time period.

Respondent represented that it was "independent" in audit reports issued on the clients' financial statements, which were included or incorporated by reference in public filings with the Commission or provided to private fund investors for the purpose of complying with the Custody Rule. By doing so, Respondent violated Rule 2-02(b)(1) of Regulation S-X and caused its clients' violations of Section 17(a)(1) of the Exchange Act. Respondent's conduct also constituted improper professional conduct pursuant to Section 4C of the Exchange Act. The SEC Order does state there was no evidence supporting the willful violation of independence rules by the Respondent.

A complaint was opened by the Board to determine if the violations noted in the SEC Order extended to work performed by Tennessee offices and if any Tennessee clients were involved.

Based on a review of the Order and correspondence with the Respondent, it appears that no Tennessee offices, individual licensees or clients were involved in the independence violations cited in the Order.

Recommendation: Send Letter of Caution reminding the firm to comply with the independence rule and professional standards.

Committee Recommendation:

Board Decision:

3. **2019086841 (MB)**
First Licensed: 01/01/1993
Expiration: 12/31/2020
Type of License: Registered Accounting Firm
History: None.

A complaint was filed by a former client against the Respondent alleging that the Respondent failed to exercise due professional care in the completion of tax returns. The Complainant states that information was provided to the Respondent at the end of January to complete the 2018 individual and business tax returns. The Complainant also states that the firm was informed of their desire to file the tax returns by the April deadline. Despite this, all returns were placed on extension. When the Complainant made an inquiry about the status of the returns in June 2019, the Respondent had not commenced work on the returns and services were terminated by the Complainant.

Per the Respondent, the returns were not filed because the client had not provided the information necessary to accurately complete the returns. Information provided by the Complainant from their QuickBooks Online account showed large negative cash balances. It was clear that there were errors in the records but the Complainant maintained that all 2018 transactions were entered and reconciled for their businesses and would not agree to review their records. Since the Complainant was fee sensitive, it was not practical to request firm personnel to review the data and find the errors in the accounting records. The Respondent also states that the Complainant had not paid for services performed for previous tax years but full payment was received after the complaint was filed and the 2018 engagement was terminated.

The Investigator interviewed both the Complainant and Respondent and reviewed correspondence provided by both parties. Based on the review, it appears that the Respondent exercised due professional care during the course of the engagement. The failure of the firm to file the 2018 tax returns is due to the Complainant's inability to provide reliable accounting information to complete the returns.

Recommendation: Close.

Committee Recommendation:

Board Decision:

4. **2019086721 (MB)**
First Licensed: 01/01/1960
Expiration: 12/31/2016 (Retired)
Type of License: Certified Public Accountant
History: None.

The Respondent has entered into a Settlement Agreement through the Joint Ethics Enforcement Program ("JEEP") for violations of Rule 201 of the General Standards. According to the notification from the AICPA, the Respondent failed to exercise due professional care when resolving an independence issue during a 2012 audit of a public entity.

The Respondent did not actively participate in the engagement in question. The Respondent was in a role with the firm's national office and was asked to provide guidance on a potential independence issue.

The firm's client was a broker-dealer that was a high volume trader. The client did not hold positions in stock long term. Most trades were computer-generated where "buys" and "sells" were immediate and revenues were earned through commissions on those trades. It was discovered in 2012 that the client traded in securities of a company that the firm was associated with through an alternative practice structure.

According to the SEC, the Respondent provided inaccurate guidance to an engagement partner on the audit team. The Respondent misinterpreted Rule 2-01(c)(1)(iv)(A) which provides the following guidance.

An accountant is not independent when:

(A) An audit client has, or has agreed to acquire, any direct investment in the accounting firm, such as stocks, bonds, notes, options, or other securities, or the audit client's officers or directors are record or beneficial owners of more than 5% of the equity securities of the accounting firm.

The Respondent provided guidance to the engagement team that independence was not impaired as long as the client did not trade or hold equity securities in the affiliated company that exceeded 5% of the company's total equity securities. The Commission stated that this interpretation was incorrect and the trade or holding of even one share of stock would constitute an independence impairment based on the rule.

It is important to note that other members of the firm's executive team were consulted in the matter but there is no evidence that consultation was provided by any of these individuals.

The SEC did not sanction or issue discipline against the Respondent. Only the Respondent's firm was disciplined in the matter.

The Respondent agreed that his interpretation was not consistent with the Commission's interpretation resulting in a technical violation of the SEC independence rules. However, there was no actual impairment of independence and the SEC did accept the annual report in question which included the firm's audit opinion. The Respondent feels that no harm was done to the public.

It is also important to note that the Respondent is currently retired from public practice. His license has been in "Retired – Over 65" status since December 28, 2016.

Recommendation: Close.

Committee Recommendation:

Board Decision:

5. **2019091531 (MB)**
First Licensed: 02/19/1986
Expiration: 12/31/2021
Type of License: Certified Public Accountant
History: None.

The Board received a referral from the Virginia Board of Accountancy alleging that the licensee is using the CPA designation without disclosing the "Inactive" status of her Tennessee license.

Respondent listed on her LinkedIn page the CPA designation without the "Inactive" qualifier beside it. Respondent stated that she used CPA without the "Inactive" qualifier on her resume back in 2009 because she was not aware she had to include the word "Inactive". However, she states that she informed the CFO that she was inactive during the course of her interview. Respondent was extremely compliant and states that she will never violate this rule again.

Legal contacted the Respondent and recommended adding "Inactive" next to the CPA designation on LinkedIn. Respondent complied and her LinkedIn page now reflects this information.

Recommendation: Close with a Letter of Warning.

Committee Recommendation:

Board Decision:

6. **2019091431 (MB)**
First Licensed: 03/15/2013
Expiration: 12/31/2020
Type of License: Certified Public Accountant
History:

Respondent affirmed compliance with CPE requirements in order to renew CPA license. This compliance was not substantiated by documents submitted during an audit of CPE credits. Respondent was notified of the deficiency. A total of 11.5 CPE, that includes 8 penalty hours, were assessed. Due to a clerical error, Respondent was not given a due date and he indicated that he assumed the due date would be in his next reporting period.

After receiving notification that he was deficient and past the deadline, Respondent completed the 11.5 CPE hours and submitted the certificates on 1/2/2020.

Recommendation: Close with a Letter of Warning.

Committee Recommendation:

Board Decision:

7. **2019094681 (MB)**
First Licensed: 01/30/2004
Expiration: 12/31/2020
Type of License: Registered Accounting Firm
History: None.

The Board was forwarded a copy of a review report for a Tennessee client from the Mississippi Board of Accountancy. The report was dated 10/30/2019. The Respondent dropped from peer review on 9/22/2019. In addition to the peer review issue, the report did not conform to current guidance and the report was signed by an individual who is not licensed as a CPA in any state. A complaint was opened to review the matter.

The complaint was referred to the Investigator for review. The Respondent denies issuing the report stating that the firm never provided services to the client. The Respondent states that the report signer had been an employee of the firm for a brief period of time but he was in a sales and practice development role. He did not provide professional services to the firm's clients. The Respondent believes the report presented to the Board was fraudulently produced.

The Respondent stated that the firm does not provide attest services. The firm's peer review exemption was affirmed in its latest renewal application.

