



State of Tennessee
Department of Commerce and Insurance
Tennessee State Board of Accountancy
Davy Crockett Tower
500 James Robertson Parkway
Nashville, TN 37243
615-741-2550 or 888-453-6150

The meeting of the Tennessee State Board of Accountancy convened in Davy Crockett Tower, Nashville, TN on Friday, October 17, 2014.

Board members present were: Bill Blaufuss, Chair; Don Royston, Vice-Chair; Henry Hoss, Secretary; Vic Alexander; Jennifer Brundige; Stephen Eldridge; Gay Moon; Gabe Roberts; Charlene Spiceland; and Casey Stuart. Board member Trey Watkins was absent.

Staff members present were: Mark Crocker, Executive Director; Don Mills, Investigator; Ray Butler, Investigator; Chris Whittaker, Board Counsel; Karen Condon; and Denise Hickerson.

Also present were Wendy Garvin of TSCPA and Divon Crutchfield, CPA.

8:30 a.m. **Call to Order**

— Announcements

- Proper notice of meeting on the Board's website.
- Mr. Royston has been re-appointed to the Board with a three-year term.
- Gay Moon was welcomed as a newly-appointed Board member, replacing Troy Brewer as a representative of Middle Tennessee.
- Of the two formal hearings scheduled, one has been settled by consent order and the other has been continued to the January 2015 meeting.
- Members were reminded to speak into the microphones.
- Mr. Crocker introduced new staff member Denise Hickerson.
- Board members were asked to sign the necessary timesheets and submit travel receipts.

— Adopt Minutes from Meeting on January 25, 2014

MOTION by Mr. Hoss and seconded by Mr. Eldridge to approve the minutes as presented. Motion carried unanimously.

— Committee Appointments for 2014-2015 (Attachment A)

MOTION by Mr. Eldridge and seconded by Mr. Roberts to approve the Committee appointments. Motion carried unanimously.

Executive Director's Report

Mr. Crocker presented his report (Attachment B), noting that his term as Chair of NASBA's Executive Directors Committee will end on November 5, 2014. The Board was asked to approve the proposed future meeting dates. Mr. Crocker

highlighted proposed legislation affecting the Accountancy Board. The report included a list of NASBA's focus questions for the Board's approval.

MOTION by Mr. Alexander and seconded by Mr. Royston to approve the proposed future meeting dates. Motion carried unanimously.

MOTION by Mr. Stuart and seconded by Dr. Spiceland to approve the NASBA focus questions. Motion carried unanimously

Mr. Blaufuss confirmed that Mr. Crocker's reduced travel for the Executive Directors Committee is reflected in the proposed budget.

Mr. Crocker clarified that the Department of Revenue no longer sends a notification to licensees regarding Professional Privilege tax.

NASBA Committee Reports

Ms. Brundige presented an overview of the Legislative Support Committee. NASBA offers an online bill-tracking service, which details legislation regarding accountancy issues.

The meeting was recessed at 8:45, reconvening at 9:00.

Rulemaking Hearing

A hearing was held for adoption of proposed Rule changes (Attachment C). Mr. Crocker and Board members announced their presence for the record, establishing a quorum. Members of the public were invited to comment on the proposed changes to Rules 0020-01-.08, 0020-04-.03 and 0020-05-.08. No members of the public were present to comment, and Board staff had not received written comment from the public.

The Notice of Rulemaking hearing was filed on August 13, 2014 and included in the August 2014 Tennessee Administrative Register. This hearing was approved by the Board on May 2, 2014. Additional notice was posted on the Secretary of State's website and the Board's website on August 18, 2014. Licensees who have chosen to receive electronic notifications received notification via email on August 18, 2014.

Mr. Whittaker read into the record the Regulatory Flexibility Analysis, Economic Impact Statement and Local Government Impact Statement.

The Board voted for approval of the proposed Rule Changes as follows:

Charlene Spiceland - yes
Jennifer Brundige - yes
Stephen Eldridge - yes
Casey Stuart - yes
Henry Hoss - yes

Bill Blaufuss - yes
Don Royston - yes
Vic Alexander - yes
Gabe Roberts - yes
Gay Moon - yes

With no dissenting votes, the proposed changes will be sent to the Attorney General and the Secretary of State for approval.

The Rulemaking Hearing was then adjourned.

Law and Rules Committee

— Rule 0020-02-.02 (1)(b) regarding Internship programs

The Committee recommended amending the Rule to allow not more than six (6) semester hours or eight (8) quarter hours of internship credit to be applied to the accounting education requirement.

MOTION by Dr. Spiceland and seconded by Ms. Brundige to accept the Committee's recommendation. Motion carried unanimously.

— Board Policy Statements

The Committee requested Mr. Crocker and staff to review the existing Policy Statements and to recommend changes for the Committee's review.

MOTION by Dr. Spiceland and seconded by Mr. Royston to approve the Committee's request.

Mr. Blaufuss noted that many of the Policies are out of date and that the policies have been approved by previous Boards as guidance for implementing the Rules. The necessity of having Policy Statements must also be considered.

Mr. Hoss raised the topic of Policy Statements regarding the approval of fictitious names, and other instances of the delegation of certain authority and responsibilities to the Executive Director.

Mr. Stuart suggested that input from a Board member would be helpful to the staff. Dr. Spiceland and Ms. Brundige volunteered to be involved with the editing and revision process.

Following this discussion, the Board voted unanimously to approve the motion.

Mr. Hoss requested that Policy Statements be part of the Quarterly Report or included with meeting documents.

Mr. Whittaker brought to the Board's attention a misspelling in Rule 0020-05-.07. He asked the Board to vote to include the spelling correction in a Rulemaking document and to allow Mr. Whittaker to review the Rules and suggest any necessary Rule changes to the Board.

MOTION by Mr. Royston and seconded by Mr. Hoss to approve the request. Motion carried unanimously.

Licensing Committee Report

- Request from Lipscomb Davis for a nine-month extension to complete the CPA Exam. Mr. Davis was unable to complete the exam due to illness.

MOTION by Mr. Eldridge and seconded by Mr. Hoss to accept the Committee's recommendation for approval of the request. Motion carried unanimously.

- Request from Shirley Ford for a waiver of the CPA exam expiration Rule.

MOTION by Mr. Eldridge and seconded by Mr. Stuart to accept the Committee's recommendation for approval of the request. Motion carried unanimously.

- Request from Julie James for a one-month extension of the BEC portion of the CPA exam in order to retake the FAR section. Ms. James missed the deadline by one day due to illness.

MOTION by Mr. Eldridge and seconded by Mr. Alexander to accept the Committee's recommendation to extend the exam window through November 2014. Motion carried unanimously.

- Request from the Construction Financial Management Association for exempt CPE sponsor status. The Committee reviewed summaries of past CFMA meetings and found that topics covered are applicable to the accounting profession.

MOTION by Mr. Eldridge and seconded by Mr. Royston to accept the Committee's recommendation for approval of the request. Motion carried unanimously.

Mr. Eldridge requested that Management develop an annual audit process for exempt CPE organizations utilizing a representative sample of sponsors. Mr. Crocker will present a plan for such an audit at the next meeting.

- Review of firm permit application from Judy Veilleux
Because Ms. Veilleux's attest experience was gained through an unlicensed firm, the Committee felt that the full Board should review the request. Rules require CPAs offering attest services through a firm to have two years of financial reporting experience in the last ten years. Management recommended that the firm be approved as a tax service that will not perform compilations or other attest functions.

Mr. Hoss asked if the CPA would be able to provide bookkeeping services. Mr. Crocker noted that bookkeeping services may include preparing compilations even if no report is issued. Mr. Whittaker noted that Ms. Veilleux may operate as a tax service and outsource attest work to a licensed firm.

Dr. Spiceland mentioned Ms. Veilleux may gain the proper experience from a licensed firm and be able to offer attest functions in the future.

MOTION by Mr. Eldridge and seconded by Dr. Spiceland to approve the firm as a tax-only service, with the provision that Ms. Veilleux may apply as an attest firm after having gained the required experience.

The Board discussed these issues:

- Whether the firm permit details what the firm is licensed to do
- How the public would know for what services a firm has been approved and if the Peer Review program covers this issue.
- Peer reviewers currently ask for license information and that proof of proper licensure will be required beginning in 2015.
- Firms declare on annual renewals which services are offered, and those offering attest services must be enrolled in a Peer Review program.

Mr. Blaufuss would like the staff's interpretation of what constitutes a compilation. Wendy Garvin offered to ask the TSCPA technical staff to do a write-up regarding the issue.

Following discussion, Mr. Eldridge withdrew his motion.

MOTION by Mr. Eldridge and seconded by Mr. Stuart to deny the application so that Ms. Veilleux may re-apply as a tax service. Motion carried unanimously.

Ms. Garvin asserted that the TSCPA has created a two-hour webcast regarding upcoming changes in the Peer Review program.

— Review of the CPA application for Monica Kinson

Ms. Kinson's experience affidavit was signed by a CPA who works in an unlicensed firm. Board Rules specify only that an applicant's experience must be affirmed by a licensed CPA.

MOTION by Mr. Eldridge and seconded by Mr. Stuart to accept the Committee's recommendation for approval of the request. Motion carried unanimously.

