

SOUTH CAROLINA DEPARTMENT OF LABOR, LICENSING AND
REGULATION

BEFORE THE SOUTH CAROLINA BOARD OF ACCOUNTANCY

AUGUST 18, 2011

BOARD MEMBERS:

MARK T. HOBBS, CHAIRMAN

ROBERT W. BALDWIN, VICE CHAIRMAN

MALANE PIKE

DONALD H. BURKETT

DAVID C. NICHOLS

MARK S. CROCKER

DEAN GRIGGS, ADVICE COUNSEL

This meeting/hearing were held in room 108 at the South Carolina Department of Labor, Licensing and Regulation, The Kingstree Building, 110 Centerview Drive, Columbia, South Carolina, reported by Cecelia P. Englert, Verbatim Court Reporter and Notary Public in and for the State of South Carolina; said meeting/hearing being held on the 18th day of August, 2011, scheduled for 9:00 a.m. and commencing at 9:00 a.m.

1 MR. HOBBS: Calling the meeting to order. This meeting
2 is being held in accordance with the Freedom of
3 Information Act by notice mailed to The State
4 Newspaper, The Associated Press, WIS-TV and all
5 other interested persons, organizations or news
6 media. In addition, the notice was posted on the
7 bulletin board at the main entrance of the
8 Kingstree Building. So we're very glad to have
9 everybody here for this August meeting, and it's a
10 little cooler out today.

11 And Mark Crocker, thank you for being here.
12 This is your first meeting. And we're so excited
13 about having you on the board. And would you like
14 to take a few minutes and just tell everybody about
15 yourself?

16 MR. CROCKER: Okay. Glad to. Look forward to working
17 with everybody. I was born in eastern North
18 Carolina. The reason I mention that is my dad was
19 at Chapel Hill, studying to become a CPA. He was
20 not quite sure what that was. But most of the
21 people in the profession were very impressive
22 people. So when he finished, he was recruited to
23 Greenville, South Carolina to work for (inaudible),
24 which eventually became Ernest & Young. And so I
25 grew up in Greenville, was in school in Columbia,

1 at the University of South Carolina, accounting
2 program, in the MBA program.

3 I spent four years working in the legislature
4 during that time, so glad to be back, having a role
5 with government, volunteer reveleer. Started my
6 career with Pete Marwick back in the '70s. My
7 first boss was Jim Tapton; remember Jim.

8 MR. HOBBS: Nice guy.

9 MR. CROCKER: And then was with Pete. Became a senior
10 manager in the late '80s. Left there for whatever
11 reason. Enjoyed working there, appreciated that
12 experience, but just -- I don't know. The mood hit
13 me. And actually, several of us who had been in
14 that office left about the same time, a couple in
15 Greenville and a couple in Asheville, North
16 Carolina, and we started what has now become Dixon
17 Hughes Goodman. No big plan, but just a bunch of
18 folks that liked each other and started out just
19 doing whatever we could do to find the next tax
20 return for a payer.

21 Fast forward, the firm has now grown to be the
22 12th largest firm in the country, with the recent
23 merger we had up in Virginia, Maryland and
24 Washington, D.C. We're in 30 cities, ten states.
25 We have about 1700 people. And Doris would have to

1 audit me on this, but I think we have around 250
2 people licensed in South Carolina, both resident
3 and non-resident.

4 And I don't know how many partners I have. If
5 I had to guess, about 200. I know about half of
6 them. You know, at this point, I just have to
7 trust that when the next partner is added, whoever
8 made that decision, felt good about that. And I
9 trusted them when they became a partner. So that's
10 how that works. But it still feels like a
11 partnership. That's the important thing to me and
12 all of the group that's about my age. It's still
13 fairly flat and, you know, just a good group of
14 people to work with. And we are very serious about
15 all that this board deals with and along with
16 SCAFA. And I'm very supportive of everything and
17 appreciate all the volunteer work that all of you
18 put in.

19 MR. HOBBS: Now, where is Dixon Hughes headquarters?

20 MR. CROCKER: Now, Charlotte. For a while there, with a
21 couple mergers, we were both headquartered in
22 Asheville and High Point. But now, we are
23 officially headquartered in Charlotte. And the way
24 that works is all the key people are wherever they
25 happen to live. But the person that heads HR, IT,

1 finance, marketing, you know, they just live in
2 their car, basically.

3 MR. HOBBS: Well, we welcome you to the board. Looking
4 forward to your participation and appreciate you
5 being here.

6 Consideration of absences or excused absences
7 for this meeting today, Gary Fort is out of town on
8 some business; he could not make it. Wendell
9 Lundsford is out of town; he's asked and received
10 an excused absence. And Tanya Green, even though
11 she's not on this list, she's a new board member,
12 that this was going to be her first meeting. She's
13 had some medical issues come up with her family and
14 she could not be here. So I consider her an
15 excused absence. Do I hear a motion that we
16 approve the excused absences?

17 MR. BALDWIN: I move that we excuse all three members
18 for reasons.

19 MS. PIKE: Second.

20 MR. HOBBS: Any discussion? All in favor, please say
21 aye.

22 BOARD MEMBERS: Aye.

23 MR. HOBBS: Thank you very much. The next item on our
24 agenda is the adoption of our program today. And
25 if everybody would just look at our agenda, it does

1 need to be revised slightly. I received calls
2 Tuesday of this week requesting an extension of the
3 hearing, Hearing No. 2010-23 and 2010-25 involving
4 Mr. Flint Smith, CPA No. 2062. And it was
5 ultimately concluded yesterday at about 3:35 or
6 3:45 that that hearing would be extended. And we
7 will be needing to reschedule that. And I think we
8 have some dates to consider those rescheduled. And
9 I would like for all of you to possibly look at
10 your calendar as we go through. Maybe we'll do
11 that near the end of this meeting. We'd like to
12 get it scheduled and possibly have two hearings on
13 the same day. But I really did not want this
14 hearing to drag on very far. So, Michael, do you
15 have those dates that maybe everybody could
16 consider, so they could make notes of it and see
17 what their calendars look like

18 MS. CUBITT: We do. September 26th, 27th, 29th or
19 October the 28th.

20 MR. HOBBS: Can you say those again, please?

21 MS. CUBITT: September 26th, 27th, 29, and then it jumps
22 to October the 28th

23 MR. BALDWIN: I can do those.

24 MR. HOBBS: I'm available on any of those days.

25 MR. BALDWIN: I'm good.

1 MR. HOBBS: Now, if you have a conflict with any of
2 those days, maybe you should let Michael know if
3 you have a conflict with any of them. If you're
4 available for all those days, I don't think we
5 ought to say anything. And what we'll do is we'll
6 go back to our prosecuting attorney and see if we
7 can do two on the same day. And that will be the
8 only business we take care of on that meeting.

9 MR. BURKETT: What were the dates again? I'm sorry.

10 MS. CUBITT: The 27th, the 28th, the -- I'm sorry. The
11 26th, the 27th, the 29th and the 28th of October.

12 MR. BURKETT: At this point in time, I can't do the
13 27th, and I've got to be in that NASB meeting on
14 the 29th, so --

15 MS. PIKE: Can we not take care of this in our October
16 the 19th board meeting?

17 MR. HOBBS: We're worried a little bit about the timing,
18 if we have two. Do we want to consider that,
19 Doris? Do we think we'll have time to do it all
20 the 19th?

21 MS. PIKE: We've had two hearings before; haven't we?

22 MS. CUBITT: Yeah. I would have to go back and check
23 with the prosecuting attorney. She had a really
24 busy October is why we jumped all the way to the
25 28th. So I would have to see. NASB has

1 professional issues update on the 29th and Mark's
2 covering some of them; I'm covering some of them.

3 MR. BURKETT So y'all are tied up.

4 MS. CUBITT: You've got something on the 27th, Donny?

5 MR. BURKETT Yeah. I'm having a party at my house. If
6 I'm here --

7 MR. HOBBS: He'd be in trouble. He'd be in trouble.

8 MS. CUBITT: So that really gets us -- the best day
9 would be September the 26th or the October 28th.
10 Or we will find out -- October the 16th is our next
11 meeting, right?

12 MR. HOBBS: 19th, I believe.

13 MS. CUBITT: 19th.

14 MR. NICHOLS: I've got the 19th in my calendar.

15 MS. CUBITT: I'm in the wrong year. No wonder I can't
16 find it. Yes, October the 19th. Amy, could you go
17 up and ask Suzanne about her availability on
18 October the 19th to hear that case? Thank you.

19 MR. HOBBS: So what I'm hearing is, the dates that we're
20 talking about is Monday, September 26th, if it
21 doesn't work in our regular October 19th agenda.
22 The one thing we did have some issues with, that
23 why we elected to do cases and meetings separate is
24 because sometimes we felt like the cases,
25 especially one case that we had earlier, it took

1 all day and we didn't get to take care of any of
2 our regular business. And that's why we were
3 trying to set cases and business meetings separate.
4 Especially if we have two cases, we might need to
5 have a separate day. But we'll keep you apprised,
6 and maybe we'll find that out today and we can see
7 if -- fine with me if we think we can do it all the
8 same day.

9 So that's been postponed. And the other thing
10 that we're going -- so I would like a -- I reckon
11 we need to approve the amended agenda. So that is
12 not going to be on our agenda today -- Mr. Frank
13 Smith.

14 MR. NICHOLS: I move that the amended agenda, be
15 accepted.

16 MR. BURKETT: Second.

17 MR. HOBBS: All in favor, please say aye.

18 BOARD MEMBERS: Aye.

19 MR. HOBBS: Approval of the minutes. Has everyone had a
20 chance to read the minutes from July 18 and the
21 20th. Motion on the floor that we approve those

22 MR. CROCKER: I move to approve.

23 MR. NICHOLS: Second.

24 MR. HOBBS: Any discussion? All in favor, please say
25 aye.

1 BOARD MEMBERS: Aye.

2 MR. HOBBS: Now, we were going to have a call today from
3 Chuck Landes, and it's under 8A(1). And he is on
4 vacation, but he has agreed to call in to discuss
5 Big Gap/Little GAAP with us and the AICPA's
6 position. And I believe we're going to have him on
7 the phone. Doris can we go ahead and get him on
8 there maybe and have that visit with him. And
9 hopefully some of you are aware of that. We
10 provided some of that information at our last
11 meeting about the issue, whether or not the
12 profession needed accounting principles and a new
13 board for private companies. So that's what he's
14 going -- this will be about a ten minute call.
15 Hopefully, ten or fifteen minute call, if anybody
16 has any questions for Mr. Landes with AICPA.

17 (Calling Mr. Landes.)

18 MR. LANDES: Chuck Landes speaking.

19 MR. TEAGUE: Mr. Landes.

20 MR. LANDES: Yes.

21 MR. TEAGUE: Hi, sir. This is Michael Teague with the
22 Board of Accountancy. Welcome to the board
23 meeting.

24 MR. LANDES: Hi, Michael. Good morning. Thank you.

25 MR. HOBBS: Good morning, Chuck. This is Mark Hobbs.

1 MR. LANDES: Good morning, Mark.

2 MR. HOBBS: We appreciate you taking the time on your
3 vacation to have a few minutes with us to talk
4 about AICPA's proposal to have the new standard
5 set.

6 MR. LANDES: Well, that's quite all right. I'm most
7 happy to. I'm going to move real quickly to a
8 different phone that hopefully you can hear me just
9 a little bit better.

10 MR. HOBBS: Okie doke.

11 (BRIEF PAUSE.)

