State of Tennessee
Department of Commerce and Insurance
Tennessee State Board of Accountancy
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BOARD MINUTES

July 30, 2010

The meeting of the Tennessee State Board of Accountancy convened in the Andrew Johnson Tower, Nashville, Tennessee on Friday, July 30, 2010 at 8:30 am.

Board members present were: Stanley Sawyer, Chair; Charles Royston, Vice Chair, Lisa Stickel, Secretary; Vic Alexander, William Blaufuss, Jennifer Brundige, Kenneth Cozart, Al Creswell, Shannone Raybon and Doug Warren.

Staff present were: Mark Crocker, Executive Director; Chris Whittaker, Staff Attorney; Don Mills, Investigator; Sandra Cooper and Kathy Riggs. Brad Floyd representing TSCPA was also in attendance.

Absent was Board Member Casey Stuart.

Mr. Sawyer called the meeting to order and administered the Oath of Office to Mr. William Blaufuss for his second term.
He then announced that Mr. Casey Stuart has been appointed to the Board as a CPA representative from East Tennessee. He shared Mr. Stuart's resume with those present.

Mark Crocker made a presentation of a Gavel and Stand to former chair, Vic Alexander, for his service to the Board in that capacity.

Mr. Sawyer then very quickly summarized a meeting with Assistant Commissioner Majchrzak held with all regulatory board chairs.

After the announcements and presentations, Mr. Sawyer asked the Board Members to review the minutes from the April 30, 2010 meeting. Ms. Stickel requested that the minutes be amended to reflect that the firm of Brown, Brown and Associates were not to be exempted from peer review requirement. The amendment requested by Ms. Stickel and seconded by Mr. Cozart; passed unanimously. A motion to accept the minutes as

amended was made by Mr. Royston, seconded by Mr. Warren, and passed with a unanimous vote.

A motion to accept Robert's Rules of Order was made by Mr. Cozart, seconded by Mr. Alexander and passed unanimously.

The next item on the agenda was the Executive Director's report. Mr. Crocker presented his report which is attached in its entirety (Attachment A).

Candidate Interview:

At the April 30 meeting, the Board had considered the application of Mr. Mark Gregory for a license to practice public accountancy in the State of Tennessee. Mr. Gregory reported on his application that he had a felony conviction on his record. The Board at that meeting asked to have Mr. Gregory come to the July meeting for an interview so that a determination could be made of his qualification for a license.

Mr. Gregory appeared before the board to explain the circumstances of his felony conviction and to request that he be granted a license. Mr. Gregory presented his case to the Board and responded to questions. His legal history centered around possession and distribution of drugs. Mr. Gregory had been arrested again after the April 30, 2010 Board meeting and charged with another felony. As a result, at the time of his interview he was on probation.

Following the interview, Mr. Royston moved that the Board not grant a license at this time and that Mr. Gregory reapply following completion of his court ordered probation. At that time if Mr. Gregory has had no further encounters with the judicial system, he may come before the Board and request consideration of his application for a license. The motion was seconded by Ms. Brundige and passed unanimously.

Formal Hearing:

The next item of business was a formal hearing in the matter of Charles R. Lewis, Case Number LO5-ACC-RBS-2005034381 and Altus Services, Inc., Case Number L07-ACC-RBS-2007055741. The case convened with Ms. Laura Betty, Esq., representing the state of Tennessee. Mr. Lewis chose not to attend or to participate through electronic means. The honorable Judge Mattielyn B. Williams presided.

Results of the hearing were as follows.
The Board ordered the Respondent to:

(1) Immediately cease and desist from using the terminology Certified Public Accountant and "CPA" without a valid Tennessee CPA license;

(2) Pay a penalty in the amount of three thousand five hundred dollars ($3,500.00) representing a five hundred dollar ($500.00) civil penalty for each of the seven (7) violations; and
(3) Pay all prosecutorial, investigatory and hearing costs incurred in these cases.

The full transcript of the proceedings is attached (Attachment B).

Committee Reports

Licensing Committee:

Candidate Mr. Byron Wolfe requested license approval. His application revealed a past legal infraction which constituted a felony. The Committee recommended that Mr. Wolfe appear before the Board at the next meeting to argue his case for licensure. The Committee also recommends that Mr. Wolfe bring character witnesses to present testimony.

