

**SC Department of Labor, Licensing & Regulation
Board of Accountancy
9:00 a.m., Thursday, August 19, 2010
SYNERGY OFFICE PARK
KINGSTREE BUILDING, CONFERENCE ROOM 108
110 CENTERVIEW DRIVE
COLUMBIA, SC 29210**

MINUTES

Call to Order

Bobby R. Creech, Jr., CPA, Chairman called the board meeting of the South Carolina Board of Accountancy to order on August 19, 2010, at 9:07 a.m., with a quorum present. Other Board members present were: Mark T. Hobbs, CPA, Vice Chair, Anthony Callander, CPA, Secretary, 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 R. Teague, Administrative Assistant, and Amy Holleman, Administrative Specialist. LLR employees attending the meeting included: Randy Bryant, Assistant Deputy Director; Sharon Dantzler, Office of General Counsel; Steve Freshley, Investigator; Suzanne Hawkins, Assistant General Counsel; Tracey McCarley, Education Coordinator; and Angie Scott, Administrative Assistant.

Public Notice

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 Kingtree Building.

Pledge of Allegiance

All present recited the Pledge of Allegiance.

Invocation

Mr Hobbs led everyone in a moment of silence.

Consideration of Board Member Excused Absences

All Board members were present. Donny Burkett was not at the meeting when it began.

Adoption of Agenda

MOTION

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

Approval of June 24, 2010 Board Meeting Minutes

MOTION

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

Consideration of Deborah Black's Request to Remove Cease & Desist Order

This matter was recorded by a court reporter in order to produce a verbatim transcript should one be necessary.

A Cease & Desist was issued to Ms Black on April 1, 2010 as a result of a political ad stating Ms Black as a CPA in the captioning. During the time the campaign ad aired Ms Black was unlicensed as she voluntarily surrendered her CPA certificate on December 6, 2007.

MOTION

Mr Hobbs made a motion the Board enter executive session to seek legal advice regarding this matter. Mr Callander seconded the motion, which carried unanimously.

MOTION

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

Mr Creech noted the Board took no official action while in executive session.

MOTION

Ms Pike made a motion the Board deny Ms Black's request to remove the cease and desist order based upon insufficient evidence, but leave the record open if Ms Black would like to submit additional evidence to the Board. Mr Baldwin seconded the motion, which carried unanimously.

Complaint & Investigative Activity – Office of Investigation & Enforcement

Case Dismissals

Ms Cubitt stated the IRC report contains a case for dismissal due to insufficient evidence and three cases to move forward as formal complaints.

MOTION

Mr Hobbs made a motion the Board approve the dismissal report, Case 2009-15 as provided and that the Board authorize staff to move forward with the three formal complaints. Mr Baldwin seconded the motion, which carried unanimously.

Number of Open Complaints

Mr Freshley stated he informed the Board during the June 2010 meeting that OIE had 16 active cases. He noted as of August 16, 2010 there are 13 open cases, of which the oldest is 784 days and the youngest is 47 days old. He noted OIE has one new case.

Information Update

Chairman's Remarks

Mr Creech stated it has been busy with NASBA and with staff.

Advisory opinions (Sharon Dantzler – Office of General Counsel)

Discussion regarding Firm Registration

There were no advisory opinions given during this meeting.

Legislative update (Sharon Dantzler – Office of General Counsel)

There was no legislative update.

Office of General Counsel Report

Ms Hawkins stated the Office of General Counsel has two active cases and will now have another three cases since the Board has approved the IRC report.

Office of Information Services Report

Administrator's Report (Doris Cubitt)

Ms Tracey McCarley stated she is working on a special project for Mr Randy Bryant regarding monthly financial statements. She asked the Board if they would like to receive monthly financial reports and, if so, what type of information they would like the report to include in the report and how often they would like to receive the report. Mr Hobbs stated he would like to see the revenue by firm registration and licensee fees, but also asked that a Board member work with Ms McCarley on this matter.

Ms Cubitt stated staff is able to break down the expenses by transfer to other areas in the agency. She further stated the allocations for line items are a percentage based on the Board's total expenditures.

Mr Creech asked Mr Hobbs to work with Ms McCarley.

Ms Cubitt stated the NASBA Annual meeting is October 24-27, 2010 in San Antonio, Texas. She asked the members to notify her if they wish to attend the meeting in order to submit travel requests. She noted to members attending the meeting the difference in the hotel rate and the federal hotel rates.

Ms Cubitt stated during the previous meeting the Board had questioned transfers to the general fund. She believes the Board was referencing transfers made where money was taken because the legislature was saying they needed this much money.

Mr Hobbs questioned the transfer of \$27,000.00. Ms Cubitt stated that transfer was part of the ten percent the agency transfers to the legislature on an annual basis.

