

MINUTES
South Carolina Board of Accountancy
Board Meeting
S. C. Department of Labor, Licensing & Regulation
9:00 a.m., Thursday, January 28, 2010
SYNERGY OFFICE PARK, KINGSTREE BUILDING, Room 108
110 CENTERVIEW DRIVE, COLUMBIA, S. C. 29210

1. Call to Order

Mark T. Hobbs, CPA, Vice Chair, called the board meeting of the South Carolina Board of Accountancy to order on January 2010, at 9:07 a.m., with a quorum present. Other Board members present were: Anthony Callander, CPA, Secretary, Donnie Burkett, CPA, Robert Baldwin, CPA, Gary F. Forte, CIMC, Wendell Lunsford, CPA and Malane Pike, Esq.

Staff members participating in the meeting included: Doris Cubitt, Administrator; Michael Teague, Administrative Assistant, and Amy Holleman, Administrative Specialist. LLR employees attending the meeting included: Randy Bryant, Assistant Deputy Director; David Christian, III, Manager of OLC, Sharon Dantzler, Office of General Counsel; and Sandra Dickert, Administrative Assistant.

Mr. Hobbs announced that this meeting was being held in accordance with the Freedom of Information Act by notice mailed to The State Newspaper; Associated Press; WIS-TV and all other interested persons, organizations or news media. In addition, the notice was posted on the bulletin board at the main entrance of the Kingstree Building.

Mr. Lunsford led the meeting in a moment of silence and the Pledge of Allegiance.

2. Consideration of excuses for absences of Board Members

Bobby R Creech, Jr., CPA, Chair, was granted an excused absence.

Mr. Callander stated he would be departing at 9:45 a.m. and would return at 12:30 p.m.

3. Adoption of Agenda

MOTION

Mr. Baldwin made a motion the Board adopt the agenda as presented. Mr. Burkett seconded the motion, which carried unanimously.

4. Approval of Minutes of Meeting held on December 3, 2009

MOTION

Mr. Callander made a motion the Board approve the minutes as presented. Mr. Baldwin seconded the motion, which carried unanimously.

5. Office of Licensure & Compliance – David Christian, III and Randy Bryant

Mr. Bryant and Mr. Christian briefed the Board about the licensing process moving from Board Staff to the Office of Licensure & Compliance by March 1, 2010. Cross training of Board Staff with OLC staff started January 1 and will continue through March 1.

Mr. Christian indicated on March 1, the one Accountancy staff member will move upstairs and be integrated into the OLC staff. He then inquired if the Board had any questions.

Ms Pike: Mr Christian exactly what functions are being moved from the Board to OLC.

Mr Christian: The idea is to compartmentalize several areas to gain efficiencies; reviewing the applications, to look at qualifiers; the printing and mailing of the pocket cards; and working with the Administrator in the review process. Any "Yes" answers on your applications will be forwarded to the Administrator for resolution. Typically Boards have established guidelines to determine how they should be handled; Administrator level, she can determine "Yes" this is something you can license on behalf of the Board if not, it may rise to the level of an Application Hearing, necessary to be heard before the full Board. Then there are some unique items the Board staff would handle like Transcript Reviews. Your straight applications, those with no real issues or concerns would be handled at OLC.

Ms Pike: Will OLC will be reviewing Transcripts and things of that nature?

Mr Christian: Transcript Reviews are currently being completed by Mr Teague and Ms Cubitt.

Ms Cubitt: I am the final approval authority for all Experience and Transcript reviews.

Mr Christian: Whatever the review process you have in place right now, we are not going to deviate from that. What is going to allow us to work more efficiently is the new licensing system will allow passing the electronic file down to Ms Cubitt for review. It will give her an opportunity to do what they are currently doing, annotate the file without passing paper throughout the office.

Ms Pike: I am confused; the concept is to take an employee upstairs and they are going to process like before and then transfer it back to Ms Cubitt for her approval. How is that more efficient than the employee staying right where they are and doing the same thing?

Mr Christian: There are two reasons; it will allow us to leverage the staff member to be placed into a pool so that they can do more functions than the functions they do for the Board of Accountancy; it will also allows us to cross train more people to do the same functions for the Board of Accountancy. We will have four to six staff members that will know your processes. We are trying to gain more individuals and more redundancy to perform those tasks. So that is one of the main functions to be gained. Because Ms Cubitt is conducting the final review, I'm not going to change that. We are not going to interfere with those processes. We would like to have it where we know what they are so we can build an algorithm in a business rule to allow the computer to identify when someone meets or does not meet the requirements. That will be another discussion because we do not really know whether it is possible with the new system.