The Investigator did contact the owner of the business referenced in the review report. The owner states that his company did not engage the Respondent to complete the report and he is not acquainted with the report signer. The owner states that the review opinion letter was created with random information and a signature to hold the place of the required review during assembly and

should have never been submitted. He regrets any problems this may have created for the Respondent.

Recommendation: Close.

Committee Recommendation:

Board Decision:

PROPOSED DISCIPLINE

8. **2019074151 (MB)**
First Licensed: 02/02/1995
Expiration: 12/31/2021
Type of License: Certified Public Accountant
History: None.

The Tennessee Board for Licensing Contractors received a review report submitted by Respondent and requested license verification. The Respondent holds a CPA license however there is no record of enrollment in a peer review program. The Board opened a complaint against Respondent.

The review is signed and dated by Respondent on June 30, 2019 and has the standard language as required by law.

Respondent indicated that he purchased an existing CPA Firm with a staff already in place in January 2019. The firm was a second location for the previous owners and that firm's administrative functions were handled at their main office. Respondent indicated that the firm deals primarily with taxes and does not perform audits. When Respondent came in to the firm, they were immediately in tax season. Respondent contends that he asked his office administrator to register the new firm and to ensure the firm was registered and enrolled in peer review, which he was assured they were. Respondent takes responsibility for the error because he did not follow up by logging on to the State Board's website to confirm this information was correct.

When Respondent submitted the financial statements for the Contractor client, he was still under the impression that the new firm was registered and fully compliant. When the client received the rejection notice for the license renewal application, Respondent immediately engaged another CPA firm on their behalf to prepare and submit reviewed financial statements for the client. Respondent also immediately began the firm registration process with the Board. Respondent enrolled in peer review on September 24, 2019. Respondent asserts that the firm has not had the occasion to issue other financial statements, and they have retrieved and destroyed the originally issued statements.

Respondent apologizes for the oversight and indicates that he now has periodic dates on his calendar to login, verify his individual information, verify and review the firm's information, and ensure there are no outstanding administrative items that need to be resolved in order to be compliant.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 for peer review violation. Additionally, send a Letter of Warning for not having a firm permit because he immediately obtained after realizing the error.

Committee Recommendation:

Board Decision:

- 9. 2019075161 (MB)**
First Licensed: 01/17/1996
Expiration: 12/31/2020
Type of License: Certified Public Accountant
History: None.

Respondent affirmed compliance with CPE requirements in order to renew CPA license. This compliance was not substantiated by documents submitted during an audit of CPE credits. Respondent was notified of the deficiency. A total of 39 CPE hours, that includes 16 penalty hours, were assessed and Respondent was given a due date of 9/29/2019 for completion. Respondent has failed to submit CPE and has not responded to the complaint issued.

Additionally, Respondent has been contacted by legal and has not responded.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$1,000 and submission of 39 CPE hours for failure to maintain CPE and respond to the Board.

Committee Recommendation:

Board Decision:

- 10. 2019081381 (MB)**
First Licensed: 02/26/2019
Expiration: 12/31/2020
Type of License: Certified Public Accountant
History: None.

A licensee filed a complaint against the Respondent due to concerns arising from the sale of his practice to the Respondent. The Complainant alleges numerous unethical actions by the Respondent during and after the sales transaction was executed. The Complainant alleges that the Respondent altered sales documents after they were signed to his advantage and included a non-compete clause in the final contract that unduly prohibits his ability to secure meaningful employment. The Complainant agreed to the non-compete agreement under the condition that the Respondent employ him and his wife through April 2020. However, the Respondent terminated those services effective June 2019 for no reason per the Complainant.

The Complainant also alleges that the Respondent withheld his personal accounting and business records from his former practice, uses his name in signage and in firm advertising even though he is no longer active with the business, and refuses to forward collections received from clients for work performed by his former practice.

The Respondent denies all allegations made in the complaint.

The investigator interviewed both parties to the complaint and obtained documentation from both regarding the terms of the sales agreement. Many of the allegations made in the complaint could not be substantiated or are outside the Board's purview. Any disagreements related to the sales transaction and execution of the transaction are outside the purview of the Board.

However, there are matters that require the Board's attention and review. After the sales transaction was executed, both parties agreed to amend the terms of sale by reducing the sales price of the practice in exchange for a 5% ownership interest by the Complainant. The application for the firm permit indicated one owner of the firm, which was accurate as of the date of the application. However, the addition of the Complainant as a minority owner of the firm was never disclosed to the

Board in violation of Rule 0020-01-.12. In addition, the Respondent changed the firm name with the Secretary of State approximately 30 days after the firm permit was issued but never submitted that name change to the Board for approval. The name was changed to include the Complainant's name in the firm name.

The Board also needs to consider a possible violation of Rule 020-03-.14(1) related to deceptive advertising. At the end of June 2019, the Complainant parted ways with the firm and is no longer an active member. He does still retain the 5% ownership interest in the firm. The Complainant's name remains on signage on the door to the office despite his objections and he claims that the Respondent continues to inform clients that he is working at the firm when he is not. There is no evidence that all clients have been informed of changes in the Complainant's participation with the firm since the June 2019 changes.

It was also discovered during the investigation that the Respondent's firm website stated that the firm offered audit and review services when the firm was not enrolled in peer review. There is no evidence that actual attest services were completed by the firm and the Respondent has since altered the firm website to remove these services. However, for a period of approximately eight months, the inclusion of those services on the firm's website was misleading to the public.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$500 for failure to communicate change in ownership of the firm to the Board and for failure to submit the firm name change to the Board for approval. Send a Letter of Instruction related to claims of deceptive advertising under Rule 0020-03-.14(1).

Committee Recommendation:

Board Decision:

11. **2019079871 (MB)**
First Licensed: 04/25/2016
Expiration: 12/31/2019 (Closed)
Type of License: Registered Accounting Firm
History: None.

The Respondent's firm issued a review report to the Board of Licensing Contractors in October 2018 and subsequently enrolled in the peer review program. The firm has since been dropped from the program. A certified letter was sent on August 20, 2019 requesting confirmation of peer review enrollment and required a response by September 20, 2019. The letter was returned unclaimed. On October 2, 2019, Respondent requested Board staff terminate the firm permit. Additionally, Respondent's individual CPA license is in expired status.

Respondent indicated that he has no mitigating factors for the lapse in peer review enrollment and will accept the consequences that the Board deems appropriate. Respondent further indicated that he has been suffering from a prolonged illness since July 2019 and has accepted employment with a local manufacturer of fishing equipment. Respondent indicated that he has not performed accounting services since early September 2019.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750.

Committee Recommendation:

Board Decision:

12. **2019085141 (MB)**
First Licensed: 09/17/2015
Expiration: 12/31/2021
Type of License: Certified Public Accountant
History: None.

The Tennessee Board for Licensing Contractors received a review report prepared by Respondent and asked the Board of Accountancy to assist in license verification. Respondent holds a Tennessee CPA license, but does not hold a firm permit. The Board was unable to find record of enrollment in a peer review program.

