



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 Tennessee State Board of Accountancy met on Friday, July 17, 2015 at Davy Crockett Tower, 500 James Robertson Parkway in Conference Room 1-A.

MEMBERS PRESENT:

Bill Blaufuss, Chair
Don Royston, Vice-Chair
Janet Booker-Davis
Jennifer Brundige
Stephen Eldridge
Larry Elmore
Gay Moon
Gabe Roberts
Charlene Spiceland
Casey Stuart
Trey Watkins

**STAFF
PRESENT:**

Brian McCormack, Assistant Commissioner Regulatory
Boards
Don Mills, Investigator
Ray Butler, Investigator
Karen Condon, Board staff
Vanessa Huntsman, Legal staff

**LEGAL
COUNSEL**

Benjamin Glover, Assistant General Counsel
Michael Driver, Deputy General Counsel, Regulatory
Boards & Consumer Affairs

**MEMBERS OF THE PUBLIC
PRESENT:**

Brad Floyd, TSCPA
Wendy Garvin, TSCPA

CALL TO ORDER

Mr. Blaufuss called the meeting to order at 8:31am.

ANNOUNCEMENTS

- Mr. Blaufuss recognized the service of the two retiring Board members, Vic Alexander and Henry Hoss.
- The Governor has made three appointments to the Board. Mr. Eldridge has been reappointed, and the Board welcomed new members Janet Booker-Davis and Larry Elmore.
- Mr. Blaufuss introduced the new staff attorney, Benjamin Glover.

MOTION and second to approve the minutes of the January 15 and May 15, 2015 Board meetings. The motion was unanimously passed.

EXECUTIVE DIRECTOR SEARCH COMMITTEE REPORT

Mr. Blaufuss provided the following report of the Executive Director Search Committee which was comprised of Mr. McCormack, Mr. Royston and Mr. Watkins. While Brad Floyd had participated in the screening process, he recused himself from the search committee and its deliberations.

Utilizing information from multiple states, an executive director position description was drafted and reviewed by the appropriate state authorities and the TSCPA. In this process it was learned Tennessee is one of a few states requiring the executive director to be a CPA. Several states have being a CPA a preferred qualification.

The executive director position description and search was emailed to all Tennessee active, inactive and retired CPAs. Notice of the search was also distributed by the TSCPA and NASBA. By the June 19 requested submission date, resumes were received from 38 individuals, including 7 from outside of Tennessee.

As approved at the May 1 Board meeting, a screening committee of Messrs. Floyd, McCormack and Blaufuss selected 7 applicants for in person interviews of at least 1 hour.

The screening committee identified two preferred candidates from those interviewed. One candidate was not able to consider the position since the State Commissioner of Human Resources will not endorse paying more than the previous executive director despite the authority provided the TSBA in the Accountancy Law and Rules. Another candidate lives in Chattanooga, requiring a challenging weekly commute to Nashville, which was of considerable concern to the committee.

After considerable deliberation, the search committee recommends the TSBA appoint an acting executive director who is not a CPA. The acting executive director would serve in this role until 62-1-105 (c) (1) can be amended so that the CPA requirement is either removed or made preferable.

The search committee recommends the Board appoint Wendy Garvin as its acting executive director. Ms. Garvin has the management and leadership skills that meet the needs and challenges of the TSBA. Her many credentials include: 10 years as the TSCPA Director of Professional Services, 6 years as the Peer Review Manager of the FL Institute of CPAs, she has worked closely with the TSBA staff and various legislative and regulatory agencies, she has a good understanding of the TN Accountancy Law and Rules, she has developed strong relationships with a wide range of leaders in the TN accounting profession and she has regularly attended all TSBA committee and board meetings for years.

Her compensation would be \$103,000 plus normal state benefits, comparable to the previous executive director. Ms. Garvin's appointment would be effective approximately August 3, 2015.

MOTION and second to accept the Search Committee's recommendation to appoint Ms. Garvin as Acting Director until such time as the requirement for CPA licensure in that role is removed at which time she would become the TSBA Executive Director. The motion was unanimously passed.

Ms. Brundige applauded the Committee for recognizing the need to change the statute to remove the requirements for CPA licensure for the Executive Director position.

Mr. Stuart asked about the Board's involvement in the change in state law this necessitates. Mr. Blaufuss noted this will be among several law changes the Board and TSCPA will be supporting. With the help of Mr. McCormack's office and the TSCPA, this should be approved early in 2016.

Ms. Garvin accepted the appointment, thanking the Search Committee and the Board.

