

Sunset Public Hearing Questions for  
**State Board of Accountancy**  
Created by Section 62-1-104, *Tennessee Code Annotated*  
(Sunset Termination June 2020)

***Enabling Statute, Purpose, and Rules and Regulations***

**1. Provide a brief introduction to the board, including information about its purpose, statutory duties, staff, and administrative attachment.**

T.C.A. § 62-1-102 states the following purpose:

*It is the policy of this state, and the purpose of this chapter, to promote the reliability of information that is used for guidance in financial transactions or for accounting for or assessing the financial status or performance of commercial, noncommercial and governmental enterprises. The public interest requires that persons professing special competence in accountancy or offering assurance as to the reliability or fairness of presentation of such information shall have demonstrated their qualifications to do so and that persons who have not demonstrated and maintained such qualifications not be permitted to represent themselves as having such special competence or to offer such assurance, that the conduct of persons licensed as having special competence in accountancy be regulated in all aspects of their professional work, that a public authority competent to prescribe and assess the qualifications and to regulate the conduct of licensees be established, and that the use of titles that have a capacity or tendency to deceive the public as to the status or competence of the persons using such titles be prohibited.*

The Tennessee State Board of Accountancy is established by Tennessee Code Annotated § 62-1-101 et seq. and is cited as the “Tennessee Accountancy Act of 1998.”

The Tennessee Board of Accountancy was established to ensure that citizens relying on services provided by licensed Certified Public Accountants (CPA) can be assured that the CPA has been determined by education, testing, and experience to have the competence to provide reliable accounting services. In order to ensure such competency, the Board is directed by statute to perform, at a minimum, the duties described in T.C.A. § 62-5-105:

- Establish a meeting schedule and select officers;
- Adopt rules, keep records of meetings and complaints received along with resolution of such complaints;
- Hire an Executive Director who will procure needed staff;
- Determine Board’s expenditures for all equipment, participation in activities of National Association of State Boards of Accountancy (“NASBA”) and other needed supplies or services;
- Establish a budget relative to fees received;
- Maintain security for all records and files;
- Implement policies and procedures;
- Establish licensure requirements including education and experience;

- Join professional organizations and associations which improve the standards of practice for accounting and protect the public;
- Review complaints and assess discipline when warranted including fines, additional education and sanctions against a license; and
- Respond to all inquiries from citizens.

The board employs an Executive Director, who serves at the pleasure of the Board and is responsible for the supervision of (5) staff members, including one (1) investigator.

The Tennessee State Board of Accountancy is administratively attached to the Division of Regulatory Boards housed in the Department of Commerce and Insurance. However, the Attorney General has opined that T.C.A. § 62-1-105 implicitly repeals §§ 56-1-302 and 4-3-1304 as they relate to the Board of Accountancy. Therefore, all expenditures of the Board of Accountancy are subject to review and approval of the Commissioner of Finance and Administration.

**2. Has the board promulgated rules and regulations? If yes, please cite the reference.**

Yes. The Board has promulgated rules which can be found under Tenn. Comp. R. & Regs. Chapters 0020 et seq.

***Board Organization***

**3. Provide a list of current members of the board. For each member, please indicate who appointed the member, statutory member representation, the beginning and end of the member’s term, and whether the member is serving a consecutive term.**

Member	Appointed By	Representation	Term Begin	Term Ends	Consecutive Term
J Andy Bonner	Haslam	CPA, ETN	7/1/2017	6/30/2020	No
Janet Booker-Davis	Haslam	CPA, MTN	7/1/2018	6/30/2021	Yes
Pamela Church	Lee	CPA, WTN	7/1/2016	6/30/2022	Yes
Stephen Eldridge	Haslam	CPA, WTN	7/1/2018	6/30/2021	Yes
Larry Elmore	Haslam	CPA, ETN	7/1/2018	6/30/2021	Yes
G. Gregory Gilbert	Lee	CPA, ETN	7/1/2019	6/30/2022	No
Kevin Monroe	Lee	CPA, MTN	7/1/2019	6/30/2022	Yes
Gay Moon	Haslam	CPA, MTN	7/1/2017	6/30/2020	Yes
Todd Skelton	Lee	Attorney	7/1/2019	6/30/2022	No
Trey Watkins	Haslam	CPA, WTN	7/1/2017	6/30/2020	Yes
Judy Wetherbee	Haslam	Public Member	7/1/2016	6/30/2019	Yes

**4. Are there any vacancies on the board? If so, please indicate how long the position has been vacant and explain steps that have been taken to fill any vacancies.**

There are no vacancies on the board

5. **How many times did the board meet in Fiscal Years 2018 and 2019? How many members were present at each meeting? Please note meetings where the board did not have a quorum.**

