

**STATE OF MARYLAND
BOARD OF PUBLIC ACCOUNTANCY
BUSINESS MEETING MINUTES
September 11, 2018**

LOCATION: 500 North Calvert Street
Baltimore, Maryland 21202
Third Floor Conference Room

MEMBERS

IN ATTENDANCE: Arthur E. Flach
Leslie Mostow
Phillip J. Korb
James E. Marshall, Jr.
Edward J. Helmstetter, Jr
Mary Campbell

MEMBERS ABSENT: Macon M. Ware, III

DLLR OFFICIALS/STAFF: Shanai R. Jordan, Executive Director
Christopher Dorsey, Asst. Executive Director
Matthew Lawrence, Legal Counsel
Norbert Fenwick, CE Consultant
Linda L. Rhew, Administrative Officer

OTHERS PRESENT: Mary Beth Halpern, MACPA
Tom Hood, MACPA
Alverta Steinwedel, MSATP
Tom Bray, MSATP
Shara Hendler, OAG
Kashila Ashford, Self

The September 11, 2018, meeting of the Maryland Board of Public Accountancy was called to order at 9:00 AM by Chairman of the Board, Arthur E. Flach.

Upon a motion (I) by Mr. Korb, and seconded by Mr. Mostow, the minutes of the August 7, 2018, meeting were approved with corrections.

Chairman's Report

Chairman Flach asked to start the meeting with a moment of silence in remembrance of September 11, 2001.

Chairman Flach reported the Auditing Standards Board (ASB) met in Nashville to consider issues including financial reporting for employee benefit plants. The ASB voted to revamp the audit standard governing the entire U.S. financial reporting of employee benefit plans.

The American Institute of CPAs (AICPA), the National Association of State Boards of Accountancy, and Prometric announced the administration of the Uniform CPA Examination® (Exam) will be expanded to test sites in England, Germany, Ireland and Scotland starting on October 1, 2018.

The National Association of State Boards of Accountancy (NASBA) announced the release of Candidate Performance on the Uniform CPA Examination – Jurisdiction Edition, 2017 and Candidate Performance on the Uniform CPA Examination – University Edition, 2017. Both publications feature comprehensive, statistical data from all four (4) testing windows (AUD, BEC, FAR, REG) of the 2017 Uniform CPA Examination (Examination), and can be purchased online at: nasbareport.com.

The Executive Directors and Board Staff Conference will be held on March 26-28, 2019 in San Antonio, Texas. NASBA has decided to continue to have two regional meetings instead of combining the meetings into one. The NASBA annual meeting will be held October 28-31, 2018 in Scottsdale, AZ.

Upon a motion (II) by Mr. Mostow, and seconded by Mr. Korb, the Board unanimously approved the Chairman's Report.

Executive Director's Report

Ms. Jordan reminded Board members she would like to move forward with the newsletter through NASBA and needed biographies and headshot photos from several Board members in order to do publish the newsletter. Ms. Jordan discussed the impact that firm mobility would have on the Board's budget. The Board budget will be presented at the October meeting.

Upon a motion (III) by Mr. Helmstetter, and seconded by Mr. Korb, the Board unanimously approved the Executive Director's Report.

Mr. Mostow suggested that the newsletter should regularly include items to educate applicants, licensees and consumers about recurring issues for the Board and its staff.

Upon a motion (IV) by Mr. Marshall, and seconded by Ms. Campbell, the Board unanimously approved Mr. Mostow's suggestion for the newsletter.

Exam Appeals

There were no exam appeals.

Education Report

Mr. Korb presented the Education Report. There were three (3) Transfer of Grades applications approved. One Transfer of Grades application was submitted by applicants from each of the following three states: NJ, WV, and MN. There were zero (0) Transfer of Grades denials.

Upon a motion (V) by Mr. Marshall, and seconded by Mr. Mostow, the Board unanimously approved the Education Report.