The Committee considered two reinstatement applications requesting waivers. Mr. Peter D. Nolan requested a waiver of fees and the penalty CPE. Legal Counsel advised that since Mr. Nolan's license would be in 'Active' status that the Board did not have the authority to waive the CPE penalty. Therefore, the Committee recommended that Mr. Nolan be notified that his request would not be approved and that he would have to pay the fees and provide proof of 80 hours of CPE in order to reinstate his license.

The Committee also reviewed a request from Ms. Linda Sutphin to waive the fees and the penalty CPE for reinstatement. In this instance, the Committee determined that Ms. Sutphin's request to waive the fees would not be approved. However, since Ms. Sutphin was requesting that her license be placed in a 'Retired' status that her request to waive the penalty CPE would be approved. It was noted that if she decided to reactivate her license in the future that the 80 penalty hours of CPE would need to be completed at that time.

A request by the Tennessee Chapter of the National Association of Tax Professionals to be exempt as sponsor was approved by the Committee. The Committee did request that all future applications for exempt sponsor status include articles of incorporation, tax exempt information and documentation verifying the existence of the entity.

For informational purposes, Ms. Brundige noted that two (2) state Specific Ethics courses had been presented by staff to a total of twenty-eight (28) licensees. Ten (10) more presentations are currently scheduled.

The number of new licenses issued from 01 May through 15 July is as follows:

CPA Initial	66
CPA Reciprocal	12
Firms	12

Dr. Riggs gave an update on the CPE audit for this year.

Mr. Warren made a motion to accept the recommendations of the Licensing Committee; seconded by Mr. Royston and passed unanimously.

Law and Rules Committee:

Ms. Stickel presented an overview of the proposed changes to the rules as listed below.

1. **Rule 0020-1-.04(f)** should be amended as follows:
The word **Penalty** is to be deleted and the word "**Fee**" substituted.

2. **Rule 0020-1-.04(g)** should be amended as follows
Words in italics ***Two hundred dollars ($250.00) plus past due late fees and fifty dollar ($50.00) penalty*** are to be deleted and **Two hundred and fifty dollars ($250.00)** substituted.

3. **Rule 0020-1-.08(5)** should be amended as follows:
Listings of CPE courses on renewal forms are required; however, the listings are not considered evidence for this rule.
This statement should be deleted as the online renewal system does not allow for the listing of CPE courses in the renewal process.

4. **Rule 0020-2-.02(1) (a) 1.** shall be amended as follows:
At least ***twenty –four (24) semester or thirty-six quarter hours*** of accounting education including the elementary level…
Words in italics shall be changed to **thirty (30) semester or forty-five (45) quarter hours.**

5. **Rule 0020-2-.02(1) (a) 2.** shall be amended as follows:
Not more than (3) semester or four (4) quarter hours may be internship programs which may be applied to the ***twenty-four semester hours or thirty-six (36) quarter hours*** in accounting…
The words in italics are to be deleted and **thirty (30) semester hours or forty-five (45) quarter hours** to be substituted.

6. **Rule 0020-2-.02(1) (b) 2.** shall be amended as follow:
For purposes of this rule, candidates must have at least twelve ***(12) semester or eighteen (18) quarter hours*** of accounting education…
The words in italics are to be deleted and **twenty-four (24) semester or thirty-six (36) quarter hours** to be substituted.

7. **Rule 0020-3-.16 (1)** shall be amended to require notification to the Board upon the change of e-mail address of a licensee.

8. **Rule 0020-5-.03 (1) (b)** should be amended as follows:

The rule shall delete the 4 hour ethics requirement and replace it with a requirement of 2 hours of State Specific Ethics each renewal cycle. This is to be effective for licensees renewing in 2011.

9. **Rule 0020-6-.04(1)** should be amended as follows:
However, the initial review must be completed by August 31 of the next calendar year following the initial date of issuance of the firm permit.
This statement should be deleted as the peer review program administered by the TSCPA outlines a different time frame for submission of peer reviews.

