

**RULES
OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

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Nashville, TN 37219

Chapters	Title
0020-01	Board of Accountancy, Licensing and Registration Requirements
0020-02	Educational and Experience Requirements
0020-03	Rules of Professional Conduct
0020-04	Disciplinary Action and Civil Penalties
0020-05	Continuing Education
0020-06	Peer Review Program

ADMINISTRATIVE HISTORY

Original chapters 0020-01-01 through 0020-02-13: Certified on May 7, 1974, under chapter 491 of the Public Acts of 1974 as rules in effect when chapter 491 became effective. The administrative history following each rule gives the date on which the rule was certified, (i.e., May 7, 1974, if it was certified on that date, or the date on which the rule was filed and its effective date, if promulgated after March 11, 1974. The administrative history after each rule also shows the dates of any amendments or repeals.

Amendment to rule 0020-01-01-.07(c) filed February 9, 1976; effective May 14, 1976.

Amendment to rules 0020-01-01-.03 and 0020-01-01-.04 filed March 15, 1978; effective April 14, 1978.

Original chapter 0020-03-01 filed November 22, 1978; effective January 8, 1979.

Repeal of original chapters 0020-01-01 through 0020-03-01 filed November 28, 1980; effective July 1, 1980 (Attorney General Opinion received November 14, 1980).

New chapters 0020-01, 0020-03, and 0020-04 filed June 9, 1981; effective August 17, 1981.

Original rules 0020-05-.01 through 0020-05-.02 filed September 8, 1981; effective October 23, 1981.

Amendment to rule 0020-04-.03 filed October 29, 1981; effective January 27, 1982.

Amendment to rules 0020-01-.05 and 0020-01-.06 filed June 3, 1983; effective July 5, 1983.

Amendment to rules 0020-03-.16 and 0020-03-.17 filed August 7, 1985; effective September 6, 1985.

New rule 0020-02-.01 filed May 28, 1987; effective August 27, 1987.

Repeal of rule 0020-01-.12 and amendments to rules 0020-01-.01, 0020-01-.02, 0020-01-.07 through 0020-01-.09, 0020-01-.13, 0020-04-.01 through 0020-04-.04 and 0020-04-.07 filed December 1, 1987; effective January 15, 1988.

Amendment to rules 0020-01-.04, 0020-04-.06, 0020-05-.01 and 0020-05-.02 filed June 30, 1988; effective August 14, 1988.

Amendment to rules 0020-01-.03, 0020-01-.07, 0020-01-.08, 0020-01-.11, 0020-01-.13, 0020-04-.05 and new rule 0020-01-.14 filed May 13, 1991; effective June 27, 1991.

Amendments to rules 0020-01-.01, 0020-01-.02, 0020-01-.04, 0020-01-.05, 0020-02-.01, 0020-04-.04, 0020-05-.01 and 0020-05-.02 and original rule 0020-05-.03 filed August 5, 1991; effective September 19, 1991.

Amendment to rule 0020-05-.01 filed November 15, 1991; effective December 30, 1991.

Amendment to rule 0020-05-.01 filed January 22, 1993; effective March 8, 1993.

Amendments to rules 0020-01-.11 and 0020-02-.01 filed February 8, 1993; effective March 25, 1993.

Original rule 0020-03-12; amendments to rules 0020-03-.01, 0020-03-.03 through 0020-03-.06, 0020-03-.09, 0020-03-.16 and 0020-03-.18; and repeal of rule 0020-03-.11 filed February 18, 1993; effective April 3, 1993.

Amendment to rules 0020-01-.02 through 0020-01-.06, 0020-01-.08, 0020-02-.01, 0020-03-.02, 0020-03-.18, 0020-04-.03 and 0020-05-.01 filed April 20, 1994; effective July 4, 1994.

Amendment to rules 0020-01-.01 through 0020-01-.03, 0020-01-.11, 0020-01-.13, 0020-01-.15, 0020-03-.01 through 0020-03-.03, 0020-03-.05, 0020-04-.01 through 0020-04-.03, 0020-04-.05, 0020-05-.01 and 0020-05-.02 filed May 11, 1995; effective July 24, 1995.

Amendment to rules 0020-01-.14, 0020-04-.03 and 0020-04-.05; original chapter 0020-06 filed August 2, 1996; effective October 16, 1996.

Amendment to rules 0020-03-.05 and 0020-03-.06 filed February 16, 1998; effective May 2, 1998.

Repeal of and New Chapters 0020-01 through 0020-06 filed June 10, 1999; effective August 24, 1999.

Amendment to rule 0020-01-.06 filed January 24, 2003; effective April 9, 2003.

Amendment to rules 0020-01-.01, 0020-01-.04, 0020-01-.08, 0020-01-.10, 0020-01-.13, 0020-02-.02, 0020-02-.03, 0020-03-.03, 0020-03-.17, 0020-05-.03, 0020-05-.04, 0020-05-.06, 0020-05-.07, and 0020-06-.01 filed October 15, 2003; effective December 29, 2003.

Amendment to rules 0020-01-.01, 0020-01-.04 through 0020-01-.08, 0020-02-.01, 0020-02-.02, 0020-03-.11, 0020-05-.03, 0020-06-.01, 0020-06-.04, and 0020-06-.05 filed October 17, 2003; effective December 31, 2003.

Amendments to rules 0020-01-.04, .05, .06, .07, .08, .10, .11, .13; 0020-02-.01 through .03; 0020-03-.02, .03, .05 through .09, .11, .12, .15, .16; 0020-04-.02, .03; 0020-05-.02 through .05, .07; 0020-06-.02 through .04 filed August 15, 2006; effective October 29, 2006.

Amendment to rule 0020-01-.08 filed March 13, 2007; effective May 27, 2007.

Repeal and new rule 0020-02-.02 filed April 6, 2011; effective July 5, 2011.

Amendments to rules 0020-01-.01-.04, .06, .08 and .13 filed March 26, 2012; effective June 24, 2012.

Amendment to rule 0020-02-.02 filed March 26, 2012; effective June 24, 2012.

Amendment to rule 0020-03-.16 filed March 26, 2012; effective June 24, 2012.

Amendments to rules 0020-05-.03 and .04 filed March 26, 2012; effective June 24, 2012.

Amendment to rule 0020-06-.04 filed March 26, 2012; effective June 24, 2012.

Amendments to rules 0020-01-.04, .05, and .06 filed December 11, 2013; effective March 11, 2014.

Amendment to rule 0020-04-.03 filed December 11, 2013; effective March 11, 2014.

Amendments to rule 0020-05-.03 filed December 11, 2013; effective March 11, 2014.

Amendment to rule 0020-01-.08 filed February 11, 2015; effective May 12, 2015.

Amendment to rule 0020-04-.03 filed February 11, 2015; effective May 12, 2015.

Amendment to rule 0020-05-.08 filed February 11, 2015; effective May 12, 2015.

Amendments to rules 0020-01-.01, 0020-01-.08, 0020-01-.11, 0020-01-.12, 0020-02-.01, 0020-02-.02, and 0020-03-.17 and repeal of 0020-04-.04 filed August 12, 2016; effective November 10, 2016.

Amendments to rule 0020-02-.02 filed October 28, 2016; effective January 26, 2017.

Amendments to rules 0020-01-.04, 0020-01-.06, 0020-01-.08, 0020-01-.13, and 0020-05-.04 filed October 28, 2016; effective January 26, 2017.

**RULES
OF
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DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-01
BOARD OF ACCOUNTANCY, LICENSING AND REGISTRATION REQUIREMENTS**

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0020-01-.01 DEFINITIONS.

- (1) Unless otherwise stated, as used in this chapter and each subsequent chapter of the Rules of the State Board of Accountancy:
- (a) "Act" means the Tennessee Accountancy Act of 1998, Tenn. Code Ann. § 62-1-101 et seq.;
 - (b) "Accounting service" means accounting, attest, tax, consulting or management advisory services;
 - (c) "AICPA" means the American Institute of Certified Public Accountants;
 - (d) "Attest" shall be defined as in Tenn. Code Ann. § 62-1-103;
 - (e) "Board" shall be defined as in Tenn. Code Ann. § 62-1-103;
 - (f) "Certificate" shall be defined as in Tenn. Code Ann. § 62-1-103;
 - (g) "CPA" means "Certified Public Accountant" and shall be defined as in Tenn. Code Ann. § 62-1-103;
 - (h) "Expired License" means a license that is more than one year past the expiration date of the license;
 - (i) "Financial statements" means statements, footnotes and other supplementary information related thereto that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory service reports to support recommendations to a client; nor does it include tax returns and supporting schedules;
 - (j) "License" or "Licensing" means a CPA certificate or a public accountant registration granted by the Board;
 - (k) "Member" means member in a limited liability company;

(Rule 0020-01-.01, continued)

- (l) "NASBA" means the National Association of State Boards of Accountancy;
- (m) "Permit" means a permit to practice as a CPA or PA firm issued under §§ 62-1-108, 62-1-109 or corresponding provisions of prior law;
- (n) "Partnership" or "Corporation" shall include any form of business organization authorized under the laws of this or any other state;
- (o) "Practice of public accountancy" means providing or offering to provide attest services to the public, or using the titles "certified public accountant," "public accountant," "CPA," or "PA";
- (p) "Professional service" means any service performed or offered by a licensee for a client in the course of the practice of public accountancy;
- (q) "PA" means "Public Accountant" and shall be defined as in Tenn. Code Ann. § 62-1-103;
- (r) "Registration" shall be defined as in Tenn. Code Ann. § 62-1-103;
- (s) "Report" shall be defined as in Tenn. Code Ann. § 62-1-103. This term, as defined in Tenn. Code Ann. § 62-1-103 of the Act and used in Tenn. Code Ann. § 62-1-108 of the Act, and in these Rules, includes forms of language contained in a report which refers to financial statements or other information, when such forms of language express or deny any assurance as to the reliability of the financial statements or other information to which it refers. Among the possible sources of such forms of language are pronouncements by authoritative bodies recognized by the Board describing the work that should be performed and/or the responsibilities that should be assumed, for specified kinds of professional engagements, and in addition prescribing the form of report which should be issued upon completion of such engagements. A form of report prescribed by such a pronouncement will ordinarily constitute a form of language which is conventionally understood as implying assurance and expertise;
- (t) "Resident manager" means a licensee designated by a firm to be responsible for an office location's compliance with the Act and the rules of the Board. A resident manager may be the resident manager of multiple office locations. Each office location must have a CPA resident manager, with responsibility for that office, whether that manager is an owner in the firm or not.

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-105(e), 62-1-108, 62-1-111(a)(12), and Chapter No. 443 of the Public Acts of 1989, Sections 9 and 12. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed August 5, 1991; effective September 19, 1991. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed March 26, 2012; effective June 24, 2012. Amendments filed August 12, 2016; effective November 10, 2016.

0020-01-.02 BOARD MEETINGS.

- (1) The Board shall meet at least four (4) times each year. The chair or a quorum of the Board shall have the authority to call meetings of the Board. The Board shall follow and apply the rules of the Administrative Procedures Act of the State of Tennessee regarding notice and conduct of meetings.