Ms Pike: I serve on the Education Committee, and consistently have questions regarding transcripts, which are extremely detailed requiring syllabuses, course descriptions and other items to clarify. Are you prepared to go that far?

Mr Christian: There are other professions upstairs that require transcript reviews, and other processes in place. Whatever you have in place, what we are going to do is utilize it, learn from it and build a template so we can make it a little more efficient. I have not had an opportunity to see the flow and see how it works. We are doing that now. We have until the end of next week to do an assessment of what is happening with your flow. I am not going to change any of it, but I want to do an evaluation to see where we stand. In the overall scheme of things, how we can make it better.

Ms Pike: What other Boards does OLC currently have now?

Mr Christian: There is the Medical, Nursing, Pharmacy, Dental, Real Estate, Residential Builders, and Contractors Boards.

Ms Pike: When did OLC take over those Boards?

Mr Christian: July 1, 2008.

Ms Pike: What problems occurred since taking them over?

Mr Christian: That is an open question.

Ms Pike: What main problems are you having since taking over those functions?

Mr Christian: Consistency with documentation, the type of license we are issuing, they differ. Obviously, if you are trying to streamline something the best process would be to bring them all into something common. So, we were able to reduce the different wallet card, pocket cards, wall certificates to a type, three to five different as opposed to the 25 to 30 that were different. That was one of the issues. Similar things that were found in the statutes and regulations were not supported with actual functions. They were adding on requirements for licensure with no basis. There are some policy issues. The larger challenges are policy issues for actual functions of processing licenses. When we first brought the group upstairs the telephone system did not support what we wanted to do. So, in the beginning it was a nightmare with phone calls. Where they were going and who was routing them. We have since implemented the Call Center. You are actually benefiting from the lessons learned.

Ms Pike: I am aware that the Pharmacy Board requested an Attorney General's opinion with regard whether or not the licensing functions can be pulled away from the Board and placed in a separate section. The Attorney General's office came back with an opinion saying that those functions were to be left at the Board. What are you doing about that?

Mr Christian: I think it is valid. I totally agree with the Attorney General's opinion based on the question as it was formed. The Board has the authority to issue licenses, nobody is challenging that, nobody is trying to change anything. Whatever you have in your statute and in your policy is exactly what is being followed. It is the staff part, the ambiguity there. If you read the opinion, the last two paragraphs, it talks about the administrative functions of the office and the authority in which to do those things. I am in agreement with the Attorney General's opinion; I think the way it has been interpreted is not quite right.

Ms Pike: I am sorry, I did not hear your last statement.

Mr Christian: In the Attorney General's opinion, I think we are in line with it. There are some issues there, where the Pharmacy Board was saying that we, in OLC, had taken the authority from the Board and was issuing licenses, that's just not true.

Ms Pike: Are you not going to issue a license in OLC?

Mr Christian: It's the same thing as Michael Teague and Doris Cubitt does for you today, who are staff members for LLR, I'm a staff member of LLR. There is actually no difference. The administrative functions are the same functions. Your statute, your regulation, your policies prevail. It is the same, truly, it is the same. The same wall certificate that you have, that you sign and use in your induction ceremony, it is the same.

Ms Pike: Let me back-up, I am curious, our statute makes a distinction between LLR and *The Board* in the definitions. I am curious; our statute says *The Board* will license, so, since our statute does make that distinction, how are you going to get around the AG's opinion?

Mr Christian: Here is the thing, and this is important, today, not one Board member issues a license to anybody, if not, I stand corrected. If I am wrong, tell me. Your license today, none of the Board members issues those licenses, is that correct?

Ms Pike: They are issued at our direction.

Mr Christian: And they will continue to be issued at your direction. There is no change. I assure you there will be no change. We have no desire what so ever to start issuing licenses to accountants on behalf of LLR. That is not the idea at all.

Mr Hobbs: Mr Christian, are you here presenting this for information? Or are you here presenting this for our approval? I am just trying to understand going back to what is the purpose of this presentation.

Mr Christian: Actually Mr Chairman, I was summonsed to come and answer whatever questions you may have and give you an update on the time line that we talked about before. So what I came to tell was that we are now moving into Phase II and to give you that short timeline and snip it of information. That is my purpose here.

Mr Hobbs: Information.

