

**STATE OF MARYLAND
BOARD OF PUBLIC ACCOUNTANCY
BUSINESS MEETING MINUTES
October 2, 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
Macon M. Ware, III

MEMBERS ABSENT:

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
Mason Land, Investigator

OTHERS PRESENT: Mary Beth Halpern, MACPA
Alverta Steinwedel, MSATP
Tom Bray, MSATP
Jessica Praley, OAG

The October 2, 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. Mostow, and seconded by Mr. Helmstetter, the minutes of the September 11, 2018, meeting were approved with corrections.

Chairman Flach introduced, Deputy Commissioner, John Papavasiliou. Mr. Papavasiliou presented to the Board the current budget for the Maryland Board of Public Accountancy.

Chairman Flach requested this exercise be done on a yearly basis. Mr. Papavasiliou acknowledged Chairman Flach's request and stated he would be happy to do so.

Chairman's Report

The Public Company Accounting Oversight Board today released a draft of its five-year strategic plan, for the first time inviting public comment on its areas of strategic focus in fulfilling its mission to protect investors and the public interest through high quality audit reports.

After its own careful study and a survey of PCAOB staff and the public, the new Board intends to:

- Broaden its approach to driving improvement in the quality of audit services and more clearly communicate how it is driving that improvement.
- Ensure that its inspections and standard-setting activities are responsive to and do not impede technological innovations.
- Engage proactively more often and directly with investors, audit committees, and other stakeholders to encourage relevant and timely conversations about the quality of audit services.
- Optimize PCAOB operations to more efficiently and effectively use resources.
- Reinforce the PCAOB's culture of integrity, excellence, effectiveness, collaboration, and accountability.

"This draft strategic plan is the product of significant engagement among PCAOB leadership, staff, investors, auditors, audit committee members, preparers, academics, and others interested in audit quality," said PCAOB Chairman William D. Duhnke. "We are grateful for the thoughtful responses we received on the survey, and with this draft, we are continuing that important conversation."

The Professional Ethics Executive Committee (PEEC) is exposing for comment a new interpretation entitled "Disclosing Client Information in Connection With a Quality Review." If adopted, this interpretation will be codified in ET sec. 1.700.110. 1

- Background - The "Confidential Client Information Rule" (ET sec. 1.700.001) provides that a member must not disclose confidential client information without specific consent of the client, with limited exceptions as described in the rule and its interpretations. One such exception is that members who obtain a review of the member's "practice under AICPA or state CPA society or Board of Accountancy authorization" are not required to obtain specific client consent to disclose information in connection with the review. A peer review is an example of such a review of a practice. In the context of a tax practice, a quality review is a review of a member's tax practice and includes "voluntary tax practice reviews" as described in the AICPA Tax Practice Quality Control Guide. Confidentiality of information provided or obtained in the context of a quality review is addressed by Treasury Regulation (Treas. Reg.) 7216. The extant rule contains explicit provisions of relief for peer reviews as described previously, as well as for reviews for purposes of acquisition of a member's practice (ET sec. 1.700.050). However, it was not clear to members or the public whether quality reviews were included in those exceptions to obtaining specific client consent. Specifically, a quality review is not for purposes of acquisition and is not required by any state board or state society to provide tax services.
- The actual text reads as follows:
 - .01 For purposes of the "Confidential Client Information Rule" [1.700.001], a review of a member's professional practice includes a quality review (for example, a voluntary tax practice review) performed under the monitoring requirements of the member's tax practice quality control document. When a member uses a third party to perform such reviews of the member's tax

practice, threats to compliance with the "Confidential Client Information Rule" [1.700.001] may exist.

- .02 To reduce the threat to an acceptable level, the member should, at a minimum, be satisfied that the member complies with the requirements of Treasury Regulation 301.7216-2(p) related to disclosures of tax return information during such reviews. If the member determines that threats have not been reduced to an acceptable level, the member should apply additional safeguards to reduce the threat to an acceptable level (for example, enter into a written confidentiality agreement with the reviewer or deidentify tax return information provided to the reviewer).
- 03 Members who perform such reviews should not use to their advantage or disclose any confidential client information that comes to their attention during the review. Members should refer to Treasury Regulation 301.7216-2(p) for further guidance related to tax return information obtained during a quality review.

