

MINUTES

SC Department of Labor, Licensing & Regulation
Board of Accountancy

Board Meeting

Thursday, August 21, 2014
SYNERGY OFFICE PARK
KINGSTREE BUILDING, ROOM 108
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.

1. Call to Order

Donald H. Burkett, CPA, Board Chair, was present and called the meeting of the South Carolina Board of Accountancy to order on August 21, 2014, at 9:10 a.m., with a quorum present. . Other Board members present were: Mark Crocker, CPA, Vice Chair, Gary Forte, Secretary, Ellen K. Adkins, CPA, Tanya Greenlee, CPA, Walter Kannaday, III, CPA, David Nichols, Accounting Practitioner, Christi Cox, Esq, and Gale Bell, Accounting Practitioner.

LLR staff members participating in the meeting included: Doris Cubitt, Administrator, Darra Coleman, Esq, Advice Counsel, Andrew Rogers, Esq, Office Disciplinary Counsel, and Sharon Wolfe, Chief Investigator, and Bridgette Goff, Investigator, both of the Office of Investigations and Enforcement.

2. Adoption of agenda.

MOTION

Mr Nichols made a motion to move to accept the agenda as written. Mr Kannaday seconded the motion, which carried unanimously.

3. Approval of May 1, 2014, Meeting Minutes

MOTION

Mr Bell made a motion to accept the minutes as written. Mr Crocker seconded the motion, which carried unanimously.

4. Holly Pisarik – Implementation of Statutory Changes

Mr Burkett stated Ms Pisarik would not be able to talk to the Board regarding the implementation of the statutory changes and asked Ms Cubitt if she would provide an update.

Ms Cubitt said that LLR is moving forward with the implementation. Dean Grigg, Christa Bell, and she will be working on a position description for the CPA Investigator/Inspector position as well as a salary range. Ms Cubitt also said LLR is finalizing the realignment plan that will remove the Board of Funeral Service and the Perpetual Care Cemetery Board away from the Accountancy Board as well as adding the Foresters Board.

Ms Cubitt also notified the Board that Michael Teague will be leaving in August of 2015 to be closer to his daughter and granddaughter. LLR is looking to provide a person to train with Michael before he leaves.

Mr Burkett asked the board members to be thinking about who would like to help Ms Cubitt regarding the implementation changes. Mr Burkett also thanked Ms Erin Pate, Executive Director of the South Carolina Association of CPAs, and staff in helping to ensure the statute was passed.

5. Office of Investigation & Enforcement

- A. Ms Wolfe briefed the Board regarding the OIE Case Report (Addendum 1)
- B. Dismissal report pushed until June Board Meeting (Addendum 2)

MOTION

Mr Nichols made a motion to accept the dismissal report as presented. Mr Kannaday seconded the motion, which carried unanimously.

6. General Counsel Activity

Mr Rogers briefed the Board regarding the Office of General Counsel's case load.

- There are four outstanding cases (Addendum 3).

7. Consideration of Disciplinary Consent Agreement regarding Carol Bourne

Mr Rogers presented Carol Bourne's Consent Agreement, OIE Case No. 2012-18 to the Board. The Consent Agreement stems from a Home Owners Association (HOA), a client of Ms Bourne's, Accounting Practitioner No. 528. Leadership of the HOA changed while it was a client of hers, and the leadership and Ms Bourne did not see eye to eye on several occasions. Upon disengagement, Ms Bourne retained client records and would not return the records to the HOA. Ms Bourne notified Mr Rogers that the electronic records had inadvertently been destroyed, and she is unable to return said records to the HOA.

MOTION

Mr Bell made a motion to accept the Consent Agreement (Addendum 4) as written regarding Ms Bourne. Mr Crocker seconded the motion, which carried unanimously.

8. Consideration of Firm Reinstatement Consent Agreements

These three firms did not renew their 2014 firm registrations by the January 31, 2014, deadline and have subsequently turned in their respective renewals.

A. Deborah Ann Morrison McCandless, CPA (AFI 2930)

MOTION

Ms Greenlee made a motion to accept Deborah Ann Morrison McCandless, CPA, firm's Consent Agreement (Addendum 5) as written Ms Adkins seconded the motion, which carried unanimously.

B. Leonard G. Lesslie, PA CPA (AFI 2368)

MOTION

Mr Nichols made a motion to accept Leonard G. Lesslie, PA CPA, firm's Consent Agreement (Addendum 6) as written Mr Kannaday seconded the motion, which carried unanimously.