Mr Christian: I have to assume that some of the other discussions prior had already taken place. And that we were not at a stage of approval for administrative staff reorganization. But we are of the understanding, and make myself available to you for whatever questions you may have.

Mr Callander: First question, it sounds like we have a change in process, not a change in substance.

Mr Christian: I think that is very true. Yes, sir.

Mr Callander: Second question, what has driven this change, maybe process improvement or is it cost containment.

Mr Christian: Actually, it is both. It is a reutilization of staff, a better utilization of staff. The Director commissioned two studies. One study identified the actual work, processes and licensing functions. And believe it or not they were not dissimilar. Even though you have medical doctors and the accountancy board, the actual licensing functions that the staff performed were very similar. So, with that, there were some opportunities; you can take advantage to combine some groups to better serve those different populations. From that, you gain a great efficiency, money, better usage of equipment.

Mr Callander: One follow-up question. I do not know whether to direct it toward you, so I am going to through it out anyway. What I am hearing, is that the issuance of licenses should be transparent to the Board and to the candidates who are applying for licenses.

Mr Christian: That is very true.

Ms Cubitt: Mr Chairman, you had asked partially why they were here. When Bobby Creech and I were going over the agenda and as part of my administrators remarks, we are gearing up for the transition to go upstairs. Bobby did ask for Mr Bryant and Mr Christian to come and talk to the Board.

Mr Burkett: You said that your function is to abide by the laws and regulations of the Board, Section 40-2-250, Renewal of licenses; reinstatement of lapsed licenses. (A) A licensee shall file an application for renewal on or before January first of each calendar year. (B) The application for renewal of a license must include: (1) current information concerning practice status; (2) a verified continuing education report; (3) renewal fee. I am still concerned that our law says that we renew every year, and we were told that it was changed to every two years. That conflicts with your statement. It conflicts with our laws.

Mr Bryant: Mr Vice Chair and members of the Board, during our OGC advice, they took a strict interpretation of the statute, annual renewal. The suggestion at that point was to change the statute or regulation wherever that portion is, to go to a two-year licensing. The Director took a position under the engine bill that the renewal processes fall within the agency to make an administrative decision to move it, rather than to deal with the General Assembly. Ultimately, it was changed to where it needs to be with the two-year licensing. I do not think anyone has any arguments about that. The Director over-rode what OGC had previously advised the Board. Unfortunately, we have a number of circumstances like that right now. I will be more than happy to talk to the Board.

Mr Baldwin: My request, given the complexity of what is involved and since you are moving in the direction in keeping us informed, could you give us a flow chart; the processes to assist us in our understanding of our obligations to see that this is done properly. I would like to see a flow chart saying, the information comes in here, it would be reviewed in this fashion, this is what happens, if it is not right, and then it goes here. I think it would be very helpful for us in our understanding.

Mr Christian: Absolutely, I can give you the base flowchart today, of the process. Then we can look at the refined flow chart that will talk specifics. Sure, most definitely.

Mr Hobbs: Does anyone else have any questions.

Mr Callander: I have a question relative to Mr Creech having some questions. Did you know what those were?

Mr Hobbs: I believe Mr Creech was concerned about the letter that was issued to the Pharmacy Board and that our Board would lose touch with our licensees and the processes in which our licensees are dealt with. Right now, we know where the buck stops if something happens with our licensees, Michael and Amy. We were overwhelmed with Mr Christian's staff when he brought them in last time; there was an army of people. We do not know where the buck stops in that situation. I know Mr Christian would say that that the buck stops with him; however, that does not make us reassured.

Mr Christian: Just as a follow-up. I brought the leadership team down, to give you an overview of the office and its design. Some of the people in that group will never touch anything that will go on with the Accountancy Board, because they are on the Health Boards. The office is split into two sides. I will give you a flow chart identifying the organization. There is a health side and a business side of the office. It was an overview of the office I was trying to achieve.

Mr Hobbs: How many licensees do you administer and how many licensees do you plan to administer after consolidation?

Mr Christian: We will have the entire body, minus one; the Athletic Commission will reside in the program area and will not come upstairs.

Mr Hobbs: How many licensees?

Mr Christian: We have 297,000 licensees total. That is a renewal basis of the body, we did that last year. So, the renewal process is in place. In addition, we do probably 15,000 to 20,000 new licenses annually.

Mr Hobbs: Your total population of licensees is about 300,000.

Mr Christian: It is a wash, we lose and we gain.