12 MR. LANDES: Can you-all hear me okay?

13 MR. HOBBS: Yes, sir. I believe we can all hear you
14 fine.

15 MR. LANDES: Okay. Excellent, excellent. Michael, do
16 you want me to jump right in?

17 MR. TEAGUE: Yes, sir. If you don't mind. We've got
18 our board here, except for a few excused absences.
19 If you could just tell us maybe -- we've got people
20 with different knowledge levels about GAAP. So if
21 you could just give us kind of an overview, that
22 would be wonderful.

23 MR. LANDES: I certainly will. And let me first off
24 thank the South Carolina Board for putting this on
25 their agenda. I'm very appreciative of the ability

1 to call in. But more so, I'm appreciative of the
2 Board just taking the time to consider the issues,
3 regardless of, I guess, how you-all might
4 ultimately feel about this. It is so important
5 that I think everybody in this profession give this
6 a lot of consideration and make their views known,
7 either way of this argument.

8 So let me give you a little bit of an overview
9 of what has happened and maybe a little bit of why
10 it has happened. And then I'll bring you up-to-
11 date with respect to what I know has gone on in
12 2011.

13 Just by quick way of background, I joined the
14 AICPA around 2000. And prior to that, I was with a
15 local firm in Cincinnati, Ohio. And so it's been
16 about, oh, a little over 25 years in public
17 practice. Even though I started with one of the
18 national firms, most all my time has been with a
19 local CPA firm and helping small business firms,
20 like many of you-all in the room.

21 And I think those of you who work with smaller
22 businesses certainly understand that the business
23 owners look to the CPA to help them figure out what
24 the information means. In many cases, we hold
25 their hand through the whole financial reporting

1 process, including even, in many cases, sitting
2 down with lenders and other users of financial
3 statements and helping them make sense of the
4 financial statements, most usually with the
5 painter. Or my case, I used to do a lot of
6 construction work, and so I would meet with the
7 bonding and surety folks and just sit down with
8 them, along with the client and help walk them
9 through.

10 And I would say 20, 25 years ago, even up till
11 about the time that I left public practice, that
12 there was a fairly good understanding of the
13 financial statements, while certainly there were
14 some complex areas, like deferred taxes, that might
15 make a banker or surety delays. They pretty much
16 understood the financial statement. They
17 understood the matching concepts that would go on,
18 etc. And we were able to help our clients in a
19 pretty reasonable way, I think, make heads or tails
20 of what was in there.

21 And as we moved into the new decade, things
22 got a lot more complicated. And I would say they
23 got more complicated, both in terms of the
24 transactions that were happening, but also they got
25 a lot more complicated in terms of the accounting

1 standards that were actually being set.

2 And those of you who may know some of the
3 AICPA organizations, we have a committee that's
4 part of the private company practice section part
5 of PCPS, called TIC, which is the technical
6 information committee. And this is a group of
7 local firm partners who essentially advocate to
8 FASB, as well as the other accounting standard-
9 setters. And we used to have a FASB board member
10 who would come to each and every one of those
11 meetings and they were genuinely interested in
12 hearing the views of smaller firm practitioners.
13 They were generally very interested in hearing how
14 these new proposed accounting standards would
15 impact small firms. And we had a great
16 relationship, and I think we got standards, as I
17 said earlier, that, you know, seemed to make as
18 good sense as possible, even for smaller firms.

19 And then along comes ENRON and WorldCom and
20 all the other standards that are all the other
21 alleged audit failures that we're all well too
22 familiar with. And FASB began to change. And they
23 began to change in a way that sort of moved them
24 much closer to the investor point of view. And, of
25 course, as all of us remember, we had the off

1 balance sheet, special purpose entities that
2 created some of this buyer storm around ENRON and
3 WorldCom, and that ultimately led to FIN 46, that
4 required the consolidation.

5 And then we started moving to fair value. And
6 I think fair value was kind of a game-changer for
7 many smaller firms because it added a great deal
8 complexity that, quite honestly, I think a lot of
9 people still struggle with today. And then we've
10 had a few more standards that have continued to add
11 complexity to this entire discussion.

12 And so about three years ago, the AICPA said
13 to FASB, you know, we don't see the interest that
14 you guys are having anymore in private companies,
15 and particularly in smaller, private companies. We
16 were not seeing you come to any of the TIC meetings
17 anymore, and we're really concerned about that, and
18 is there anything that we can do?

19 And FASB said, "Well, you know, we have all
20 these pressures from congress. We have all these
21 pressures from investors. We're just not able to
22 really send a board member to the TIC meetings
23 anymore. But here's what we'll do. How about the
24 FASB and the AICPA and we'll create a new committee
25 called 'the Private Company Financial Reporting

1 Company.' FASB will fund the entire operation, but
2 we want to expand it beyond just AICPA members and
3 auditors. We want to get some preparers and
4 investors, some metro capitalists on there as
5 well."

6 And we said, "Well, sure. That is great.
7 Let's put that together." The committee was
8 formed. July O'Dell, who was a retired local firm
9 partner out of the Pittsburgh area has served as
10 chair. And so the PCFRC began to meet. And their
11 whole objective, their whole mission was to look at
12 each and every standard that comes down the road,
13 as well as to look back and take a look at, you
14 know, are there things in this standard that, boy,
15 just, they don't need to be there or they just
16 don't feel right for private companies. Are there
17 ways that we can simplify things? A way that we
18 can maybe even just defer the effective date, etc.

19 And so this group has been meeting for about
20 three years. And, unfortunately, they have had
21 very little success. And I don't know how many of
22 you have heard Judy. It isn't for Judy's lack of
23 trying as for the committee is trying very, very
24 hard to get to hear FASB. But they just have not
25 had any (inaudible) whatsoever at making any kind

1 of significant changes for private companies.

2 And so about -- well, a little over a year ago
3 then, because this too had kind of fallen on deaf
4 ears and wasn't very effective, that's when the
5 AICPA, along with NASB and FAF, then decided to
6 create the Blue Ribbon Committee. And that
7 committee, as all of you know, worked very hard for
8 about a year and came up with two primary
9 recommendations.

10 And I believe the first recommendation was
11 pretty unanimous, with the exception of one
12 professor from Indiana University. But even Billy
13 -- and I think everybody who sat around that table
14 all believed that something needed to change in
15 FASB's process because accounting standards had
16 just gotten way too complex. And even the big
17 public companies were struggling in understanding
18 them and implementing them. And so there was, as I
19 say, essentially, a consensus, strong consensus
20 around the first recommendation, which was
21 something has to be done. FASB's got to fix their
22 process. These things are just way too
23 complicated.

24 It's really around the second recommendation
25 that there's been a lot of debate. And that is

1 whether or not there should be a second board. In
2 other words, okay, we all agree that these are too
3 complicated, now how do we fix it? Are there ways
4 that FASB on its own, by bringing new board members
5 in, including private company representatives. Can
6 they fix it within the FASB process? Or should we
7 now look at whether or not it's time for a second
8 board and a second board that would essentially
9 work just like FASB, but their whole responsibility
10 would merely be to set standards for private
11 companies.

12 And, of course, you know how that has come
13 out. The AICPA believes very strongly that we
14 think if there is time, that it is time to have a
15 second board under the FAF umbrella, funded in a
16 manner that is in the public's interest, but one
17 where there would be a separate group that would
18 just look at private companies and work very
19 closely with the FASB.

20 And we think that this actually has a number
21 of important and very positive ramifications.
22 First, not only does it allow now a separate group
23 to just look at private, but it also frees up FASB
24 to continue the international and investor projects
25 that are so critical to the capital markets with

1 respect to public companies. They're certainly
2 going to be tied up in the very near future with
3 the memorandum of understanding, dealing with the
4 IFRS endorsement or harmonization, whatever term
5 you want to use for it.

6 But there's going to continue to be a lot of
7 work around that IFRS convergence, as well as
8 continuing needs from the investor community, that
9 I don't see how FASB is going to be able to spend
10 much time with private companies. And so in our
11 view, this sort of relieves them to do their job,
12 while at the same time puts this new mechanism in
13 place to really focus on private companies, as well
14 as non-profits and look at those needs and say,
15 "Okay, you know, how's the best way to address the
16 financial reporting of those entities."

17 So that's where we are. That was the
18 recommendation of the Blue Ribbon Panel. FASB, or
19 I should say FAF, the Financial Accounting
20 Foundation. I apologize. I've been using some
21 acronyms that maybe I hadn't fully defined here.
22 But the Financial Accounting Foundation, or FAF,
23 which is the umbrella that overlooks FASB and GASB
24 have certainly been very hard at work. They've put
25 together a number of working groups. They've been

1 out and about the country on a listening tour. And
2 so I personally feel they're doing the right thing
3 in terms of doing their own due-diligence.

4 Many of you know that we have continued to ask
5 our members to, you know, study this issue; let
6 them know what your views are. And so there have
7 been a number of letters that have gone in,
8 encouraging. And there have been letters going in
9 to say that one board is enough. So, again, what
10 we've been trying to do is really get folks to
11 study the issue. And then regardless of how you
12 might feel about it, letting FAF know what your
13 position might be.

14 We don't know any timing at this point when
15 anything will come out. We keep expecting to hear
16 from FAF, perhaps this fall, as to, if not a
17 decision, what the next steps might be in their
18 process. And then, you know, once they decide
19 which way to go, then we'll just all go from there.

20 So that, I hope, is kind of a good high level
21 overview of what has happened and why it's
22 happened. Again, I think from our perspective, I
23 think the turning point was that FASB just needed
24 to spend a lot more time around fair value and a
25 lot of other complicated issues. And I don't blame

1 them for doing it. I often tell people, "You know,
2 hey, if I was a member of FASB, I don't know that I
3 would have done anything differently." They were
4 getting so much pressure from congress and from
5 investors that, you know, they have to deal with
6 those kinds of issues. And so now what I'm hoping
7 is that folks will see that, you know, we have this
8 huge, huge constituency of private companies out
9 there whose users simply do not have the same
10 needs. Users who are far more focused, if not
11 entirely so, on cash flow.

12 You know, even when I was in public practice,
13 I found it often discouraging. You might sit down
14 with a banker and, you know, typical small business
15 owner, even 15 years ago, would normally have a
16 real estate company on the side and, you know, the
17 mortgage of the real estate would be collateralized
18 or the property, rather, would be collateralized
19 for the bank loan. And then they'd have the
20 operating company; they might have a line of credit
21 that would be collateralized by the inventory. Or
22 the receivables, there's usually personal
23 guarantees all involved, etc.

24 But I can remember many times sitting down
25 with the banker and looking at these consolidated

1 financial statements and the banker just say,
2 "Well, you know, is there any way that you can just
3 give me a picture of the parent company?" And, of
4 course, there's ways you can do that through
5 consolidating schedules and, etc., etc.

6 But even back then, I was often frustrated by
7 the fact that here I am a user, who wants a parent
8 company only financial statement, and that's what
9 they want as their basic financial statement. But
10 yet our standards don't allow that to happen, with
11 that being the only standard.

12 And then, of course, 1048 has added in the
13 complexity of the deferred taxes. And I think
14 those of you who may be in the tax practice, you
15 know, may be somewhat concerned about the audit
16 trail that that leaves from an IRS point of view.
17 And then we had, as I say, kind of this whole fair
18 value, which deals with goodwill or goodwill fair
19 value. Again, the complexity. But thankfully,
20 they have addressed. That seems to be something
21 that they are going to fix for us.

22 So there's just all this tough stuff that
23 small businesses and particularly smaller firms
24 have had to deal with. And you just wonder, does
25 it really have to be that way, or is there another

1 financial reporting model that maybe would be more
2 geared to those specific needs.

3 So that's kind of, in my mind anyway, what
4 this whole debate is about. And that is, can we
5 find a little different financial reporting model
6 that's more tailored to the needs of particularly
7 smaller businesses.