Respondent indicated that his Tennessee CPA license was transferred from California and that he completed tax returns for the client that approached him to compile a set of financial statements that included a review report. Respondent indicated he was unaware of the requirement to enroll in the peer review program to issue review reports. Respondent apologized for the oversight and indicated that he now knows he must participate in the peer review program to issue such reports.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 and sign an Exemption Form within 30 days.

Committee Recommendation:

Board Decision:

13. **2019088721 (MB)**
First Licensed: 01/01/1993
Expiration: 12/31/2019
Type of License: Registered Accounting Firm
History: None.

The Board was notified that the Respondent dropped from peer review on 8/26/2019. The Board sent a certified letter to the Respondent on 9/20/2019 informing the firm to either re-enroll in an approved peer review program or submit an affidavit for peer review exemption. The Respondent was given 30 days to respond. No action was taken by the Respondent so a complaint was filed by the Board.

The Respondent contacted Board staff on 10/28/2019 stating that he had suffered a stroke during the first week of August 2019 and requested more time to comply with the request. The matter was referred to the Investigator who reached out to the Respondent. Per an email received from the Respondent on December 20, 2019, the last attest report issued by the Respondent was dated October 2019, two months after being dropped from peer review. The Respondent also stated that the firm intends to continue offering attest services.

No further correspondence has been received from the Respondent despite multiple attempts. In the last correspondence, the Respondent stated that he was having surgery on December 27th.

The last peer review completed by the Respondent is for the period ending 2/29/2016. The review report was accepted by the Committee on October 11, 2016. The peer review for the period ending 2/28/2019 was not completed before the firm was dropped.

One previous complaint was filed against the Respondent in 2018 with similar circumstances. The Respondent dropped from peer review in August 2017 and issued a review report in January 2018.

The Board closed the complaint with no action because the Respondent demonstrated an effort to re-enroll before issuing the review report. Re-enrollment was confirmed in March 2018.

Renewal of the Respondent's firm permit is being held by Board staff until the Respondent can demonstrate that he has re-enrolled in peer review or submitted an affidavit for peer review exemption.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order with the following provisions:

- Cease and desist all attest work until the firm is enrolled in an approved peer review program. Failure to do so will result in additional disciplinary action by the Board.
- Respondent re-enroll in peer review and provide proof of an accepted peer review to Board on or before August 30, 2020.

Committee Recommendation:

Board Decision:

14. **2019081261 (MB)**
First Licensed: Unlicensed
Expiration: N/A
Type of License: Certified Public Accountant
History: N/A

Complainant states that Respondent claims to be a CPA per his Facebook page. Complainant states that it was discovered Respondent was not a CPA when he tried to join a local Business Network International Chapter. Currently, Respondent is still listing himself as a CPA on his personal Facebook page.

Respondent has failed to respond to attempts at communication by the Department and legal.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$1,000 for holding out as a CPA without proper licensure.

Committee Recommendation:

Board Decision:

15. **2019086691 (MB)**
First Licensed: 06/14/1994
Expiration: 12/31/2019 (Expired-grace)
Type of License: Certified Public Accountant
History: Letter of Warning issued against individual licensee related to matter involving Rule 0020-3-.03 (Integrity & Objectivity) on February 1, 2011.

- 2019086681**
First Licensed: 3/13/1995
Expiration: 12/31/2020
Type of License: Registered Accounting Firm
History: N/A

The Board received notice from the AICPA that the Respondent's firm has been terminated from the peer review program due to consecutive non-pass reports in system reviews. The Respondent firm received a rating of "Fail" on the last two peer reviews.

The Investigator discussed the matter with the Respondent and reviewed copies of documentation supporting the last peer review, including a transcript of proceedings before the AICPA Hearing Review Panel when the Respondent was terminated from peer review. The Respondent issued reports where financial statements and the accountant's compilation report were not in compliance with current guidance. The Respondent states that the reports were not prepared by him. The reports were prepared and signed by another CPA on staff but issued on the Respondent's letterhead. According to the Respondent, he did not review the reports before they were released or issued stating that the CPA who completed the report had "more experience than him" with attest engagements.

The Respondent did not maintain third party practice aids at the time the peer review was completed to ensure compliance with current standards.

It should also be noted that the Respondent's firm permit was in "Expired" status at the time the complaint was filed but the Respondent has since reinstated the firm permit. The Respondent states that the CPA staff member who completed the reports with deficiencies is no longer employed by the firm and the firm no longer performs attest work. The Respondent filed a Peer Review Exemption form along with his reinstatement application.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 for failure to exercise due professional care in the performance of professional services and \$750 for failure to adequately supervise the performance of professional services by members of his staff.

The Consent Order will also contain the following provisions:

- The firm should remain current on AICPA standards and utilize third party practice aids to ensure compliance with those standards.
- Mandatory participation in the 2018-2019 CPE audit.

Committee Recommendation:

Board Decision:

16. 2019088791 (MB)
First Licensed: 07/31/2007
Expiration: 12/31/2021
Type of License: Certified Public Accountant
History: None.

The Respondent has entered into a Settlement Agreement through the Joint Ethics Enforcement Program ("JEEP") for violations of Rule 201 (Due Professional Care) and Rule 202 (Compliance with Professional Standards) as a result of a sub-standard audit for a not-for-profit college in the state of South Carolina. The Respondent holds a license in the state of South Carolina as well as a firm permit. The Respondent does not hold a Firm permit in the state of Tennessee and we are unaware of any attest work completed by the Respondent in the state of Tennessee.

The Respondent is currently in the process of completing the requirements of the Settlement Agreement which includes additional focused CPE and pre-issuance reviews. The Respondent has met all the CPE requirements stipulated in the agreement. He has not completed all required pre-

issuance reviews at this time. Two of the three pre-issuance reviews have been completed – one for a not-for-profit college and one for a governmental unit. Both pre-issuance reviews yielded multiple deficiencies in reporting and audit workpapers for both entities. It does not appear that the Respondent or his Firm has taken the corrective actions expected by the Committee and we anticipate further action through JEEP to remedy the matter.

The South Carolina State Board of Accountancy was unaware of the settlement agreement through JEEP when we made inquiries but will be reviewing the matter.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order with the requirement that Respondent’s license will be put in a “probationary” status until such time that the Respondent can demonstrate that the requirements of the settlement agreement under JEEP have been satisfied and the Ethics Committee has not placed any additional encumbrances on the Respondent in the performance of attest services.

Committee Recommendation:

Board Decision:

17. **2019085921 (MB)**
First Licensed: 05/02/2016
Expiration: 12/31/2019 (Revoked)
Type of License: Registered Accounting Firm
History: 2017 – One complaint closed and flagged for enrolling in Peer Review while license was in expired-grace status.

2019086031 (MB)
First Licensed: 05/04/2016
Expiration: 12/31/2019 (Expired Grace)
Type of License: Registered Accounting Firm
History: None.

2019086061 (MB)
First Licensed: 10/22/2013
Expiration: 12/31/2019 (Revoked)
Type of License: Certified Public Accountant
History: 2017 – One complaint closed and flagged for due professional care.

2019060961
First Licensed: N/A
Expiration: N/A
Type of License: N/A
History: None.

Complaint #2019060961 was presented to the Board at the October meeting. Board requested that the complaint be placed in monitoring status and requested an investigation. The other complaints have not been previously presented to the Board.