(Rule 0020-01-.02, continued)

Authority: T.C.A. §§ 62-1-105(e)(1), 62-1-111(a)(12), and Chapter No. 443 of the Public Acts of 1989, Sections 9 and 12. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed April 20, 1994; effective July 4, 1994. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-01-.03 BOARD OFFICERS.

- (1) The Board shall elect annually from among its members a chair, vice-chair, secretary and such other officers as the Board may require. The officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected.
- (2) The chair, or in the event of the chair's absence or inability to act, the vice-chair, shall preside at all meetings of the Board. The Board shall determine other duties of the officers.

Authority: T.C.A. §§ 62-1-105(e)(1) and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed May 13, 1991; effective June 27, 1991. Amendment filed April 20, 1994; effective July 4, 1994. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-01-.04 FEES.

- (1) Fees charged by the Board shall be as follows:

(a) Initial issuance of certificate	One hundred dollars (\$100.00)
(b) Replacement certificate	Twenty-five dollars (\$25.00)
(c) Renewal of certificate or registration	One hundred ten dollars (\$110.00) biennially
(d) Initial firm permit	Fifty dollars (\$50.00)
(e) Renewal of firm permit	Fifty dollars (\$50.00) per year
(f) Fee for late filing of permit, certificate, or registration renewal application	One hundred dollars (\$100.00)
(g) Fee for application for reinstatement	Two hundred and fifty dollars (\$250.00)
(h) Transfer of grades or letter of good standing	Twenty-five dollars (\$25.00) per request
(i) Change of address late fee	Twenty-five dollars (\$25.00)

Authority: T.C.A. §§ 62-1-105 and 62-1-107. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed June 30, 1988; effective August 14, 1988. Amendment filed August 5, 1991; effective September 19, 1991. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012. Amendment filed December 11, 2013; effective March 11, 2014. Amendments filed October 28, 2016; effective January 26, 2017.

0020-01-.05 APPLICATIONS.

- (1) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board or its designee and filed with the Board or its designee by a due date specified by the Board or its designee in the application form. All applications for initial examination or reexamination shall be accompanied by the current fee being charged by the Board or such entity as is approved by the Board.
- (2) An application will not be considered filed until the application fee and examination fee required by these rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the candidate has satisfied the education requirement.
- (3) A candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination. All applications for initial licensure shall expire one (1) year from the date of the application for initial licensure.
- (4) The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.

Authority: T.C.A. §§ 62-1-105 and 62-1-106. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed August 5, 1991; effective September 19, 1991. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed December 11, 2013; effective March 11, 2014.

0020-01-.06 EXAMINATIONS.

- (1) The examination required by T.C.A. § 62-1-106(d) shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.
- (2) Eligible candidates shall be notified of the time and place of the examination or shall independently contact the Board, or its designee, or a test center operator identified by the Board to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with (7)(a)(2) below.
- (3) The Board shall cause the examination for certification to be graded by the AICPA. The Board may recognize the grades assigned by the AICPA. Applicants may request a grade review if the Board permits such, and the applicant pays whatever administrative charges that are assessed for a grade review.
- (4) A candidate shall be required to pass all test sections of the examination provided for in T.C.A. § 62-1-106(d) in order to qualify for a certificate. The uniform passing grade shall be established through a psychometrically acceptable standard-setting procedure and approved by the Board.
- (5) The notification given to the exam candidate regarding the grades and requirements that the candidate must achieve to pass a particular exam shall govern the grading of that exam.
- (6) The following shall apply to the computer-based Uniform CPA Examination:
 - (a) Candidates may take the required test sections individually and in any order. Credit for any test section(s) passed shall be valid for six (6) three-month exam cycles, without

(Rule 0020-01-.06, continued)

having to attain a minimum score on any failed test section(s) and without regard to whether the candidate has taken the remaining test sections.

1. Candidates must pass all four (4) test sections of the Uniform CPA Examination within the next six (6) three-month exam cycles.
 2. Candidates cannot retake a failed test section(s) in the same examination window. An examination window refers to a three-month cycle in which candidates have an opportunity to take the CPA examination (comprised of two (2) months in which the examination is available to be taken and one (1) month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Candidates may take the examination for two (2) out of the three (3) months within an examination window.
 3. In the event a candidate does not pass all four (4) test sections of the Uniform CPA Examination within the next six (6) three-month cycles, credit for any test section(s) passed outside the six (6) three-month cycles will expire and that test section(s) must be retaken.
 - (b) A candidate shall retain credit for any and all test sections of an examination passed in another state if such credit would have been given, under then applicable requirements, if the candidate had taken the examination in this state.
 - (c) The Board may in particular cases extend the term of conditional credit notwithstanding the requirements of these rules, upon a showing that the credit was lost by reason of circumstances beyond the candidate's control.
 - (d) A candidate shall be deemed to have passed the Uniform CPA Examination once the candidate holds at the same time valid credit for passing each of the four (4) test sections of the examination. For purposes of this section, credit for passing a test section of the computer based examination is valid from the actual date of the testing event for that test section, regardless of the date the candidate actually receives notice of the passing grade.
- (7) An applicant may be required to pass an examination covering the rules of ethics and professional conduct promulgated by the Board. Such examination may be part of the examination required in T.C.A. § 62-1-106(d) or may be a separate examination.
 - (8) The Board may provide for a third party administering the examination to charge each applicant a fee for each section of the examination or reexamination taken by the applicant.
 - (9) The candidate shall schedule each test section with the Board or its designee and pay a candidate testing fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider.
 - (10) Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, release of grades, or the issuance of certificates due to a breach of examination security, unauthorized acquisition or disclosure of the contents of an examination, suspected or actual negligence, errors, omissions, or irregularities in conducting an examination, or for any other reasonable cause or unforeseen circumstance.
 - (11) All CPA Exam scores shall expire ten (10) years after the first passing score is earned. However, upon written request by the applicant, the Board may, in its sole discretion, grant an extension of the score expiration date for good cause shown.

(Rule 0020-01-.06, continued)

- (12) Candidates who have been ordered to military service shall receive an automatic extension on any CPA examination credits, in order to complete the examination requirements of paragraph (6) of this rule, for the length of time that the candidate was ordered to military service.

Authority: T.C.A. §§ 62-1-105 and 62-1-106. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed June 3, 1983; effective July 5, 1983. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed January 24, 2003; effective April 9, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012. Amendment filed December 11, 2013; effective March 11, 2014. Amendments filed October 28, 2016; effective January 26, 2017.

0020-01-.07 CHEATING.

- (1) Cheating by a candidate in applying for, taking or subsequent to the examination invalidates any grade otherwise earned by a candidate on any test section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.
- (2) For purposes of this rule, the following actions or attempted activities, among others, may be considered cheating:
 - (a) Falsifying or misrepresenting educational credentials, candidate identification, or other information required for admission to the examination;
 - (b) Communication between candidates inside or outside the test site or copying another candidate's answers while the examination is in progress;
 - (c) Communication with others inside or outside the test site while the examination is in progress;
 - (d) Substitution of another person to sit in the test site instead of a candidate;
 - (e) Reference to crib sheets, text books or other material or electronic media (other than that provided to the candidate as part of the examination) inside or outside the test site while the examination is in progress;
 - (f) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so;
 - (g) Retaking or attempting to retake a test section by an individual holding a valid certificate or by a candidate who has unexpired credit for having already passed the same test section, unless the individual has been directed to retake a test section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program.
- (3) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the candidate involved from the examination or move the candidate to a position in the test center away from other examinees where the candidate can be watched more closely.
- (4) In any case where the Board believes that it has evidence that a candidate has cheated on the examination, including those cases where the candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing following

(Rule 0020-01-.07, continued)

the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:

- (a) Whether the candidate shall be given credit for any portion of the examination completed in that session; and
 - (b) Whether the candidate shall be barred from taking the examination, and if so, for what period of time.
- (5) In any case where the Board or its representative permits a candidate to continue taking the examination, it may, depending on the circumstances:
- (a) Admonish the candidate;
 - (b) Keep a record of the candidate's seat location and identifying information, and the names and identifying information of the candidates in close proximity of the candidate;
 - (c) Notify the National Candidate Database and the AICPA and/or the test center of the circumstances, so that the candidate may be more closely monitored in future examination sessions.
- (6) In any case where a candidate is refused credit for any part of the examination taken, or is disqualified from taking other parts, the Board shall provide the candidate with a written statement containing its findings.
- (7) In any case in which a candidate is refused credit for any test section of an examination taken, disqualified from taking any test section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the candidate may apply for the examination, information as to the Board's findings and actions taken.

Authority: T.C.A. § 62-1-105. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed May 13, 1991; effective June 27, 1991. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006.

0020-01-.08 RENEWAL OF LICENSES.

- (1) Each holder of a certificate as a certified public accountant or a registration as a public accountant shall be required to renew such certificate or registration biennially.
- (2) An individual or firm choosing not to renew his, her, or its license shall notify the Board of his, her, or its intention prior to the expiration of that license.
- (3) Applications for the renewal of certificates and registrations pursuant to the Act shall be made on a form provided by the Board and shall be filed no later than the expiration date set by these rules. Applications will not be considered filed until the applicable fee prescribed in these rules is received.
- (4) Applications for renewal of certificates or registrations shall be accompanied by evidence satisfactory to the Board that the applicant has complied with the continuing professional education requirements under T.C.A. § 62-1-107(d) and Chapter 0020-05 of the Board's rules.

(Rule 0020-01-.08, continued)

- (5) The Board may request additional evidence from licensees for continuing professional education requirements including continuing professional education audits (which require CPE course completion documentation).
- (6) Licenses which are between one day and six (6) months past the expiration date shall be considered delinquent. Licenses which are renewed between thirty-one (31) days and six (6) months following their expiration date will be assessed a late fee in the amount of one-hundred dollars (\$100.00).
- (7) Licenses which are more than six (6) months past the expiration date shall be deemed to have expired. Any individual wishing to reinstate an expired license shall comply with paragraph (4) of this rule and paragraph (6) of rule 0020-05-.03. The CPE hours required to be completed to reinstate an expired license are considered penalty hours and may not be used to offset the CPE hours required for the renewal of a license.
- (8) An applicant for licensure meeting the requirements of T.C.A. § 4-3-1304(d)(1) may:
 - (a) Be issued a license under this chapter upon application and payment of all fees required for issuance of a regular license of the same type if, in the opinion of the Board, the requirements for certification or licensure in the state where the applicant is licensed are substantially equivalent to that required in Tennessee; or
 - (b) Be issued a temporary permit as described herein if the Board determines that the applicant's license does not meet the requirements for substantial equivalency, but that the applicant could perform additional acts, including - but not limited to - education, training, or experience, in order to meet the requirements for the license to be substantially equivalent. The Board may issue a temporary permit upon application and payment of all fees required for issuance of a regular license of the same type, which shall allow such person to perform services as if fully licensed for a set period of time that is determined to be sufficient for the applicant to complete such requirements.
 1. After completing those additional requirements and providing the Board with sufficient proof thereof as may be required, a full license shall be issued to the applicant with an issuance date of the date of the original issuance of the temporary permit and an expiration date as if the full license had been issued at that time.
 2. A temporary permit shall be issued for a period of less than the length of a renewal cycle for a full license.
 3. A temporary permit shall expire upon the date set by the Board and shall not be subject to renewal except through the completion of the requirements for substantial equivalency as required by the Board or by an extension of time granted for good cause by the Board.
 4. Should an extension to a temporary permit cause the permit to be in effect longer than the renewal cycle of a full license, the holder of the temporary permit shall file a renewal application with such documentation and fees, including completion of continuing education, as are required by the Board for all other renewals of a full license of the same type.
- (9) Military education, training, or experience completed by a person described at T.C.A. § 4-3-1304(d)(1)(B)(ii)(a)-(c) shall be accepted toward the qualifications, in whole or in part, to receive any license issued by the Board if such military education, training, or experience is determined by the Board to be substantially equivalent to the education, training, or experience required for the issuance of such license.