C. SFRIS Accounting Services (AFI 2878)

MOTION

Mr Nichols made a motion to accept SFRIS Accounting Services, firm's Consent Agreement (Addendum 7) as written. Mr Forte seconded the motion, which carried unanimously.

9. Administrator's Report

Ms Cubitt discussed the following items:

- Financial reports are provided (Addendum 8)
- NASBA's Annual meeting will be November 2nd through 5th. Two board members can attend.

MOTION

Ms Adkins made a motion to authorize two board members and Ms Cubitt to attend NASBA's Annual meeting. Mr Crocker seconded the motion, which carried unanimously.

- NASBA and the AICPA are working together on the Practice Analysis of the Uniform CPA Examination. They are asking the Board's permission to identify licensees from the US Accountancy Licensee Database (ALD), which we are updating daily. Specifically those licensees who have been licensed between three and ten years and send them a survey. The reason for the three to ten year period; those licensees would normally be supervisors to newly licensed CPAs. The survey will be polling what should newly licensed CPAs need to know to hit the ground running after taking the exam and adjust the exam accordingly.

MOTION

Mr Nichols made a motion to authorize NASBA and the AICPA to identify the South Carolina licensees through the ALD who have been licensed between three to ten years solely for survey purposes of the Practice Analysis of the Uniform CPA Examination. Mr Kannaday seconded the motion, which carried unanimously.

- Mark Crocker and Tanya Greenlee were both reappointed to the Board back in January. Somehow LLR was not advised of the reappointments. Please provide staff with a copy of your reappointment letter so we can make updates accordingly.
- International Financial Reporting Standards (IFRS) will not be tested on the CPA Exam no earlier than January 1, 201; it's still a moving target.
- NASBA has a program called NASBA University; it's open to board members and staff. We have been invited to the October 1st through the 3rd session.

MOTION

Mr Kannaday made a motion to authorize attendance. Ms Greenlee seconded the motion, which carried unanimously.

- Section 40-2-180(A) discusses unpaid fines. "Unless the costs and fines are paid within sixty days of the date they are due, the order becomes a judgment and may be filed and executed upon in the same manner as a judgment in the court of common pleas, and the board may collect costs

and attorney's fees incurred in executing the judgment. Interest at the legal rate accrues on the amount due from the date imposed until the date paid. All costs and fines imposed pursuant to this chapter must be paid in accordance with and are subject to the collection and enforcement provisions of Section 40-1-180 and subject to the collection and enforcement provisions of the Setoff Debt Collection Act."

Ms Cubitt asked if the Board levied fines and they have not been paid, what would be the cutoff limit if we would go after a fine? Mr Rogers added he polled other Accountancy Board Disciplinary Counsels throughout the country. Those that responded established a threshold of ten thousand dollars or higher to go after collections.

Ms Cubitt asked the Board to think about what type of policy they wanted to establish for South Carolina. The statutory authority is already in place, just need to define a policy for staff to follow. The Board levied a large multi-thousand dollar fine last year and numerous ten thousand dollar fines. Historically our fines a much lower. Statute allows ten thousand dollars per violation. Those licensees who are revoked would not be able to reinstate until the fines have been paid. Mr Kannaday suggested giving the judgment to DOR to collect. Mr Burkett made a suggestion to establish a five thousand dollar limit; any amount below five thousand dollars give to DOR and five thousand dollars and above allow it to become a judgment through the traditional process. Should we make a motion? Ms Coleman mentioned since this topic is not on the agenda, and due to a recent case, the Board can amend the agenda in the course of the meeting; however, the Board is providing guidance on an administrative function and does not require a formal motion as long as the full Board is in consensus. Mr Burkett wanted to add to include those licensees who have set up a payment plan; if a payment is missed, then allow the process to kick in.

10 Old Business

A. Consideration of records disposition according to Regulation 1-12

Ms Cubitt said the custodian of the 2013 case is asking if they can definitely destroy the hard copy records of the then incapacitated CPA as instructed by the Boards decision at the May 1, 2014, board meeting (after the October 15, 2014 tax extension deadline) and what needs to be done to the electronic records. The Board reimbursed the successor firm direct costs such as boxes and postage. Client data from seized computers was copied to external media; however, programs that would allow viewing were not copied over as licenses were not obtained.

Ms Coleman reiterated the concerns of Ms Cubitt as to the incompatibility of the format of the accounting software the data was created in versus the on hand software. Should the destruction of the hard copy records be curtailed because of the software issue and should offsite storage be procured for the records? Here are options for the custodian.