Complaint #2019060961 was opened when the Board became aware of the firm operating a Memphis location without a firm permit. This came to light just after the firm’s owner’s license had been revoked. This was noted via the firm’s website.

The Board opened three additional complaints for holding out as a licensee on a revoked license. One complaint was filed against the individual license and the other two were filed against the owner’s

two other firm locations. These complaints along with the previous complaint were forwarded to the Investigator for review.

The Respondent has expressed a desire to come into compliance with Tennessee Accountancy law and rules. The Investigator met with the Respondent to discuss the requirements to come into compliance with a previously-issued Board Order and for reinstatement of his license and firm permits. As of December 27, 2019, the Respondent has met all the requirements for compliance with the previously-issued Board Order. The Respondent has also been counseled to cease all use of the CPA designation in the firm name, business cards and advertising to the public until all licenses are reinstated and in good standing.

Applications for reinstatement of the Respondent's revoked individual license and firm permit were also received on December 27, 2019. Request for review of the reinstatement applications during the May Board meeting will be presented to the Board at the January meeting.

Recommendation: Keep the complaint in monitoring status for review at the May Board 2020 meeting along with the reinstatement applications.

Committee Recommendation:

Board Decision:

18. **2019091371 (MB)**
 First Licensed: 03/15/2013
 Expiration: 12/31/2020
 Type of License: Certified Public Accountant
 History: None.

Respondent was selected for an audit of CPE for the reporting years of 2017-2018. An initial notice of audit letter was mailed to the mailing address on file on 5/15/2019. Respondent submitted his response to the audit on 6/24/2019. On 7/18/2019, a letter of non-compliance was sent to Respondent via mail and email explaining the deficiencies in his submission. The letter stated that Respondent had missed the overall 80 hour requirement for the reporting period along with the 20 hour minimum in year one (2017). He was assessed a total of 19 hours; deficiency of 3 hours and 16 penalty hours. Respondent was given 90 days to submit the 19 hours to the Board. A reminder email of the upcoming due date was sent to Respondent on 10/11/2019. As of 1/10/2019, we have not received the owed deficiency or penalty hours and there has been no response from the Respondent.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$1,000 and submission of 19 CPE hours for failure to maintain CPE and respond to Board.

Committee Recommendation:

Board Decision:

19. **2019091381 (MB)**
 First Licensed: 05/09/2011
 Expiration: 12/31/2020
 Type of License: Certified Public Accountant
 History: None.

Respondent was selected for an audit of her continuing professional education for the 2017-2018 reporting period. An initial audit notification was sent on May 15, 2019. Respondent submitted her response to the audit August 1, 2019. On August 1, 2019 a letter of non-compliance was sent to

Respondent via mail and email explaining the deficiencies in her submission. The letter stated that Respondent had missed the overall 80 hour requirement along with the 40 technical hour minimum. She was assessed a total of 56 hours; deficiency of 40 hours and 16 penalty hours. Respondent was given 90 days to submit the 56 hours to the Board. A reminder email of the upcoming due date was sent on October 25, 2019.

As of January 6, 2019, Respondent completed the 56 hours of required CPE from her audit. Respondent apologized for the delay noting that it has been a hectic year with a new job and two moves within 10 months. Furthermore, Respondent indicated that when she received the penalty of hours, she was going into budget season at work which is the busiest time of the year.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$500 for failure to maintain CPE. A lower penalty is recommended due to the mitigating circumstances provided by the Respondent.

Committee Recommendation:

Board Decision:

20. 2019091571 (MB)
First Licensed: 01/01/1960
Expiration: 12/31/2020
Type of License: Certified Public Accountant
History: None.

The Respondent self-reported discipline assessed by the Mississippi State Board of Accountancy where he also holds an individual license and firm permit. The Mississippi Board found that the Respondent provided false information on the 2017, 2018 and 2019 individual license and firm permit renewals. The Respondent stated that he and his firm had not performed work subject to peer review when there was evidence to the contrary. Furthermore, the Respondent was not enrolled and had not completed a peer review during the time period covered by the attest reports. A complaint was opened by the Board to determine if additional discipline is required in the state of Tennessee.

During the course of the investigation, it was determined that the Respondent had issued a review report for a Tennessee client for the year ended December 31, 2015. The review report was dated 7/30/2016 and was forwarded to the Board of Contractors on September 14, 2016. A review of the Respondent's license file does not show a previous complaint issued regarding this matter.

The Respondent did not deny issuing the report referenced above. He also stated that review reports were issued for the same client for years ended December 31, 2016 and December 31, 2017 but there is no evidence that the client submitted these reports to third parties. According to the Respondent, there are no extenuating circumstances to consider.

It is important to note that the Respondent has had a notarized Peer Review Exemption form on file with the Board since November 4, 2010. The Respondent has continued to affirm peer review exemptions in subsequent year renewals.

The Respondent confirmed that his firm has not had a peer review to cover the engagements completed in the state of Tennessee. The firm has since enrolled in peer review and completed a peer review for the year ended June 30, 2018 as required by the Mississippi Board Order. The peer review report is dated December 27, 2019 and the rating provided was "Pass with Deficiency".

The following discipline was assessed by the Mississippi State Board regarding the matter:

- Civil penalty of \$4,000 plus administrative and attorney fees of \$540 for multiple charges of providing false information on renewal applications and failure to comply with peer review requirements.
- Completion of a peer review with report forwarded to the Board by December 31, 2019

The Respondent appears to be in compliance with the Mississippi Order.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 for failure to comply with peer review requirements and \$750 for providing false information to the Tennessee State Board on renewal applications. Require Respondent to complete the NASBA 3-part Ethics course and require Respondent to participate in the CPE audit for reporting period 2019-2020.

Committee Recommendation:

Board Decision:

- 21. 2019084591 (MB)**
First Licensed: 05/06/2005
Expiration: 12/31/2021
Type of License: Certified Public Accountant
History: None.

A complaint was filed by a former client against the Respondent alleging failure to exercise due professional care and negligence in the performance of tax services. The Respondent was engaged to complete a Form 990 for a non-profit organization. Despite providing the necessary information to complete the return, the Respondent did not file the return in a timely manner. The Complainant referred three notices from the IRS to the Respondent related to the return. The Complainant attempted to discuss the matter with the Respondent multiple times but there was no resolution. The Complainant was forced to engage another CPA to resolve the matter.

No response was received from the Respondent regarding the complaint.

An investigation was completed. There was evidence supporting the tax engagement with the Respondent. Payment for services was received by the Respondent in August 2018 for the completion of a Form 990 for the tax year ending June 30, 2018. There is correspondence from the Respondent stating that the return had been filed timely but he never provided proof of filing to the Complainant.

Additional information was provided by the second CPA retained to resolve the matter. It was discovered that the Respondent did file the return with the IRS but only after the first notice of failure to file was received from the IRS and forwarded to the Respondent in April 2019. The return was accepted by the IRS on May 10, 2019. As a result of late filing, the Complainant was charged a late filing penalty of \$2,489.50. A request for abatement of the penalty was made with the IRS. However, the request was denied.

