

**MINUTES**  
**SC Board of Accountancy**  
**9:00 a.m., Thursday, May 6, 2010**  
**Synergy Business Park, Kingstree Building**  
**Conference Room 108**  
**Columbia, SC**

**1. Call to Order**

Bobby R. Creech, Jr., CPA, Chairman, called the regular meeting of the Board of Accountancy to order on May 6, 2010, at 9:07 a.m., with a quorum present. Other Board members present were: Mark T. Hobbs, CPA, Vice Chairman, Robert Baldwin, CPA, Donny Burkett, CPA, Gary F. Forte, CIMC, Wendell Lunsford, CPA and Malane Pike, Esq.

Staff members participating in the meeting included: Doris Cubitt, Administrator; Michael R. Teague, Administrative Assistant, and Amy Holleman, Administrative Specialist. LLR employees attending the meeting included: Sharon Dantzler, Office of General Counsel and Sandra Dickert, Administrative Assistant.

Mr. Creech 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. Hobbs led the meeting in a moment of silence.

All present recited the Pledge of Allegiance.

**2. Consideration of Excuses for Absences of Board Members**

Mr. Callander was granted an excused absence.

**3. Adoption of Agenda**

**MOTION**

Ms. Pike made a motion adopt the agenda with the amendment of item five being continued to the next meeting. Mr. Baldwin seconded the motion, which carried unanimously.

**4. Approval of Minutes of Meeting Held on January 28, 2010**

Mr. Burkett noted his first name is spelled Donny.

**MOTION**

Mr. Hobbs made a motion the Board approve the minutes of the January 28, 2010 meeting. Mr. Baldwin seconded the motion, which carried unanimously.

**5. Consideration of Deborah Black's request to remove Cease & Desist Order**

This matter has been deferred to the June 24, 2010 meeting.

**6. Consideration of Douglas Richter's Request to Extend CPA Exam NTS and Section Expiration Dates**

Mrs. Cubitt stated Mr. Richter recently had cornea transplant surgery and is not yet driving. She further stated she and Mr. Teague have spoken with Mr. Richter and he is fine with her presenting the matter to the Board.

Mr. Richter began testing in December 2006 and does really well and has yet to fail a section. Circumstances arose, however, he successfully passed the regulation section of the CPA Exam which was due to expire in May 31, 2008. He tested again in April 2008 and had asked for an extension of eighteen months. He experienced the birth of a child, had a bout with pneumonia, and the death of a grandmother in 2008; however, these circumstances did not administratively meet the criteria of extending the eighteen month window.

Mrs. Cubitt stated NTS's have a six month and can be extended if there is an unusual circumstance or something happens close to the testing date. However, the eighteen month window from the time the first section is passed is not extended very often. She noted the policy for extending the NTS window includes the death of an immediate family member, a catastrophic illness, and military deployment.

Mr. Richter passed the audit section in April 2008, which was due to expire in November 2009. He was to test on another section in November 2008 and experienced a theft from his vehicle, which included his laptop and study materials. There was confusion regarding the extension he submitted to CPAES, he thought he had requested an extension of the NTS as well extending the 18-month expiration of his AUD grade; CPES only granted the NTS extension due to the theft and the extension of his AUD grade was never received by staff. Ms Cubitt clarified the she would not have granted such an extension because he still had 14 months remaining before the audit grade expired and the theft of materials did not meet the criteria for an extension. He has taken the BEC sections, which is set to expire May 31, 2010. He has retaken and passed the regulation section and passed the BEC section. He had an NTS which was expiring on the remaining FAR section the day before his eye surgery which he did test on. His original request was to extend the audit section which he is aware will not probably be extended and is now asking to extend the BEC section expiring on May 31, 2010 to August 31, 2010. He does have documents from his physician regarding the eye condition and the surgery, which may meet the extension requirement. His window to take the audit section expires in November 2009 and would be re-taking the AUD and FAR sections.

Ms. Cubitt stated she informed Mr. Richter that the Board would probably deny the request regarding the AUD section but may grant the extension regarding BEC.

