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STATE-SPECIFIC ETHICS

Standards for Tennessee CPAs

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TODAY'S DISCUSSION LEADER



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[@MoorePhone](#) *(follow me on X)*

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A MESSAGE FROM THE TENNESSEE STATE BOARD OF ACCOUNTANCY



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AGENDA

- ✓ Overview
- ✓ Importance of ethics
- ✓ License requirements
- ✓ Unlicensed activity
- ✓ Continuing Professional Education
- ✓ Peer review
- ✓ Rules of Professional Conduct
- ✓ New and emerging topics
- ✓ Complaint process

Various enforcement case examples (from Tennessee and other states) are included throughout the presentation

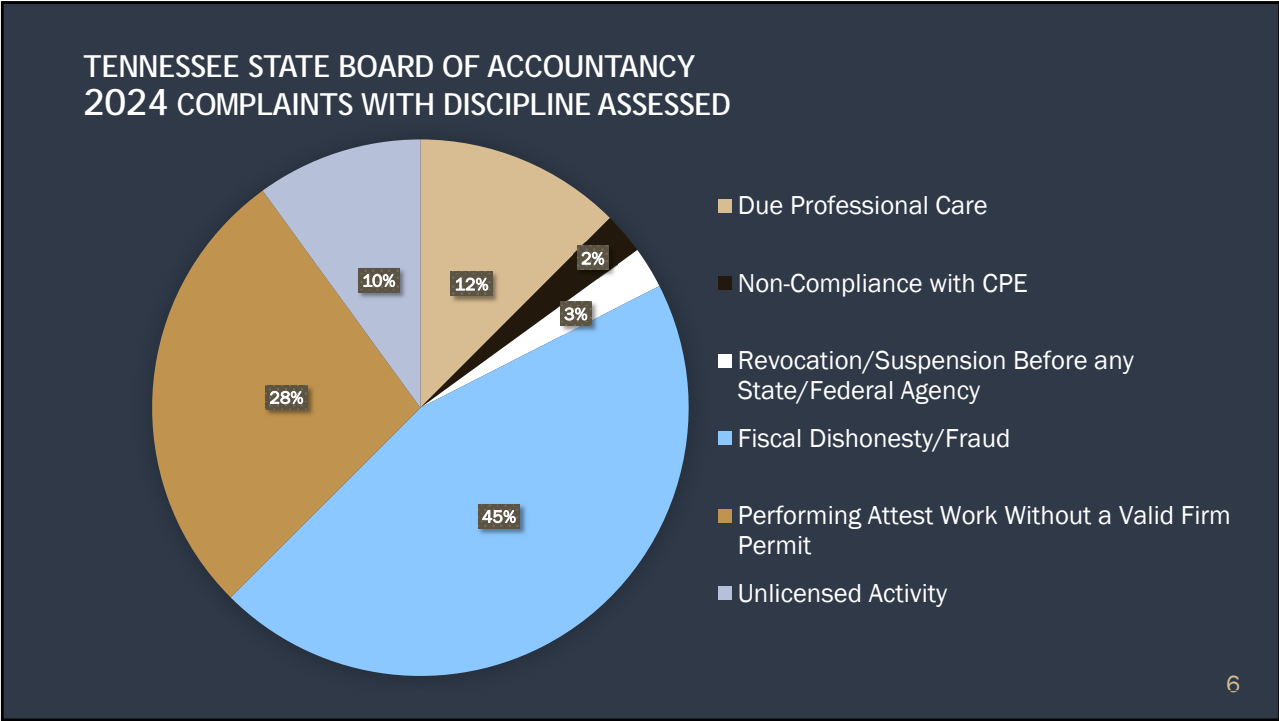
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IMPORTANCE OF ETHICS

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IGNORE THESE RED FLAGS AT YOUR PERIL

1. Record of repeated misconduct
2. Industry record of repeated misconduct
3. Imperial CEO
4. A star system for promotions
5. A culture of secrecy
6. A workaround culture
7. Betting the farm
8. Financially distressed
9. Lack of oversight
10. Operating in bad orchards

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ENFORCEMENT CASE STUDY #1



CASE SUMMARY

- The following slides describe the disposition of three separate complaints investigated by the Board. The origin of all complaints was based on a referral from the US Department of Labor (DOL). The referral was a review of the Independent Qualified Public Accountant's (IQPA) audit report pertaining to a 401(K) plan.
- The audit report was not in compliance with a newly issued auditing standard.

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ENFORCEMENT CASE STUDY #1

FINDINGS

- The IQPA's report was not presented in accordance with GAAS as required by ERISA.
- Respondent filed a response in which they admitted to the deficiency and stated they failed to use the updated report layout.

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ENFORCEMENT CASE STUDY #1 (Respondent 1)

Board Decision

- Respondent did not have a disciplinary history with the Board.
- When made aware of the out-of-compliance audit report, the Respondent quickly remedied the deficiency. The two owners of the firm both voluntarily completed a four-hour CPE course on updates for Employee Benefit Plan Audits.
- Board issued a Letter of Warning reminding Respondent to comply with relevant auditing standards.

Lessons Learned

- Pay attention to new accounting and auditing standards and verify whether any new standards impact your practice.

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ENFORCEMENT CASE STUDY #1 (Respondent 2)



Board Decision

- Respondent had a disciplinary history with the Board. In 2020, a complaint was closed with a \$3,000 civil penalty for failure to comply with applicable standards in the performance of services. This was the second referral from the DOL in a five-year period. Both complaints dealt with the same client.
- When made aware of the out-of-compliance audit report, they quickly remedied the deficiency.
- Board assessed a \$1,000 civil penalty and required the Respondent to provide proof of completion of eight hours of ERISA-specific audit training for any partners working on such audits to be completed within 90 days.

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ENFORCEMENT CASE STUDY #1 (Respondent 3)



Board Decision

- Respondent had a disciplinary history with the Board.
- Respondent acknowledged the audit report was not in compliance with ERISA and stated they will no longer perform ERISA audits. A revised audit report was issued.
- Board assessed a \$1,000 civil penalty.
- Further, should the Respondent elect to perform ERISA work in the future, Respondent must notify the Board prior to performing such work. Each owner responsible for ERISA audit work shall provide proof of completion of eight hours of ERISA-specific CPE prior to performing any work.