The Board discussed these issues:

- CPAs working in tax services such as H&R Block, which are not licensed in Tennessee.
- Rules specifying that no licensed CPA may perform attest services from an unlicensed firm.
- CPAs working in such an organization would not be in violation if not performing attest services while employed in such a business.
- Board Rules stating that a CPA providing accounting services shall obtain a firm permit

- The possibility of the Board taking the position that tax preparation businesses are indeed accounting firms

The Committee requested that Management explore the topic and recommend any changes that should be made.

- Ms. Condon presented the statistics for the 2014 CPE audit.
- Firm permit applications for firms containing fictitious names, including:
 - IntrAccount
 - Integrated CFO Solutions

The Committee had deferred discussion of these applications, and the larger issue of fictitious firm names, to the full Board. Mr. Hoss requested more information regarding the policies by which other jurisdictions and industries view fictitious names. Dr. Spiceland felt that the Board should become more specific in the wording of Rules regarding these names and stated her objections to the approval of fictitious firm names.

Divon Crutchfield, CPA, addressed the Board regarding the application for IntrAccount, which was denied at the last meeting.

MOTION by Mr. Eldridge and seconded by Dr. Spiceland to deny the firm application of Integrated CFO Solutions. Motion carried unanimously.

- CPA application of R. Scott Hoffman
Mr. Hoffman did not meet the education requirement for gaining a reciprocal license and requested a waiver of that requirement in lieu of his accounting experience.

MOTION by Mr. Eldridge and seconded by Mr. Hoss to accept the Committee's recommendation for approval of the request. Motion carried unanimously.

- Ms. Garvin addressed the Board regarding state-specific ethics course, requesting that TSCPA become the sole provider of state ethics CPE.

The Board discussed these issues:

- Pricing for TSCPA members vs. non-members
- Availability of the online course
- Regular review of the content of the course
- The effect on those providers previously approved by the Board
- The method by which the Virginia Board implemented a similar arrangement

MOTION by Mr. Eldridge and seconded by Mr. Hoss to suspend further approval of State Ethics sponsor applications until this request is researched and decided upon.

Ms. Garvin suggested that the Board get a legal opinion regarding the Board's authority in this matter before the next meeting. Mr. Eldridge and Mr. Blaufuss concurred, and Mr. Whittaker will research the subject in conjunction with TSCPA, utilizing the Society's knowledge other states' procedures.

Ms. Brundige suggested that a time limit be placed on the suspension of application renewals. Mr. Blaufuss felt the Board can monitor the progress of researching the topic and can reverse the proposed moratorium if necessary.

The previous motion passed by unanimous vote.

Executive Committee Report

— Review of FY14 results and the results of the first two months of FY15

Mr. Crocker stated that the cost back charges have not yet been submitted. The staff is also pursuing renewals of delinquent licenses, which will increase revenue.

Mr. Blaufuss noted that travel related to NASBA would typically be paid for by NASBA, but Tennessee law precludes this due to conflict of interest. Mr. Crocker noted that he periodically requests a review of that policy.

— Review of proposed budget for FY16

Mr. Blaufuss stated that the State has requested submission of the FY16 budget after the Board's review. All departments have been instructed to cut costs by 7%, though this will not affect the Board of Accountancy. With no planned salary increase for state employees, the Executive Committee recommended approval of the proposed budget with a reduction in proposed salary increase from 3% to 2%.

Mr. Crocker explained budget variances and travel amounts at the request for Mr. Blaufuss.

MOTION by Mr. Royston and seconded by Mr. Alexander to accept the Committee's recommendation for approval of the budget with the suggested revision to the budgeted salary amount. Motion carried unanimously.

Mr. Blaufuss asked Mr. Crocker to include in future travel reports the number of days spent out of office for each travel event.

A copy of the Operating Results and Budget are included as Attachment D

— Ms. Garvin presented information regarding Peer Review transparency and Firm Mobility.

Mr. Hoss asked Board members for their opinions regarding peer review confidentiality, particularly in regard to firm mobility and disciplinary actions. Mr. Alexander stated that the peer review program was started to be remedial in nature and is functioning correctly, with those firm's not in compliance being

improved or dropped from the program. Mr. Eldridge concurred and saw no value in changing the program requirements for disciplinary purposes, noting that those firms not in compliance with peer review requirements are subject to discipline by the Board.

- Mr. Blaufuss asked that Mr. Crocker forward to the Board the monthly report submitted to the Assistant Commissioner so that the Board may be better informed of office activities.
- The Board reviewed a list of the duties performed by staff, and Mr. Blaufuss noted that the Board will utilize the existing State system in reviewing the Executive Director's performance.

Enforcement Committee Report

- Mr. Mills presented his report on the status of open complaints (Attachment E) Mr. Mills clarified that the number of open complaints has increased due to a more proactive approach in investigations.
- Mr. Whittaker presented the Legal Report (Attachment F)

MOTION by Mr. Stuart and seconded by Mr. Roberts to approve the recommended penalties dismissals in items 1-17 and 22. Motion carried unanimously with Ms. Moon recused.

MOTION by Mr. Stuart and seconded by Mr. Hoss to approve the recommendation to place items 18 and 19 in Litigation Monitory status. Motion carried unanimously.

MOTION by Mr. Stuart and seconded by Mr. Alexander to approve the recommendation to close items 20 and 21 with the issuance of Cease and Desist letters. Motion carried unanimously.

MOTION by Mr. Stuart and seconded by Mr. Royston to approve the recommendation to close items 23-25 with the issuance of Letters of Warning. Motion carried unanimously.

MOTION by Mr. Stuart and seconded by Mr. Alexander to approve the recommendation for item 26 as presented. Motion carried unanimously.

MOTION by Mr. Roberts and seconded by Mr. Eldridge to approve the recommendation for item 27 as presented. Motion carried unanimously with Mr. Stuart and Mr. Hoss recused.

MOTION by Mr. Stuart and seconded by Mr. Alexander to approve the recommendation for item 28 as presented. Motion carried unanimously.

Civil Penalties Authorized: 2
Amount of Civil Penalties: \$ 2,700.00
Consent Orders for Suspension, Surrender, or Revocation: 1
Placement of Complaints into Litigation Monitoring Status: 2
Cease and Desist Letters: 2
Letters of Warning: 3
Dismissals: 18

Legislative Review

Mr. Whittaker presented an overview of the proposed response to Public Chapter 881 regarding apprenticeship programs.

MOTION by Mr. Alexander and seconded by Mr. Royston to approve the response as presented. Motion carried unanimously.

Old Business

The Board granted the request of Ms. Judy Altom for a waiver of the late renewal fee at their meeting on October 17, 2014. Mr. Crocker informed the Board that Legal has advised him that the Board does not have authority to waive late fees under current Rules.

MOTION by Mr. Eldridge and seconded by Ms. Brundige to deny the refund due to the Board's lack of authority to grant it. The motion passed by majority vote, with Mr. Hoss dissenting.

New Business

— Wendy Garvin addressed the Board about the Peer Review Oversight Committee (PROC), focusing on the oversight already in place in TSCPA's existing program. The Board discussed issues of firm mobility and the Rule governing the formation of a PROC.

Topics discussed included:

- The effectiveness of a PROC that that isn't privy to review results.
- Confidentiality agreements signed by Committee members in order to have access to results.
- Whether the absence of a PROC would impair firm mobility.
- Alleviating the concerns other states have regarding the confidentiality of reviews.
- A possible Rule change regarding PROC
- Whether valuable information would result from the service of a PROC
- Whether the Board's responsibility would be satisfied by better interaction between Board staff and the TSCPA
- The NASBA recommendation that Board members should not be members of a PROC
- The utilization of PROCs by other State Boards

The matter of PROC procedures and Rules 0020-06 was referred to the Law and Rules Committee. Mr. Crocker will work with the Committee to develop recommendations for the Board.

- Mr. Crocker mentioned the AICPA Invitation to Comment regarding the practice analysis for the CPA Exam. The AICPA has asked that Board's respond to the questionnaire and Mr. Crocker asked for one or two Board members to help draft a response. Dr. Spiceland and Mr. Hoss volunteered.
- Chris Whittaker asked the Board to allow Mr. Crocker to sign the Agreed Order in the matter that was set for formal hearing today, but will now be settled.

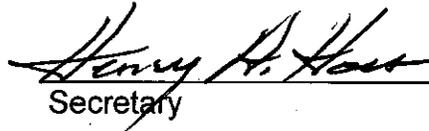
MOTION by Mr. Alexander and seconded by Mr. Hoss to delegate such authority the Mr. Crocker in this matter. Motion carried unanimously.

12:54 p.m. With no other business before the Board, the meeting was adjourned.

