

SC Rules and Regulations



What Will We Cover?

- Introduction to SC accountancy laws and regulations
- Licensure as a CPA
- Firm regulation
- CPE rules and regulations



Ethics CPE Requirement

- Of the required CPE hours over a 3-year period, 6 of the required hours must be in ethics
- At least 2 of these hours must be in South Carolina Rules and Regulations
- Board must pre-approve all South Carolina Rules and Regulation courses
- Current 3-year period is from 1/1/2016-12/31/2018
- During this period, make sure you have
 - 6 total hours in ethics (behavioral or regulatory)
 - 2 of the 6 hours in SC Rules and Regulations



Introduction to SC Accountancy Laws and Regulations



SC Accountancy Law

- Regulation of CPAs in SC set forth in the *South Carolina Code of Laws*
 - Title 40—*Professions and Occupations*
 - Chapter 2, *Accountants*



Board of Accountancy

- Consists of 11 members appointed by the Governor:
 - All members must be residents of South Carolina
 - Seven members must be licensed CPAs (one from each Congressional district)
 - Two members must be licensed public accountants or licensed accounting practitioners
 - Two members must be members of the public who are not engaged in the practice of public accounting, have no financial interest in the profession of public accounting, and have no immediate family member in the profession of public accounting
- Meets at least 2 times each year at places fixed by the chairman
- Meetings are open to the public except those concerned with investigations and except as necessary to protect confidential information



Powers and Duties of the Board

- Determine eligibility of applicants for examination and licensure
- Examine applicants for licensure
- Establish criteria for issuing, renewing, and reactivating authorizations for qualified applicants to practice
- Adopt a code of professional ethics appropriate to the profession
- Evaluate and approve continuing education course hours and programs
- Conduct periodic inspections of licensees or firms with notice to the licensee or firm of at least three business days
- Conduct hearings on alleged violations and regulations



Powers and Duties of the Board

- Participate in national efforts to regulate the accounting profession
- Discipline licensees or registrants
- Project future activity of the program based on historical trends and program requirements
- Issue safe harbor language nonlicensees may use in connection with financial statements, transmittals, or financial information
- Promulgate regulations, including, but not limited to, a schedule of fees for examination, licensure, and regulation
- Promulgate standards for peer review



Practice of Accounting

- Although the Board regulates the "practice of accounting," South Carolina does not regulate the use of the word "accounting"
- "Practice of accounting"
 - Issuing a report, performing an attest or compilation service, or using the title "Certified Public Accountant" or the abbreviation "CPA."
- Therefore, the Board does not have any authority over bookkeepers, tax preparers or accountants



Guidelines for Bookkeepers, Tax Preparers, Etc.

- Cannot use Certified Public Accountant or its initials (CPA); Public Accountant or its initials (PA - in regards to accounting work); Accounting Practitioner or its initials (AP) or any other title, designation, words, letters, abbreviations, sign, card or device indicating that the person is a certified public accountant, public accountant or accounting practitioners
- Cannot perform audits, reviews or compilations
- May prepare financial statements and issue non-attest transmittals or information thereon which does not purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS)



Guidelines for Bookkeepers, Tax Preparers, Etc.

- The title "Enrolled Agent" or "EA" may only be used by individuals designated by the Internal Revenue Service
- Persons or firms that are not licensed or registered may use designations granted by national accrediting organizations so long as those designations do not imply qualification to render any attest or compilation service
- When listing in phonebooks and on the Internet, they may not be listed under any of the following headings: Accountants – Certified Public; Accountants – Public or Accounting Practitioners



Definitions

- 24 definitions
- Practice of accounting means:
 - Issuing a report on financial statements of a person, firm, organization, or governmental unit or offering to render or rendering any attest or compilation service. This restriction does not prohibit any act of a public official or public employee in the performance of that person's duties or prohibit the performance by a nonlicensee of other services involving the use of accounting skills, including the preparation of tax returns, management advisory services, and the preparation of financial statements without the issuance of reports; or
 - using or assuming the title "Certified Public Accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant.



