

Minutes of the South Carolina Board of Accountancy
Thursday, August 23, 2007, at 9AM in Room 108 (Board Meeting)
Synergy Office Park, Kingstree Building, 110 Centerview Drive
Columbia, South Carolina

Donald H. Burkett, CPA, Vice-Chair, called the Board Meeting of the South Carolina Board of Accountancy to order on August 23, 2007, at 9:05 a.m., with a quorum present. Other Board members present were Mark T. Hobbs, CPA; Bobby R Creech, Jr., CPA; John Camp, CPA; Joyce Green, Public Member; and Wendell Lunsford, Accounting Practitioner.

Based on advance notice, the absence of Anthony Callander, CPA was excused from the Board meeting.

Staff members participating in the meeting included: Doris E. Cubitt, Administrator, and Michael R. Teague, Administrative Assistant.

Guests in attendance were Joseph Barber, Stephen Marko, Tom Stephenson Attorney for KPMG, Patrick and Karen Erwin, Paula McGargle Office of General Counsel for LLR, Sharon Dantzer Office of General Counsel and Erin Hardwick from the SC Association of CPA's (SCACPA). Jennifer L. Weber from Garber Reporting Service was the court reporter.

The Chair announced the meeting was held in accordance with section 30-4-80 of the South Carolina Freedom of Information Act by notice mailed to The State Newspaper, Associated Press, WIS-TV, and all other requesting persons, organizations, or news media. In addition, Board Staff posted notice on the bulletin board at the main entrance of the Kingstree Building.

The Board observed a moment of silence after which Mark Hobbs led all present in the Pledge of Allegiance.

1. On motion by Bobby Creech, seconded by Mark Hobbs, and unanimously passed, an amended agenda was adopted for the meeting. Mr. Tom Stephenson accepting a Consent Agreement on behalf of his client KPMG, and moving item 10(A)6, Mr Joseph Barber's request to alternatively obtain the six month experience requirement to top of agenda.
2. On motion by Mark Hobbs, seconded by Wendell Lunsford, and unanimously passed, the minutes of the meeting held on June 21, 2007 were approved.
3. The Board heard discussion concerning KPMG's acceptance of a Consent Agreement as a result of disciplinary action by the SEC due to tax shelters. Mr. Tom Stephenson, representing attorney for KPMG, spoke and answered questions on their behalf regarding the Consent Agreement.

After discussion by Mr. Stephenson and Board Members on motion by Mark Hobbs, seconded by Joyce Green, and unanimously passed, the Board went into Executive Session to receive legal counsel. On coming out of executive session on motion by Bobby Creech, seconded by John Camp, and unanimously passed,

the Chair announced that no votes were taken while in executive session.

On motion by Mark Hobbs, seconded by John Camp, and unanimously passed, the Board voted to approve the consent agreement as presented. (Copy Attached)

4. On motion by John Camp, seconded by Mark Hobbs and unanimously passed, the Board voted to accept Joseph Barber's request to have his North Carolina CPA partner sign off on his six (6) months of experience application while he is in South Carolina.
5. The Board held a Reinstatement Application hearing for Patrick Erwin, CPA #2580. Sharon Dantzler acted as advice counsel to the Chair.

After the respondent presented his testimony and answered questions from the Board, on motion by Bobby Creech, seconded by Mark Hobbs, and unanimously passed, the Board went into Executive Session. On coming out of executive session on motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Chair announced that no votes were taken while in executive session.

On motion by Bobby Creech, seconded by Mark Hobbs and unanimously passed, the Board voted to deny Patrick Erwin's request to reinstate and assessed him a \$500 penalty. Mr Erwin must perform suitable rehabilitation before he can apply for reinstatement.

6. The Board held a Reinstatement Application hearing for Stephen Marko, CPA, #3188. Sharon Dantzler acted as advice counsel to the Chair.

After the respondent presented his testimony and answered questions from the Board, on motion by John Camp, seconded by Wendell Lunsford and unanimously passed, the Board went into Executive Session. On coming out of executive session on motion by John Camp, seconded by Mark Hobbs, and unanimously passed, the Chair announced that no votes were taken while in executive session.

On motion by Bobby Creech, seconded by Mark Hobbs and unanimously passed, the Board voted to deny Stephen Marko's request to reinstate and assessed him a \$1,000 penalty.

7. Complaint & Investigative Activity:

A. Consent agreements and other special matters:

Merland A. Poston, CPA #5667 Case #2006-22. On motion by John Camp, seconded by Mark Hobbs, and unanimously passed, the Board approved the consent agreement as presented. A copy is attached to these minutes and will be made part of the public record.