Chair



Secretary



TENNESSEE STATE BOARD OF ACCOUNTANCY 2014-2015 COMMITTEES

Committee	Purpose	Board Members	Staff Liaison
Executive	Provide executive guidance to the Board and staff Oversee and monitor the fiscal operations of the Board Provide guidance to Executive Director regarding administrative and personnel matters Assist in the legislative process as requested. Oversee Peer Review Oversight Committee	Bill Blaufuss, Chair Don Royston Henry Hoss Trey Watkins	Mark Crocker
Licensing	Evaluate difficult experience and education claims from CPA candidates Review and oversight of the CPE process Discuss issues that affect licensees	Stephen Eldridge, Chair Vic Alexander Henry Hoss Gay Moon Gabe Roberts	Karen Condon
Law & Rules	Review current laws and rules and suggest changes as needed Review policy	Charlene Spiceland, Chair Jennifer Brundige Gay Moon Trey Watkins	Mark Crocker
Enforcement	Review and oversight of the investigation and legal action program Recommend disposition of cases.	Casey Stuart, Chair Vic Alexander Gabe Roberts Don Royston Jennifer Brundige	Chris Whittaker

Board Chair is Ex-Officio of all committees



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY, 5th floor
NASHVILLE, TENNESSEE 37243-1141
www.tn.gov/regboards/tnsba
E-mail: tnsba@mail.state.tn.us
888-453-6150 or 615-741-2550
Fax: 615-532-8800

Tennessee State Board of Accountancy

Executive Director's Report

17 October 2014

1. NASBA Activities

Executive Directors Committee

The Executive Directors Committee met via conference call on September 22nd to confirm topics for the NASBA Regional Breakfast sessions and review the proposed agenda for the 2015 ED Conference to be held in Tampa, Florida, March 23-26, 2015. We also discussed potential assignments for moderators and speakers. We will meet again before the Annual meeting in Washington D.C. to finalize our plans. I will turn over the reins as the Chair of the Executive Directors Committee to Russ Friedwald of Illinois at this annual meeting!

I attended "NASBA U" as part of my responsibilities as Chair of the Executive Director's Committee. This was held in NASBA's offices here in Nashville on October 2nd and 3rd. Representatives from seven boards of accountancy attended, including the new Executive Director for the Georgia Board, Paul Ziga.

The next Board of Directors meeting is scheduled for October 30-31 in Washington, D.C. in conjunction with the Annual Meeting which Bill Blaufuss, Henry Hoss, and Charlene Spiceland will be attending.

I also attended the Prometric Quarterly Business Review in Ewing, New Jersey on October 15, 2014.

2. TSCPA Activities

I attended the TSCPA Board of Directors meeting in Barnsley Gardens, Georgia on August 4-5, and then the NASBA/AICPA Summit Meeting in New York on August 7th. I am also scheduled to attend the TSCPA Council Meeting on November 7, 2014.

Karen Condon and I met with Wendy Garvin to discuss how best to proceed with cross-referencing registered firms with those that are in the peer review program. We determined that attempting to maintain a database of last scheduled peer reviews and the scheduled date for the next review was simply not feasible. Therefore, we are relying solely on the fact that a firm is either registered in the program or is not registered and whether or not it should be registered.

3. State Board Committee

I attended the AICPA State Board Committee on October 7-8, 2014, in San Diego. The main topic of the meeting was the AICPA Practice Analysis which is underway to determine what changes, if any, need to be made to the CPA Exam. Each Board member received a copy of the Invitation to Comment as part of this Board packet. The AICPA is requesting that each State Board take the time to respond to the questions posed in the Invitation to Comment so that they have a balanced view of how the CPA Exam is currently meeting the needs of the profession. The comments are due on or before December 02, 2014, so I propose that we form an ad hoc committee to draft responses for the Board to be submitted to the AICPA before the deadline.

4. Proposed Future Meeting Dates

Friday, 16 January 2015

Friday, 01 May 2015

Friday, 17 July 2015

Friday, 16 October 2015

Friday, 22 January 2016

Friday, 06 May 2016

5. Licensing Database

The Board of Accountancy continues to work with the IT Department in developing a new licensing database. The current system, known as RBS (Regulatory Boards System) was put into place in 1993. It is, as you may imagine, far behind the times. The Division of Regulatory Boards is planning on implementing CORE (Comprehensive Online Regulatory Enforcement) early next year. This system will be able to provide more reports and give us more information at hand than RBS currently allows. The cost to the Board of Accountancy for this new system is approximately \$70,000 which will come out of our Reserve Fund per the Department of Commerce and Insurance. This amount has been included in the financial information provided in your packet.

6. Legislation

Three different pieces of legislation have been signed into law which affect the Board of Accountancy.

Public Chapter 815 addresses the issue of a certificate of employability. This is to be considered on a case by case basis, but states that if a person is issued a certificate of employability, then that shall preempt any present rule that authorizes or requires the denial or refusal to issue, restore or renew a license or certificate if the denial is based upon the person's past record of criminal activity. However, the Board may adopt a rule denying the issuance, restoration or renewal of a license or certificate to a person based on the time that has elapsed since the criminal offense or the nature of the criminal offense.

Public Chapter 881 requires that this Board create an apprenticeship program which includes at a minimum the subjects of: 1) apprenticeship training; 2) supervisory standards; 3) occupational instruction; 4) wages and benefits; 5) licensure; and 6) the role of the division of regulatory boards in implementing and maintaining the program. We believe that our work experience requirement will satisfy this particular bill, but we will need to prepare a report to go to the speaker of the senate, the speaker of the house of representatives, the government operations

~~committees of the senate and house of representatives, the commissioner of commerce and insurance, the commissioner of health, and the commissioner of labor and workforce development on or before December 31, 2014. This report has been prepared for the Board of Accountancy, but has not yet been approved by the Department. However, it will need to be approved by the Board at this meeting.~~

Public Chapter 763 addresses the issue of Professional Privilege Tax. This law requires that the Commissioner of Revenue shall provide a list of taxpayers who are delinquent in payment of the Professional Privilege Tax 90 days or more to each board on a monthly basis. If a licensee is listed, then the board shall refuse to issue or renew a license to that individual. Our IS Department has advised us that as of this date no such list has been provided to the Department.

7. PTIN Project

The Internal Revenue Service provided a list of all PTIN holders to individual state boards of accountancy. We are reviewing that list to determine how many of our license holders are using their PTIN to prepare tax returns without benefit of firm licensure. It is a labor-intensive project that has been delegated to the investigators. Some complaints have already been opened and resolved, and we have determined that some additional field work needs to be completed before additional complaints are opened in the future.

8. Initial Applications – Addition

A statutory change is now requiring that all new applicants for licensure fill out an "Eligibility Verification" form. This is now required for all applicants for licensure as certified public accountants in the State of Tennessee. A copy is attached for your review (Attachment A).

9. Focus Questions

The Focus Questions for this quarter for NASBA along with my proposed responses are attached (Attachment B). Please let me know of any changes or additions that you would like to have made.



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
REGULATORY BOARDS DIVISION
500 JAMES ROBERTSON PARKWAY
DAVY CROCKETT TOWER
NASHVILLE, TENNESSEE 37243**

Eligibility Verification for Entitlements Act Attestation Instructions

INSTRUCTIONS: If you are a natural person applying for a license, registration, certification or other benefit you must:

1. Attest, under penalty of perjury, to your status as either a United States citizen, a qualified alien as defined in Tennessee's Eligibility Verification for Entitlements Act, or a foreign national not physically present in the United States, by selecting your status in Part A below signing on the line labeled "Applicant's Signature," printing your name on the line labeled "Printed Name" and putting the current date on the line labeled "Date."

AND

Do one (1) of the following:

2. If you are claiming United States citizenship, present one (1) of the forms of identification provided for in Part B below. **If you provided your Social Security Number as part of your application for licensure, registration, certificate or other benefit, no additional documentation is required; however, please be aware that efforts may be made to verify any such number. Any other document presented must be original.**
3. If you are claiming qualified alien status, present two (2) forms of documentation of identity and immigration status, as determined by the United States Department of Homeland Security to be acceptable for verification through the SAVE program, as provided in Part C below. **The documents presented must be original.**
4. If you are claiming qualified alien status but you are unable to present two (2) forms of documentation provided for in Part C of this form, then you shall present at least one (1) such document that shall then be verified through the SAVE program. **The document presented must be original.**

or

5. If you are claiming you are foreign national not physically present in the United States, contact the program issuing the license, registration, certification or other benefit for which you are applying to provide such documentation as may be required to verify such status.

Eligibility Verification for Entitlements Act Attestation

Part A. Eligibility Verification for Entitlements Act Attestation

I hereby attest under penalty of perjury that I am (select one):

_____ A United States citizen;

_____ A qualified alien as defined in Tenn. Code Ann. § 4-58-102;¹

_____ A foreign national not physically present in the United States. Further, I understand that should I ever become physically present in the United States while I hold this license, registration, certification or other benefit I agree to immediately contact the issuing agency and provide documentation to confirm my status as a qualified alien.