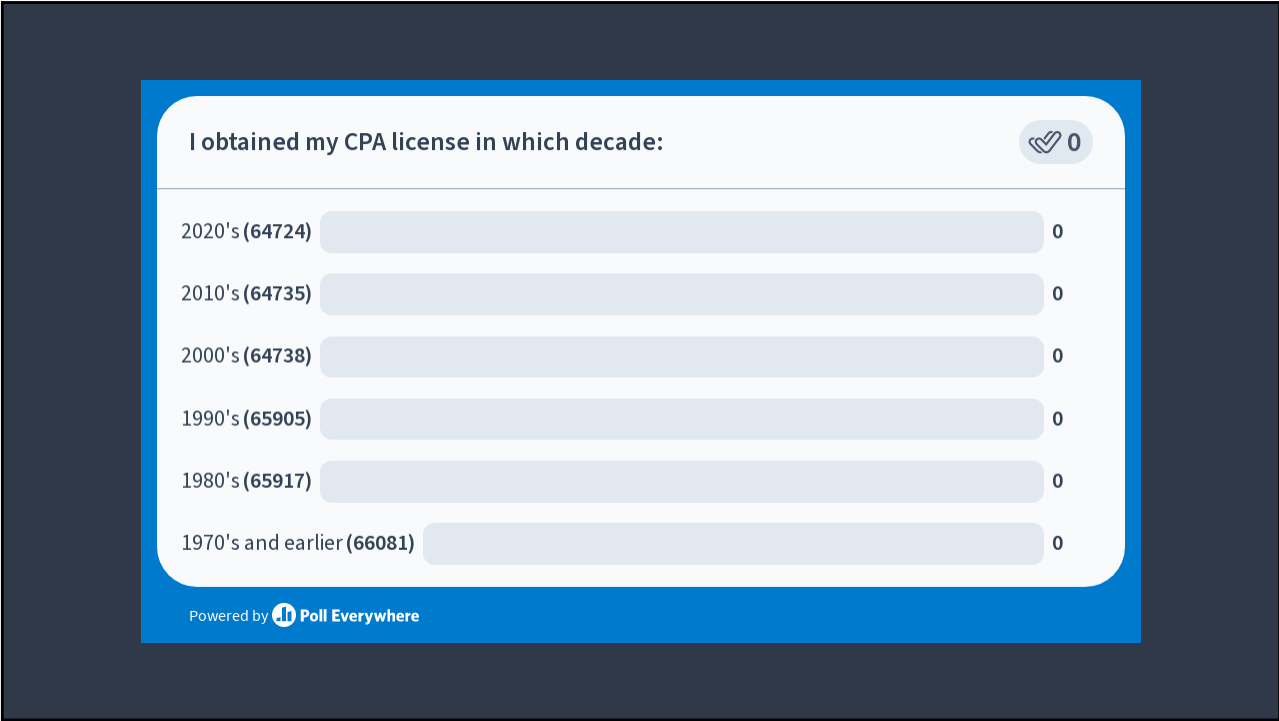
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LICENSE REQUIREMENTS

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TENNESSEE ACCOUNTANCY ACT

- The current accountancy law can be found in the Tennessee Code Annotated, Title 62: Professions, Business and Trade, Chapter 1
 - The law can be found at <https://www.tn.gov/commerce/regboards/accountancy/rules-laws/laws.html>
 - The Board's rules can be found at <https://publications.tnsosfiles.com/rules/0020/0020.htm>
- Link to the Board's website: <https://www.tn.gov/commerce/regboards/accountancy.html>
- Link to receive updates from the Board on rule changes and other notices: [Link for Updates](#)

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LICENSE TYPES



Individual



Firm

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LICENSING STATISTICS AS OF MARCH 2025

Individual Licenses

Active	11,991
Expired	4,828
Inactive	5,368
Revoked	71
Suspended	2

Firm Permits

Active	1,689
Expired	482
Revoked	29

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WHO NEEDS A FIRM PERMIT?

Required if:

- ✓ Provide Attest Services
- ✓ CPAs, CPA Firm, PAs or PA Firm, Accountant, Accounting

Required if:

- ✓ Each Office Location

Permits Expire:

- ✓ Annually on December 31

During permit renewal, firms that provide attest services must upload their most recent peer review report and acceptance letter.

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MOBILITY – FIRM AND INDIVIDUAL

- Mobility allows a licensed CPA, in good standing with their Board, to practice across state lines, generally without registering or obtaining a permit
- AICPA/NASBA developed a mobility tool to verify the rules:
<https://cpamobility.nasba.org/>
- Mobility requires the CPA to abide by the rules of the jurisdiction in which you operate, that may be different than the state of licensure
 - For example, a CPA licensed in another state does not necessarily need to become licensed in Tennessee, but they must comply with Tennessee law and rules regarding peer review.

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MOBILITY – FIRM AND INDIVIDUAL

- Once a CPA has established a new principal place of business in Tennessee, mobility no longer applies. A reciprocal license needs to be considered.
 - In other words, you cannot move to Tennessee and set up shop and think you can practice under your license from another state

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ENFORCEMENT CASE STUDY #2



CASE SUMMARY

- This complaint was filed anonymously. Complainant alleges Respondent is advertising as a CPA firm while not being properly licensed.

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ENFORCEMENT CASE STUDY #2



FINDINGS

- Respondent's attorney advised that Respondent does not hold themselves out as a licensed CPA firm and does not provide any attest services. Respondent expressed willingness to modify their website at the Board's request.
- The Board's investigator confirmed Respondent's use of the term "Accounting" on their business site and within the firm name.

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ENFORCEMENT CASE STUDY #2

Board Decision

- Board required Respondent to remove the term “Accounting” from all relevant locations within 60 days
- Further, in the event Respondent does not comply with this timeframe, authorizes a \$1,000 civil penalty.

Lessons Learned

- Don’t practice as an “accountant” or use the word “accounting” unless you are licensed by the Board to do so.