8 Let me stop there. Be happy to answer any
9 questions that anybody might have. Or if there are
10 certain things that maybe I didn't touch upon that
11 you would like me to, whatever the group would
12 prefer.

13 MR. HOBBS: We got a few questions, I think, Chuck.

14 MR. LANDES: Okay. Great.

15 MR. HOBBS: Bob Baldwin, our vice chair, has a
16 question.

17 MR. BALDWIN: Chuck, you made a good point about the
18 banking part of this. Could you again amplify to
19 what degree either the ABA or the banking crowd is
20 involved in this discussion, if at all?

21 MR. LANDES: Part of the Blue Ribbon Panel was
22 represented by two bankers, and so they were around
23 the table. It was kind of interesting because of
24 the two bankers, they were a little split on
25 whether or not there should be a separate board or

1 not. One banker felt very strongly that there
2 should be, and the other was a little bit more
3 cautious about whether a separate board should be
4 in place.

5 It was kind of interesting because the one who
6 was clearly in favor of a separate board came from
7 a smaller community.

8 MR. BALDWIN: Yeah, yeah.

9 MR. LANDES: And the other one came from kind of a
10 larger bank. And so, you know, I suspect that
11 weighed a lot into their considerations. Because I
12 suspect the one coming from the smaller community
13 was probably dealing a lot with smaller business
14 owners, entrepreneurs, and probably understood that
15 relationship far better than the other banker, who
16 maybe is dealing with much bigger corporations.
17 But, yeah, they were definitely around the table
18 and part of that decision-making process.

19 MR. BALDWIN: The reason I share that, and I look at
20 some of the other members here. My experience with
21 the banks today is they're continuing to ask for
22 more and more information as they make their credit
23 decisions. And it's getting heavier, rather than
24 lighter. And their part of Big Gap/Little GAAP in
25 my mind is a significant issue. And if the banking

1 community doesn't recognize that, then I think
2 we're going to be frustrated again in what they ask
3 us for. So that's all I wanted to share.

4 MR. LANDES: I totally agree. I totally agree with
5 that. The banking community would absolutely have
6 to be on board with that. No question. And I
7 would add that the surety groups would as well
8 because, again, the construction company is so
9 prevalent amongst a lot of private companies that
10 you really have to, I think, have not only the
11 banks have to be on board a hundred percent, but
12 the surety and insurance folks as well.

13 MR. HOBBS: Anybody else have any questions? How is it
14 proposed to be funded?

15 MR. LANDES: Well, that's up to them. We had actually
16 talked about that, not so much in terms of the how,
17 but the dollar amount that would need to be raised
18 in order to fund it. And so at the last meeting,
19 there was a budget that was actually put out there.
20 I'm trying to think what that number was. But FAF
21 felt, at least from my discussions, that they felt
22 that if a decision was made, that they could find
23 means to fund that.

24 Now, you know, there's always been a lot of
25 discussion as to whether or not FAF should go back

1 to accepting contributions from anybody and
2 everybody, including the firms and the profession,
3 etc. And I know, you know, there's good arguments
4 from a perception point of view around that
5 particular issue. I know that Barry made the
6 comment that if they were to open it up, that he
7 felt quite confident that the firms of the
8 profession would be happy to step up and to kind of
9 pay their fair share. I don't think, though, that
10 FAF is going to want to open up the funding back
11 the way that they used to. So in some ways, this
12 would have to be funded through the way that
13 they're -- that they're funded now, which is
14 essentially through (inaudible), as well as through
15 the sale of products.

16 MR. HOBBS: Anybody else have any comments?

17 (NO RESPONSE.)

18 MR. HOBBS: Chuck, we appreciate you taking time from
19 your vacation to visit with us about this very
20 important issue, and hope you have a good rest of
21 your holiday.

22 MR. LANDES: Okay. Well, thank you again. And again,
23 thank you for having me on the agenda. And as I
24 said at the very beginning, I so appreciate you--all
25 just considering the issue, regardless of how you

1 may come out on the issue. I just think it's so
2 critical that state boards and everybody involved
3 in serving the public in the profession just give
4 this a lot of thought and go from there. So thank
5 for having me.

6 MR. HOBBS: Yes, sir. Thank you.

7 MR. LANDES: Uh-huh. Bye now.

8 MR. HOBBS: Bye-bye. Okay. That's for information. I
9 see Mr. Freshley here. And we've got him on our
10 agenda, Complaint and Investigation Activity,
11 Office of Investigation and Enforcement. Good
12 morning.

13 MR. FRESHLEY: Good morning, Mr. Hobbs. Good morning,
14 board. I think Michael put the IRC (inaudible)
15 from the August 11 IRC meeting in the folder --
16 packet. I'd ask you to look at that. If the board
17 wants to approve those minutes -- well, there it
18 is.

19 MR. BURKETT: I'll move accept it.

20 MR. HOBBS: There's a motion on the floor that we accept
21 the IRC --

22 MR. BALDWIN: Second.

23 MR. HOBBS: -- August 11th report. There's a second by
24 Mr. Baldwin. Any discussion?

25 (NO RESPONSE.)

1 MR. HOBBS: All in favor, please say aye.

2 BOARD MEMBERS: Aye.

3 MR. FRESHLEY: Actually, that was sort of a called IRC,
4 since we didn't anticipate the board coming back
5 until October. So we got the two oldest cases
6 resolved. So with your adoption of that IRC's
7 recommendation as about five-something yesterday
8 afternoon, there are 12 open cases. The oldest is
9 498 days and the youngest is we -- well, today,
10 499, the youngest is 24 days old.

11 MR. HOBBS: Anybody have any questions for Mr. Freshley
12 about the report?

13 MR. FRESHLEY: I lost my long-time investigator that did
14 most of my -- well, virtually, all of my Board of
15 Accountancy cases, Board of Architectural Examiner
16 cases and Board of Professional Engineer and Survey
17 cases. He got promoted. Great for him; not so
18 good for me.

19 This week, I interviewed a number of
20 applicants for that job. And over the top three,
21 two of them were accountants. Not CPAs, but had
22 B.A.s in accounting. It's up to our human
23 resources which one of the three gets the job
24 offer. I hope it's going to be one of the
25 applicants that has a degree in accounting, because

1 it could go only -- it can only help me.

2 Without Doris, Austin Sheheen, Jim Holloway to
3 look at these things, it's -- well, you know it's
4 pretty difficult for a layman to look at these
5 cases and say "Well, I need to open this or not."
6 So I think that would be good for us, if one of
7 those is chosen.

8 MR. HOBBS: All right.

9 MR. BURKETT: I had a quick question for you. National
10 Association of Board of Accountancy is toying with
11 the idea of doing through the internet training for
12 investigators who deal with CPAs, which you talk
13 about. Is that something you think, you know, an
14 investigator would be willing to spend a day
15 through internet on training, something like that?

16 MR. FRESHLEY: I'm sure.

17 MR. BURKETT: I think that would be beneficial.

18 MR. FRESHLEY: Oh, I'm sure.

19 MR. BURKETT: A day or two? Okay.

20 MR. FRESHLEY: I'm sure.

21 MR. BURKETT: That may be something we do in the next
22 year or so.

23 MR. FRESHLEY: You know, I can teach them -- I can teach
24 them to be -- an investigator. When I was a law
25 enforcement officer, I can teach somebody to shoot

1 a pistol and clean a pistol, but I can't teach him
2 to be a CPA. So if there's some -- if there's some
3 specific training that would help them, then I'm
4 all for it. If the board knows of some national
5 association of state board training somewhere, I'll
6 speak to Doris and see if the board has a couple of
7 bucks.

8 MR. NICHOLS: And we're actually working on a manual as
9 well. It's possible that a manual for
10 investigators as well. The training may be go to
11 location. The training may be just web-based
12 training thing.

13 MR. BALDWIN: Which it did.

14 MR. NICHOLS: We're thinking that the web-based might be
15 easier because it's in the (inaudible). We're
16 toying with that idea now. We'll know in the next
17 six months or year, we'll do that. I just
18 wanted --

19 MR. FRESHLEY: That would be a good thing.

20 MR. NICHOLS: Okay. Good.

21 MR. FRESHLEY: It can't hurt.

22 MR. NICHOLS: Thanks.

23 MR. HOBBS: Anybody else have any questions of Mr.

24 Freshley? Mr. Freshley, we appreciate you being
25 here.

1 MR. FRESHLEY: Thank you, sir.

2 MR. HOBBS: Thank you very much.

3 MR. FRESHLEY: Thank you.

4 MR. HOBBS: Do I hear a motion we accept the report that
5 Mr. Freshley has presented?

6 MR. NICHOLS: So moved.

7 MR. BALDWIN: Second.

8 MR. HOBBS: Any discussion?

9 (NO RESPONSE.)

10 MR. HOBBS: All in favor, please say aye.

11 MR. BALDWIN: Aye.

12 MR. HOBBS: Good. We have a legal matter that we
13 probably should go into executive session to
14 discuss. Do I hear a motion that we --

15 MR. BALDWIN: I move we go into executive session.

16 MR. BURKETT: Second.

17 MR. BALDWIN: -- to address a legal matter.

18 MR. BURKETT: Seconded.

19 MR. HOBBS: Any discussion?

20 (NO RESPONSE.)

21 MR. HOBBS: All in favor, please say aye.

22 BOARD MEMBERS: Aye.

23 MR. HOBBS: And any board member that is not part of the
24 legal issue probably needs to be excused too.
25 That's what I've been advised.

1 MS. CUBITT: Mr. Crocker, the board is being sued
2 individually. The board members are being sued
3 individually. And so --

4 MR. CROCKER: A legal issue.

5 MS. CUBITT: -- you weren't on the board when it
6 started.

7 (Executive Session.)

8 MR. HOBBS: We need to get out of executive session.

9 MR. BURKETT: I'll move that we come out of executive
10 session.

11 MR. HOBBS: Do I hear a second?

12 MR. NICHOLS: Second.

13 MR. HOBBS: Any discussion?

14 (NO RESPONSE.)

15 MR. HOBBS: All in favor, say aye.

16 BOARD MEMBERS: Aye.

17 MR. HOBBS: Any oppose? I'd like the record to reflect
18 no votes were taken during executive session.

19 Now --

20 MS. PIKE: Yes, Mr. Chairman, there's a couple motions
21 that I'd like to make. First of all, I'd like to
22 make a motion that Mr. Gary Fort be appointed as
23 secretary of the board. However, that for purposes
24 of this meeting, that Bob Baldwin be appointed as
25 acting secretary.

1 MR. HOBBS: Okay. There's a --

2 MR. BURKETT Second.

3 MR. HOBBS: -- motion on the floor and a second. Any
4 discussion?

5 (NO RESPONSE.)

6 MR. HOBBS: All in favor, say aye.

7 BOARD MEMBERS: Aye.

8 MR. HOBBS: Any opposed?

9 (NO RESPONSE.)

10 MR. HOBBS: Unanimous.

11 MS. PIKE: Mr. Chairman, the second motion that I'd like
12 to make is that we have Ms. Cubitt and the
13 administration of LLR purchase a Errors and
14 Omissions policy to cover us for liability purposes
15 in the event that the board members or the
16 employees of the Board of Accountancy are sued in
17 our capacity as board members or as employees. And
18 that that coverage on that policy be in the 5
19 million to 10 million dollar range for each
20 individual.

21 MR. HOBBS: There is a motion on the floor. Do I hear a
22 second?

23 MR. BURKETT Second.

24 MR. HOBBS: There's a second by Mr. Burkett. Any
25 discussion?

1 MR. CROCKER: With the agent that we've talked with to
2 help us with this, would -- should we ask if the 5
3 to 10 million dollars is sufficient, based on the
4 circumstances? Or do we know that that's what it
5 needs to be? Is that a typical range?