Applicant's Signature

Printed Name

Date

Submitting false information or omitting pertinent or material information in connection with this application or any violation of the Eligibility Verification for Entitlements Act may result in the revocation of any license, registration, certification or other benefit issued to the applicant. A person who willfully makes a false, fictitious or fraudulent statement or representation of United States citizenship may be prosecuted under 18 U.S.C. § 911 and/or the False Claims Act, T.C.A. §§ 4-18-101, *et seq.*

¹ Qualified alien means "A qualified alien as defined by 8 U.S.C. § 1641(b)" or "An alien or nonimmigrant eligible to receive state or local public benefits under 8 U.S.C. § 1621(a)." Pursuant to those statutes, this includes, but is not necessarily limited to:

- An alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act [8 U.S.C. § 1101 et seq.];
- An alien who is granted asylum under section 208 of the Immigration and Nationality Act [8 U.S.C. § 1158];
- A refugee who is admitted to the United States under section 207 of the Immigration and Nationality Act [8 U.S.C.A. § 1157];
- An alien who is paroled into the United States under section 212(d)(5) of the Immigration and Nationality Act [8 U.S.C. § 1182(d)(5)] for a period of at least 1 year;
- An alien whose deportation is being withheld under section 243(h) of the Immigration and Nationality Act [8 U.S.C. § 1253] (as in effect immediately before the effective date of section 307 of division C of Public Law 104-208) or section 241(b)(3) of the Immigration and Nationality Act [8 U.S.C. § 1231(b)(3)] (as amended by section 305(a) of division C of Public Law 104-208);
- An alien who is granted conditional entry pursuant to section 203(a)(7) of the Immigration and Nationality Act [8 U.S.C. § 1153(a)(7)] as in effect prior to April 1, 1980;
- An alien who is a Cuban and Haitian entrant (as defined in section 501(e) of the Refugee Education Assistance Act of 1980);
- A nonimmigrant under the Immigration and Nationality Act [8 U.S.C. §§ 1101, *et seq.*];
- An alien who is paroled into the United States under section 212(d)(5) of the Immigration and Nationality Act [8 U.S.C. § 1182 (d)(5)] for less than one year.

Eligibility Verification for Entitlements Act Additional Required Documentation

Part B. If you are claiming United States citizenship, you must present one (1) of the following:

- A valid Tennessee driver license or photo identification license issued by the Department of Safety;
- A valid driver license or photo identification license from another state where the issuance requirements are at least as strict as those in Tennessee, as determined by the Department of Safety;
- An official birth certificate issued by a state, jurisdiction or territory of the United States, including Puerto Rico, United States Virgin Islands, Northern Mariana Islands, American Samoa, Swains Island, or Guam; provided that Puerto Rican birth certificates issued before July 1, 2010, shall **not** be recognized;
- A United States government-issued certified birth certificate;
- A valid, unexpired United States passport;
- A United States certificate of birth abroad (DS-1350 or FS-545);
- A report of birth abroad of a citizen of the United States (FS-240);
- A certificate of citizenship (N560 or N561);
- A certificate of naturalization (N550, N570 or N578);
- A United States citizen identification card (I-197, I-179);
- Any successor document of those listed at Tenn. Code Ann. §§ 4-58-103(c)(4)-(9); or
- **A social security number that may be verified with the Social Security Administration in accordance with federal law (if you provided your social security number as part of your application for licensure, no additional documentation is required; however, please be aware that efforts may be made to verify any such number).**

Part C. If you are claiming qualified alien status, you must present two (2) forms of documentation of identity and immigration status, as determined by the United States Department of Homeland Security to be acceptable for verification through the SAVE program. Such forms of identification may include:

- I-327 (Reentry Permit);
- I-551 (Permanent Resident Card);
- I-571 (Refugee Travel Document);
- I-766 (Employment Authorization Card);
- Certificate of Citizenship;
- Naturalization Certificate;
- Machine Readable Immigrant Visa (with Temporary I-551 Language);
- Temporary I-551 Stamp (on passport or I-94);
- Unexpired Foreign Passport;
- WT/WB Admission Stamp in Unexpired Foreign Passport
- I-20 (Certificate of Eligibility for Nonimmigrant (F-1) Student Status);
- DS-2019 (Certificate of Eligibility for Exchange Visitor (J-1) Status);
- Any other document determined by the U.S. Department of Homeland Security to be acceptable through the Systematic Alien Verification for Entitlements (SAVE) program created pursuant to the federal Immigration Reform and Control Act of 1986.

Part D. If you are claiming qualified alien status, but you are unable to present two (2) forms of documentation as described in Part C, then you shall present at least one (1) such document as described in Part C, which shall then be verified through the SAVE program.

Part E. If you are claiming that you are a foreign national not physically present in the United States, please contact the program issuing the license, registration, certification or other benefit for which you are applying to provide such documentation as may be required to verify such status.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

MEMORANDUM

July 29, 2014

To: State Board Chairs, Presidents, Board Members and Executive Directors
From: Douglas W. Skiles - Chair, Committee on Relations with Member Boards
Re: Focus Questions

We would like to thank you for your enthusiastic participation in the 2014 Regional Meetings and we hope you will be able to join us for the Annual Meeting in Washington, D.C., November 2-5. Your continued support helps keep NASBA an organization that responds to its member Boards. Should your Board be unable to send a voting delegate (i.e., current Board member) to the Annual Meeting, please contact Communications Director Thomas Kenny (tkenny@nasba.org) to arrange for a scholarship. We would like to see all Boards represented at the 2014 Annual Meeting.

We thank you for your helpful responses to our past Focus Questions. Your continued support helps keep NASBA an organization that responds to its member boards. We are looking for your Board's responses to the following questions by Tuesday, October 14, 2014.

Please do not hesitate to call your Regional Director to discuss these questions or any other issues you feel NASBA should consider. We look forward to hearing from you.

Sincerely,

Douglas W. Skiles

Central Director – Douglas W. Skiles Phone: 308-345-5100 dsbiles@msl-cpa.com
Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Great Lakes Director – W. Michael Fritz Phone: 614-229-4806 wfritz@deloitte.com
Illinois, Indiana, Michigan, Ohio, Pennsylvania, Wisconsin

Middle Atlantic Director – Tyrone E. Dickerson Phone: 804-272-1250 t5dcpa@verizon.net
DC, Delaware, Maryland, North Carolina, South Carolina, Virginia, West Virginia

Mountain Director – Richard N. Reisig Phone: 406-727-0888 reisig@azworld.com
Colorado, Idaho, Montana, Nevada, Utah, Wyoming

Northeast Director – John F. Dailey Phone: 856-782-2883 jdailey@bowmanllp.com
Conn., Maine, Mass., New Hampshire, New Jersey, New York, Rhode Island, Vermont

Pacific Director – Donald F. Aubrey Phone: 206-938-2906 glaciergeek@gmail.com
Alaska, Arizona, California, CNMI, Guam, Hawaii, Oregon, Washington

Southeast Director – Jimmy E. Burkes Phone: 601-326-7118 jburkes@haddoxreid.com
Alabama, Florida, Georgia, Kentucky, Mississippi, Puerto Rico, Tennessee, Virgin Islands

Southwest Director – A. Carlos Barrera Phone: 956-546-1655 cbarrera@longchilton.com
Arkansas, Louisiana, New Mexico, Oklahoma, Texas

1
Attachment B

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your Board's responses to your Regional Director by October 14, 2014. Use additional sheets for your responses if needed.

JURISDICTION Tennessee **DATE** 17 October 2014
NAME OF PERSON SUBMITTING FORM: Mark H. Crocker, CPA, CGMA

1. At the Regional Meetings, Melanie Thompson reported the Pathways Commission is working to have the College Board accept an Advanced Placement Accounting Course, to have students become interested in accounting while still in high school. Would your Board accept college credit awarded for an AP accounting course?

Yes, if it was included on the college transcript and given college credit, it would be accepted. _____

2. Is your State Board, Society or Government doing anything to encourage people to enter the accounting profession?

The Tennessee State Society of CPAs hosts an Accounting Academy for high school students each summer that is a four-day camp designed to provide students a firsthand experience of the diverse fields in accounting and to learn more about what it takes to become a CPA. The camp is free of charge for the students, sponsored by TSCPA members and their accounting firms.

3. Are there significant differences between your state's Accountancy Act and Rules and those of neighboring states? Are there any significant differences between your state's Act and Rules and the Uniform Accountancy Act and Model Rules? Please specify major divergences.

The main difference that keeps surfacing is allowing candidates to sit for the exam before completing the 150 hour requirement.

4. Having learned that several firms performing employee benefit plan audits are not being properly peer reviewed, is your state considering any changes to the way it monitors peer review?

The Board is discussing and reviewing our confidentiality requirements for peer review.

5. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

The Board has been asked to rule on fictitious firm names, and is determining that some of the names requested are misleading to the public.

JURISDICTION Tennessee _____ **DATE** 17 October 2014
NAME OF PERSON SUBMITTING FORM Mark H. Crocker, CPA, CGMA

6. Can NASBA be of any assistance to your Board at this time?

7. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
 - Input only from Executive Director
 - Input only from Board Chair and Executive Director
 - Input from all Board Members and Executive Director
 - Input from some Board Members and Executive Director
 - Input from all Board Members
 - Input from some Board Members
- Other (please explain):

Language for Proposed Rule Changes First Considered at October 2013 Board Meeting

***New proposed language appears in bold italics

1.) Adding failure to pay professional privilege tax as required by law as a ground for disciplinary action to Rule 0020-4-.03

--New Rule 0020-4-.03(9) would read:

(9) ***Failure to timely pay professional privilege tax as required by law.***

2.) Adding a specific penalty for failure to timely complete 2 hour state specific ethics course to Rule 0020-05-.08

--Amended Rule 0020-5-.03(1) [Basic Requirements] would read as follows: "A license holder seeking regular biennial renewal shall, as a prerequisite for such renewal, show that he or she has completed no less than eighty (80) hours of continuing professional education, ***including a two (2) hour state-specific ethics course as set forth in Rule 0020-5-.03(1)(b)***, during the two year period immediately preceding renewal, with a minimum of twenty (20) hours in each year with specifications as follows:"

--Rule 0020-5-.08 would be deleted in its entirety and replaced with the following language:

(1) "A penalty of (8) additional CPE hours will be assessed against those license holders who fail to ***timely complete*** the eighty (80) hour two (2) year minimum required by Rule 0020-5-.03 unless an extension of time under 0020-5-.07 is granted by the Board."

