

## **MINUTES**

SC Department of Labor, Licensing & Regulation  
Board of Accountancy

### **Board Meeting**

9:00 A.M., Tuesday, October 18, 2011  
SYNERGY OFFICE PARK  
KINGSTREE BUILDING, Room 204  
110 CENTERVIEW DRIVE  
COLUMBIA, S.C. 29210

**NOTE: These minutes are a record of the motions and official actions taken by the Board and a brief summary of the meeting. A transcript of this meeting providing more detail will be available on the Board's website: [www.llronline.com/pol/accountancy](http://www.llronline.com/pol/accountancy)**

#### **1. Call to Order**

Mark Hobbs, CPA, Chair, called the board meeting of the South Carolina Board of Accountancy to order on October 18, 2011, at 9:02 a.m., with a quorum present. Other Board members present were: Robert Baldwin, CPA, Vice Chair, Gary Forte, Secretary/Treasurer, David Nichols, Accounting Practitioner, Donald Burkett, CPA, Mark Crocker, CPA, Tanya Greenlee, CPA, and Wendell Lunsford, Accounting Practitioner.

#### **MOTION**

Mr Burkett made a motion that the Board excuse the following Board Member, Ms Malaine Pike, Esq from today's Board Meeting. Mr Nichols seconded the motion which carried unanimously.

Staff members participating in the meeting included: Doris Cubitt, Administrator, Michael R. Teague, Administrative Assistant, and Amy Holleman, Administrative Specialist II.

#### **2. Adoption of Agenda**

#### **MOTION**

Mr Baldwin made a motion that the individuals with issues on the agenda be moved to the beginning of the agenda. Mr Burkett seconded the motion which carried unanimously.

#### **3. Consideration of approving Chad Nagel's application for the CPA Exam**

#### **4. Consideration to extend the expiration date of the Auditing section of the CPA Exam for Byron Duren**

#### **5. Consideration to extend the 18-month window to complete the CPA Exam for Andrew Dobson**

#### **6. Mr Hobbs asked for a motion to go into Executive Session to discuss the preceding application hearings**

**MOTION**

Mr Burkett made a motion that the Board to go into Executive Session to discuss the preceding application hearings. Mr Baldwin seconded the motion which carried unanimously.

**MOTION**

Mr Baldwin made a motion that the Board come out of Executive Session. Mr Burkett seconded the motion which carried unanimously.

Mr Hobbs announced no votes were taken during executive session.

**MOTION**

Mr Burkett made a motion to allow Chad Nagel to sit as a South Carolina candidate for the CPA Exam. Mr Forte seconded the motion which carried unanimously.

**MOTION**

Mr Baldwin made a motion to extend the expiration date of the Audit section of the CPA Exam to August 29, 2011, the date he took and passed the Financial Accounting & Reporting (FAR) section. Mr Burkett seconded the motion which carried unanimously.

**MOTION**

Mr Lunsford made a motion to extend the 18-month window to complete the CPA Exam to November 30, 2011, for Andrew Dobson. Mr Forte seconded, the motion carried with Mr Crocker recusing himself.

**7. Approval of Minutes of Meeting held on August 18, 2011**

**MOTION**

Mr Burkett made a motion that the Board approve the minutes of the August 18, 2011, meeting with the change that Jr be dropped from Mr Crocker's name. Mr Nichols seconded the motion which carried unanimously.

**8. Consideration to Approve CPE Exceptions based on compliance with the Americans with Disabilities Act**

Mr Paul Danaher is requesting to complete all CPE, now and in the future, by self-study based on his medical condition. He was granted a CPA license by Reciprocity on 4/30/2009. He is currently working from his home, in Mt Pleasant, which is registered as a firm. He has completed 80 hours of CPE for calendar year 2009 and 2010 through self-study. He is a diabetic, disabled and has several other conditions that limit his mobility severely. Webinars are not practical for him as an alternative to attending physical live seminars. Depending on how he feels that particular day he may not be able to physically sit at the computer for the duration of the program.

**MOTION**

Mr Burkett made a motion that the Board grant the exception to complete all required CPE through self-study under ADA. Mr Crocker seconded the motion which carried unanimously.