Ms Cubitt stated she has contacted the State Treasurer's Office in regard to reviewing the financial statements which move through that agency. She further stated the individual she spoke with is speaking with her boss. She noted, however, that she was informed that if the State Treasurer's Office receives a report which is questionable, they contact the State Auditors Office and have that office send someone out to the entity and conduct an investigation. Ms Cubitt stated, if an audit is questionable (substandard) then the Board of Accountancy should be notified so that we can follow-up with the CPA Firm that conducted the audit.

Ms Cubitt stated the Board had asked for statistics regarding firms, which was emailed to the members.

Old Business

There was no old business for discussion during this meeting.

New Business

Regulation/Legislative Committee – Donald Burkett

Mr Burkett was not present to give a report.

Peer Review/Communications Committee – Mark Hobbs

Peer Review Update

Mr Hobbs stated there are 145 peer reviews to complete this year. He further stated of the 145 peer reviews, approximately one-half are system and one-half are engagement, 17 reviews are initial, seven firms have surrendered from the peer review program. He noted SCAPA will assist in administering the reviews. He said AICPA has issued a new exposure draft on peer review. He stated comments on the new exposure draft are due no later than August 31, 2010.

Mr Hobbs stated SCAPA had oversight by the AICPA last year and just received the results. He further stated SCAPA received a good and complimentary report.

Mr Hobbs stated he has heard that NASBA is attempting to take away peer review away from AICPA. He noted NASBA was meeting this week in regard to this matter. He went on to say NASBA feels peer review should be under that organization and not under AICPA.

NASBA Communications Committee Update

Mr Hobbs stated the Communications Committee met during the two previous NASBA meetings. He further stated the committee is taking charge in the development of unique and innovative ways to communicate between the state boards of accountancy and NASBA as well as other agencies and the public. He went on to say a communications officer will attempt to attend all meetings in order to communicate more effectively. The Board needs to be more active in community outreach programs to help delineate the distinctions between the Board of Accountancy and the South Carolina Association of CPA's; there is still a lot of confusion with the public and licensees. He said several states and NASBA are now getting involved with social media such as Twitter and Face Book to communicate with students. He noted some states are prohibited from participating in social media outlets.

He also indicated that the Board needs to publicize that the Board Meetings are streaming live on the internet and previous meetings are archived on the web in video and audio formats too. Mr Hobbs mentioned that the South Carolina Board is the only Board that is providing this type of service; we just need to get the word out.

Ms Dantzer stated LLR is looking into the social networking environment, but needs to address issues regarding existing technology.

Mr Callander suggested the Board should have a retreat to discuss more about communications and how the Board members can help resolve these issues.

Report of Education/Experience Committee – Malane Pike

Consideration of Mary Pace's request to accept double college course credit

This matter was recorded by a court reporter in order to produce a verbatim transcript should one be necessary.

Ms Pace's transcript does not include the required 36 semester hours in business courses as required in statute. She currently has 24 semester hours. Six of the courses she took at East Carolina University were combined courses; two courses combined into one. ECU only granted 3 semester hours per combined course as stated on transcript dated 7/2/2010, rather than 6 semester hours.

MOTION

Mr Hobbs made a motion the Board take this matter to executive session to seek legal advice. Mr Callander seconded the motion, which carried unanimously.

Report of CPE Committee – Malane Pike

Consideration of James Todt's (CPA 4364) request to complete 2009 CPE
Consideration of Darrel Hardy's (CPA 1207) request to complete 2009 CPE

Ms Cubitt stated these two individuals had notified staff that they have not completed all or part of the required CPE courses in 2009, which the Board needs to address. She noted the individuals notified staff prior to renewing licensure that they had not obtained all of their CPEs.

Discussion ensued regarding what penalties have been done in the past and could be done regarding those individuals who have not obtained 40 CPE hours in a calendar year.

Mr Baldwin pointed out his concern of those individuals that are practicing without adequate CPE continuously. There has to be some sort of penalty for those types of licensees. Mr Creech indicated those licensees that voluntarily confess they do not have the required CPE should not be as harshly penalized as those that willfully lied on their renewal and are caught in an audit. Ms Pike asked where is our statutory authority. Mr Baldwin explained that the statute references the AICPA's Code of Professional Ethics. It is in the ethics that CPAs will maintain their skill set, which requires education. Ms Pike referred to 40-2-250 which states licenses must document forty hours of acceptable continuing education each calendar year. We could require licensees to report CPE annually apart from the biennial renewal.

Mr Bryant discussed with the Board the annual versus biennial renewals and how other programs are handling continuing education for biennial licensure. Discussion also included requiring additional CPE.