10. **Rule 0020-6-.04 (2)** should be amended as follows:
Each firm ***location*** that performs one (1) or more audit engagement(s) shall have an on-site review. Firm ***locations*** that perform only compilations or reviews in accordance with SSARS shall have either an on-site or off-site peer review.
The words in italics should be deleted for clarity.

11. **Rule 0020-6-.04(4)** shall be amended as follows:
Failure of a firm **location** to ***be included in a peer review performed in a timely manner may*** result in the denial of the renewal of the **location's** permit to practice.
The words in italics are to be changed and the rule to read as follows:
Failure of a firm to be ***enrolled in a Board approved peer review program will*** result in the denial of the **firm's** permit to practice.

The Committee recommended that the effective date for changing the ethics requirement in number (8) be changed from 2011 to 2012. Mr. Alexander voted to accept the committee's recommendation on that change. The motion was seconded by Ms. Brundige and passed unanimously.

Mr. Cozart then moved to have a Rule Making Hearing at the October Board Meeting. Ms. Brundige also seconded that motion which also passed unanimously.

Mr. Royston then moved to accept the report and recommendations of the Law and Rules Committee, seconded by Mr. Alexander and passed unanimously.

Executive Committee:

Financial information for fiscal 2010 was revised. (Attachment C)

Mr. Sawyer presented the Travel Plan for fiscal 2011 as prepared by Mr. Crocker. This year's plan calls for a travel budget of $89,000.00. There is no budget available for adoption at this time as the Department of Commerce and Insurance has not yet met with Mr. Crocker to prepare a budget, but the increased revenue experienced by the Board this year will accommodate a travel plan of this amount. A motion was made by Mr. Warren to adopt the Travel Plan and Mr. Cozart seconded. Motion passed unanimously. (Attachment D)

Mr. Sawyer then presented a list of firm's requesting exemption from the Peer Review Requirement based on the assertion that no attest services were offered. Those firms are:

Firm 3761-BH Consulting, LLC
Firm 3765-Cynthia Dawn Dickenson, CPA
Firm 3766-Gail B. Childress, CPA
Firm 3770-Joe Mitchell, CPA
Firm 3771-Michele T. Stuckey, CPA
Firm 3776-Rick Barksdale, CPA
Firm 3778-Dimeta Smith, CPA
Firm 3780-Diane C Sparks, CPA
Firm 3781-N. Richard Grassano, CPA
Firm 3782-Terry W. Gentle, CPA
Firm 3783-My-z Financial & Tax Services
Firm 3784-Victoria Fister, CPA
Firm 3785-Larry Williams, CPA
Firm 3791-Joseph & Keys, PLLC
Firm 3794-Shelly K. Matthews, CPA
Firm 3795-O. K. Jahrling, CPA
Firm 3796-William E. King, CPA
Firm 3797-Sterling Consulting Services, LLC

Mr. Cozart moved to accept the recommendation of the Committee to approve the requests for exemption, seconded by Ms. Stickel, and passed unanimously.

The Executive Committee had also received an inquiry from the American College of Forensic Examiners regarding the use of the terminology "Certified Forensic Accountant" when the recipient is not a licensee of this Board. The committee referred to Tennessee Code Annotated § 62-1-113(h)(2) which regulates the usage of the term "accountant" and recommended that the College of Forensic Examiners be advised that the use of the term "Certified Forensic Accountant" would be a violation of that statute if used by an individual who was not licensed by this Board. Mr. Royston moved to accept that recommendation, seconded by Mr. Alexander and passed.

Mr. Sawyer noted that the Committee would develop an evaluation tool used in a performance review for the Executive Director. Mr. Crocker had requested an evaluation in order to ensure that he was meeting the standards expected of his position. The Committee expects to be able to meet in closed session at the October meeting to discuss this evaluation.

Probable Cause Committee:

The legal report was distributed by Mr. Whittaker for review. Mr. Warren recused himself from complaints ten (10) and twenty (20). Mr. Blaufuss recused himself from complaints seventeen (17) and twenty (20); and Mr. Alexander recused himself from

complaints six (6), seven (7) and eight (8). A motion was made by Mr. Warren to accept the Legal Report, seconded by Mr. Sawyer and passed with the abstentions noted.

