

Minutes of the South Carolina Board of Accountancy
Wednesday, January 30, 2008, at 9AM in Room 111 (Board Meeting)
Synergy Office Park, Kingstree Building, 110 Centerview Drive
Columbia, South Carolina

Donald H. Burkett, CPA, Chair, called the Board Meeting of the South Carolina Board of Accountancy to order on January 30, 2008, at 9:06 a.m., with a quorum present. Other Board members present were Mark T. Hobbs, CPA; Bobby R Creech, Jr., CPA; John Camp, CPA; and Wendell Lunsford, Accounting Practitioner.

The Board excused the absences of Anthony Callander, CPA and Joyce Green, Public Member, from the Board meeting based on advance notice.

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

Guests in attendance were Sharon Dantzler, Office of General Counsel; Rion Alvey, Program Manager for Office of Investigation and Enforcement (OIE), along with Sharon Wolfe, and Maurice Smith; Erin Hardwick from the SC Association of CPA's (SCACPA); and Gale Bell representing the SC Society of Accountants.

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, the Board adopted the agenda as presented.
2. On motion by John Camp, seconded by Mark Hobbs, and unanimously passed, the Board approved the minutes of the meeting held on December 6, 2007.
3. Complaint & Investigative Activity:

A. Consent agreements and other special matters:

Norman D. O'Steen, AP #458 Case #2007-27. 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 M. Wooten, CPA #2785 Case #2005-1. 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.

John Camp asked about being able to suspend licensees if the Board staff finds out about wrong doings that licensees maybe involved in. Sharon Dantzler indicated that if the license can be suspended immediately if the conviction is an immediate threat to the public then we can seek a Temp Suspension Order through the General Council.

Board Member Bobby Creech asked whether or not the Board staff was allowed to review Consent Agreements and Final Orders prior to them being sent out to the respondents. Ms Cubitt indicated that she and her staff are not privy to the documents before they are mailed to the respondents. Bobby Creech asked Sharon Dantzler if it is possible that Board Staff have the opportunity to review all Consent Agreements and Final Orders prior to them being mailed and she stated that there should be no reason why they should not be reviewing them.

- B. Doris Cubitt presented the list of new complaints, and the Board received them as information. (Copy of report attached)
- C. No cases were dismissed

4. Information Update

- A. Chair's remarks:
Donald Burkett attended the National Association of State Boards of Accountancy (NASBA) Board of Directors meeting. Board members should follow the upcoming changes regarding the CPA Exam.

Bobby Creech indicated that when he attended NASBA's Strategic Initiatives committee meeting the other week, the subject of the CPA Exam came up and that there is a meeting scheduled in the middle of May 2008 to discuss the upcoming expiring contract with Prometric. It is NASBA's position that there is a conflict of interest for AICPA to prepare and manage the CPA Exam. NASBA would like to take over the management of the exam when the Prometric contract expires.

- B. Advisory Opinions: None

Legislative Update: None

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

Donald Burkett and Doris Cubitt briefed the Board about the possibility of enhancing our Positive Enforcement actions by contracting with a clipping service to review media and alert the Board staff of any articles involving CPAs or firms. Doris contacted the North Carolina Board of Accountancy's Communication Director about their clipping service. They have a contract with Carolina Clipping Service, which monitors every newspaper within NC (150+/-) as well as the Wall Street Journal at a cost

of 71 cents per clipping and \$1.42 per clipping from the Wall Street Journal. They receive any clipping that mentions CPA or Certified Accountant including wedding announcements, obituaries, advertisements, etc... Over all, cost is about \$250 a month.

Doris also spoke with Jim Knight from the LLR's Public Information office. They peruse the The State, Post & Courier, Greenville News, the Florence Morning News, and the Wall Street Journal for the same type of information. They send Board staff an occasional article regarding CPAs.

Subscribing to a clipping service would demonstrate to the public that we are taking an active role in policing South Carolina's licensed accountants.

On motion by John Camp, seconded by Mark Hobbs, and unanimously passed, the Board approved subscribing to a similar clipping service to enhance our Positive Enforcement program.

The number of licensees who failed to timely renew dropped from 165 for the year 2007 to 49 for the year 2008. In addition to the original renewal notice, the licensees also received 3 different email blasts and a written reminder that they needed to renew.

