

MINUTES

SC Department of Labor, Licensing & Regulation
Board of Accountancy

Board Meeting

9:00 A.M., Wednesday, January 26, 2011
SYNERGY OFFICE PARK
KINGSTREE BUILDING, Room 108
110 CENTERVIEW DRIVE
COLUMBIA, S.C. 29210

1. Call to Order

Bobby R. Creech, Jr., CPA, Chair called the board meeting of the South Carolina Board of Accountancy to order on January 26, 2011, at 9:18 a.m., with a quorum present. Other Board members present were: Mark T. Hobbs, CPA, Vice Chair, Robert Baldwin, CPA; Donny Burkett, CPA; Anthony Callander, CPA, Secretary, Wendell Lunsford, Accounting Practitioner, David Nichols, Accounting Practitioner; and Malane Pike, Esq.

Staff members participating in the meeting included: Doris Cubitt, Administrato,; Michael R. Teague, Administrative Assistant, and Amy Holleman, Administrative Specialist. LLR employees attending the meeting included: Sharon Dantzler, Assistant General Counsel, OGC; Sandra Dickert, Administrative Assistant; Steve Freshley, Investigator, OIE; and Suzanne Hawkins, Assistant General Counsel, OGC.

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 all present in the Pledge of Allegiance.

Mr Creech welcomed Mr Nichols to the Board.

2. Consideration of Board Member Excused Absences

The Board excused Mr Forte's absence from the meeting.

3. Adoption of Agenda

MOTION

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

4. Approval of Minutes of Meeting held on December 2, 2010

MOTION

Mr Callander made a motion that the Board approve the minutes of the December 2, 2010, meeting. Mr Burkett seconded the motion which carried unanimously.

5. Complaint & Investigative Activity – Office of Investigation & Enforcement

- A. Consideration of Consent Agreement and Other Special Matters
Justin K. Kiddy, CPA 6921, Consent Agreement

MOTION

Mr Burkett made a motion that the Board accept the consent agreement. Ms Pike seconded the motion which carried unanimously.

- B. Number of Open Complaints
C. Case Dismissals

Mr Steve Freshley of the Office of Investigations and Enforcement (OIE) stated as of January 25, 2011 OIE has 15 active cases. The oldest case is 809 days old, and the youngest case is 11 days old. He further stated the median age of the cases is 150 to 200 days old. He noted the next IRC meeting would be held prior to the April 28, 2011, meeting.

Mr Callander asked if there is any way a grievous complaint could be accelerated. Mr Freshley stated if there is such a case the Board administrator could contact OIE and ask that the case be accelerated.

- D. IRC Report – January 18, 2011

Mr Freshley noted the committee is recommending all three cases for formal complaints and disciplinary action.

MOTION

Mr Hobbs made a motion that the Board approve the IRC report dated January 18, 2011. Ms Pike seconded the motion which carried unanimously.

6. Information Update

- A. Chairman's remarks
Mr Creech stated the agency has a new director, Catherine Templeton.

- 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 the proposed legislation the Board asked to introduce has not been introduced. She further stated when an administration changes, agency procedures change. She noted Mr Selman is no longer with the agency and, as of this date, there is not a legislative liaison. She went on to say all

legislation must be submitted to the Governor's Office prior to being submitted to the legislature.

Ms Dantzler stated she is retiring effective March 31, 2011, and would not be at the Board's meeting in April.

MOTION

Mr Baldwin made a motion that the Board state their appreciation to Ms Dantzler for her assistance to the Board. Mr Hobbs seconded the motion which carried unanimously.

D. Office of General Counsel

Ms Hawkins stated there are currently six cases in the Office of General Counsel (OGC). She further stated two of the cases were heard during the December 2, 2010, meeting and she is waiting on the final orders. One case was a consent agreement approved by the Board earlier in this meeting, and three cases were received on January 25, 2011, as a result of the January 18, 2011 IRC meeting. She hopes to present those cases as hearings during the April 28, 2011, Board meeting.

E. Office of Information Services Report

Ms Cubitt stated 113 licenses have been issued since the December 3, 2010, meeting, and 3,169 licensees renewed their licenses. She noted there are currently 7,574 active licenses. She noted there are approximately 1,500 licensees who have not yet renewed. She went on to say the renewal period ends January 31, 2011, in which the reinstatement will be implemented.

F. Administrator's Report (Doris Cubitt)

Ms Cubitt stated staff would miss Ms Dantzler.