Mr Baldwin indicated we are providing a disservice to the public by waiting two years to find out if a CPA is incompetent; we need to put in place mechanisms to be able to determine such inadequacies and if it means requiring CPE to be reported annually then we need to do so. Mr Creech included completing annual audits to help monitor violations. This subject is covered in our CPE section; how are we going to process the audits at the end of this cycle, which is going to require all of our participation in order to give everyone the opportunity to see what our licensees consider as quality CPE.

Mr Lunsford asked Ms Dantzler if we have the authority to allow these two licensees, in question, to be given the opportunity to complete their CPE by the end of the year and still be in compliance of the law. Ms Dantzler stated not precisely, you could penalize them for violating existing law with whatever you agree upon; however, any one aggrieved by that would request a hearing explaining why that would not apply to them.

Ms Dantzler suggested including in our renewals specific questions such as, Have you completed 40 hours in 2009. Have you completed 40 hours in 2010? These questions would give you a clear avenue for audit purposes for those licensees that falsify their timing.

Mr Callander made the suggestion, since this is the first 2-year renewal cycle and we did not proactively change the licensing period to two years, could we take the position, because it is confusing, on a one time basis because of a significant basis you can have 80 hours in two years, hence forth we are going to annually reporting of CPE. Mr Callander inquired if by going back to annual reporting would it pose a problem for staff. Ms Cubitt stated the we are currently asking for hours only, in the past we did ask for licensees to physically turn in a CPE report which we reviewed; not in depth as an audit would but verified the total hours and any glaring errors. It is time consuming. Mr Bryant suggested prior board members to possibly review the CPE.

The Board determined it would notify Mr Todt and Mr Hardy that as long as they complete the CPE prior to the end of the year they would be fine.

Mr Hobbs mentioned when revising the renewal form to include the specific questions regarding completion of CPE to also include a question for those CPAs providing Yellow Book and Employee Benefit Plan Audits if they have completed the required hours of.

Ms Cubitt stated she would have an e-mail blast sent in regard to obtaining CPEs prior to licensure renewal. The Board asked the associations to remind licensees to obtain CPE prior to renewal.

Consideration of CPE Policy

Ms Cubitt stated the Board should develop a policy when an issue like the above individuals arise or when an individual renews who did not complete the CPE prior to renewal. She noted the policy does not have to be developed during this meeting;

MOTION

POLICY

Mr Hobbs made a motion the Board make a policy that for one time basis only, if a licensee did not complete the 40 CPE hours for 2009 they have until December 31, 2010 to complete it as well as the 40 CPE hours for 2010; in addition, the board will move to annual reporting in 2011. Mr Baldwin seconded the motion, which carried unanimously.

Consideration of Other CPE Issues – Self Study

Ms Cubitt stated she has been researching CPE requirements in other states and have found the requirements vary from state to state, but averages to forty percent self study. She noted she had not received a response from all of the states. She said staff has been informing individuals that the course counts if they took the whole 40-hour course prior to the June 25 effective date or paid for a self-study course and had the course prior to the June 25 effective date.

Discussion ensued concerning the 20-hour limitation of Self-Study CPE. Ms Cubitt indicated that she has talked to many licensees that have stated they are stay at home moms, or the individual is confined to their house due to an illness, she has suggested for them to use webcasts or webinars to obtain their CPE. Mr Lunsford added that only in the last several years has he obtained CPE through self-study and he found he learned more from it than sitting through a four to six hour seminar. Mr Baldwin stated that today's youth are more systems driven and would benefit more from self-study, webinar, and webcasts. What is more effective... Mr Creech agreed that techies would be more acceptable to on-line CPE but may have problems with the timing; however, we are not arranging CPE to fit schedules; it is what is best for everybody. Many people will only take the test when it

comes to self-study and skip the material, directly violating the spirit of continuing education and easy to hide in self-study programs. Mr Hobbs added that the problem with live seminars is ethics, what is the individual intending to get out of the course. This brings up a topic the Board has talked about before; do we need to have an ethics requirement in South Carolina. Mr Creech stated as long as we can find an ethics course similar to the AICPA's course, that does not focus on rules and regulations, we can make it a requirement on an annual or biennial basis. It cannot be state specific. Mr Hobbs suggested that maybe we should have a course every two years or so about South Carolina statutes and regulations in order to communicate to the licenses the current requirements. Ms Cubitt reminded of the logistics of providing a course of our own, also stated how it will need to be changed every two years. Mr Creech stated that ethical issues and cases involving ethical issues changes every year. To teach true ethics involves case studies. Mr Hobbs stated that maybe we should have an hour of ethics then an hour of rules and regulations. Mr Baldwin again stated that our statutes identify the AICPA's Code of Professional Conduct and should be reviewed by our licensee base at some interval to help protect the public. He also agreed with Mr Hobbs in having some sort of statute and regulatory review as well.

