

CHAPTER 1

Department of Labor, Licensing and Regulation— Board of Accountancy

(Statutory Authority: 1976 Code §§ 40-1-70 and 40-2-70)

1-01. General Requirements for Licensure as a CPA.

(A) Completed application for licensure shall be submitted on forms provided by the Board. All fees must accompany the application.

(B) In order for an application to be considered, it must be complete, and all questions must be answered.

(C) The Board shall accept any college or university accredited by the Southern Association of Colleges and Schools and any other accrediting association having the equivalent standards or any independent senior college in South Carolina certified by the State Department of Education for teaching training.

(D) Until the licensee candidate has completed twenty four (24) semester hours of acceptable accounting education as described in 40-2-35(D)(3)(a), the candidate cannot earn qualifying experience for licensure.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007.

1-02. Examinations.

(A) An applicant for examination may apply to the Board for accommodation(s) to complete the Uniform CPA Examination. The applicant bears the burden of proving that the accommodation is required as a result of a verifiable hardship, which prevents compliance with the conditions of the administration of the examination. The applicant will be expected to provide documentary evidence of verifiable hardship, which prevents compliance with the conditions of the administration of the examination.

(B) An acceptable ethics exam will be designated by the Board and identified on the Board's Web site (www.llr.state.sc.us/pol/accountancy).

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007.

1-03. Deleted by State Register Volume 36, Issue No. 5, eff May 25, 2012.

Editor's Note

Former R. 1-03 was entitled "Practice Privileges".

1-04. Reciprocity.

The holder of a certificate, license, or permit issued under the laws of any state or territory of the US or any authority of the US may demonstrate substantially equivalent education and experience by:

(A) Documenting four (4) years of professional practices outside of South Carolina within ten (10) years immediately preceding the application; or

(B) Documenting the current education and experience requirements in effect in this State as set forth in 40-2-35; or

(C) Documenting that the education requirements for the certificate, license, or permit from another jurisdiction were the same as the requirements in South Carolina on the date of original licensure.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007.

1-05. Firm registration.

(A) A licensee who offers to engage in the practice of accounting on behalf of any person other than an 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.

(B) There must be a designated resident manager in charge of each firm office in this State. The designated resident manager must be licensed by this Board and is responsible for office compliance with established professional standards including standards set by federal or state law or regulation.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007. Amended by State Register Volume 34, Issue No. 6, eff June 25, 2010.

1-06. Reinstatement.

(A) In order to qualify for reinstatement, an applicant whose license has been inactive or lapsed for three (3) years or more must demonstrate at least six months of additional experience and one hundred and twenty hours of continuing education, which must be completed within the previous twelve (12) months of the reinstatement application.

(B) Additional experience may be earned as allowed by 40-2-35(A)(4) and must follow the same requirements as required for original licensing experience.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007. Amended by State Register Volume 36, Issue No. 5, eff June 22, 2012.

1-07. Return of Certificate.

Any licensee whose license is not active for any reason must return his or her certificate to the Board.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007.

1-08. Continuing Professional Education.

(A) General Standards for Continuing Professional Education (CPE)

(1) Continuing Professional Education requirements apply to all licensees. Each licensee shall complete CPE, which contributes directly to his or her professional competence.

(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.

(a) Not more than twenty (20%) percent (8 hours) of the required hours may be in personal development subjects. Personal development subjects that exceed twenty (20%) percent of the required hours shall not be available for carry-over credit.

(b) Not more than fifty (50%) percent (20 hours) of the required hours may be in self study programs. Self study credits are not available for carry-over credit.

(c) No more than ten (10) hours of CPE can be earned in a calendar day.

(d) When a meal is scheduled during the educational period, no credit will be allowed unless the schedule provides for fifty (50) minutes of instruction after completion of the meal.

(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.

(3) A person who obtains a certificate of registration or license for the first time shall complete at least forty (40) hours of acceptable CPE during the calendar year following the year in which the original certificate or license was obtained. There is no provision for carry-over from a year in which CPE was not required.