Ms Cubitt stated there is a Legal Conference scheduled for March 2011, which Ms Pike expressed an interest in attending. She further stated there is an Executive Committee Conference at the same time and location. She submitted a letter to Mr Tom Kenny seeking scholarship funding which covers everything. She further stated, as of this date, she has not heard anything regarding travel from the new director. She said the Regional meeting would be in June, and Mr Nichols would be able to attend the Regional meeting under the scholarship as a new member.

Ms Cubitt stated staff would disseminate CPE audit letters once the renewals are complete. She noted the individuals will be given 45 to 60 days to submit the information.

7. Old Business

There was no old business for discussion.

8. New Business

A. Appearances

1. Consideration of Mr Douglas Richter's request to extend BEC grade

A court reporter recorded this proceeding in order to produce a verbatim transcript should one be necessary.

Ms Cubitt stated that Mr Richter is a CPA candidate and is requesting his BEC expiration date be extended to the date he passed the AUD section, 11/24/2010. He previously requested an extension; however, the Board instructed Mr Richter to complete the remaining sections before asking for the extension for which he is asking today. He had a cornea transplant surgery earlier in 2010. That coupled with recovery prevented him from completing the exam when needed.

MOTION

Mr Hobbs made a motion that the Board extend Mr Richter's BEC grade to 11/24/2010. Mr Burkett seconded the motion which carried unanimously.

Mr Creech asked Ms Cubitt what staff considers a rolling 18-months; is it from the date passed or from the window the section is passed in? Ms Cubitt replied that the 18 months is counted from the month the section of the CPA Exam is passed to the end of the 18th month which allows for scheduling conflicts. Mr Creech indicated several states are counting to the day, which is not the intent of the window system.

2. Consideration of Mr Norbert Nickens' appeal regarding experience for Initial CPA Application

A court reporter recorded this proceeding in order to produce a verbatim transcript should one be necessary.

Ms Cubitt stated that Mr Nickens's experience was with US Food Service and appeared to be routine bookkeeping functions rather than the in-depth accounting experience needed to become a CPA. She forwarded his information to the Experience Committee which agreed that the experience did not rise to the level needed to become a CPA. Mr Nickens then requested to appeal his case to the full Board.

Mr Nickens stated that he had been with US Food Service for four years and, when hired, was told that he would be working on month-end closing, which he thought would be considered for the CPA Experience requirement. He also indicated that if it did not meet the requirement he would come away from today's meeting with the understanding what is needed.

Mr Hobbs added, that after reviewing Mr Nickens's experience, he agreed with the Committee and listed several areas that we look for:

- Reporting areas such as SARS reporting, Attestation reporting, Auditing standards reporting
- Risk assessments on an audit process
- Preparing footnotes to financial statements
- Different tax engagements
- Analysis of data

Mr Baldwin added that another area that would qualify would be working on footnotes to financial statements. Ms Pike stated that when reviewing experience she looks for areas that the individual is analyzing the data they collected and when looking over Mr Nickens's experience it does not include any.

MOTION

Mr Hobbs made a motion to not accept Mr Nickens's experience, and, based on the dialog, he believes Mr Nickens understands why. Mr Callander seconded the motion which carried unanimously.

3. Consideration of Mr Damon Hilton's experience for Initial CPA Application

A court reporter recorded this proceeding in order to produce a verbatim transcript should one be necessary.

Ms Cubitt stated that Mr Hilton's experience did not meet the requirements. After evaluating his teaching experience he met 48% of the 5-year requirement. He also had some experience at Accounting Temp services, which in the past, the Board's position was not to allow experience at a temp service. Mr Hilton wanted the Board to hear his case. He is applying for a reciprocal license as his original license was issued by Tennessee in 2009.

Mr Hilton passed out his resume showing the full scope of his employment. He stated the law does not state that an individual needs to be employed by the same company only needs to be under the direct supervision. He was employed in a temporary employee role, and the person he reported to signed a time card every week and assigned work. Mr Hilton participated in staff meetings and staff functions just like a permanent employee.

Mr Hobbs inquired if Mr Hilton had ever worked on any Audit engagements? Mr Hilton replied that he had as an internal auditor and worked with SOX documents in terms of internal controls, as well as

doing some internal controls testing when employed by Cummings. He also wrote narratives, audited a couple locations internally, and worked with PriceWaterhouseCoopers and Ernst & Young on some audits. He also teaches all levels of accounting courses for the last five years and has been completing tax returns since 1996. He also worked for a CPA firm. He believes that his experience has been very broad and diverse and more than qualifies for the experience.