(Rule 0020-01-.08, continued)

- (10) Any licensee who is a member of the National Guard or a reserve component of the armed forces of the United States called to active duty whose license expires during the period of activation shall be eligible for renewal for a period of six (6) months after the licensee is released from active duty without:
- (a) Payment of late fees or other penalties;
 - (b) Obtaining continuing education credits when:
 - 1. Circumstances associated with the person's military duty prevented the obtaining of continuing education credits and a waiver request has been submitted to the Board; or
 - 2. The person performs the licensed or certified occupation as part of such person's military duties and provides documentation sufficient to demonstrate such to the Board, or;
 - (c) Performing any other similar act typically required for the renewal of a license or certification.
- (11) Any person renewing under paragraph (10) shall provide the Board such supporting documentation evidencing activation as may be required by the Board prior to renewal of any license pursuant to that paragraph.

Authority: T.C.A. §§ 4-3-1304, 62-1-105, 62-1-107, 62-1-108, 62-1-109, 62-1-111, and 56-1-302.
Administrative History: Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed May 13, 1991; effective June 27, 1991. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 13, 2007; effective May 27, 2007. Amendment filed March 26, 2012; effective June 24, 2012. Amendment filed February 11, 2015; effective May 12, 2015. Amendments filed August 12, 2016; effective November 10, 2016. Amendments filed October 28, 2016; effective January 26, 2017.

0020-01-.09 DENIAL OF CERTIFICATE.

- (1) An applicant denied a certificate shall be notified in writing by the Board of such denial and the reasons therefore. Such applicant may request an appearance before the Board to reconsider such denial at its next scheduled meeting. Such request shall be sent to the Executive Director within thirty (30) days of the date of the notice of denial.

Authority: T.C.A. §§ 62-1-105 and 62-1-111(a)(12). **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-01-.10 REINSTATEMENT OF REVOKED OR SUSPENDED LICENSES.

- (1) A certified public accountant or public accountant whose license has been revoked or suspended and who wishes to reinstate the license shall submit to the Board an application for reinstatement of such license accompanied by the appropriate fee.
- (2) Such application shall consist of a signed and acknowledged petition which shall set forth in full the circumstances surrounding the revocation or suspension of the applicant's license, the

(Rule 0020-01-.10, continued)

applicant's reasons for seeking reinstatement, and any other information the applicant wishes to bring to the attention of the Board.

- (3) Such application shall be submitted to the Board at its next meeting and evaluated and reviewed for presentation at the following meeting.
- (4) In considering an application the Board may consider all activities of the applicant since the revocation or suspension was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the license was in good standing, the applicant's rehabilitative efforts, the applicant's restitution to damaged parties in the matter for which the discipline was imposed, and the applicant's general reputation for truth and professional probity. The Board may also question the applicant, complainant or individual injured by the applicant.
- (5) After consideration of the applicant's petition, the Board may in its sound discretion reinstate any revoked or suspended license. The Board shall notify such applicant of its decision in writing.
- (6) The Board may impose appropriate terms and conditions for reinstatement of a license or modification of a revocation, suspension or probation.
- (7) No application for reinstatement will be considered while the applicant is under sentence for any criminal offense, including any period during which the applicant is on court imposed probation or parole.
- (8) A certified public accountant or public accountant whose license has been suspended must meet all continuing professional education and renewal fee requirements during the term of the suspension.

Authority: T.C.A. §§ 62-1-105, 62-1-107, and 62-1-118. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed August 15, 2006; effective October 29, 2006.

0020-01-.11 APPLICATION AND RENEWAL OF CPA AND PA FIRM PERMITS.

- (1) Each sole proprietorship, corporation, partnership or other form of organization providing attest services to the public or using the title "CPAs," "CPA firm," "PAs," or "PA firm" shall obtain a permit from the Board for each office location for the ensuing calendar year. Applications for initial issuance and for renewal of permits shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than two (2) months prior to and no later than the expiration date.
- (2) All CPA and PA firm permits shall expire annually on December 31. Initial applications and renewals will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received by the Board. If an application for renewal is filed late, it shall also be accompanied by the appropriate late renewal penalty.
- (3) Initial applications and renewals for each office location shall disclose the following information and shall be signed by the resident manager of the office location.
 - (a) The name of the firm;
 - (b) The firm's organizational structure;

(Rule 0020-01-.11, continued)

- (c) The address of the office location;
 - (d) The name and address of each individual with an equity or voting interest in the firm;
 - (e) A listing of the percentage of equity ownership and voting rights of each owner of the firm;
 - (f) The percentage of the firm's normal business hours that each non-CPA owner spends working at the firm;
 - (g) The name, address, and certificate number of each certified public accountant or public accountant employed at the office location;
 - (h) The name, address and certificate number of the resident manager of the office location;
 - (i) The name and certificate number of each person responsible for supervising or providing attest services as contemplated by T.C.A. § 62-1-108(c)(2). The firm's initial application must include a completed experience affidavit for each of these individuals; and
 - (j) The type of peer review program in which the firm participates along with proof of compliance in a manner acceptable to the board.
- (4) Every office location shall comply with the current statutes and rules of the Tennessee State Board of Accountancy.
- (5) This rule is applicable to offices located outside of this state where such offices are engaged in the practice of public accountancy as CPA firms in this state through any person(s) holding a reciprocal certificate.

Authority: T.C.A. §§ 62-1-103, 62-1-105, 62-1-108, 62-1-111, and 62-1-113. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed May 13, 1991; effective June 27, 1991. Amendment filed February 8, 1993; effective March 25, 1993. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006. Amendments filed August 12, 2016; effective November 10, 2016.

0020-01-.12 NOTIFICATION OF FIRM CHANGES.

- (1) Firms established pursuant to T.C.A. §§ 62-1-108 and/or 62-1-109 shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:
- (a) Formation of a new firm;
 - (b) Addition of a partner, member or shareholder;
 - (c) Retirement, withdrawal or death of a partner, member, manager or shareholder;
 - (d) Any change in the name of the firm;
 - (e) Dissolution of the firm;
 - (f) Change in the management of any office location registered in this State;

(Rule 0020-01-.12, continued)

- (g) Establishment of a new office or location engaged in the practice of public accountancy in this State or the closing or change of address of an office location registered in this State; and
- (h) The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.

Authority: T.C.A. §§ 62-1-105, 62-1-108, 62-1-111, and 62-1-113. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Repeal filed December 1, 1987; effective January 15, 1988. Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006. Amendments filed August 12, 2016; effective November 10, 2016.

0020-01-.13 INTERSTATE PRACTICE.

- (1) These rules provide two distinct routes for an individual already licensed in another state to be authorized to practice in this state. The applicable route depends upon whether the individual will establish a principal place of business in this state. An individual establishing a principal place of business in this state may qualify for a reciprocal license if the applicant has met the requirements of T.C.A. § 62-1-107. An individual with a principal place of business in another state may offer or render services in this state if the applicant has met the requirements of T.C.A. § 62-1-117.
- (2) Fees
 - (a) An application for a reciprocal certificate shall be accompanied by a fee of one hundred dollars (\$100.00).
 - (b) The fee for issuance of an initial reciprocal certificate shall be one hundred dollars (\$100.00).
- (3) Holders of reciprocal certificates shall comply with the continuing education requirements contained in Chapter 0020-05, and shall comply with all other requirements of the statutes and rules governing the practice of public accountancy within the State of Tennessee.
- (4) Any Tennessee licensee who lives in another state and who wishes to practice accountancy under this chapter must maintain his or her Tennessee license in good standing in order to do so.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-110, 62-1-111, 62-1-113, 62-1-114, and 62-1-117. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed May 13, 1991; effective June 27, 1991. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012. Amendments filed October 28, 2016; effective January 26, 2017.

0020-01-.14 INTERNATIONAL RECIPROCITY.

- (1) The Board may designate a professional accounting credential issued in a foreign country as substantially equivalent to a CPA certificate.
 - (a) The Board may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency.

(Rule 0020-01-.14, continued)

- (b) The Board may accept a foreign accounting credential in partial satisfaction of its domestic credentialing requirements if:
 - 1. the holder of the foreign accounting credential met the issuing body's education requirement and passed the issuing body's examination used to qualify its own domestic candidates; and
 - 2. the foreign credential is valid and in good standing at the time of application for a domestic credential.
- (2) The Board may satisfy itself through qualifying examination(s) that the holder of a foreign credential deemed by the Board to be substantially equivalent to a CPA certificate possesses adequate knowledge of U.S. practice standards and the Board's regulations. The Board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies to develop, administer, and grade such qualifying examination(s). The Board will specify the qualifying examination(s) and process by policy.
- (3) An applicant for renewal of a CPA certificate originally issued in reliance on a foreign accounting credential shall:
 - (a) Make application for renewal at the time and in the manner prescribed by the Board for all other certificate renewals;
 - (b) Pay such fees as are prescribed for all other certificate renewals;
 - (c) If the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, he/she must present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for renewal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and
 - (d) Either show completion of continuing professional education substantially equivalent to that required under rule 0020-5-.03 within the two (2) year period preceding renewal application, or petition the Board for complete or partial waiver of the CPE requirement based on the ratio of foreign practice to practice in this State.
- (4) The holder of a CPA certificate issued in reliance on a foreign accounting credential shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing body against the CPA's foreign credential.
- (5) Suspension or revocation of, or refusal to renew, the CPA's foreign accounting credential by the foreign credentialing body may be evidence of conduct reflecting adversely upon the CPA's fitness to retain the certificate and may be a basis for Board action.
- (6) Conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country is evidence of conduct reflecting adversely on the CPA's fitness to retain the certificate and is a basis for Board action.
- (7) The Board shall notify the appropriate foreign credentialing authorities of any sanctions imposed against a CPA.

(Rule 0020-01-.14, continued)

- (8) The Board may participate in joint investigations with foreign credentialing bodies and may rely on evidence supplied by such bodies in disciplinary hearings.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-111(a)(12), and 62-1-111(a)(14). **Administrative History:** Original rule filed May 13, 1991; effective June 27, 1991. Repeal filed August 2, 1996; effective October 16, 1996. Original rule filed June 10, 1999; effective August 24, 1999.