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FIRM NAME RULES

Firm names must be registered
and approved by the Board

Names of owners/partners
allowed

Name cannot mislead:

Structure of firm
Nature of services performed
Presence of CPAs on staff
Representation of favorable results
Imply ability to influence regulatory body/official

May not contain:

Names of suspended or revoked CPAs
Name of individual who is not a CPA

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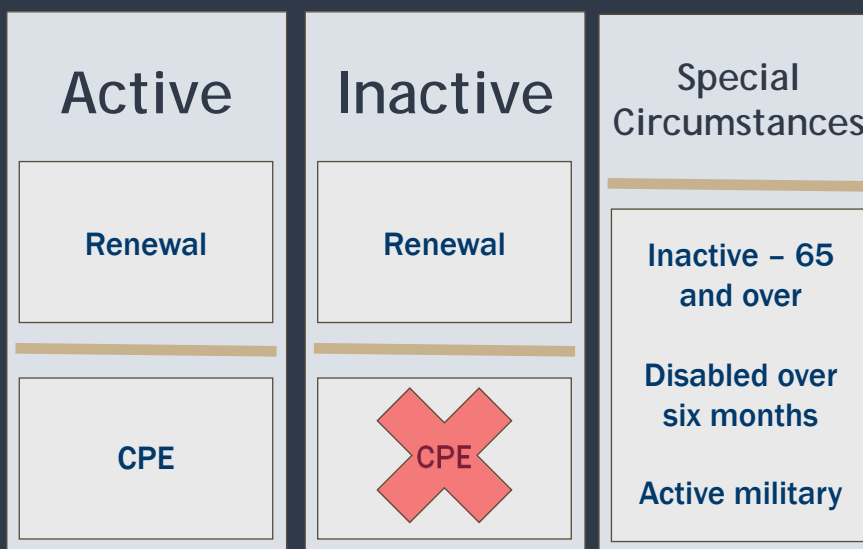
FIRM OWNERSHIP REQUIREMENTS

- Simple majority of ownership, in terms of financial interests in the equity capital and voting rights, should hold an active CPA license (>50%).
- All owners must be “active individual participants” in firm.
- Firms required to notify the Board of ownership/structure changes in writing within 30 days of the change. This includes private equity transactions that create alternative practice structures.

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INDIVIDUAL CPA LICENSE STATUS



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Firm Permit Renewal

Individual CPA License Renewal

	Firm Permit	Individual CPA License
Time period	Annually	Every two years based on License number (including inactive)
Renewal fee	\$50 to the Board	\$110 to the Board
Deadline to renew	December 31	December 31
Non-renewed expire	July 1	July 1
Renew online	Core.tn.gov	Core.tn.gov
Other information		Licensees must take personal action to change their license status (e.g., Active to Inactive) before they renew or are audited.

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My CPA license will renew this year:

0

Yes (3241) 0

No (3261) 0

Powered by Poll Everywhere

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ENFORCEMENT CASE STUDY #3

CASE SUMMARY

- This complaint was opened based on a referral from the Mississippi Board. The Respondent's principal place of business is Tennessee; hence the referral from Mississippi.
- The Respondent prepared an audit report that was presented to the State of Mississippi.
- Respondent is not a CPA, does not have a firm permit, and does not have an accounting degree.

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ENFORCEMENT CASE STUDY #3

FINDINGS

- Respondent did not deny the allegation and admitted to providing the audit report without a CPA license and without a firm permit.
- Respondent advised that he was not a CPA and is currently enrolled in an accounting degree program.
- The report has the Respondent's name followed by the credential "CPA."

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ENFORCEMENT CASE STUDY #3



Board Decision

- Respondent committed these violations while not possessing the basic minimum qualifications to sit for the CPA exam. Respondent did admit to issuing the audit report and that he was not qualified to do so.
- Board assessed a civil penalty of \$2,000: \$1,000 for performing an attest service without a firm permit and \$1,000 for using the CPA designation without a CPA license.



Lessons Learned

- Do not claim to have a credential or permit you are not entitled to claim.

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INACTIVE STATUS - WHAT YOU NEED TO KNOW

- Must place the word “inactive” adjacent to CPA when using the designation for any lawful purpose such as business cards, letterhead, resume, biography, or social media sites.
 - For example, **Suzy Q Public, CPA (Inactive)** or **Suzy Q Public** [omit credential]
- Licensees must apply for inactive status by logging into their account at <https://core.tn.gov>.

The Board does not automatically change licenses to inactive status if CPE requirements are not met.

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TENNESSEE STATE BOARD OF ACCOUNTANCY RULE

What an Inactive Licensee Must Avoid

A certificate holder who has been granted inactive status may not for compensation perform or offer to perform for the public, including the providing of accounting service from a licensed accounting firm, any of the following services:

- Any accounting or auditing service which involves the issuance of reports on financial statements (including opinions, reviews, compilations, or attest engagements).
- Any consulting engagement which would constitute the attest function or furnishing advice on tax matters.

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TENNESSEE STATE BOARD OF ACCOUNTANCY RULE

What an Inactive Licensee Can Do

A certificate holder who has been granted inactive status may perform the services described in the prior slide if:

- The services are provided **without compensation** to the certificate holder;
- The services are performed solely for the **certificate holder's employer** and such employer is not a licensed accounting firm; or,
- The certificate holder **does not use the CPA designation** in association with his or her name while providing such lawful services.

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STAY IN COMPLIANCE!

Report Changes to the Board in a Timely Manner

Licensees required to notify the Board of various changes within 30 Days. Updates may be made by logging into the licensee's account at core.tn.gov. Examples include:

- Individual Licensee **Name, Email**, or Physical **Address** Change
- Change of Firm **Address**
- New Firm Formation
- Firm Name Change or Ownership Change
- New Partner or Retirement/Death/Withdrawal of Partner
- Dissolution of the firm, within 30 days of occurrence
- Opening or closing of firm location in Tennessee
- Non-Compliance Events (e.g., felony, individual or firm **discipline**)

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REINSTATEMENTS: REVOKED, SUSPENDED, OR EXPIRED LICENSES

- Application
- \$250 Fee
- 80 Hours of Technical CPE Within Last Six Months

Board
Action To
Reinstate*

* Board action to reinstate is only required for revoked and suspended licenses.

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UNLICENSED ACTIVITY

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WHAT CONSTITUTES UNLICENSED ACTIVITY?

