

MINUTES

SC Department of Labor, Licensing & Regulation
Board of Accountancy

Board Meeting

Monday, August 19, 2013, through Wednesday August 21, 2013
SYNERGY OFFICE PARK
KINGSTREE BUILDING, ROOM 108
110 CENTERVIEW DRIVE
COLUMBIA, S.C. 29210

NOTE: These minutes are a record of the motions and official actions taken by the Board and a brief summary of the meeting.

1. Call to Order

Donald H. Burkett, CPA, Board Chair, was present and called the board meeting of the South Carolina Board of Accountancy to order on August 19, 2013, at 9:05 a.m., with a quorum present. Other Board members present were: Mark Crocker, CPA, Vice Chair, Ms Ellen K. Adkins, CPA, Ms Christi P. Cox, Esq, Tanya Greenlee, CPA, David Nichols, Accounting Practitioner, and Walter Kannaday, III, CPA.

MOTION

Mr Nichols made a motion that the Board excuse Mr Gary Forte from the Board meeting. Ms Adkins seconded the motion which carried unanimously.

LLR staff members participating in the meeting included: Doris Cubitt, Administrator, Michael R. Teague, Administrative Assistant, Amy Holleman, Administrative Assistant, Sara McCartha, Advice Counsel, and Sharon Wolfe, Chief Investigator, Office of Investigations and Enforcement.

2. Adoption of agenda.

MOTION

Mr Kannaday made a motion to accept the agenda for as written. Mr Nichols seconded the motion, which carried unanimously.

3. Complaint & Investigative Activity

Ms Cubitt briefed the Board regarding the 13 Active Cases, eight Closed Cases, and six Do Not Open Cases. (See attached)

4. Approval of April 25, 2013, Meeting Minutes.

MOTION

Mr Crocker made a motion to accept the minutes as written. Mr Nichols seconded the motion, which carried unanimously.

Approval of June 13, 2013, Emergency Called Meeting Minutes.

MOTION

Mr Kannaday made a motion to accept the minutes as written. Mr Crocker seconded the motion, which carried unanimously.

5. General Counsel Activity

Mr Rogers briefed the Board regarding the Office of General Counsel's case load (See attached).

6. Administrator's Report

Ms Cubitt discussed the following items:

- LLR is reissuing badges to allow entry into the building during normal business hours from the rear entrance as it is now currently locked to the public. Badges will be picked up and returned today.
- Our next Board meetings are scheduled for November 14, 2013, December 5, 2013, and January 23, 2014. We may have such a light agenda for the December meeting that it may be cancelled.
- Financial reports are provided (attached). A reminder that renewals will again start around mid October and have to renew by January 31, 2014.
- LLR has provided staff with a new phone system which allows management to track statistical information regarding the numbers of calls, how quickly calls are answered, and many other functions. Traditionally the Accountancy Board comes out well on these reports and provides good customer service. LLR as a whole has improved since management has been tracking it.
- We are excited about Accountancy's new Facebook page which went live last week. There were postings everyday last week; however, our goal is to have at least two postings every week. You, as Board members, are invited to provide submissions to be posted to the page. We have been liked by over 300 visitors as of this morning.

Mr Burkett stated that we should notify schools about the Facebook page.

Doris said that we have sent out an eBlast to all licensees regarding the Facebook page. Grades for the CPA Exam will not be posted to Facebook.

- We need to know how to treat people regarding 2012 CPE.
 - Individuals may have completed their CPE during calendar year but did not turn it in by the January 31st date.
 - Then, some did not finish in the calendar year and submitted it later in 2013. There should be a minor fine to be fair to those individuals that did turn it in or completed on time. Nothing as severe as suspension like North Carolina does. We will provide a proposed fine scale.

7. New Business

A. Consideration of allowing a disciplined CPA to work in a CPA Firm (Regulation 1-10D)

Mr H. Wesley Kirkland, Jr., Esq. introduced himself and is representing Camp, Moring & Cannon, LLC. He also represented Mr George Wise (former CPA) during Mr Wise's felony DUI case. Mr Wise is due to be released in February 2014. Mr Wise is also a former partner of the firm. Mr John Camp asked Mr Kirkland to present the request to the Board to make an exception to allow Mr Wise to join the firm, after he is released from the penitentiary, to complete 6-months of experience in order to have his CPA license reinstated.

MOTION

Ms Cox made a motion to go into executive session to receive legal advice. Ms Greenlee seconded the motion, which carried unanimously.

MOTION

Ms Adkins made a motion to come out of executive session. Mr Kannaday seconded the motion, which carried unanimously.

Mr Burkett stated no votes were taken during the executive session.