Richard W. Wooten, CPA #2784 Case #2005-1. On motion by John Camp, seconded by Mark Hobbs, and unanimously passed, the Board did not approve the consent order as presented.

- B. Rion Aldy presented the list of new complaints, and the Board received them as information. (Copy of report attached)
- C. The Board approved the following cases for dismissal on motion by Mark Hobbs, seconded by John Camp, and unanimously passed: Case No's. 2007-2, 2007-13, 2007-16, 2007-18. (Copy of report attached)

8. Information Update

- A. Chair's remarks: None
- B. Advisory Opinions: None

Legislative Update: None

- C. The Board received the Administrator's report as information, and the report contained the following:

Jim Holloway's contracts have been finalized. Ended up doing 2 separate contracts; one for Peer Review and one for helping with investigative cases, reviewing professional standards. LLR will be posting the second contract to see if there is anyone else that would want to help. Mr Holloway is submitting an invoice for work already completed.

LLR gave permission for three out of five Board Members (Donald Burkett, Bobby Creech, and Mark Hobbs) submitted to attend the October National NASBA meeting.

Donald Burkett, Board Chair, asked whether or not the fact that his travel was being paid for by NASBA instead of the State government would have bearing on more Board members being able to attend the meeting. Doris Cubitt told him they did understand that Mr. Burkett's travel was paid for by NASBA which is why they agreed to pay for two other members to attend as well.

For the record, Mr. Burkett stated that he is very disappointed that Board members want to go and cannot because they learn something each time they go and that knowledge is beneficial to the people of South Carolina

Ms. Cubitt agreed that NASBA meetings are educational and that the entire time is spent attending meetings with no time for leisure. She then pointed out that John Camp will be able to attend the June meeting next year at no cost to the state since NASBA pays for new Board members to attend.

Mr. Burkett reiterated that he believes any Board member who wants to go should be approved to go.

Moving on to other business, Ms. Cubitt pointed out a scheduling conflict for the next Board meeting as some of the members would be at the NASBA meeting. The Board decided to move the next meeting to November 8, 2007.

Another Audit Review date was set for September 20, 2007.

D. The Financial Report:

Board members brought up issues with Board finances that included their inability to spend money as they see fit for conferences and to hire personnel they feel are necessary to best serve South Carolina.

Ms. Cubitt explained that LLR charges back, under administrative charges, for investigators and attorneys and there are also fixed charges such as rent, utilities, etc.

Joyce Green asked for an explanation of the charges to which Ms. Cubitt explained that the Department of Labor, Licensing and Regulation has control over the charges but they fall under various categories.

Mr. Hobbs believes that \$270,000 is too high for overhead and that the majority of the Board's spending ought to be for personnel.

Mr. Burkett stated, for the record, that, if the financial statement is correct, the Board operates at \$210,640 surplus a year and has \$804,883 in the bank.

Board members went on to discuss their frustrations with not having the funds available to them to do the things in which they find necessary to protect the interests of South Carolinians to include the hiring of more Board staff and implement more programs such as positive enforcement, The financial discussion then lead to the Mobility issue.

According to Ms. Cubitt's findings, if South Carolina participates in Mobility, the Board of Accountancy will lose about 30% of their revenue which is generated by out of state firms, substantially equivalent CPAs, and CPAs living in other states. Mr. Burkett brought up the issue of raising rates, and Ms. Cubitt noted that raising rates is something to consider, but that there will be argument from CPAs who only practice in one state and are upset to be paying more.

9. Old Business. There was no old business
10. New Business

A. Peer Review Committee: Mark Hobbs

Mark Hobbs gave the Board an example of a CPA Firm in Tennessee that had been given an unqualified or clean Peer Review, but it was found that the firm had quite a few substandard audit reports in the past which brought up the question of how you make sure Peer Reviewers are doing their jobs. According to Mr. Hobbs, the Chair of the AICPA feels state societies should be doing further oversight to make sure this is happening, which is what Mr. Holloway is supposed to be doing when he goes to Peer Review meetings. The AICPA was in South Carolina last month, and they conducted a pretty tough oversight. Mr. Hobbs thinks everything is going well there, but we are having struggles explaining the Peer Review process to some licensees which requires a lot of time trying to educate people when they have to have a peer review and when they shouldn't. Mr. Hobbs spoke with Erin Hardwick of the SC Association of CPAs (SCACPA) the day prior to the Board meeting, and she said they we're making good progress in getting the firms enrolled, but there are still 70 to 80 firms that haven't signed up for peer review. We may have to asses' penalties against them if they haven't signed up in the Peer Review program. He wanted to know if Board staff had been working on such a list.

