

Minutes of the South Carolina Board of Accountancy
Thursday, June 26, 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 June 26, 2008, at 9:10 a.m., with a quorum present. Other Board members present were Mark T. Hobbs, CPA, Bobby R Creech, Jr., CPA, John Camp, CPA; Anthony Callander, CPA, Wendell Lunsford, Accounting Practitioner, and Malane Pike, Esq.

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

Guests in attendance were Sharon Dantzler, Office of General Counsel for LLR; 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 Wendell Lunsford, seconded by Mark Hobbs, and unanimously passed, the Board adopted the agenda as presented.
2. Malane Pike (new Board member) briefly introduced herself. She is currently the Administrator of the Property Tax Division of the SC Department of Revenue. Joyce Green (outgoing Board member) was not able to attend the Board meeting but dropped by the staff offices yesterday to pickup her Service Plaque.
3. On motion by Mark Hobbs, seconded by Wendell Lunsford, and unanimously passed, the Board approved the minutes of the meeting held on April 24, 2008.
4. Complaint & Investigative Activity:
 - A. Consent agreements and other special matters:
None
 - B. Doris Cubitt 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 Bobby Creech, seconded by Mark Hobbs, and unanimously passed: Case No's. 2007-21, 2007-22, 2007-30, 2008-2, 2008-3, 2008-5, 2008-6. (Copy of report attached)

5. Information Update

A. Chair's remarks:

Donald Burkett thanked SCACPA and Board Staff for helping to get the Mobility law passed. It was a very educational opportunity.

At the Mid-Atlantic Regional meeting, it was the consensus of the Boards of the Accountancy that they do not want NASBA to issue international licenses. NASBA is not in the licensing business. NASBA's contingency exam is not moving forward. There is a move to have whoever is in charge of the exam to do the contingency exam as well, in order to maintain consistency.

B. Advisory Opinions: None

Legislative Update: Regulation 1-05 out for comments.

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

1. Administrator's Report:

- a. The Boards involvement in NASBA's national licensing database is moving forward. We are currently retrieving missing SSNs or FEINs in order for NASBA to create a unique identifier.
- b. We require licensing candidates to take the *Professional Ethics: The AICPA's Comprehensive Course*. Recently we discovered that several individuals had taken the wrong course. We have been in contact with AICPA to make some changes so that the particular course title will be printed on the score report instead of a generic Ethics title. The AICPA is going to give those individuals involved a credit of some sort because of the problem.
- c. There will be a Compliance Assurance Committee conference September 22, 2008 in Nashville. The primary attendees will be those states that already have a CAC Committee, about 10 to 12 states involved. Our Board has a semi-program where we are utilizing Mr Holloway's services, but there is not a full Compliance Assurance Committee. Mr Hobbs will more than likely want to attend the one day conference since he is our Peer Review expert.
- d. In the past the Board has stipulated that only one firm can operate out of a physical location; multiple firms cannot operate from one location as it would confuse and mislead the public. The question to the Board is: Are we going to continue this policy?

As long as they are holding themselves out as separate entities, use separate business cards, letterheads, FEINs and list their firm name separately on signage, then it is OK to share a facility and resources.

- e. We have a new investigator, Todd Bond. He also investigates for the Architectural and Engineer Boards. We also have a new attorney Ernest Spong.
- f. The Notice of Drafting for Regulation 1-05 was put out for public comments; none have been received as of today. Most of the time the public waits until the language has been posted for comments, and that's when the public will actually respond. It needs to be published by October. The timeline for publishing a regulation is 30 days for comments and contest another 30 days for the hearing period and if we do not get it in for the October filing, we miss the pre-file window.

2. The Financial Report:

- a. The Board discussed the significant amount of funds as opposed to the funds budgeted.
 - A request was made to have an LLR Budget representative speak at the August board meeting.
 - Earmarking a portion of funds reserved for a Public Protection Fund – more information will be presented at the August Board meeting.
 - Another avenue for the surplus would be to increase staffing in operations, investigations and contract work.
- b. On motion by John Camp, seconded by Mark Hobbs for discussion, the Board voted against setting the upcoming licensing fee for 2009 at \$1. The motion did not pass (1 yes and 6 no).
 - Possible idea would be to segregate some of the money for a particular purpose.
 - The Budget office for LLR needs to be present for the next Board meeting and explain to the Board what involvement they have in the budget process. The Board does not have any direct involvement in the budget process but does have the ability under the statute to request certain services be provided by the agency. How the agency staffs those services is spelled out in Section 40-1-50 and gives the agency director the determining authority. The Accountancy Board statute Section 40-2-70(9) states that the Board may project future activity of the program based on historical trends and program requirements, including the cost of licensure and renewal, conducting investigations and proceedings, participating in national efforts to regulate the accounting profession, and

providing educational programs for the benefit of the public and licensees and their employees. There is a formula in Section 40-1-50 that is used to project the trends, list the extra services that the Board requests, costs and other items and to adjust the fees accordingly.