Board Regulations

- 1-01 – General Requirements for Licensure as a CPA
- 1-02 – Examinations
- 1-03 – Practice Privileges (Deleted)
- 1-04 – Reciprocity
- 1-05 – Firm registration
- 1-06 – Reinstatement
- 1-07 – Return of Certificate
- 1-08 – Continuing Professional Education
- 1-09 – Peer Review
- 1-10 – Professional Standards
- 1-11 – Application for Licensure as an Accounting Practitioner
- 1-12 – Safeguarding Client Files When a Licensee is Incapacitated, Disappears, or Dies

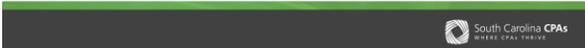


Licensure as a CPA in South Carolina



Licensure as a CPA in South Carolina

• Only a person holding a valid license as a CPA or qualifying for a practice privilege if licensed outside of SC may use or assume the title "Certified Public Accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device indicating that the person is a certified public accountant



Requirement for Licensure

- A criminal records check by SLED and FBI
- At least 150 semester hours of college education
- A passing score on the Uniform CPA Examination
- A passing score on an examination in professional ethics
- Appropriate experience, which may include:
 - At least 1 year of accounting experience satisfactory to the Board in public, governmental, or private employment under the direct supervision and review of a CPA or public accountant licensed to practice accounting in some state or territory of the US or DC; or
 - At least 5 years' experience teaching accounting in a college or university recognized by the Board; or
 - Any combination of experience determined by the Board to be substantially equivalent to the foregoing; and
- Evidence of good moral character, which means lack of a history of dishonest or felonious acts



Education Requirement

- To meet the 150-hour requirement applicant must demonstrate successful completion of:
 - At least 36 semester hours of accounting in courses that are applicable to a baccalaureate, masters, or doctoral degree and which cover
 - Financial accounting
 - Managerial accounting
 - Taxation
 - Auditing
 - At least 24 semester hours must be taught at the junior level or above



Education Requirement

- At least 36 semester hours of business courses that are applicable to a baccalaureate, masters, or doctoral degree and which may include:
 - Macro and micro economics
 - Finance
 - Business law
 - Management
 - Computer science
 - Marketing
 - Accounting hours not counted in the item above



Education Requirement

- To sit for the CPA exam, the candidate must have at least 120 semester hours of college education
- At least 24 of those semester hours need to be in accounting courses that are applicable to a bachelors, masters, or doctoral degree to include
 - Financial Accounting
 - Managerial Accounting
 - Auditing
 - Tax
- 24 of those semester hours can be a combination of upper- and lower-level business courses



Experience Requirement

- Experience may be gained in either full-time or part-time employment
- 2000 hours of part-time accounting experience is equivalent to 1 year
- Experience may not accrue more rapidly than 40hours per week
- The 5 years of teaching experience provided for consists of 5 years of full-time teaching of accounting courses at an accredited college or university



Return of Certificate

- Any licensee whose license is not active for any reason must return his or her certificate to the Board
- There is no provision for an inactive status in SC
- CPAs in SC must either:
 - Be active (pay the renewal fee and comply with CPE requirements)
 - Voluntarily surrender his or her license and not hold out or sign anything as a CPA
 - Apply for emeritus status



Emeritus Status

- Emeritus status is permanent
- A CPA who is granted emeritus status cannot use any financial skills for compensation
- If at a later date the individual wants to become an active CPA
 - Must retake the CPA Exam
 - Meet all licensing requirements



Substantial Equivalency

- Concept of “substantial equivalency” was developed to allow licensed CPAs to practice across jurisdictions more readily
- Section 23 of the Uniform Accountancy Act (UAA)
- Several jurisdictions have adopted a Section 23 privilege to practice (including SC)
- For purposes of licensure by **reciprocity** and **mobility**, the CPA’s out-of-state license must have been granted based on licensing requirements that are the same as or substantially equivalent to SC’s licensing requirements



Substantial Equivalency

Alabama*	Georgia	Maryland	New Mexico	South Dakota
Alaska	Guam	Massachusetts	New York	Tennessee
Arizona	Hawaii*	Michigan	North Carolina	Texas
Arkansas	Idaho	Minnesota	North Dakota	Utah
California	Illinois	Mississippi	Ohio	Vermont
CNMI	Indiana	Missouri	Oklahoma*	Virginia
Colorado	Iowa	Montana*	Oregon	Washington
Connecticut	Kansas*	Nebraska*	Pennsylvania	West Virginia
Delaware	Kentucky	Nevada	Puerto Rico	Wisconsin
District of Columbia*	Louisiana	New Hampshire	Rhode Island	Wyoming
Florida	Maine	New Jersey	South Carolina	

* These states are two-tier states.