- Individuals or firms performing attest work without (1) a firm permit and (2) enrollment in peer review
- Individuals with an inactive license who use the CPA credential without noting its “Inactive” status
- Individuals ‘pretending’ to be an accountant through use of the protected language (accountant or accounting) without being licensed by the Board
- Individuals or firms practicing on an expired license or permit

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ENFORCEMENT CASE STUDY #4

Case Summary

- The Board of Licensing Contractors referred this matter to the Board of Accountancy after receiving a review report issued by Respondent, who is unlicensed.
- Respondent signed the review report on April 22, 2024, and included the designation “CPA.”
- Respondent previously held a CPA license that expired December 31, 2013.
- The firm identified on Respondent’s review report does not have a firm permit and is not enrolled in peer review.

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ENFORCEMENT CASE STUDY #4

FINDINGS

- Board’s investigator made multiple attempts to interview Respondent and confirmed their phone number with the client, but Respondent never replied. The investigator interviewed the Client, who provided an affidavit confirming that Respondent provided the review report without a license.
- Respondent performed attest services without a license, firm permit, or enrollment in peer review. Respondent used the CPA designation.
- Respondent performed attest services knowingly and repeatedly. Respondent failed to answer multiple requests for a response.

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ENFORCEMENT CASE STUDY #4



Board Decision

- Board assessed a civil penalty of \$5,000 based on Respondent not having a CPA license, performing attest services without a firm permit or enrollment in peer review.



Lessons Learned

- Do not practice without a license. Do not perform attest services without a firm permit and being enrolled in peer review. Respond when your regulator contacts you.

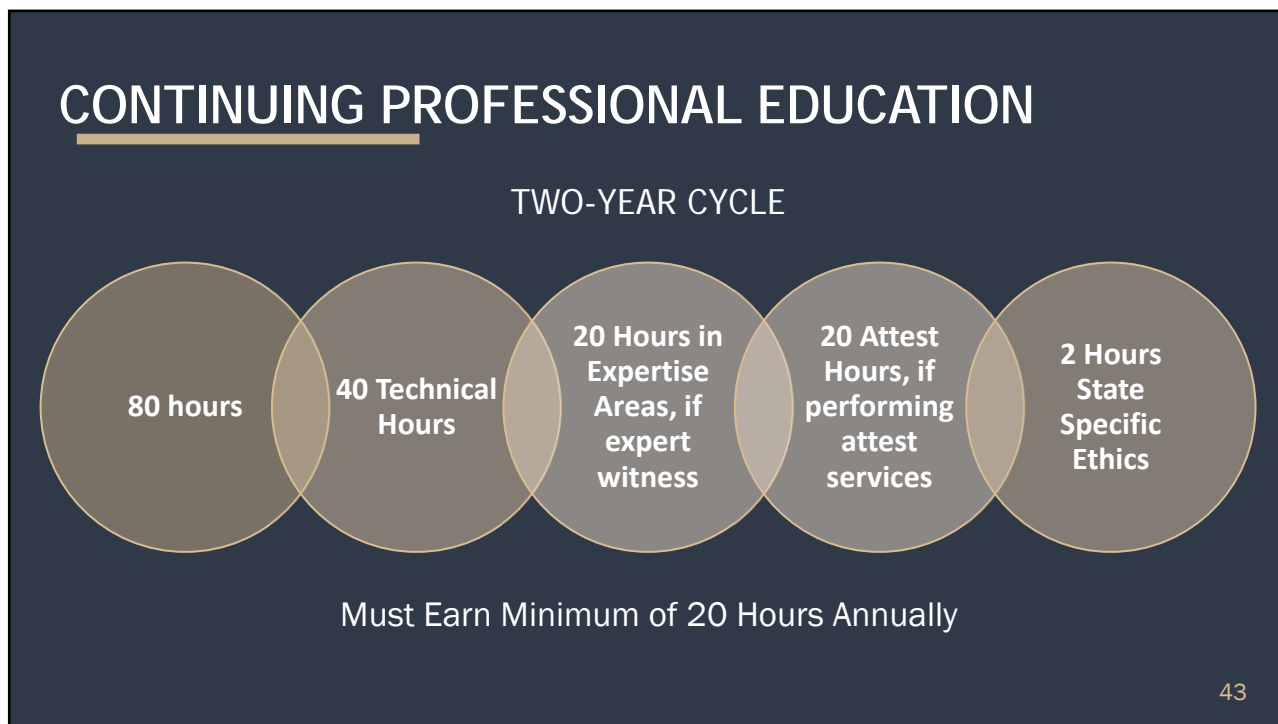
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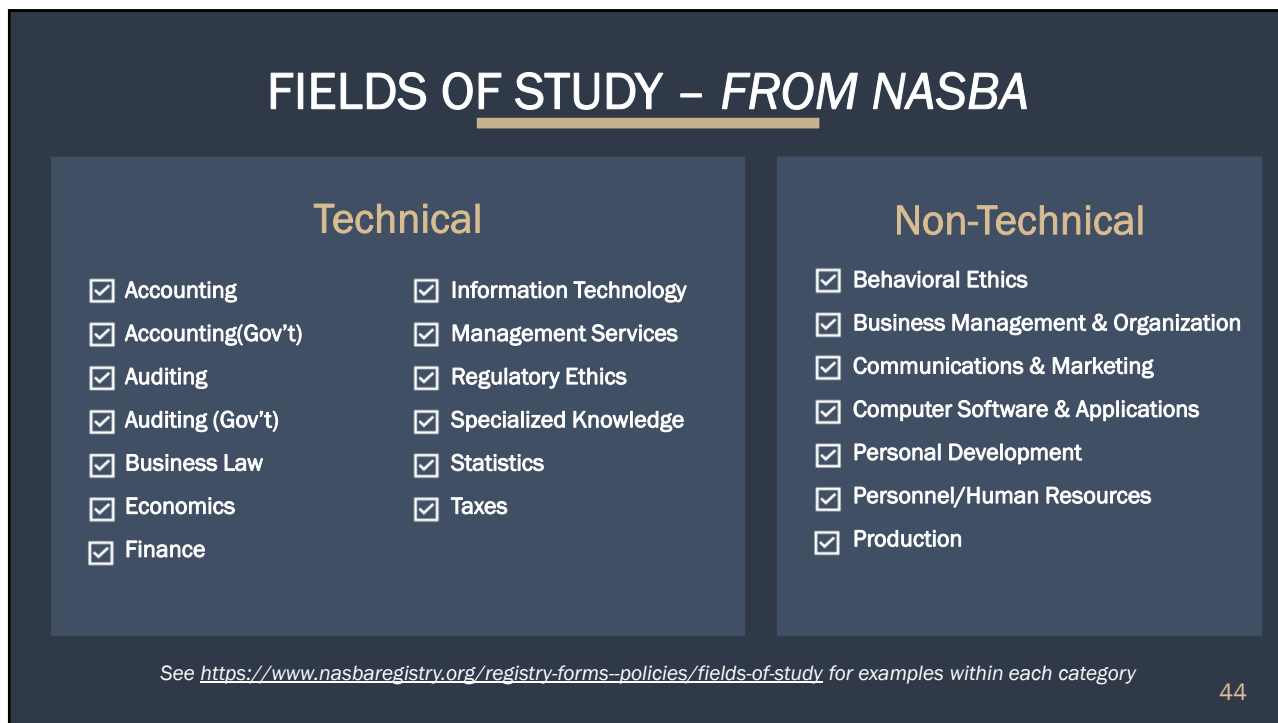
CONTINUING PROFESSIONAL EDUCATION