MOTION

Ms Cox made a motion to defer the decision to issue a license to Mr Wise until he has been released from prison, and he has had time to submit an application for reinstatement. Mr Nichols seconded the motion, which carried unanimously.

B. Consideration of Experience of Dan Temple

Ms Cubitt explained to the Board that Mr Temple works in industry in Charleston while his supervisor is in Vermont. Normally Ms Cubitt can approve an individual's experience; however, when there are unusual circumstances, such as this, she will submit the experience for the Board's decision.

C. Consideration of extending 18-month window to complete CPA Exam.

1. Rebekah Greer-Carney (Closed Hearing)

Mr Kannaday recused himself due to the fact that he was Ms Carney's recruiter in 2012.

Ms Cubitt explained that Ms Greer-Carney is requesting a 12-month extension of the two CPA Exam sections she had already passed.

2. Ellen Cole (Closed Hearing)

Ms Cubitt explained that Ms Cole is requesting a six month extension of her REG section of the CPA Exam.

D. Consideration of refunding \$500 Reinstatement Fee and Consent Agreement for Reinstatement of Individual CPA.

Ms Cubitt said that Mr Charles Reynolds is asking for the \$500 Reinstatement Fee to be waived based on his unemployment status and other mitigating circumstances; however, the reinstatement fee is specifically stated as \$500 in Section 40-2-250(E) and does not allow the Board any latitude to make changes. During the first year the \$500 Reinstatement Fee was instituted the Board did allow a sliding scale regarding the \$500 reinstatement fee. But going forward the Board has not granted any waivers or abatements.

During the review of Mr Jeffrey Cox's reinstatement it was determined that he was the Manager of the firm Cox, Cauley & Rockwell, LLC and was holding out to the public as a CPA while his CPA license was lapsed. The Character & Fitness committee did recommend a Consent Agreement which he has fully complied with; however, due to an administrative oversight, the signed Consent Agreement was never submitted to the Board for their review.

MOTION

Mr Crocker made a motion to accept the Consent Agreement as written regarding Mr Cox. Mr Nichols seconded the motion, which carried unanimously.

- E. Consideration of State Specific Ethics Courses as submitted by CPE Sponsors.
Ms Cubitt said we have received several state specific ethics courses from CPE sponsors; however, two sponsors developed their courses around the total six hours required for the three year period. Those two courses have been sent back to the sponsors indicating that we would only approve two hour courses. She also mentioned that the Board has approved two other courses pending her review. As CPE sponsors are sending in their courses they are being told that Ms Cubitt is the one conducting the review as time is available.

MOTION

Ms Greenlee made a motion to approve the submitted courses pending Ms Cubitt's review. Ms Adkins seconded the motion, which carried unanimously.

- F. Consideration of AICPA's Financial Reporting Framework (FRF) for Small & Medium-sized Entities (SMEs).
Mr Burkett addressed the Board regarding the implications toward South Carolina CPAs as the statute does not cover it. He also asked Erin Pate from the South Carolina Association of CPAs (SCACPA) to help explain the situation.

Ms Sharon Mann introduced herself as the current Chair for SCACPA. She indicated that SCACPA, on behalf of the American Institute of Certified Public Accountants (AICPA), has supported the framework for SMEs. The AICPA and SCACPA are considering Other Comprehensive Basis of Accounting (OCBOA). In today's changing environment, they recognize there are other things that are needed for small and medium sized business besides just tax or Generally Accepted Accounting Principles (GAAP) based financial statements. So, SCACPA is asking the Board to not publically oppose the Framework, and to allow the National Association of State Boards of Accountancy (NASBA) and the AICPA to work out the Framework together. She said AICPA has offered to send someone to speak to the Board regarding FRF if the Board would like.

Ms Cubitt added she heard concerns from other state boards while attending the Eastern Regional Meeting. The consensus was that other state boards want NASBA and the AICPA to work out the Framework, but some of the states have serious concerns about it because of the standards setting issue. If you open the door to allow organizations to set standards, currently the Financial Accounting Standards Board (FASB) sets the standards, then how are you going to keep other organizations from wanting to set standards that may not be equivalent standards?

Mr Burkett added that it was not all about the Financial Reporting Framework but more about AICPA is not a rule making body. If a CPA prepares a financial statement based on FRF two years from now and it is not part of our statute or regulations and they come before the Board, how will we handle something like that? He does not want any CPAs to be caught in a trap. The Tennessee Board has accepted the framework totally; however, North Carolina has taken it under advisement and told their CPAs to be careful if they do decide to use the FRF method as it may not be acceptable. The argument the state boards have is that they do not want any other organization to set standards other than FASB.