- Destroy the hard copy records after October 15, 2014, and provide the electronic records to board staff.
- The Board takes custody of the hard copy documents and secures them in a commercial storage facility for a set length of time.

Mr Nichols indicated that different firms would catalog the documents in each box and if the client requests their documents staff would contact the vendor and ask specifically for those records and the vendor would delivery them. Ms Coleman suggested approaching OIS to see what our options would be to secure the documents. Ms Cubitt made the suggestion to have someone as a temp scan the documents as a PDF, store them electronically in a designated folder on the shared drive, then destroy the paper documents. Ms Cox made the suggestion, in order to keep the records out of the Board's hands, to give a time frame for the current custodian to ship out the documents to a vendor to catalog and store and have the custodian to continue to be the contact if clients want copies of their tax documents. Where the Board would reimburse the custodian for the cost of the storage. Mr Burkett does not want to burden the custodian for the next several years to managing these documents. The IRS suggests to maintain records for three years unless there is material misstated on the returns, then it goes to six years.

Ms Coleman looked over Regulation 1-12 and reminded the Board it states, "the Administrator of the Board may petition the Board for an order appointing another licensee or licensees to inventory the files and to take actions as appropriate to protect the interests of the clients." If the Board so wishes the current custodian to obtain storage, the Board would need to amend the original order to include language that would reflect these actions.

MOTION

Mr Bell made a motion to amend the original order of appointment authorizing the successor to obtain secure facility for client records for three years from October 16, 2014, and that reimbursement will be negotiated for expenses related to the storage. Ms Greenlee seconded the motion, which carried unanimously.

Ms Cox explained the proposed statute language that she and Ms Sara McCartha drafted regarding succession plans for CPAs, PAs, and Accounting Practitioners (Addendum 8).

MOTION

Mr Kannaday made a motion to accept the succession planning proposal as written. Ms Greenlee seconded the motion, which carried unanimously.

B. Review of CPE Exemption for person's serving on Active Military Duty

Ms Cubitt reminded the Board about Ms Sara McCartha's discussion regarding licensees being exempt from completing CPE while on active duty. The Board voiced concerns that licensees have to complete CPE to stay current of procedural, statutorily, and regulatory changes. Ms Coleman said other boards are considering requests on a case by case basis. It allows for facts and circumstances for each individual licensee. The law was intended to protect service members from being disadvantage or discriminated against because of their commitment in supporting our military. "Active Duty" does not solely mean a licensee is deployed overseas, as long as it prohibits the licensee from discharging his or her professional duties. Some Boards have given waivers during the time a licensee is on active duty based on the originating and exiting orders. This is not a mandate, just an example of what some Boards are doing. Do not

have a global policy; make an assessment on a case by case basis. Based on the facts presented an exemption may be appropriate where other situations an exemptions may not be appropriate.

C. Committee Appointments

Mr Burkett reminded board members as issues come up committees will need to convene, deal with the issues, and make recommendations to the full Board.

11. New Business

A. Implementation Committee regarding statutory revisions

Mr Burkett informed the Board he talked to Ms Holly Pisarik, LLR Director, and found out that the Agency is moving forward with the statutory changes. A committee needs to be assigned to assist Ms Cubitt to work through the processes so it can be expedited. Listed in the meeting packet you can see where staff has hours of work to be completed. If possible, hire part-time help to assist in completing some of the projects. Ms Cubitt added that a majority of 2013 CPE Reports still need to be reviewed and entered into our database by November 1st so we can produce and mail out renewal notices to the licensees.

MOTION

Mr Crocker made a motion to nominated Mr Kannaday to serve on the Implementation Committee. Ms Adkins seconded the motion, which carried unanimously.

B. Definition of “Attest”

Ms Cubitt mentioned that the Uniform Accountancy Act (Sixth Edition) had revised the definition of attest which prompts us to update our language in our statute. Erin Pate, Executive Director of the South Carolina Association of CPAs (SCACPA), has provided us with proposed updated language (Addendum 9). One of the main changes is the removal of financial statements from several places and adding Section E, “any examination, review, or agreed upon procedures engagement to be performed in accordance with SSAE, other than an examination described in subsection (c).” Ms Cox asked what is the main practical effect of these changes. Mr Crocker responded by stating to distinguish between “attest” and “assurance” as they sometime are being used interchangeably and should not be. Ms Cubitt added preparing a financial statement with no reports in of itself is not an attest function. Ms Adkins also added theses changes are also including Agreed Upon Procedures as an Attest function.

MOTION

Mr Kannaday made a motion to accept the proposed language defining “Attest”. Ms Greenlee seconded the motion, which carried unanimously.