0020-01-.15 REPEALED.

Authority: T.C.A. §§ 62-1-105, 62-1-111, and 62-1-124. **Administrative History:** Original rule filed May 11, 1995; effective July 24, 1995. Repeal filed June 10, 1999; effective August 24, 1999.

**RULES
OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-02
EDUCATIONAL AND EXPERIENCE REQUIREMENTS**

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0020-02-.01 RECOGNIZED COLLEGES AND UNIVERSITIES.

- (1) As used in this chapter, a “semester hour” means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds. Semester hours received from a class for which dual credit is given may only be applied once towards an applicant’s required semester hours.
- (2) For purposes of evaluating the education qualifications of applicants for certificates under Tenn. Code Ann. § 62-1-106, the Board will recognize those junior colleges, colleges and universities accredited at the time the applicant’s degree was received by virtue of membership in one of the following regional accrediting agencies.
 - (a) Southern Association of Colleges and Schools;
 - (b) Middle States Association of Colleges and Schools;
 - (c) New England Association of Schools and Colleges;
 - (d) North Central Association of Colleges and Schools;
 - (e) Northwest Association of Schools and Colleges; or
 - (f) Western Association of Schools and Colleges.
- (3) A listing of accredited colleges and universities recognized by the Board is contained in the “Accredited Institutions of Post-Secondary Education,” published by the American Council on Education for the Council on Post-Secondary Accreditation. However, an applicant whose degree was received from a non-accredited college or university may qualify under the provisions of paragraphs (4), (6) or (7) of this rule.
- (4) If an institution was not accredited at the time an applicant’s degree was received but was accredited at the time his application was filed with the Board, the institution will be recognized as acceptable to the Board for the purposes of Tenn. Code Ann. § 62-1-106, provided the institution:
 - (a) Certifies that the applicant’s total educational program would qualify him for graduation with a baccalaureate degree during the time the institution has been accredited; and
 - (b) Furnishes the Board satisfactory proof, including college catalogue course numbers and descriptions, that the pre-accrediting courses used to qualify the applicant as an accounting major can be matched with substantially equivalent post-accredited courses.

(Rule 0020-02-.01, continued)

- (5) If an applicant's degree was received at an accredited college or university as defined in paragraphs 3 and 4 of this rule, but the education program used to qualify the applicant included courses taken at either a two-year or non-accredited institution before or after graduation, such courses will be deemed to have been taken at the accredited institution from which the applicant's baccalaureate degree was received; provided, however, that the courses were either accepted by virtue of inclusion in an official transcript or by certification to the Board.
- (6) A graduate of a four-year degree-granting institution which was not accredited at the time the applicant's degree was received or at the time of filing the application will be recognized by the Board as a graduate of a four year accredited college or university, provided:
 - (a) A credential evaluation service approved by the Board certifies that the applicant's degree is equivalent to a degree from an accredited educational institution; or
 - (b)
 1. An accredited educational institution, as defined in paragraphs 2 and 3 of this rule, accepts the applicant's non-accredited baccalaureate degree for admission to a degree program;
 2. The applicant satisfactorily completes at least fifteen (15) semester or twenty-two (22) quarter hours in post-baccalaureate education at the accredited educational institution, of which at least nine (9) semester or thirteen (13) quarter hours shall be in accounting; and
 3. The accredited college or university certifies that the applicant is in good standing for continuation in the graduate program or has maintained a grade point average in these courses that is necessary for graduation.
- (7) Notwithstanding the foregoing provisions of this rule, the Board may recognize, after thorough evaluation, any junior college, college or university holding membership in the Association of Independent Colleges and Schools for purposes of evaluating the educational qualifications of applicants pursuant to Tenn. Code Ann. § 62-1-106. Provided, however, the Board may impose such reasonable limitations as it deems necessary on the scope of recognition to be given any individual institution pursuant to this paragraph.

Authority: T.C.A. §§ 58-308, 62-1-105, 62-1-106, and 62-1-111. **Administrative History:** Original rule filed May 28, 1987; effective August 27, 1987. Amendment filed August 5, 1991; effective September 19, 1991. Amendment filed February 8, 1993; effective March 25, 1993. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendments filed August 12, 2016; effective November 10, 2016.

0020-02-.02 EDUCATION.

- (1) An applicant will be deemed to have met the educational requirement for the purpose of being eligible to receive a certificate pursuant to § 62-1-106(c)(1) if the applicant has earned a baccalaureate or higher degree from an accredited educational institution and obtained the minimum number of hours required by Tenn. Code Ann. § 62-1-106(c) which includes:
 - (a) At least thirty (30) semester or forty-five (45) quarter hours of accounting education including the elementary level;
 - (b) Not more than six (6) semester or eight (8) quarter hours may be internship programs which may be applied to the thirty (30) semester or forty-five (45) quarter hours in accounting; and,

(Rule 0020-02-.02, continued)

- (c) At least twenty-four (24) semester or thirty-six (36) quarter hours in general business education in one (1) or more of the following:
 - 1. Algebra, Calculus, Statistics, Probability
 - 2. Business Communication
 - 3. Business Law
 - 4. Economics
 - 5. Ethics
 - 6. Finance
 - 7. Management
 - 8. Technology/Information Systems
 - 9. Marketing
- (2) For purposes of this rule, accounting hours, other than elementary courses, above the minimum requirement may be substituted for general business education.
- (3) For purposes of this rule, candidates must have at least twenty-four (24) semester or thirty-six (36) quarter hours of accounting courses at the upper division level, junior level courses or higher.
- (4) An applicant for CPA examination shall be deemed to have met the educational requirement solely for the purpose of being admitted to take the CPA examination pursuant to § 62-1-106(c)(2) if the applicant has earned a baccalaureate or higher degree from an accredited educational institution and obtained at least eighteen (18) semester or twenty-seven (27) quarter hours of accounting education at the upper division level, junior level courses or higher. Semester or quarter hours from internship programs may not be applied to the eighteen (18) semester or twenty-seven (27) quarter hours in accounting required by this paragraph.
 - (a) An application to sit for examination may be filed, processed and approved prior to the completion of a baccalaureate or higher degree so long as the applicant submits materials with the application that demonstrate that, at the time of the first examination, the applicant will have a baccalaureate or higher degree with the hours of accounting education required by paragraph (4).
 - (b) A certificate of enrollment and certified transcript from the educational institution demonstrating that the applicant will have the required degree prior to the first examination shall be sufficient documentation to demonstrate that the applicant will have a baccalaureate or higher degree with the hours of accounting education required by paragraph (4) at the time of the first examination; provided, however, that the Board or its designee may accept such other reasonable documentation as an applicant may provide properly demonstrating that the applicant will have met the requirements of this paragraph prior to examination.
 - (c) No credit will be given to an applicant for an examination if that applicant fails to successfully obtain a baccalaureate or higher degree with the hours of accounting

(Rule 0020-02-.02, continued)

education required by paragraph (4) prior to the time the applicant took the examination.

Authority: T.C.A. §§ 62-1-105 and 62-1-106. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Repeal and new rule filed April 6, 2011; effective July 5, 2011. Amendment filed March 26, 2012; effective June 24, 2012. Amendments filed August 12, 2016; effective November 10, 2016. Amendments filed October 28, 2016; effective January 26, 2017.

0020-02-.03 EXPERIENCE.

- (1) The experience required to be demonstrated for issuance of an initial certificate pursuant to Tenn. Code Ann. § 62-1-106(j) shall meet the requirements of this rule.
 - (a) Experience may consist of providing any type of services or advice using accounting, attest, management advisory, financial advisory, tax or consulting skills.
 - (b) The applicant shall have his or her experience verified to the Board by a licensee as defined in the Act or a licensee from another state. Acceptable experience shall include employment in industry, government, academia or public practice. In evaluating experience, the Board shall consider such factors as the complexity and diversity of the work.
 - (c) One (1) year of experience shall consist of full or part-time employment that extends over a period of no less than one (1) year and no more than three (3) years and includes no fewer than two thousand (2,000) hours of performance of services described in subparagraph (1)(a) above.
 - (d) In accordance with Tenn. Code Ann. § 62-1-108(c)(2) any individual licensee who is responsible for supervising attest services and signs or authorizes another person to sign the accountant's report on the financial statements on behalf of the firm, shall meet professional competency requirements and shall have no less than two (2) years of experience satisfactory to the Board in the preparation of financial statements or reports on financial statements.
 - (e) Experience must be earned within the ten (10) year period immediately preceding the latest application for a certificate under the Act.
- (2) Evidence of Applicant's Experience.
 - (a) Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request by the Board, explain in writing or in person the basis for such refusal.
 - (b) The Board may require any licensee who has furnished evidence of an applicant's experience to substantiate the information.
 - (c) Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience.
 - (d) The Board may inspect documentation relating to an applicant's claimed experience.

Authority: T.C.A. §§ 62-1-105, 62-1-106, 62-1-107, and 62-1-108. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed August 15, 2006; effective October 29, 2006.

**RULES
OF
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DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-03
RULES OF PROFESSIONAL CONDUCT**

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0020-03-.01 DEFINITIONS.

- (1) For the purpose of this Chapter, unless the context otherwise requires:
 - (a) "Client" shall be defined as in Tenn. Code Ann. § 62-1-103;
 - (b) "Enterprise" means any person(s) or entity, whether organized for profit or not, with respect to which a licensee performs professional services;
 - (c) "Firm" means a sole proprietorship, partnership, or corporation holding a permit or required to hold a permit issued under Tenn. Code Ann. §§ 62-1-108, 62-1-109 or corresponding prior law;
 - (d) "Licensee" shall be defined as in Tenn. Code Ann. § 62-1-103;
 - (e) "Professional service" means any service performed or offered by a licensee for a client in the course of the practice of public accountancy.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-03-.02 APPLICABILITY.

- (1) The provisions of this Chapter shall apply to all professional services performed in the practice of public accountancy or in the provision of accounting services, and shall apply to all licensees except:
 - (a) Where the wording of a rule indicates otherwise; and
 - (b) That a licensee who is practicing public accountancy outside the United States will not be subject to disciplinary action by the Board for departing from any of the provisions of this chapter as long as the licensee's conduct is in accord with the standards of professional conduct applicable to the practice of public accountancy in the country in which the licensee is practicing. However, where a licensee's name is associated with

(Rule 0020-03-.02, continued)

financial statements under circumstances which would entitle the reader to assume that United States practices are followed, the licensee shall comply with rules within this chapter.

- (2) A licensee shall comply with the AICPA Code of Professional Conduct when these rules are silent on any matter.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2005; effective October 29, 2006.

0020-03-.03 INDEPENDENCE.

A licensee in the performance of professional services, including those who are not members of the AICPA, shall conform to the independence standards established by the AICPA, and where applicable, the United States Securities and Exchange Commission, the General Accounting Office and other regulatory or professional standards setting bodies.