Ms McCartha added that the Board's statute does not have any definitive game plan. South Carolina is on the front end of the situation nationally other than Tennessee and North Carolina. She has asked her colleagues from around the nation, and there are several other states that are considering it in the next couple of months. Ms McCartha drafted two different documents for the Board to consider.

MOTION

Mr Nichols made a motion to table any action until the November meeting. Ms Cox seconded the motion, which carried unanimously.

G. Consideration of In-State Firm Reinstatement Consent Agreements

MOTION

Ms Adkins made a motion to accept the Consent Agreements as presented. Mr Kannaday seconded the motion, which carried unanimously.

H. Succession Planning of Firms

Ms Cubitt said the Succession Planning item relates to Regulation 1-12 and the Emergency Meeting on June 13, 2013. The firm that took over the CPA's client records is willing to keep the records through the upcoming tax season for those people who did not pay attention to the notices so when they get ready to do their taxes the firm would still have them; however, they want to know how long after tax season they should maintain the records.

Ms Cox asked why the firm would do anything different from the protocol they would do for their own clients. Ms Cubitt said the firm currently maintaining the records is on a voluntarily basis. Electronic records are not a problem; however, paper records are taking up needed space.

Ms Cubitt added that, included in the Board packages, is a letter from Judge Toal, telling all the attorneys that they must have a succession plan listing someone to step up when needed. Part of the letter also indicates that there is a pool of attorneys to choose from rather than assigning attorneys. We may want to study their rules to see if we want to make changes to ours.

Mr Burkett mentioned that we should respond back to the firm, maybe not at this meeting, but from the November meeting. He also said that Ms Cubitt contacted the firm and asked them to help in the situation; however, we were later told that legally it was not a request but an assignment. We need to let them know we are researching the issue and will get back with them. This issue should be tabled until next meeting, definitely place it on the next agenda.

Ms McCartha added some suggestions:

- Identify a separate section in the practice act or amend Section 40-2-90 rather than having it in the regulations giving it more teeth when needed.
- How long the records should be retained?
- What should a CPA do in regards to a succession plan?
- Should they be required to have a CPA on record with the Board that should be responsible for their files in case of incapacity or death of the licensee?

- Should they be required to maintain a letter designating a specific CPA, easily accessible in case needed to where, if the Section is passed allowing for inspection powers, that would be checked off on by a CPA investigator?

Ms Cubitt also suggested having a committee to look at the changes for the attorneys and how to make changes to our practice act. Committee Members: Ms Cubitt, Ms Cox, Ms Greenlee and Ms McCartha.

I. Review of CPE Exemption for persons serving on Active Military Duty

Ms McCartha informed the Board that this section is in LLRs Engine Bill. The Practice Act normally trumps the Engine Bill unless it is silent on a certain subject. There is an attorney in the Advice Counsel section reviewing this issue in depth for a number of different reasons and to determine the best way to implement it and also to quantify exactly what is considered Active Military Duty. Once a report is finalized Ms McCartha will bring the information to the Board.

J. Potential Legislative Changes

Ms Cubitt said the list the Board has are items that have come up since our last update and as issues have arisen. Some of the issues are regarding statutes, and some are with the regulations. We need to add the succession planning on this list too. Mr Burkett asked that this be placed on the November agenda so we can spend some time on it. He also asked the Board members to let Ms Cubitt know of any other additions.

K. Approval of CPA Exam grades

MOTION

Mr Kannaday made a motion to approve the 2013 2nd Quarter CPA Exam grades. Ms Adkins seconded the motion, which carried unanimously.

MOTION

Mr Nichols made a motion to go into executive session to receive legal advice. Mr Kannaday seconded the motion, which carried unanimously.

MOTION

Ms Greenlee made a motion to come out of executive session. Mr Kannaday seconded the motion, which carried unanimously.

Mr Burkett stated no votes were taken during the executive session.

MOTION

Item 7(B) - Ms Greenlee made a motion to accept Dan Temple's experience for his application for a CPA License. Mr Kannaday seconded the motion, which carried unanimously.

MOTION

Item 7(C)(1) - Mr Nichols made a motion to grant Ms Greer-Carney's request to extend both the REG and BEC sections expiration dates to 1/31/2015. Ms Adkins seconded the motion, which carried unanimously.

MOTION

Item 7(C)(2) - Ms Adkins made a motion to deny Ms Cole's request to extend the REG section expiration date by six months. Mr Kannaday seconded the motion, which carried unanimously.

MOTION

Item 7(D) - Mr Crocker made a motion to deny requests to waive or reduce the \$500 reinstatement fee. Mr Kannaday seconded the motion, which carried unanimously.

