STATE OF TENNESSEE
TENNESSEE STATE BOARD OF ACCOUNTANCY
DEPARTMENT OF COMMERCE AND INSURANCE
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Board Meeting Minutes

July 24, 2009

The meeting of the Tennessee State Board of Accountancy convened in the Andrew Johnson Tower, Nashville, Tennessee on Friday July 24, 2009 at 8:30 a.m.

Board members present were: Vic Alexander, Chairman; Stan Sawyer, Vice President, William Underwood, Secretary; William Blaufuss; Jennifer Brundige; Kenneth Cozart; Al Creswell, Shannone Raybon; Don Royston; Lisa Stickel; and Doug Warren.

Also present were: Mark Crocker, Executive Director; Ed Scudder, Staff Attorney; Don Mills, Investigator; and staff members Sandra Cooper, Kathy Riggs and Gail York.

Mr. Alexander called the meeting to order and made the following announcements: Board members Kenneth Cozart and Doug Warren have been reappointed to serve their third terms while Shannone Raybon and Lisa Stickel have been reappointed to serve their second terms. Mr. Alexander gave an apology for recorded statements made after the January 23, 2009 committee meetings. He gave an update on House Bill 531-Senate Bill # 2537 which indicates there would be no transfer or removal of the Board funds in fiscal year 2009.

After the announcements Mr. Alexander asked the Board Members to review the minutes from the meeting of May 01, 2009. A motion to accept was made by Mr. Royston, and seconded by Mr. Cozart. Lisa Stickel asked that one area of the minutes be corrected since May minutes statement read "She stated that revenue and expenses are down since 2008 and the committee did not know how the mobility law would affect the Board finances." Ms. Stickel asked that her statement be corrected and should read as follows: "Ms. Stickel stated the revenue and expenses are down since 2008 and the committee did not know how the Mobility Law would affect the Board's revenue for the remainder of 2008." Minutes were accepted with the correction.

Executive Director's Report:

Mr. Crocker stated that permission was received in the middle of May to solicit resumes for members of the Peer Review Oversight Committee. The advertisement has been placed on the web site and in the Tennessee CPA Journal with no applications submitted to date. Mr. Crocker asked if any Board Member knew anyone with the qualifications to please contact him.

Mr. Crocker spoke about the NASBA Regional meeting in Indianapolis, IN attended by himself, Don Mills, Mr. Alexander and Ms. Stickel. Mr. Crocker thought the sessions were well done and extremely informative. He also expressed his thanks to the Board for allowing him to attend. The NASBA Annual Conference is scheduled to take place in Phoenix, Arizona, November 1-4, 2009. Our statute allows up to 4 board members to attend these meetings. All travel, of course, is subject to approval by the Department of Finance and Administration. We have received notification that all unnecessary travel out of state has been restricted. However, since our fund is maintained separately from the General Fund, we have an easier time getting travel approved.

The ALD Committee (The Accounting Licensing Database Committee) will meet in Nashville, TN at NASBA offices on August 3rd and 4th. Tennessee has been a member of ALD since 2006 and is working diligently to get other states to use ALD. The ALD goes hand- in- hand with the mobility law, and we are optimistic that as the mobility law is implemented across the nation, more states will realize the value of ALD.

Mr. Crocker has been nominated to serve on the Board of Examiners of FAR (Financial Accounting Regulation) a subcommittee of the AICPA. This board will meet eight times a year with four meetings requiring travel, and four will be conference calls.

Mr. Crocker reported in the last meeting the State's new Edison System went live in April, and some deficiencies in the system will take time to identify and repair. Some reports concerning these problems have been aired as well as printed. To date, none of our information has been lost in the system. Travel reimbursements are quicker, but ordering supplies is taking much longer.

Mark also gave a reminder of future meeting dates.

Mr. Crocker stated the Annual Forum of International Accountancy Regulators will be held in San Francisco on September 10-11. He stated how important it is for the Board to remain involved and informed in international issues and he feels participation is beneficial. He has also submitted travel authorizations for himself and Lisa Stickel to attend the meeting.

Communications with the federal agencies appear to be improving; therefore we will continue with the Federal Referral Reporting System. We are keeping them up to date on the status of complaints they have filed with us.
AICPA, NASBA, and Prometric announced that the CPA Exam reached a milestone in the last quarter with one million sections of the computerized CPA Exam having been administered. NASBA is now submitting information on a weekly basis for successful exam candidates. We are able to get them through the licensing process much more quickly. This concluded Mr. Crocker's report.

(Attachment)

The formal hearing scheduled at this time was continued.