The Committee will review the current disciplinary guidelines and will bring a recommendation to the Board for an update at the October meeting.

The Legal Report and the statistics are included as Attachment E.

Old Business

Independence:

Ms Stickel gave a report on the session at the NASBA Eastern Regional Conference which covered the topic of the independence of Boards of Accountancy. Mr. Crocker stated that NASBA has endorsed and is supporting the concept of independence or semi-independence for state boards of accountancy and have appointed a committee to assist in this effort. They are drafting 'model' legislation based on the statutes in Texas and North Carolina. Ms. Stickel suggested that the Board get a plan in place since the time may be favorable for this effort. Mr. Sawyer asked for volunteers to serve on an Ad Hoc Independence Committee. The following volunteered to serve:

Lisa Stickel
Ken Cozart
Jennifer Brundige
Shannone Raybon
Bill Blaufuss

Board of Examiners:

Mr. Warren presented an update on the latest information from the Board of Examiners (BOE). His presentation is included as Attachment F.

Communications Committee Report:

Ms. Stickel presented a report from NASBA'S Communications Committee. She distributed the Power Point from that committee meeting and based her comments on that presentation (Attachment G). She encouraged the Board to consider using social media and stated that she would attempt to have one communication objective for presentation at the October meeting.

UAA committee Report:

Ms. Stickel stated that she had no report at this time.

NASBA Eastern Regional Meeting Report:

Mr. Royston gave a brief report on the Eastern Regional Meeting held in Charleston, South Carolina. Mr. Royston stated that he was impressed with the meeting and that there was a great deal of discussion concerning IFRS, the Exam, and Mr. Costello's retirement. He outlined the process that NASBA was using to hire the next CEO and informed the Board that at this time the Search Committee had decided not to use a search firm but would do the advertising themselves. This concluded Mr. Royston's report.

Board Retreat:

At a previous meeting the topic of a Board retreat had been discussed. Since a date could not be agreed upon via email, Board members had been asked to bring their calendars with them so that a definite date for retreat could be set. Following discussion, the Board decided to hold a retreat at the TSCPA offices on Thursday, December 2 and Friday December 3. The meeting will begin at noon on Thursday with lunch and will continue until approximately 4:00 pm on Friday.

New Business:

Mr. Andy Kwok a CPA from China who was in the United States for various meetings (including NASBA), made a presentation to the Board on the activities of Chinese CPAs. Ms. Linda Biek of NASBA introduced Mr. Kwok, who is the President of Prime Vest Group a firm in China specializing in financing. His resume and presentation are included as Attachment H.

Legal Presentation:

Mr. Whittaker made a brief presentation on Robert's Rules of Order. The key points he noted were:

1. Recognize board members entitled to speak or propose motions. Some motions may be made while another member has the floor. The Speaker must state the purpose of the interruption so that the Chair can rule on its validity.
2. Restate motions after they have been seconded, and then open discussion.
3. Close discussion and put motions to vote. Vote on undebatable motions should be called immediately. If any member objects to closing discussion on a debatable motion, a two-thirds vote is required in order to close a debate. Restate the motion exactly as it was made or amended before calling for a vote.
4. Announce the result of a vote immediately. A tie vote defeats a motion requiring a majority of those voting. The Chair votes on each motion.
5. Avoid entering into any controversy or interfering with legitimate motions.
6. Maintain order and proper procedure, making necessary rulings promptly and clearly.

7. Expedite Board business in every way compatible with the rights of Board Members. Brief remarks may be allowed on undebatable motions, Board Members may be advised on how to take proper action, or routine actions may be proposed without a formal vote.
8. Protect the Board from frivolous motions whose purpose is to obstruct the Board's business. The Chair may refuse to entertain such motions. Never adopt such a course, however, merely to expedite business.
9. Guard the Board's time by having an agenda adopted at the beginning of the meeting. Follow the agenda faithfully and do not permit unauthorized interruptions from spectators.

There being no further matters to be considered, Mr. Warren moved to adjourn, seconded by Mr. Royston and unanimously passed.

Chairman

Secretary