C. Inspection policies

Mr Burkett asked the board members to think about whether our inspections will be punitive. Be thinking about establishing guidelines for the inspection process for the next meeting.

Mr Kannaday asked what the hiring process would be for the inspector. Ms Coleman said normally the hiring panel consists of three people; the immediate supervisor, someone from the management team possibly the Deputy Director, Dean Grigg, and the Board Administrator, in this case Ms Cubitt.

D. Consideration of US Department of Labor's Audit Issue and AICPA's Response

Ms Cubitt gave a brief synopsis of the issue; DOL audited CPA firms that provide Employee Retirement Income Security Act (ERISA) engagements. DOL had identified 163 South Carolina firms that they have issues with. Forty-eight of those firms do not have a firm registration. The following stats a rough number; 11 firms have not been peer reviewed and are not registered, 4 firms were registered but not peer reviewed, 10 firms have been peer reviewed but are past due, 50 firms that were peer reviewed unable to tell if the firm included ERISA audits, 55 percent of the audits were completed by out of state firms. Ms Cubitt asked what the Board's position regarding the forty-eight firms that need to be registered. Ms Coleman suggested to issue Cease & Desist Orders to those forty-eight firms and upon their responses determine if a Consent Agreement would be warranted. The C & D would fulfill two purposes; one to educate and two to require the firm to stop engaging in activity that is a violation of the Board's practice act. Mr Burkett added for those that warrant a Consent Agreement to levy the \$500 fine as we have done with other unlicensed firms. Ms Cubitt asked what should be done for those firms that were peer reviewed but did not identify ERISA audits. Mr Burkett said that the Peer Review should be recalled and another Peer Review be completed as a minimum. Ms Adkins added to have the additional Peer Review completed within sixty days of the previous peer review recall. If not, schedule the resident manager to come before the full Board.

Mr Crocker requested for staff to get started on this project. Mr Burkett pointed out that staff, based on the list provided by Ms Cubitt, is over 2,000 hours behind on other projects specifically 2013 CPE at this point and should try to acquire another FTE position, or at a minimum, obtain several temp workers to get through some of the work. Ms Coleman encouraged Ms Cubitt to contact HR in order to obtain a couple of temp workers as she has had to do the same in her area. Management would be more responsive to temp workers rather than requesting a FTE position.

E. Legislative changes and updates for 2015 (SCACPA)

Ms Pate (SCACPA) added a comment regarding the 11 South Carolina firms that were not enrolled in the Peer Review program, are currently enrolled and having their previous peer review recalled and on tract in obtaining another peer review.

Ms Pate highlighted the handout (Addendum 10) regarding the proposed statutory changes for the 2015 session.

Discussion ensued regarding the composition of the Board Members whereas Ms Cox questioned the relevance of requiring an attorney to be a

Board member and Mr Bell questioned the reduction of two Accounting Practitioners to only one.

MOTION

Ms Greenlee made a motion to support the proposed statutory changes. Mr Kannaday seconded the motion, Mr Bell opposed only the composition of the Board, Ms Cox opposed only to the composition of the Board, and Mr Nichols opposed only to the composition of the Board. With Mr Burkett's vote to support the changes, the motion passed.

F. Approval of CPA Exam Grades

MOTION

Ms Adkins made a motion to approve the 2014 2nd Quarter CPA Exam grades (Addendum 11). Mr Kannaday seconded the motion, which carried unanimously.

G. Board Officers Elections

MOTION

Mr Kannaday made a motion to nominate the following individuals to serve in the respective capacities in the upcoming year: Mr Crocker, Chair, Ms Greenlee, Vice Chair, and Mr Forte, Secretary/Treasurer. Mr Nichols seconded the motion, which carried unanimously.

12. Public Comment

None

Mr Burkett handed the meeting over to Mr Crocker as the oncoming Board Chair. Mr Crocker expressed his thanks to Mr Burkett for all the hard work he has provided to the Board in various capacities. The Board, the State, LLR and the profession has benefitted from Mr Burkett's leadership.

13. Adjournment

MOTION

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

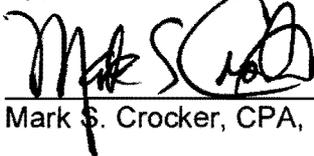
The August 21, 2014, meeting of the SC Board of Accountancy adjourned at 12:31 p.m.

Respectfully submitted,



Doris E Cubitt, CPA
Administrator

Approved at the November 13, 2014, Board Meeting.



Mark S. Crocker, CPA, Chair