Doris Cubitt, a member of the National Association of State Board's of Accountancy (NASBA) Compliance Assurance Committee, attended the January 28, 2008 committee meeting and took part in the discussion encouraging each jurisdiction to have a similar Compliance Assurance committee to oversee the Peer Review program and are encouraging jurisdictions to adopt the language used in Title 7 of the UAA. SC already has a regulation regarding Peer Review that is very similar but does not identify a committee. It allows for oversight which Jim Holloway currently provides. Doris is going to provide Sharon Dantzler, General Council with a copy of the UAA's Article 7 and our regulations.

Doris reported back to the Board concerning changing the close out date (December 31) for renewals. Several states allow for a lag time; however, most states are using the same time frame as we are. We have seen an improvement as stated earlier. After reviewing CPE for the audits it was noted that a majority of licensees do not wait for the last week to complete CPE, but there are those that wait in order to take different tax update courses. Our statute requires a license be considered revoked if not renewed by January 1st of each year and continued practice after January 15th must be sanctioned as unlicensed practice.

Mark Hobbs reminded the Board that the Statute does not have a provision for Accounting Practitioners to be reinstated, which he felt is not seem equitable. If an Accounting Practitioner misses the renewal, they must take the required two parts of the CPA Exam and fulfill the other

current requirements to apply for an Accounting Practitioners license. Doris reminded the Board that originally we were going to grandfather the Accounting Practitioners and not issue any new licenses in the category. Provisions were made for those Accounting Practitioners that were inactive to apply within a 2 year window to be active again. If lapsed they would not be able to reinstate. When the statute was presented to Senate and House Committees it did not come back the way we sent it. The statute did not address the reinstatement portion. This is an item that needs to address during the next statute update which will be in two years.

The Texas Board of Accountancy has asked our Board to support their nomination to Vice Chair of NASBA, Billy Atkinson.

On motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Board voted to support Billy Atkinson as nominee to Vice Chair NASBA.

Michael Teague is working with Ken Denny of NASBA and Jim Sauls of LLR's Office of Information Systems to get our information aligned with NASBA's National CPA Database which will be crucial to mobility. NASBA has offered IT supported to go out to the different Boards free of charge if needed.

Doris introduced Jim Holloway, oversight of the Peer Review program, to the Board. Mr Holloway told the Board that he has met four times with South Carolina Association of CPA's Peer Review Committee and is pleased to report that the process is running as it should.

John Camp asked, since the Peer Review program is new to the state, how many more firms will have their first Peer Reviews within the next 18 months? Erin Hardwick told the Board that many firms are trying to choose their Peer Review Year End. Most firms are opting for December 31, but in actuality they would have their Peer Review completed by July. SCACPA is working through an educational process to better inform firms how the dates work.

Erin Hardwick, Executive Director of the South Carolina Association of CPA's, gave a brief update concerning the Peer Review program and how they have helped accountants through the whole process. They have had 230 reviews this year, 166 have been completed and 165 still in process. Of the first time initial reviews, 37 were completed without comments, 26 were modified with letter of comments, 3 were modified, 15 had significant comments, and 3 had adverse opinions. John Camp asked what is being done with those that have significant comments and adverse opinions. Mark Hobbs informed the Board that there are different stages of corrective actions depending on the specific findings. As long as the firm continues to cooperate and participates in the Peer Review program the Board usually does not get involved; however, we will

get involved if a firm fails to do what the Committee asks of them. Erin stated that there is only one firm that has not complied and the notification process has started. Mark Hobbs indicated that he had reviewed the Peer Review Reports that were turned into the Board, and he has a list of ten firms that need to be put on a watch list.

Donald Burkett mentioned that at a recent NASBA meeting they discussed several states that have numerous organizations that come into states that are not using the term Certified Public Accountant but are using similar names. Many states are looking to regulate the word accountant rather than just accounting as the public perceives these individuals as CPAs due to the confusing terminology used.

- D. The Financial Report: The Board received the financial report as information.
5. Old Business. There was no old business
6. New Business

Regulation/Legislative Committee

Donald Burkett indicated that a lot of states are reconsidering their investigation process. The Accountancy Board is rather technical and is recommending a move toward having those that investigate complaints on their behalf be licensed CPAs. Other states have specific language in their statutes such as Florida:

Except for investigation of non-technical matters, all investigators and consultants hired by the Department of Business and Professional Regulation who undertake the investigation of Florida CPA's shall be active certified public accountants with a minimum of five (5) years of active licensure in the area of public accountancy. Non-technical matters are defined as those not encompassing the technical proficiency of a licensee in the practice of public accountancy.