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QUALIFYING PROGRAMS



NASBA Registered Sponsors



AICPA, TSCPA or Other State CPA Societies' Sponsored CPE



Other Professional Accounting Organizations (i.e., IIA, ACFE)



Accredited Universities



Firms offering organized live programs without charge



Government Entities



Completion of board-approved exams that qualify for CPE

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WHAT ABOUT NON-QUALIFIED TRAINING?

Request approval BEFORE the event



Only one request per reporting period



No more than 16 hours

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CARRYOVER CPE EXAMPLE

Reporting Period 1	Reporting Period 2	Reporting Period 3
Year 1: earned 45 hours	Year 1: earned 20 hours	No carry over available
Year 2: earned 41 hours	Year 2: earned 55 hours	
Total of 86 hours during the reporting period	Total of 75 hours during the reporting period	
6 extra hours earned	Carry forward 5 hours from Period 1 to make up for the deficiency; remaining carry forward hour is forfeited	

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I have utilized carryover hours to satisfy my biennial CPE reporting requirement: 👍 0

Yes, the last time I renewed (4834) 0

Yes, but several cycles ago (4852) 0

No (4892) 0

Powered by Poll Everywhere

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PENALTY HOURS: FAILURE TO MEET CPE REQUIREMENTS

- 8 hours – Failure to complete 80 hours as required
- 8 hours – Failure to complete 40 hours in specified subject areas
- 8 hours – Failure to complete 20 hours in each year of biennial renewal period
 - Thus, could be a 16 hour penalty if short in both years.
- 8 hours – Failure to complete 20 hours if engaged in attest work
- 8 hours – Failure to complete two-hour Board approved State Specific Ethics course

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CPE AUDIT

All documentation must be
submitted electronically

Notification and instructions
sent by mail and email

**10% of licensees
randomly
selected**

All responses uploaded
through core.tn.gov

Failure to respond is a violation
and will result in a complaint
and possible disciplinary action

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ENFORCEMENT CASE STUDY 5



CASE SUMMARY

- Complaint was filed based on an audit of Respondent's CPE credits for 2021 – 2022. On June 15, 2023, Respondent was notified of the CPE audit and given until August 1, 2023, to respond.
- Based on the insufficient CPE information provided, Respondent received another letter notifying him of numerous deficiencies.

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ENFORCEMENT CASE STUDY #5



FINDINGS

- Respondent provided proof of 61.5 hours (45.5 in 2021 and 16 in 2022). Thus, Respondent was 18.5 hours short of the required 80 hours.
- Respondent was assessed a 32-hour CPE penalty for failing to comply with CPE requirements.
- Respondent was able to complete all required CPE, including the penalty hours, by December 31, 2023. However, Respondent missed the deadline date provided by the CPE audit which was December 3, 2023.
- Respondent made five inaccurate representations about his CPE on his renewal application.

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ENFORCEMENT CASE STUDY #5

Board Decision

- Board assessed a civil penalty of \$1,000.
- Board also required Respondent to complete the NASBA Ethics Course within 90 days.

Lessons Learned

- Answer all questions honestly on your biennial renewal form. Respond completely and timely to Board notifications. Request a CPE extension when warranted.

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CPE REPORTING REQUIREMENTS

WHO? CPA's with Active License Status

WHAT? A Listing of CPE Credits Earned, including:

- Sponsor Name and Title of Program
- Date(s) of Training
- CPE Fields of Study and CPE Credits Awarded


HOW? Upload Attachment at Time of Renewal

- Board provided fillable format
- Other listing in approved format (pdf, xls, doc, jpeg)
- In addition, must respond to questions asked during renewal process related to CPE reported on form


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CPE LIMITS



Instructors receive 3X credit
(50% limit; first-time giving presentation)



Credit for passing some certification exams
(list of approved exams available on website)



Reading journals that include a related examination
(20% limit)

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HOME STATE EXEMPTION:

WHAT DOES A TENNESSEE CPA DO IF THEY RESIDE IN ANOTHER STATE (E.G., FLORIDA)

NO HOME STATE CPE REQUIREMENTS?

Comply with CPE requirements for Tennessee

NO RESIDENT STATE ETHICS REQUIREMENT?