### **MOTION**

Mr. Burkett made a motion the Board approve the BEC section until August 31, 2010. Mr. Hobbs seconded the motion, which carried unanimously.

## **7. Complaint & Investigative Activity - Office of Investigation & Enforcement**

### **Number of Open Complaints**

Mr. Steve Freshly, Chief Investigator with the Office of Investigations and Enforcement (OIE) stated as of May 6, 2010 there are currently 18 open complaints relating to accountancy. He further stated the newest complaint is 30 days old and the oldest complaint is over 682 days old.

Mr. Freshley briefed the Board regarding the complaint and investigation process. He noted once the investigation is complete the complaint and investigation is forwarded to the Office of General Counsel and the database is noted that the file is no longer active in the Office of Investigations and Enforcement but reflects as still an open case for OGC. He further stated that there are probably six to eight cases this year which were classified as 'do not open', which the Board would not see.

Discussion ensued regarding the complaint, investigation process and resolution guidelines.

Mr Hobbs asked Ms Cubitt what is being done regarding communication between the Board and other governmental agencies; they do not share problems with our licensees with the Board. They see the Board more as politicians rather than accountants. I do not recall that we have done anything to change that mentality. The other concern is regarding the SC Treasurer's office requiring Audit reports from municipalities, counties, public schools and other entities from across the state. In essence the reports received from a good portion of the entities are garbage. The reports they receive are not in compliance with standards; several are not being prepared by licensees. It's the Treasurers request as they hold allocations of tax revenue until the entity provides a financial report. We have other state agencies not following the accounting rules. Seems like the Board need to do something to address this situation.

Ms Cubitt agreed with Mr Hobbs' statement and suggested to meet with him to find out who to contact is for the other agencies. Ms Pike include that the financial from school districts are extremely important as they determine the amount of state and federal dollars going back to the school districts. She had reviewed several when employed by the Department of Revenue and found that many were questionable. Mr Hobbs suggested to develop a task force of this Board to be able to reign in somewhat.

Ms Cubitt state that we have the Quality Audit Review annually and is scheduled for May 12 and 13 which reviews Audited Financial Statements received from school districts, utilities, counties, cities, towns, technical schools and special need boards. We then have CPA volunteers come and randomly review these statements. Mr Hobbs inquired as to the percentage of those entities sending the financial statements; half or a quarter received. Mr Teague stated that there are no real statistics where Ms Cubitt added that it is a voluntary program on the entities part and we take what we get. Mr Hobbs stated that is his whole point, since the Treasurers office already requires these statements from the state entities why don't we ask the treasurers office to provide a sample and try to do it more scientifically to see what the quality of the work is. Chances are if the entities audit is not very good they are not going to send it on a voluntarily basis. Ms Cubitt said that some entities go ahead and send it in, that's were we find that the financial statement was prepared by a tax preparer which does not meet the standards. Mr Hobbs added that is what he has encountered. He was asked to prepare a financial statement for an entity that needed to submit it to the Treasurers office, so he called the Treasures office to see an example of what was submitted and was embarrassed to see the type of work being submitted. We should get with the Treasurers office and review what they receive rather than asking the entities. Ms Cubitt stated that she would be glad to contact the Treasurers office and see what can be worked out. Mr Teague mentioned that out of the 800+ letters sent 400+ financial statements were received. Mr Hobbs stated that was a good showing but is still worried about the other half. Ms Baldwin stated since a state agency already has these financial statements we should be able to request to review them to make sure the quality of work meets standards.

Mr Baldwin inquired whether we are monitoring the Internal Revenue Manual to see when the IRS is disbaring South Carolina CPAs. The service is very active. Ms Cubitt stated that we currently are not, but staff would and then generate a complaint and forward it to OIE. Mr Baldwin then asked about the omission of electronic submission of complaints from our web site. Ms Cubitt stated that we would accept them as an attachment to an email but currently there is no provision on our web site to electronically capture the information from a complainant. Mr Freshley mentioned that a complainant is not required to complete a form if the complaint can stand on its own. If a copy of a newspaper ad is submitted stating that JR Smith

is a CPA and he is not then that is evidence enough to preclude a complaint form; however, generally we will need a completed complaint form so we have enough information to initiate an investigation.

