

MINUTES
SC Department of Labor, Licensing & Regulation
Board of Accountancy
Board Meeting
Tuesday, January 27, 2015
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

Mark Crocker, CPA, Board Chair, was present and called the meeting of the South Carolina Board of Accountancy to order on January 27, 2015, at 9:10 a.m., with a quorum present. Other Board members present were: Tanya Greenlee, CPA, Vice Chair, Ellen K. Adkins, CPA, David Nichols, Accounting Practitioner, and Gale Bell, Accounting Practitioner.

MOTION

Ms Adkins made a motion that the Board excuse Mr Donald Burkett, CPA and Mr Gary Forte from the Board meeting. Ms Greenlee seconded the motion which carried unanimously.

LLR staff members participating in the meeting included: Doris Cubitt, Administrator, Michael Teague, Administrative Assistant, Amy Holleman, Administrative Assistant, Mary League, Esq, Advice Counsel, Andrew Rogers, Esq, Office Disciplinary Counsel, Sharon Wolfe, Chief Investigator, and Bridgette Goff, Investigator, both of the Office of Investigations and Enforcement.

2. Adoption of Agenda.

MOTION

Ms Adkins made a motion to accept the agenda as written. Mr Bell seconded the motion, which carried unanimously.

3. Approval of November 13, 2014, Meeting Minutes

MOTION

Mr Nichols made a motion to accept the minutes as written. Mr Bell seconded the motion. Ms Adkins identified an error in the Administrators Report. International Financial Reporting Standards item should read, "will not be tested on the CPA Exam any earlier than January 1, 2016." The motion carried unanimously, as corrected.

4. Office of Investigation & Enforcement

Ms Wolfe briefed the Board regarding the OIE Case Report (Addendum 1)

5. Consideration of Ryan Buchanan's Reciprocity Application

Mr Buchanan revealed on his application that he had plead guilty in July 2004, to conspiracy to distribute Methylenedioxymethamphetamine (MDMA), also known as "ecstasy" which relates to Section 40-2-35(A)(5), evidence of good moral character, which means lack of history of dishonest or felonious acts and Section 40-2-110(A)(2), Conduct reflecting adversely upon the licensee's fitness to perform services as a licensee. Mr Buchanan had a CPA license with the Virginia Board of Accountancy at that time. As a result of his guilty plea he was sentenced to seventy-one (71) months of incarceration which was reduced due to his cooperation with authorities by fifty (50) months. He was released on January 12, 2006. The Virginia Board did suspend his license for a two year period. Upon completion of the Board's stipulations Mr Buchanan did request his license back which the Board granted his request.

MOTION

Mr Nichols made a motion to go into Executive Session for Legal Advice. Ms Adkins seconded the motion, which carried unanimously.

MOTION

Mr Bell made a motion to come out of Executive Session. Mr Nichols seconded the motion, which carried unanimously.

It is noted that no official actions were taken by the Board during executive session.

MOTION

Ms Adkins made a motion to approve Mr Buchanan's Reciprocity Application. Mr Bell seconded the motion, which carried unanimously.

6. Consideration of Consent Agreement regarding Roger Long (CPA 2854, Case 2014-1)

Ms Cubitt presented Roger Long's Consent Agreement to limit his scope of practice to only tax and bookkeeping services as a result of substandard work, non-cooperation with investigation, and unprofessional acts that are likely to deceive, defraud, or harm the public.

MOTION

Mr Bell made a motion to disapprove the Consent Agreement (Addendum 2). Mr Nichols seconded the motion. Further discussion ensued. Mr Bell withdrew his motion for disapproval. Mr Nichols made a motion to approve the Consent Agreement as presented. Mr Bell seconded the motion, which carried unanimously.

Mr Bell asked Ms Cubitt to add Mr Long's practice to the Board's Inspection list.

7. Administrator's Report

Ms Cubitt deferred some of her time to Ms League.