Authority: T.C.A. § 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed August 15, 2005; effective October 29, 2006.

0020-03-.04 INTEGRITY AND OBJECTIVITY.

- (1) 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.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-03-.05 CONTINGENT FEES, COMMISSIONS, AND OTHER CONSIDERATION.

- (1) As used in this rule unless the context otherwise requires:
 - (a) "Attest" shall be defined as in Tenn. Code Ann. § 62-1-103.
 - (b) "Audit" means an examination of financial statements of a person or entity by a certified public accountant or public accountant, conducted in accordance with generally accepted auditing standards, to determine whether, in the opinion of the certified public accountant or public accountant, the statements conform with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.
 - (c) "Commission" means compensation for recommending or referring any product or service to be supplied by another person.
 - (d) "Compilation of a financial statement" means a presentation of information in the form of a financial statement that is the representation of any other person without the undertaking of the certified public accountant or public accountant to express any assurance on the statement.

(Rule 0020-03-.05, continued)

- (e) "Consideration" means compensation other than a commission, including but not limited to compensation for recommending or referring any service of a certified public accountant or public accountant to any person.
 - (f) "Contingent fee" means a fee established for the performance of any service pursuant to an arrangement under which a fee will not be charged unless a specified finding or result is attained, or under which the amount of the fee is otherwise dependent upon a finding or result of such service. "Contingent fee" does not mean a fee fixed by a court or other public authority, or a fee related to any tax matter which is based upon the results of a judicial proceeding or the findings of a governmental agency.
 - (g) "Examination of prospective financial information" means an evaluation by a certified public accountant or public accountant of a forecast or projection, the support underlying the assumptions in the forecast or projection, whether the presentation of the forecast or projection is in conformity with professional presentation guidelines, or whether the assumptions in the forecast or projection provide a reasonable basis for the forecast or projection.
 - (h) "Person" means any natural person, corporation, partnership, or other entity.
 - (i) "Review of a financial statement" means to perform inquiries and analytical procedures that permit a certified public accountant or public accountant to determine whether there is a reasonable basis for expressing limited assurance that there are no material modifications that should be made to financial statements in order for them to be in conformity with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.
- (2) A licensee shall neither pay any consideration or commission to obtain a client nor accept any consideration or commission when the licensee or the licensee's firm also performs for that client the services listed in T.C.A. § 62-1-122(a)(1) through (a)(3). This prohibition applies during the period in which the licensee is engaged to perform any of the listed services and the period covered by any historical financial statements involved in such listed services.
 - (3) A licensee who is not prohibited by this rule from performing services or receiving consideration or a commission and who is paid or expects to be paid consideration or a commission shall disclose that fact, in compliance with the requirements of T.C.A. § 62-1-122 and Rule 0020-03-.06, to any person to whom the licensee recommends or refers a product or service to which the commission or consideration relates.
 - (4) Any licensee who accepts consideration or a commission for a referral shall disclose such acceptance or payment to the client in compliance with the requirements of T.C.A. § 62-1-122 and Rule 0020-03-.06.
 - (5) A licensee shall not receive or agree to receive a contingent fee from a client for the following:
 - (a) Performance of any professional services for a client for whom the licensee or person associated with the licensee performs any of the services listed in T.C.A. § 62-1-123(b)(1)(A) through (C) ; or
 - (b) Preparation of an original tax return.

This prohibition applies during the period in which the licensee is engaged to perform any of the listed services and the period covered by any historical financial statements involved related to such services.

(Rule 0020-03-.05, continued)

- (6) Any licensee who accepts or agrees to accept a contingent fee shall disclose the terms of such contingent fee to the client in compliance with the requirements of Tenn. Code Ann. § 62-1-123 and Rule 0020-03-.06.
- (7) Nothing in this rule shall be construed to prohibit:
 - (a) Payments for the purchase of all, or a part, of an accounting practice;
 - (b) Retirement payments to persons formerly engaged in the practice of public accountancy or payments to the heirs or estates of such persons; or
 - (c) Payments, including incentive or bonus payments, to employees or members of an accounting firm as compensation for their services.

Authority: T.C.A. §§ 62-1-105, 62-1-111, 62-1-122, and 62-1-123. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Amendment filed May 11, 1995; effective July 24, 1995. Amendment filed February 16, 1998; effective May 2, 1998. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.06 DISCLOSURES.

- (1) A licensee who is not prohibited from performing services or receiving consideration or a commission and who is paid or expects to be paid consideration or a commission shall disclose that fact in compliance with the requirements of this rule to any person to whom the licensee recommends or refers a product or service to which the commission relates.
- (2) Any licensee who accepts consideration or a commission for a referral shall disclose such acceptance or payment to the client in compliance with the requirements of this rule.
- (3) Any licensee who accepts or agrees to accept a contingent fee shall disclose the terms of such contingent fee to the client in compliance with the requirements of this rule.
- (4) The disclosure must:
 - (a) Be in writing and be clear and conspicuous;
 - (b) State the amount of the consideration or commission or the basis on which it will be computed; and
 - (c) Be made at or prior to the time of the recommendation or referral of the product or service for which consideration or commission is paid or prior to the client retaining the licensee to whom the client has been referred for which a referral fee is paid; or
 - (d) Be made prior to the time the licensee undertakes representation of or performance of the service upon which a contingent fee will be charged.
- (5) The following form may be used to comply with the disclosures required by this rule and Tenn. Code Ann. §§ 62-1-122 and 62-1-123. A form which contains additional information may be used by a licensee if the form includes the minimum disclosure requirements.

(Rule 0020-03-.06, continued)

STATEMENT OF DISCLOSURE OF COMMISSIONS, CONTINGENT FEES,
AND OTHER CONSIDERATION

Certified public accountants and public accountants are required by law to disclose to clients the receipt or payment of certain commissions and contingent fees.

The purpose of this disclosure statement is to acknowledge that proper disclosure has been made and that a copy of this statement has been provided to each of the signatories thereof.

I hereby acknowledge that on this _____ day of _____, 20__ .

_____ has disclosed that he/she/the firm will receive/pay a
CPA/PA/Firm
commission/contingent fee/consideration of _____
AMOUNT

in relation to goods or services he/she/the firm has agreed to provide or recommend.

Client (signature)

Date

CPA/PA/Firm (signature)

Date

Authority: T.C.A. §§ 62-1-105, 62-1-111, 62-1-122, and 62-1-123. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Amendment filed February 16, 1998; effective May 2, 1998. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.07 COMPETENCE.

- (1) A licensee shall comply with the following standards and with any interpretations thereof by bodies designated by the AICPA, or by other entities having similar generally recognized authority.
 - (a) Professional Competence. Undertake only those professional services that the licensee or the licensee's firm can reasonably expect to be completed with professional competence.
 - (b) Due Professional Care. Exercise due professional care in the performance of professional services.
 - (c) Planning and Supervision. Adequately plan and supervise the performance of professional services.
 - (d) Sufficient Relevant Data. Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.08 COMPLIANCE WITH STANDARDS.

A licensee who performs attest, management advisory, tax, or other professional services shall comply with standards promulgated by the American Institute of Certified Public Accountants or by other entities having similar authority as recognized by the Board.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.09 ACCOUNTING PRINCIPLES.

- (1) A licensee shall not:
 - (a) Express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles; or
 - (b) State that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles if such statements or data contain any departure from an accounting principle promulgated by bodies designated by the AICPA to establish such principles, which departure has a material effect on the statements or data taken as a whole.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Amendment History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.10 CONFIDENTIAL CLIENT INFORMATION.

- (1) A licensee shall not disclose any confidential client information without the specific consent of the client.
- (2) This rule shall not be construed to:
 - (a) Relieve a licensee of his or her professional obligations under Rules 0020-03-.08 and 0020-03-.09;
 - (b) Affect in any way the licensee's obligation to comply with a validly issued and enforceable subpoena or summons;
 - (c) Prohibit review of a licensee's professional practice by the AICPA, a state CPA society or state PA association, or the Board;
 - (d) Preclude a licensee from initiating a complaint with or responding to any inquiry made by a recognized investigative or disciplinary body;
 - (e) Prohibit a licensee from utilizing any such relevant information in the defense of a claim or reasonably anticipated claim against the licensee; or
 - (f) Restrict the exchange of information with a recognized investigative or disciplinary body.

(Rule 0020-03-.10, continued)

- (3) Licensees of a recognized investigative or disciplinary body and professional practice reviewers shall not use to their own advantage or disclose any licensee's confidential client information that comes to their attention in carrying out their official responsibilities.

Authority: T.C.A. §§ 62-1-105, 62-1-111, and 62-1-116. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-03-.11 RECORDS.

- (1) A licensee shall, upon request made within a reasonable time, furnish to his or her client or former client:
 - (a) A copy of any report or other documentation belonging to, or obtained from or on behalf of, the client, which the licensee removed from the client's custody. The licensee may make and retain copies of such documents when they form the basis for work performed by the licensee;
 - (b) Any accounting or other documents belonging to, or obtained from or on behalf of, the client, which the licensee removed from the client's premises or received from the client's custody. The licensee may make and retain copies of such documents when they form the basis for work performed by the licensee; and
 - (c) A copy of the licensee's working papers, to the extent that such working papers include records which would ordinarily constitute part of the client's books and records and are not otherwise available to the client, to include but not be limited to general ledgers, general journals, fixed asset and depreciation records. Provided, however, that nothing in this rule shall require a licensee to furnish any work product to his or her client or others before the client has made satisfactory arrangements for payment for services rendered to or on behalf of such client.

Authority: T.C.A. §§ 62-1-105 and 62-1-115. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Repeal filed February 18, 1993; effective April 3, 1993. Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.12 DISCREDITABLE ACTS.

- (1) A licensee shall not commit any act that reflects adversely on the profession.
- (2) A licensee or a candidate for licensure who solicits, discloses, and/or uses information obtained through violation of any nondisclosure statement of the Uniform CPA Examination shall be considered to have committed an act discreditable to the profession.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.13 ACTING THROUGH OTHERS.

- (1) A licensee shall not permit others to carry out on his/her behalf, either with or without compensation, any act which, if carried out by the licensee, would constitute a violation of this chapter.

(Rule 0020-03-.13, continued)

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-03-.14 ADVERTISING AND OTHER FORMS OF SOLICITATION.

- (1) A licensee shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading or deceptive.
- (2) Solicitation by the use of coercion, over-reaching or harassing conduct is prohibited.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-03-.15 FIRMS.