## **8. Information Update**

### **A Chairman's Remarks**

Mr. Creech stated the NASBA Eastern Regional meeting will be held at the Francis Marion Hotel in Charleston in June 2010.

Mrs. Cubitt stated a room at the Francis Marion runs \$195.00 per night, which is not within the allowed per diem rate, which is \$142.00 per night. She further stated she would be staying at the Hampton Inn, which is diagonal from the Francis Marion. She noted there are other hotels in close proximity to the Francis Marion. She said there would be approximately 160 to 220 people attending the meeting.

### **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**

Ms. Dantzler stated regulation 410 is through the process and waiting on the time out process. She further stated it would be published in the June 25, 2010 volume of The State Register. She went on to say bill 1071, which is the legislation the Board wanted to include topics such as Accounting Practitioner reinstatement and biennial renewal, was introduced; however, it never got out of committee.

Ms. Dantzler stated the restructuring bill located in the House of Representatives has been recommitted back to committee and the Senate has adjourned debate on the restructuring bill.

Mrs. Cubitt stated once the regulations have been published staff would notify the licensees of the changes, particularly the changes regarding annual CPE and reinstatement CPE, by e-blast as well as placing the regulations on the Board's web page.

SCAPA will also place the information in its newsletter and on its web page.

Ms Cubitt wanted clarification as to the actual date the CPE requirement should be go into effect and suggested January 1, 2011 to help alleviate the stress of implementation on the licensees. Mr Creech stated that since the effective date is June 25, 2010 and CPE obtained prior to the date will be allowed. Any hours obtained after the 25<sup>th</sup> would be subjected to new limitations. It needs to be publicized extensively so that the licensees are informed. Ms Pike asked Ms Dantzler if the language of the regulation states any effective date for CPE. Ms Dantzler stated that no specific date was included due to the time of the regulatory process. Mr Baldwin stated that this is not unreasonable.

### **D. Office of Licensure & Compliance Report**

Mrs. Cubitt stated she spoke with Mr. Robbie Boland, of the Office of Licensure and Compliance (OLC) prior to the meeting. She further stated since OLC is not yet issuing licenses on the Board's behalf at this time there is no report.

Mrs. Cubitt stated OLC now has the capability for licensees to go online and download a pocket card for printing. She noted no signatures would be on the card.

Mr. Teague stated once the licensee pays the renewal fee, the licensee will receive a receipt for payment. He further stated the individual can then download the pocket card.

Mr Creech stated that the pocket card is not as significant in the CPA profession as opposed to the actual coveted wall certificate. Ms Cubitt did interject CPAs may need to provide a proof of licensure when engaged in an audit.

E. Administrator's Report, Doris Cubitt

1. Discussion of the Complaint, Investigation and Disciplinary Process

This matter was discussed earlier in the meeting.

2. NASBA Committee Interest Form - Deadline May 10, 2010

Mrs. Cubitt stated May 10, 2010 is the deadline for the NASBA Committee interest form for next year.

Mr. Burkett stated a member who does several audits may be interested in some of the committees. He went on to say the Global Strategy Committee is new as well as International Liberties CPA Exam Committee. He believes Mr. Hobbs has enjoyed serving on the Communications Committee. He thinks serving on a committee gives individuals different view points on topics.

Mr. Hobbs spoke well of the State Board Relevance and Effectiveness Committee.

Ms. Cubitt is very appreciative of all Board members taking an interest in serving on and participating in the different NASBA committees.

Mr. Burkett stated he may run for the NASBA Director at-large position.

The Board determined it would submit Mr. Burkett's nomination.

## 9. Old Business

There was no old business for action or discussion during this meeting.

## 10. New Business

### A. Regulation/Legislative Committee - Donald Burkett

This committee had no report.