6 MS. PIKE: In my experience, that's a typical range.
7 What do y'all think? What have y'all seen?

8 MR. HOBBS: To me, it seems like it should be enough.
9 But maybe if staff hears this discussion, if they
10 think when they're talking with the agent they feel
11 like it's not enough, we can revisit that.

12 MR. GRIGGS: Certainly doesn't hurt to ask the question.
13 I agree with Malane, but I don't know.

14 MR. BURKETT: Do you want to amend the motion.

15 MS. PIKE: Well, I will amend the motion to say that we
16 would also request that the liability limit be
17 reviewed to make certain that it is high enough --

18 MR. HOBBS: Right.

19 MS. PIKE: -- to accommodate any liability that we might
20 incur.

21 MR. HOBBS: So that's an amended motion. Do I hear a
22 second?

23 MR. BURKETT: Second.

24 MR. HOBBS: Mr. Burkett seconds it again. Anymore
25 discussion on that amendment or the original

1 motion? Or the revised motion?

2 (NO RESPONSE.)

3 MR. HOBBS: Hearing none, all in favor, say aye.

4 BOARD MEMBERS: Aye.

5 MR. HOBBS: Any opposed?

6 (NO RESPONSE.)

7 MR. HOBBS: Unanimous. Thank you very much. Well,
8 we've taken care of just our little comments on
9 timing today. Our meeting should be finished by
10 noon, for everyone's purposes. I think we can --
11 we've already covered some of the items on this
12 agenda at different times. Item D we covered with
13 Chuck Landes. And I think it's time to hear from
14 Doris Cubitt, our administrator.

15 MS. CUBITT: Okay. I've got a couple of things. I was
16 in Charleston the first part of the week for the
17 PROC Peer Review Oversight Committee that NASB has
18 meeting. We call it Compliance Assurance
19 Committee, the CAC, where we're talking to boards
20 about having a PROC, which would oversee the peer
21 review process. And I will tell you that the
22 knowledge that I've gained there was very valuable.
23 And I am going to share all the presentations and
24 things like that with you. They've got some more
25 things they're going to email me, and I'll send

1 those out.

2 Mark attended that meeting and there's a lot
3 of good information out there. There's a couple of
4 states that are doing a really good job on it.
5 Oklahoma, Mississippi, Minnesota have a really good
6 program set up, procedures to follow, letters. It
7 is kind of labor-intensive. The Oklahoma people
8 said that they hired an assistant deputy, or an
9 assistant administrator, and their primary function
10 for a whole year was setting up that program and
11 getting it going good and following up on the peer
12 reviews. And then probably 25 percent of their
13 time now is still spent on monitoring that program
14 and follow-up and whatnot. So I think that's real
15 good. We are going to bring you more information
16 about that and we will see what we want to do about
17 that.

18 While I was in Charleston, I was also asked to
19 do a unannounced site visit at Prometric, which
20 gives the CPA exam. And it was an Ashley River
21 site, kind of near the Citadel Mall. And that
22 visit went very well and I'll be turning in a
23 report to them.

24 I know y'all all enjoyed our CPE audit and I
25 know Mark was just disappointed that you weren't

1 here for that. We had a work session and all the
2 board members worked on CPE audits to kind of
3 get --

4 MR. CROCKER: I just got audited personally in our self
5 inspections.

6 MS. CUBITT: Oh, did you? Okay.

7 MR. CROCKER: -- so I appreciate --

8 MS. CUBITT: So --

9 MR. BALDWIN: It was very illuminating.

10 MS. CUBITT: -- we have got 250 of them and we've got
11 about 79, which is 32 percent, that had small
12 problems. Just, you know, they didn't sign
13 something, the carry forward wasn't quite right,
14 smaller issues. We've got about 23 with larger
15 issues, which is in rounding ten percent. So it
16 was very productive. And we're going to be working
17 at the staff level on sorting out all those and
18 sending out letters to everybody, to let them know.
19 If they're short of hours or if they're carry
20 forward or, you know, if they had hours, disallow
21 -- one of the biggest things on disallowed hours
22 was self-study. It was not QAS-approved. And so
23 those hours were disallowed.

24 So the thought process, we do need to work on
25 -- and I'll try and do some more stuff in next

1 meeting. But an overall policy that we will have
2 for when people are not in compliance with CPE and
3 the period of time that they have to make up the
4 CPE, it was just allowed, and that type thing. So
5 we'll work on that and get back with you on that.
6 And that's all I've got.

7 MR. HOBBS: Doris, you and I were chatting about the
8 possibility of our board having a deputy
9 administrator --

10 MS. CUBITT: Yes, sir.

11 MR. HOBBS: -- to assist. And you were receptive to
12 entertain those ideas.

13 MS. CUBITT: Yes, sir.

14 MR. HOBBS: And I think -- I don't know how we need to
15 pursue it. I think it may need to be something in
16 the form of a motion. But I think we should
17 consider having that role added to our staff team
18 because we do have this additional peer review
19 responsibility we've got and this is the first time
20 we've looked at CPE as much as we've had. But
21 we've got other issues facing our board that I
22 really think it would benefit our staff and would
23 strengthen our board if we had an assistant or a
24 deputy.

25 Most of the state boards that I dealt with,

1 that I talked to, have a deputy. Would you care to
2 comment on that? And if the other board members --
3 I know we don't have everybody here today, but we
4 may want to wait till more people are here till we
5 have a motion on that, or unless the board feels
6 comfortable that we can do it today. Would you
7 comment on that, please?

8 MS. CUBITT: That is a common thing with state boards.
9 I guess like any board here, we feel like we're
10 short-staffed, to a degree. I will say that doing
11 peer review oversight properly, we are going to
12 have to gear up and it's going to take additional
13 work. In a earlier board meeting y'all made a
14 decision that -- we had gone to check the box on
15 the CPE and a lot of states have done that too, but
16 they've found when they got the check in, that
17 that's where the licensees were having the most
18 problem. When they didn't have to fill out that
19 full report, they were like, "Oh, yeah, I've done
20 all my CEU," and they checked it off." And then
21 when it comes up to an audit or comes up later,
22 they find out that they're not in compliance.

23 And so y'all have asked and this January of
24 '12 that annually, all CPE will be turned in, along
25 with the Certificates of Completion. And we will

1 review them at the staff level. We used to do that
2 until we went to the check the box. It's
3 productive, and we find a lot of small things and
4 we get them corrected at that point. But it also
5 is very time-consuming, because you're looking at
6 over 5,000 reports coming in. So that would be
7 something that could, I think, fall within the
8 scope of that position also.

9 MR. HOBBS: What does the board -- any comments from the
10 board?

11 MR. BALDWIN: It sounds to me like it would be good
12 planning for us to add a deputy director, with the
13 need to expand to PROC oversight. And also I think
14 the other thing we're finding from our CPE review
15 and other things is we have a greater workload than
16 we've probably had in the past. So to me, it's a
17 very logical thing to do and I favor it.

18 MR. CROCKER: Would this person be solely an employee of
19 the Board of Accountancy? Or do you have other
20 boards --

21 MS. CUBITT: With all of my employees --

22 MR. BALDWIN: Right.

23 MS. CUBITT: -- they are cross-trained and work on all
24 three boards. I have the Funeral Board and the
25 Cemetery Board, in addition to Accountancy. But

1 they do primarily kind of focus. So I have two
2 employees that primarily focus on Cemetery and
3 Funeral, and two employees that do Accountancy and
4 help with Cemetery and Funeral. And at times, both
5 of those boards have had a lot of things going on
6 and we've been very heavy in what we had to do for
7 those boards.

8 So the employee would be -- you know, we'd
9 have to ask. And it just depends on whether the
10 agency decides to give us that position or not.
11 But it would -- that would be their primary
12 function, but it's not to say that they wouldn't
13 have to do things, other things for the other
14 boards.

15 MR. CROCKER: I hate to think about this like an
16 accountant. But should we create a job description
17 and then back into what kind of time investment we
18 think it needed here?

19 MS. PIKE: For state positions, there are set job
20 descriptions that they have. And I think there are
21 deputy administrator-type --

22 MS. CUBITT: I'll have to look into it. I'm not
23 familiar with all of them.

24 MS. PIKE: I'm pretty sure that there are. But they
25 have to fit within the state --

1 MR. BALDWIN: Right.

2 MR. BURKETT: So what we're asking her to do is explore
3 the possibility.

4 MR. BALDWIN: Exactly.

5 MS. PIKE: That's right.

6 MR. BURKETT: Maybe get back with us. That's a good
7 point. Find out what the duties would be and
8 report back to us. Mark, that's probably a good
9 point. I mean as far as -- Doris why don't you get
10 back with us on that.

11 MR. HOBBS: I tell you what, though. From what I
12 gathered from that meeting we had this week, it
13 would be a full -- it could be a full-time position
14 with just getting in the peer review oversight and
15 addressing some of the things that we're talking
16 about doing with ethics, CPE, and you know, a state
17 law --

18 MR. BALDWIN: Right.

19 MR. HOBBS: -- course. And more than anything else, you
20 know, in the past when we've had a change, when
21 we've had a change in board administrator, it's
22 been in simpler times. And you know what, what I
23 think it's good to have is I think it's good to
24 have someone that's kind of brought in as a deputy
25 that can kind of learn the ropes, if you know what

1 -- see, I think that would be valuable for this
2 board too. You know, I don't know, Doris may want
3 to work another 15, 20 years, I don't know.

4 MS. CUBITT: No, sir.

5 MR. HOBBS: But what I'm saying is, I'm thinking about
6 sustainability. I'm thinking about sustainability
7 and having smooth operations of this board,
8 regardless -- that's what I'm really thinking
9 about.

10 MR. CROCKER: All of the things that you're aware that
11 we now have to do, are those all high-level things?
12 Or are we talking about administrative?

13 MR. HOBBS: Most of the things I'm talking about are
14 going to be relatively high level.

15 MR. BALDWIN: Complex, yes.

16 MR. HOBBS: Yeah. They're not very administrative-
17 oriented. They're going to require some -- they're
18 going to require some training and some technical
19 expertise, that either they have a skill set in
20 those areas already or either going to have to be
21 willing to commit to getting those skill sets.

22 MS. CUBITT: And I will say that because of
23 reorganization within the agency, when they
24 reorganized and form a OLC, they took one of my --
25 well, they took two of my employees. And then with

1 the new administration and OLC was disbanded, for
2 lack of a better word, I guess, the function came
3 back to the board and I got one of the employees
4 back, but I didn't get the second employee back.
5 So staff is too busy -- very busy now.

6 MR. HOBBS: Well, Doris, would you think the deputy
7 would need to be a CPA?

8 MR. BALDWIN: Tough question.

9 MS. CUBITT: If you're looking at a succession planning
10 type thing, I think it would be good. And I know
11 that in North Carolina, the deputy director is a
12 CPA and in some states. I'm just not sure, you
13 know, how it is across the board. But
14 realistically, ten years would be a long time for
15 me to work. That would be my outside margin. I'm
16 probably going to be closer to five, in the five to
17 ten year range. So six years, five or six years.

18 So bringing somebody in that would be capable
19 to have the continuity of the board would be a
20 factor.

21 MR. HOBBS: That's what I see as valuable tool. I agree
22 with you. Because I don't know when you started,
23 if you had much training or anything. I don't know
24 if you did or not. But I think you can share -- if
25 you didn't, I think you can understand the value of

1 having somebody in with a smooth transition.