Must complete Tennessee State Specific Ethics Course but comply with other resident state CPE requirements

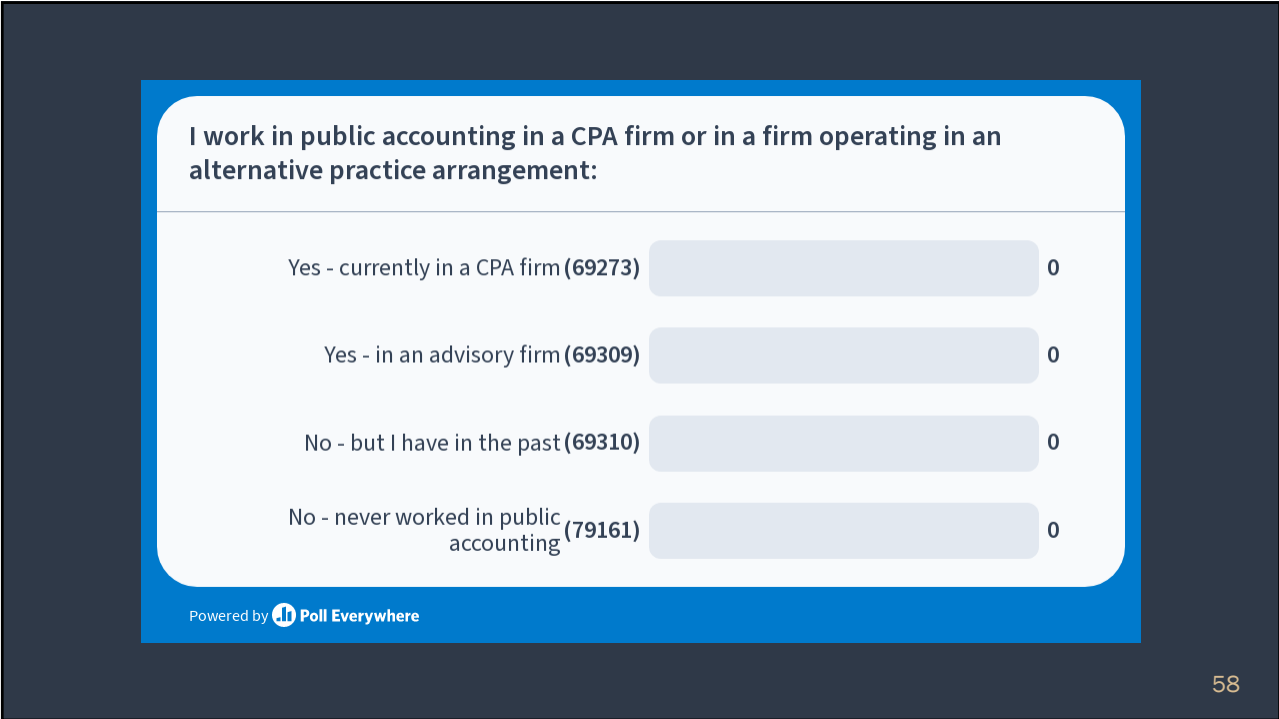
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PEER REVIEW

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PEER REVIEW

- Required every three years for firms performing attestation
- Required for attest engagements (defined on next slide)
- Tennessee State Board of Accountancy has approved the AICPA Peer Review Program.

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TENNESSEE DEFINES "ATTEST" AS...

Tennessee Code Annotated, Section 62-1-103, states that attest means providing the following services:

- Reviews Following SSARS
- Examinations using SSAEs
- Audits Following SAS
- Any report prescribed by SASS, SSARSs, or SSAEs

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WHAT A FIRM NEEDS TO KNOW



Firms should enroll in the Program by the report date of the initial attest engagement



Initial review due 18 months from the date of enrollment



Types of Reviews - System and Engagement



Peer Review Report Types - Pass, Pass with Deficiencies, Fail

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WHAT A FIRM NEEDS TO SUPPLY TO THE BOARD

The most recently accepted peer review. Required documents include:

- Peer Review Report
- Firm's Letter of Response
- Committee Acceptance Letter
- Firm's Letter of Agreement
- Committee Approval if Applicable



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ENFORCEMENT CASE STUDY #6

CASE SUMMARY

- An out-of-state Board filed a complaint against the Respondent who was a public officer charged with safekeeping public moneys and willfully refused to pay over public moneys when presented with a lawful order requiring him to do so and willfully omitted to transfer public moneys when required to do so.

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ENFORCEMENT CASE STUDY #6

FINDINGS

- In 2018, Respondent was elected to serve as the County Auditor-Controller.
- In 2021, charges were brought against Respondent for misappropriation of public funds and willfully disobeying a family court order to garnish his own wages in 2020.
- In 2019, the County's payroll coordinator received a court order directing garnishment of a portion of Respondent's salary for payment of spousal support. Respondent informed the payroll coordinator he wanted to delay the garnishment, and indicated he had the authority to do so.

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ENFORCEMENT CASE STUDY #6



Board Decision

- In a criminal proceeding, the Respondent was convicted and sentenced to 2 years in prison.
- The Board revoked the Respondent's CPA license.



Lessons Learned

- When serving in the public interest, do not abuse the power you have been given.

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RULES OF PROFESSIONAL CONDUCT

AICPA

<https://pub.aicpa.org/codeofconduct/Ethics.aspx>

Tennessee Board

<https://publications.tnsosfiles.com/rules/0020/0020.htm>

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TENNESSEE'S RULES OF PROFESSIONAL CONDUCT

- ✓ Independence
- ✓ Integrity and objectivity
- ✓ Contingent fees, commissions, and other consideration
- ✓ Disclosures
- ✓ Competence / due care
- ✓ Compliance with standards
- ✓ Accounting principles
- ✓ Confidential client information
- ✓ Records
- ✓ Discreditable acts
- ✓ Acting through others
- ✓ Advertising and other forms of solicitation



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ETHICS CONCEPTUAL FRAMEWORK



- STEP 1:** Identify Compliance Threats
- STEP 2:** Evaluate Threat Significance
- STEP 3:** If Threats are Significant, Apply Safeguards
- STEP 4:** Document and Share

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INTEGRITY AND OBJECTIVITY [0020.03-.04]

- In the performance of any professional service, a licensee shall maintain objectivity and integrity, shall be free of any undisclosed conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

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ENFORCEMENT CASE STUDY #7



CASE SUMMARY

- In mid-September 2023, the Board learned information indicating this Respondent had closed operations, terminated its employees, and that another firm was attempting to assume Respondent's operations and client matters.
- Soon thereafter, the Board began receiving numerous complaints from Respondent's clients alleging violations.

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ENFORCEMENT CASE STUDY #7

FINDINGS

- Ten individuals stated they paid for services that were not provided by Respondent in the amount of \$68,000. Two Complainants were able to recover \$13,000 from their credit card companies through a dispute process.
- Ten individuals entered promissory notes where they provided funds to Respondent in exchange for various interest payments. These Complainants provided \$1,685,000 to Respondent. To date, Respondent has paid \$232,000 to the Complainants. This represents a total loss of approximately \$1,453,000. In all instances, no Complainants were provided the full amount of agreed-upon interest.