(4) The Board may accept a compliance report from another jurisdiction if the requirement is substantially equivalent to SC requirements.

(B) Mechanics

(1) Licensees are responsible for compliance with all applicable CPE requirements and should claim CPE hours only for CPE programs when the CPE program sponsors have complied with the requirements set out in these regulations.

(2) Licensees are responsible for accurate reporting of the appropriate number of CPE hours earned and should retain appropriate documentation in their files for five (5) years.

(3) One (1) hour of credit shall be granted for each fifty (50) minutes of actual instructional contact time. One-half CPE credit increments (equal to 25 minutes) are permitted after the first one (1) hour credit has been earned in a given learning activity. Partial hours will be rounded down to the nearest half (1/2) hour. Only class hours, actual hours of attendance and not hours devoted to preparation, shall be counted.

(4) In order for self-study hours to qualify, a licensee must submit a certificate of completion supplied by the program sponsor after completion of an examination. Only self-study courses registered under Quality Assurance Service (QAS) of NASBA will qualify. The certificate of completion must include the following:

- (a) name and address of sponsor,
- (b) participant's name,
- (c) course title,
- (d) course field of study,
- (e) date of completion,
- (f) amount of CPE hours recommended, and
- (g) registration QAS sponsor number.

(5) Teachers of university and college undergraduate and graduate credit courses shall be granted credit at the rate of ten (10) hours for each three (3) semester hour (or prorated equivalent) course taught. Credit shall not be granted for accounting principles, basic financial accounting, basic managerial accounting or any other introductory accounting course, either undergraduate or graduate. Credit shall not be granted for repetitious presentations within a two (2) year period. Credit for teaching university, college, and graduate credit courses shall be limited to twenty-five (25%) percent of the required hours for a reporting period.

(6) For university or college courses that have been successfully completed for credit, a copy of the grade report is to be submitted. Each semester hour credit shall equal fifteen (15) hours. In the case of universities or colleges on the quarter system, each quarter hour credit shall equal ten (10) hours. For non-credit courses, a certificate of attendance issued by the university or college is to be submitted. Each classroom hour attended shall equal one (1) fifty (50) minute CPE hour.

(7) 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 is to be submitted. For CPE programs developed, an outline of the course is to be submitted. Credit for preparation of such publications may be given on a self-declaration basis up to twenty-five (25%) percent of the renewal period requirement. The Board has the final determination of the amount of credit so awarded. Hours in excess of the limitation contained in this subparagraph shall not be available for carry-over of credit.

(8) Participation in positive enforcement reviews assigned by the Board and service on a peer review acceptance body qualifying under Regulation 1-09 qualifies for and is limited to sixteen (16) hours credit per year for time actually spent on duties.

(9) Instructors or discussion leaders of qualified CPE programs will be granted credit equal to twice the number of hours 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.

(10) Only the portions of committee or staff meetings that are designed as programs of learning and comply with these regulations qualify for CPE.

(11) Evidence to support fulfillment of the requirements must be retained by the licensee for at least five (5) years from the due date of the CPE report or the date filed, whichever is later. The Board, in its discretion, may verify the information submitted by licensees.

(12) When a licensee completes more than the required number of hours of CPE in any calendar year, the extra hours, not in excess of twenty (20) hours, may be carried forward and treated as hours earned in the following year. No carry over credit is allowed for Personal Development.

(13) While CPE sponsors determine the number of hours, licensees who participate in only part of a program should claim CPE credit only for the portion they attended or completed.

(C) Sponsors

(1) CPE sponsors are expected to present learning activities that comply with course descriptions and objectives.

(2) CPE sponsors must employ an effective means for evaluating learning activity quality with respect to content and presentation, as well as provide a mechanism for participants to assess whether learning objectives were met.

(3) At the beginning of the CPE course, the sponsor should read the following statement or a statement very similar, "It is the responsibility of the licensee to be accountable for the hours earned during the CPE course. The licensee should not engage in any other activities that would denigrate the learning objective of the course to the licensee or others. If the other activity is unavoidable, then that time should be subtracted from the overall CPE credit."