Fiscal Year 2018			
Date	Event	Attendance	Quorum
7/13/2017	Committee Meetings	10	Yes
7/14/2017	Board Meeting	10	Yes
10/19/2017	Committee Meetings	10	Yes
10/20/2017	Board Meeting	11	Yes
1/18/2018	Committee Meetings	10	Yes
1/19/2018	Board Meeting	10	Yes
5/6/2018	Committee Meetings	11	Yes
5/4/2018	Board Meeting	10	Yes

Fiscal Year 2019			
Date	Event	Attendance	Quorum
7/23/2018	Committee Meetings	11	Yes
7/24/2018	Board Meeting	11	Yes
10/22/2018	Committee Meetings	10	Yes
10/23/2018	Board Meeting	11	Yes
1/28/2019	Board Meeting	10	Yes
5/6/2019	Committee Meetings	9	Yes
5/7/2019	Board Meeting	10	Yes

***Financial Information***

6. **What were the board’s revenues and expenditure for Fiscal Years 2018 and 2019? Does the board carry a fund balance? If yes, please provide additional relevant information regarding the fund balance.**

For fiscal year 2018, the board’s revenues were \$988,078 and expenditures were \$906,650. Its reserve balance at the end of fiscal year 2018 was \$1,182,810. Although we have not received a final closeout report for fiscal year 2019, the estimated revenues through May 2019 are \$948,340. The estimated expenses through May 2019 are \$822,086. The current reserve balance is \$1,309,064.

7. **What per diem or travel reimbursements do board members receive? How much was paid to board members in Fiscal Years 2018 and 2019?**

Board members receive a \$50 per diem, per day, for scheduled meetings where a quorum is present. In addition, they are eligible for travel reimbursements at standard rates in accordance with the state’s comprehensive travel regulations.

	Per Diem	Travel
FY 2018	\$3,550.00	\$22,763.26
FY 2019	\$3,350.00	\$21,369.71

**8. Please provide a list of fees collected and indicate whether these fees were established through rule or through state law.**

Under the authority of T.C.A. §§ 62-1-105(e)(8) and 62-1-107(e), Tenn. Comp. R. & Regs. 0020-01-.04 sets forth the following list of fees charged by the Board:

Initial issuance of certificate	\$100.00
Replacement certificate	\$25.00
Renewal of certificate or registration	\$110.00 biennially
Initial firm permit	\$50.00
Renewal of firm permit	\$50.00 per year
Fee for late filing of permit, certificate, or registration renewal application	\$100.00
Fee for application for reinstatement	\$250.00
Transfer of grades or letter of good standing	\$25.00 per request
Change of address late fee	\$25.00

***Sunshine Law, Public Meetings, and Conflict of Interest Policies***

**9. Is the board subject to Sunshine law requirements (Section 8-44-101 et seq., *Tennessee Code Annotated*) for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the board have for informing the public of meetings and making minutes available to the public?**

The Tennessee State Board of Public Accountancy is subject to the Sunshine law requirements found in Tennessee Code Annotated § 8-44-101 et seq. Meeting notices are published on the Board’s website, and the Board meeting schedule is discussed when staff make presentations to the licensees. Board meetings are recorded using video recording equipment, and the meetings are available for viewing on the Board’s website. In addition, minutes are transcribed and are available in the Board office for review after being approved and signed at the subsequent Board meeting.

**10. Does the board allow for public comment at meetings? Is prior notice required for public comment to be heard? If public comment is not allowed, how does the board obtain feedback from the public and those they regulate?**

Yes, public comment is allowed at meetings if the individual wishing to comment requests to do so prior to the meeting in order that it may be included in the agenda.

**11. Does the board have policies to address potential conflict of interest by board members, employees, or other state employees who work with the board?**

Upon appointment to the Board, each member is required to attend a new member orientation. This orientation is conducted by the Director of Operations, the Executive Director, and the attorney for the Board. During this orientation, Board members are reminded of the conflicts of interest policy. A brief refresher of this policy takes place annually. Furthermore, the Department's Human Resources Division has specific disclosure forms on which each individual member must list any potential conflicts of interest before beginning to serve his or her term.

**12. Does the board have a website? If so, please provide the web address. What kind of public information is available on the website?**

The web address for the Board of Accountancy is:  
<https://www.tn.gov/commerce/regboards/accountancy.html>

The website provides contact information; frequently asked questions; public meeting calendars, agendas, minutes, and recordings of meetings; forms and publications, including the Board's newsletter; rules and laws; consumer resources; and CPA exam candidate news.

The Department of Commerce and Insurance also maintains a website at [verify.tn.gov](http://verify.tn.gov), which allows for license search and verification for those individuals who are licensed with the Department.