Mr Stephen Parrish is requesting to complete all CPE, now and in the future, by self-study based on his medical condition. He was granted a CPA license by Reciprocity on 11/4/1971. He is currently working from his home, in Spartanburg, which is registered as a firm. He has congenital rubella syndrome and other visual disabilities that prohibit him from obtaining CPE through seminars. He has also been recently diagnosed with cataracts. His practice is limited to taxes only.

**MOTION**

Mr Baldwin made a motion that the Board grant the exception to complete all required CPE through self-study under ADA. Mr Forte seconded, the motion carried with Mr Burkett recusing himself.

**9. Mr Jerry Romaine is requesting the Board to reconsider re-instituting the Inactive Status.**

Mr Romaine obtained his original license on 6/16/2004. He is opening a business that is not related to the accounting profession. He wants to be able to maintain his license in some sort of inactive status so that he does not need to complete CPE. Ms Cubitt explained to Mr Romaine that the Board no longer has an Inactive Status and does not have that option in the Statute.

**MOTION**

Mr Burkett made a motion that the Board deny his request as there is no Inactive Status in either statute or regulation. Mr Nichols seconded the motion which carried unanimously.

**10. Mr Burkett asked for an update regarding a legal case that the Board has against it.**

**MOTION**

Mr Burkett made a motion that the Board go into Executive Session for legal opinion by advice counsel. Mr Baldwin seconded the motion which carried unanimously.

**MOTION**

Mr Baldwin made a motion that the Board come out of Executive Session. Mr Burkett seconded the motion which carried unanimously.

Mr Hobbs announced no votes were taken during executive session.

**11. Drafting and approval of changes to both statute and regulations**

Ms Cubitt highlighted the statute changes:

40-2-15. Defense and indemnification of employees, officers and members of the board.

(A) The State shall defend employees, officers, and members of the board against liability arising out of their actions within the scope of their employment and indemnify them from resulting loss when they are sued in their official or individual capacities, or both.

Section 40-2-20, Definitions

(e) any engagement to be performed in accordance with standards issued by the International Accounting Standards Board.

Section 40-2-35, Requirements for license to practice; fulfilling education, examinations and experience requirements

(5) evidence of good moral character, which means lack of a history of dishonest or felonious acts.

(a) In addition to other requirements established by law and for the purpose of determining an applicant's eligibility for licensure to practice accountancy, the department may require a state criminal records check, supported by fingerprints, by the South Carolina Law Enforcement Division, and a national criminal records check, supported by fingerprints, by the Federal Bureau of Investigation. The results of these criminal records checks must be reported to the department. The South Carolina Law Enforcement Division is authorized to retain the fingerprints for certification purposes and for notification of the department regarding criminal charges. Costs of conducting a criminal history background check must be borne by the applicant. The department shall keep information received pursuant to this section confidential, except that information relied upon in denying licensure may be disclosed as may be necessary to support the administrative action.

Section 40-2-110, Revocation, suspension or probation of licensees; revocation of registration or limitation of scope of practice of firm.

(G) A licensee or permit holder shall not employ or associate with, directly or indirectly, a person whose license is revoked or suspended by this Board or by the Board of Accountancy in any other jurisdiction. Employing or associating such a person as an accountant, investigator, tax preparer or in any other capacity connected with the practice of accounting subjects the license or permit holder to discipline by the Board.

Section 40-2-250, Renewal of licenses; reinstatement of lapsed licenses

(A) A licensee shall file an application for renewal on or before ~~January~~ February first of each calendar year.

(4) In addition to other requirements established by law and for the purpose of determining an applicant's eligibility for licensure to practice accountancy, the department may require a state criminal records check, supported by fingerprints, by

the South Carolina Law Enforcement Division, and a national criminal records check, supported by fingerprints, by the Federal Bureau of Investigation. The results of these criminal records checks must be reported to the department. The South Carolina Law Enforcement Division is authorized to retain the fingerprints for certification purposes and for notification of the department regarding criminal charges. Costs of conducting a criminal history background check must be borne by the applicant. The department shall keep information received pursuant to this section confidential, except that information relied upon in denying licensure may be disclosed as may be necessary to support the administrative action.

(D) A license not renewed on or before ~~January~~ February first is considered lapsed. Continued practice after ~~January fifteenth~~ must be sanctioned as unlicensed practice of accounting.