Most states are going to this type of requirement. NASBA's thought pattern is to hire investigators to go around and provide assistance to those states that need help in investigating complaints.

Rion Alvey, Office of Investigation and Enforcement, reassured the Board that OIE is acutely aware in professional issues and occupational issues. And he personally is not opposed to using the most qualified personnel that LLR can obtain. He feels there are many ways to achieve this but does not recommend updating statute to be specific in whom to hire as investigators because there may not be enough cases to warrant hiring a CPA. He said he was not currently prepared to discuss the topic, but he is open to using a CPA to assist in investigations, to make sure OIE is completing investigations correctly, and to accommodate the different needs of the Board.

Sharon Dantzler added that Rion hires expert reviewers, and she supports the thought that the partnership of a good investigator with an expert reviewer gets us better results rather than an expert investigator.

Rion added that he is not aware that any investigation has not included a professional regardless of the specialty. Whether or not OIE should get the professional involved earlier in the process is up to the different Boards. The Accountancy Board is very technical and has statutory language that will not mean much to our investigators which indicates that OIE needs to have the professional more involved in the earlier stages of investigations. OIE wants to provide the Board with what they need.

John Camp wanted Rion to clarify that LLR routinely hires experts to help with the investigations. Rion indicated that he does not hire experts but utilizes personnel already in place, generally personnel that Boards have approved of like the professional already involved with the IRC. The Agency does not hire so much as contract with the professional. John asked other than Austin Sheheen, who volunteers to work on the IRC, does LLR hire others to help. Rion responded absolutely. Doris interjected that we are currently utilizing Jim Holloway's assistance with some investigations. John stressed that the Accountancy Board is very fortunate to have a CPA serve as administrator because she understands the technical jargon; however, if the Board did not have Doris or Austin to help with the IRC process he would be more concerned. Rion stated that one of the main reasons that the agency created OIE was to protect Boards from being tainted.

John Camp asked why it takes such a long time for Consent Orders to get to the Board to approve/disapprove. Rion informed the Board that Consent Orders leave the IRC and go to the Office of General Council for lawyers to draft. Rion explained the case report that the Board members now receive at meetings by telling them where the complaint report indicates that a case is pending, the investigator has not started the investigation and active shows that the investigator has begun the investigation. John Camp still wanted to know why the report still shows a case that is 666 days old. Rion suggested that Doris give an update regarding the particular case without tainting the Board.

John referenced an earlier conversation where a licensee is convicted of a crime, pleads guilty to a crime may be sentenced for the crime, and the Board cannot take action until the investigation is completed. How can we encourage immediate suspension, pending a hearing, on convicted criminal matters? Sharon informed the Board that they can have a hearing without an investigation as long as the Board has the facts and the lawyer presenting the case has admissible evidence to support whatever charge is brought. If the complaint concerning a case includes a certified copy of the conviction, an investigation is not needed, but, without a certified copy of the conviction, an investigation needs to be initiated. Donald Burkett thanked Rion for speaking to the Board and stressed having a CPA involved earlier in the investigative process is conducive to the Boards desires and for any future legal matters. Doris assured the Board that she knows about the 666 day old case. It is an active case, and it is moving

forward. Mr Burkett wants the Board to suspend a licensee's license if the Board is given information that the licensee has been convicted of a crime; however, if the licensee is only accused of a crime then we allow the licensee to practice until convicted.

A. Peer Review Committee: Mark Hobbs

Mr Hobbs reiterated that he has gone through the Peer Reviews submitted and has come up with ten firm names to be placed on a watch list.

On motion by Mark Hobbs, seconded by John Camp, 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 Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Board voted to give the Board Chair authorization to negotiate and finalize a contract with SCACPA to implement and educate licensees about the Peer Review program and to allocate up to \$50,000 to offset expenses. The full Board will approve the final contract.