***Peer Review Oversight Committee***

**13. The September 2015 Performance Audit Report of the State Board of Accountancy had the following finding: "Under its current structure, the Tennessee State Board of Accountancy is limited in its ability to oversee the peer review program in Tennessee." The audit recommended that if the board continued to have difficulties filling the positions on the Peer Review Oversight Committee, the board should consider alternatives, which might include working with the General Assembly to amend Section 62-2-201, *Tennessee Code Annotated*, to allow the board to view peer review reports and documents. Please provide an update on the status of Peer Review Oversight Committee.**

The Board and the Tennessee Society of Certified Public Accountants (TSCPA) worked with the General Assembly to amend section 62-2-201, Tennessee Code Annotated, to allow the Board access to peer review reports. Subsequently, the Board promulgated rules that require a CPA firm to submit certain peer review documents to the Board via a secure web portal within certain time frames. Once model rules are established nationally, the Board expects to also modify existing peer review

oversight committee rules. Anticipated revisions will restructure the requirements to serve on the peer review oversight committee which should assist the Board in finding individuals that qualify to serve.

***Application and Licensure Process***

**14. Describe the criteria for issuing a license. How were these criteria determined? How long does the licensing process take? What are the established time goals for obtaining a license? Are those goals being met?**

The criteria for issuing a certified public accountant license is found in 62-1-106, Tennessee Code Annotated, and states that a license shall be granted to persons of good moral character who meet education, experience and examination requirements. All fifty (50) states and five (5) additional licensing jurisdictions have substantially equivalent licensing requirements.

Educational requirements consist of one hundred fifty (150) semester hours of education, including a baccalaureate or higher degree conferred by a regionally accredited college or university. The total educational program must include an accounting concentration to include thirty (30) semester hours in accounting [twenty-four (24) upper division level] and at least twenty-four (24) semester hours in general business. Experience requirements consist of one (1) year of experience involving the use of accounting skills. The examination required to be passed is the Uniform Certified Public Accountant Examination.

Over the fiscal year 2018 and fiscal year 2019, the board has processed initial applications for licensure in an average of eight (8) business days. The Departmental goal for licensure is to maintain or decrease the aggregate average licensing time for the Division of Regulatory Boards. Accountancy has met this goal by increasing processing time. The Board is currently processing licenses at a rate of 149% compared to last year.

**15. How many individuals and/or businesses are currently licensed by the board? Please provide a list by category/type of license.**

Code	Status	Profession		
		CPA/1101	PA/1102	FIRM/1103
20	Active	11224	9	1860
30	Probation	3	0	0
31	Inactive	4401	8	0
32	Disabled	51	0	0
33	Active Military	5	0	0
34	Retired	113	1	0
41	Suspended	3	0	0
43	Suspended	1	0	0
45	Expired Grace	0	0	0

51	Retired Over 65	1063	16	0
55	Expired	2946	31	313
61	Closed	3620	312	2380
64	Revoked	73	1	23
	<b>Total</b>	<b>23503</b>	<b>378</b>	<b>4576</b>

**16. How many applications did the board receive in Fiscal Years 2018 and 2019? By category, how many applications were approved and a license granted? How many applications were rejected? Of those rejected, what was the primary reason for rejection?**

<b>Applications for Fiscal Years 2018 and 2019</b>					
	Approved	Open	Denied	Withdrawn	Total
CPA	1161	9	2	0	<b>1172</b>
Firm	127	1	3	3	<b>134</b>
Reasons for Denials of CPAs include: Did not meet the minimum education or experience requirements					
Reasons for Denials of Firm Permits include: Not meeting ownership requirements or associated CPA license was expired.					

**17. How many licenses were revoked during the same time period? What were the primary reasons for revocation? Please provide information by type of license.**

<b>Revocations</b>		
License Type	Number of Revocations	Primary Reason for Revocation
CPA	12	Code of conduct violations (gross negligence, fiscal dishonesty, fraud) and failure to comply with continuing education requirements
Firm	3	Failure to Comply with Peer Review Requirements

*Complaint Handling Process*

**18. Describe the complaint handling process. Please explain how consumers are made aware of the process for filing a complaint, how complaints are taken and investigated, how complaints are resolved and what actions may be taken as a result.**

Once a complaint is received by the Board, it is submitted to the Respondent, otherwise known as the individual or company the complaint was filed against for response. The response from the Respondent is then sent to the Complainant. The Complainant then has the opportunity to respond and include any additional information. The complaint, Respondent's response, and any additional correspondence are then forwarded to the Board's legal counsel.

