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BOARD MINUTES

JANUARY 29, 2010

The meeting of the Tennessee State Board of Accountancy convened in the Andrew Johnson Tower, Nashville, Tennessee on Friday, January 29, 2010 at 8:30 a.m.

Board members present were: Vic Alexander, Chair; Bill Blaufuss; Jennifer Brundige; Al Creswell; Don Royston; and Doug Warren.
Also present were: Mark Crocker, Executive Director; Chris Whittaker, Staff Attorney; Don Mills, Investigator; and staff members Sandra Cooper and Kathy Riggs.

Absent were Board Members: Kenneth Cozart; Shannone Raybon; Stan Sawyer; Lisa Stickel; and Bill Underwood.

Mr. Alexander called the meeting to order and made the following announcements:
Please sign the Conflict of Interest forms provided in your packets and return to the staff before leaving today.
There will be an election for Board Officers at the April Board meeting. Mark will be sending out an e-mail soliciting nominations. Members who have served two consecutive years are ineligible to serve again per Board Policy.
Mr. Alexander stated that the CBT (Computer Based Testing) fees will not be increasing this year but will decrease by $2.75 per testing hour. The security fee of $5.59 per section will remain the same. NASBA's (National Association of State Boards of Accountancy) fee is $18.00 and the AICPA (American Institute of Certified Public Accountants) fee is $95.00. These fees will remain in effect until January 2012.
The Board of Examiners (BOE) has invited all board members and staff members to participate in a conference call to be updated on the BOE activities on Friday, February 5, 2010 at 1:00 p.m. eastern standard time, or on Monday, February 8, 2010 at 10:00 a.m. eastern standard time.

Mr. Alexander then asked for a motion to adopt Roberts Rules of Order. The motion to adopt was made by Don Royston, seconded by Jennifer Brundige and passed unanimously.
Mr. Alexander than requested that the Board members review the minutes from the October 23, 2009 meeting. A motion was made by Mr. Warren and seconded by Mr. Royston to accept the minutes as presented. Motion passed unanimously.

Executive Director's Report:

1. New Staff Attorneys

   Mr. Crocker stated that in the Probable Cause Committee meeting on Thursday, Mr. Pugh introduced our new attorneys. Laura Betty will be the Litigation Attorney and will oversee formal hearings. Mr. Chris Whittaker will serve as Staff Attorney. Mr. Crocker gave a brief summary of education and work experience for both.

2. Peer Review Oversight Committee

   We have received resumes from candidates in East Tennessee and Middle Tennessee. Those resumes are in Legal to work with OCR (Office of Contract Review) to get those approved and moved through the system. We still need a representative on the Committee from West Tennessee. Mark requested Board Members advise him of any possible candidates from West Tennessee.

3. NASBA Activities
   Executive Director and Legal Conferences

   The NASBA Executive Director's and Legal Conferences will take place in Nashville March 21-24. Mr. Crocker will be attending along with Mr. Whittaker and Mr. Mills.

   ALD Committee (Accounting Licensing Database)

   The ALD Task Force has been converted to a full time committee by NASBA leadership. One of the main areas of interest is the disciplinary actions against licensees. Some states are able to provide a link through their website to allow a user to click on a licensee's name to review disciplinary history and then actually have the signed consent order available for review. Initial inquiries to our IT staff indicate that this would be a time-consuming and possibly costly transition, but Mark will explore this possibility further. There are currently 21 states participating in the ALD with 6 more targeted for inclusion by the end of 2010. The ALD is currently only available to Executive Directors, but the Committee is working to determine what information should be included if the ALD is made available to Board members and to the public.

Enforcement Committee

Mr. Crocker has been asked to serve on the new Enforcement Committee for the coming year. There was a meeting of this committee on December 17 which he was unable to attend. Another committee meeting date and location has not yet been determined.

4. License Renewals

Renewal season has gone better than ever this year! Our renewal statistics are:

CPA Licenses – 96% have renewed
PA Licenses – 100% have renewed
Firm Permits – 96% have renewed

These figures are phenomenal and Mark expressed his appreciation to the staff for the work done in getting renewals processed.