Experience Report

Ms. Campbell presented the Experience Report. There were fifteen (15) Reciprocal applications approved, zero (0) Reciprocal application denials. The fifteen reciprocal license applicants were licensed in the following states: VA-2, NY-2, IL-2, PA-1, AK-1, AZ-1, MI-1, MA-1, TN-1, KS-1, NH-1, Canada-1. There were twenty-two (22) Maryland candidate license application approvals and zero (0) Maryland candidate application denials.

Upon a motion **(VI)** by Mr. Helmstetter, and seconded by Mr. Mostow, the Board unanimously approved the Experience Report.

Firm Permit Report

Mr. Mostow presented the Firm Permit Report in Mr. Ware's absence. There were four (4) Maryland firm permit applications approved, as follows: MD-2, VA-1 and CA-1. There were zero (0) firm applications closed and two (2) Administrative Closures due to incomplete applications.

Upon a motion **(VII)** by Mr. Marshall and seconded by Mr. Korb, the Board unanimously approved the Firm Permit Report.

Peer Review Oversight Committee Report

Chairman Flach reported the Peer Review Board of the AICPA approved a new section to PRPM 3100 entitled, "Evaluation of Noncompliance with the Risk Assessment Standards," effective for reviews commencing on or after October 1, 2018 through reviews commencing on or before September 30, 2021. Early implementation is permitted at the peer reviewer's discretion.

The guidance does the following:

- Provides considerations for the reviewer to use when evaluating the reviewed firm's compliance with the Risk Assessment Standards contained in AU-C secs. 315 and 330
- Defines the peer review impact when non-compliance is identified with those standards
- Instructs RABs to require certain implementation plans or corrective actions when Findings for Further Consideration forms or deficiencies in the peer review report are issued Reviewer Evaluation of Engagements.

Chairman Flach announced the 2018 Yellow Book has been released. On July 17, 2018, the U.S. Government Accountability Office (GAO) released its highly anticipated revision of Government Auditing Standards, also referred to as GAGAS or the Yellow Book. Summary of Changes The 2018 revision incorporated extensive input and feedback from members of the Yellow Book Advisory Council, as well as feedback received during the public comment period on the 2017 exposure draft.

In addition, independence and the following requirements for auditors who perform non-audit services for an audited entity are of particular interest to auditors and peer reviewers:

- Auditors should conclude that preparing financial statements in their entirety from a client-provided trial balance or underlying accounting records creates significant threats to

auditors' independence and should document the threats and safeguards applied to eliminate and reduce threats to an acceptable level or decline to provide the services (par. 3, pg. 88)

- Certain other bookkeeping and financial statement preparation activities (e.g., preparing certain line items or sections of the financial statements based on information in the trial balance, posting entries that the audited entity's management has approved to the entity's trial balance) create threats to independence that an auditor should evaluate to determine whether they are significant, and document the evaluation of the significance of such threats (par. 3, pg.89)

New Functionality was added to PRIMA in August. The functionality that was added to:

- Perform nightly automated checks that identify potential ineligible peer reviewers
- Enable peer reviewers to view their reviewer performance dashboard 3 which includes:
 - feedback issued (reviewer performance feedback forms, monitoring letters, performance deficiency letters)
 - individual corrective actions
 - restrictions, including potential ineligibility reasons
 - hearings In early September
- functionality was added to:
 - Issue performance deficiency letters
 - Acknowledge/sign performance deficiency letters
 - Suspend peer reviewers for not acknowledging the performance deficiency letter
 - Appeal performance deficiency letters
 - Check for consistencies within the Peer Review Information (PRI) form 4
 - Check for consistencies between the PRI form and the Review Summary form 5 (for both system and engagement reviews)

Upon a motion (VIII) by Mr. Helmstetter, and seconded by Mr. Korb, the Board unanimously approved the Peer Review Permit Report.