NASBA Communication Committee Report:

Ms. Stickel and other Communications Officers attended a breakfast at the Regional meeting where several issues were discussed, including; the Speaker pool, Society outreach, Licensee outreach, and Mobility Technical Advancement. They discussed ways to disseminate information concerning accountancy regulation. She stated that New Hampshire is pro active and would like to see Tennessee more pro active. She asked Mark to look into the Board being more accessible to the three regions of Tennessee by changing meeting locations perhaps to universities. Mr. Crocker was asked to speak to universities and determine if students could receive class credit if they attended the entire meeting. Discussion ensued as to the real target audience for Board meetings. It was decided that the emphasis should be the Board's licensees, and that perhaps they should receive one hour of state-specific ethics CPE for attending a Board meeting Mr. Crocker suggested Ms. Stickel make a motion to that effect under New Business.

There will be a NASBA conference call next week with Ms. Stickel participating. Moving the Board meetings to various locations would increase the cost of Board Meetings and is probably not a course to pursue in the current economic climate. The Board also discussed the issue of seating if students came to out location. Mark stated if any board member would like to speak at any of the universities to contact him, and he would prepare a presentation for them.

Ms. Stickel gave highlights on the Eastern Regional Meeting where Mr. Gayle Hanson spoke. Mr. Hanson indicated that state boards of accountancy should be concerned about international accountancy standards because they are being used, and we need to have it on the radar and know what is going on. The UAA (Uniform Accountancy Act) does not presently address IFRS (International Financial Reporting Standards) but the UAA does refer to GAAP (Generally Accepted Accounting Principles) in rules 3, 7, and 10, but GAAP is not really defined. Mr. Hanson gave a proposed time table on IFRS listing some of the pros and cons. Some of the advocates were saying globalization, one single set of high quality accounting standards, comparability, and risk of isolation are the positive points. The detractors were saying US GAAP is the gold standard; IFRS is untested, incomplete comparability, lacks regulatory oversight, funding and independence of IASB (International Accounting Standards Board). Comment letters are also available. Mr. Alexander pointed out that NASBA'S position was that the push to accept and adopt IFRS should be slowed down. .

Ms. Stickel asked Mr. Warren to talk about the changes in the CPA exam. He stated the CBT (Computer Based Testing) exam will see significant changes in 2011. The format will be in smaller sections with a faster score time line. It was noted by Ms. Stickel that heavy consideration is being given to administering the CPA exam outside the Unites States. One of the primary concerns is that the security of the exam could be compromised. Mr. Crocker pointed out that another concern is that international candidates may pass the exam, but never complete the licensing process.

Ms. Stickel also attended a student panel of four accounting students from across the nation. It appears that the students were familiar with the state societies but were unaware of the purpose of the state boards and the regulatory process. Ms. Stickel said she attended two break out sessions where issues involving implementing mobility and fictitious firm and misleading names were discussed. Currently 49 states have mobility or have legislation pending.
This concluded Ms. Stickel's report.

Licensing Committee:

Mr. Creswell spoke of CPE sponsors and those asking to be exempt relative to Rule 0020-5-.05(3)(a). The committee had three (3) requests for exemptions and all were recommended for approval.

1. Restaurant Industry Sales Tax Audit Professionals
2. Tax Executives Institute
3. Association of Government Accountants

The committee also recommended an extension of time for Sarah Oakman to complete the CPA examination through 31 December 2009.

The following State Specific Ethics Courses were recommended for approval.

1. Lattimore , Black Morgan & Cain-David Haddock
2. TSBOA-Mark Crocker
3. Decosimo-Tom Gavin
4. Kim Hatley

An update on the CPE audits reports that 91% of the audits are in compliance. The committee recommended approval for a request from a gentleman asking for a reduction in reinstatement fees. His license expired twenty three (23) years ago; however he had multiple illnesses over the years. The committee took into consideration the amount of medical bills incurred, and recommended to the board the fee be reduced from $1, 325.00 to $1,000.00. Mr. Creswell stated the licensee would need to take eighty (80) hours of technical CPE prior to reinstatement which must include four (4) hours of ethics courses. A motion was made by Mr. Underwood to accept the recommendations, and seconded by Mr. Royston.. After reviewing a request from an individual with a felony conviction who wished to complete his education and then take the CPA examination it was determined the Board could not make a decision relative to future circumstances.

Mr. Creswell stated the TSCPA had discussed the four (4) hours of ethics CPE requirement might need to be decreased to a lesser number of hours for lack of new material.
This concluded Mr. Creswell's report. A motion was made by Mr. Sawyer to accept the report and seconded by Mr. Underwood and the motion passed unanimously.

Finance and Administration:

Mr. Sawyer spoke about the renewal fees and stated the board will work without a budget until Mark meets with the budget director. Mr. Crocker went over the Travel Plan for the next fiscal year and the importance of the attendance at the various meetings. A motion was made by Mr. Warren to accept the travel plan seconded by Mr. Cozart, and passed unanimously. (Attachment)

Law and Rules Committee:

Ms. Stickel started her report by reading the Mission Statement of the new Laws and Rules Committee.