Mr Hobbs: The Accountancy Board has how many Doris?

Ms Cubitt: About 6,000 roughly.

Mr Hobbs: I think Mr Christian that is what concerns our Board a lot, when we think about our profession and our licensees and how that is going to be intertwined within such a large population that OLC is handling.

Mr Christian: Let me reduce that for you Mr Chairman. How many new licensees do you have?

Mr Teague: About 150.

Mr Christian: So, in the overall scheme there are 150 to 200 new licensees annually. The renewals have already moved upstairs. Therefore, you can see where we can gain the efficiencies by the new staff members.

Mr Hobbs: Thank you Mr Christian for your report and appreciate you coming before us.

Mr. Forte arrived at the meeting at 9:24 a.m.

Executive Session

MOTION

Mr. Burkett made motion the Board enter executive session to discuss personnel issues. Ms. Pike seconded the motion, which carried unanimously.

Return to Public Session

MOTION

Mr. Baldwin made a motion the Board return to public session. Ms. Pike seconded the motion, which carried unanimously.

The Board returned to public session at 10:10 a.m.

Mr. Hobbs noted for the record that no official action were taken during executive session.

MOTION

Ms. Pike made a motion the Board chair will designate someone to meet with Mr. Christian and iron out issues with regard to moving licensure to the Office of Licensure and Compliance and the move will not take place until all issues have been resolved with the Board's designee. Mr. Lunsford seconded the motion, which carried unanimously.

6. Complaint & Investigative Activity

- A. Consideration of Consent Agreement and other special matters
Carol Hubbard CPA #2746 - Unregistered Firm

Mr. Baldwin recused himself from participating in this matter and removed himself from the Board member table.

Ms. Hubbard appeared and offered the following facts. She graduated from the College of Charleston and passed the CPA exam in 1984. She then began working with a local CPA firm and became a partner soon after. After approximately 20 years she sold practice to a prior partner, worked with him for approximately one year and began teaching at the College of Charleston. She worked at Landmark Construction for one year and decided to start a new firm. When she licensed herself she thought she was registering her firm since she is a sole proprietor. She complied with continuing education, signed up to take peer review courses and began participating on the peer review committee in the 1990s. An individual cannot serve on the peer review committee once the practice has been sold and the individual is no longer a partner. She rolled off the peer review committee and re-qualified once she began her new firm. She now does peer reviews and serves the community on several non-profit boards. She volunteered with the Board of Accountancy to review financial statements in May 2009. She suggested her new partner, who will begin with her firm in February 2010, as a volunteer to review financial statements in May 2010. Mr. Teague contacted Ms. Hubbard and informed her she needed to register the firm as a sole proprietor. She was surprised to find a cease and desist order with the firm registration application. She signed the cease and desist order and a consent agreement, paid the fee and return all of the documentation within 24 hours. She was informed she could ask for the Board's reconsideration on the matter. She is asking the Board to waive the probation and allow the disciplinary action to be confidential.

Mrs. Cubitt stated she has had several discussions with Ms. Hubbard. She further stated Ms. Hubbard has been very cooperative and has admitted she should have known that she should have registered the firm. She noted Ms. Hubbard corrected the error as soon as it was found.

MOTION

Mr. Lunsford made a motion the Board enter executive session to discuss this matter. Ms. Pike seconded the motion, which carried unanimously.

MOTION

Mr. Burkett made a motion the Board return to public session. Mr. Lunsford seconded the motion, which carried unanimously.

MOTION

Ms. Pike made a motion the Board change the Board's policy that on the first offense for failure to register a firm that the penalty be that the subject would pay the registration fee for all years involved (each year involved), would then pay a \$500 reinstatement fee, that there be no public record of that offense and further, that the Board would make this policy be made retroactive with regard to the matter of no public record of probation. Mr. Burkett seconded the motion, which carried unanimously.

B. Number of Open Complaints

There are currently 15 active complaints.

Mrs. Cubitt noted the administrators are currently reviewing cases to determine if there is a way to move older cases more quickly.

C. Approval of case dismissal report (Investigators)

There was no dismissal report to be presented during this meeting.

7. Information Update

A. Chairman's remarks

Mr. Hobbs made no remarks at this time.

B. Advisory opinions (Sharon Dantzler – Office of General Counsel)

No advisory opinions were given during this meeting.

C. Legislative update (Sharon Dantzler – Office of General Counsel)

Mr. Hobbs presented information to the Board relating to the status of the changes in the statute. He further stated Ms. Dantzler stated the proposed statute has been published and no comments have been made regarding the proposed statute.

