STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
TENNESSEE BOARD OF ACCOUNTANCY
500 James Robertson Parkway
Davy Crockett Tower
Nashville, TN 37243-1141
615-741-2550 or 888-453-6150
Program Website: https://www.tn.gov/commerce/regboards/accountancy.html

A meeting of the Tennessee State Board of Accountancy was held on Tuesday July 24, 2018 at Davy Crockett Tower, 500 James Robertson Parkway in Conference Room 1-A.

MEMBERS PRESENT

Casey Stuart, Chair
Stephen Eldridge, Vice-Chair
Gay Moon, Secretary
Andy Bonner
Janet Booker-Davis
Pamela Church
Larry Elmore
Kevin Monroe
Gabe Roberts
Trey Watkins
Judy Wetherbee

LEGAL COUNSEL

Sara Page, Assistant General Counsel
Liz Goldstein, Assistant General Counsel, Regulatory Boards
Robyn Ryan, Assistant General Counsel, Regulatory Boards & Consumer Affairs

STAFF

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

OTHERS PRESENT

Kara Fitzgerald, TSCPA
Colleen Conrad, EVP and COO, NASBA
Stewart Owen Heath, Applicant
Rowland Leathers, Attorney for Mr. Heath

CALL TO ORDER 8:30

Public Disclaimer and Roll-call

Notice of this meeting of the Tennessee State Board of Accountancy was posted to the Accountancy Board's website on July 18, 2018. Members made their presence known by roll call and a quorum was established. Mr. Roberts had not arrived at this time.

Board Appointments

Larry Elmore, Stephen Eldridge, and Janet Booker-Davis have been reappointed by Governor Haslem to serve three-year terms expiring June 30, 2021.

Announcements

The formal hearing scheduled for today's meeting has been continued to October 23, 2018.
Members were reminded to speak into the microphones for proper recording of the meeting.

Review and Adopt Agenda

There were no suggested revisions or additions to the agenda.

Motion and second to approve the agenda as presented. Motion passed unanimously.

Mr. Roberts joined the meeting at 8:32.

Alternate Pathway Presentation – Colleen Conrad, EVP and COO, NASBA

Ms. Conrad addressed the Board and heard comments regarding the alternate pathway project underway at NASBA.

Discussion included:

- The evolution of the profession with the increased use of technology and the trend of larger firms embracing this technology
- A drop in the hiring of CPAs by the largest firms, with an increase in employment of non-CPAs and technologists with specialized skill sets
- The proposed alternate pathway toward CPA licensure to include students with a basic background in core competencies and education focused on IT and cyber security
- The traditional path toward licensure supplemented by those taking core exams on Accounting, Auditing, and Business Tax as well as exams related to the IT component.
- The possibility of another model with two levels of licensure with different experience requirements
- The desired level of experience for those providing attest work.
- The suitability of the required 150 hours of education as it relates to the necessary competencies of a CPA candidate
- The need to clarify the present path toward licensure and the possibility of dedicating the 5th year of education to information technology.

Ms. Conrad expressed her appreciation for the Board's feedback and will take the comments into consideration as NASBA continues to develop a plan.

Mr. Stuart asked for information about the Mutual Recognition Agreement (MRA) process. Ms. Conrad described the structure and responsibilities of the NASBA/AICPA International Qualifications Acceptance Board (IQAB). The IQAB is dedicated to the consideration of MRAs with other countries. These agreements allow for a CPA licensed in a foreign country, and having good standing and the appropriate experience, to more easily obtain licensure in the United States. Those candidates will, having provided confirmation of licensure in the home country, undergo the International Qualification Examination (IQEX), which tests the differences between the tax and ethics practices of the United States and the relevant accounting and auditing practices of other countries.

Discussion included:

- Whether anyone granted reciprocity would have the capacity to sign audit report in the host country
- The differing experience requirements among international jurisdictions
- The recognition of commonalities in international accounting practice, with the IQEX focused on significant differences in laws between the home and host countries.

Approval of Meeting Minutes

May 4, 2018 Regular Meeting

There were no suggested revisions or additions to the minutes.

Motion and second to approve the minutes as presented. Motion passed unanimously.

Director's Report – Wendy Garvin, Executive Director

Director Garvin presented an overview of Board activities, license statistics, and future meeting dates.

Motion and second to approve the proposed meeting date of October 22, 2019. Motion passed unanimously.

Reinstatement Request – Stewart O. Heath

Mr. Heath's application for reinstatement of a revoked CPA license had been accepted at the Board's meeting on May 4, 2018. Mr. Heath addressed the Board in support of his application and answered questions about his past and current activities. Director Garvin had extended invitations to the injured parties involved with the original complaint against Mr. Heath, and none elected to attend this meeting.