Respondents are given ten days to file their response. The legal counsel then reviews the file and all documentation and creates a summary and recommendation to present before the Board at their regularly scheduled meetings. The legal report is presented anonymously as to not prejudice the Board on reaching a decision. Upon hearing the summary, the Board will vote on whether or not they believe the facts of the matter are grounds for discipline under the Tennessee Accountancy Act of 1998 (“the Act”) and the promulgated rules. If the Board determines there has not been a violation under the Act, then the Board will often dismiss the matter. However, if the Board determines that the facts warrant discipline, the Board may authorize a formal hearing but first give an option for the Respondent to settle via a Consent Order. Discipline types include letters of instruction, letters of warning, civil penalties, suspension, and revocation. If the Respondent is sent a Consent Order and decides against settlement, then the matter may be set by legal counsel for a formal hearing between the Department and the Respondent.

All of the information provided to consumers for filing a complaint is found at <https://core.tn.gov/datamart/mainMenu.do;jsessionid=dOZ3PdDAsgzl6Tf6kMdaWIHV.undefiend>. If consumers have any additional questions or concerns, they can visit the Board’s website and contact the Board staff via telephone or email. Also, the Department’s Customer Service Center provides assistance to consumers. Once a complaint is received by the Department’s Centralized Complaints Division, the consumer is provided additional information concerning their complaint that will help aid in the process.

**19. What are the time goals for resolving complaints and are those goals being met?**

The goal for the Division of Regulatory Boards is to resolve or authorize 90% of complaints for formal hearing within one hundred eighty (180) days of receipt. This year the Board has met its metric at 96%

**20. How many complaints were received in Fiscal Years 2018 and 2019? What types of complaints were received? What, if any, enforcement actions did the board take as a result of complaints filed?**

Fiscal Year 2018 July 1, 2017 – June 30, 2018	109 Complaints Received
Fiscal Year 2019 July 1, 2018 – June 30, 2019	80 Complaints Received

Types of Complaints		Disposition	
Peer Review	38	Closed w/ No Action	52
Unlicensed Activity	31	Consent Order	32
Failure to Comply with CPE	33	No Jurisdiction	29
No Jurisdiction	25	Letter of Warning/Caution	22
Due Professional Care	18	Revocation	5

Unethical Conduct	12	Close and Flag	2
Fraud	9	Suspension	1
SEC/PCAOB Violation	8		
Practicing on revoked license	5		
US Department of Labor Referral	5		
Client Records	4		
Confidentiality	2		
Discreditable Acts	2		
Other state discipline	2		
Failure to file tax returns	1		
Felony Conviction	1		
Violation of a Board Order	1		

*Reports, Major Accomplishments, and Proposed Legislative Changes*

**21. What reports does the board prepare concerning its activities, operations, and accomplishments? Who receives copies of these reports? Please provide a link to any such reports issued in Fiscal Years 2018 and 2019.**

A [Disciplinary Action Report](#) is prepared monthly, which includes a list of the regulatory actions taken by the board for violations for the laws and rules. This report is combined with all other regulatory programs within the Division of Regulatory Boards and posted on the website for access by the general public.

A biannual [newsletter](#) is developed and disseminated to licensees and exam candidates. The newsletter typically contains information on activities of the Board during the current term, including items such as licenses issued, information on new and reoccurring requirements and disciplinary actions. [Current](#) and [prior](#) newsletters are available to the public on our website.

Minutes are recorded, approved and maintained for each meeting held. The [minutes](#) generally contain any actions taken by the board as well as the Executive Director's report and legal report. Approved minutes are available for viewing on our [website](#).

**22. What were the board's major accomplishments during Fiscal Years 2018 and 2019?**

Efficiency in licensing – ninety-eight percent (98%) of license applications are created online and average time to issue a license is eight (8) days or less.

Steady improvement in complaint processing with 96% of complaints resolved or authorized for formal hearing within one hundred eighty (180) days. Implementation of a discipline matrix to assist the Board in maintaining consistency with regard to disciplinary actions.

Improvement in the oversight of the state specific ethics course content to ensure this continuing education requirement is accurate, relevant and meaningful.

Amendments to the firm names rule and continuing education rule to allow more flexibility to licensees while still maintaining concepts that ensure public protection.

Promulgation of a new rule requiring CPA firms to provide certain peer review documents to the board.

Additional involvement at the national level as a debate unfolds regarding the future of CPA licensure. The CPA Evolution Initiative aims to transform the CPA profession and its licensure model in recognition of the need for rapidly changing CPA skills and competencies necessitated by constantly escalating technological disruption.

**23. Please describe any items related to the board that require legislative attention and your proposed legislative changes.**

None

**24. Should the board be continued? To what extent and in what ways would the absence of the board affect the public health, safety, or welfare of the citizens of Tennessee?**

The Board of Accountancy should be continued. This Board is responsible for licensing all Certified Public Accountants (CPAs) and registered accounting firms in the State of Tennessee. The public depends on this Board to monitor and regulate the accounting profession and to ensure that licensees are well-qualified to handle the financial affairs of the citizens of this State.