

# Ethics—Tennessee Specific

Presented by

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TN TEO #033; NASBA #106614



# TN State Board of Accountancy

- William (Trey) Watkins, III. Watkins Uiberall, PLLC, Memphis (Chair)
- 11 members total (9 must be CPAs)
- 3 year/staggered terms/appointed by Governor



# Mission of TN SBOA

--To protect the public interest by ensuring that persons professing special competence in accountancy or those offering assurance regarding financial statement presentation have demonstrated their qualifications to do so--

# Agenda

- I. Becoming a TN CPA
- II. Firm license rules
- III. CPE
- IV. AICPA Code of Professional Conduct
- V. Peer Review
- VI. Discipline
- VII. FAQ's

# Becoming a CPA in TN

- Certificate of “certified public accountant” granted to:
  - Persons of good moral character, and
  - Individuals meeting education, examination and experience requirements of TN

# Good Moral Character

- Absent a history of dishonest or felonious acts
- US Citizenship and Immigration Services description



# Education

- Holder of at least a baccalaureate degree from a college acceptable to TSBOA
- At least 150 semester hours of college education (min 30 accounting hrs)
- At least 24 semester hours in general business education

# Uniform CPA Exam

- Make at least **75** on each part of exam
- Must pass all remaining parts of exam within **18** months after passing first part
- Submit at least **90%** score on AICPA Ethics course



# Experience

- Individuals seeking initial licensure must have one (1) year of experience
  - Any type of service/advice involving use of accounting, attest, MAS, financial advisory, tax, or consulting skills in these areas
- Minimum 2000 hours of experience earned in no less than one year or more than three years
- If signing reports, 2 years experience w/in last 10 years in attest

# Reciprocity

- TN recognizes the holder of a CPA license from any state which the board or designee has verified to be in substantial equivalence with the CPA licensure requirements of the Tennessee Accountancy Act
- Granted all privileges of a TN CPA without need to obtain certificate or permit from TN

# To Receive Reciprocal TN License

- Hold an active CPA license in another state
- Meet TN education requirements
- At least 1 year accounting-related experience



Floyd, Caturano, Haddock, Melancon

# CPA License Period and Fees

## Period

- TN grants a 2 year license
- CPE is also reported for a 2 year period

## License Fees-Individuals

- Professional privilege tax is administered by the TN Department of Revenue
- Permit to practice fees due to TSBOA upon licensure renewal application

# Firm License

- Every firm providing services covered by the Tennessee Accountancy Act must register with the TSBOA
- Sole proprietorship is considered a firm
- Must pay registration/renewal fee
- Must maintain current address, partners, etc

# TN CPE Rules

- Basic Biennial (2 year) Rules
  1. At least 80 hours of CPE
  2. Minimum of 20 hours in each year
  3. At least 40 hours in accounting, accounting ethics, attest, taxation, or management advisory services
  4. Four hours ethics (1 hr must be TN specific) [Rule changed in 2012]

# Qualifying Program

- Must contribute to professional competence
- Meet standards approved by AICPA and NASBA

# Program Requirements

- Outline
- One hour of CPE for each 50 minutes of instruction
- Qualified discussion leader
- Record of attendance is kept



# By Rule, Qualified Programs

- AICPA/TSCPA and chapters of TSCPA
- Technical sessions of meetings of AICPA, TSCPA, NASBA
- University or college courses
- Programs recognized by TN SBOA
- Organized in-firm or in-house programs offered without charge

# Qualified Sponsors Exempt from Registration

- Professional accounting organizations
- Universities/colleges
- Firms or other entities offering in-house or in-firm programs for clients at no charge
- Government entities
- All others must register with NASBA and/or TSBOA

# Reporting Deadline

- Even/odd year requirement based on last digit of license number, ie 8918, even
- Minimum of 80 hours each 2 year period- including a minimum 20 hours in each year

# Additional CPE Requirements

- If providing attest functions, at least 20 hours, biennially, in A&A
- Expert witness must have at least 20 hours in field of expertise
- Carryforward of 24 hours but not as specific content hours—does not meet minimum yearly hours required

# CPE Audit

- All TN CPAs are subject to random audit of CPE
- Upon request-provide evidence of CPE
- Reply on TSBOA forms
- Inactive classification-not subject to CPE rules
- Must have word “inactive” adjacent to CPA
- Keep your CPE records for 5 years

# Failure to Meet CPE



Mark Crocker, Executive Director  
TN State Board of Accountancy

- Can be assigned to take additional CPE
- Must be completed within 180 days of notice
- Extension may be granted to meet CPE

# AICPA Code of Professional Conduct

- [Introduction to AICPA Code of Professional Conduct](#)
- [Principles of Professional Conduct](#)
- [Independence](#)
- [General Standards](#)
- [Integrity and Objectivity](#)
- [Confidential Client Information](#)
- [Contingent Fees, Commissions, and Referral Fees](#)



"It's not my fault that I blamed you for everything I did. It was your fault."