(E) Renewal applications filed or completed after ~~January fifteenth~~ are subject to a reinstatement fee in the amount of five hundred dollars between ~~February fifteenth and March fifteenth~~ must be accompanied by a reinstatement application and a five hundred (\$500.00) dollar reinstatement fee. Reinstatement applications received after ~~March fifteenth~~ must also be accompanied by a five hundred (\$500.00) dollar reinstatement fee and will be examined more closely for unlicensed practice during the period of revocation. A person may not practice on a revoked license.

(1) At the Board's discretion, the reinstatement fee may be reduced or waived depending on extenuating circumstances.

Section 40-2-255, Renewal of registration, peer reviews

(A) A registrant shall file an application for renewal annually on or before ~~January~~ February first of each calendar year.

(4) registrant must participate in the facilitated state board access.

Section 40-2-340, Disclaimer

An accounting practitioner or firm of accounting practitioners is permitted to associate his or the firm's name with compiled financial statements as defined by Professional Standards for Accounting and Review Services, ~~provided the following disclaimer is used:~~

~~"I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, XXXX, and the related statements of income, retained earning and cash flows for the year then ended, in accordance with statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and I am (we are) prohibited by law from expressing an opinion on them."~~

Section 40-2-565, Renewal of License, Reinstatement of Lapsed License

(A) A licensee shall file an application for renewal on or before February first of each calendar year.

(B) The application for renewal of a license must include:

(1) current information concerning practice status;

(2) a verified continuing education report;

(3) renewal fee.

(C) The verified report of continuing education must document forty hours of acceptable continuing education each calendar year. Not more than twenty percent of the required hours may be in personal development subjects. A licensee is not required to report continuing education for the year in which the initial license was obtained. The board by regulation may provide for the carryover of excess hours of continuing education not to exceed twenty hours a year. No carryover is allowed from a year in which continuing education was not required.

(D) A license not renewed on or before February first is considered revoked.

(E) Renewal applications filed or completed between February fifteenth and March fifteenth must be accompanied by a reinstatement application and a five hundred dollar reinstatement fee. Reinstatement applications received after March fifteenth must also be accompanied by a five hundred dollar reinstatement fee and will be examined more closely for unlicensed practice during the period of revocation. A person may not practice on a revoked license.

(F) An accounting practitioner whose license has lapsed or has been inactive for:

(1) fewer than three years; the license may be reinstated by applying to the board, submitting proof of completing forty continuing education hours for each year the license has lapsed or has been inactive, and paying the reinstatement fee;

(2) three or more years; the license may be reinstated upon completion of six months of additional experience under the direct supervision of an active licensed accounting practitioner, CPA, or PA, and one hundred and twenty hours of continuing education."

### **MOTION**

Mr Nichols made a motion that the Board direct staff to prepare the changes that were provided to the Board for review. Mr Burkett seconded the motion which carried unanimously.

### **AMMENDED MOTION**

Mr Nichols made a motion that Board staff and Advice Counsel prepare the changes that were provided to the Board for review and submit the changes to be published in the South Carolina Register for Public Comments. Mr Burkett seconded the motion which carried unanimously.

### ~~1-03. Practice Privileges.~~

~~An individual or firm licensed or registered in another jurisdiction whose principal place of business is outside this State but who engages in the practice of accounting by providing professional services to the public of South Carolina must apply for Practice Privileges using a form provided by the Board. These services may be provided by electronic means, including Internet based practice.~~

### 1-08. Continuing Professional Education.

(2) Each person to whom the CPE requirement applies shall complete forty (40) hours of acceptable CPE each calendar year as a condition of obtaining a renewal license.

(e) Of the required hours over a three (3) year period, six (6) of the hours must be in ethics, and at least two (2) of these hours must be in South Carolina Rules and Regulations.

1-10. Professional Standards.

(D) A licensee or permit holder shall not employ or associate with in South Carolina, directly or indirectly, a person whose license is revoked or suspended by this Board or by the Board of Accountancy in any other jurisdiction. Employing or associating such a person in South Carolina as an accountant, investigator, tax preparer or in any other capacity connected with the practice of accounting subjects the license or permit holder to discipline by the Board.

**MOTION**

Mr Burkett made a motion that Board staff and Advice Counsel prepare the changes that were provided to the Board for review and submit the changes to be published in the South Carolina Register for Public Comments. Mr Nichols seconded the motion which carried unanimously.