- Current statute Section 40-2-70 does not provide a provision for the Board to determine budget items. Normally, with state agencies, the overall agency budget is voted on by the State legislature. Once the budget comes back to the agency, it is typically divided up among the departments of the agency, and each department makes a request to however much they want.
- Several states set aside funds in a trust fund for future litigations.
- The majority of the budget for LLR does not come from appropriated funds; we are self funded from the fees. LLR itself does receive some appropriated funds for the Labor and Fire Marshal offices. The fees go into the LLR bank account, and then it is segregated by the different boards.
- As to the issue of getting more staff, the agency is in the middle of reorganizing.

6. Old Business.

On motion by Mark Hobbs, seconded by Bobby Creech, and unanimously passed, the Board approved the final Extra Educational Component funding (copy attached) of the Peer Review Program.

7. New Business

Regulation/Legislative Committee

A. Peer Review Committee: Mark Hobbs

Mark Hobbs gave a brief update regarding Peer Review. A vast majority of the licensees do not know the difference between SCACPA and the Accountancy Board. The Peer Review program is making the distinction even more blurred. SCACPA is doing a good job administering and assisting the Board with the State mandated Peer Review program.

B. Report of Education/Experience Committee: Bobby Creech

Clarification of the recent change to Section 40-2-35 reducing the experience requirement from two years to one year.

- Still want the candidate to have a variety of experience within the CPA environment

- The individual signing the experience form must be an active licensed CPA supervisor
- If a reciprocity applicant has been licensed fewer than four years transcripts are still required as part of the application package.
- If a reciprocity applicant has been licensed for more than four years, the 4 in 10 Rule applies (If an applicant has been licensed and in public practice 4 out of the last 10 years, they are assumed to have met the education and experience requirements in South Carolina), which allows us to consider their education to be equivalent.

C. Report of CPE Committee: Bobby Creech

Bobby Creech asked Doris about sending out CPE Audits for 2008. She stated that the process for 2008 has yet to start.

D. Report of Examination/CBT Committee: Anthony Callander

The AICPA Board of Examiners invitation to comment on the CPA Exam improvements – Executive Summary (See Attached)

E. Other Professional Issues Committee – Wendell Lunsford

No Report

F. Report of Qualification for Licensure Committee: Anthony Callander

No Report

G. Report of Character and Fitness Committee: John Camp

The Character & Fitness committee had roughly 12 reinstatement applications, one of which a consent agreement will more than likely be needed.

8. Mobility was discussed earlier while under experience. More will be discussed at the working session on Aug 21, 2008.

9. NASBA Communication Presentation – Mark Hobbs (attached)

Reactions about presentation –

- Annual Report Brochure about the Board of Accountancy to have for the public and all State Legislatures would be an important vehicle to showcase our different needs and what we actually do.
- Enhancing our newsletter and website are great ideas to communicate with the public and licensees.

- One of the top legislative agendas for NASBA is trying to get more financial autonomy for the Boards of Accountancy; they think that is a best practice. They do not believe we should be placed under another organization fiscally, as that is not appropriate. Even the Treasury Department recommends a Board of Accountancy should not be under an umbrella organization.

On motion by Anthony Callander, seconded by Bobby Creech, and unanimously passed, to have Mark Hobbs with support from the Board staff and SCACPA in gathering information for producing an annual report.

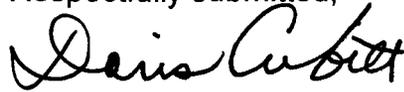
10. No action was taken regarding the request to remove the Cease & Desist issued to Accounting & Tax Source, Inc from our web site.
11. On motion by John Camp, seconded by Wendell Lunsford, and unanimously passed, the Board voted to keep the current slate of officers for the period 2008-2009: Chair - Donald Burkett; Vice Chair – Bobby Creech; Secretary - Mark Hobbs.
12. Public Comment: Gale Bell recommended reinstating the paper version of the newsletter. Erin Hardwick expressed her thanks regarding the efforts of the Board and staff in support of SCACPA's administration of the Peer Review process and the recent passage of the Mobility legislation.

Donald Burkett expressed his thanks and gratitude to Board Member Anthony Callander as he retires from Ernst & Young.

13. On motion by Mark Hobbs, seconded by Anthony Callander, and unanimously passed, the meeting was adjourned at 11:57am by the Chair.
14. The next meeting dates are as follows:

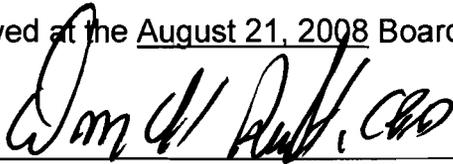
2008	
August 21, Thursday (Board Meeting)	Room 108
September 24, Wednesday (Board Meeting)	Room 108
November 20, Thursday (Hearings, if needed)	Room 201-03
December 11, Thursday (Board Meeting)	Room 108

Respectfully submitted,



Doris Cubitt, Administrator

Approved at the August 21, 2008 Board Meeting.



Donald H. Burkett, CPA, Chair



Mark T. Hobbs, CPA, Secretary