***This is currently 0020-5-.08(2)

(2) ***"A penalty of eight (8) additional CPE hours will be assessed against those license holders who fail to timely complete the forty (40) hour requirement in the subject areas of accounting, accounting ethics, attest, taxation, or management advisory services required by Rule 0020-5-.03 unless an extension of time under 0020-5-.07 is granted by the Board."***

(3) "A penalty of (8) additional CPE hours will be assessed against those license holders who fail to ***timely complete at least twenty (20) hours in each year of the biennial renewal period*** as required by Rule 0020-5-.03 unless an extension of time under 0020-5-.07 is granted by the Board."

***This is currently 0020-5-.08(1)

(4) ***"A penalty of (8) additional CPE hours will be assessed against those license holders who perform the attest function who fail to timely complete the twenty (20) hour requirement in the subject areas of attest and accounting theory and practice under Rule 0020-5-.03 unless an extension of time under 0020-5-.07 is granted by the Board."***

(5) ***"A penalty of eight (8) additional CPE hours will be assessed against those license holders who fail to timely complete the two (2) hour state specific continuing professional education ethics course required by Rule 0020-5-.03 unless an extension of time under 0020-5-.07 is granted by the Board."***

(6) ***"A licensee who is assessed a penalty under this rule shall complete such penalty and shall submit proof of completion of such penalty to the Board no later than one hundred and eighty (180) days from the date the Board notifies the licensee of the deficiency."***

***This would replace the language of current Rule 0020-5-.08(3).

**Tennessee State Board of Accountancy
Operating Results**

	FY 13 Actual	FY 14 Actual	FY 14 Budget	FY 15 Budget	FY 16 Budget	YTD Act Aug FY 15	YTD Act Aug FY 14	YTD 2015 vs 2014
Revenues	1,149,504	1,160,330	1,150,385	1,132,430	1,102,210	15,938	37,733	-57.8%
Less: State Regulatory Fee	(86,065)	-	(60,385)	(62,750)	(62,750)	-	-	#DIV/0!
Net revenues	<u>1,063,439</u>	<u>1,160,330</u>	<u>1,090,000</u>	<u>1,069,680</u>	<u>1,039,460</u>	<u>15,938</u>	<u>37,733</u>	<u>-57.8%</u>
Salaries	412,522	409,427	428,620	428,892	429,695	62,974	69,266	-9.1%
Longevity compensation	10,300	9,900	13,700	8,900	7,200	2,900	2,700	7.4%
Employee benefits	134,752	141,989	159,235	160,355	160,023	18,468	23,186	-20.3%
Travel	37,998	38,309	64,500	64,500	48,400	5,721	4,409	29.8%
Printing, duplicating	26,141	-	6,000	6,000	-	-	-	#DIV/0!
Communications and shipping	14,356	24,822	25,000	20,000	20,000	1,585	1,125	40.9%
Third party prof and admin services	33,972	48,259	50,000	50,000	40,000	7,227	7,261	-0.5%
Supplies and furniture	3,835	1,262	10,000	7,500	7,500	4,866	61	7877.0%
Rentals and insurance	1,614	1,614	3,570	1,620	1,620	135	135	0.0%
Awards	561	-	500	500	500	-	-	#DIV/0!
Unclassified	1,200	1,200	1,200	1,200	1,200	-	-	#DIV/0!
Employee training	7,695	5,320	10,000	10,000	20,000	-	-	#DIV/0!
Computer related items	2,049	343	10,000	10,000	10,000	-	-	#DIV/0!
State professional services	<u>100,931</u>	<u>78,401</u>	<u>85,000</u>	<u>70,000</u>	<u>70,000</u>	<u>2,702</u>	<u>3,413</u>	<u>-20.8%</u>
Regular expenditures	<u>787,926</u>	<u>760,846</u>	<u>867,325</u>	<u>839,467</u>	<u>816,138</u>	<u>106,578</u>	<u>111,556</u>	<u>-4.7%</u>
Year end cost backs	<u>223,554</u>	<u>212,000</u>	<u>212,000</u>	<u>224,000</u>	<u>220,000</u>	<u>224,000</u>	<u>223,554</u>	<u>0.2%</u>
Total expenditures	<u>1,011,480</u>	<u>972,846</u>	<u>1,079,325</u>	<u>1,063,467</u>	<u>1,036,138</u>	<u>330,578</u>	<u>335,110</u>	<u>-1.4%</u>
Net revenue to reserves	51,959	187,484	10,675	6,213	3,322	(314,640)	(297,377)	5.5%
Reserves	<u>760,542</u>	<u>742,501</u>	<u>742,501</u>	<u>742,501</u>	<u>748,714</u>	<u>742,501</u>	<u>760,542</u>	<u>-2.4%</u>
Reserve balance	<u>812,501</u>	<u>929,985</u>	<u>753,176</u>	<u>748,714</u>	<u>752,036</u>	<u>427,861</u>	<u>463,165</u>	<u>-8.3%</u>
Reserve Balance as of 30 June 2013:	812,501							
Estimated Cost of CORE	<u>(70,000)</u>							
Estimated Reserve Balance:	<u>742,501</u>							

Board of Accountancy

Results versus Actual Fiscal 2014

Discussion of Line Item Variances

Revenues: Gross Revenues were slightly more than projected, but we have not yet received information on the State Regulatory Fee.

Salaries: The salaries line item is not going to be as high as projected due to changes in personnel during the year and due to no salary increases even though there was a budgeted amount for that possibility.

Travel: Travel is less than projected because NASBA events have cost less than projected and investigations have cost less than projected.

Printing, Duplicating: This line item was included in communications and shipping.

Supplies and Furniture: We only order as needed, and we have not needed much in the way of supplies this year. I expect this amount to increase in the coming year.

Employee Training: This covers training provided by the Department for staff as well as paid CPE for the professional staff. We budgeted for additional CPE for staff and for NASBA attendance for Board members.

Computer Related Items: We have been fortunate not to need any new equipment this year. Therefore, we have not spent our allotted amount!

Year End Cost Backs: We have not yet been given any information regarding the amount of the cost backs. This should be coming to us in the next week or so.

Board of Accountancy

Fiscal 2016 Budget

Discussion of Line Items

Revenues: The decrease in gross revenues from the FY15 budget amount is 2.8%.

Regulatory License Fees: At the end of each fiscal year the Board is charged \$10.00 for a two year active license. As of 31 December 2014 the Board of Accountancy had approximately 10,500 active individual licensees. In addition, there would be a fee of \$5.00 assessed on the active firm licenses since those renew on an annual basis. There were approximately 2,050 firm permits active as of 31 December 2014.

Salaries: Assumes a 3% compensation increase for FY 16. No compensation adjustments were made in FY 15 as mandated by the State (Attachment A).

Longevity Compensation: Each employee receives a longevity payment of \$100 per year of service on their anniversary date. Employees must have 36 months of service before they are eligible for this benefit.

Employee Benefits: This amount is computed as 37% of salaries and longevity.

Travel: Travel is detailed in the attached Travel Plan (Attachment B).

Printing, Duplicating: There have been no charges for this item in the past year. These expenses are being included in Communications and Shipping.

Communications and Shipping: Covers all postage charges which includes the renewal postcard and the annual newsletter. The Staff has decided to use NASBA's service to prepare the newsletter which will decrease the amount of funds expended for this line item as NASBA offers the service free of charge, and the newsletter will be distributed through email.

Third Party Professional and Administrative Services: This is composed of charges for the wall certificates and expenses incurred for formal hearings (judges, court reporters). This also includes the \$2.24 charge per credit card transaction that all individual licensees are charged when renewing online and the \$1.04 charge per credit card transaction that firms pay when renewing online. This is a flow-through item for the Board so it is included in Revenue and in expense. This line item also includes charges for the Peer Review Oversight Committee.

Supplies and Furniture: We have not stockpiled supplies, so we are now down to ordering as needed.

Rentals and Insurance: This is the total for the rental of the copier.

Employee Training: This covers training provided by the Department for staff as well as paid CPE for the professional staff. It also includes a reclassification of fees incurred for attending events at NASBA. Each event costs approximately \$695 per attendee, and this amount was previously part of the travel budget. Fiscal is now breaking this out as Employee Training.

Computer Related Items: These are charges incurred for any computer related work done by the IT staff as well as any new equipment purchased.