Ms League informed the Board that the Chief Advice Council, Ms Darra Coleman, wanted to pass on information to all Boards.

- Media policy: If any board member is approached by the media to coordinate a response through the Office of Communications to ensure consistency and that a response is appropriate and it is in accordance with the Freedom of Information Act.
- Legislature: Board members cannot lobby for or against any legislation in your Board Member capacity.

Ms Cubitt discussed the following items:

- Financial reports are provided (Addendum 3)
- LLR is restructuring board placement within the agency the week of February 2nd. The Cemetery and Funeral Boards will be separated from the Accountancy Board and will be a group of their own and will gain the Auctioneers Board. The work load of the two boards was burdensome and detracted from the work due to the Accountancy Board. The Accountancy Board will gain the Geologists Board, one of which does not require a lot of additional work. LLR will be posting an Administrator position for the newly formed Cemetery, Funeral and Auctioneers Board group. Two employees, Wendi Elrod and Jeanie Rose will be leaving as they are attached to the Cemetery and Funeral Boards.
- LLR's new Director is Richele Taylor. She was LLR's Deputy Director of Administration and has now been appointed as agency Director.
- Reminder to file the Statement of Economic Interest Report with the SC State Ethics Commission by noon on March 30th.
- Need approval for several conferences/meetings coming up:
March 22 – NASBAs Executive Directors and Legal Counsel Annual Meeting

MOTION

Ms Greenlee made a motion to authorize the administrator and legal counsel to attend. Mr Nichols seconded the motion, which carried unanimously.

June 17-19, Western Regional Meeting or June 24-26, Eastern Regional Meeting

MOTION

Mr Nichols made a motion to authorize two board members and the administrator to attend. Mr Bell seconded the motion, which carried unanimously.

October 25-28, NASBAs Annual Meeting

MOTION

Mr Nichols made a motion to authorize two board members and the administrator to attend. Mr Bell seconded the motion, which carried unanimously.

Ms Adkins asked if that is when Donald Burkett will move up to the Chair position of the National Association of State Boards of Accountancy. In 100+ years of NASBAs existence this will be the second time a CPA from South Carolina will be its Chairman. The first time was John Green.

- The Board normally provides a plaque to those Board Members leaving the Board like Christi Cox; however, would the Board like to do something different for Walter Kannaday's family. The State limits plaques to only \$50.

8. Old Business

A. U.S. Department of Labor's Audit Issue

Ms Cubitt is working with Stacey Grooms from NASBA in sending letters to those CPA firms that were identified in DOL's report. Our files will be reviewed to differentiate which firms are actually in violation of the statute. Mr Crocker clarified that the firms may not have checked the box indicating, on their Peer Review form, that they did a DOL audit when they should have. Ms Cubitt said she was given a list of South Carolina firms that were affected. She has gone through it and culled it down to about 160 firms.

B. Peer Review Update

Mr Crocker is asking staff to provide how the Board is involved within the Peer Review process and through the next couple of meetings determine if we are heading in the right direction regarding Peer Review. Mr Crocker asked Ms Cubitt and Reva Brennan, Chief Operating Officer of SCACPA, to explain our current process.

Ms Cubitt stated the Peer Review requirement was established in statute back in 2007. Peer Review is defined in Section 40-2-20(14), it means a study, appraisal, or review of one or more aspects of the professional work... Section 40-2-110(B) actually allows the Board to require a Peer Review as part of a disciplinary action. Further, Section 40-2-255 requires firms, as part of their renewal, that provide attest type functions, to provide evidence of satisfactory completion of peer review no more frequently than once every three years. Section 255 also requires the firms to be subject to oversight by a body established or sanctioned by the board, which shall periodically report to the board and provide a listing of the firms that have participated in a peer review program. The Board decided the AICPA Peer Review program that SCACPA provides would be sufficient. Regulation 1-09 does provide specifics regarding the process of the Peer Review program.