Evidence was provided demonstrating that the return was completed and the Form 8879 was signed by the Complainant on October 30, 2018. Email instructions from the Respondent state "there is nothing to mail in as I will e-file the return". It appears the Respondent neglected to actually e-file the return until May 10, 2019 resulting in the late penalty. The Respondent has not offered to provide any concessions to the Complainant and has provided no response to the Complainant explaining the late filing of the return.

The Respondent eventually provided a limited response to the Investigator's inquiries after multiple attempts. He agreed that the return was filed late and that was his oversight. He stated that he filed an abatement request for the penalty with the IRS but the request was denied. A copy of the correspondence with the IRS was requested from the Respondent but was never provided. The Investigator also inquired if the Respondent ever provided any communication to the client about the late filing of the return but there was no response.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 for failure to exercise due professional care in the performance of tax services. Require Respondent to complete 8 hours of CPE on Circular 230 requirements and require Respondent to participate in the CPE audit for reporting period 2018-2019.

Committee Recommendation:

Board Decision:

22. 2019090901 (MB)

First Licensed: 08/01/1986

Expiration: 12/31/2020

Type of License: Certified Public Accountant

History: 2019 – One complaint closed with consent order for \$1,000 civil penalty.

A complaint was filed by a former client alleging failure to exercise due professional care in the performance of audit services. The client states that the Respondent failed to fulfill his contractual duties in providing an audit report acceptable to the Comptroller's Office for the fiscal years 2016, 2017 and 2018.

The Board heard a previous complaint regarding this matter during the October 2019 meeting when notification was received by the Board that the Respondent could no longer contract for audits with the Comptroller's Office due to significant deficiencies noted during the review of a contracted audit. The contracted audit referenced is the same audit referenced in this complaint. The Board issued a civil penalty and placed both the firm permit and the owner of the firm's individual license on Probation status.

The Respondent states that he was unable to comply with the reporting requirements of the Comptroller's Office because he was unable to obtain the required pension information for each individual school from the client or the state. He states that he did attempt to provide the pension information in summary form but was told the data, as presented, was not acceptable for submission to the State of Tennessee.

Recommendation: The Board has previously assessed disciplinary action. It is recommended to close this complaint and send a separate letter to the Complainant notifying that disciplinary action was assessed based on the Complainant's information.

Committee Recommendation:

Board Decision:

RE-PRESENTATIONS

23. **2018078861 (SH)**
First Licensed: 07/19/2012
Expiration: 12/31/2018
Type of License: Registered Accounting Firm
History: 2016 – One complaint closed with no action; 2012 – Minority non-CPA owner disciplined for unlicensed practice

A complaint was filed by the Board against the Respondent firm for the completion of a review engagement (Oct 10, 2018) without enrollment in an approved peer review program. The major owner of this firm is a CPA; however, there's also a minority owner who is not a CPA. The CPA owner states that he was unaware that the report in question was issued until the complaint was received. His partner never advised him of any attest work performed by the firm. It was his understanding that the firm only provided tax services and CPA owner cannot confirm if this was the only attest work completed by the firm. Per the CPA owner, any attest work completed by the CPA owner was issued by his individual firm and not the Respondent firm. The non-CPA owner is battling a terminal cancer diagnosis and the two individuals do not plan on renewing the Respondent firm permit.

A companion complaint (Complaint #2018078851) was filed against the majority owner of Respondent firm for being terminated from the peer review program.

The Respondent firm no longer has an active license and disciplinary action for these circumstances have been issued against the Respondent individual in Complaint #2018078851.

Recommendation: Authorize an Order for the firm to rescind the report issued to the Board of Contractors in writing. The Respondent should also provide a listing of all attest and compilation engagements issued by the firm since its inception along with proof of notification to the clients involved of the Respondent's unlicensed activity and rescission of those reports. These actions should be taken within six (6) months of the executed Consent Order. Failure to comply with the Order could result in further disciplinary action against Respondent individual, up to and including revocation of his individual license.

Committee Recommendation: Concur.

Board Decision: Concur.

Update: This complaint was previously separated from the complaint against the individual CPA majority owner. This complaint should have been included in the complaint against the individual CPA owner as disciplinary action was assessed against the individual CPA owner. The Respondent's Firm permit has expired and the Firm no longer exists. The Non-CPA owner of Respondent is in bad health and battling terminal cancer and would be a tremendous burden for the non-CPA owner to provide attest work performed by Respondent, if any. The individual CPA owner was penalized for violations of peer review requirements, paid the civil penalty, and is in the process of re-enrollment in the peer review program.

New Recommendation: Close.

New Committee Recommendation:

Board Decision:

24. 2016038361 (SH)
2016038362
2016038363
First Licensed: 01/01/1993
Expiration: 12/31/2020
Type of License: Registered Accounting Firm
History: None

On July 6, 2016, Board staff received a Complaint against the Respondent Firm and two of its owners alleging gross negligence, failure to follow proper accounting and financial standards, and breach of client confidentiality. Complainant was a client of the Respondents who, per engagement letter, primarily handled monthly bookkeeping – including the payment of bills, bank reconciliation and information for the preparation of the Complainant’s tax returns. In addition, the Complainant authorized the Respondents to make wire transfers on behalf of the Complainant. The Complainant alleges that the Respondent conducted seven international wire transfers in a six week period totaling approximately \$870,000 at the request of a fraudster who hacked the Complainant’s email account. The Complainant, who lives in the Cayman Islands, often directed the Respondents to initiate wire transfers via email. The Complainant asserts that the language, signature, and other details of the emails should have been “red flags”. The Complainant also alleges that one of the Respondents breached client confidentiality by telling a different client about a real estate transaction the fraudster mentioned in one of the emails initiating a wire transfer.

On July 28, 2016, Board staff received the Respondents’ timely response to the notification of the Complaint. The Respondents asserted that they acted properly within the scope of the engagement because the engagement did not dictate that such transfers should be confirmed via telephone. Also, the Respondents state that the wire-transfer emails did not raise any red flags because they were similar to the types of transfers they had previously performed for the Complainant. Last, the Respondents assert that no breach of client confidentiality occurred because the Respondent only informed their attorney of the matters and that their attorney obtained written authorization from the Complainant’s attorney to discuss the matters with law enforcement authorities.

On August 28, 2016, Board investigator received a request for an investigation from Board legal counsel. Board investigator met with Respondent’s and their attorney and obtained substantial documentation. Board investigator also interviewed the Complainant by telephone and obtained an additional response from the Complainant in rebuttal to the Respondent’s written response to the Complaint.

The hack of Complainant’s email and fraudulent transactions are being actively investigated by the FBI. The Respondent firm has hired an independent expert to investigate how the Complainant’s electronic information has been investigated and by whom and will provide that upon completion.

Recommendation: Place this complaint into Litigation Monitoring status pending review by a Board member as to their opinion of the matter, determination of existence/status of any civil and/or criminal litigation filed, and if legal determines necessary, to seek out a contract for opinion of an expert witness regarding the appropriate standard of care, and to potentially conduct an additional investigation.

Committee Decision: CONCUR

Board Decision: CONCUR

Update: The parties have settled this matter and each party hold the other harmless. No party admits nor denies any violations occurred.

New Recommendation: Close.

New Committee Decision:

New Board Decision:

25. **2018047441 (SH)**
 First Licensed: 01/22/2015
 Expiration: 12/31/2019
 Type of License: Certified Public Accountant
 History: None.