State Professional Services: Rent for our office space is now \$34,900 of this total. This line item also includes our telephone billing and the charges for the two state vehicles driven by investigators. It also includes the \$2.00 charge per credit card transaction that all licensees are charge when renewing online (a possible total of \$18,800). This is a flow-through item for the Board so it is included in Revenue and in Expense.

Attachment A

FY 16 Personnel Budget

<u>Employee Name</u>	<u>Annual Salary</u>	<u>Longevity Pay</u>
Butler, Ray	\$71,280	\$400
Canan, Josh	\$38,784	\$0
Condon, Karen	\$37,308	\$400
Cooper, Sandra	\$28,008	\$1,600
Crocker, Mark	\$100,428	\$1,600
Demastus, Brenda	\$31,800	\$1,900
Hickerson, Denise	\$32,904	\$600
Mills, Don	\$72,396	\$700
Total	\$412,908	\$7,200
Possible Increase	X 3%	
	<u>\$12,387</u>	
Total Office Salaries for FY 16	\$425,295	
Estimated Longevity	<u>\$7,200</u>	
Total for Benefit Computation	<u>\$432,495</u>	
		X 37%
Estimated Benefits for FY 16		<u>\$160,023</u>
Salaries for FY 16	\$425,295	
Longevity for FY 16	\$7,200	
Benefits for FY 16	\$160,023	
Board Members [(11 X \$100) X 4]	<u>\$4,400</u>	
Total Personnel Budget	<u>\$596,918</u>	

Attachment B

Board of Accountancy
Travel Plan
FY 16

<u>Month</u>	<u>Attendee</u>	<u>Event</u>	<u>Location</u>	<u>Cost</u>	-
July	ED or Designee	Miscellaneous Board Business		\$500	
August	ED or Designee	Miscellaneous Board Business		\$500	
September	ED or Designee	Miscellaneous Board Business		\$500	
October	ED or Designee	Miscellaneous Board Business		\$500	
	ED, Investigators, 3 Board Members	NASBA Annual Meeting	TBD	\$5,900	
November	ED or Designee	Miscellaneous Board Business		\$1,000	
December	ED or Designee	Miscellaneous Board Business		\$1,000	
January	ED or Designee	Miscellaneous Board Business		\$250	
February	ED or Designee	Miscellaneous Board Business		\$250	
March	Executive Director	NASBA Executive Directors' conference	TBD	\$1,800	
	Investigators/Staff Attorney	NASBA Legal Counsel conference		\$4,000	
	ED or Designee	Miscellaneous Board Business		\$250	
April	ED or Designee	Miscellaneous Board Business		\$250	
May	ED or Designee	Miscellaneous Board Business		\$500	
June	ED and 3 Board Members	NASBA Regional meeting	TBD	\$4,700	
	ED or Designee	Miscellaneous Board Business		\$500	
			Subtotal	\$22,400	
Various	Investigator	Investigations	Tennessee	\$12,000	
Various	PROC	PROC Meetings		\$3,000	
Various	Various	NASBA Committee meetings		\$3,000	
Quarterly	Board members	TSBA meetings	Tennessee	<u>\$8,000</u>	
		Total estimated travel expenses		<u>\$48,400</u>	



**STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
TENNESSEE STATE BOARD OF ACCOUNTANCY
500 James Robertson Parkway
Nashville, Tennessee 37243-1141
(615) 741-2550 or (888) 453-6150
Fax (615) 532-8800**

Memorandum

**To: Casey Stuart, CPA, Chairman
C. Don Royston, CPA
Vic Alexander, CPA
Jennifer Brundige, Attorney-at-Law
J. Gabe Roberts, Attorney-at-Law**

From: Donald A. Mills, CPA, CFE, CFF, Investigator

Date: 16 October 2014

Re: Status of Open Complaints

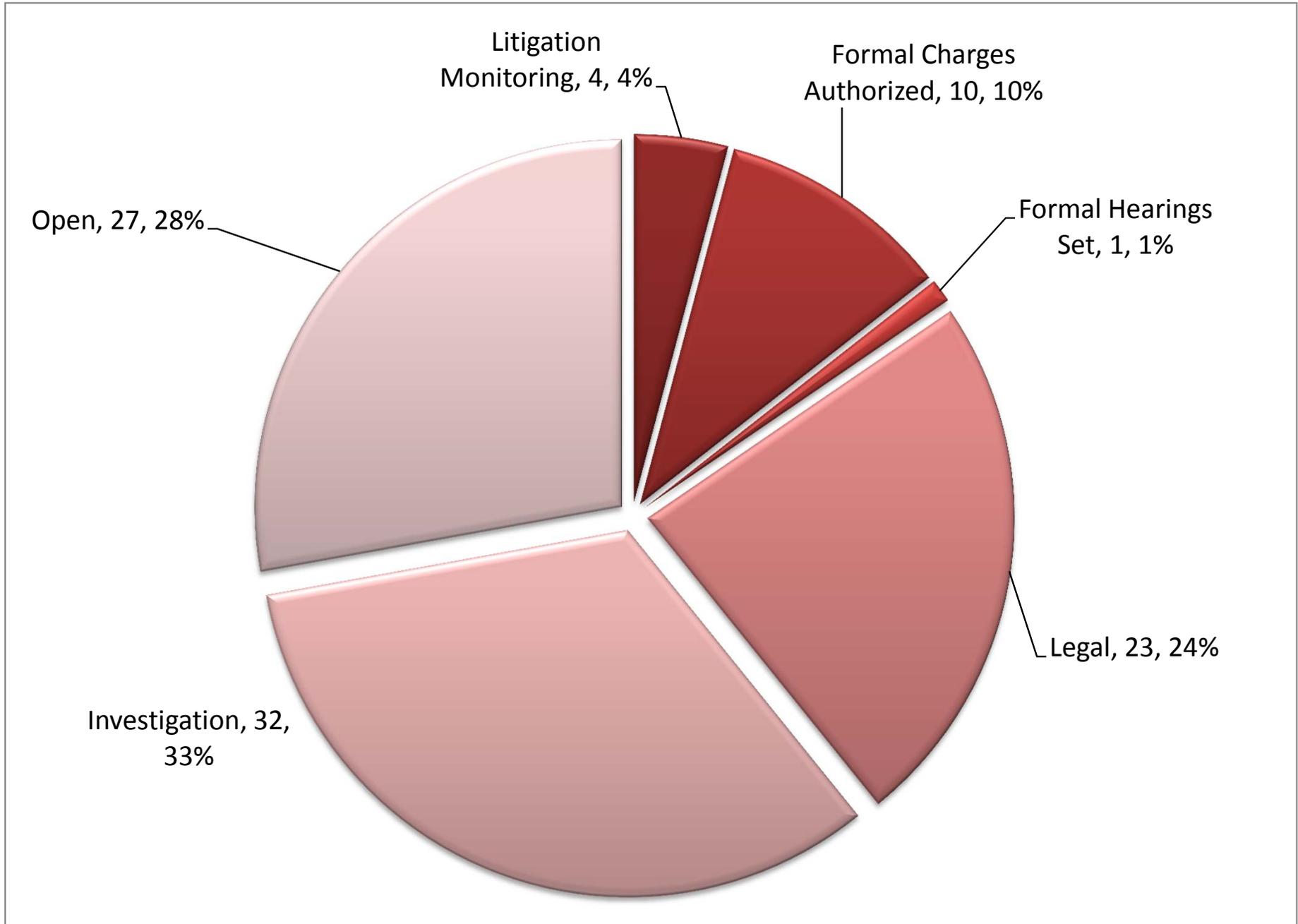
Attached is my report with regard to the status of open complaints as of today's date, along with data from three prior meeting dates. If you have any questions or need additional information, please ask.

**cc: Mark H. Crocker, CPA
Executive Director**

**Raymond Butler, CPA
Investigator**

STATUS OF OPEN COMPLAINTS
January 30, 2014 to October 16, 2014

<u>Status</u>	<u>2014</u>			
	30-Jan	1-May	24-Jul	16-Oct
<u>Litigation Monitoring</u>	5	5	3	4
<u>Formal Charges Authorized</u>	6	6	3	10
<u>Formal Hearings Set</u>	3	1	4	1
<u>Consent Order Outstanding</u>	4	3	4	0
<u>Legal</u>	26	15	12	23
<u>Investigation</u>	6	7	2	32
<u>Open</u>	3	3	10	27
Total- All Cases	53	40	38	97





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

TO: TENNESSEE BOARD OF ACCOUNTANCY
FROM: CHRISTOPHER R. WHITTAKER, Assistant General Counsel
SUBJECT: October 2014 LEGAL REPORT
DATE: October 17, 2014

Civil Penalties Authorized: 2
Amount of Civil Penalties: \$ 2,700.00
Consent Orders for Suspension, Surrender, or Revocation: 1
Placement of Complaints into Litigation Monitoring Status: 2
Cease and Desist Letters: 2
Letters of Warning: 4
Dismissals: 17

RECOMMENDED DISMISSALS

1. L14-ACC-RBS-2014019821

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent lives in Tennessee and has a PTIN number, but the Respondent does not practice in Tennessee. It appears that the Respondent does practice accounting in North Carolina and is appropriately licensed to perform the kind of work that he does in North Carolina. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

2. L14-ACC-RBS-2014021051

The complaint alleges that the Respondent, a non-licensee, is offering to perform accounting services for the public from an unregistered firm via a website. The investigation revealed that the company which owns the website in question used the website to try to sell

professional internet advertising services to a CPA licensed in Tennessee. However, it appears that the Tennessee-licensed CPA to whom the website was marketed never paid the website any money, never used the website, and in fact, maintains a firm permit under a name different from the company name listed on the website. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

3. L14-ACC-RBS-2014019631

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent lives in Tennessee and has a PTIN number, but the Respondent does not practice accounting and does not offer to perform accounting services for the public in Tennessee. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

4. L14-ACC-RBS-2014015981

The complaint alleges that the Respondent firm overcharged a client for professional services rendered. Because the sole allegation in the complaint appears to be a fee dispute between a client and a licensee, it appears that dismissal of this complaint is required. It is also noteworthy that the Complainant later sent a letter to the Board stating that he had spoken with the Respondent, that the dispute was resolved to the Complainant's satisfaction, and that the Complainant wished to withdraw the complaint on that basis.