- (1) A CPA or PA firm name is misleading under § 62-1-113(i) if, among other things, its name:
 - (a) Implies the existence of a corporation when the firm is not a corporation;
 - (b) Implies the existence of a partnership when the firm is not a partnership;
 - (c) Is similar to or the same as existing fictitious names within the State of Tennessee;
 - (d) Tends to mislead regarding the nature of the business or the affiliation of the trade name user with another business entity;
 - (e) Contains more than one (1) fictitious name;
 - (f) Includes the name of an individual whose license has been suspended or revoked by the Board;
 - (g) Includes the name of a person who is neither a present nor a past partner, member or shareholder of the firm; or
 - (h) Includes the name of a person who is not a CPA, if the title "CPAs" is included in the firm name.
- (2) A fictitious CPA or PA firm name (that is, one not consisting of the names or initials of one or more present or former partners, members or shareholders) may not be used by a CPA firm unless such name has been registered with and approved by the Board, and it is not false or misleading.
- (3) The Board may disapprove of the use of any fictitious name that falls within one (1) of the prohibitions listed in paragraph (1) of this rule or if it determines after notice and hearing that the trade name is deceptive.
- (4) A certified public accountant or public accountant may practice under his/her own name or that of inactive or deceased partners or shareholders who were certified public accountants or public accountants. A partner or shareholder surviving the death or withdrawal (unless (1)(f) applies) of all other partners or shareholders may continue to practice under the partnership or professional association name for up to two (2) years after becoming a sole practitioner.

(Rule 0020-03-.15, continued)

- (5) When a firm name violation is determined to exist, the firm shall have sixty (60) days after notification by the Board to come into compliance with all applicable rules and statutes.

Authority: T.C.A. §§ 62-1-105, 62-1-108, 62-1-111, and 62-1-113. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-03-.16 NOTIFICATION TO THE BOARD.

- (1) A licensee shall notify the Board in writing within thirty (30) days of any change of name, mailing address, e-mail address, and, in the case of individual licensees, change of employment.
- (2) Except as otherwise provided, a licensee shall respond in writing to any communication from the Board requesting a response within thirty (30) days of the mailing of such communication by registered or certified mail to the last address furnished to the Board by the licensee.
- (3) Upon the receipt of a complaint against a licensee, the Board may transmit a copy of such complaint to the licensee. Such licensee shall, within fourteen (14) days of receipt, file a written answer to the complaint with the Board, unless otherwise granted an extension of time.

Authority: T.C.A. §§ 62-1-105 and 62-1-111. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed August 7, 1985; effective September 6, 1985. Amendment filed February 18, 1993; effective April 3, 1993. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012.

0020-03-.17 RETENTION OF RECORDS.

A licensee shall maintain copies, or other obtainable facsimile records, or computer records, in whatever manner kept, of all work papers and work product used to render or support rendering accounting services to a client for a period of five (5) years. The five (5) year period shall commence at the end of the fiscal period in which the engagement was conducted. Premature destruction of these records shall subject the licensee to disciplinary action.

Authority: T.C.A. §§ 62-1-105(e)(4) and 62-1-111. **Administrative History:** Original rule filed October 15, 2003; effective December 29, 2003. Amendments filed August 12, 2016; effective November 10, 2016.

**RULES
OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-04
DISCIPLINARY ACTION AND CIVIL PENALTIES**

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0020-04-.01 DEFINITIONS.

- (1) For the purpose of this chapter, unless the context otherwise requires “licensee” shall be defined as in Tenn. Code Ann. § 62-1-103.

Authority: T.C.A. §§ 62-1-105, 62-1-111(a)(2), and 62-1-117. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-04-.02 CIVIL PENALTIES.

- (1) The Tennessee State Board of Accountancy may, in addition to or in lieu of any other lawful disciplinary action, assess civil penalties for each separate violation of statutes, rules or orders enforceable by the Board in accordance with the following schedule:

<u>Violation</u>	<u>Penalty</u>
Tenn. Code Ann. § 62-1-111(a)(1)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(2)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(3)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(4)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(5)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(6)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(7)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(8)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(9)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(10)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(11)	\$0-\$1000
Tenn. Code Ann. § 62-1-111(a)(12)	\$0-\$1000

- (2) Each day of continued violation may constitute a separate violation.
- (3) In assessing civil penalties, the following factors may be considered.
- (a) Whether the amount imposed will be a substantial economic deterrent to the violator.
 - (b) The circumstances leading to the violation.
 - (c) The severity of the violation and the risk of harm to the public.

(Rule 0020-04-.02, continued)

- (d) The economic benefits gained by the violator as a result of non-compliance.
- (e) The interest of the public.

Authority: T.C.A. §§ 56-1-308, 62-1-105, 62-1-111, and 62-1-117. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-04-.03 GROUNDS FOR DISCIPLINE AGAINST LICENSEES.

- (1) The grounds for disciplinary action against licensees, are set out in Tenn. Code Ann. § 62-1-111 in both specific and general terms. The general terms of that provision include but are not limited to the following particular grounds for such disciplinary action.
 - (a) Fraud or deceit in obtaining a certificate, registration or permit includes the submission to the Board of any knowingly false or forged evidence in, or in support of, an application for a certificate, registration or permit, and cheating on an examination as defined in these rules.
 - (b) Dishonesty, fraud or gross negligence include knowingly, or through gross negligence, making misleading, deceptive or untrue representations in the performance of services.
 - (c) Violations of the Act or of rules promulgated under the Act, include but are not limited to:
 - 1. Using the CPA or PA title or providing attest services in this State without a certificate, registration or permit to practice or without properly qualifying to practice across state lines under the substantial equivalency provision of the Act;
 - 2. Using or attempting to use a certificate, registration or permit which has been surrendered, suspended or revoked;
 - 3. Making any false or misleading statement, in support of an application for a certificate, registration or a permit filed by another;
 - 4. Failure of a licensee to provide any explanation requested by the Board regarding evidence submitted by the licensee in support of an application filed by another, or regarding a failure or refusal to submit such evidence;
 - 5. Failure by a licensee to furnish for inspection upon request by the Board or its representative documentation relating to any evidence submitted by the licensee in support of such an application;
 - 6. Failure to satisfy the continuing professional education requirements set out in the Act and/or failure to comply with the continuing education requirements of these rules;
 - 7. Failure to comply with professional standards as to the attest experience requirement for those who supervise attest engagements and/or sign reports on financial statements; or
 - 8. Failure to comply with the peer review requirements set out in the Act and these rules.

(Rule 0020-04-.03, continued)

9. Failure to timely pay professional privilege tax as required by law.
- (2) Conduct reflecting adversely upon the licensee's fitness to perform services includes but is not limited to:
 - (a) Adjudication as mentally incompetent;
 - (b) Fiscal dishonesty of any kind;
 - (c) Presenting as one's own a certificate, registration or permit issued to another;
 - (d) Concealment of information regarding violations by other licensees of the Act or the Rules thereunder when questioned or requested by the Board; and
 - (e) Willfully failing to file a report or record required by state or federal law; willfully impeding or obstructing the filing of such a report or record, or inducing another person to impede or obstruct such filing by another; and the making or filing of such a report or record which one knows to be false.
 - (3) The Board has no jurisdiction over fee disputes between a licensee and a client. The Board shall not seek to impose discipline against a licensee solely on the basis of a dispute between the licensee and the client regarding payment of fees by the client for professional services rendered by the licensee.

Authority: T.C.A. §§ 4-3-1304, 62-1-105, 62-1-107, 62-1-111, 62-1-113, 62-1-117, and 67-4-1704. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed October 29, 1981; effective January 27, 1982. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed April 20, 1994; effective July 4, 1994. Amendment filed May 11, 1995; effective July 24, 1995. Amendment filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed December 11, 2013; effective March 11, 2014. Amendment filed February 11, 2015; effective May 12, 2015.

0020-04-.04 REPEALED.

Authority: T.C.A. §§ 62-1-105, 62-1-111(a)(2), 62-1-107(b), and 62-1-117. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed December 1, 1987; effective January 15, 1988. Amendment filed August 5, 1991; effective September 19, 1991. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Repeal filed August 12, 2016; effective November 10, 2016.

0020-04-.05 REVIEW OF PROFESSIONAL WORK PRODUCT.

- (1) The Board may solicit and receive publicly available reports of licensees and individuals practicing in this state pursuant to Tenn. Code Ann. § 62-1-117, and the related financial statements from clients, public agencies, banks, and other users of financial statements on a general and random basis without regard to whether an application for renewal of the particular licensee's license is then pending or whether there is any formal complaint or suspicion of impropriety on the part of any particular licensee. The Board may review such reports and otherwise proceed with respect to the results of any such review.

Authority: T.C.A. §§ 62-1-105, 62-1-111(a)(2), 62-1-116, and 62-1-117. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed May 13, 1991; effective June 27, 1991. Amendment filed May 11, 1995; effective July 24, 1995. Amendment filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-04-.06 SAFE HARBOR LANGUAGE.

- (1) Non-licensees shall use the following or similar disclaimer language in connection with financial statements to not be in violation of the Act:
 - (a) "I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners)."
 - (b) "I (we) have not audited, reviewed or compiled, under professional standards prescribed for such services, the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them. I (we) am (are) not licensed by this state, as a certified public accountant, public accountant or accounting firm, to provide those types of services."
- (2) The use of standard language in any report as defined by Tenn. Code Ann. § 62-1-103, by any non-licensed individual or non-permitted accounting firm, even if the verbiage is slightly altered, will be considered to be a violation of Tenn. Code Ann. §62-1-113(h)(1).

Authority: T.C.A. §§ 62-1-105, 62-1-108(c), 62-1-109(c), 62-1-111(a)(9), 62-1-111(2), 62-1-113(h)(1), and 62-1-117. **Administrative History:** Original rule filed June 9, 1981; effective August 18, 1981. Amendment filed June 30, 1988; effective August 14, 1988. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

**RULES
OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-05
CONTINUING EDUCATION**

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0020-05-.01 DEFINITIONS.

- (1) For the purpose of this Chapter, unless the context otherwise requires:
 - (a) Continuing professional education (CPE) hours and CPE credits shall be considered synonymous;
 - (b) "License holder" means a certified public accountant or public accountant who holds a license as defined in Rule 0020-1-.01(i).

Authority: T.C.A. §§ 62-1-105(e)(3), 62-1-107, 62-1-108(a)(1)(C)(i), 62-1-109(c), 62-1-111, and Chapter No. 443 of the Public Acts of 1989, Section 15. **Administrative History:** Original rule filed September 8, 1981; effective October 23, 1981. Amendment filed June 30, 1988; effective August 14, 1988. Amendment filed August 5, 1991; effective September 19, 1991. Amendment filed November 15, 1991; effective December 30, 1991. Amendment filed April 20, 1994; effective July 4, 1994. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999.

0020-05-.02 PURPOSE.

- (1) The Tennessee Accountancy Act of 1998 mandates compliance with continuing education requirements as a prerequisite for renewal of licenses issued by the Board. The purposes of this chapter are to prescribe the basic continuing education requirements for present and future license holders; to establish standards by which continuing education programs will be evaluated for awarding of credit; and to assure compliance with the Act by requiring periodic reporting of educational achievements.

Authority: T.C.A. §§ 62-1-105, 62-1-107, 62-1-108, 62-1-109, and 62-1-111. **Administrative History:** Original rule filed September 8, 1981; effective October 23, 1981. Amendment filed June 30, 1988; effective August 14, 1988. Amendment filed August 5, 1991; effective September 19, 1991. Amendment filed May 11, 1995; effective July 24, 1995. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-05-.03 BASIC REQUIREMENTS.