Reciprocity

- CPAs who are licensed in one of the 55 jurisdictions other than SC and are either
 - Living in SC or
 - Have their principal place of business in SC
- And want to practice accounting or use the CPA designation, whether on business cards, letterheads, or other printed or electronic media must apply for a SC license by reciprocity
- If the CPA's principle place of business is outside of SC, and certain other requirements are met, he or she does not need to apply for a license by reciprocity



Mobility

- CPAs and firms that do not have an office in SC that are engaged in
 - Tax work
 - Compilations
 - Reviews
 - Other accounting-related work for SC clients
- Do not need to file an application or register with the Board as long as the CPA(s) hold(s) a CPA license from a substantial equivalency state



Mobility – Exception

- CPAs whose principle place of business is outside of SC and who perform any of the following services for a client with its home office in SC must perform these services through a firm that has obtained an Out-of-State Firm Registration:
 - Audit or other engagement performed in accordance with the Statements on Auditing Standards
 - Examination of prospective financial information performed in accordance with the Statements on Standards for Attestation Engagements or
 - Engagement performed in accordance with Public Company Accounting Oversight Board Auditing Standards



Accounting Practitioners

- Section 40-2-540 gives the Board the authority to examine, license, and discipline "accounting practitioners"
- Licensed Accounting Practitioners may provide accounting and tax services to the public, with exception of audits or reviews of financial statements
- In addition, special wording is required in the case of reports on compiled financial statements



Licensure as an Accounting Practitioner

- The applicant for licensure as an Accounting Practitioner must:
 - Have no prior history of dishonest or felonious acts;
 - Be a resident of SC or have a place of business in SC, or as an employee, be regularly employed in SC;
 - Be at least 18 years of age; and
- Meet these requirements:
 - Pass the Financial Accounting and Reporting (FAR) and Regulation (REG) sections of the Uniform CPA exam; and
 - Have a Bachelor's degree with a major in Accounting from an institution that is regionally accredited; and
 - Have a passing score of 90 or above on an examination in professional ethics



Licensure as an Accounting Practitioner

- To maintain a license as an Accounting Practitioner, the licensee must:
 - Complete at least 40 hours of CPE each calendar year
 - Renew annually on or before January 31 by completing the renewal form and paying the current renewal fee
 - Comply with South Carolina Accountancy Laws and Regulations



FAQ – Licensure

QUESTION

I am a professor at a South Carolina college. I am licensed as a CPA in another state but not in South Carolina. Can I use the CPA designation after my name on business cards, letter head, the school's website, etc?



FAQ – Licensure

QUESTION

I live in North Carolina and work in South Carolina for a South Carolina CPA firm. I have a North Carolina CPA certificate. May I register as a non-resident?



FAQ – Licensure

QUESTION

I work for a firm based in Maryland (with no offices in South Carolina) and I am licensed as a CPA by the State of Maryland. I will be working on an audit engagement for a client in South Carolina. Do I need to register?



Firm Registration and Related Issues



Introduction

- A licensee who offers to engage in the practice of accounting on behalf of any person other than the organization in which the licensee is an officer, employee, partner, member or principal must apply for registration as a firm or be employed or associated with a registered firm.
- CPAs who practice from their homes, separate from their employers, must register as a firm
- Firm registration is independent of the individual's CPA license



CPA Firm Ownership Requirements

- A simple majority of the ownership of a CPA firm must belong to certified public accountants currently licensed in SC or some other state or jurisdiction
 - Measured in terms of financial interests and voting rights
- Owners must maintain ownership equity in their own right at all times and must be the beneficial owners of the equity capital ascribed to them
- Ownership by investors or commercial enterprises is prohibited



CPA Firm Ownership Requirements

- CPA Owners
 - Partners, officers, shareholders, members, or managers whose principal place of business is in SC, and who perform professional services in SC must be CPAs licensed in SC
- Non-CPA Owners
 - Non-CPA owners must be actively engaged as a firm member in providing services to the firm's clients as his or her principal occupation
 - Must not assume ultimate responsibility for any financial statement, attest, or compilation engagement
 - Must abide by the code of professional ethics adopted by the Board
 - Must complete 40 hours of CPE
- Provision must be made for the ownership to be transferred to the firm or to other qualified owners if the non-CPA ceases to be actively engaged in the firm