5. License Counts
Attached is a listing of the latest numbers of licensees that we have on record. We have had a significant increase in the number of 'Deceased' licensees since the last time the report was reviewed. Earlier this year it was discovered that not all licensees had been entered into the computer system. When the Accountancy Board initiated use of RBS (Regulatory Board System) in 1993, some 1,100 licensees were not converted. To correct this issue and ensure that all of our licensees were properly recorded, records were researched to determine names, addresses (including zip codes), as well as a status for those licensees who were not in the system. Since these licensees were not in the system, there had been no contact with them since 1993. Therefore when they were entered into the system they were entered as a status '80' (deceased). However, we now feel comfortable that our database is complete.
(Attachment 1)

6. Exam Sites

Prometric notified us that they wanted to close two of the sites for administration of the CPA Exam in Middle Tennessee. Those sites were in Madison and Franklin. The seats in those sites were combined into one new site located in Metro Center. The total number of seats available for testing remains the same after the change. Tennessee has a total of 75 seats available for testing at all locations.

7. Proposed Future Meeting Dates

Friday, April 30, 2010
Friday, July 30, 2010

Friday, October 29, 2010
Friday, January 28, 2011
Friday, April 29, 2011
Friday, July 29, 2011

8. Federal Referral Reporting System

   We are continuing with the Federal Referral Reporting System that was put in place last year. Communications with the federal agencies appears to be improving and we are keeping them up to date on the status of complaints that they have filed with us. Attached is a copy of the latest report that was sent on January 15, 2010. (Attachment 2)

9. Department Cost Backs

   At the last meeting the Board requested a summary of the Cost Backs that the Department has charged in the past. Attached is a spreadsheet detailing the expenses back to 1990. There is a column that shows the actual amount of increase from year to year (or decrease – and there were actually a few of those!) and another column that shows the percentage of the change. (Attachment 3)

10. Presentations

    We have been busy the last couple of months making presentations to various companies and organizations on the topic of State Specific Ethics and speaking to college classes about the educational and experience requirements to become a CPA in Tennessee. The Licensing Committee will present the actual course statistics. I want to thank Dr. Riggs and Mr. Mills for their work in getting us out there to meet our current and future licensees.

    This concluded Mr. Crocker's report. (Attachment 4)

Consideration of License Status:
Mr. Joseph Ingalise

Mr. Ingalise was approved for CPA licensure in October, 2009 after Board discussion had determined his license should be on probation for 2 years since he had previously disclosed a legal infraction in 2003. Mr. Ingalise addressed the Board regarding his desire to have probation of his license lifted since the incident was a number of years ago when he was in college and there had been no other incidents since that time. The license status of probation had caused an issue with his initial application to AICPA. That issue has since been resolved. The current practice is that if a license is placed on probation, that status is also revealed to the public on the web site and during any inquiry regarding license status.

The original Board discussion revealed the Board is charged with protecting the public and licensure candidates with legal infractions should be held to a greater scrutiny than those without. Discussion, along with information from the Licensing Committee, indicated that the internal status for this population should be probation, but since the licensee would have all the privileges and responsibilities of an active licensee, the public status would be active. Further discussion by the Board revealed that it would not be equitable for a licensee with disciplinary action and a license placed on probation to have his/her license publicly displayed as active. It was determined a new status deemed monitoring would need to be established for this particular population of applicants. Mr. Warren made a motion to create a new status titled "Monitoring" and to have the Licensing Committee create a policy that would define the criteria a licensee must meet to have this status attached to the license. The motion was seconded by Ms. Brundige and passed.

Mr. Blaufuss made a motion to change the probationary status on Mr. Ingalise's license to active status. Motion seconded by Doug Warren and passed 5 to 1.

Ms. Brundige then asked for a motion to reconsider the last action; the motion died for lack of a second. Ms. Brundige then moved to change Mr. Ingalise's status to Monitoring status. Mr. Royston seconded and the motion passed with Mr. Blaufuss abstaining.

Mr. Ingalise was advised of this new decision and it was indicated to him that his license would be placed in this new status of Monitoring and that any and all publicly displayed or dispersed information would indicate his license was in an active status.

Licensing Committee Report:

A draft of the new course outline for the State Specific Ethics Course was presented to the Board for review. The Board was asked to provide comments concerning this draft at the April 2010 meeting. Mr. Creswell also reported that evaluations completed for the SSE presentations that had been made by staff were all between a 4.5 and 5.0 score on a 5.0 basis.