Section 1-09, Peer Review

(F) Compliance

(1) A registered firm enrolled for peer review shall provide to the Board upon request the following:

(a) Peer review due date;

(b) Peer review year end date;

(c) Final Letter of Acceptance (FLOA) from peer review program; and

(d) A package to include the Peer Review Report, Letter of Comments (LOC), Letter of Response (LOR), and FLOA for all ~~adverse-fail~~ and second consecutive modified reports issued by a peer review program;

(2) A peer review is not complete until the FLOA is issued by the peer review program.

(3) If a firm fails to complete peer review in a timely fashion, the Board may refuse to renew the firm registration and/or take other disciplinary action as appropriate.

(G) Reporting to the Board

(1) If a firm participating in a system review receives a modified or ~~adverse-fail~~ peer review report, within thirty (30) days of receipt, a firm shall submit to the Board a copy of the report, LOC, LOR, the conditional letter of acceptance (CLOA), and FLOA;

**MOTION**

Mr Burkett made a motion that Board change the Peer Review Compliance, Regulation 1-09(F) to accept the reporting guidelines of the Peer Review Program. Mr Baldwin seconded the motion which carried unanimously.

**12. Peer review and Communications**

Mr Hobbs said that there are 85+ firms that are not in compliance with the requirement to enroll in the Peer Review program. He is drafting a letter to send to the firms to ensure firms are enrolled.

Mr Hobbs spoke about the Peer Review Oversight Committee (PROC). Mr Hobbs indicated that a good candidate to be the PROC Chair would be Charles Talbert. He then asked the Board what their thoughts on establishing a PROC. What the Board is doing regarding Peer Review Oversight is not enough after hearing from other Boards of Accountancy. We need to be communicating with firms that are having repeat findings from Peer Review to Peer Review. We should be considering opening complaints on those firms that are not correcting problems. There is a big time commitment; it would be a volunteer position. The Board agreed for Mr Hobbs to approach Mr Talbert and ask him if he would serve as the PROC Chair.

**13. Clarification of Personal Development CPE**

Ms Cubitt explained that the South Carolina Association of CPAs (SCACPA) sent in a letter regarding our websites Frequently Asked Question with Personal Development CPE. What we consider Personal Development does not match what NASBA considers as Personal Development which is what SCACPA uses when developing there CPE programs.

Mr Hobbs reviewed the FAQ for Personal Development and said that the Board is classifying many more categories as Personal Development than what SCACPA is basing their CPE programs on. For example Specialized Knowledge & Applications should not be classified as Personal Development. The Board should adopt NASBAs CPE classifications. Mr Hobbs asked Ms Greenlee to review the Statement of Standards for CPE and develop a course of action for the Board to take regarding Personal Development CPE at the December 1, 2011, Board Meeting.

**14. Firm Name – DBA (Doing Business As) Clarification**

Ms Cubitt said that the Board at the June 2006 Board Meeting decided to allow DBAs provided that the firm registers with the Secretary of State's office; however the Secretary of State's office does not register DBAs. Ms Cubitt went on to say that clients may not be able to track the practitioner if the practitioner changes the DBA and moves away. Mr Hobbs suggested a remedy to the problem by having the firm disclose the legal name of the firm and the DBA name on the firm's letterhead. Mr Burkett said that the legal name and the DBA name should be on any printed material from the firm. Dean Grigg will look into the DBA issue further and report back to the Board at the December meeting.

**15. Approval of CPA Exam Grades**

**MOTION**

Mr Burkett made a motion that Board approve the CPA Exam Grades. Mr Baldwin seconded the motion which carried unanimously.

**16. Public Comments**

No public comments



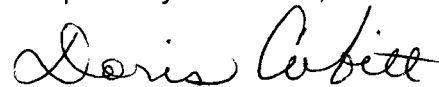
**17. Adjournment**

**MOTION**

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

The October 18, 2011, meeting of the SC Board of Accountancy adjourned at 12:21 p.m.

Respectfully submitted,



Doris E Cubitt, CPA  
Administrator

Approved at the December 1, 2011, Board Meeting.

  
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Mark Hobbs, CPA, Chair  
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Robert Baldwin, CPA, Vice Chair