- (1) A license holder seeking regular biennial renewal shall, as a prerequisite for such renewal, show that he or she has completed no less than eighty (80) hours of qualified continuing professional education during the two (2)-year period immediately preceding renewal, with a minimum of twenty (20) hours in each year with specifications as follows:

(Rule 0020-05-.03, continued)

- (a) All license holders shall complete at least forty (40) hours in the subject areas of accounting, accounting ethics, attest, taxation, or management advisory services;
 - (b) All license holders shall complete a board-approved two (2) hour state-specific ethics course designed to familiarize the licensee with accountancy law and rules as well as professional ethics;
 - (c) License holders engaged in the attest function, shall biennially complete at least twenty (20) hours in the subject areas of attest and accounting theory and practice in fulfilling the above requirements;
 - (d) License holders engaged to testify in a Tennessee court(s) as expert witnesses in the areas of accounting, attest, management advisory services, or tax shall have completed, within the current or most recent renewal period, at least twenty (20) hours in the subject area(s) (as noted in this paragraph) concerning such expert testimony; and
 - (e) Up to twenty-four (24) CPE hours taken in excess of the eighty (80) hour requirement for each two year period may be applied to the requirement of the next succeeding two year renewal cycle. License holders must maintain a list of CPE which will be used for carry forward and must submit that listing as requested by the Board. Failure to do so will result in the disallowance of carry-forward hours.
- (2) A license holder seeking to renew an initial certificate issued less than two (2) years but more than one (1) year prior to expiration must provide evidence of having completed at least forty (40) hours of continuing education, of which twenty (20) hours shall be in the subject areas of accounting, accounting ethics, attest, tax, or management advisory services. Licensees seeking to renew an initial certificate issued less than one year prior to expiration will be exempt from CPE requirements for that renewal period.
- (3) Upon application supported by such evidence as the Board may require, those licensees not practicing in Tennessee, who do not perform or offer to perform for the public one (1) or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters, may be exempted from any continuing professional education requirements provided that:
- (a) For purposes of disciplinary action, the board shall retain jurisdiction over all certificate holders whose license is in inactive status.
 - (b) Certificate holders who are granted inactive status by the board shall be required to place the word "inactive" adjacent to their CPA or PA designation when using such designation for any lawful purpose, including, but not limited to use of such designation on any business card, letterhead, resume, or biography.
 - (c) 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 any 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.
 - (d) A certificate holder who has been granted inactive status may perform the services set forth in (c) above if:

(Rule 0020-05-.03, continued)

- (1) the services are provided without compensation to the certificate holder;
 - (2) the services are performed solely for the certificate holder's employer and such employer is not a licensed accounting firm; or,
 - (3) the certificate holder does not use the CPA or PA designation in association with his or her name while providing such lawful services.
- (e) A certificate holder who is 65 years old or older and possesses a certificate in inactive status shall not be required to pay the biennial license renewal fee required for licensees as set forth in these rules.
- (f) Certificate holders who are granted inactive status must complete eighty (80) hours of CPE in the areas of accounting, accounting ethics, attest, taxation, or management advisory services during the twenty-four (24) month period preceding the date of their request for reactivation of their license. The CPE hours required to reactivate a license may also be used as credit toward the renewal requirement so long as those hours are completed within the two (2) year window prior to the licensee's next December 31 renewal date.
- (4) Licensees who surrender their licenses in good standing may reactivate a license by complying with this subsection.
- (5) Upon application supported by such evidence as the Board may require, licensees age seventy (70) and over, disabled for more than six (6) months or in active military service may be exempted from payment of a license renewal fee and/or CPE requirements so long as they do not practice public accountancy or offer accounting services to the public.
- (6) An applicant for renewal whose license has expired as set forth in Rule 0020-01-.08(7) shall complete no less than eighty (80) hours of CPE in the areas of accounting, accounting ethics, attest, taxation, or management advisory services during the six (6) month period preceding the date of reapplication. The CPE hours required to reinstate an expired license are considered penalty hours and may not be used to offset the CPE hours required for renewal of a license.
- (7) A non-resident licensee seeking renewal of a license in this state shall meet the CPE requirement of this rule by meeting the CPE requirements for renewal of a license in the state in which the licensee's principal office is located.
- (a) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal office is located by signing a statement certifying to that effect on the renewal application of this state.
 - (b) If the state in which a non-resident licensee's principal office is located has no CPE requirements for renewal of a license, the non-resident licensee must comply with all CPE requirements for renewal of a license in this state.
 - (c) If the state in which a non-resident licensee's principal office is located does not require a course in ethics, the non-resident licensee shall complete the ethics requirement for this state as set forth in rule 0020-05-.03(1)(b).

Authority: T.C.A. §§ 62-1-105, 62-1-107, and 62-1-111. **Administrative History:** Original rule filed August 5, 1991; effective September 19, 1991. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006.

(Rule 0020-05-.03, continued)

Amendment filed March 26, 2012; effective June 24, 2012. Amendments filed December 11, 2013; effective March 11, 2014.

0020-05-.04 QUALIFYING PROGRAMS.

- (1) In order to qualify for credit toward satisfaction of the requirements of rule 0020-05-.03, a continuing education program must:
 - (a) Be a program of learning which contributes directly to the professional competence of the licensee; and
 - (b) Meet the Statements on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA.
- (2) Programs requiring attendance may be considered for credit if:
 - (a) An outline is prepared and preserved;
 - (b) The program is at least one (1) credit hour [one (1) credit hour = fifty (50) minute period];
 - (c) The program is conducted by a qualified instructor, discussion leader, or lecturer; and
 - (d) A record of registration or attendance is maintained.
- (3) Subject to compliance with paragraphs 1 and 2 of this rule, the following are deemed to be qualifying programs:
 - (a) Professional development programs of the AICPA, and state accounting societies and their chapters;
 - (b) Technical sessions at meetings of the AICPA, NASBA, and state accounting societies and their chapters;
 - (c) University or college courses provided that:
 1. For credit courses, each semester hour credit shall equal fifteen (15) continuing education credit hours, and each quarter hour credit shall equal (10) continuing education credit hours;
 2. For non-credit short courses, continuing education credit shall equal actual time in class;
 - (d) Organized in-firm or in-house (includes any company that gives training for their employees and others) educational programs presented for employees and others without charge; and
 - (e) Programs of other organizations (accounting, industrial, professional, etc.) recognized by the Board.
- (4) Formal correspondence or other individual study programs, including those administered via computer, which require registration and provide evidence of satisfactory completion, may qualify for continuing education credit. The number of credit hours of continuing education will be determined by the Board. Such programs taken after January 1, 1999, excluding those offered by the AICPA and state CPA societies, must be approved by the Board or its designee, NASBA's Quality Assurance Program.

(Rule 0020-05-.04, continued)

- (5) Continuing education credit will be allowed for service as an instructor, discussion leader or speaker at any program for which participants are eligible to receive continuing education credit. Credit for such service will be awarded on the first presentation only, unless a program has been substantially revised. The amount of credit awarded shall not exceed three times the number of class hours; provided however, credit hours awarded under this paragraph shall not exceed fifty percent (50%) of the total number of credit hours required by this chapter within any two-year period. A licensee who receives credit for services as an instructor, discussion leader, or speaker of a CPE course cannot also receive credit for attendance at the same or substantially same course that the licensee served as an instructor, discussion leader, or speaker within the preceding twelve month period.
- (6) In the board's discretion, continuing education credit may be allowed for writing articles and books, provided that their preparation contributes to the professional competence of the license holder. Credit for such preparation may be awarded on a self-declaration basis of up to fifty percent (50%) of the two (2) year continuing education requirement. Additional credit may be awarded in exceptional circumstances, upon the written request of the license holder, accompanied by a copy of the article(s) or books(s) and a statement of justification. No credit shall be given for unpublished book(s) or article(s).
- (7) Continuing education credit may be allowed for the reading of professional journals and the taking of an examination related thereto. Credit hours obtained under this paragraph are limited to twenty percent (20%) of the total number of credit hours required by this chapter within any two (2)-year period and may not be used to meet the requirements of subparagraphs (1)(a), (b) and (c) of Rule 0020-05-.03.
- (8) CPE credit may be allowed for the successful completion of exams for Certified Management Accountant (CMA), Certified Information Systems Auditor (CISA), as well as other similar exams approved by the Board. Credit will be awarded at a rate of five (5) times the length of each exam taken and limited to fifty percent (50%) of the total CPE required under Rule 0020-05-.03.
- (9) In order to insure credit, any program of continuing education not specifically covered by this rule must be submitted to the Board for evaluation before attendance and/or completion.
- (10) The Board specifically reserves the right to approve or disapprove credit for all continuing education claimed under this rule.
- (11) A licensee, once per reporting period, may submit for approval up to sixteen (16) hours of CPE from courses that are sponsored by organizations that are not registered with NASBA, and are either offered on a limited basis or industry specific.

Authority: T.C.A. §§ 62-1-105 and 62-1-107. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012. Amendments filed October 28, 2016; effective January 26, 2017.

0020-05-.05 SPONSORS.

- (1) Prior to offering continuing education program(s), a sponsor who is not exempt under this rule must register as follows:
 - (a) Those sponsors offering program(s) which total more than sixteen (16) hours per year or offering program(s) more than five (5) times per year must register with the NASBA National Registry of CPE Sponsors.

(Rule 0020-05-.05, continued)

- (b) Those sponsors offering program(s) which total sixteen (16) hours or less per year or offering program(s) five (5) times or less per year must:
 1. Register with the NASBA National Registry of CPE Sponsors, or
 2. Register with the NASBA Tennessee Roster of CPE Sponsors.
- (2) The sponsor of each continuing education program registered with the NASBA National Registry or Tennessee Roster of CPE Sponsors shall comply with all requirements set forth by NASBA in order to maintain such registration.
- (3) The following are exempt from registering with either the NASBA National Registry or Tennessee Roster of CPE Sponsors:
 - (a) Professional accounting organizations [e.g. AICPA, Tennessee Society of Certified Public Accountants (TSCPA), Tennessee Association of Accountants (TAA), Institute of Management Accountants (IMA), or other similar organizations approved by the Board];
 - (b) Universities or colleges recognized under Rule 0020-02-.01;
 - (c) Firms or other entities offering organized in-firm or in-house educational programs for their employees and clients without charge;
 - (d) Governmental entities.
- (4) The sponsor of any continuing education program approved or exempted from registration by the Board must advise attendees of such approval or exemption, and issue to attendees certificates of completion that include:
 - (a) Sponsor name;
 - (b) Date(s) of training;
 - (c) Title of program;
 - (d) CPE subject code;
 - (e) CPE credit awarded.
- (5) Those entities or organizations exempt from registration under paragraph (3) of this rule shall keep detailed records of the following for a period of five (5) years after the date of the presentation of the program:
 - (a) The date and location of the program presentation;
 - (b) The name of each instructor or discussion leader;
 - (c) A list of license holders attending each program presentation;
 - (d) A written outline of the program presentation; and
 - (e) The number of continuing education hours allowable.
- (6) Approval of any continuing education program may be withdrawn by the Board if the sponsor of such program fails to comply with these provisions.