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

Executive Director's Report

Ms. Jordan has a conference call scheduled on Thursday, October 4, 2018, with NASBA concerning the Newsletter for the Board. She will submit to NASBA the Board members' photos and bios. She stated she will include information pertaining to MACPA's swearing in ceremony for new licensed CPAs. Ms. Jordan said the newsletter will preferably be limited to two pages and she informed the Board that NASBA will not be assessing any charge to the Board for the newsletter. NASBA will be able to track the number of times the newsletter is opened and read.

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

Exam Appeals

There were no exam appeals.

Education Report

Mr. Korb presented the Education Report. There were four (4) Transfer of Grades applications approved. One Transfer of Grades application was submitted by applicants from each of the following three states: NY, CA, OH and PA. There were zero (0) Transfer of Grades denials.

Upon a motion **(IV)** by Mr. Marshall, and seconded by Ms. Campbell, the Board unanimously approved the Education Report.

Experience Report

Ms. Campbell presented the Experience Report. There were nineteen (19) Reciprocal applications approved, zero (0) Reciprocal application denials. The nineteen reciprocal license applicants were licensed in the following states: NJ-3, VA-3, PA-2, NY-1, IO-1, DE-1, CA-1, FL-1, KY-1, NH-1, IN-1, PR-1, MI-1, IL-1. There were fifteen (15) Maryland candidate license application approvals and zero (0) Maryland candidate application denials. There were seven (7) administrative closures for being incomplete.

Upon a motion **(V)** by Mr. Korb, and seconded by Mr. Ware, the Board unanimously approved the Experience Report.

Firm Permit Report

Mr. Ware presented the Firm Permit Report. There were zero (0) Maryland firm permit applications approved. There were zero (0) firm applications closed.

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

Peer Review Oversight Committee Report

Chairman Flach reported he attended a portion of the MACPA Board of Directors meeting on October 21, 2018 to give an update on the State Board and to attend the Peer Review presentation to the MACPA Board. The MACPA will request an extension for the requirement that each administering agency have a CPA on staff who is responsible for the peer review program. Such extension is permitted by the AICPA Peer Review Board and is due by November 1, 2018 for the 2019 year. According to the AICPA: "After extensive discussion and deliberation with state society stakeholders, the AICPA believes it is essential to have an actively engaged CPA on staff to lead the administration of the Program. At the same time, the AICPA recognizes this may be a significant change for some, and has included in the plan an option to delay compliance with the requirement for up to three years to allow time for the transition."

Chairman Flach attended open session meeting of Peer Review Board via telephone. Numerous proposals were approved relative to the administration of the Peer Review Program. On October 19, 2018 there will be another open session meeting.

New England Peer Review Administration- some groups of states are considering establishing a combined peer review administering entity to oversee the conduct of peer review in their states similar to the model utilized by the New England states.

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

New Business

The Board reviewed two requests for the extension of their CPA conditioned exam credits. In reference to request number one upon a motion **(VIII)** by, Mr. Korb, and seconded by Mr. Mostow, the Board unanimously denied the request for extension of a conditioned exam section.

In reference to request number two, upon a motion **(IX)** by, Mr. Mostow, and seconded by Mr. Korb, the Board unanimously approved the request for extension of a conditioned exam section until March 10, 2019.

Old Business

There was no Old Business.

Correspondence

There was no Correspondence.

Executive Session

Upon a motion **(X)**, by Mr. Ware, and seconded by Mr. Helmstetter, the Board went into Executive Session in the 3rd Floor Conference Room, 500 N. Calvert Street, Baltimore, Maryland 21202 at 9:45 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 9:57 AM upon a motion **(XI)**, by Mr. Mostow, and seconded by Mr. Korb.

Complaint Committee Report

Mr. Marshall reported the complaint committee has closed seven (7) complaints, seven (7) audit failures and eleven (11) consumer complaints. The Board currently has thirty-nine (39) open complaints; sixteen (16) CE Audit Failures, three (3) PCAOB complaints, and twenty (20) consumer complaints.

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

Executive Session

In EX A – 1018, upon a motion **(XIII)**, by Mr. Helmstetter, and seconded by Mr. Korb, the Board unanimously approved the renewal of an individual license after considering a conduct issue.

Upon a motion **(XIV)** by Mr. Korb, and seconded by Mr. Marshall, the Board adjourned at 10:00 AM.

NEXT MEETING November 13, 2018, 500 North Calvert Street, Third Floor, 9:00 AM

With corrections Without corrections

**SIGNATURE ON
ORIGINAL DOCUMENT**

11/13/18
Date