Respondent was randomly selected for a CPE audit. Respondent failed to respond to the audit, and as a result, Respondent did not submit any hours.

Recommendation: Authorize a civil penalty in the amount of \$1,000 for failure to complete required CPE. Additionally, Respondent must complete 120 hours of CPE within 90 days of the execution of the Consent Order. These 120-hours shall be considered penalty hours, and may not be submitted for any other purpose. Respondent may reduce the 120 hours hour-for-hour upon submission of proof of CPE completed during the required audit period.

Committee Recommendation: Concur.

Board Decision: CONCUR

Update: Respondent has submitted hours obtained during 2016-2017 plus an 8 hour penalty for failure to meet the 80 hour requirement. Respondent has gone through a divorce, moved, and was not able to get all of her mail. Respondent has updated her contact information with the Board.

New Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$500 for failure to keep contact information up to date and failure to respond to the Board. Remove the 120 hour CPE requirement due to Respondent's submittal of hours required.

New Committee Decision:

New Board Decision:

26. **2018033471 (SRP)**
 First Licensed: 05/15/2011
 Expiration: 12/31/2016 (EXPIRED)
 Type of License: Certified Public Accountant
 History: 2015 – Letter of Warning for failure to pay professional privilege tax and failure to maintain license in an active status.

The Complainant was the Executive Director of a nonprofit organization and the Respondent was the Director of Finance. The Respondent was employed on a contract basis approximately 30 hours per week. The contract with the Respondent was terminated in January 2018 for performance issues, bringing into question the Respondent's competence and due professional care in the performance of services. After the Respondent's termination, an outside CPA was retained to review the accounting records and assist the newly-hired Director of Finance in correcting the books. During this review, unauthorized payments to the Respondent were

discovered totally \$24,640. Signatures on the unauthorized checks appear to be forged. Respondent was responsible for maintaining the accounting records in Quickbooks and the financial reporting function. He was also responsible for the accounts payable function and ensuring that vendors were paid in a timely manner. The Respondent received all of the mail and ensured that it was distributed to the appropriate individuals. Finally, the Respondent was responsible for the monthly bank and account reconciliations.

This matter is currently under investigation by the U.S. Secret Service. In addition to the criminal allegations, Complainant noted that Respondent had been terminated prior to the discovery of the alleged theft and fraud for poor performance, possibly implicating other professional code of conduct violations.

Recommendation: Place this matter into litigation monitoring pending the U.S. Secret Service investigation in order to avoid interference.

Committee Recommendation: Concur.

Board Decision: CONCUR

New Information: Respondent's license expired 12/31/2016 and he has never attempted to reinstate.

New Recommendation: Close and flag.

New Committee Decision:

New Board Decision:

TENNESSEE STATE BOARD OF ACCOUNTANCY POLICY STATEMENTS

~~May 1, 2015~~ January 2020

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TENNESSEE STATE BOARD OF ACCOUNTANCY POLICY STATEMENTS

I. CERTIFIED PUBLIC ACCOUNTANT EXAMINATION

- ~~1. CPA examination applicants that have been convicted of a felony must ~~may~~ submit additional information to the Board or its designee for review and determination of eligibility subject to the Fresh Start Act prior to sitting for the exam. Authority: T.C.A. § 62-76-1(b)(3), 62-1-106(a)~~
- ~~2. CPA examination candidates that have been called to foreign military service shall receive an automatic extension on any CPA examination credits for the length of time that the individual is out of the country. Authority: Rule 0020-01-.06(11)~~

II. CONTINUING PROFESSIONAL EDUCATION

1. During each renewal period, 10% of the active licensees will be selected for a full CPE audit. Furthermore, staff shall have the authority to request additional information and documentation from any licensee for cause. Failure to provide the requested documentation shall result in disallowance of associated CPE hours. Authority: Rule 0020-5.06(2)
- ~~2. The Executive Director and the CPE coordinator shall have the authority to approve courses that are not registered with NASBA, or otherwise exempt, for up to 16 hours of CPE. Licensees may utilize this exemption one time per reporting period. The sponsors providing these courses shall meet the requirements pertaining to CPE standards (Rule 0020-5-.04(1)); course structure (Rule 0020-5-.04(2)); acceptable organizations (Rule 0020-5-.04(3)(e)); and submission prior to attendance (Rule 0020-5-.04(9)). In addition, the courses shall:~~
 - ~~• Be of the type that would qualify for NASBA registry or roster and~~
 - ~~• Occur on a limited basis or be industry specific and not be conducive to inclusion on the NASBA State CPE roster. Authority: Rule 0020-5.04(10)~~
- ~~3. It is the responsibility of the CPA to determine if a course is a technical subject when the field of study is classified as "Specialized Knowledge". If the CPA claims a course as a technical subject and, in the course of an audit, it is determined to be non technical then the CPA shall have the opportunity to appeal to the Board and present evidence of why the course should be considered technical. If the course is ruled to be non technical and this results in a deficiency of technical hours, the licensee shall complete the applicable technical make up hours of CPE within six (6) months of the notification of the deficiency. Authority: Rule 0020-5.04(10). Administrative history: Original policy approved on July 28, 2006.~~
- ~~4. CPAs who are licensed in and residents of another state will be compliant if they meet that state's ethics CPE requirements provided that state has at least two (2) hours of state specific CPE. CPAs who are licensed in and residents of another state without an ethics CPE requirement shall comply with the requirements of the Tennessee State Board of Accountancy. Authority: Rule 0020-5-~~

Comment [MPB1]: Rule 0020-05-.04(9)

Comment [MPB2]: Defined in Rule 0020-05-.01

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~~.03(1)(b). Administrative history: Original policy approved on January 12, 2007; amended May 1, 2015~~

~~III. REGISTERED FIRMS~~

- ~~1. A CPA firm can only use terms indicating multiple personnel (i.e. Company, Associates, Group) in the name of the firm if the firm employs at least two certified public accountants. Contract and seasonal employees do not fulfill this requirement. Authority: Rule 0020-3-15. Administrative history: Original policy approved on June 20, 1996; amended July 28, 2006~~
- ~~2. Fictitious firm names shall be reviewed by the Executive Director and the Firm Coordinator. Names that comply with the items on the fictitious firm name checklist will be approved. Both the Executive Director and the Firm coordinator must acknowledge their approval by signing the checklist. Any firm names, on which both parties do not agree, shall be forwarded to the Board for approval. Authority: Rule 0020-3-15; amended May 1, 2015~~

~~IV. ENFORCEMENT~~

- ~~1. The Executive Director or his/her designee has the authority to issue a Cease and Desist order to unlicensed individuals who advertise as an "accountant" or offer to perform "accounting services". Authority: Tenn. Code Annotated 62-1-113. Administrative history: Original policy approved on March 29, 2001; amended July 28, 2006; amended May 1, 2015~~
- ~~2. Applicants for an initial license or reinstatement of a lapsed license who disclose disciplinary actions or felony convictions must submit formal documentation regarding the actions. This information shall be presented to the Board at its next meeting to determine if the individual should be approved for an initial license or license reinstatement. Administrative history: Original policy approved on March 28, 2002; amended July 28, 2006~~
- ~~3. Upon agreement, the Executive Director and the Board's legal counsel are authorized to request investigations on cases without initially presenting to the Enforcement Committee. Administrative history: Original policy approved on June 23, 2003; amended July 28, 2006; amended May 1, 2015~~
- ~~4. Upon receipt of a signed Consent Order from the respondent, completion of disciplinary action, and payment of civil penalties and/or associated fees, the Executive Director shall sign the Order on behalf of the Board. The Board then authorizes the Attorney to close the case. Administrative history: Original policy approved on June 23, 2003; amended July 28, 2006~~

~~V.III. OTHER ADMINISTRATIVE MATTERS~~

- ~~1. Board meeting minutes shall be prepared and submitted to the Executive Director for review and approval. After the Executive Director approves the draft, it will be forwarded to the Board Secretary.~~

Comment [MPB3]: Rule 0020-05-.03(7)(b)

This policy is more stringent than the rule. If the Board prefers to follow this policy, a rule change will need to be made.