Ms Cubitt also stated that now that we have inspection authority, we will be able to get a better handle on who is actually providing attest type services and ensure they are enrolled in the Peer Review program. Mr Crocker asked Ms Cubitt to reach out to the other Boards and find out best practices regarding their Peer Review programs. Ms Cubitt added that the Board should create a Peer Review Oversight Committee (PROC), as many other Boards have, to be at the heart of the Peer Review process and assign a board member to observe SCACPA process. Normally the committee members are prior board members so not to taint sitting board members in case of disciplinary hearings.

Rev Brennan provided the Board with a Peer Review Program handout (Addendum 4) regarding the program SCACPA administers. She went on to highlight the peer review process. Ms Brennan stated there are 560 firms currently enrolled. Mr Crocker asked what the fee is to enroll and to whether it was the same for all firms. Ms Brennan replied that the fee is based on the number of professionals the firm has on staff. Ms Adkins asked if member firms and non-member firms pay the same fees. Ms Brennan said that the fees are the same regardless of membership status.

Ms Adkins asked what SCAPAs role is and what the Boards role is when back to back Modified reports are received. Ms Brennan replied that she was not aware of any being received; however, she did add that the rules state remedial actions should be taken upon three consecutive failed reviews and will probably change to two failed reviews in 2015. Ms Cubitt said that when a modified report is issued SCACPA does send the Board a copy. The Board needs to monitor consecutive failures and will place a line item on the inspection checklists for the inspectors. Ms Greenlee stated that the firm renewals should be asking when the firms last Peer Review date was, next peer review date and to provide a copy of the any report issued since the last renewal. Ms Cubitt added that firms can be enrolled nationally with AICPA, locally with SCACPA or with another state's Peer Review provider.

Ms Erin Pate, Chief Executive Officer of SCACPA, added that there could be some firms that fall between the gap and may not be enrolled in any particular program. Now that Ms Cubitt and her staff can be more focused on the Peer Review program will also be beneficial. Also, AICPA is the owner of the program. Probably in 2017 they will be making massive changes to it. Peer Review will be moving away from a three year cycle and more on a real time basis which will be beneficial for high risk audits.

Ms Cubitt said that there are 1,515 firms, 1,202 in-state, 313 are out-of-state.

Mr Crocker asked to have an outline of what needs to be done by the next meeting. Also, have a report from Ms Cubitt and SCACPA for the Board to sign off on once a year that the Peer Review responsibility has been satisfied.

Mr Crocker asked Ms Pate what happens if a firm does not pay for the Peer Review service. Ms Pate said SCACPA bills once a year in August. If the firm does not pay then it gets dropped from the program and the Board is informed. Mr Crocker added to include that information into the report.

C. Board Policy Review

Ms Cubitt said that staff is currently working on gathering the information and it will take awhile longer to get it done. We are going back through the minutes for the last three years. Christina has gone through and identified different areas of discussion and motions; however, Ms Cubitt ultimately will have to go through and cull and cross reference the listing.

D. Review of Committee Assignments

Previous committee assignment document was provided. Ms Cubitt said that if an issue has come up she calls on the committee members to weigh in on the topic. Ms Cubitt suggested to tentatively add the PROC to determine how to establish the actual committee and its charter.

E. Final Draft of Proposed Statute Changes

Ms Cubitt said SCAPA filed through the Senate House Bill 301 as a pre-file. The House pre-filed House Bill 3179 which was the bill from last year with several changes since then. The first House meeting for 3179 is tomorrow morning, January 28th. Ms Pate will testify in the morning to have the House bill mirror the Senate's bill.