Mission Statement

The mission of the Law and Rules committee of the Tennessee State Board of Accountancy is to continually review the law and rules pertaining to the practice of public accountancy; to compare the rules in existence to the Uniform Accountancy Act and determine if compliance with the Act and any changes thereto should be adopted in order to better protect the public in the State of Tennessee; to identify and recommend proposed changes of the law and rules to the Board for discussion, approval and to support the passage of legislation and rule-making hearings.

She stated that the laws and rules of Tennessee are based on UAA. The Committee is not making any recommendations for change at this time, until they have more information. Issues discussed at the meeting were Sponsorship for CPE, Peer Review Transparency and the current 4 hours of ethics required for CPE compliance. This committee will meet via telephone conference before the next Board meeting and should have some recommendations at that time. Ken Cozart made a motion to accept the Mission Statement; it was seconded by Jennifer Brundige, and passed unanimously.

Executive Committee Report:

Mr. Alexander gave the Peer Review oversight information, which had been presented to the committee by Mr. Charles Millsaps. 130 peer reviews were completed; 91 were acceptable, 33 had 1 deficiency, and six had more than 1 deficiency. Two complaints were initiated. There were five firms granted exemption status because they did not perform attest services. Mr. Alexander asked Mark to explain the issue the committee discussed regarding a firm with a misleading name. The firm in question is the Vaden Group. The Vaden Group is owned 100 % by Michael Vaden. However, the firm is using stationery using the name Decosimo-Vaden asserting they are a professional partnership. In addition, the firm is stating that they are covered under the peer review performed for the Decosimo companies. The committee was of the opinion that the firm name was misleading and that the Vaden Group must be covered by a separate peer review under the current circumstances. This concluded Mr. Alexander's report. A motion to accept the report made by Don Royston, seconded by Stan Sawyer and passed unanimously. (Attachment)

NASBA Power Point Presentation:

Yourdanos Dumez (Director, Compliance Services), Robb Gentry (National Business Manager) and Maria Caldwell (General Counsel) from NASBA gave a presentation concerning CPE and explained their process for approving CPE sponsors. In 1980 discussions began on how to regulate it and in

1990 the National Registry officially opened. The Registry currently has more than 1500 providers. Each course must meet the Statement on Standards. The role of NASBA's Advisory Committee is interpretation of the standards, and to analyze and advise. NASBA approves the CPE sponsors and their courses, and charges them a fee each year to be registered. The main difference between the National Registry and the Tennessee Roster of CPE provides is that Roster providers are accepted in Tennessee whereas participants in the National Registry are accepted nationwide. If a sponsor is complaining about the length of time it takes for approval, then they are probably referring to a self-study course. NASBA does require that the course include 10 questions per CPE credit, and the review of the course attempts to ensure the entire course must be read in order to complete the questions accurately. For the National CPE Expo the vendor is charged a fee for setting up a booth and there is also a charge for admission to the convention. A question and answer session was held after the presentation. The Board feels this expo could be a conflict of interest on NASBA's part. The Board directed Mr. Crocker and Dr. Riggs to attend the Expo and report back to the Board at the next meeting. A decision would be made at that time to determine if correspondence should be sent to NASBA expressing concern over the appearance of a conflict of interest. Mr. Alexander asked Mark to survey other states on what they are doing relative to course sponsor approval. (Attachment)

Probable Cause Committee:

Total cases have increased, with older cases being investigated first. Nineteen of these cases are CPAs who did not pay their Privilege Tax. Recommendations on 18 of the cases resulted in $12,000.00 civil penalties being assessed and six of the cases being dismissed. A question of when formal hearings would be held was discussed, and some felt doing several in one day would be more beneficial than having them during a Board Meeting. A motion was made by Mr. Sawyer to accept the report and seconded by Mr. Cozart. The motion passed unanimously. (Attachment)

Old Business:

Independence- Nothing new to report.

New Business:

Mr. Scudder made a presentation regarding disciplinary actions against unlicensed individuals. Mr. Warren presented 2 items for discussion at the next meeting.

1) Internationalization of the exam- Tennessee does not require residency to sit for the exam which may make this jurisdiction attractive for international candidates. However, Tennessee does require a social security number for any candidate for licensure.
2) Mobility of foreign licensees- A foreign candidate may become licensed in another state and then be allowed to practice in Tennessee under Mobility. Is that a concern?

The decision was made to refer these discussion items to the Licensing Committee at their next meeting.

There being no further business Mr. Alexander adjourned the meeting.

Chairman Secretary