STAFF PROGRESS REPORT

Ms. Condon presented an overview of staff activities. Mr. McCormack commended the TSBA Accountancy staff for their hard work during the Executive Director vacancy. Mr. Blaufuss added his appreciation to the staff. He also recognized Mr. McCormack's assistance to the Board and Mr. Floyd's service on the Screening Committee.

NASBA REPORTS

Mr. Royston attended the Eastern Regional Meeting and encouraged new Board members to attend the new Board member orientation offered at the Regional meetings.

Topics discussed included:

- changes in the CPA exam, which are mostly content-related
- recruiting students into the accounting profession
- Mr. Royston's report on the Tennessee Board's activities

LICENSING COMMITTEE REPORT

Tracy Lynn Wright requested the reinstatement of her revoked CPA license. Ms. Wright was present and addressed the Board.

MOTION and second to accept the Committee's recommendation that Ms. Wright complete the license application and all requirements to apply for reinstatement. Mr. Eldridge stated the Board would then review the application. The motion was unanimously passed, with Mr. Elmore being recused.

Request for approval of CPE credit for online ASPPA exams:
Mr. Eldridge recused himself from discussion of this issue.

Gabrielle Lorbiecki submitted credits earned through completion of ASPPA exams. ASPPA is registered as a sponsor of live presentations and the certificates of completion indicated that the exams were administered online. The credits (35 hours) were not accepted by Board staff. Ms. Lorbiecki's supervisor, Jerry Smith, has asked the Board to allow the credits. This is based on an email Mr. Smith received from former Director Mark Crocker verifying the acceptability of an ASPPA certificate. The Committee's concerns were:

- The lack of information regarding the certificate approved by Mr. Crocker. This approval came after Ms. Lorbiecki's ASPPA credits were earned
- The readily available public information regarding a CPE sponsor's status

The Committee referred this request to the Board. Dr. Spiceland raised the possibility of waiving the penalty hours that would be assessed for failing to meet the requirement. Mr. Driver advised that Rule 0020-05-.07 does not allow a waiver of the penalty hours. Mr. Driver suggested that the Board request a copy of the syllabus in order to evaluate the content.

MOTION and second to request more information from Ms. Lorbiecki regarding the course material. The motion was unanimously passed with Mr. Eldridge recused.

LAW AND RULES COMMITTEE

The Committee discussed education credits for accelerated undergraduate and graduate degree programs. Various universities may count accelerated courses as double credits, while NASBA does not count the same class twice.

The Committee was concerned that this could result in students taking fewer hours in pursuit of a degree. This would also decrease the total number of accounting hours actually earned to meet the requirement. Other states allow credit for work experience and online courses that may not necessarily be accredited. This could become a concern in relation to mobility, wherein a CPA's credentials may be accepted though the educational history does not match TN requirements.

Ms. Garvin mentioned that the mobility issue is a complicated one that should be addressed at some point. Dr. Spiceland would like more information regarding the policies of other state boards on this issue. She also noted that the university experience also brings a level of maturity which would be missed if the time in class is abbreviated. Ms. Brundige would like the Board to be in communication with NASBA, as this is a national issue.

The Committee recommended investigating the procedures of other state boards. Mr. Royston will review the discussions that took place in the education portions of the NASBA Eastern Regional meeting.

The Committee recommended deferral of this discussion to the full Board. Mr. Blaufuss requested the item to remain on the agenda for the next meeting.

The next item was the subject of peer reviews for firms that have recently ceased attest services. The Committee recommended that the Board continue to comply with the AICPA recommendation that firms which have offered attest services during the period be subject to for Peer Review.

Mr. Watkins noted that the Louisiana Board grants an exemption to those firms who affirm that attest services are no longer performed. If those firms decide to offer attest services in the future, the firm must appear before that Board to be reinstated as an attest firm.

Discussion of this topic was temporarily deferred.

The Board moved to discussion of the Rules requiring the return of the wall certificate for licenses that have been closed or expired. The Committee recommended that Legal rewrite Rules 0020-4-.04 and 0020-01-.08 in a manner such that no certificate need be returned.

MOTION and second to accept the Committee's recommendation. Motion carried unanimously.

The Board continued the discussion of peer review requirements. Ms. Garvin affirmed the attest procedures used in Louisiana and will verify if this is a Rule or procedure in that state. Mr. Watkins questioned the value of a Peer Review for those leaving the attest function. Mr. Elmore asked about the requirements for those firms returning to the attest function. Mr. Watkins clarified that those firms would be required to have a peer review within eighteen months of an engagement.

Ms. Garvin stated that a firm should make the determination to cease attest services prior to the peer review year. If the last engagement was prior to the peer review year, the firm may resign from the program.