New Business

Ms. Halpern from MACPA announced and invited the Board to the MACPA swearing in Ceremony that is scheduled for November 8, 2018 from 6:00 pm to 8:30 pm, at the Maryland Live Casino. Information will be sent to newly licensed CPAs. Invitations will be sent to all board members to attend the event.

Old Business

After considering the additional information provided by Ms. Jordan concerning the potential fiscal impact of the enactment of firm mobility in Maryland, and recognizing that the Departmental deadline for legislative concepts for the 2019 legislative session had already passed, the Board discussed whether it should support the concept of firm mobility as currently defined in the Uniform Accountancy Act (the Act). Under the Act, CPA firm mobility has been enhanced because even though an individual using practice privileges must render attest services through a CPA firm licensed in some state, if the firm complies with the ownership (Section 7(c)) and peer review (Section 7(h)) requirements, the firm would only need a permit in the states in which it has an

office, regardless of the type of service or where such service is performed. The ownership and peer review requirements would protect the practice privilege state through firm quality standards comparable to substantial equivalency for practice privilege individuals. For purposes of firm mobility, a firm holding a valid permit from a U.S. jurisdiction, complying with the firm ownership and peer review requirements, would be able to perform any professional service (including attest) in any other state so long as it does so through individuals with practice privileges who can lawfully do so in the state where said individuals have their principal place of business. A firm not meeting both the ownership and peer review requirements could provide nonattest services and use the "CPA" title in any other state so long as it does so through individuals with practice privileges, and so long as the firm can lawfully do so in the state where said individuals with practice privileges have their principal place of business. Indeed, a firm complying with Section 7(a)(1)(C) would only have to obtain permits in states where it has offices.

Upon a motion **(IX)** by, Mr. Mostow, and seconded by Mr. Korb, the Board unanimously approved supporting Firm Mobility.

Ms. Jordan also indicated to the Board that she will be reviewing the Board's budget at the October 2, 2018, meeting.

Correspondence

There was no Correspondence.

Executive Session

Upon a motion **(X)**, by Mr. Marshall, and seconded by Mr. Mostow, the Board went into Executive Session in the 3rd Floor Conference Room, 500 N. Calvert Street, Baltimore, Maryland 21202 at 9:34 AM. The purpose of this session was to consult with counsel. This session is permitted to be closed pursuant to Section 3-305(b)(7) of the General Provisions Article, Maryland Annotated Code. It returned to the regular business meeting at 11:29 AM upon a motion **(XI)**, by Mr. Mostow, and seconded by Mr. Korb.

Complaint Committee Report

Mr. Marshall reported the complaint committee has closed eighteen (18) complaints, 7 audit failures and 11 consumer complaints. The Board currently has forty (40) open complaints; ten (10) CE Audit Failures, three (3) PCAOB complaints, and twenty-seven (27) consumer complaints.

Upon a motion **(XII)** by, Mr. Mostow, and seconded by Mr. Korb, the Board unanimously approved the Complaint Committee Report.

Executive Session

In EX A – 0918, upon a motion **(XIII)**, by Mr. Korb, and seconded by Mr. Mostow, the Board unanimously approved an original license after considering a conduct issue.

In EX B – 0918, upon a motion **(XIV)**, by Mr. Korb, and seconded by Mr. Marshall, the Board unanimously approved an original license after considering a conduct issue.

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In EX C – 0918, upon a motion (XV), by Mr. Korb, and seconded by Mr. Helmstetter, the Board unanimously approved the renewal of an individual license after considering a conduct issue.

In EX D – 0818, upon a motion (XVI), by Mr. Korb, and seconded by Mr. Helmstetter, the Board unanimously approved an original license after considering a conduct issue.

Upon a motion (XVII) by Mr. Helmstetter, and seconded by Mr. Korb, the Board adjourned at 11:32 AM.

NEXT MEETING October 2, 2018, 500 North Calvert Street, Third Floor, 9:00 AM

With corrections Without corrections

SIGNATURE ON
ORIGINAL DOCUMENT
Chairman

10/2/18
Date