Ms. Cubitt informed the Board that staff is working on a list to determine which licensees said they signed up for Peer Review, later found out it was not necessary for their firm, and did not then notify the Board that they did not need a Peer Review as well as those licensees who told the Board that they either had a Peer Review within the last 3 years or were signed up for a program and have not signed up. If licensees were not honest on their renewals, the Board needs to determine how to address that. Staff does not yet have an accurate number of these firms.

Mr. Hobbs let his fellow Board members know that they will need to discuss how to handle those firms at the next meeting, and then he moved on with the Peer Review report giving an example of some of the confusion licensees are experiencing by telling of an Accounting Practitioner who hired Mr. Hobbs to do his Peer Review. The Accounting Practitioner did not actually need a Peer Review as he only issues "Management Use Only" statements. Mr. Hobbs spoke with Glenna at SCACPA who says she is having the same dialogue with a lot of people. The process, it seems, is much more difficult than we originally thought it would be.

Mr. Hobbs tells licensees who he finds do not need Peer Review to call SCACPA and remove themselves from the Peer Review Program. Ms. Cubitt pointed out that those licensees also need to notify Board staff so we will be sure to mention this in the next Board of Accountancy newsletter. Mr. Hobbs agreed to write a piece for the newsletter.

B. Report of Education/Experience Committee: Bobby Creech

No Report

C. Report of CPE Committee: Bobby Creech

1. Bobby Creech introduced a common question received regarding CPE hours for teaching. The question was posed, "If you taught a course, will you get the credit under the old regulations up to the date the new regulations were passed into law?" The question was sent to Doris, who spoke to Sharon who stated that the Board must make a decision on the matter.

The question remained, if professors were counting on 20 hours CPE credit for courses they taught before May 25, 2007, even though the professors had plenty of time to earn more credit between May and the year end, can we still allow the professors to count the 20 hours for the year 2007. Mr. Burkett said that he believed we should accept the hours since we cannot hold a licensee responsible to something before the regulations were in effect. Mr. Creech agreed and noted that we could only accept the hours based on old regulations for courses taught before May 25, 2007. Summer and Fall courses could not count the same.

In addition, Mr. Burkett noted that Board staff should notify licensees of the regulation change for teaching hours. Mr. Creech agreed and noted that once professors have been audited, we should be sure to notify them specifically. Ms. Cubitt informed the Board members that we can and will put a notice on our website and in the accounting educator's information.

2. Bobby Creech reported on CPE audits. The staff did initial audits on all CPE reports that came in, and Mr. Creech and Ms. Cubitt followed up with a more in-depth audit of each. So far, approximately 1/3 of the audits show questionable finds.

There were a wide range of notes amongst the questionable finds. An example of this was that The Safeguard CPE sponsor does not have the course name, and those kinds of issues need to be addressed to the provider of the courses as well as to the licensee. Another example of questions staff noted includes whether or not something qualifies as a certificate. Does, for instance, the in-house summary that Ernst & Young provide their employees qualify. Mr. Creech said that he and Ms. Cubitt agree it should since we accept the summary from SCACPA as the qualifying certificate of completion/attendance.

Approximately half of the audits have been reviewed thus far. Of those, there is a box that needs to be returned to licensees as we need further information/clarification or we found the licensee in default on his/her CPE.

According to Mr. Creech, the biggest issues stem from personal development, which is an area many do not completely understand. An example he used was a licensee who claimed a training session he attended with the Billy Graham Crusade Ministry. It was difficult to see how this training would help the licensee's CPA performance. The Board was asked how to define personal development and know what qualifies.

There was lengthy discussion on various areas of study and how that area would count for CPE. Ms. Cubitt pointed out that traditionally Personal Development covered time management, effective management, computer courses that cannot be linked to the accounting profession, and other business development areas that were not directly linked to the accounting profession. Mr. Creech noted that many licensees are reporting network security, MS Outlook, MS Word, and things of the like that should be reported as Personal Development as regular CPE to which Mr. Burkett responded that he could see where network security would be regular CPE for a licensee in a firm if the licensee were administering the network for the firm. Mr. Creech noted that due to situations such as the one Mr. Burkett brought up, Board staff would be sending letters to licensees with questionable CPE asking why those individuals reported something as regular CPE instead of Personal Development, and this is part of the process he mentioned prior where we would be sending CPE back for more information.

There are still many issues that must be addressed. What is continuing education? Does everybody that conducts a seminar provide a continuing education certificate? Is the continuing education seminar set up as outlined in the regulations? The regulations clearly state that sponsors must maintain attendance records and issue certificates in order for a course to be valid for CPE.