Mr. Stuart felt that the intent of a peer review is to discover deficiencies and allow the firm to improve. A firm no longer offering attest is incurring the cost of peer review unnecessarily.

Dr. Spiceland asked if taking the Louisiana approach would necessitate a Rule Change. Mr. Driver's staff will research how such a Rule would be structured. Dr. Spiceland would like to defer this matter to Legal for research regarding a Rule change.

Ms. Garvin felt that the staff would need guidance in handling this situation while it's being studied. Ms. Brundige asked if the staff can act under a certain procedure while undergoing the Rule-changing process. Mr. Watkins suggested the staff use the exemption form in the meantime, and Ms. Garvin felt that the form should be revised. Staff may add language to the exemption form, but the matter should be addressed by a Rule change. Mr. Driver would like the opportunity to review the policies.

MOTION and second that legal should review the Rules and recommend one that addresses the exemption process for Peer review. Motion carried unanimously.

The next item concerned the Rules regarding the use of accountant, accounting, CPA by non-licensees. The Committee did not recommend any action, but asked that Legal research the use of those terms in our Rules.

The Board then discussed the implementation of expiration date for state specific ethics sponsors.

MOTION and second to implement a two-year expiration date for those currently approved as state ethics sponsors.

Dr. Spiceland requested that the review of those courses include information about the number of presentations given.

The motion was carried unanimously.

The last item was the requested review of Law and Rules by Legal staff.

Mr. Driver presented a Proposed Rule(s) Filing Form (Attachment A). The proposed changes would amend Rules 0020-01-.11 and 0020-05-.03.

Rule 0020-01-.11 would be changed to clarify which firms must obtain a permit, using language which mirrors the existing statute. Rule 0020-05-.03 would be amended to remove the reference to "accounting services" to clarify the scope of the Board's requirement for certain firms to obtain a firm permit. Mr. Driver stated that the purpose of the firm permit would appear to be to identify those firms required to have a peer review.

Mr. Driver will present to the Board a comprehensive proposal of rule changes

ENFORCEMENT COMMITTEE REPORT

Mr. Stuart presented the Legal report as revised by the Committee to the Board (Attachment C).

MOTION and second to approve the Legal Report as revised, with the exception of item number 7. Motion passed unanimously.

MOTION and second to approve the recommendation of dismissal for item 7. Motion passed unanimously, with Mr. Eldridge recused.

Mr. Royston suggested that the Investigators be granted access to research software to aid in their investigations. Mr. Blaufuss questioned why this is not currently available. Mr. McCormack encouraged Ms. Garvin to evaluate the investigation process.

OLD BUSINESS

Mr. Blaufuss noted that the Board is undergoing a Sunset Audit and asked for a report of the findings. Mr. McCormack stated that the audit is complete and the final results should be submitted soon. Two items that will be noted are the inactivity of the Peer Review Oversight Committee and the Board's lack of access to peer review documents. The sunset hearing will take place this fall, with the review available to the Board in anticipation of that hearing. The Government Operations Committee reviews each Board and Commission, which will make recommendations to the full committee and legislature regarding the extension of the TSBA.

EXECUTIVE COMMITTEE REPORT

The Committee reviewed the financial results through May of 2015. These are preliminary numbers, pending the June numbers and wrap-up.

The method of reporting travel expenses for the investigators will be reviewed and revised.

Individuals chosen to serve on the Peer Review Oversight Committee are no longer peer-captain qualified and are unable to serve. Mr. Blaufuss noted that the Board is required to have PROC, but the TSCPA's robust oversight procedures may make the PROC redundant. This issue, as well as the confidentiality of peer review results, is one under consideration in the review of Accountancy Law and Rules.

NEW BUSINESS

Mr. Blaufuss requested nominations for the election of Board officers. The positions of Chair, Vice-Chair, and Secretary are one-year terms.

MOTION and second to elect officers as follows:

Chair—Bill Blaufuss

Vice-Chair—Don Royston

Secretary—Casey Stuart

Those Board members accepted the nomination. With no other nominations put forth the motion was unanimously passed.

The formation of Board Committees was then discussed. Mr. Blaufuss requested that Ms. Condon canvas the Board, describing the duties of each Committee to Board members, who will then express preference for a particular Committee. The Board has authority to appoint members to Committees.

MOTION and second to delegate authority to Mr. Blaufuss to make Committee assignments. Motion passed unanimously.

Mr. Blaufuss noted that individuals rationally serve on two Committees, which have the power to suggest and recommend actions to the Board. Board members are encouraged to attend all Committee meetings even if they are not a member.

Mr. Blaufuss congratulated Ms. Garvin and thanked the Search Committee for their work.

ADJOURN

With no further business before the Board, the meeting was adjourned.