Motion and second to accept the application for reinstatement. Ms. Goldstein provided an overview of the applicable rule related to reinstatement of a revoked license.

The motion was unanimously passed.

Formal Hearing

The hearing scheduled for this meeting has been continued to the October 2018 meeting. Ms. Page informed the Board of its option to allow an Administrative Law Judge (ALJ) to hear the case without the Board's presence. The fact-finding authority would be granted to the ALJ, and the Board would retain the ability to disagree with those findings. This method is used regularly by other Boards and Commissions.

Discussion included:

- The use of an expert witness to define certain accounting terms for the ALJ
- The respondent's ability to petition to the Board for reconsideration and review of the transcript
- The Boards' desire to avoid a circumstance in which an ALJ may reach a conclusion that may set a precedent for future cases.
- The Board's wish to retain its authority as experts in accounting matters.

The Board declined to grant this authority to an ALJ and will hear the case at the meeting in October.

NASBA Activities and Committee Reports

Audit Committee – Larry Elmore

Mr. Elmore reported no activities since the last Board meeting, with the Committee scheduled to hold a meeting in September of this year.

Ethics Committee – Judy Wetherbee

The Ethics Committee met at the conclusion of NASBA's Eastern Regional meeting, and discussed responses to requests for comment from the International Ethics Standards Board for Accountants (IESBA) on the topics of professional skepticism and meeting public expectations. The Committee is developing a response to the AICPA regarding disclosure of client information in connection with a quality review. The response will be submitted within the next week and a half, with copies available for Board members to review.

Reorganization Impact Task Force (RITF)—Janet Booker-Davis

The Task Force has had no recent meetings and has concluded their mission. .

Board of Directors Update—Casey Stuart

Mr. Stuart reported a meeting of the Accountancy Licensee Database (ALD) Committee. Fifty-two jurisdictions are currently on that on database, with Hawaii, Delaware, and Utah in the process of joining. The Board of Directors conducted business as usual with a review of financials and NASBA reports.

Mr. Stuart declined to resubmit his name for Board consideration and will not serve on the NASBA Board of Directors beyond the current term. Mr. Bonner has been nominated to serve as the Southeast Regional Director.

Board Committee Reports

Licensing – Larry Elmore, Committee Chair

Exam Conditional Credit Extension Request – Lawrence

Candidate requests additional time to pass the AUD section of the exam, based on a house fire that destroyed all study materials.

Motion and second to approve an extension of AUD through March 2019.
Revised Motion and second to approve an extension through March 2019 based on the house fire and the loss of study materials. Motion passed unanimously.

Request to Claim Courses as Upper Division – Mulye

A Texas resident requests the Board's approval to count an accounting course taken from Mountain View Community College as upper level credit. The Committee noted that Texas allows this type of credit, which is not normally considered to be upper level credit in Tennessee.

Motion and second to deny this request. Motion passed unanimously.

Request to Claim Courses as Upper Division – Wright

Candidate requests the Board's approval to count two courses taken at Baltimore Community College as upper level credit.

Motion and second to deny this request based on the Board's precedent in denying such requests. Motion passed unanimously.

The Committee desires, in cases where the decision is clear due to precedent and is a request not traditionally approved by this Board that authority be granted to staff to deny requests for the specific issue of community college credit.

Motion and second to accept the Committee's recommendation to allow such authority. Motion passed unanimously.

Enforcement – Gabe Roberts, Committee Chair

Complaint Numbers

The Committee reviewed complaint statistics as provided by Ms. Garvin. Mr. Roberts noted the good work being done by the Investigator, Counsel, and staff.

Legal Report

The Committee reviewed the Legal report and revised the recommendations for items 14, 18, and 20. The Committee recommended approval of the revised Legal report, including the supplemental report regarding case 2008032481.

Motion and second to approve the Legal Report as recommended and revised by the Committee. Motion passed unanimously.

Mr. Stuart noted that all Board members were present for detailed discussion of the report during the Committee meetings.

Law and Rules – Gay Moon, Committee Chair

Update on Pending and Newly Effective Rules

Ms. Goldstein reviewed newly-effective Rules and reported on the progress of Rules still in process.

CPE Rule – Nano Learning, Technical Fields of Study

Ms. Garvin provided the Committee with an overview of proposed changes to rules governing Continuing Professional Education (CPE). At the last meeting Committee had suggested changes to Rules 0020-05.04 (1) and 0020-05-.03 (2).

Motion and second to approve the suggested changes to the rules. Motion passed unanimously by roll call vote.

Ms. Goldstein read into the record the Regulatory Flexibility Addendum and the questions and answers from the Joint Government Operations Committee.

Motion and second to approve these items as read.