Mr. Burkett stated NASBA's Board of Directors meeting recently met. He further stated David Costello is resigning effective January 1, 2012. He went on to say there is now a Selection Advisory Committee to select five nominees with one from each region. He noted Mark Harris would be the next vice chairman. He went on to say Chuck Talbert is on the Exam Review Board (ERB) committee. He noted that committee has had approximately 12 members; however, Mr. Talbert recommended the committee be reduced to five members. He does not know if Mr. Talbert remains on the committee. He said NASBA's financial status remains good. 26 states are participating in the Accountancy Licensure Database (ALD) and several more are due to participate; however, there are a few that will not participate as to legal issues. The problem is ALD will need to be fully established to have enable Mobility throughout the US.

Mr. Burkett stated the focus questions had helpful answers.

**B. Peer Review Committee - Mark Hobbs**

North Carolina Response to Focus Questions

Mr. Hobbs stated the Board may have answered the focus question regarding peer review inaccurately. He went on to say Mr. Teague forwarded the questions to him and he pointed out that the question asked if the Board verifies with the firms that attest that they do not do any work that would require participation in the peer review program. Ms. Cubitt stated staff does not verify whether or not firms are completing work that would require peer review. We only ask the firms to attest but are not verifying.

**C. Report of Education/Experience Committee - Malane Pike**

This committee had no report.

**Additional Comments not related to Committee Items**

Ms. Pike stated she attended the legal conference which was held in Nashville. She further stated when the Board is searching for language that would include IFRS for the practice act, not only should the Board review the Accountancy statute but other South Carolina statutes as well. She noted search terms could be used.

Ms. Pike stated there is a US Supreme Court case (Hertz) that has defined a principal place of business. She further stated the Board's practice act includes a definition for a principal place of business. She went on to say the court case could potentially extend the principal place of business definition depending on the facts presented to the Board.

Ms. Pike stated NASBA has developed a committee to develop a template for a statute for stand alone Board of Accountancy. She noted North Carolina and Texas have stand alone Boards of Accountancy and NASBA would like to push for more stand alone Boards of Accountancy. She also said NASBA has a white paper that discusses the advantages and why a board would want a stand alone Board of Accountancy. She said she is serving on that committee.

Mr. Creech stated the Ethics Committee of NASBA would like more information regarding the issue of PWC Canada not needing to register when providing services to South Carolina clients since all references currently in our statute refers to AICPA and GAP standards. When PWC provides services they are using IFRS wording instead. That is why we included IFRS in our proposed change to the statute, which now will not move until next session. The committee wants to get this out to the other state Boards of Accountancy's as it is an important issue and needs to be addressed in their statutes

**D. Report of CPE Committee - Malane Pike**

This committee had no report.

**E. 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. Hobbs seconded the motion, which carried.

**F. Other Professional Issues Committee - Wendell Lunsford**

**A. Consideration of the use of NASBAs Substantial Equivalent Listing for Mobility purposes**

Ms. Cubitt has been speaking with Stacy Grooms of NASBA regarding the Board's use of NASBAs substantial equivalent listing for mobility purposes. She further stated the Board currently has its own substantially equivalent list that includes most, but not all, of the states on NASBAs list. She went on to say the Board had discussed the issue during a previous meeting during which various ways of obtaining licensure in other states were discussed. She noted that in 1997 the Board went to the 150 hour rule and a date named; however, that date has now been moved to 2012. She said if a candidate applied for licensure today he/she would have to comply with all of the Board's rules. If that candidate is licensed in California is that individual substantially equivalent to become licensed in South Carolina. She understood the Board said no during the previous discussion since it would not be fair to the candidates here. The Board's list of substantially equivalent states does not include those states going to be the 2012 before they got there.

Ms. Cubitt stated there may be a distinction between mobility and reciprocity licensing and asked the Board if they wanted to make that distinction. She asked if an individual just became licensed in California, and does not meet South Carolina's licensing requirements but wants to provide services to SC clients under mobility, does that matter. She said mobility individuals whose state does not meet the substantially equivalent mobility requirements can meet our requirement based upon their own individual qualities and provide services to South Carolina clients.

**MOTION**

Mr. Burkett made a motion the use of NASBAs substantial equivalent listing for mobility purposes. Mr. Hobbs seconded the motion, which carried unanimously.