Mr Hobbs said that he looks at the quality of the experience. Is the candidate involved in the different levels of reporting, SARS, SAS and Attestation? As he had mentioned in the previous hearing, it appeared that Mr Hilton has no experience working with any clients. Mr Hobbs asked if he had any experience in those areas. Mr Hilton responded that he did not as an external auditing background; however, on the internal auditing side, he put together financial reports, did notes to financial reports, and he was aware of GAAS, General Accepted Auditing Standards. Mr Hilton further stated that he has no intention of going into auditing, and that his expertise is in tax and in industry.

Mr Baldwin pointed out that the statute states, "at least one year of accounting experience that is satisfactory to the Board under the direct supervision of a CPA", which Mr Hilton does have. Then statute continues, "or at least five years experience teaching accounting in a college or university recognized by the board." Mr Baldwin explained further that the statute states either one way of experience or the other; not a combination. Mr Baldwin asked Ms Pike for her thoughts. Ms Pike replied that the statute continues to read, "experience credit for teaching on a part-time basis qualifies on a pro-rata basis based upon the number of semester hours required for full-time teaching at the educational institution where the teaching experience was obtained." Ms Pike asked Ms Cubitt whether a combination of teaching experience can count. Ms Cubitt answered that the Board does not receive many candidates with teaching experience and did recall approving a candidate with a combination. Ms Pike said that after reviewing Mr Hilton's experience it appeared that he had four years of experience. Ms Cubitt stated that the college is on a quarter hour system rather than a semester hour system; therefore, teaching candidates needed 72 hours in a year so five years would equate to 360 hours. Mr Hilton had 171 hours out of the required 360 hours, which is 48% of the requirement. Considering, Mr Hilton would need 52% of other experience, little over six months, to meet the experience requirement. In the past, the Board has not accepted any experience from a temp agency. The Boards concern in the past was the candidates would be brought in for one engagement and not get a broad enough scope of experience.

Mr Callander asked about the differences in South Carolina and Tennessee's experience requirements. Ms Cubitt responded that she did not know; however, South Carolina specifically asks whether the candidate has been employed outside of South Carolina for four out of the last ten years for the Board to issue a reciprocity license without looking further in the experience. But, if his principal place of business was not here in South Carolina he would be able to practice under Mobility.

Mr Baldwin asked Mr Hilton about the requirements he had to meet in order to license in Tennessee. Mr Hilton said he completed one year of experience under the direct supervision of a licensed CPA.

Executive Session

MOTION

Mr Hobbs made a motion the Board discusses this matter in executive session to seek legal advice. Mr Burkett seconded the motion which carried unanimously.

Return to Public Session

MOTION

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

MOTION

Mr Callander stated the Board considers experience on a case-by-case basis. Mr Callander made the motion to approve this application based on the specific testimony and the evidence presented. Ms Pike seconded the motion which carried unanimously.

4. Consideration of Ms Luisa Pino's Request to Extend CPA Exam Grades

A court reporter recorded this proceeding in order to produce a verbatim transcript should one be necessary.

Ms Cubitt stated that Ms Pino is expecting and having a difficult pregnancy. She has passed the AUD, BEC and REG sections. Her Auditing section is due to expire 4/30/2011 and BEC 5/31/2011. Due to the complications she is requesting both expiration dates to be extended. Recommendation is to extend both expiration dates to September 30, 2011.

MOTION

Mr Hobbs made a motion that the Board extend Ms Pino's CPA exam grades. Ms Pike seconded the motion which carried unanimously.

5. Consideration of Ms Jia Ru Hyder's Request to Extend BEC Grade

A court reporter recorded this proceeding in order to produce a verbatim transcript should one be necessary.

Ms Cubitt stated Ms Hyder has returned from military training. Her BEC was to expire 8/31/2010. She had made an earlier request to extend the BEC expiration date but upon Ms Cubitt's advice held off making the request until she actually returned from military training. Ms Cubitt recommended extending the grade to the end of the second window, June 30, 2011.

MOTION

Mr Burkett made a motion for the Board to extend Ms Hyder's BEC expiration date through September 30, 2011. Mr Lunsford seconded the motion which carried unanimously.

B. Regulation/Legislative Committee – Donald Burkett

1. Regulation/Legislative Committee – Donald Burkett
This committee had no report.

a. Peer Review/Communications Committee– Mark Hobbs

i. Peer Review Update

Mr Hobbs stated the peer review committee met the week of January 17, 2011, and will not meet again until late April 2011. He further stated the peer review is functioning properly. He asked Ms Cubitt if anyone reviewed the peer review report on the consent agreement the Board approved earlier in the meeting.