Authority: T.C.A. §§ 62-1-105 and 62-1-107. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-05-.06 CONTROL AND REPORTING SYSTEM.

- (1) Each license holder shall biennially, when making application for license renewal, submit on the prescribed form a signed statement setting forth the number of continuing education hours which he or she has completed during the reporting period. Such license holder shall retain documentation supporting such statement for at least five (5) years subsequent to the date of submission.
- (2) The Board will verify information submitted by license holders under this rule on a random basis.
- (3) If any continuing education hours claimed in a statement submitted by a license holder pursuant to paragraph (1) of this rule are disapproved, the Board shall notify such license holder of the reason for disapproval. The Board may allow a specified period of time, up to six (6) months, for correction of the deficiencies noted.

Authority: T.C.A. §§ 62-1-105(e)(3) and 62-1-107. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003.

0020-05-.07 EXTENSION OF TIME.

- (1) The Board may, upon written request, extend the time up to six (6) months within which license holders must comply with the requirements of this chapter for reasons of poor health, military service, foreign residence or other good cause.
- (2) Any license holder who requests or is granted an extension of time under this rule shall remain subject to rule 0020-05-.06, and shall note such extension on any report required thereunder.
- (3) Requests for extension under this rule will be automatically denied if filed later than the December 31 biennial renewal deadline required by these rules.

Authority: T.C.A. §§ 62-1-105 and 62-1-107. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed August 15, 2006; effective October 29, 2006.

0020-05-.08 FAILURE TO MEET CPE REQUIREMENTS.

- (1) A penalty of (8) additional CPE hours will be assessed against those license holders who fail to timely complete the eighty (80) hour two (2) year minimum required by Rule 0020-5-.03 unless an extension of time under Rule 0020-05-.07 is granted by the Board.
- (2) A penalty of eight (8) additional CPE hours will be assessed against those license holders who fail to timely complete the forty (40) hour requirement in the subject areas of accounting, accounting ethics, attest, taxation, or management advisory services required by Rule 0020-5-.03 unless an extension of time under Rule 0020-05-.07 is granted by the Board.
- (3) A penalty of (8) additional CPE hours will be assessed against those license holders who fail to timely complete at least twenty (20) hours in each year of the biennial renewal period as required by Rule 0020-05-.03 unless an extension of time under Rule 0020-05-.07 is granted by the Board.

(Rule 0020-05-.08, continued)

- (4) A penalty of (8) additional CPE hours will be assessed against those license holders who perform the attest function who fail to timely complete the twenty (20) hour requirement in the subject areas of attest and accounting theory and practice required by Rule 0020-05-.03 unless an extension of time under Rule 0020-05-.07 is granted by the Board.
- (5) A penalty of eight (8) additional CPE hours will be assessed against those license holders who fail to timely complete the two (2) hour state specific continuing professional education ethics course required by Rule 0020-05-.03 unless an extension of time under Rule 0020-05-.07 is granted by the Board.
- (6) A licensee who is assessed a penalty under this rule shall complete such penalty and shall submit proof of completion of such penalty to the Board no later than one hundred and eighty (180) days from the date the Board notifies the licensee of the deficiency.

Authority: T.C.A. §§ 62-1-105, 62-1-107, and 62-1-111. **Administrative History:** Original rule filed June 10, 1999; effective August 24, 1999. Repeal and new rule filed February 11, 2015; effective May 12, 2015.

**RULES
OF
DEPARTMENT OF COMMERCE AND INSURANCE
DIVISION OF REGULATORY BOARDS
TENNESSEE STATE BOARD OF ACCOUNTANCY**

**CHAPTER 0020-06
PEER REVIEW PROGRAM**

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0020-06-.01 DEFINITIONS.

- (1) For purposes of this Chapter, unless the context otherwise requires:
 - (a) "Approved peer review program" means any peer review program conducted by the Board, the Public Company Accounting Oversight Board (PCAOB), the Tennessee Society of Certified Public Accountants, the AICPA or any other similar program conducted by another individual or entity approved by the Board;
 - (b) "Licensee" means certified public accountant or public accountant;
 - (c) "Firm" means CPA firm and PA firm as defined in Tenn. Code Ann. § 62-1-103;
 - (d) "Firm location" means an individual office location of a firm;
 - (e) "Peer Review" shall be defined as in Tenn. Code Ann. § 62-1-103.

Authority: T.C.A. §§ 62-1-105(e)(6) and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 15, 2003; effective December 29, 2003. Amendment filed October 17, 2003; effective December 31, 2003.

0020-06-.02 PURPOSE.

The purpose of the Peer Review Program (Program) is to improve the quality of financial reporting and to assure that the public can rely on the fairness of presentation of financial information on which licensees issue reports. Appropriate educational programs or rehabilitation procedures will ordinarily be recommended or required where professional services do not comply with applicable professional standards; however, when a licensee is unwilling or unable to comply with such standards, or a licensee's professional services are so egregious as to warrant disciplinary action, such action may be taken as the appropriate means of protecting the public interest.

Authority: T.C.A. §§ 62-1-105, 62-1-111, and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-06-.03 REVIEW COMMITTEE.

- (1) The Board shall appoint a peer review oversight committee (the Committee) to assist it in the implementation of the Program. The Committee shall be comprised of three licensees in

(Rule 0020-06-.03, continued)

good standing, one from each grand division of the state. Committee members shall serve for a term of three (3) years but may be reappointed by the Board at the end of each term.

- (2) Each committee member shall:
 - (a) Be an actively licensed CPA in good standing, and
 - (b) Possess accounting, attest and peer review experience deemed sufficient by the Board.
- (3) The responsibilities of the Committee shall include the following:
 - (a) Developing procedures for the internal operation of the review.
 - (b) Developing criteria for approval of reviewers.
 - (c) Assisting in the selection and training of reviewers.
 - (d) Developing and recommending a system for the selection of reports and/or workpapers to be reviewed.
 - (e) Evaluating the determinations and recommendations of the reviewers.
 - (f) Compiling and reporting the statistics on the impact and effect of the Program.
 - (g) Monitoring approved peer review programs and reporting periodically to the Board on whether these programs meet the requirements of these rules and Tenn. Code Ann. §62-1-201 et seq.
 - (h) Considering such other matters and performing such other duties regarding the Program as may be necessary from time to time.

Authority: T.C.A. §§ 62-1-105, 62-1-111, and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed August 15, 2006; effective October 29, 2006.

0020-06-.04 BASIC REQUIREMENTS.

- (1) Each firm location required to hold a permit to practice under Tenn. Code Ann. § 62-1-108, which performs attest services, shall be covered by a peer review at least once every three (3) years with a report of that review to be submitted to the Committee. 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.
- (2) Each firm that performs one or more audit engagements shall have an on-site peer review. Firms that perform only compilations or reviews in accordance with SSARS shall have either an on-site or off-site peer review.
- (3) Each firm is responsible for having the review(s) performed at its own cost by a reviewer approved by the Committee or in the alternative, submitting proof of compliance with an approved peer review program.
- (4) Failure of a firm to be enrolled in a board-approved peer review program in a timely manner will result in the denial of the firm's permit to practice.
- (5) Firms with multiple locations may submit a single peer review report covering all locations.

(Rule 0020-06-.04, continued)

- (6) Firm locations not providing attest services shall not be required to undergo a peer review
- (7) The Peer Review Program of the Board does not provide for reviews of Audits of Governmental Grant Recipients, Publicly Traded Companies, or Financial Institutions. Those reviews must be obtained through one (1) of the other approved peer review programs.
- (8) Firms receiving peer reviews under the PCAOB program will also be required to have a peer review under an approved peer review program that covers the portion of the firms' practice not regulated by the U.S. Securities and Exchange Commission.

Authority: T.C.A. §§ 62-1-105 and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012.

0020-06-.05 REVIEWERS AND REVIEWS.

- (1) All individuals desiring to perform peer reviews within the scope of this chapter must be approved by the Committee prior to undertaking such performance. Approval shall be granted upon proof that the individual:
 - (a) is a licensee in good standing, actively engaged in providing attest services, possesses adequate accounting and/or attest experience and has a current knowledge of applicable professional standards, and
 - (b) has completed a peer review training course(s) that has been approved by the Committee and completes a refresher review course every three (3) years hereafter.
- (2) Each reviewer shall determine and report to the Committee with respect to each engagement that is reviewed:
 - (a) Whether or not the engagement is in general conformity with applicable professional standards, and
 - (b) If not, in what regard the engagement contains significant departures from professional standards, and
 - (c) Any recommendations concerning the possible improvement of the quality of the firm location's professional services.
- (3) The review shall be performed and the report issued in a manner and form approved by the Committee.
- (4) Any firm location under review may submit to the Committee a response to the determinations and recommendations contained in the review report.
- (5) The identities of the sources of financial statements, reports and workpapers, received by the reviewer from a firm location, shall be preserved in confidence.
- (6) Reports submitted for review and the comments and workpapers related thereto of reviewers and of the Committee shall be retained for a period of at least three (3) years or until acceptance of the firm location's next peer review, whichever is greater in time. These items and documents shall be preserved in confidence except to the extent that they are communicated to the licensee and firm location which issued the report(s) and to the extent

(Rule 0020-06-.05, continued)

that consideration of remedial or disciplinary action is appropriate pursuant to Rule 0020-06-.06.

Authority: T.C.A. §§ 62-1-105(e)(6), 62-1-111(a)(12) and (14), 62-1-201, and 62-1-202. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed October 17, 2003; effective December 31, 2003.

0020-06-.06 PEER REVIEW RESULTS.

- (1) If the results of a peer review reveal that the professional services of a firm location are in general conformity with applicable professional standards, and the Committee concurs, the firm shall be notified of the acceptance of the review.
- (2) If the results of a peer review reveal significant or certain departures from applicable professional standards, and the Committee concurs, the Committee may:
 - (a) Require the firm location to undergo an additional on-site or off-site review;
 - (b) Require any individual licensee who had responsibility for the professional services in question to successfully complete specific courses or types of continuing education as specified by the Committee;
 - (c) Require that the firm location responsible for the professional services submit all or specified categories of its engagements for a preissuance review in a manner and for a duration prescribed by the Committee; and/or
 - (d) Inform the Board that the firm is not in compliance with the Peer Review Program if it appears that the firm location is unwilling or unable to comply with the Program, or the departures from professional standards are so serious as to warrant consideration of possible disciplinary action.
- (3) The costs of the remedial requirements imposed under subparagraphs (2)(a), (b) and (c) shall be borne by the firm.
- (4) The results of any remedial requirements imposed under this rule are subject to review and approval by the Committee or the Board's staff.

Authority: T.C.A. §§ 62-1-105(e)(6); 62-1-111(a)(12) and (14) and 62-1-201. **Administrative History:** Original rule filed August 2, 1996; effective October 16, 1996. Repeal and new rule filed June 10, 1999; effective August 24, 1999.