Review and Approval of State Specific Ethics Presentations:
The Committee recommends approving the following courses:
Thompson Dunavant – Philip Babin
Decosimo – Tom Gavin (Change course previously approved from 1 hour to 1.5 hours)

The Committee recommended the following candidates be approved for licensure with the status of "Monitoring" for the first 24 months of licensure:
Christopher Schellman
Steven Kovacs
Robert Williams
Aaron Blenden
Charles Francis Bennett

New Licenses Issued (10/24/09 – 01/15/10)
Initial – 88
Reciprocal – 20
Total – 108

Don Royston moved to approve the report and the recommendations of the Licensing Committee. Doug Warren seconded and the motion passed unanimously.

Law and Rules Committee Report:

Wendy Garvin with TSCPA (Tennessee Society of Certified Public Accountants) gave an update on the transparency survey regarding peer review. Feedback from the survey, the President's message and chapter visits persuaded the TSCPA Board of Directors to not support any changes in the current confidentiality provisions in the law. There was a 24% response rate to the survey, and of that number 25% supported a change whereas 68% did not.

The Committee discussed the situation in which a CPA tax preparer could work for an unregistered firm (such as H&R Block). The Committee determined that a CPA could work as a tax preparer in an unregistered firm provided that the CPA did not sign the return as a CPA, there was no indication in advertising or in signage that the preparer was a CPA, and the individual did not indicate to clients that he/she was a CPA.

The Committee recommended that e-mail addresses be added in Rule 0020-3-.16 to require that any change in an e-mail address must be reported to the Board within 30 days.

Mr. Warren made a motion to expand the definition of 'address' to include e-mail and to accept the remainder of the report and the recommendations. The motion was seconded by Mr. Royston and passed unanimously.

Probable Cause Committee Report:

Mr. Mills gave his report on the number of cases currently open. He stated that the number was slightly decreasing and that a larger decrease was expected to be reported at the April meeting.

Mr. Whittaker presented the Legal Report.

A motion was made by Ms. Brundige to accept the report and the disciplinary actions recommended. Mr. Creswell seconded the motion and it passed unanimously.

New Business:

The Board nominated Mr. Mark Harris, CPA of the Louisiana Board to the position of Vice Chair of NASBA. A motion was made by Mr. Warren and seconded by Mr. Royston to send a letter of recommendation to that effect. Motion passed unanimously.

Requests for Peer Review Exemption:
Following is a list of Firms requesting exemption from the Peer Review Requirement:
Firm 3141
Ann D. Haynes, CPA

Firm 3666
Blue Collar Accounting

Firm 106
Hunter Bond, CPA

Firm 2126
Richard P. Wojcik, CPA

Firm 3158
Barbara M. young, CPA

Firm 1282
John Weber Webb, CPA

Firm 275
Jim L. Cover, CPA

Firm 173
Thomas R. Bussell, CPA

Firm 158
Thomas J. Buida, PC, CPA

Firm 809
Wallace F. McCoy, CPA

Don Royston moved to grant exemption from the peer review requirement for these firms; motion seconded by Bill Blaufuss and passed unanimously.

Budget and Travel:

The proposed Budget for FY 10 and the revised Travel Plan for FY 10 were presented to the Board for approval. Mr. Blaufuss moved to accept the revised travel plan and the budget as presented. Mr. Warren seconded the motion and it passed unanimously.

Consideration of Request for Extension of Conditional Credits:

One candidate (Ms. Svetlana Granderson) had problems with the calculator not functioning properly for her FAR (Financial Accounting Reporting) exam, and is requesting an extension of time for conditional credits already earned. Ms. Brundige moved to grant a one window extension for parts already passed. The motion was seconded by Mr. Royston and was passed unanimously.

Petition for Licensure by Sal Mazzola:

Unable to obtain a license in New York where Mr. Mazzola passed the CPA exam, he is requesting licensure from the state of Tennessee. Once Mr. Mazzola's place of employment dissolved (Arthur Andersen) he was unable to obtain verification of his work experience. Legal counsel advised that the Tennessee Board does not have the authority to grant a license to Mr. Mazzola under Tennessee Code Annotated §62-1-106(c). The Board instructed staff to communicate with Mr. Mazzola to inform him that his request is outside the scope of the authority of this Board.

There being no further business (and snow beginning to accumulate), the meeting was adjourned.

Chairman

Secretary