2 MS. CUBITT: Yeah. I had to hit the road running when I
3 got here. The previous administrator had left and
4 been gone a while. And actually, Austin Sheheen
5 was filling in, not every day but, you know, was
6 here several days a week and helping with things
7 and signing off on things. And so Margie McWhorter
8 was here there -- was here then, and she was a
9 staff person, but she had been with the board over
10 20 years. And so there was -- I learned a lot from
11 her. And then with Austin helping me, it made a
12 difference. I mean, it really did help. It was a
13 lot to learn.

14 And what they've done in the past, I don't
15 what the policy is, but they advertise for the job.
16 The board members had a committee when they did
17 mine, that interviewed candidates. There were
18 three board members that interviewed candidates.
19 And they gave the director their top three picks.
20 And then the director made the final call for my
21 position.

22 MR. HOBBS: Well, if you could give that some thought,
23 maybe at our next meeting we can discuss that, and
24 that sounds wonderful. Thank you very much.

25 MS. CUBITT: Uh-huh.

1 MR. HOBBS: Going down, back on our agenda, we've talked
2 about the -- we've had the presentation. Let's
3 move to Item 8A(2), consideration of exceptions or
4 accommodations to the CPE requirements. Do I hear
5 anything on that?

6 MS. PIKE: Mr. Chairman, I'd like to make a motion that
7 we defer consideration on that until legal counsel
8 can get some information back to us.

9 MR. BALDWIN: Second.

10 MR. HOBBS: Second. We had a motion and a second that
11 we defer that till we receive some additional
12 information that the board has requested. Any
13 questions?

14 (NO RESPONSE.)

15 MR. HOBBS: All in favor, say aye.

16 BOARD MEMBERS: Aye.

17 MR. HOBBS: Any opposed?

18 (NO RESPONSE.)

19 MR. HOBBS: Thank you very much.

20 MS. CUBITT: Mr. Chairman, if I could ask a question.

21 Is that an area that we were looking at drafting
22 some new legislation?

23 MR. HOBBS: I think that is what we were thinking about
24 doing is possibly including that --

25 MS. PIKE: Let's wait until we get the --

1 MS. CUBITT: The legal opinion.

2 MS. PIKE: -- report back, and then we'll go from there.

3 MR. HOBBS: Yeah.

4 MS. PIKE: I think that would be the wisest move.

5 MS. CUBITT: Okay.

6 MR. HOBBS: Item 8A(3) --

7 MS. PIKE: Mr. Chairman, if I could make a motion with
8 regard to 8A(3) as well. That contains some of the
9 same issues upon which we are going to be getting a
10 legal opinion upon. And I would make a motion that
11 we defer that issue as well.

12 MR. HOBBS: There's a motion on the floor to defer
13 8A(3). Do I hear a second?

14 MR. NICHOLS: Second.

15 MR. HOBBS: Second. Any discussion?

16 (NO RESPONSE.)

17 MR. HOBBS: All in favor, please say aye.

18 BOARD MEMBERS: Aye.

19 MR. HOBBS: Any opposed?

20 (NO RESPONSE.)

21 MR. HOBBS: Thank you very much. Donald Burkett.

22 Debit.

23 MR. BURKETT: Debit?

24 MR. HOBBS: Regulation/Legislative Committee report.

25 MR. BURKETT: I don't really have a report. We've got a

1 meeting tomorrow with staff where we are going to
2 discuss the legislation. And I think it's good
3 that the board or LLR has agreed to write the
4 legislation and I'll have more on that later.
5 We're working toward trying to get that done this
6 year.

7 MR. HOBBS: And what is that time table for getting
8 that? Is that something that we're going to have
9 to get drafted and then emailed out to all board
10 members for them to --

11 MR. BURKETT: I don't know what -- I mean, that's up to
12 Doris as far as --

13 MS. CUBITT: We need to get it done as quickly as
14 possible.

15 MR. BURKETT: This one is a ASAP things.

16 MS. CUBITT: Yeah. Because they pre-filed the bills and
17 they pre-file in December?

18 MR. BURKETT: I would have to look it up.

19 MS. CUBITT: Yeah. I believe they pre-file in December.
20 So we'll need to --

21 MR. HOBBS: Well, the only thing I would suggest, if we
22 get those bills in draft and you want -- let's go
23 ahead and email them to everybody, so people can
24 get familiar with them.

25 MS. CUBITT: Okay.

1 MR. HOBBS: And so we don't wait till we meet, then get
2 them right before or get them posted on the web
3 page. Let's see if we can't email them out to
4 everybody so they can read them. Because I think
5 it is kind of sensitive. All righty.

6 MS. PIKE: Donny, is there a chance that we could get
7 the legislation about the liability for --

8 MR. BURKETT: Yeah, sure. That's going to be -- that's
9 going to be part of it. We talked about that.
10 That's going to be part of it.

11 MS. PIKE: I know that I had originally given that
12 language to SCAFA, as well as to --

13 MR. BURKETT: Yeah.

14 MS. PIKE: But if y'all don't have it, I'll be glad to
15 give it to you again.

16 MR. BURKETT: If you can get it to Doris, I think she's
17 going to include that in there.

18 MS. PIKE: Okay.

19 MR. HOBBS: Now, are you finished with everything there?
20 Or do you want to discuss this regulation? Or do
21 you want to discuss that any?

22 MS. PIKE: I'll discuss it, if you want me to.

23 MR. BURKETT: Go ahead.

24 MS. PIKE: This was something that Tony Calendar and I
25 discussed from the last board meeting. Apparently,

1 there were some individuals that felt like that
2 Regulation 1-10(D) was not sufficiently clear in
3 that if you in that if you employed or associated
4 with someone outside the State of South Carolina,
5 that we could still discipline you here. We can't
6 do that. Constitutionally, we can't do that.

7 So Tony and I very quickly, at the last board
8 meeting, y'all asked me to draft something. And
9 Tony and I very quickly put our heads together at
10 the last board meeting and we came up with this
11 language, which would clarify that you can't employ
12 or associate within South Carolina.

13 MR. BALDWIN: Right.

14 MS. PIKE: Not outside of South Carolina.

15 MR. BALDWIN: Right. Inside.

16 MS. PIKE: So this is the proposal that Tony and I would
17 make. And, of course, the plan was that I was to
18 give it to Tony. Unfortunately, Tony's no longer
19 on the board, so I'm bringing it back to the full
20 board for action.

21 MR. BURKETT: Yeah, you're right.

22 MR. BALDWIN: That's what we kind of agreed to. Yeah,
23 that was something we agreed, that the committee
24 looked at, if they looked at, we were going to do
25 it.

1 MR. BURKETT: Okay.

2 MR. BALDWIN: Right.

3 MS. PIKE: We had originally thought that we might do it
4 in the form of an FAQ, but if we had that much
5 misunderstanding about it, the fastest thing would
6 be to do it as a regulation change and put the
7 language in there that would clarify.

8 MR. HOBBS: Okay. Does anybody have any problems with
9 this proposed language? The only thing I thought,
10 I wasn't sure if that "with" ought to be in that
11 first line.

12 MR. BALDWIN: Or should it say "in"?

13 MR. HOBBS: Should it just say "shall not employ or
14 associate in South Carolina"? I wasn't sure about
15 that "with" in there. But that's the only thing I
16 see. I don't have any problem with it. I think it
17 sounds great. That's a great solution. Unless
18 it's "within." Within South Carolina? Whichever,
19 but it says the same thing.

20 You didn't think a Clemson fellow would catch
21 that, did you, there? See Donny looking at me.

22 Anybody have any problems with this suggested
23 language? Can I get a motion that we approve this
24 language?

25 MR. BURKETT: I so move.

1 MR. BALDWIN: Second.

2 MR. HOBBS: Got a motion and a second. Any discussion?

3 (NO RESPONSE.)

4 MR. HOBBS: All in favor, say aye.

5 MR. BALDWIN: Aye.

6 MR. HOBBS: Any opposed?

7 (NO RESPONSE.)

8 MR. HOBBS: No opposed. Malane, thank you so much. All
9 right. Moving right on down our agenda. Peer
10 Review/Communications Committee. As Doris has
11 already reported, we heard Tuesday at the PROC --
12 the PROC is the new acronym for Peer Review
13 Oversight Committee. We heard a presentation -- I
14 think the most revealing presentation I heard
15 Tuesday was from the attorney from NASB who spoke
16 that said that he referred to the Sherman Antitrust
17 Law, or the Sherman Antitrust Regulations, and
18 basically said that he felt like that if state
19 boards did not have appropriate oversight,
20 appropriate oversight, that he didn't think that
21 boards could delegate that responsibility to the
22 RABs at SCAPA or any other association or society.
23 He says that appropriate oversight almost is
24 mandatory, or he didn't think we were valid and
25 within legal grounds. And that was kind of a eye-

1 opener for me. And I thought to myself, "Well, we
2 have oversight because we have Mr. Jim Holloway,
3 and he goes and sits in the RABs. And he comes
4 back and gives us a report. Last year I think he
5 gave us an attestation report that said "this board
6 could rely upon the review acceptance body and
7 SCAPA to adequately administer the Peer Review
8 program." And we hung our hat on that.

9 The problem we have, folks, when Doris sends
10 you that information, you're going to discover that
11 the extent of oversight that other states are doing
12 is ten times what we're doing with Jim Holloway.
13 And they are creating -- most of these states are
14 creating what they call a PROC committee, a Peer
15 Review Oversight Committee which basically serves
16 the Board of Accountancies, just like the
17 Investigative Review Committee does. And it
18 reviews to make sure that firms are being
19 appropriately turned over for discipline, if they
20 aren't correcting their peer review deficiencies.

21 If I can give you an example of what I'm
22 talking about and we've already talked about some
23 today. SCAPA is administering these peer reviews.
24 If they have firms that sign up for peer review, or
25 tell them they need a peer review but never do

1 anything, never follow up, they just fall off
2 SCAPA's contact list, so to speak, you know? They
3 don't necessarily tell the board, because they're
4 not required to tell the board, that this firm --
5 it's a firm responsibility. Well, Jim hasn't been
6 checking all that. There's a lot of stuff he
7 hasn't been oversighting.

8 So if it was anything I got out of it is a
9 best practice for our board is to establish a Peer
10 Review Oversight Committee. That's a volunteer
11 committee. That reduces our cost because Jim
12 currently is on contract; Jim Holloway is currently
13 on contract with our board. So that would save our
14 cost. We still may need some outside consultants,
15 but we're going to need some staff -- we were
16 talking about that staff, we're going to need
17 possibly a deputy director to assist in
18 implementing one of these things.

19 But there are all kind of agreements in place
20 and it's a living, breathing animal all in itself.
21 And it meets and reviews the results of peer
22 reviews and sees the firms that are dropping out
23 and firms that aren't participating like they
24 should and it's helping turn things over to the IRC
25 to start an investigation on these firms. And we,

1 as sitting board members, we really can't do that.

2 So I'm seriously -- at the next board meeting,
3 I'm going to tell you, but I think we need to --
4 I'm going to appoint a committee of folks to help
5 us put our Peer Review Oversight Committee in
6 action, assuming y'all think we need to do that.
7 I'll let Doris provide you all that information and
8 let you have a chance to review it. Because I
9 don't think you've had enough information to make a
10 decision yet. But I'll get you all that
11 information that's been provided to us by NASB.

12 Twenty-three or twenty-four states were
13 represented in Charleston on Tuesday, both society
14 and board members and review acceptance bodies and
15 associations. And it's something we've basically
16 got to do. And I've got several people in mind,
17 that if y'all think we should do this, that I think
18 would be excellent to help us put our PROC in
19 action. And I'm asking them to serve on a
20 volunteer basis. Of course, we were going to try
21 to get volunteer basis.