Ms Cubitt replied she does not know if staff reviewed the peer review report. She noted the cover letter states it was a governmental audit report; however, it was on a non-profit organization.

Mr Hobbs stated the Board should consider reviewing the peer review reports in substandard cases. He noted a non-profit organization can have a governmental audit if the organization receives federal financial assistance, and any non-profit organization can have a yellow book audit.

ii. Communications Update

Mr Hobbs stated there has been a lot activity with the communications committee. He further stated the committee had several conference calls and are working on

different matters for the upcoming NASBA regional meeting and annual NASBA meeting. He noted the committee is working towards improving the relevancy of State Boards of Accountancy and how they can relate the relevancy of State Boards of Accountancy to the various constituencies that exist within the states, such as state government, legislators, and attorneys. He went on to say the committee is producing brochures and promotional items for other NASBA committees to assist those committees in improving their dialog. He believes they will attempt to hold an in-person committee meeting in April 2011. He is working on the subcommittee dealing with relevancy and reaching out to constituencies and there are other subcommittees dealing with social media. He noted the committee has been expanded.

2. Report of Education/Experience Committee – Malane Pike
This committee had no report.
3. Report of CPE Committee – Malane Pike
This committee had no report.
4. Report of Examination/CBT Committee – Anthony Callander

MOTION

Mr Callander made a motion that the Board approve the CPA grades as submitted. Mr Baldwin seconded the motion. The motion carried unanimously.

5. Other Professional Issues Committee – Wendell Lunsford
This committee had no report.
6. Report of Qualification for Licensure Committee – Anthony Callander
This committee had no report.
7. Report of Character and Fitness Committee – Robert Baldwin
This committee had no report.

Executive Session

MOTION

Mr Burkett made a motion that the Board enter executive session to discuss a legal issue. Mr Hobbs seconded the motion which carried unanimously.

Return to Public Session

MOTION

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

Mr Creech noted no official action was taken during executive session.

9. Clarification of Regulation 1-10(D); Do not employ or associate with revoked or suspended licensees

Ms Cubitt stated Ms Hardwick of SCAPA received information from individuals who had concerns about Regulation 1-10(D) and has asked for clarification on the matter. She believes the main issue is that the firm is out of state. Ms Cubitt informed Ms Hardwick that if an out of state firm has a branch office in South Carolina the office could not employ or associate with licensees who have revoked or suspended licenses; however, if the firm is operating under mobility the individual would be allowed to work in the firm's office in the other state but would not be allowed to work in the South Carolina office. Ms Cubitt also stated the firm should not have a formal or informal business arrangement with an individual who has a revoked or suspended license.

Ms Hardwick spoke on behalf of a coalition of the South Carolina Association of CPAs (SCACPA) members that represent the big five firms. She further stated the members believe the Board's goal is to prevent a former CPA from doing typical CPA work or misleading the public. The members believe the regulation of the relationship should be limited to prohibiting such licensees from participating in audits. The members also believe those employees with revoked or suspended licenses should remain employed or be allowed to associate in some capacity as they are in the other 49 states and believe the Board's rule goes beyond the federal rule.

Mr Creech stated that was not the intent of the regulation. Ms Pike added that there would be a constitutional problem in disciplining a licensee who is working in an out of state firm and is not completing work for South Carolina residents. Further discussion on this issue ensued.

The Board agreed to seek an equitable solution in this matter and to acknowledge it was not the Board's intent to discipline a licensee for work done in another state which does not affect South Carolina residents.

The Board noted a point of clarification on this issue could be drafted as proposed legislation.

Ms Cubitt suggested developing a policy explaining the Board's position that the regulation refers to working and associating with licensees with suspended or revoked licenses in South Carolina only.

10. Public Comments

No public comments were made during this meeting.

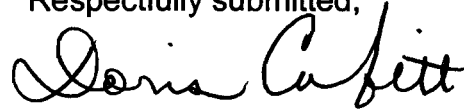
11. Adjournment

MOTION

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

The January 26, 2011 meeting of the SC Board of Accountancy adjourned at 11:36 a.m.

Respectfully submitted,



Doris E Cubitt, CPA
Administrator

Approved at the April 28, 2011 Board Meeting.



Bobby Creech, CPA, Chair



Anthony Callander, CPA, Secretary