Ms Pate explained the changes regarding the structure of the board members. Last fall SCACPA met with the House and Senate Labor, Commerce and Industry Committee Chair's and both advised that there could be backlash in the legislative process if the changes went forward with removing a representative seat of an accounting practitioner rather than adding a CPA seat. So instead of removing a seat ultimately we are just adding a seat. SCACPA looked at other licensing boards and many looked at statewide representation. The legislation is requiring a licensed CPA from the seven different congressional districts within South Carolina. Instead of the five CPAs currently required there will be seven with a public member being an attorney along with two others being a public accountant or accounting practitioners.

Ms Cubitt added that this new bill will:

- Give the Board authority to conduct federal background checks on new applicants and reciprocal applicants and those under investigation.
- Lowers the CPA firm ownership from a super majority (66 2/3%) to a simple majority (51%). South Carolina being the last state that had super majority.
- Non-CPA owners will also need to complete 40 hours of CPE related to their skills.
- Gives the Board the discretion regarding the \$500 Reinstatement Fee.
- Realigning the renewal date to January 31st.

Ms Adkins asked whether we are going to limit the number of times a CPA Exam candidate can take the exam if the candidate has had an extensive history of not being able to pass it. Ms Cubitt responded by explaining there is a national movement to limit the attempts. The concern is that those people are mining for questions and developing tools that would be sold to allow candidates to cheat. Ms Cubitt said several states are looking at candidates that have taken the exam 30 times to appear before the Board and explain their circumstances. This may be something we might need to consider. Ms Adkins mentioned that she has heard at a NASBA meeting those foreign visitors with a Visa and are attempting to pass the CPA exam they are able to stay.

Ms Greenlee asked how we would be able to mandate the non-licensed firm owners to complete 40 CPE hours annually. Ms Cubitt said that we do not have jurisdiction over the individuals but over the firm itself. A letter will need to be developed and sent to the firm managers listing the non-CPA owners indicating that the manager is responsible to submit their CPE forms annually.

If CPE reports are not received then a disciplinary case would be opened against the firm.

9. New Business

A. Consideration of Firm Name Change Due to Marriage

Scenario One

A CPA practices under her name, Jane Q. Squires CPA, and her firm name is the same. She gets married and continues to use her previous name for professional reasons and socially uses her married name. Ms Cubitt wants to know what the Board's view is on this situation.

Mr Crocker asked if the statute has anything in it regarding firm names. Ms Cubitt said that the statute states the firm names cannot be misleading and cannot have non-licensed individuals name in it. Ms Adkins said provided the individual continues to introduce themselves in a professional setting as Jane Q. Squires and all advertising and letterhead indicates Jane Q. Squires that would not be misleading. Ms Greenlee asked what needs to show on the annual renewals, the professional name or the legal name. When an individual gets married, they go and change their name with the Social Security Office. Ms Cubitt replied that the W2's, and 1099's would need to reflect the professional name. So, the individual would not change it with the Social Security Office. Mr Bell indicated that he would be ok with an individual using their previous name after getting married provided that's how they hold themselves out professionally.

MOTION

Ms Adkins made a motion for a person who is known professionally as a certain name and has their firm name as such, with all documents and advertising to reflect the same and they chose to be known as a different name socially through marriage or some other legal avenue, it would be permissible. Mr Bell seconded the motion, which carried unanimously.

Scenario Two

An individual gets married, wants to change their name professionally but wants to leave the firm name the way it was prior to the professional name change. Ms Cubitt said she told the CPA that they would not be able to that as it is misleading. It was the consensus of the Board that it would be misleading.

B. Consideration of NASBA's Request to Use Email Addresses from National Database

Ms Cubitt said that NASBA is asking to obtain email addresses, through the Accountancy Licensee Database, of our licensees to send out a survey to those who have been licensed ten years or less. NASBA identified those individuals would be likely to supervise entry level CPAs. The survey would be for the practice analysis for the CPA Exam; to determine what would need to be on the next generation of the exam. Ms Cubitt is deferring to Ms League to describe LLR's policy regarding email addresses.