22 So on one hand, we're going to be replacing
23 somebody we're paying as a contractor with
24 hopefully a volunteer person. And maybe, maybe we
25 can figure out how we can incorporate some CPE in

1 that legislation for those people that serve on the
2 PROC committee, just like there's CPE available to
3 people that serve on the Peer Review Committee.
4 Maybe we can incorporate that in that new law too,
5 to give the PROC members something for volunteering
6 to serve on the profession.

7 So I will get all that information to you,
8 emailed to you, so you can study it. But at the
9 next board meeting that we have agenda items, I'm
10 going to share some more ideas on that and get your
11 feedback and see if we can't get that rolling, if
12 we can get us a PROC started, because I think we
13 need to have one.

14 MR. BURKETT: So you're talking about replacing Jim with
15 a PROC? Maybe have him on it?

16 MR. HOBBS: The other states have a PROC, comprised of
17 at least three members. One of those PROC members
18 attend every review acceptance body, voluntarily.
19 They may get their expenses -- hopefully, we can
20 get their expenses covered for mileage and maybe
21 that per diem we get.

22 But Jim would not do that. It would be a PROC
23 member. PROC member couldn't be a member -- could
24 be a board member of SCAPA, couldn't be a sitting
25 Board of Accountancy member. They are volunteers

1 that serve, and they would help oversight SCAPA, to
2 make sure SCAPA has the right people serving on the
3 review acceptance body, looking at peer reviewers,
4 really, providing that role that Jim doesn't get
5 into.

6 MR. BURKETT: But you're not -- you said you were
7 replacing Jim. You're not -- or you are replacing
8 Jim's role?

9 MS. CUBITT: Jim also serves as the investigative-type
10 person.

11 MR. HOBBS: Jim would no longer need to go to the RAB
12 meetings. He currently --

13 MR. BURKETT: But you're not replacing -- he's still
14 going to be an investigator. Okay.

15 MR. HOBBS: Yeah.

16 MR. BURKETT: That's what I wanted to know.

17 MR. HOBBS: We're talking about -- Jim is currently
18 going to these RAB meetings --

19 MR. BURKETT: You said that Jim would no longer be
20 needed.

21 MR. HOBBS: On the RAB meeting.

22 MR. BURKETT: But I caught that as everything.

23 MR. HOBBS: No, no, no, no.

24 MR. BURKETT: Okay. Fine.

25 MR. HOBBS: No, no, no. No. I'm trying to replace his

1 role in the RABs with volunteers that are a member
2 of this PROC. And there will be three members, at
3 least there members -- some states have more than
4 three -- and they will rotate going to these four
5 or five RAB meetings a year, to sit in.

6 So I'll urge you to look at that information.
7 It's a lot of information. You'll see the
8 oversight -- the three states that are the leaders
9 on this are Oklahoma, Mississippi and Texas.

10 MR. BALDWIN: And Texas, yeah.

11 MR. HOBBS: But they got the sample oversight reports.
12 Most of these PROCs report to the board quarterly
13 with the results. How many reviews were failed,
14 how many of them were -- all these statistics. So
15 we'll be -- you'll be hearing more about that. We
16 just found -- we just got all this information
17 Tuesday. And it will be shared with you before our
18 next board meeting, and maybe we can have that as
19 an agenda item.

20 You should have gotten the statistical report
21 that should have been in the package. That's just
22 for information only.

23 Communications update. I was going to see
24 about if Tanya could help with communications.
25 I've talked to her about it over the phone. Tanya

1 Greenly, our new board member. And hopefully, she
2 will be helping with communications.

3 You know, communications are very important.
4 And we all have a responsibility to communicate
5 with the public, with our licensees. And if you
6 have an interest in getting involved with making
7 presentations or doing anything that rates
8 communications, see me and we'll get you plugged
9 in. But I'm hoping to get Tanya involved with
10 communications.

11 MR. BALDWIN: Right.

12 MR. HOBBS: Doris, do you want to comment on the
13 professional issues updates that you're going to be
14 taking the dog and pony show and talk across the
15 state with Erin? Those dates? You want to share
16 the dates with the -- do you have those handy?

17 MS. CUBITT: I don't have all of them handy, in one
18 place. There's two days next week that's --
19 Florence is on Thursday and Myrtle Beach is on
20 Friday. Now, you're doing part of these.

21 MR. HOBBS: I am. Maybe what we'll do, we'll email you
22 where they are.

23 MS. CUBITT: We'll give you the whole list.

24 MR. HOBBS: If any of you want to attend or if you want
25 to participate, come on out. Doris and I have

1 agreed to kind of split them. But the first one
2 starts this coming Thursday in Florence, then
3 Myrtle Beach is Friday. We're covering the whole
4 state. If it's going to be in -- like if you're up
5 in the Greenville, upper part of the state, and you
6 think you can come by there, come by. We want you
7 to be aware of it. But it's basically a short
8 Power Point presentation where we tell the
9 licensees what's going on with the Board of
10 Accountancy.

11 And Erin has a part with SCAPA and we have a
12 part with the Board of Accountancy. But it's
13 really well attended. And so we'll get you those
14 dates in case -- and I don't think there's any cost
15 associated with these professional issues updates.

16 MS. CUBITT: And they get four hours of CPE credits.

17 MR. HOBBS: And they get four hours of CPE. So we'll
18 email you those dates, so you'll know about it.
19 That's one of the things we do to communicate.

20 Item No. D under 8, I think we've already
21 discussed that. Does anybody want to -- you know,
22 some boards are taking positions on Big Gap/Little
23 GAAP. Does anybody feel strongly that we need to
24 do anything, other than what we've heard today?
25 Does anybody? I don't know if I personally do.

1 But if we wanted -- if somebody felt strongly about
2 the board taking an official position on it, please
3 let me know. Otherwise, we're probably not going
4 to talk about it much anymore.

5 Recovering Professional Program. I was just
6 going to mention that for a minute. We've had a
7 presentation from someone here at LLR before on
8 that. Whenever I do some CPE presentations, I
9 always run across somebody at these presentations
10 that talks about a CPA that probably shouldn't be
11 practicing anymore because of whatever issue he
12 has. And we've incorporated that Recovering
13 Professional Program in our professional issues
14 update. At least, I think we've had some slides on
15 that in the Power Point.

16 If you know -- I just want to stress this. If
17 you know or if you run across somebody that tells
18 you that, that so-and-so has got some type of
19 substance abuse problem, if they've got -- whatever
20 it may be, we have help for them, to help them get
21 rehabilitated through this program. It's one of
22 the advantages of being in an umbrella
23 organization, in that this program is offered to
24 CPAs and we can get some help for folks. So that's
25 something we need to be -- I think we need to just

1 remind ourselves about.

2 MR. BALDWIN: Discuss it. When you go around the state,
3 you tell them that that's out there. I know you
4 are doing outreach --

5 MS. CUBITT: It's going to be in the Power Point this
6 time, that it's out there.

7 MR. BALDWIN: Good, good.

8 MR. HOBBS: We're incorporated. We're incorporated.

9 MR. BALDWIN: Good.

10 MR. HOBBS: Because you know what? We all have a --
11 every CPA has a responsibility, if you see somebody
12 that you think the public's being damaged --

13 MR. BALDWIN: Right.

14 MR. HOBBS: -- we all have a responsibility to try to
15 stop it. You know, we have a responsibility to try
16 to help that professional. And we'd like to help
17 them before it becomes a complaint-driven, a
18 discipline issue. So we want to help them before
19 it gets to be a discipline issue. So that's
20 something that we ought to be alert to.

21 Now, administrator travel. I did meet with
22 our director last Monday. Had a very great
23 conversation with her. And one of the things that
24 we discussed is she'd like for our board to make
25 sure we knew what Doris, what her involvement was

1 with other organizations. So I've asked Doris to
2 put this on the agenda today under 8G. And we did
3 make a motion and we approved something at our last
4 meeting about travel and participation.

5 But Doris, could you give us a little snapshot
6 or a little summary of your role and your
7 involvement with NASB and any other organization
8 that you do on behalf of our board?

9 MS. CUBITT: Okay. I do participate in NASB. They have
10 a meeting February/March every year for the
11 executive directors. And at the same time, they
12 have a legal meeting at that time. And so
13 attorneys that represent the board or attorneys
14 that sit on the board, they have a separate
15 conference, but they overlap some of our meeting
16 time together where they're sharing things that are
17 relevant with both groups.

18 It's a really good meeting. It's nuts and
19 bolts. It's what you do in running the boards in
20 your state. And it covers whatever the current
21 topics are that are relevant to the board at that
22 time. And that's about a three day meeting.

23 MR. HOBBS: That's in February?

24 MS. CUBITT: That's in February/March. In June of every
25 year, there's the regional meeting with NASB, and

1 that's a three day meeting. And I normally attend
2 that, along with the board members that go.

3 Then there's the annual meeting that's late-
4 October, early-November it's the NASB annual
5 meeting. They've talked about topics at the
6 regional meeting. They're always bringing up
7 whatever the current topics are, and the direction
8 we're heading, and the things that need votes
9 always occur at the annual meeting. It's a three-
10 day meeting.

11 And in the past, the thought process has been
12 that they wanted the administrator to attend all
13 the meetings, and then the board members that could
14 or would go. But the administrators were the
15 consonant over, you know, board members are
16 replaced or come and go, and the administrator
17 would keep it kind of together, has been this
18 board's position.

19 Then I belong to the Compliance Assurance
20 Committee, which we talked about that's working on
21 the PROC issue. I've been a member of that
22 committee about four years. We have quarterly
23 phone calls. Sometimes twice a year, but usually
24 quarterly. And the last time we met in person was
25 in '08, and then we had this meeting in Charleston.

1 For me it was a two-day meeting, but many met the
2 first day. And the second day we had the
3 presentation to people across the country that
4 came.

5 There's a possibility that I have been
6 appointed -- I don't know this for sure yet -- to
7 the Executive Director's Committee for NASB. And
8 in that role, it would be phone calls and probably
9 an extra day at the annual meeting and the
10 executive director's meeting to plan the program.

11 Your role on that is to bring the current
12 national issues, the things that are important to
13 the various states and the profession and what's
14 happening then to the board members and to the NASB
15 staff and to the other executive directors across
16 the country. And that's basically all I do for the
17 Board of Accountancy.

18 MR. HOBBS: What I want to know is does this board think
19 that it's important for Doris to do all those -- be
20 involved with what she just described.

21 MR. BURKETT: I think that is important because you keep
22 track nationally on this state, but keep up with
23 the trends nationally, and you can use that in her
24 role here. I think she needs to do that. And in
25 fact, I congratulate her for doing that because a

1 lot of people won't do that, and I think they fall
2 behind.

3 MR. BALDWIN: Absolutely. I don't see how you don't
4 gain by association with North Carolina, Georgia,
5 Florida, the knowledge we'll gain of how other
6 states are doing this is very valuable. And the
7 investment of her time is worth it.

8 MR. HOBBS: Well, can we get that in the form of a
9 motion that we can all vote on? That we think that
10 she's --

11 MR. BURKETT: I move that NASB and all these
12 organizations she described are very -- important
13 for her job, as the executive director of our
14 board.

15 MR. HOBBS: That's a motion.

16 MR. BALDWIN: Second.

17 MR. HOBBS: Second. Any discussion of that?

18 (NO RESPONSE.)

19 MR. HOBBS: All in favor, please say aye.

20 BOARD MEMBERS: Aye.

21 MR. HOBBS: Any opposed?

22 (NO RESPONSE.)

23 MR. HOBBS: Okay. Thank you very much, Doris.

24 MS. CUBITT: Uh-huh.

25 MR. HOBBS: We also, under Item 8H, we need to confirm

1 the Investigative Review Committee. And Doris, do
2 you think you could -- I'm not sure if our new
3 member is familiar with the IRC. We've been
4 throwing some acronyms around at him today. Do you
5 think you could talk to him a little bit and tell
6 him how the IRC works and who it's comprised of?
7 And then I think we need to make sure we all
8 confirm that they're the IRC for this year. Could
9 you do that, please?