Recommendation: Dismiss the complaint.

5. L14-ACC-RBS-2014019781

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent lives in Tennessee and has a PTIN number, but the Respondent does not practice accounting and does not offer to perform accounting services for the public in Tennessee. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

6. L14-ACC-RBS-2014021691

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent lives in Tennessee and has a PTIN number, but the Respondent does not practice accounting and does not offer to perform accounting services for the public in Tennessee. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

7. L14-ACC-RBS-2014019731

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent lives in Tennessee and has a PTIN number, but the Respondent does not practice accounting and does not offer to perform accounting services for the public in Tennessee. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

8. L13-ACC-RBS-2013017121

The complaint alleges that the Respondent's Alabama CPA license was revoked for failure to timely renew his license or to notify the Alabama Board of his intent not to renew his license and that the Respondent failed to notify the Tennessee Board of his Alabama license revocation. The investigation revealed that the Respondent's Alabama CPA license was subsequently reinstated. However, the Respondent did not notify the Tennessee Board of his Alabama license revocation and has not responded to the Board's investigator's attempts to contact him relative to this complaint. At its January 2014 meeting, the Board authorized a formal hearing for the revocation of the Respondent's Tennessee CPA license. However, despite extensive efforts to locate the Respondent, Board staff and Board counsel have been unsuccessful in their attempts to locate and serve process upon the Respondent. In light of the Board's inability to serve process on the Respondent for a formal hearing, and given the fact that the Respondent's Tennessee CPA license has been expired for more than twenty (20) years, it is recommended that this complaint be closed without prejudice and that the Respondent's license file be flagged in the event that he ever attempts to reinstate his Tennessee CPA license.

Recommendation: Dismiss the complaint without prejudice and place a notation in the Respondent's licensing file that his license is not to be reactivated without Board approval.

9. L12-ACC-RBS-2012018681

The complaint alleges that the Respondent breached its fiduciary duty to a client by failing to obtain reasonable assurances that the client's financial statements were free of material misstatements. The Respondent was also named as a defendant in a civil lawsuit filed by the Complainant based on substantially the same facts. The investigation revealed that the parties to the civil lawsuit settled out of court with no admission of any wrongdoing by the Respondent. Additionally, the Board's investigation revealed that the Respondent firm took all reasonable steps to advise the client in advance of procedures to put in place that would make employee theft less likely. Unfortunately, it appears that the Complainant failed to implement the procedures recommended by the Respondent, and the exact harm the Respondent attempted to help the client prevent (employee theft) did ultimately occur. Moreover, the Respondent took substantial steps to assist the client in discovering the full scope of its employee's theft. Because it appears that the Respondent did not breach its fiduciary duty to its client, dismissal of this complaint is recommended. Board member Gay Moon recused herself from the consideration of and voting on this complaint due to potential personal knowledge of the matters set forth in this complaint.

Recommendation: Dismiss the complaint.

10. L14-ACC-RBS-2014015961

The complaint alleges that the Respondent failed to return client records in a timely manner. The Investigation revealed that the Respondent did not have a duty to return the records (QuickBooks files) since they were used only for the preparation of Federal Tax returns. The Respondent was not engaged to prepare the client's general ledger and had never provided a copy of these working papers to the client. In addition, the client did not provide the records requested in order for the Respondent to prepare the Federal Tax returns in a timely manner. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

11. L14-ACC-RBS-201401961

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent has a PTIN number, but the Respondent lives in Florida, owns a vacation property in Tennessee, and is properly licensed to practice in Florida. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

12. L14-ACC-RBS-2014019771

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent has a PTIN number, but that the Respondent now lives in Texas and is properly licensed to practice in Texas. The Respondent did live in Tennessee at one time, but there is no evidence to suggest that she offered to perform accounting services to the public while living in Tennessee. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

13. L14-ACC-RBS-2014019761

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent has a PTIN number and that the Respondent lives in Tennessee. However, the Respondent only does accounting work part-time for one client in New Hampshire, and the Respondent is properly licensed to practice in New Hampshire. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

14. L14-ACC-RBS-201401981

The complaint alleges that the Respondent was practicing accounting in Tennessee without being properly licensed to do so. The investigation revealed that the Respondent has a PTIN number and that the Respondent lives in Tennessee. However, the Respondent only practices in Georgia, and the Respondent is properly licensed to practice in Georgia. As such, dismissal of this complaint is recommended.

Recommendation: Dismiss the complaint.

15. L14-ACC-RBS-2014017641

The complaint alleges that the Respondent, a non-licensee, was using the word “accounting” in the name of its business without being properly licensed to do so. The investigation revealed that the original name of the Respondent company did include the word “accounting” when it did business in other states which do not prohibit the use of that word without a CPA firm permit. However, when the Respondent moved to Tennessee, it registered its company name as a d/b/a without the word “accounting” in it. Although the company’s name registered with the Secretary of State has the word “accounting” in it, the Respondent uses only the d/b/a name without the word “accounting” in its signage and advertising, thereby complying with Tennessee’s laws and rules regarding the use of the word “accounting” in a business name. Accordingly, dismissal of this complaint is required.

Recommendation: Dismiss the complaint.

16. L14-ACC-RBS-2014015971

The complaint alleges that the Respondent failed to exercise due professional care in the preparation of financial statements for a client. The investigation revealed that the firm’s client, not the Respondent, altered the dates on financial statements submitted to a regulatory board in another state. Both the Respondent and the Respondent’s client submitted sworn affidavits to this effect, and the client’s affidavit stated that he did not know that making handwritten changes to the client’s financial statements would cause a problem. Because there is no evidence of any wrongdoing by the Respondent, dismissal of this complaint is required.

Recommendation: Dismiss the complaint.

17. L14-ACC-RBS-2014017441

The complaint alleges that, the Respondent, a non-licensee, used the word “accounting” in its business name without proper licensure based on a Yellow Pages phone book listing reported to the Board by a licensee. The investigation revealed that the Respondent’s phone number was disconnected, that the Respondent’s website was not functional, and that the physical address listed for the Respondent in the Yellow Pages listing was locked and vacant. Since the Respondent no longer appears to be in business and there is no evidence beyond the Yellow Pages listing that the company even existed, dismissal of this complaint is required.

Recommendation: Dismiss the complaint.

RECOMMENDED PLACEMENT INTO LITIGATION MONITORING

18. L14-ACC-RBS-2014016001

19. L14-ACC-RBS-2014021351

These two (2) complaints were filed by licensees against each other. The complaints appear to stem from an extremely messy employment dispute between one Respondent, a now former employee, and the other Respondent, a partner in the firm that once employed the other Respondent. The former employee's complaint alleges that he was wrongfully terminated by his former employer. The partner's complaint alleges that his former employee violated the terms of a non-compete agreement and that the former employee filed false claims alleging employment discrimination against the partner's firm. There is now ongoing litigation in Chancery Court regarding the same facts alleged in these complaints. Accordingly, it is recommended that these complaints be placed into Litigation Monitoring status at this time.

Recommendation: Place both complaints into Litigation Monitoring status.

RECOMMENDED CEASE AND DESIST LETTERS

20. L14-ACC-RBS-2014016801

The complaint alleges that the Respondent, a former license whose license is revoked, continued to perform an audit for a client after the Respondent's license had been revoked. It appears that the Respondent did elect to finish a pre-existing client engagement, which resulted in her signing off on an audit shortly after the date her license was revoked. The Respondent claims that she did, in fact, notify the client that her license was not in good standing prior to the occurrence of the events set forth in the complaint. Because the Board still has a large civil penalty pending against the Respondent which has not been paid, in the interests of judicial economy, making the best use of Board time and resources, and re-confirming to the Respondent that she may not lawfully provide accounting services to the public until and unless her Tennessee CPA license is reinstated, it is recommended that this complaint be closed upon the issuance of a Cease and Desist Letter and that the Board's records relative to this complaint be forwarded to the local District Attorney for any potential criminal prosecution that may be deemed appropriate.

Recommendation: Close upon the issuance of a Cease and Desist Letter and forwarding all relevant documentation to the local District Attorney for any action he/she deems necessary in light of the Respondent's conduct.