# Preamble to COPC

- express the profession's recognition of its responsibilities to the *public*, to *clients*, and to *colleagues*
- guide members in the performance of their *professional responsibilities*
- express the *basic tenets* of ethical and professional *conduct*



# Basic Principles of Code of Professional Conduct

1. Responsibilities
2. Public interest
3. Integrity
4. Independence
5. Due care
6. Scope and nature of service

# Rules

- Rule 101, Independence
- Rule 102, *Integrity and Objectivity*
- Rule 201, *General Standards*
- Rule 202, *Compliance With Standards*
- Rule 203, Accounting Principles
- Rule 301, *Confidential Client Information*
- Rule 302, *Contingent Fees*
- Rule 501, *Acts Discreditable*

# General Standards

- A. Professional Competence
- B. Due Professional Care
- C. Planning and Supervision
- D. Sufficient Relevant Data

# Special Note

## Independence

- In spirit
- In truth
- Cornerstone of CPAs reputation

## Disclosures

- CPA must disclose to clients any potential conflicts of interest
- Contingency arrangements
- Commissions from sales

# General Standards

## A. Professional Competence

1. Knowledge and skill
2. Reasonable care and diligence
3. Exercise sound judgment in application

# General Standards

## B. Due Professional Care

1. Obtain new knowledge as needed
2. Observe what it means to be a “professional”

# General Standards

## C. Planning and Supervision

1. You are responsible for staff
2. Trained

# General Standards

## D. Sufficient Relevant Data

1. Professional standards dictate
2. Experience and expertise



# *Code of Professional Conduct*

## **Pronouncements**

- Intended to provide general guidance
- Applies to everyone
- Explains intent

## **Rulings & Interpretations**

- Very specific situations
- Required to follow
- Interprets pronouncements

# Confidentiality of Records

- May not disclose any client info with consent (absent official legal or professional review)

# Client Records

- Upon request, must furnish client, or former client, copy of any report or other documents belonging to or obtained on behalf of the client
- Copy of CPA workpapers, or other records, that would ordinarily be considered part of clients books & records
- Don't have to furnish your documents if client owes CPA

# Discreditable Acts

- Any act that reflects adversely on the profession
- Any licensee or candidate for licensure who solicits, discloses, and/or uses information obtained through violation of nondisclosure statement of the Uniform CPA Examination

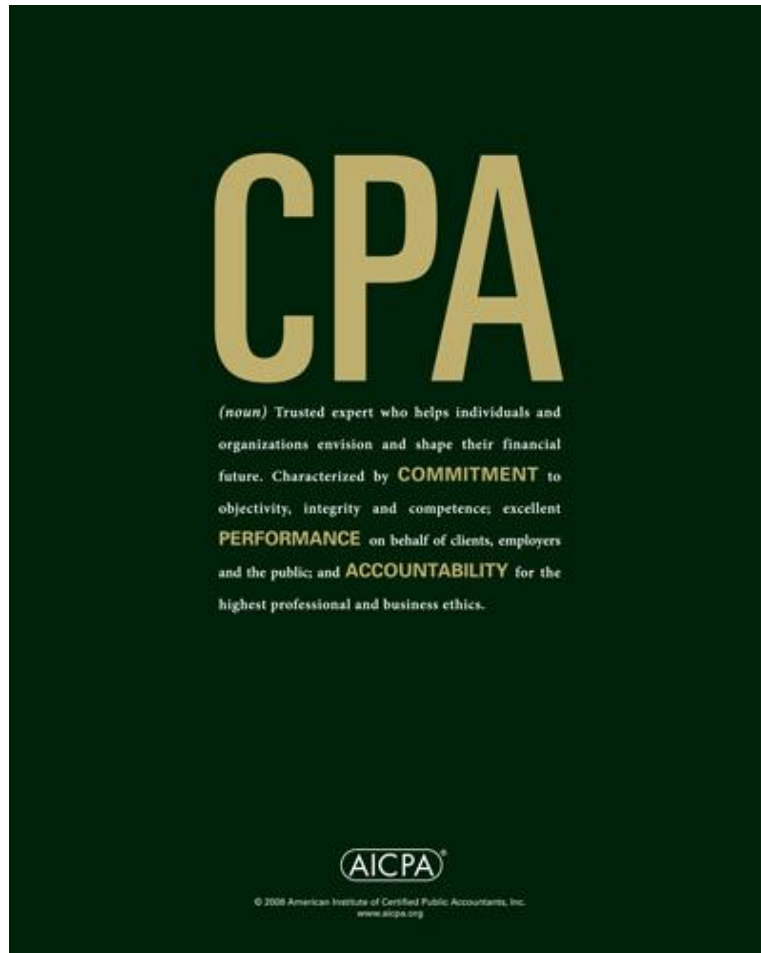
# TN State Board of Accountancy

“The Rules of Professional Conduct adopted and enforced by the board cover a broad range of behaviors, but do not cover every possible unethical act. These rules include the issues of integrity, contingent fees, disclosures, competence, compliance with standards and confidential client information. When the rules are silent on any matter, the licensee should defer to the AICPA Code of Professional Conduct.” (Website TBOA)