A brief discussion ensued regarding the proposed statute reflecting license renewal every year.

Mrs. Cubitt stated changes to the practice acts would be introduced in the Senate this year; however, the House has taken the stance that no practice act would be opened during this legislative session.

D. Administrator's Report (Doris Cubitt)

Mrs. Cubitt stated staff included information regarding the mileage rate and travel regulations for the Board members.

Mrs. Cubitt stated the NASBA executive directors meeting will be held in Nashville in March 2010, which she plans to attend. She further stated that a legal conference would be held in conjunction with the executive directors meeting. She noted Ms. Dantzler sometimes attends the legal conference.

Ms. Pike expressed interest in attending the legal conference.

MOTION

Mr. Burkett made a motion Ms. Pike attend the NASBA legal conference. Mr. Baldwin seconded the motion, which carried unanimously.

Ms. Pike stated there is a scholarship available to attend the legal conference she would like to apply for should Ms. Dantzler not attend. The Board asked Mrs. Cubitt to research this matter.

Mrs. Cubitt stated there were some concerns in the peer review area that some firms were asked to do certain things after they were reviewed. She further stated that instead of doing those things the firms pulled out of peer review. She said Jim Holloway has worked on this matter and letters were mailed to the firms in question giving those firms time to respond. She noted the time for the responses has not yet expired. She said the position they are taking is that while the firms may decide not to do that type of work in the future the firms must comply with the peer review

requirements to obtain a clean peer review for this time because the firms were doing that type of work.

8. Old Business

There was no old business for discussion during this meeting.

9. New Business

A. Regulation/Legislative Committee – Donald Burkett

This committee had no reported information.

1. Peer Review Committee – Mark Hobbs

This committee had no reported information.

2. Report of Education/Experience Committee – Malane Pike

This committee had no reported information.

3. Report of CPE Committee – Malane Pike

This committee had no reported information.

4. Report of Examination/CBT Committee – Anthony Callander

Approval of CPA Exam Grades

MOTION

Mr. Burkett made a motion the Board approve the CPA exam grades. Mr. Forte seconded the motion, which carried unanimously.

5. Other Professional Issues Committee – Wendell Lunsford

This committee had no reported information.

6. Report of Qualification for Licensure Committee – Anthony Callander

This committee had no reported information.

7. Report of Character and Fitness Committee – Robert Baldwin

Informational Update

Staff presented the Board, as information, with documentation regarding reinstatement on two individuals.

B. Consideration of 2011 Board Dates

January 26, 2011 April 28, 2011 June 9, 2011 August 18, 2011 October 19, 2011
December 1, 2011

MOTION

Mr. Lunsford made a motion the Board approve the proposed 2011 meeting dates. Mr. Forte seconded the motion, which carried unanimously.

Mrs. Cubitt stated the Board is scheduled to meet on June 17, 2010, which she would be unable to attend. She asked that the meeting be rescheduled to another date. The Board changed the meeting date to June 24, 2010.

C. Consideration to support Mark Harris as NASBA's Board of Directors Vice Chair

Mr. Burkett gave a brief background on Mr. Harris and encouraged the Board to support him as NASBA's Board of Directors vice chair.

MOTION

Mr. Burkett made a motion the Board support Mark Harris as NASBA's Board of Directors Vice Chair. Mr. Lunsford seconded the motion, which carried unanimously.

D. January Focus Questions

The Board reviewed January 2010 focus questions.

Mr. Burkett discussed the NASBA meeting held in Savannah, Georgia.

10. Public Comments

Ms. Erin Hardwick of SCAPA stated the association is working on a couple pieces of legislation, one of which is concerning federal and state tax conformity. She further stated the association hopes the bill will be introduced in the Senate the week of February 1, 2010. She noted there is a provision regarding debt forgiveness in the bill, which is quite costly and could cause some debate.

Mr. Gale Bell thanked the Board for the work on the legislation.

Ms. Pike suggested a numbering system and format be set for policies in order to make the policies easily accessible.

13. Adjournment

MOTION

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

The January 28, 2010 meeting of the SC Board of Accountancy adjourned at 11:50 a.m.

Respectfully submitted,



Doris E Cubitt, CPA
Administrator

Approved at the May 6, 2010 Board Meeting.


Bobby Creech, CPA, Chair
Anthony Callander, CPA, Secretary