B. Report of Education/Experience Committee: Bobby Creech

On motion by Mark Hobbs, seconded by Bobby Creech, and passed with John Camp opposing, the Board voted to deny David Croswhite's appeal to obtain a reciprocal license. He originally passed the CPA Exam on 2/17/83 as an Illinois candidate and received a certificate. Illinois is a two tier state which issues a certificate when the candidate passes the Exam, but one may not license until he/she meets the Illinois licensure requirements. Mr Croswhite did not license in Illinois until 7/31/07. Under South Carolina reciprocity rules Mr Croswhite must meet the educational requirement of 150 semester hours, he only has 125.33 semester hours.

On motion by Bobby Creech, seconded by Mark Hobbs, and unanimously passed, the Board voted that internships will not count as part of the Boards experience requirement if it appears on a college transcript.

C. Report of CPE Committee: Bobby Creech

On motion by Mark Hobbs, seconded by John Camp, and unanimously passed, the Board voted to establish a June 30, 2008 extension date for 2007 CPE for the following licensees due to extenuating medical circumstances:

Michael Carpenter, CPA 4727
Debra Green, CPA 6746
Natalia Jaddaoui, CPA 7331
Jennifer Lord, CPA 7155

Bonnie Martin, CPA 1454
Donna Traxler, Accounting Practitioner 542

D. Report of Examination/CBT Committee: Anthony Callander

No Report

E. Other Professional Issues Committee – Wendell Lunsford

On motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Board voted to accept the firm name Accel Tax & Business Services, LLC provided that Burton Hodges (AP #580) changes the structure of the firm to conform to the 66 2/3rds super majority licensed ownership requirement.

On motion by Wendell Lunsford, seconded by Bobby Creech, and unanimously passed, the Board voted to grant a reduction of the Reinstatement fee to \$250 for Ms Teresa Cooper who asked the Reinstatement fee be waived due to her father having medical problems when CPE was scheduled.

On motion by Mark Hobbs, seconded by Bobby Creech and unanimously passed, the Board voted to issue a Consent Agreement to those firms that did not renew their registration by January 2nd deadline. The Consent Agreement will include a \$500 fine.

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 October/November testing window were reviewed and accepted by the Board.

G. Report of Character and Fitness Committee: John Camp

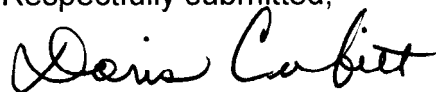
No Report

7. Doris Cubitt stated that the Board had an inactive status for along period of time. It was discovered that the majority of the licensees that did have an inactive status did not qualify. To clarify their intentions, the Board developed the Emeritus status. Emeritus status allows licensees to retain their CPA Certificate as long as they did not use any of their accounting skills for compensation. Many states do not have an inactive status and several do with the same requirements as ours used to. Our Emeritus status mirrors the UAA's inactive status.
8. On motion by Mark Hobbs, seconded by John Camp, unanimously passed, the Board went into Executive Session to discuss NASBA issues. On coming out of executive session on motion by Wendell Lunsford, seconded by Mark Hobbs, and unanimously passed, the Chair announced that no votes were taken while in executive session.

9. Mark Hobbs asked to the status of our newsletter. Doris Cubitt encouraged the Board members to write articles and for staff to include in the newsletter. Erin Hardwick, Executive Director of the South Carolina Association of CPAs, offered a regular section in their publication that would be a Board of Accountancy article.
10. On motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the meeting was adjourned at 12:16pm by the Chair.
11. The next meeting dates are as follows:

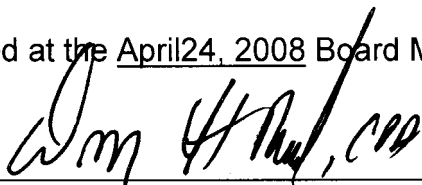
2008	
January 23, Wednesday (Board Meeting)	Room 108
February	No Meeting
March	No Meeting
April 24, Thursday (Board Meeting)	Room 108
May 22, Thursday (Hearings, if needed)	Room 108
June 26, Thursday (Board Meeting)	Room 108
July 23, Wednesday (Hearings, if needed)	Room 108
August 21, Thursday (Board Meeting)	Room 108
September 24, Wednesday (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 April 24, 2008 Board Meeting.



Donald H. Burkett, CPA, Chair



Mark T. Hobbs, CPA, Secretary