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ENFORCEMENT CASE STUDY #7

Board Decision

- Permanently revoke the Respondent's individual CPA license and firm permit, without the opportunity for reinstatement.

Lessons Learned

- Provide all services paid for to your clients in a timely manner.
Don't steal from your clients.

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PROFESSIONAL COMPETENCE
[0020.03-.07]

Phases of exercising sound judgment:


Maintain professional knowledge and skill	Act diligently according to technical and professional standards
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I have personal knowledge of a colleague, coworker, or friend who has committed fraud:  0

No (25998)	0
Yes - within the last 12 months (63261)	0
Yes - between 1 and 5 years in the past (64339)	0
Yes - longer than 5 years ago (64684)	0

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CONFIDENTIAL CLIENT INFORMATION [0020.03-.10]

- Do not disclose confidential client information without client consent
- Does not relieve licensee of professional obligations to:
 - Comply with a validly issued subpoena or summons
 - Review of practice by AICPA, State CPA Society, or a Board of Accountancy
 - Initiate a complaint with or respond to an inquiry made by a disciplinary or investigative body

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ACTS DISCREDITABLE [0020.03-.12]

A licensee shall not commit any act that reflects adversely on the profession.

- Discrimination and harassment
- Failure to file a tax return or pay a tax liability
- Negligence in preparation of financial statements / records
- Disclosure of confidential information
- False, misleading, or deceptive acts in marketing
- Deceptive use of the CPA credential

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ENFORCEMENT CASE STUDY #8

CASE SUMMARY

- An out-of-state Board filed a complaint against Respondent who stole more than \$2.5 million from his employer.
- Respondent was employed as a CPA in the internal auditing department of his employer, where he eventually rose to the position of Chief Audit Officer.

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ENFORCEMENT CASE STUDY #8

FINDINGS

- Beginning in January 2012, Respondent had companies controlled by friends and family fraudulently bill his employer for consulting services that were never performed. Once the invoices were paid, the companies forwarded the majority of the payments to Respondent.
- In 2022, the entity's CFO discovered Respondent's scheme. Respondent was arrested and charged with mail fraud and wire fraud.
- In a criminal proceeding, Respondent pled guilty and was convicted of felony wire fraud. He was sentenced to 33 months in prison and ordered to pay more than \$2.7 million in restitution.

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ENFORCEMENT CASE STUDY #8



Board Decision

- Board ordered the Respondent to surrender his CPA license. Respondent lost all rights and privileges as a CPA.
- Board required the Respondent to surrender his 'pocket license' and wall certificate
- Respondent shall pay the Board its cost of investigation and enforcement in the amount of \$1,904.32.



Lessons Learned

- Do not commit fraud.

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OTHER CONCERNS: DATA SECURITY



As a tax professional, CPAs must safeguard client data



Both legal and professional responsibilities hold the CPA to a higher bar to be sure that data is protected



CPAs can be a target of cybercriminals, as we have data that thieves desire to use

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OTHER CONCERNS: CLIENT RECORDS

- ✓ Have you thought about the unthinkable?
- ✓ What happens to your records when you die unexpectedly?
- ✓ Do you or your firm have a plan for when the firm is sold or closed?
- ✓ What about the status of your records due to a natural disaster?



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NEW AND EMERGING TOPICS

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TENNESSEE BOARD: RULE CHANGES

- Uniform CPA exam
 - Passed exam credits now valid for a rolling 30 month period
 - A candidate who applies for a license more than 10 years after the date upon which the candidate passed the last section of the CPA exam must also document 80 hours of CPE in technical fields of study earned within the past 24 months. State specific ethics must be included.
 - New rules became effective 5/28/2024:
 - https://publications.tnsosfiles.com/rules_filings/02-20-24.pdf

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AICPA CODE OF PROFESSIONAL CONDUCT; REVISED ETHICS INTERPRETATION

- Professional Qualifications or Competencies
 - A member shall be considered in violation of the “Acts Discreditable Rule” if a member engages in false, misleading, or deceptive acts related to professional qualifications or competencies. Examples include
 - Soliciting or knowingly disclosing questions or answers of any professional education course examination unless collaboration is expressly permitted.
 - Falsifying or misrepresenting attendance at a professional education course.
 - Tampering with the administration of or examination grading for any professional education course or credential.
 - <https://us.aicpa.org/content/dam/aicpa/interestareas/professionalethics/community/exposedrafts/downloadabledocuments/2023/2023-professional-qualifications-official-release.pdf>

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ENFORCEMENT CASE STUDY #9

CASE SUMMARY

- This case stems from a previous year action involving the Respondent's former employer (Firm) that was disciplined by both the SEC and the Board.
- The Respondent is a former employee of the Firm who was alleged to have impermissibly shared answer keys concerning in-house CPE assessments

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ENFORCEMENT CASE STUDY #9

FINDINGS

- Investigation revealed that only one email, sent to one person, occurred after Respondent was issued her CPA license.
- Respondent was adamant that any answer key sharing was done under a collaborative, inclusive environment pushed down from the partners. Respondent was encouraged to assist her co-workers when they were struggling with the material.
- Respondent's previous employer gave her the option to resign or be terminated.

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ENFORCEMENT CASE STUDY #9

Board Decision

- The Board considered the extenuating factors that her former employer gave her to option to resign or be terminated, and she resigned. Respondent appeared remorseful and was emotional when speaking about this issue.
- Board sent a Letter of Warning to remind the Respondent of her responsibility to act with integrity.

Lessons Learned

- Always act with integrity. Do not provide inappropriate assistance on CPE assessment exams.