Mr. Hobbs pointed out that oversight of sponsors is different than auditing the CPE of participants. Ms. Cubitt noted that if a sponsor does not meet the qualifications to be a sponsor then the CPE is not valid to begin with, and licensees are responsible for taking acceptable CPE.

Mr. Burkett brought up the problem of individuals who either come sign in at the beginning of a seminar, leave, and return again to have his/her certificate signed or who use the seminar time to conduct other business via computer, cell phone, and other mobile devices. He pointed out that this is a problem he has encountered both in South Carolina and, recently, in California. Not only is such behavior unacceptable in terms of the individual's CPE, but it also can be very distracting for others attending the seminar as well. If Board staff or members find anything during audits that is evidence of not actually attending or conducting other business during a seminar, Mr. Burkett pointed out that it is the Board's responsibility to get to the

bottom of those. Ms. Cubitt told the Board that she has called people out on this at various CPE she attended and explained to them that if they do their work and do not disturb other, it is fine, but they cannot claim CPE credit if they spend time in the seminar doing anything other than paying attention to the seminar. Mr. Burkett suggested a list of activities that are not permitted during CPE, and Ms. Cubitt pointed out to the Board that, as Board members, it is their duty to say something if they are attending a CPE event and notice other individuals doing things they should not be doing in the CPE environment.

Regarding individuals not staying for an entire CPE seminar, Ms. Cubitt advised the Board that some organizations, such as SCACPA, require individuals to sign out if leaving the seminar for a period of time, but that not all individuals follow this rule. Even when a person signs out and is gone for a long period of time, SCACPA does not do anything to reflect the missing time on their certificates as it is up to the individual attendees to record his/her own time on his/her certificate. Many organizations that offer CPE operate this way. Mr. Burkett suggested Ms. Cubitt have a conversation about this with the administrative staff at SCACPA, and Mr. Hobbs added that it is difficult for a membership organization to be tough on members. SCACPA needs the Board to tell them they must dock hours for time out of the seminar so that they can require attendees to back out of the hours based on orders from the Board of Accountancy.

Mr. Creech moved on to other CPE issues that he, Ms. Cubitt, and Board staff encountered while conducting CPE audits. North Carolina does not allow any breakfast or lunch seminars as there is not enough time devoted to learning after individuals have gone through the serving lines. One sponsor, Southern Federal prints on their certificates that North Carolina will not allow CPE credits for those courses. Ms. Cubitt pointed out that the Board needs to vote on policies that cover the types of issues that come up as audits are complete so that they may be posted on the Board's website, sent to sponsors, and passed along through other informative venues.

Mr. Creech and Ms. Cubitt are making up a list of items like a Q&A section regarding the issues that are coming up. We are planning to widely publish these issues so sponsors and licensees know what is and is not acceptable.

Ms. Cubitt commended Mr. Creech for his hard work and diligence with the CPE audits. The process is a very difficult and time consuming one for which his assistance and input has been invaluable.

Next, Mr. Burkett asked for a status update on DowLohnesPrice, Tax Consulting Group, LLC. Ms. Cubitt informed the Board that DowLohnesPrice received a formal letter stating the Board's position and that we agreed to give them some time to reorganize in order to become compliant with our statute and regulations. Ms. Cubitt has not

yet heard from them to finalize everything, but she will follow up with them. Mr. Burkett expressed a need to clear this up as soon as possible

D. Report of Examination/CBT Committee: Anthony Callander

No Report

E. Other Professional Issues Committee: Wendell Lunsford

Focus Questions – Will be answered by Board staff.

F. Report of Qualification for Licensure Committee: Anthony Callander

On motion by Mark Hobbs, seconded by Bobby Creech and unanimously passed, the exam grades for the April/May testing window were reviewed and accepted by the Board.

G. Report of Character and Fitness Committee: John Camp

John Camp told the Board that the Character & Fitness Committee met and worked on standardizing fines and sanctions for Consent Agreements. Board members were given handouts summarizing the meeting. Among the things discussed were revocation for felony offenses and unlicensed firm or firms operating under lapsed registration. The Committee felt strongly that if someone is convicted of a felony, even if the felony is unrelated to the profession, the person's license is to be automatically revoked. They felt that they could standardize penalties for firms that operated without a license or in lapsed status.

Ms. Cubitt informed the Board that OIE asked the Board to come up with standardized penalties for such offenses. If there is only one issue at hand, such as a firm operating without a license, they could bypass the IRC process and OIE could write a Consent Agreement. The Board would still approve all Consent Agreements.