**MOTION**

Mr. Burkett made a motion do not use NASBAs substantial equivalent listing for mobility purposes for reciprocity. Mr. Hobbs seconded the motion, which carried unanimously.

**B. Consideration of Eliminating the Need of Out-of-State Firm Registration if the Firm has a Registered Presence in South Carolina**

Ms. Cubitt stated NASBA is asking for the consideration of eliminating the need of out of state firm registration if the firm has a registered firm presence in South Carolina. She further stated if a firm is in North Carolina and is conducting an audit for a South Carolina client the firm must register but the individuals do not have to become licensed based on mobility. She went on to say the Board's position in the past was to register the firm conducting the audit. It relates to the in-state firms, if there are three different offices in SC of a particular firm then all three offices must register. Ms Pike stated that it would be a violation of equal protection if we did not require registration. If you do not follow suit with how you treat people in SC. Mr Burkett stated as an example Cherry Bekeart & Holland LLP is registered in South Carolina, I do not see why we would need them to register an out-of-state office since they are already have a registered presence. Ms Cubitt interjected that if the

particular office team in SC is providing the work they would not have to register. Mr Burkett stated that it would defeat mobility.

Mr. Burkett recommended the Board seek advice from Ms. Dantzer regarding this matter and placing it on agenda for the June 24, 2010 meeting.

Ms. Pike referenced Section 42-2-40(B)(1)(c) of the Board's practice act.

**SECTION 40-2-40.** Grant or renewal of registration to practice as firm; qualifications for registration; changes in identities of partners or officers.

(B) (1) The following must hold a registration issued pursuant to this section:

(c) a firm that does not have an office in this State but performs attest services described in Section 40-2-20(2)(a) (audits), (c) (examinations), or (d) (services under PCAOB Auditing Standards) for a client having a home office in this State.

**G. Report of Qualification for Licensure Committee - Anthony Callander**

This committee had no report.

**H. Report of Character and Fitness Committee - Robert Baldwin**

Informational Update

**11. Executive Session**

**MOTION**

Mr. Burkett made a motion the Board enter executive session to discuss the lawsuit. Mr. Lunsford seconded the motion, which carried unanimously.

**12. Return to Public Session**

**MOTION**

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

Mr. Creech noted for the record that no official action was taken during executive session.

**13. Consideration of Nomination for NASBA's Board of Directors Position**

Mr. Creech abstained from participating in the discussion and voting on this matter.

Mr. Burkett abstained from voting in his nomination for the NASBA Director at-large position.

**MOTION**

Mr. Burkett made a motion nominate M. W. Bucky Glover for regional director. Mr. Baldwin seconded the motion, which carried unanimously.

**MOTION**

Mr. Baldwin made a motion nominate Mr. Burkett as the at-large member. Ms. Pike seconded the motion, which carried. Mr. Burkett and Mr. Creech abstained from voting in this matter



**14. Public Comments**

No public comments were made during this meeting.

**Additional Comments from Board Members**

Mr Creech asked to have Mr Scott Kozacki, Esq, representing the Board in the lawsuit by Brad Johnson, brief the Board as to its status at the June 24<sup>th</sup> Board Meeting.

Ms. Pike entered into the record three letters: Mr. Creech's letter, dated February 23, 2010, to Ms. Youmans asking the licensing function be kept at the Board Staff level rather than moving to OLC , Ms. Youmans' response of agreement, dated March 22, 2010, and Mr. Creech's April 2, 2010 letter sent to Ms. Youmans asking for her to confirm the understanding of the March 22, 2010 letter. Mr. Creech has not received a response from his April 2, 2010 letter.

**MOTION**

Ms. Pike made a motion the Board enter letters into record. Mr. Baldwin seconded the motion, which carried unanimously.

**15. Adjournment**

**MOTION**

Mr. Hobbs made a motion the meeting be adjourned. Mr. Baldwin seconded the motion, which carried unanimously.

The May 6, 2010 meeting of the SC Board of Accountancy adjourned at 11:58 a.m.

Respectfully submitted,



Doris E Cubitt, CPA  
Administrator

Approved at the June 24, 2010 Board Meeting.

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