8. Public Comments

No Public Comments

MOTION

Ms Cox made a motion to delegate the decision making authority to hear two pre-hearing motions to Mr Burkett as to not taint the entire Board with the issues. Mr Kannaday seconded the motion, which carried unanimously.

Lunch

- 9.** Hearing (OIE Case #'s 2010-24, Dorn, Henry; 2010-27, Dempsey, Kevin; 2010-28, Greene & Company; 2011-16, Hazel, Christopher; 2012-13, Argo, Joseph; 2012-14, Willoughby, Michael

Recessed on August 19, 2013, at 5:30 p.m.

Reconvened on August 20, 2013, at 9:00 a.m.

Recessed on August 20, 2013, at 6:15 p.m.

Reconvened on August 21, 2013, at 9:00 a.m.

MOTION

Mr Nichols made a motion to go into executive session to receive legal advice. Mr Kannaday seconded the motion, which carried unanimously.

MOTION

Mr Kannaday made a motion to come out of executive session. Mr Nichols seconded the motion, which carried unanimously.

Mr Burkett stated no votes were taken during the executive session.

10. Motions of afore mentioned hearing:

MOTION

Ms Adkins made a motion that the Board find Mr Henry Dorn in violation of all counts alleged in the complaint. Further, a motion is made that sanctions to be imposed as follows: permanent revocation of his license to practice as a CPA, effective immediately, a fine of \$582,000, which is the maximum fine permissible, and the state

should be reimbursed for investigative costs to them in this action. Ms Cox seconded the motion, which carried unanimously.

MOTION

Mr Nichols stated that the Board already voted to accept the Memorandum of Agreement and heard mitigation regarding Mr Dempsey. Therefore he made a motion to permanently revoke his license immediately and impose a \$10,000 fine. Ms Adkins seconded the motion, which carried unanimously.

MOTION

Ms Greenlee stated that the Board already voted to accept the Memorandum of Agreement and heard mitigation regarding Mr Hazel. She also made a motion to impose a six (6) month suspension, followed by a five (5) years of probation, during which he must have onsite supervision by a licensed CPA in good standing. Mr Hazel must also complete the eight (8) hour Professional Ethics: AICPA's Comprehensive Course during his first year of probation. Annually thereafter, he must complete the AICPA annual update and refresher course in professional ethics, in addition to any other South Carolina ethics requirement. Further, we impose a fine of \$10,000. Violation of any of these conditions during the probation period will result in immediate administrative suspension. Mr Kannaday seconded the motion, which carried unanimously.

MOTION

Mr Kannaday made a motion to dismiss all charges against Mr Argo and Mr Willoughby as no violations were determined. Mr Nichols seconded the motion, which carried unanimously.

MOTION

Mr Crocker made a motion to find the firm Green and Company, LLP in violation of all counts subscribed in the State's formal complaint. Sanctions will include a \$42,000 monetary fine, investigative costs, five (5) years of probation, with the following conditions: All partners, including partners in training, must take the following CPE courses in addition to the normal CPE required by South Carolina law, the eight (8) hour Professional Ethics: AICPA's Comprehensive Course, the AICPA's Get Ready for Peer Review – Upcoming Peer Review: Is Your Firm Ready? course. These two courses should be taken within 12 months and must be live courses. Additionally, annually, for the probationary period, partners must take an extra two (2) hour AICPA Ethics Update. The firm shall obtain an external Peer Review for each of the probationary years. In addition, the firm must implement the suggestions from the Exhibit Hazel – 1 from paragraphs 2 through 10 within the next 12 months. Failure to comply with these sanctions will result in immediate administrative suspension. These sanctions apply to Green and Company, LLP and any successor firm. Ms Adkins seconded the motion, which carried unanimously.

Ms McCartha said before the Board went into Executive Session, the State handed her an affidavit of costs and asked Mr Burkett if it could be marked as a Board's exhibit. Mr Burkett said, "Yes".

11. **Adjournment**

MOTION

There being no further business to be discussed at this time, Mr Kannaday made a motion the meeting be adjourned. Ms Adkins seconded the motion, which carried unanimously.

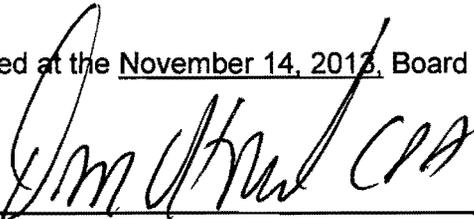
The August 21, 2013, meeting of the SC Board of Accountancy adjourned at 6:10 p.m.

Respectfully submitted,



Doris E Cubitt, CPA
Administrator

Approved at the November 14, 2013, Board Meeting.



Donald H. Burkett, CPA, Chair