10 MS. CUBITT: Certainly. Complaints come in to LLR.
11 There's a complaint form for our website over the
12 disciplinary part over there. You'd click on that
13 and you'd get to a complaint. When complaints are
14 filed, they go through the Office of Investigations
15 and Enforcement. They set up a file; they assign
16 an investigator to it. Because a lot of our issues
17 are technical, we do have a CPA, who's Jim
18 Holloway, that assists them with those type of
19 things. They develop the case. They get it either
20 to where they think they have everything they need
21 or they need further guidance in what else they
22 need to look at what other information they might
23 need.

24 And they bring it to this meeting; it's called
25 an IRC meeting. It's the Investigative Review

1 Committee. Currently, Austin Sheheen chairs that
2 committee and that's who every year the board go to
3 will do that. And also has done it the whole time
4 I've been here. He was doing it when I came. So
5 he's done it 12 or 14 years, I guess, as the chair
6 of that committee. I serve on the committee. The
7 investigator serves on the committee.

8 And the attorney -- the attorney serves on
9 that committee. And so, you know, sometimes we
10 need the attorney's advice. You know, is this
11 going to be a strong enough case? You know, what
12 do they think about that? Whatever evidence you
13 need. If everything's there, then we vote as to
14 how the case will be handled. Most of the time,
15 it's either a dismissal, a dismissal with a letter
16 of caution, and that means that there wasn't
17 anything wrong, but maybe the appearance was there,
18 or better business practices or whatnot. So that's
19 a letter of caution.

20 We then offer a Consent Agreement. And in the
21 Consent Agreement, we put what we think the board
22 would accept as parameters for that consent
23 agreement. It could be they have to take
24 additional continuing education. It could be that
25 they pay a fine. Our fines currently are up to

1 \$10,000 per violation. Normally they're not that
2 high, but that capability is there. You might, if
3 it's substandard work, you might say they have to
4 have pre-issuance review of their work before it
5 could be released. There's lots of things you
6 could put in there.

7 And if a party agrees to it and signs it, we
8 then bring that Consent Agreement to the next board
9 meeting. And the board looks at it and they get to
10 vote on it, decide whether they're going to accept
11 it or not. They have the option to accept it, or
12 they can refuse it.

13 People that won't sign a Consent Agreement
14 come before the board in a full hearing and the
15 prosecuting attorney and them and they present
16 their case before the board, and the board makes
17 the decision as to what they think is the
18 appropriate action. So we ask that -- of course as
19 staff, we all serve on the committee automatically.
20 But we ask that all be confirmed, if that's the
21 pleasure of the board.

22 MR. HOBBS: So the only person we need to confirm is
23 Austin?

24 MS. CUBITT: Yes, sir.

25 MR. HOBBS: Okay.

1 MS. CUBITT: Well, you can confirm the whole committee,
2 but that's who --

3 MR. HOBBS: Why don't we confirm the whole committee.

4 MR. BURKETT: I make a motion to confirm the committee,
5 which includes Austin as chair again.

6 MR. BALDWIN: Second.

7 MR. HOBBS: Any discussion? We have a motion on the
8 floor and a second to confirm the IRC committee
9 with Austin Sheheen as chairman. Any discussion?

10 (NO RESPONSE.)

11 MR. HOBBS: All in favor, please say aye.

12 BOARD MEMBERS: Aye.

13 MR. HOBBS: Any opposed?

14 (NO RESPONSE.)

15 MR. HOBBS: It is unanimous. Thank you very much.

16 Any comments from our guests in the back in
17 the room that have been sitting back there so
18 patiently? Any comments?

19 (NO RESPONSE.)

20 Thank y'all for being here with us.

21 MS. CUBITT: We have focus questions.

22 MR. HOBBS: Can you take those focus questions?

23 MS. CUBITT: Staff puts out these focus questions
24 quarterly, asking the board about your thoughts on
25 various issues.

1 (BRIEF PAUSE.)

2 MR. HOBBS: Now, we're going to say we're going to
3 respond to these as a board. So are there any new
4 communication efforts that your board has
5 implemented within the last year? Have we done
6 anything new?

7 MR. BALDWIN: No.

8 MR. HOBBS: I don't think we've done anything new.

9 MR. BALDWIN: No. I agree.

10 MR. BURKETT: Well your board has represented, the
11 answer is "yes." You're on the committee.

12 MR. BALDWIN: Right.

13 MR. HOBBS: The answer to that is "yes."

14 MR. BURKETT: And look at No. 2.

15 MS. CUBITT: And I will tell you that on the
16 communications issue, I have --

17 MR. BURKETT: The boards on the website, right?

18 MR. HOBBS: Well, we're trying to do the Twitter and --

19 MS. CUBITT: The Facebook, yeah. I've been going out to
20 other states that do have Facebook pages and I'm
21 developing a report to take to the administration,
22 to see if they'll approve us to go on. And there
23 are other state agencies that are on Facebook.

24 MR. HOBBS: And I will be at the Communications
25 Breakfast. No. 2: Does your board restrict the

1 number of online classes acceptable for continuing
2 education?

3 MR. BALDWIN: Yes.

4 MR. BURKETT: She can answer that one.

5 MR. HOBBS: Yeah. I just want to make sure for our new
6 member, make sure he knew the answer too.

7 MR. BALDWIN: The 20-hour requirement.

8 MR. HOBBS: But online classes, is that interactive
9 classes that --

10 MS. CUBITT: Well, see --

11 MR. HOBBS: We're going to have to answer that a
12 little --

13 MR. BALDWIN: You're going to have to explain it.

14 MR. HOBBS: You're going to have to kind of explain our
15 answer there because --

16 MS. CUBITT: Yeah, I will.

17 MR. HOBBS: -- we all know that now. We all got a good
18 handle on that. So everybody here knows the answer
19 to that, I think.

20 MR. BALDWIN: Yes.

21 MR. HOBBS: If it's interactive, it's not limited.
22 Interactive is --

23 MS. CUBITT: Interactive's not limited.

24 MR. HOBBS: -- not limited.

25 Is your board accepting online education at

1 the baccalaureate or graduate level as part of the
2 domestic or foreign education?

3 MR. BURKETT: That's a good question.

4 MS. CUBITT: And answer is yes.

5 MR. BURKETT: There's no difference between the foreign
6 than the domestic here, right?

7 MR. BALDWIN: The answer is yes, as long as it's
8 accredited, right?

9 MS. CUBITT: Yeah. It has to be from an accredited
10 school.

11 MR. BALDWIN: That's what I thought.

12 MR. HOBBS: Here we're talking about Big Gap, Little
13 GAAP. Has your board discussed it? We discussed
14 it today.

15 MR. BALDWIN: Yes.

16 MR. HOBBS: And we don't think we're going to take a
17 position on it. We're going to just watch. We're
18 going to stay on the sidelines.

19 MR. BALDWIN: We're on the side.

20 MR. HOBBS: How is your board addressing out-of-state
21 CPA firms mobility compliance? Provide examples.
22 We're not doing anything to address it. Nothing.

23 MS. CUBITT: No. And I think that's a hard issue to
24 address because you don't know when they are --

25 MR. HOBBS: Why don't you put it: We're relying on each

1 state to police their own and we're trying to
2 police ours. So we're relying on other states to
3 do the right thing, other state boards. That's the
4 only thing we can do. We're not going to send our
5 investigator to somewhere and check out somebody.

6 MR. BURKETT: How are we leasing our own firm's
7 mobility?

8 MR. HOBBS: Peer review, supposedly.

9 MR. BURKETT: Okay.

10 MR. HOBBS: Yeah. PROC.

11 MR. BURKETT: I'm just making sure I'm thinking --

12 MR. HOBBS: Yeah. CPE.

13 MR. BURKETT: Right.

14 MR. HOBBS: All the things we're supposed to be doing.

15 MS. CUBITT: I have discovered a scenario that -- I took
16 it to Linda Beagle with NASB, because she's on the
17 regulatory side for NASB. What if we denied a
18 license to somebody. They didn't meet our
19 education requirements, you know, whatever the
20 reason. Or let's say we have suspended or revoked
21 somebody who was out of state; the principle place
22 of business was out of state.

23 As best I read our law, there's nothing to
24 prevent them, if their state that their principle
25 place of business is in doesn't discipline them,

1 doesn't take the same action. Then there's nothing
2 to prevent them to come into our state and still
3 work under mobility.

4 MR. HOBBS: Now, you're having to think about that one
5 pretty good; aren't you?

6 MR. BURKETT: Well, now, wait a minute. So what you
7 just said is, I'm from North Carolina. I come to
8 our state under mobility. And I do something wrong
9 in our state, and our state --

10 MS. CUBITT: No that's --

11 MR. HOBBS: No.

12 MS. CUBITT: -- for our license in our state.

13 MR. HOBBS: She says that they applied and had a
14 license. We revoked it. Then they go back to
15 North Carolina. Then under mobility, they're
16 coming in under mobility.

17 MR. BURKETT: Well, you would hope that -- what you
18 would hope is that it's based on the way the laws
19 are written in most states, that North Carolina
20 would not issue them a license.

21 MR. HOBBS: Or that they would take action.

22 MR. BURKETT: They would take action.

23 MR. HOBBS: Take action against them. That's what we're
24 supposed to do.

25 MS. CUBITT: But what if they don't take the same

1 actions?

2 MR. BURKETT: You're right, I don't know of anything in
3 our law that addresses that.

4 MS. CUBITT: And that may be something down the road
5 that we will think about. And I raised the issue
6 with NASB because that's an issue that will affect
7 every state.

8 MR. HOBBS: That's a good issue you've raised.

9 MR. BURKETT: But there's also supposed to be hopefully
10 -- the rule is, though, if one state does
11 something, there's no escape. You don't get to go
12 to another state and hide out even.

13 MR. HOBBS: That's the whole --

14 MS. CUBITT: And I agree with that. But I also know
15 that different states look at -- North Carolina is
16 usually really tough on their licensees and the,
17 you know -- and maybe there's another state is not
18 as tough, and so maybe they suspend them for six
19 months, and then they're back to practicing, and
20 we've revoked them, and can they come into our
21 state and practice under mobility? But I did raise
22 it with NASB because it will affect every state.

23 MR. HOBBS: I want you to put that explanation in there
24 and see what they say to you. Let's give those
25 focus people some questions. Put that in there.

1 No. 6, the Texas board has discovered nine
2 U.S. accountants have signed the SEC 10-K forms for
3 companies based in Texas and brought this to the
4 attention of the SEC. The board has found nine
5 U.S. accountants have signed these forms for
6 companies in other states. How does your board
7 plan to respond to this, should this happen? Be
8 aware of it in South Carolina.

9 MR. BURKETT: Is that a C&D? Is that a cease?

10 MR. HOBBS: I don't know.

11 MR. BURKETT: I sent you a copy of that. I think you
12 probably -- I think we sent you a copy of that.

13 MS. CUBITT: You did. And we included it in the
14 notebook stuff.

15 MR. BURKETT: You can look at it. It's pretty
16 revealing.

17 MS. CUBITT: It is revealing.

18 MR. HOBBS: What is it?

19 MR. BALDWIN: That should go to Investigations;
20 shouldn't it?

21 MR. BURKETT: It's in here. But you need to read that,
22 because I sent it to Doris. It's a recap on what
23 happened in Texas. There was a ton of firms. And
24 a lot of the big firms who were doing work out of
25 the Canadian Branch --

1 MR. HOBBS: Right.

2 MR. BURKETT: -- signed the reports in Texas. It's a
3 pretty interesting --

4 MR. CROCKER: Is that a board question or an SEC
5 question.

6 MR. BURKETT: They wanted to know -- what's happened at
7 NASB level, they want to make sure all the states
8 are aware of that, which is why the question is out
9 there, so the boards can -- they think it's
10 something that the boards need to investigate in
11 their state. That's really why the question's out
12 there, just like Texas did.