Ms. Wetherbee noted that members had raised the possibility of requiring licensees to provide a listing of CPE courses at renewal, and asked if such a Rule could be added at this time. Ms. Goldstein confirmed that existing Rules allow such action.

Motion passed unanimously by roll call vote.

Ms. Goldstein will move forward with submitting the proposed Rule changes for internal review, and subsequent review by the Attorney General and the Secretary of State's office. It is expected that the Rule will be in effect in approximately nine months' time, and perhaps within six months. Notifications will be sent to those who have elected to receive such notices. The public may submit comments and will have ninety days to voice opinions after the proposed changes are filed with the Secretary of State.

Members were invited to contact Ms. Goldstein with any questions or concerns.

Executive – Casey Stuart, Committee Chair

FY18 YTD Financial Results

Mr. Stuart reported that the Committee had reviewed the FY18 YTD Financial Results as presented by Ms. Garvin and recommended approval of the results.

Motion and second to accept committee's recommendation to approve financial results. Motion passed unanimously.

Travel Information

The Committee reviewed the travel details for the Executive Director and Board.

International Reciprocity with CPA Australia

The Committee had reviewed information regarding a Mutual Recognition Agreement (MRA) with CPA Australia. Mr. Stuart reported that the process for evaluation of foreign CPA licensing requirements is rigorous and thorough. He would like to move forward with approval of the MRA as permitted by Rule.

Motion and second to approve a MRA with CPA Australia.

Discussion included:

- The Board's lack of direct knowledge about CPA Australia
- Whether the CPA Australia credentials are more closely aligned to our CPA designation or with the CGMA
- The thorough vetting process that is in place to establish substantial equivalency in terms of education and experience
- The need to support the vetting process because of international firms and those that rely on it
- The Board's desire to receive presentations detailing the similarities and differences between requirements of the home and host countries when requests for MRA approvals are made in future

Motion passed by the majority, with Mr. Eldridge opposed due to lack of information.

Old Business

No old business was reported.

New Business

Election of officers

As there is no defined process for the election of officers, Mr. Stuart suggested that nominations should be made for each position individually, rather than having nominations for the entire slate. Mr. Watkins asked if any member was unwilling to serve, and no unwillingness was indicated.

Motion and second to nominate Casey Stuart as Chair. Motion passed unanimously.

Motion and second to nominate Stephen Eldridge as Vice-Chair. Motion passed unanimously.

Motion and second to nominate Gay Moon as Secretary. Motion passed unanimously.

Formation of Board committees

Mr. Stuart asked members to communicate their interest in certain committees with Ms. Garvin. The Chair and Director will then make determinations as to the make-up of each Committee.

Ms. Garvin noted that there have been comments about doing away with Committees or moving toward a more traditional structure in which only Committee members are present for discussion. The Committee's determinations and recommendations would subsequently be presented to the full Board for a vote. Mr. Stuart likes the current structure as it allows every member to participate in preliminary discussions and speeds the Board meeting process. Mr. Stuart will soon attend meetings of the Kentucky and Alabama Boards and will inform the Board of the procedures he sees there.

Discussion included:

- Moving guest presentations to be given to the relevant Committee rather than the full Board.
- The possibility of resolving issues at the Committee level, and reserving the Board meeting for other issues that require the full Board.
- Items on the legal report must be done during the meeting with the full Board.
- The value of the opportunity to review the Committee information overnight in preparation for the Board meetings

Mr. Stuart asked members to consider possible changes to the process and the possibility of adding additional meeting days.

Pathways project revisited

Mr. Eldridge noted that the Board heard over course of the past two days of challenges facing the accounting industry and the impact of the Boards' requirement for 150 hours of education. He asked if the Board would be willing to make a request to NASBA for data to help determine if there is a better way to approach the 150-hour requirement vs. a 120-hour requirement.

Discussion included:

- The issue is already in the forefront with NASBA as part of the broader discussion, with other state Boards concerned about the issue.
- Whether this should be brought to NASBA by a coalition of State Boards
- The desire to see more data regarding how students are fulfilling the 150 hours.
- A recent study regarding candidates that begin, but do not finish, the CPA process
- A suggestion to look at the exam itself, as a change in education requirements will have an effect on the exam
- State Board actions, including ours, which indicate that candidates are going through a back door in order to work around the 150-hour requirement.
- Whether students are being educated solely to pass the exam, rather than having a broader education
- Whether there are more people taking the test nationwide and staying in the industry
- As Board members, Chairman Stuart and Mr. Bonner can take some of these comments back to NASBA

Adjourn

Motion and second to adjourn the meeting at 11:34 am.

Casey M. Stuart

Chair

Dara H. Moon

Secretary