Ms League informed the Board that an email address policy is under review. Email addresses are not readily available such as through a directory or a Google search. LLR's solution is to ask applicants for a releasable email address. Until that has happened LLR is asking for each Board to approve requests on a case by case basis. Mr Bell asked when a candidate signs the licensing application are they giving their permission to release any of their information. Mr Crocker said that since we are a NASBA state to where NASBA, CPA Exam Services (CPAES), manages the CPA Exam application process for us it should not be an issue. It gives the Board a bit more latitude regarding an issue like this. Mr Bell wanted assurance that the survey will be used internally at NASBA, which Ms Cubitt agreed that it would solely be used by NASBA.

MOTION

Mr Nichols made a motion to allow NASBA to use the email addresses of candidates for the specific survey that they have requested. Ms Adkins seconded the motion, which carried unanimously.

C. Approval of CPA Exam Grades

MOTION

Mr Nichols made a motion to approve the 2014 4th Quarter CPA Exam grades (Addendum 5). Mr Bell seconded the motion, which carried unanimously.

D. Reschedule June 25th Board Meeting, Conflicts with Regional Meeting

Ms Cubitt informed the Board there are rooms available on June 30th, July 7th, and July 15th. The Board agreed to June 30th.

10. Public Comment

Ms Pate wanted to know as to the status of the open Investigator position. Ms Cubitt said that the position was originally posted for only five days. Subsequently it was reposted for an additional two weeks. The applications were culled and came up with three likely candidates; however, a couple did not realize that the position would be based here in Columbia. The position was again reposted and the salary range was increased.

Ms Pate added that SCACP is hosting the CPA Day at the Statehouse on May 6, 2015. The CPA Oath ceremony will be part of the event too. Mr Crocker asked whether Oath Ceremony was better attended as a dinner event or a lunch event. Ms Pate said it appeared that better attendance for families was during the lunch events. Ms Pate stated that typically there are over 100 newly licensed CPAs that have been issued a license during the six months preceding the event; however, this pastime there were only 20 CPAs receiving their Certificates. There have been several times when there was up to 40 participants. Ms Cubitt added she has had conversations with several CPAs at the last Oath Ceremony. It is dependent on the firms to encourage or to make it mandatory for their CPAs to go and receive their CPA wall certificates. There is nothing in statute or regulations mandating individuals to attend. New licensees may want to come but since they are new were afraid to ask for time off to attend. Ms Greenlee asked whether invites are mailed to the managing partners of the firms. Ms Cubitt stated that they have not but we can start. Ms

Brennan mentioned that letters are sent out to the larger firms from SCACPAs end.

Ms Pate also informed the Board that SCAPA is having several events in 2015 to help celebrate the 100th anniversary of SCACPA.

- SCACPA particular book of professional mile markers
- Developing a list of 100 South Carolina influential individuals in the profession
- Gala on November 11 at the Marriott Downtown Columbia

Ms Cubitt said she has also been doing research regarding the Boards involvement in the last 100 years. Statute was instituted back in February 1915 where the first Board Meeting was in March while SCACPA had its start in the late summer early fall of 1915.

MOTION

Ms Adkins made a motion to go into Executive Session for Legal Advice. Mr Bell seconded the motion, which carried unanimously.

MOTION

Mr Bell made a motion to come out of Executive Session. Mr Nichols seconded the motion, which carried unanimously.

It is noted that no official actions were taken by the Board during executive session.

11. Adjournment

MOTION

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

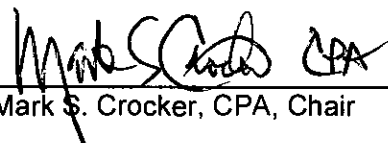
The January 27, 2015, meeting of the SC Board of Accountancy adjourned at 12:30 p.m.

Respectfully submitted,



Doris E Cubitt, CPA
Administrator

Approved at the April 30, 2015, Board Meeting.



Mark S. Crocker, CPA, Chair