Erin Hardwick of SCAPA stated the association has a behavior standards committee within the association. She noted the committee has been having discussions regarding a similar course. She went to say the association would be happy to assist with the development of such a course.

Mr Hobbs asked that the Board hold a work session meeting to discuss cease and desist orders, the ethics course, Regulation 1-08(A)(2)(d), and other matters. The Board determined it would hold a work session meeting on December 1, 2010.

Mr Creech asked the members to consider Wednesday, April 27, 2011, or Wednesday, June 8, 2011 as an additional work day as a CPE audit date. The Board determined it would meet on June 8, 2011 to audit CPEs. Staff will notify the licensees by letter to submit the CPE documentation no later than February 1, 2011.

Report of Examination/CBT Committee – Anthony Callander

Approval of CPA Exam Grades

MOTION

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

Other Professional Issues Committee – Wendell Lunsford

This committee had no report.

Report of Qualification for Licensure Committee – Anthony Callander

Consideration of Edward Royall's Licensing Application

This matter was recorded by a court reporter in order to produce a verbatim transcript should one be necessary.

Board staff did not have the authority to approve Mr Royall's application as he had three DUI's spanning several years.

MOTION

Mr Hobbs made a motion the Board discuss this matter in executive session. Mr Lunsford seconded the motion, which carried unanimously.

Return to Public Session

MOTION

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

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

Consideration of Mary Pace's request to accept double college course credit

MOTION

Ms Pike made a motion the Board deny Ms Pace's request on the grounds the Board's statute specifically states that an applicant must have 36 semester hours of business courses. Mr Hobbs seconded the motion, which carried unanimously.

Consideration of Edward Royall's Licensing Application

MOTION

Mr Baldwin made a motion the Board grant Mr Royall a license and that Mr Royall be required to submit a statement with his renewal in 2013 that he is continuing with an alcohol free life to be reviewed by the Character & Fitness Committee. Mr Callander seconded the motion, which carried unanimously.

Consideration of Darrell Hardy's request to exempt corporation from registering

Ms Cubitt stated Mr Hardy was employed with a firm and was doing work on the side, which needed to be registered as a firm. She further stated he had signed his name to a letter followed by CPA. She noted the Board's policy has been that if a firm was not registered in a timely manner it was required to pay fees back to the time the firm initially began business.

The Board determined that since Mr Hardy has created confusion to the public he needs to register his Sole-proprietorship and his Public Association; and fine only once to be able to cure the problem, if not a Cease & Desist needs to be mailed to him.

Ms Cubit asked Ms Dantzler to help clarify the Boards request to add a question to the renewal from regarding being disbarred by the IRS, SEC or any other governing body. Ms Dantzler asked the Board to come up with a term that would encompass all types of governing bodies so that no one would be left out. Mr Baldwin added that not only should it be placed on the renewal, the question needs to be placed on all application and reinstatement forms Mr Hobbs also wants a question on the application/renewal whether or not licensee has timely filed his or her personal taxes.

MOTION

POLICY

Mr Hobbs made a motion the Board adopt a policy that firm registrations are on a firm-by-firm basis in and out of state. Firms with multiple offices are not required to register each office, but that the locations are included as an attachment and identify a registered manager for each location and appropriate contact information. Ms Pike seconded the motion, which carried unanimously.

Ms Pike asked to revisit CPE as Mr Noble's letter regarded the lunch and learn language. Our regulation reads:

Regulation 1-08(2)(d) When a meal is scheduled during the educational period, no credit will be allowed unless the schedule provides for fifty (50) minutes of instruction after completion of the meal.

Mr Noble suggested inserting "at least" before the fifty (50) minutes of instruction so it should read:

Regulation 1-08(2)(d) When a meal is scheduled during the educational period, no credit will be allowed unless the schedule provides for at least fifty (50) minutes of instruction after completion of the meal.

This should be looked at during our December 1st work session.

Ms Cubitt wanted clarification as to the 10-hour limitation in one day. Many self-study courses are more than 10 hours; they are doing the working over a multiple day period and completing the exam. The certificate of completion is only showing the exam date. Mr Creech stated licensees must keep track of the time to complete the course.

Report of Character and Fitness Committee – Robert Baldwin

This committee had no report.

NASBA's August Focus Questions

MOTION

Ms Pike made a motion that since the focus questions are not due until October 6, 2010 that the Board cover these questions in the September 14, 2010 meeting. Mr Hobbs seconded the motion, which carried unanimously.

Public Comments

No public comments were made during this meeting.

Adjournment

MOTION

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

The August 19, 2010 meeting of the SC Board of Accountancy adjourned at 1:39 p.m.

Respectfully submitted,



Doris E Cubitt, CPA
Administrator

Approved at the October 18, 2010 Board Meeting.



Bobby Creech, CPA, Chair



Anthony Callander, CPA, Secretary