Comment [MPB4]: A new rule was enacted in 2018 that clarified these matters and provided guidance. See Rule 0020-03-.15 .

Comment [MPB5]: There is a Standard Operating Procedure that the Department follows as a whole rendering provisions 1, 3, and 4 of the policy unnecessary.

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Comment [MPB6]: Covered by the Fresh Start Act.

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~~The Board Secretary shall communicate any revisions to the Executive Director. Once such revisions are considered and changes are made, a draft of the minutes shall be sent to each Board member for review prior to the next Board meeting.~~

~~The minutes should then be presented at the Board meeting and, subject to any final revisions submitted by members, voted on for approval. Once approved by the Board, the minutes should be signed by the Chairman and Secretary of the Board. Additionally, any required addendums, as referred to in the minutes, should be attached as a permanent record with the minutes. Amended May 1, 2015~~

~~2. Board members are prohibited from performing Peer Reviews for other board members or their firms. **Administrative history:** Original policy approved on May 31, 1990; amended July 28, 2006~~

~~3. Board Officers, as required by Tenn. Code Ann. 62-1-105, shall serve terms that are limited to two consecutive years. **Administrative history:** Original policy approved on January 9, 1996; amended July 28, 2006~~

~~4.1. Individuals seeking to have a name change shall submit an original certified copy of the legal document authorizing the change. The Executive Director shall have the discretion to approve changes without the original certified copy if other substantive evidence is obtained.~~

~~5. Upon receipt of a list from the Tennessee Department of Human Services, the "Notice of Suspension Letter" is to be issued to individuals who are determined by the Department of Human Services as not being in compliance with an order of child support. The "Notice of Suspension" is to be issued to individuals who are not in compliance with an order of child support. The notice informs the individual that their professional license has been suspended and will remain suspended until such time as the individual comes into compliance with the order of child support. The Department of Human Services will then issue a "Release" to the Board and the suspension will be lifted upon payment of a five dollar (5.00) processing fee to be paid by the licensee.~~

~~6.2. Application fees are nonrefundable and will revert to the general fund of the Board after 6 (six) months of inactivity within the file.~~

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Comment [MPB7]: 0020-03-.16 NOTIFICATION TO THE BOARD.

(1) A licensee shall notify the Board in writing within thirty (30) days of any change of name, mailing address, e-mail address, and, in the case of individual licensees, change of employment.

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Comment [MPB8]: T. C. A. § 36-5-701 has authority over this matter.

Comment [MPB9]: 0020-01-.05(3)

APPLICATIONS: A candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination. All applications for initial licensure shall expire one (1) year from the date of the application for initial licensure.

If the Board prefers six months rather than a year, a rule change is necessary.

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TENNESSEE STATE BOARD OF ACCOUNTANCY POLICY STATEMENTS

January 2020

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Certified Public Accountant Examination	I
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TENNESSEE STATE BOARD OF ACCOUNTANCY POLICY STATEMENTS

I. CERTIFIED PUBLIC ACCOUNTANT EXAMINATION

1. CPA examination applicants that have been convicted of a felony may submit additional information to the Board or its designee for review and determination of eligibility subject to the Fresh Start Act prior to sitting for the exam. Authority: T.C.A. § 62-76-1(b)(3).

II. CONTINUING PROFESSIONAL EDUCATION

1. During each renewal period, 10% of the active licensees will be selected for a full CPE audit. Furthermore, staff shall have the authority to request additional information and documentation from any licensee for cause. Failure to provide the requested documentation shall result in disallowance of associated CPE hours. Authority: Rule 0020-5.06(2)

III. OTHER ADMINISTRATIVE MATTERS

1. Individuals seeking to have a name change shall submit an original certified copy of the legal document authorizing the change. The Executive Director shall have the discretion to approve changes without the original certified copy if other substantive evidence is obtained.

Accountancy **Accountancy**

SURPLUS/DEFICIT

FISCAL YEAR BEGINS:

2020 3351011001 Period 1 Period 2 Period 3 Period 4 Period 5 Period 6 Period 7 Period 8 Period 9
 Jul-19 Aug-19 Sep-19 Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 YEARLY

Acct Revenues		TREND	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	YEARLY
62	Licensing Revenue		\$ 11,860	\$ 6,446	\$ 9,009	\$ 13,585	\$ 180,915	\$ -	\$ -	\$ -	\$ -	\$ 221,815
63	Case Revenue		\$ 600	\$ 1,100	\$ 2,100	\$ 1,850	\$ 3,350	\$ -	\$ -	\$ -	\$ -	\$ 9,000
	State Reg Fee		\$ (605)	\$ (705)	\$ (755)	\$ (910)	\$ (12,920)	\$ -	\$ -	\$ -	\$ -	\$ (15,895)
	TOTAL REVENUE		\$ 11,855	\$ 6,841	\$ 10,354	\$ 14,525	\$ 171,345	\$ -	\$ -	\$ -	\$ -	\$ 214,920

Acct Expenses		TREND	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	YEARLY
	Edison Exp Total:		\$ 44,637	\$ 49,939	\$ 48,927	\$ 54,495	\$ 55,372	\$ -	\$ -	\$ -	\$ -	\$ 253,370
	701-702 Sal Benefits		40,458	40,068	41,146	41,123	41,081	0	0	0	0	203,876
	72500,72203 Technology		0	394	4,399	1,991	2,636	0	0	0	0	9,420
	Other		4,179	9,477	3,382	11,382	11,655	0	0	0	0	40,074
	Admin Costbacks Total:		\$ 5,924	\$ 8,371	\$ 16,240	\$ 9,288	\$ 5,101	\$ 7	\$ -	\$ -	\$ -	\$ 44,932
	701-702 Sal Benefits		3,757	3,040	3,404	3,256	149	0	0	0	0	13,606
	72500,72203 Technology		0	3,418	10,529	2,556	2,925	0	0	0	0	19,428
	Other		2,167	1,913	2,307	3,476	2,027	7	0	0	0	11,898
	Legal Costbacks		\$ 10,028	\$ 9,993	\$ 9,435	\$ 10,588	\$ 7,773	\$ 5	\$ -	\$ -	\$ -	\$ 47,822
	Investigations		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Field Enforcement		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Centralized Complaints		\$ -	\$ 523	\$ 810	\$ 998	\$ 1,656	\$ -	\$ -	\$ -	\$ -	\$ 3,987
	Customer Service Center		\$ -	\$ 1,746	\$ 2,033	\$ 1,729	\$ 5,508	\$ -	\$ -	\$ -	\$ -	\$ 11,015
	TOTAL EXPENDITURES		\$ 60,589	\$ 70,571	\$ 77,444	\$ 77,098	\$ 75,411	\$ 12	\$ -	\$ -	\$ -	\$ 361,125
			\$ 44,637	\$ 49,939	\$ 48,805	\$ 54,243	\$ 54,448					
	Net Surplus/Deficit		\$ (48,734)	\$ (63,730)	\$ (67,090)	\$ (62,573)	\$ 95,934	\$ (12)	\$ -	\$ -	\$ -	\$ (146,205)