13 MR. BALDWIN: Well, isn't that the practice of public
14 accountancy in the State of South Carolina, which
15 we're been entitled to regulate, I mean, even if it
16 is before the SEC and they've --

17 MS. CUBITT: Right. And that's what Texas would say.

18 MR. BALDWIN: We can still get them.

19 MR. BURKETT: They found firms that were foreign
20 firms --

21 MR. BALDWIN: Yeah.

22 MR. BURKETT: -- signing 10-K reports.

23 MR. BALDWIN: In Texas.

24 MR. BURKETT: In Texas, that were not licensed to
25 practice in Texas, but Texas companies.

1 MR. BALDWIN: And mobility doesn't work there, right?

2 MR. BURKETT: No, it doesn't work. And that's the
3 reason that question is --

4 MR. BALDWIN: Right.

5 MR. BURKETT: -- there, so we can decide and get
6 responses back. And that's probably going to be
7 the issue that NASB is going to address maybe at
8 the annual meeting, so everybody will be aware of
9 it.

10 MR. HOBBS: Doris, since we're bringing up this question
11 and related to that, you know when we do the
12 quality assurance two days? Do we make sure all
13 those firms that submit their audit reports are
14 registered firms in South Carolina?

15 MS. CUBITT: I won't tell you a hundred percent, but yes
16 we are doing, you know, looking.

17 MR. HOBBS: And I think --

18 MS. CUBITT: And we're going back -- because the issue
19 came up about the peer review, we're going to go
20 back and look and see if everyone of those we got,
21 if that person signed up for the peer review
22 program.

23 MR. HOBBS: Well, I think that's something we ought to
24 do as part of the quality assurance. I think we
25 should have that done. I think we ought to do

1 that. And I understand a lot of those reports are
2 on IFRB too. A lot of those reports are on IFRB
3 accounting principles right there. And I'm just
4 wondering if those firms are registered in South
5 Carolina. A lot of those, from what I understand,
6 were foreign CPA firms. I wonder if they're
7 registered in South Carolina.

8 MR. CROCKER: It's pretty rampant in Texas. It was
9 pretty interesting.

10 MR. HOBBS: I understand we got a good bit of it going
11 on here too. If it's happening in Texas, I bet
12 it's happening in here.

13 MR. CROCKER: Yep.

14 MR. BURKETT: And one firm took a position, they didn't
15 have to be registered in Texas, and they're suing
16 Texas over it.

17 MR. HOBBS: Goes back to Malane's point.

18 MS. CUBITT: But if it's going to get sued, Texas has at
19 least got the money to defend themselves.

20 MR. BURKETT: Right. How big is the staff in Texas,
21 Doris, by the way? Is it like 65?

22 MS. CUBITT: Sixty-something, yeah.

23 MR. BURKETT: Just so you know, thought Mark might find
24 that interesting. Sixty-five staff members in the
25 Department of Board of Accountancy.

1 MR. HOBBS: Doris, No. 6 there, would you answer be
2 cease and desist? because that's one of your things
3 you do. Would you C and D them?

4 MR. BURKETT: C and D.

5 MS. CUBITT: Yeah.

6 MR. HOBBS: C and D.

7 MS. CUBITT: C and D.

8 MR. BURKETT: Now we are getting sued.

9 MR. HOBBS: Yeah. That's Doris' favorite words. All
10 right. Are there any other concerns you'd like
11 NASB to address? Anybody got anything they want to
12 add to that, for Doris to --

13 MR. BURKETT: And I'll tell you, and maybe not so much
14 in the minutes, but I bet Mark and I -- not this
15 Mark, but a Mark from Louisiana who's going to be
16 chairing next year. I'm serving on -- I hope that
17 they are called answer committee. And the whole
18 idea is to make sure that NASB is doing what they
19 need to be doing for member boards. You know, NASB
20 has this great think tank. And they decide to do
21 things without making sure if it's things that the
22 boards need.

23 And the next question is there just to kind of
24 give us some ideas on anything we can work on, such
25 as --

1 MR. HOBBS: Investigator.

2 MR. BURKETT: -- training.

3 MR. HOBBS: The investigator is a great idea.

4 MR. BURKETT: Trained investigator. That's one of the
5 things we're going to work on. And so I mean if
6 there is anything that NASB needs to be addressing
7 for the states, that's one of the reasons we're
8 asking that question. So that's going to be --
9 that's going to be part of what I'm supposed to be
10 doing next year.

11 MR. HOBBS: That's a great idea.

12 MR. BURKETT: And that committee is not official yet,
13 but that's what we're working on.

14 MR. BALDWIN: I want to reiterate one other thing we
15 were talking about, Big Gap/Little GAAP. Between
16 the regulatory structure of Doug Frank and what's
17 going with the banks, I think we are all being
18 asked more and more to attest to the nature of our
19 client's status, as self-employed or otherwise. I
20 don't know if you're seeing it. I'm getting about
21 every other day, one of my clients calls up and
22 says "The bank wants a letter. I'm going to get a
23 mortgage." I don't give them that letter, but I'm
24 just talking about from a NASB point of view, I see
25 increasing pressure to provide some form of a test

1 answer to a credit analysis.

2 MS. CUBITT: Or call a comfort letter?

3 MR. BALDWIN: Yeah. And what I'm doing is I'm taking
4 the AICPA letter which basically says "No, I'm not"
5 and giving it to them. But I just share that as an
6 answer to NASB, that there's increasing pressure
7 from the credit side on that. So I think that's
8 just worth being aware of. You seeing it?

9 MR. HOBBS: Yep.

10 MR. BALDWIN: I'm seeing it all the time.

11 MR. HOBBS: Got two requests yesterday.

12 MR. BALDWIN: Yeah. And I take that standard AICPA
13 letter and send it to them.

14 MR. HOBBS: I hadn't talked to them about it. I hadn't
15 called them yet. I'll wait a couple days, maybe
16 they won't call me back.

17 MR. BURKETT: Yeah. What they ask me for is: Can you
18 confirm that the number on the -- you know, can you
19 confirm that this is a Schedule C? or this is a
20 corporation? Or can you confirm the amount on the
21 balance sheet. My response is, I send them the
22 letter saying we can't confirm it.

23 MR. HOBBS: Right.

24 MR. BURKETT: My other response informally is: If you
25 can't read the balance sheet, I can't help you.

1 MR. BALDWIN: Right. I'm with you, man.

2 MR. BURKETT: I'm not going to -- we don't answer any
3 questions.

4 MR. HOBBS: Right.

5 MR. BURKETT: And we don't even -- and we don't send tax
6 returns. We don't send anything to the bank
7 directly anymore.

8 MR. BALDWIN: No, we don't either. We cut that out.

9 MR. BURKETT: They go to --

10 MR. BALDWIN: We don't do that.

11 MR. BURKETT: -- the clients. But we don't send
12 anything directly to the bank anymore.

13 MR. BALDWIN: No, no, no. You're absolutely right.

14 MR. CROCKER: Question from the new pledge here.

15 MR. HOBBS: Two hundred and fifty dollars.

16 MR. CROCKER: Whatever software we have to do all the
17 tracking and data-gathering we do, is that
18 developed where all the states have the same
19 latest/greatest? Or do we get our own or--

20 MS. CUBITT: No, sir.

21 MR. HOBBS: No.

22 MR. CROCKER: That seems like that would be something
23 that we would refine the -- put that down to do
24 that and then --

25 MR. HOBBS: Yeah.

1 MR. CROCKER: -- but it's just --

2 MR. BURKETT: What I have gathered to be on an average
3 board, and it's very clear, different states have
4 different budgets. And a lot of states, they are
5 stuck with whatever their LLR makes them use, you
6 know.

7 MS. CUBITT: If you're in an umbrella agency like we
8 are --

9 MR. BURKETT: But that's a good point.

10 MS. CUBITT: -- they have to have a software that covers
11 all the boards that they do. Whereas if you a
12 particular Board of Accountancy, you would gear it
13 just to what they do. And I agree, for us it would
14 run smoother --

15 MR. CROCKER: I think that's a good point -- what do
16 you think is the best practice for software for the
17 board --

18 MR. HOBBS: Or web pages.

19 MR. CROCKER: Yeah.

20 MR. HOBBS: If we had a -- if we had a web page -- a
21 good web page would probably serve all
22 jurisdictions, and probably would serve a lot of
23 different boards.

24 MS. CUBITT: But only the states that are independent
25 could implement that web page, because the ones

1 under their umbrellas have to go with the
2 umbrella's web pages. And we have updated our web
3 pages and they look --

4 MR. HOBBS: It's getting better.

5 MS. CUBITT: -- better. Uh-huh.

6 MR. HOBBS: All right. Is there anything else we need
7 to discuss today?

8 MS. CUBITT: No.

9 MR. HOBBS: Mark, you have any comments for your first
10 meeting?

11 MR. CROCKER: I'm raring to go. I learned a lot today.

12 MR. HOBBS: Now, have you had your picture taken and
13 everything?

14 MR. CROCKER: I did.

15 MR. HOBBS: You got your I.D. badge and everything?

16 MR. CROCKER: Lou Holtz.

17 MR. HOBBS: You do look a little bit like Lou Holtz.

18 MR. BURKETT: Should he be mailing the money to us?

19 Or --

20 MR. HOBBS: I would accept -- I just want cash.

21 MR. BURKETT: Make sure you --

22 MR. HOBBS: I'm just kidding; it's a joke.

23 MR. BALDWIN: I-9 and W-9 on everybody.

24 MR. HOBBS: I'm just kidding. All right. Do I hear a
25 motion we adjourn.

1 MR. BURKETT: Make a motion to adjourn.

2 MR. HOBBS: Second?

3 MR. BALDWIN: Second.

4 MR. HOBBS: There's a motion on the floor; there's a
5 second. Any discussion?

6 (NO RESPONSE.)

7 MR. HOBBS: All in favor, say aye.

8 BOARD MEMBERS: Aye.

9 MR. HOBBS: Any opposed?

10 (NO RESPONSE.)

11 *****

12 (Whereupon, the meeting/hearing were
13 adjourned at 12:03 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, CECELIA P. ENGLERT, COURT REPORTER AND NOTARY
3 PUBLIC IN AND FOR THE STATE OF SOUTH CAROLINA AT LARGE,
4 HEREBY CERTIFY THAT I RECORDED AND TRANSCRIBED THE SOUTH
5 CAROLINA DEPARTMENT OF LABOR, LICENSING AND REGULATION,
6 BOARD OF ACCOUNTANCY MEETING/HEARING ON THE 18TH DAY OF
7 AUGUST, 2011, AND THAT THE FOREGOING 87 PAGES CONSTITUTE
8 A TRUE AND CORRECT TRANSCRIPTION OF THE SAID HEARINGS.

9 I FURTHER CERTIFY THAT I AM NEITHER ATTORNEY NOR
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12 INTERESTED IN SAID CAUSE.

13 I FURTHER CERTIFY THAT THE ORIGINAL OF SAID
14 TRANSCRIPT WAS THEREAFTER SEALED BY ME AND DELIVERED TO
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18 TRANSCRIPT.

19 IN WITNESS WHEREOF, I HAVE SET MY HAND AND SEAL
20 THIS 20TH DAY OF SEPTEMBER, 2011.

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