(D) Sponsors of Self-study Courses:

(1) CPE self-study programs shall qualify, provided the course has been approved by QAS.

(2) The sponsor of self-study courses must provide the licensee with a certificate of completion containing the information as stated in Reg 1-08 (B)(4).

(E) Courses Attended:

(1) CPE course must contribute directly to the professional competence of a licensee, and the sponsor must provide the participant with a certificate of attendance at the end of the session with the information as stated in Reg 1-08 (B)(2).

(2) The program will qualify if:

(a) the program is conducted by persons whose background training, education and experience qualify them as appropriate instructors, discussion leaders or lecturers in the subject matter of the particular program;

(b) an outline of the program presented is prepared in advance and shall be maintained by the sponsor;

(c) the program is at least one (1) hour (fifty-minutes) in length. One-half CPE increments (equal to 25 minutes) are permitted after the first credit has been earned in a given program. Sponsors are to calculate credit hours;

(d) a certificate of attendance described in the previous paragraph is given to each participant at the end of the session;

(e) records showing compliance with this section are preserved and maintained by the sponsor for a period of at least five (5) years from the date of presentation of the program.

(F) Other qualifying programs

(1) The following programs may qualify, provided all other requirements of this regulation are met:

(a) professional development programs of recognized national and state accounting organizations;

(b) technical sessions at meetings of recognized national and state accounting organizations and their chapters;

(c) accredited university or college credit courses;

(d) accredited university or college non-credit courses;

(e) formal organized in-firm and inter-firm education programs, although portions of the programs devoted to administrative matters shall not be included; and

(f) programs offered by other recognized professional organizations, industrial or commercial firms, proprietary schools, or governmental entities.

(2) The Board shall not accept any program of learning that does not offer written documentation showing that the work has actually been accomplished.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007. Amended by State Register Volume 34, Issue No. 6, eff June 25, 2010; State Register Volume 36, Issue No. 5, eff May 25, 2012; State Register Volume 36, Issue No. 6, eff June 22, 2012.

1-09. Peer Review.

(A) As a condition of firm registration and/or renewal (including those firms registered in other jurisdictions operating in this state under practice privilege), a licensed firm providing any of the following services to the public shall enroll in a qualified peer review program.

- (1) Audits;
- (2) Reviews of financial statements;
- (3) Compilations of financial statements;
- (4) Examinations of prospective financial statements;
- (5) Compilations of prospective financial statements;
- (6) Agreed-upon procedures of prospective financial statements;
- (7) Examination of written assertions; and
- (8) Agreed-upon procedures of written assertions.

(B) A licensed firm not providing any of the services listed in Paragraph (A) of this regulation is exempt from peer review. 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.

(C) Acceptable peer review programs are:

- (1) AICPA Peer Review Program;
- (2) Any other peer review program found to be substantially equivalent to the “Standards for Performing and Reporting on Peer Reviews” promulgated by the American Institute of Certified Public Accountants(AICPA) and published on that organization’s Web site (www.aicpa.org).

(D) An authorized peer review program may charge a fee to firms required to participate in the peer review program in order to cover costs of program administration.

(E) Firms shall not rearrange their structure or act in any manner with the intent to avoid participation in 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 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 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;

(2) If a firm participating in an engagement or report review receives a CLOA including any significant action, within thirty (30) days of receipt, a firm shall submit to the Board its acceptance of the finding and the implementation plan for follow-up action.

(H) Ethical duties of reviewer

(1) A reviewer shall be independent with respect to the reviewed registered firm and comply with the AICPA Standards for Performing and Reporting on Peer Reviews.

(2) Information concerning the participating CPA firm or its clients or personnel that is obtained as a consequence of the review is confidential and shall not be disclosed to anyone not involved in the peer review process.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007. Amended by State Register Volume 36, Issue No. 5, eff May 25, 2012.

1-10. Professional Standards.