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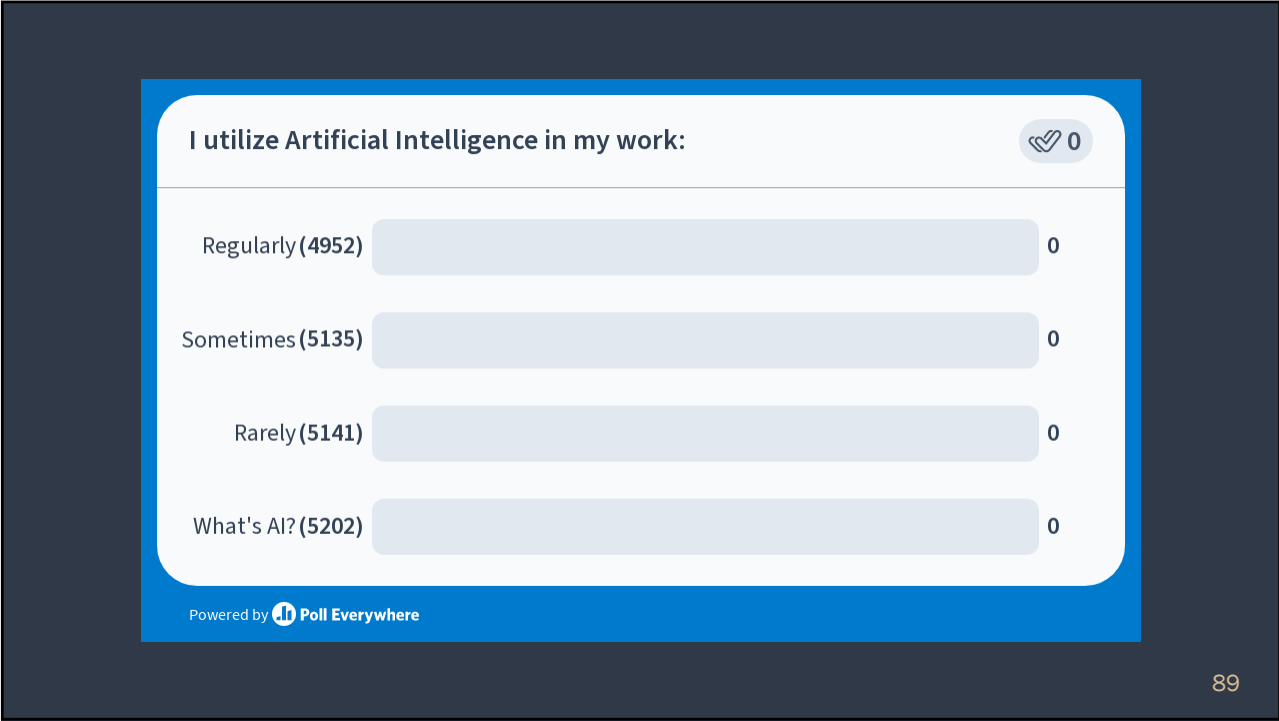
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ARTIFICIAL INTELLIGENCE AND ETHICS

- Artificial intelligence programs (e.g., ChatGPT, Google Gemini, Microsoft Copilot) are showing up everywhere
- AI introduces risks to businesses that use it.
 - The information it delivers may be incomplete, inaccurate, out of date, or not tailored to the specific environment in which it is being used. Does management recognize and address such risks?

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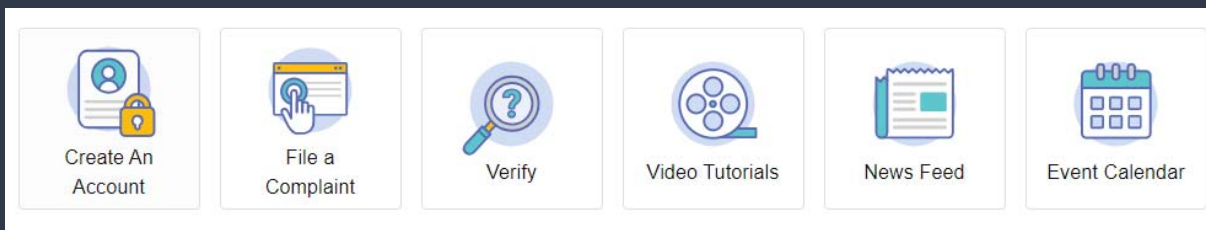


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COMPLAINT PROCESS

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FILING A COMPLAINT - WHO CAN FILE ONE?



<http://core.tn.gov>

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COMPLAINT RESPONSE FORM

Online Complaint Response Form

This form should ONLY be used to respond to a complaint filed against you and can only be used for a single response.

If you are submitting a response to multiple complaints you may choose to use another method or complete this form for each complaint or individual responding.

Please note all fields MUST be completed.

Please choose a profession at the drop-down below. (Required)*

Choose a profession:

- Board will notify you when a complaint has been filed
- Licensee is required to respond.

<https://www.tn.gov/commerce/contact-us/online-complaint-response-form.html>

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WHAT HAPPENS NEXT? POSSIBLE BOARD ACTIONS:

- ✓ Close complaint
- ✓ Letter of warning, caution, or instruction
- ✓ Informal conference
- ✓ Formal conference (hearing)
- ✓ Consent Orders
- ✓ Civil penalties
- ✓ Additional CPE or peer review
- ✓ Probation
- ✓ Suspension
- ✓ Revocation

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ENFORCEMENT CASE STUDY #10

CASE SUMMARY

- Complainant, a city auditor, filed this complaint after Respondent prepared an audit report for a local athletic association.
- Complainant advised that Respondent is not a licensed CPA, does not hold a firm permit, and is not enrolled in Peer Review.

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ENFORCEMENT CASE STUDY #10

FINDINGS

- Respondent believed that a CPA license was not required for the report because the audit would not be used in an ‘official capacity.’
- Respondent does not appear to show any remorse.
- Respondent relies solely on representations made by the Youth Association President, rather than independently determining the requirements for an audit.
- Respondent signed the report with the designation “Independent Auditor and Accountant.”

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ENFORCEMENT CASE STUDY #10

Board Decision

- Board assessed a civil penalty of \$3,500

Lessons Learned

- Do not perform work you are not licensed to perform.

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IF YOU HAVE AN ETHICS QUESTION:


Contact the State Board

 Dial (615) 741-2550

 E-mail the Board at accountancy.board@tn.gov

Contact the AICPA Ethics Hotline (any CPA can call, including non-members)

 Dial (888) 777-7077, menu option #2, followed by menu option #3

 E-mail the hotline at ethics@aicpa.org

QUESTIONS?