21. L14-ACC-RBS-2014017421

The complaint alleges that, the Respondent, a non-licensee, used the word "accounting" in its business name without proper licensure. The investigation revealed that the Respondent company formerly had a licensed CPA as a 50% owner, and as such, would not have been in violation of applicable laws and rules at that time. However, once the licensed CPA ceased working at the company, the company could no longer lawfully use the word "accounting" in its business name. By the time the investigator was able to speak with and obtain an affidavit from the new owner of the company, the owner provided proof to the investigator that the company had already changed its name and advertising materials to a name compliant with applicable laws and rules. As such, it is recommended that this complaint be closed upon the issuance of a Cease and Desist Letter.

Recommendation: Close upon the issuance of a Cease and Desist Letter.

RECOMMENDED LETTERS OF WARNING

22. L14-ACC-RBS-2014006361

The complaint alleges that the Respondent's Arizona CPA license was suspended for failure to timely renew her Arizona CPA license and that she did not timely notify the Tennessee Board of this revocation. The investigation revealed that the Respondent has now taken all necessary steps to reinstate her Arizona CPA license, and that she has now placed her Arizona CPA license into "inactive" status. Accordingly, it is recommended that this complaint be closed upon the issuance of a Letter of Warning.

Recommendation: Close upon the issuance of a Letter of Warning.

23. L14-ACC-RBS-2014014131

The complaint alleges that the Respondent's Arizona CPA license was suspended for failure to timely renew his Arizona CPA license and that he did not timely notify the Tennessee Board of this revocation. The investigation revealed that the Respondent has now taken all necessary steps to reinstate his Arizona CPA license. Further, at all times relevant to his complaint, the Respondent held CPA licenses in Arizona and Tennessee, and his Tennessee license had been expired for seventeen (17) years as of the date the complaint was opened. Although the Respondent is a minority owner of a hospital consulting business in Tennessee which is majority owned by non-licensees, the Respondent lives in Louisiana, and he submitted an affidavit surrendering his Tennessee CPA license since he was no longer required to have it. The Board's investigator advised the Respondent that, since he now lives in Louisiana, he would be well advised to contact the Louisiana Board to determine if he is required to obtain a Louisiana CPA license based on his residence and/or his work. Accordingly, it is recommended that this complaint be closed upon the issuance of a Letter of Warning.

Recommendation: Close upon the issuance of a Letter of Warning.

24. L14-ACC-RBS-2014015921

The complaint alleges that the Respondent, who holds a Tennessee CPA license and once held a Texas CPA license approximately twenty (20) years ago, had his Texas CPA license revoked and failed to timely notify the Tennessee Board of this revocation. Immediately upon being notified of this complaint, the Respondent spoke with the Texas Board, who advised him that his Texas license had been revoked for failure to timely renew that license. The Respondent then submitted a letter to the Texas Board closing his license. Because the Respondent has no prior complaint history with the Tennessee Board and promptly took all necessary steps to properly close his Texas license, it is recommended that this complaint be closed upon the issuance of a Letter of Warning.

Recommendation: Close upon the issuance of a Letter of Warning.

25. L14-ACC-RBS-2014017431

The complaint alleges that the Respondent practiced accounting in Tennessee on an “inactive” license. The investigation revealed that the Respondent appears to have mistakenly listed the dates on which he practiced accounting in Tennessee. The Respondent, who is disabled, stated in a sworn affidavit that he did not practice accounting after his license was placed into “inactive” status and he apologized for any inconvenience or misunderstanding his error may have caused. Given the Respondent’s lack of prior complaint history with the Board, it is recommended that this complaint be closed upon the issuance of a Letter of Warning.

Recommendation: Close upon the issuance of a Letter of Warning.

RECOMMENDED CONSENT ORDERS

26. L14-ACC-RBS-2014011421

The complaint alleges that the Respondent failed to timely renew his Tennessee CPA license as required by law and that the Respondent was operating a CPA firm with an office location in Tennessee without a valid firm permit. The investigation revealed that the Respondent’s Tennessee CPA firm permit has been expired since 2004 and that he was still offering to perform accounting services to the public in Tennessee via his firm’s website. As mitigating factors, there appears to be no evidence that the Respondent has prepared any financial statements in Tennessee since the expiration of his Tennessee CPA firm permit. Additionally, it appears that the Respondent has taken down his firm’s website, and he has submitted a sworn affidavit stating that he will renew his Tennessee CPA firm permit if he intends to practice in Tennessee again. The Respondent has previously been disciplined by this Board for failure to obtain a firm permit. In 2004, the Respondent signed a Consent Order, paid a \$ 450.00 civil penalty, and obtained a firm permit. Because this is the Respondent’s second complaint for virtually the same offense, a Consent Order with a higher civil penalty is recommended.

Recommendation: Formal hearing for the revocation of the Respondent’s CPA license with authority to settle via Consent Order upon the Respondent’s payment of a civil penalty in the amount of \$ 1,000.00. Further, as part of the Consent Order, the Respondent shall be required to either renew his firm permit or to surrender it within thirty (30) days of the date the Consent Order is executed.

27. L14-ACC-RBS-2014011481

The complaint alleges that the Respondent, whose Tennessee CPA license expired in 2005 and was reinstated in 2012, was convicted of felony embezzlement of \$ 292,000.00 from her former employer in approximately 2005, and her appeal was denied in 2006. The Respondent served 4 and ½ years in jail and appears to still be on probation at this time. When the Respondent applied for reinstatement of her Tennessee CPA license in 2012, one of the questions asked the Respondent if she had been convicted of a felony in the past five (5) years, the Respondent truthfully answered that she had not. However, the Respondent’s felony conviction and her failure to disclose that conviction to the Board at any time (including on her license reinstatement application) appear to constitute independent grounds for disciplinary action against the Respondent’s Tennessee CPA license. As a mitigating factor, the Respondent states that she did have some lapses in judgment while working for her former employer, but that

she refused to plead guilty because she genuinely believed she was not guilty of the crime for which she was ultimately convicted and sentenced. Additionally, because she was immediately incarcerated after her trial and was unable to notify the Board of her conviction, the Respondent states that she did ask two (2) different people, including her criminal defense attorney to notify the Board of her conviction, but that it appears that neither of these people did so. Finally, she states that she has been a productive member of society and has not been in any trouble with the law since her release and requests leniency from the Board. In light of the seriousness of the Respondent's conviction and her failure to disclose her conviction to the Board (notwithstanding her technically truthful response to the felony conviction question on her reinstatement application), revocation of the Respondent's Tennessee CPA license is recommended. However, because of the Respondent's economic circumstances and an apparent inability to pay any amount of civil penalty, no civil penalty is recommended if the Respondent agrees to sign a voluntary revocation Consent Order.

Recommendation: Formal hearing for the revocation of the Respondent's CPA license with authority to settle via Consent Order upon the Respondent's agreement to the voluntary revocation of her Tennessee CPA license for the maximum five (5) years permitted by statute. Additionally, the Consent Order shall include a provision that, should the Respondent wish to apply for reinstatement of her Tennessee CPA license in the future, she must appear in person before the Board as a condition of any potential reinstatement a future Board may consider. Board members Casey Stuart and Henry Hoss recused themselves from the consideration of and voting on this complaint due to potential personal knowledge of the matters set forth in this complaint.

28. L13-ACC-RBS-2013005711

The complaint alleges that the Respondent, who also holds a North Carolina CPA license, failed to timely notify the Board of the revocation of his North Carolina CPA license. The investigation revealed that the Respondent's North Carolina license was revoked and a civil penalty of \$ 1,000.00 was imposed against the Respondent based on the Respondent's inability to provide the North Carolina Board with proof of completion of the required number of CPE hours pursuant to a CPE audit. The Respondent has since taken all steps necessary to become compliant with his CPE obligations and has gotten his North Carolina CPA license reinstated to good standing. The Board previously considered this matter and authorized a civil penalty in the amount of \$ 1,000.00 and revocation of his Tennessee CPA license for two (2) years. This matter was previously scheduled for a formal hearing at the Board's July 2014 meeting, but was continued by agreement when the Respondent retained counsel and the Respondent's counsel requested a continuance. After negotiating with Respondent's counsel, Respondent's counsel proposed settlement by Consent Order upon payment of a \$ 1,700.00 civil penalty by the Respondent (\$ 1,500.00 civil penalty and \$ 200.00 to reimburse the Board for the cost of filing the Notice of Hearing and Charges) and placement of the Respondent's Tennessee CPA license on probation for two (2) years. Among the factors that applicable law requires to be considered in imposing discipline are deterrence and economic impact. The Respondent currently works for a large accounting firm in California, and he has been advised that, if his Tennessee CPA license is suspended or revoked, his employment is likely to be terminated. Although the Respondent's North Carolina license revocation and his failure to notify the Tennessee Board of that revocation are serious offenses, discipline which would result in Respondent losing his job appears disproportionate to the offenses committed in this case. Accordingly, Board counsel

recommends that the Board accept the settlement offer tendered by Respondent's counsel in lieu of a formal hearing.

Recommendation: Formal hearing for the revocation of the Respondent's CPA license with authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$ 1,700.00 and the placement of the Respondent's Tennessee CPA license on probation for two (2) years from the date the Consent Order is executed.