In addition to the requirements and prohibitions found in S.C. Code 40-2-5 et seq.:

(A) Licensees shall comply with all federal or state laws governing their business and personal affairs and shall not engage in any acts discreditable to the profession as defined by the Ethical Standards of the American Institute of Certified Public Accountants. A licensee may rely upon the interpretations of those standards published by the Professional Ethics Executive Committee of the AICPA.

(B) Complying with professional standards includes timely filing all applicable tax/information and all other regulatory returns for himself/herself or any entity for which the licensee is responsible.

(C) Client records include all information provided by the client and all documents provided to the client (or on behalf of the client) including the 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).

(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 licensee or permit holder to discipline by the Board.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007. Amended by State Register Volume 34, Issue No. 6, eff June 25, 2010; State Register Volume 36, Issue No. 5, eff May 25, 2012.

Editor's Note

Order of the Supreme Court of South Carolina, dated September 21, 1992, effective immediately, provides in part as follows:

“ . . . We hold that CPAs do not engage in the unauthorized practice of law when they render professional assistance, including compensated representation before agencies and the Probate Court, that is within their professional expertise and qualifications. We are confident that allowing CPAs to practice in their areas of expertise, subject to their own professional regulation, will best serve to both protect and promote the public interest.”

1-11. Application for Licensure as an Accounting Practitioner.

(A) To meet the educational qualifications for licensure as an accounting practitioner,

(1) the applicant shall submit an official transcript signed by the college or university registrar and bearing the college or university seal to prove education and degree requirements; photocopies of transcripts will not be accepted; and

(2) a major in accounting shall include at least twenty-four (24) semester hours, or equivalent in quarter hours, of credit in accounting courses. No more than three (3) semester hours in business law courses and three (3) semester hours in taxation courses may be counted as accounting courses; and

(3) the Board shall accept any college or university accredited by the Southern Association of Colleges and Schools and any other accrediting association having the equivalent standards or any independent senior college in South Carolina certified by the State Department of Education for teaching training.

(B) To meet the examination requirement for licensure as an accounting practitioner, the applicant shall take sections of the Uniform Certified Public Accountant Examination prepared by the American Institute of Certified Public Accountants and receive a passing grade on the following subjects:

(1) Financial Accounting and Reporting (FAR);

(2) Regulations (REG).

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007.

1-12. Safeguarding Client Files When a Licensee is Incapacitated, Disappears, or Dies.

(A) Each licensee shall designate a partner, personal representative, or other responsible party to assume responsibility for client files in the case of incapacity or death of the licensee.

(B) Where the licensee is incapacitated, disappears, or dies, and no responsible party is known to exist, 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. The order of appointment shall be public.

(C) The appointed licensee shall:

(1) Take custody of the licensee's files and trust or escrow accounts.

(2) Notify each client in a pending matter and, in the discretion of the appointed licensee, in any other matter, at the client's address shown in the file, by first class mail, of the client's right to obtain any papers, money or other property to which the client is entitled and the time and place at which the papers, money or other property may be obtained, calling attention to any urgency in obtaining the papers, money or other property;

(3) Publish, in a newspaper of general circulation in the county or counties in which the licensee resided or engaged in any substantial practice of accounting, once a week for three consecutive weeks, notice of the discontinuance or interruption of the accountant's practice. The notice shall include the name and address of the licensee whose practice has been discontinued or interrupted; the time, date and location where clients may pick up their files; and the name, address and telephone number of the appointed licensee. The notice shall also be mailed, by first class mail, to any errors and omissions insurer or other entity having reason to be informed of the discontinuance or interruption of the accounting practice;

(4) Release to each client the papers, money or other property to which the client is entitled. Before releasing the property, the appointed licensee shall obtain a receipt from the client for the property;

(5) With the consent of the client, file notices or petitions on behalf of the client in tax or probate matters where jurisdictional time limits are involved and other representation has not yet been obtained; and

(6) Perform any other acts directed in the order of appointment.

HISTORY: Added by State Register Volume 31, Issue No. 5, eff May 25, 2007.