Ms. Cubitt added that the Board has been trying to bring unregistered firms into compliance for the last two years and has been charging fees. It is not unusual for the Board to receive first time firm registrations for offices that have been open anywhere from 6 months to 10 years or for firms to not renew timely. While there is a \$500 reinstatement fee in place for individuals, there is currently no such fee for firms.

Other scenarios can be added, and penalties can be adjusted as the Board sees fit.

Mr. Lunsford asked, on behalf of the Accounting Practitioners, what they would get to do in the event they were revoked for practicing outside the scope of practice. Ms. Cubitt responded by informing the Board that as unlicensed individuals, revoked Accounting Practitioners could do taxes,

bookkeeping, and transmittals of financial reports just as anyone else who is not licensed with the Board.

Mr. Hobbs wondered about CPAs who do a report review and an audit but have not had a system peer review as required because he/she said he/she was doing compilations that omit COs. Mr. Hobbs believes that is also considered practicing outside the scope of practice Since the CPA did not upgrade his/her peer review. They should be revoked too.

Ms. Cubitt noted that when doing this, they were looking at all the Consent Agreements and Board Orders that had done in the past, and that the peer review process was not a past issue.

Mr. Hobbs added that there are now going to be different groups of CPAs from CPAs who are doing everything and CPAs that have a limited practice. Ms. Cubitt assured the Board that we can do a separate Consent Order for CPAs practicing outside the scope after they define what that is. We do not currently have such a definition.

Mr. Hobbs expressed concern for what he sees as a menu driven thing which does not allow the Board flexibility with parameters, and that they may want to look at ranges based on facts and circumstances. Ms. Cubitt assured Mr. Hobbs that this can happen, and that the Board, ultimately, does not have to accept any Consent Agreement. Mr. Burkett pointed out that the Board has sent Consent Agreements back in the past.

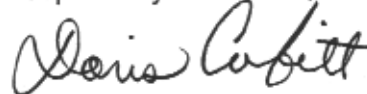
Mr. Lunsford once again added that the Board should make sure all licensees fall under the same rule. Mr. Creech reiterated that this is what Mr. Hobbs was speaking about when he discussed CPAs and Peer Review. Mr. Hobbs added that there ought to be a bit of time allotted for everyone to learn the rules and be on the same page since it can take a couple of years for everything to saturate through the profession and three to four years for everyone to be in compliance.

11. On motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Board went into Executive Session to discuss personnel issues. On coming out of executive session on motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Chair announced that no votes were taken while in executive session.
12. On motion by Donald Burkett, seconded by Mark Hobbs, and unanimously passed, the meeting was adjourned at 3:55pm by the Chair.
13. The next meeting dates are as follows:

2007	
November 8, Thursday (Hearings, if needed)	Room 108
December 6, Thursday (Board Meeting)	Room 108

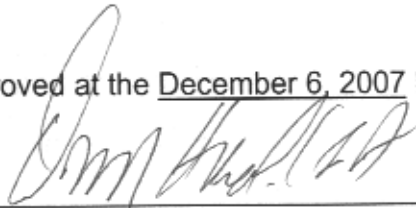
2008	
January 23, Wednesday (Board Meeting)	Room 108
February	No Meeting
March	No Meeting
April 24, Thursday (Board Meeting)	Room 108
May 22, Thursday (Hearings, if needed)	Room 108
June 26, Thursday (Board Meeting)	Room 108
July 23, Wednesday (Hearings, if needed)	Room 108
August 21, Thursday (Board Meeting)	Room 108
September 24, Wednesday (Hearings, if needed)	Room 108
November 8, Thursday (Board Meeting)	Room 108
November 20, Thursday (Hearings, if needed)	Room 201-03
December 11, Thursday (Board Meeting)	Room 108

Respectfully submitted,

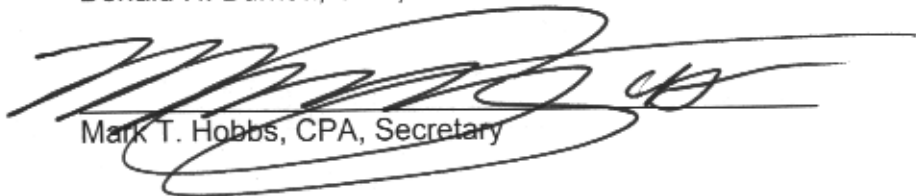


Doris Cubitt, Administrator

Approved at the December 6, 2007 Board Meeting.



Donald H. Burkett, CPA, Chair



Mark T. Hobbs, CPA, Secretary