FY19 Year End Reserve Balance:

1,253,637 1,204,903 1,141,173 1,074,083 1,011,510 1,107,444 1,107,432 1,107,432 1,107,432 1,107,432

Historical Trend

Licensing & Case Revenue

FY 2019	\$ 10,190	\$ 10,265	\$ 8,105	\$ 10,085	\$ 288,765	\$ 340,065	\$ 191,235	\$ 37,820	\$ 26,185	\$ 972,645
FY 2018	\$ 10,008	\$ 14,980	\$ 6,148	\$ 8,915	\$ 301,620	\$ 328,603	\$ 182,017	\$ 49,672	\$ 23,992	\$ 988,078
FY 2017	\$ 9,440	\$ 18,672	\$ 16,670	\$ 7,635	\$ 263,308	\$ 392,495	\$ 164,145	\$ 43,845	\$ 25,210	\$ 998,217

Expenditures

FY 2019	\$ 73,754	\$ 71,197	\$ 72,024	\$ 93,679	\$ 76,511	\$ 75,173	\$ 75,876	\$ 66,035	\$ 70,823	\$ 901,818
FY 2018	\$ 62,581	\$ 64,186	\$ 66,975	\$ 66,264	\$ 75,359	\$ 76,438	\$ 91,676	\$ 68,811	\$ 70,947	\$ 906,650
FY 2017	\$ 69,998	\$ 67,953	\$ 63,789	\$ 68,309	\$ 63,721	\$ 68,507	\$ 56,605	\$ 77,348	\$ 55,297	\$ 790,118

Notes: A large portion of renewals are in November and December, therefore it is expected that consecutive monthly deficits will be the result but that the revenue from that renewal period will be significant enough to pay for the monthly deficits.

Tennessee State Board of Accountancy

FY2020 Operating Results

	FY 19 Actual	FY 20 Budget	YTD Act Nov FY 20	YTD Act Nov FY19	YTD 2020 vs 2019
Revenues	1,043,040	1,005,000	230,815	352,560	-34.5%
Less: State Regulatory Fee	(70,395)	(70,000)	(15,895)	(24,885)	-36.1%
Net revenues	972,645	935,000	214,920	327,675	-34.4%
Salaries	333,874	346,792	143,875	140,670	2.3%
Longevity compensation	8,662	6,000	1,100	700	57.1%
Employee benefits	130,876	139,517	58,901	52,060	13.1%
Travel	30,594	42,400	12,325	14,227	-13.4%
Communications and shipping	15,328	16,000	6,538	8,937	-26.8%
Third party prof and admin services	27,768	30,000	8,679	7,687	12.9%
Supplies and furniture	1,905	5,000	688	834	-17.5%
Rentals and Insurance	184		32		
Motor Vehicle Operation	75		13	75	
Awards	135	150			
Unclassified	400	400			
Employee training	9,085	11,000	3,475	2,360	47.2%
Computer related items	3,032	7,500	3,744	1,310	185.8%
State professional services	62,275	48,000	13,999	24,356	-42.5%
Regular expenditures	624,193	652,759	253,369	253,216	0.1%
Year end cost backs	277,625	300,000	107,756	133,950	-19.6%
Total expenditures	901,818	952,759	361,125	387,166	-6.7%
Net revenue to reserves	70,827	(17,759)	(146,205)	(59,491)	145.8%
Reserves	<u>1,182,810</u>				
Reserve balance	1,253,637				

Board of Accountancy
Fiscal 2020

Discussion of Line Items
YTD Actuals November 2019

Revenues: Gross revenue is down -34% to the prior year. Licensing revenue was down -41% in Nov 19 alone. This appears to be due to the requirement to load your CPE listing with your renewal and therefore delaying renewal for many. Case and Complaint revenue is up roughly \$1000 or 10%.

State Regulatory Fee: The Board is charged \$10 for each individual license that was issued or renewed to ACTIVE status during the year. Additionally, there is a fee of \$5 for each firm permit issued or renewed.

Salaries and Employee Benefits: Salaries and Employee benefits (retirement, health insurance, life insurance etc) are trending as expected.

Longevity compensation: We have four (4) individuals eligible for longevity compensation. (Eligibility = hired prior to 6/30/15 with at least 3 years of service). Those who qualify receive \$100 per year of service on their anniversary date. Pay4Performance one time payments/bonuses are included here and occur in January each year.

Travel: This line item consists mainly of Board meeting travel from the July and Oct board meetings, travel to NASBA's annual meeting and travel for one board member to NASBA's 2019 Eastern Regional. We are continuing to see very limited need to incur overnight stays for investigations. Todd's travel to board meetings will be captured in "third party prof and admin services" instead of here.

Communications and shipping: Postal charges are included here. The largest part of this is the mailing of wall certificates, renewal notices and certified mail.

Third party prof and admin services: This item covers our shredding service, expenses incurred for formal hearings (court reporters), NASBA dues, credit card processing, GPS service and any other third party related items including Todd's travel.

Supplies and Furniture: Food and beverage for meetings is categorized here in addition to office supplies.

Rentals and Insurance: Car rental, rather than mileage, is now required when traveling over 50 miles. Our share of the copier and fax rentals is also included here.

Motor Vehicle Operation: Hands free device provided to all motor vehicle operators. This was a result of the July 1, 2019 law change which prohibits the use of a hand held phone while operating a motor vehicle.

Awards: Recognition items. No expense noted to date for FY20.

Board of Accountancy **Fiscal 2020**

Employee Training: This covers training for professional staff (CPE). Registration fees for NASBA events are included here as well.

Computer Related Items: Technology purchases are included here. Also included this year is our charge for Zendesk (platform used by staff and customer service team to answer emails and phone calls) equipment and services for \$3744. Last year this charge was allocated in cost backs (under customer service).

State professional services: This item covers items such as telephone, IT support specifically for our board, rent allocation, state printing, lease rate on cars, fuel and usage charges. We are saving roughly \$2000/month on rent from prior years (\$1050 vs \$3070) and our IT costs so far this year have been minimal.

Year End Cost Backs: This includes overhead for the Division of Regulatory Boards, including costs associated with the Assistant Commissioner's office, legal, centralized complaints and the customer service center. Legal costs have stabilized and we are down \$8,768 to the prior year for this item. Overall Admin cost backs are down \$24,797 compared to the prior year but there are some expenses related to salaries and benefits that have not been included yet.