Other Firm Matters

- Must not use a professional or firm name or designation that is misleading about the legal form of the firm, or about the persons who are partners, officers, members, managers, or shareholders of the firm or about any other matter
- Names of one or more former owners, partners, members, managers, or shareholders may be included in the name of a firm or its successor
- There must be a designated resident manager in charge of each firm office in SC



Client Information and Documents

- Client records include
 - All information provided by the client
 - All documents provided to the client (or on behalf of the client)
 - Materials necessary (including electronic files) to support the final work performed (financial statements, tax returns, etc.)
- Client records do not constitute other work files or documents, which the licensee may use to audit, test or verify the accuracy of a client's account balances and/or transaction classes (revenues, expenses)



Client Information and Documents

- Except by permission of the client, must not voluntarily disclose information communicated by the client relating to and in connection with services rendered
- This prohibition does not extend to
 - Court proceedings
 - Investigations or proceedings by the Board
 - Ethical investigations conducted by private professional organizations
 - Peer reviews



Client Information and Documents

- Property of the licensee:
 - All statements, records, schedules, working papers, and memoranda created by a licensee incident to, or in the course of, rendering services to a client
 - Except reports submitted by the licensee to the client
 - Except for records that are part of the client's records
- These are and remain the property of the licensee in the absence of an expressed agreement between the licensee and the client to the contrary



Client Information and Documents

- Must furnish to a client or former client, upon request and reasonable notice:
 - Copy of working papers, to the extent that the working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client
 - Accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received for the client's account
- May make and retain copies of these documents of the client when based on work completed by the licensee



Peer Review Requirements

- Any firm in South Carolina (including those firms with out-of-state firm registration) which provides any of the following services must, as a condition of firm registration and/or renewal, enroll in a qualified peer review program:
 - Audits
 - Reviews of financial statements
 - Compilations of financial statements
 - Examinations of prospective financial statements
 - Compilations of prospective financial statements
 - Agreed-upon procedures of prospective financial statements
 - Examination of written assertions
 - Agreed-upon procedures of written assertions



Peer Review

- Firms that do not provide any of these services are exempt from peer review
- However, upon the issuance of the first report provided to a client, the firm must enroll in a qualified peer review program
- As long as these services are provided, continued participation in a qualified peer review program is required



Firms Located Outside of South Carolina

- Firms that do not have an office in SC that are engaged in
 - Tax work
 - Compilations
 - Reviews
 - Other accounting-related work for SC clients
- Do not need to file an application or register with the Board as long as the CPA(s) hold(s) a CPA license from a substantial equivalency state
- Mobility



Firms Located Outside of South Carolina

- Firms that do not have an office in South Carolina and who perform any of the following services for a client with its home office in SC must perform these services through a firm that has obtained an Out-of-State Firm Registration:
 - Audit or other engagement performed in accordance with the Statements on Auditing Standards
 - Examination of prospective financial information performed in accordance with the Statements on Standards for Attestation Engagements or
 - Engagement performed in accordance with Public Company Accounting Oversight Board Auditing Standards
- If the firm has several offices located throughout the US, each office conducting business with SC clients must register



FAQ – Firm-Related Issues

QUESTION

I am CPA, licensed in the State of Tennessee. My firm plans to open an office in South Carolina. May I manage the South Carolina office?



FAQ – Firm-Related Issues

QUESTION

I'm a licensed CPA in South Carolina and work from my home on a part-time basis. Do I have to register my home-based practice?



FAQ – Firm-Related Issues

QUESTION

My wife and I are opening a CPA office. She will own 60% of the firm and will be a silent partner (she is not licensed as a CPA). Is this ownership arrangement acceptable?