# Peer Review

- Each firm in TN performing attest services will submit to a peer review **at least once every three years**
- Review may be conducted by PCAOB, TSCPA, AICPA, or other similar firm or individual approved by TN SBOA

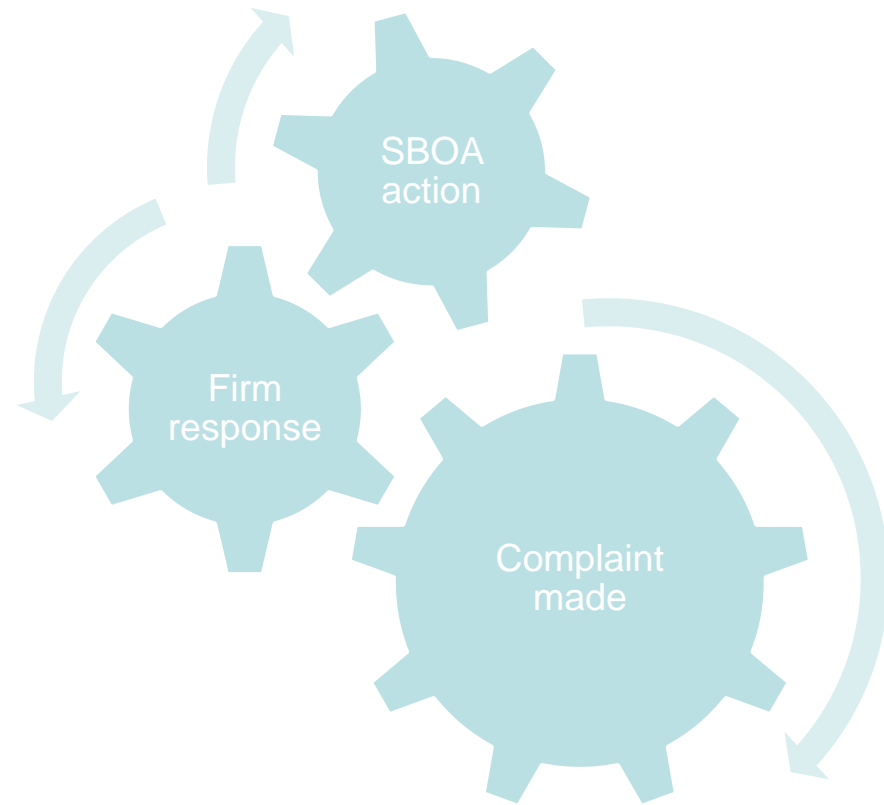
# Results of Peer Review



- Results are communicated to firm
- If sub-standard, may require remediation
- Board may take further action if firm ignores or refuses to comply with review recommendation

# Complaints Against Firms/CPAs

- Must be formal complaint
- Firm/CPA is given opportunity to respond
- Board will take appropriate action





# Disciplinary Actions & Penalties

- Specific and general disciplinary actions are in TAA
- Dishonesty, fraud or gross negligence
- Holding out as CPA when not licensed
- Conduct adversely affecting performance
- Civil penalties range from \$0 - \$1,000 per violation
- Revocation or suspension of license

# August 2012 BOA Disciplinary Actions

- 10 Actions in August!!
- See website for list of all names
- Violations—Unlicensed practice/failure to file an income tax/providing services with expired firm permit and/or expired CPA license
- Penalties Assessed—range of \$500-\$4,000

# TN BOA FAQs

- I think my CPA overcharged me for some work she did. Does the Board regulate fees charged by CPAs?
  - Neither the Board nor any other state or federal agency has the authority to regulate fees.

# TN BOA FAQs

- How do I know if a complaint has been filed against me?
  - Board staff will send written notification when a complaint is filed against you. Upon receiving a notice of complaint, you should respond in writing to the board within fourteen days.

# TN BOA FAQs

- I am not a CPA. I offer bookkeeping and tax preparation for my clients. Do I have to follow Tennessee's Accountancy law and rules?
  - No. The Board's jurisdiction is limited to licensed CPAs, PAs and licensed accounting firms. However, unlicensed individuals are not allowed to call themselves CPAs, PAs or accountants. Unlicensed individuals and firms should not advertise any public accounting services in any media. Unlicensed individuals cannot issue audits, reviews or compilation reports.

# Questions/Comments

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