CPE Requirements for CPAs in South Carolina



Introduction

- Statement on Standards for Continuing Professional Education (CPE) Programs
 - Published jointly by the AICPA and the National Association of State Boards of Accountancy (NASBA)
 - Provides a framework for the development, presentation, measurement, and reporting of CPE programs
- The Board has adopted the Statement on Standards for Continuing Professional Education (CPE) Programs
 - The Board does not recognize "independent study"
 - 23 subject matter areas



Regulation of CPE

- Primary guidance on CPE matters in SC is found in Regulation 1-08
- Must document 40 hours of CPE each calendar year
- Evidence to support fulfillment of the requirements must be retained for at least 5 years from the due date of the CPE report or the date filed, whichever is later
- The Board, at its discretion, may verify the information submitted by licensees through a CPE audit



Carry-Over of CPE Credit

- When a licensee completes more than the required number of hours of CPE in any calendar year, the extra hours, not in excess of 20 hours, may be carried forward and treated as hours earned in the following year
- CPE credit not available for carry-over to the following year
 - Personal development subject matter
 - CPE obtained through self-study



CPE Credit Measurement

- One hour of credit is granted for each 50 minutes of actual instructional contact time
- One-half CPE credit increments (equal to 25 minutes) are permitted after the first one hour credit has been earned in a given learning activity
- Partial hours are rounded down to the nearest half hour
- When a meal is scheduled during the educational period, no credit is allowed unless the schedule provides for 50 minutes of instruction after the meal is served



CPE Credit Measurement

- No more than 10 hours of CPE can be earned in a calendar day
- While CPE sponsors determine the number of CPE credit hours, licensees who participate in only part of a program should claim CPE credit only for the portion they attended or completed



Ethics CPE Requirement

- Of the required CPE hours over a 3-year period, 6 of the required hours must be in ethics
- At least 2 of these hours must be in South Carolina Rules and Regulations
- Board must pre-approve all South Carolina Rules and Regulation courses
- Current 3-year period is from 1/1/2016-12/31/2018
- During that period, make sure you have
 - 6 total hours in ethics (behavioral or regulatory)
 - 2 of the 6 hours in SC Rules and Regulations



Personal Development Subjects

- Personal development subjects are related to the general development of personal skills such as:
 - Principle-centered leadership
 - Career planning
 - Time management
- No more than 8 hours of the required hours in a year may be in personal development subjects
- Credit for personal development subjects that exceed 8 hours are not available for carry-over credit



Self-Study CPE Programs

- No more than 20 hours of the required hours may be in self-study programs
- Self-study credits are not available for carry-over credit
- In order for self-study hours to qualify, a licensee must submit a certificate of completion supplied by the CPE program sponsor after completion of an examination



Self-Study CPE Programs

- The certificate of completion must include the following:
 - Name and address of CPE program sponsor
 - Participant's name
 - Course title
 - Course field of study
 - Date of completion
 - Amount of CPE hours recommended
 - NASBA QAS sponsor number
- The Board only accepts self-study CPE courses that are offered by CPE program sponsors who are registered with NASBA as a Quality Assurance Service (QAS) sponsor



University and College Courses

- For university or college courses that have been successfully completed for credit, a copy of the grade report should be submitted
 - Each semester hour credit equals 15 CPE hours
 - Each quarter hour credit equals 10 CPE hours
- For non-credit courses, a certificate of attendance issued by the university or college should be submitted
 - Each classroom hour attended equals one 50-minute CPE hour



University and College Courses

- Teachers of university and college undergraduate and graduate credit courses
 - 10 CPE hours for each three semester hour (or prorated equivalent) course taught
- Credit for teaching university, college, and graduate credit courses is limited to 10 hours for a reporting period
- Credit will not be granted for accounting principles, basic financial accounting, basic managerial accounting or any other introductory accounting course, either undergraduate or graduate
- Credit also will not be granted for repetitious presentations within a 2-year period



Other Forms of CPE

- For published articles or books that contribute to the professional competence of the licensee, a copy of the publication that names the writer as author or contributor should be submitted
- For CPE programs developed, an outline of the course should be submitted
- Credit for preparation of these publications may be given on a self-declaration basis up to 10 hours of the renewal period requirement
- Credit for these publications that exceed 10 hours are not available for carry-over credit



Other Forms of CPE

- Instructors or discussion leaders of qualified CPE programs are granted credit equal to twice the number of hours available for participation in the course
- For repeat presentations, CPE can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required additional study or research



FAQ – CPE Issues

QUESTION

Do live webinars and live webcasts qualify for CPE credit? Are they considered self-study?



FAQ – CPE Issues

QUESTION

I attended a lunch and learn seminar sponsored by the local business association. They have followed all the requirements in Regulation 1-08. Does the seminar qualify for CPE credit?



FAQ – CPE Issues

QUESTION

If I attend a seminar for 8 hours of live classroom CPE and then complete a 4-hour self-study course on the same day, how many total hours of CPE credit am I eligible for?



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