

STATE OF MARYLAND  
BOARD OF PUBLIC ACCOUNTANCY  
April 4, 2017

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

**MEMBERS  
IN ATTENDANCE:** Arthur E. Flach  
Clifton B. Jeter  
Phillip J. Korb  
Leslie Mostow  
Naomi Powell  
Ross Ehudin  
Raymond Vicks, Jr.

**MEMBERS ABSENT:** NONE

**DLLR OFFICIALS/STAFF:** Dennis L. Gring, Executive Director  
Linda Rhew, Administrative Officer  
Matthew Lawrence, Counsel  
Norbert Fenwick, CE Consultant  
Tiffany Black, Office Secretary

**OTHERS PRESENT:** Mary Beth Halpern, MACPA  
Sandy Steinwedel, MSATP  
Greg Gaynor, University of Baltimore  
Charles Fagan  
Patrick Moylan  
Robert Stall, Esquire

The April 4, 2017, meeting of the Maryland Board of Public Accountancy was called to order at 9:04 AM by Chairman of the Board, Arthur E. Flach.

Upon a motion (**I**) by Mr. Ehudin, and seconded by Ms. Powell, the minutes of the March 7, 2017 meeting were approved with corrections.

**Chairman's Report**

The Chairman distributed a copy of his report for April 4, 2017. In summary, the chairman's report referenced: 1) the April 17, 2017 deadline for comments on the exposure draft for continuing education model rules; 2) the development of a CPE audit tool for Boards; 3) NASBA's initiative for the adoption of firm mobility; 4) the continuing discussion of the evolution of peer review; 5) a joint research effort by NASBA and AICPA, CPA exam candidates performance a dropout rates; 6) the use of data analytics in audits and) the implications of advancing technology and data analytics for standard setting and enforcement; 7) the ongoing efforts by QAB to renew mutual recognition (MRA) agreements; 8) the use of titles such as CGMAs and CMAs by non CPAs; 9) and the NASBA Education Committee continues meeting with collegiate accreditors to develop standards for awarding accounting credits.

The Chair also reminded Board members of the upcoming NASBA Eastern Regional, scheduled for June 27-29 Newport RI and encouraged the recently appointed board members to attend. NASBA provides funding for new board members to attend this meeting.

The chair suggested that the Board intensify its outreach efforts to communicate with current and new members of the profession. Mr. Flach advised that he spoke at a town hall meeting and numerous issues about the profession and unfamiliarity with Board policy were discussed.

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

### **Executive Director's Report**

Mr. Gring reported that the new version of the Uniform CPA Examination was launched on April 1, 2017. The Board has not received any reports of problems to date.

In another examination-related matter, Mr. Gring reported the notice of the Board's final action establishing increases in examination fees was published in the March 31, 2017 Maryland Register. The fee increases for the Business Environment and Concepts sections will become effective on April 10, 2017. The fee to register for BEC and REG will increase from \$180 to \$200. The fees for the Audit and Attestation and the Financial Accounting and Reporting Sections will remain at \$200 until January 1, 2018, at which time all section fees are scheduled to increase. These increases and other department vendor cost for the administration of the candidate registrations, database maintenance, test development, test-taking, security, and grading of the exam will result in increasing the per section cost by approximately \$21.00.

Mr. Gring explained that examination scores for the April – May administration window will be delayed until mid-August due to the transition to the new examination framework. The delay in score reporting may impact individuals who fail the examination sections but normally would have time in July or mid- August to complete the examination. Forty-nine (49) candidates may lose conditional credit if they do not pass the exam in April or May. During the July and August administration period 58 candidates may lose condition.

Mr. Gring explained that NASBA publishes two separate annual reports on candidate performance on the Uniform CPA Examination : 1) a jurisdiction edition, and 2) a University Edition. The Jurisdiction Edition contains aggregate data which contains performance for first time and repeat test takers. The Jurisdiction Edition compares candidate performance by educational institution.

The NASBA jurisdiction edition is accurate in that it compares the actual scores, by jurisdiction, of every candidate who take the examination in a given year. However, a more precise view of candidate performance by jurisdiction is required. Since October 2011, the Board has been collecting education institution data from CPA Examination candidates. Since that time the Board has more than 10,000 records of approved applicants. The Board was not in a position to collect education data until October 2011 when it transitioned to an online application. NASBA has not made any inquiries to the Board to obtain this information. However, transmitting this data is problematic. Outreach to NASBA has revealed that the NASBA data file layout and the Maryland data file layout are not easily merged.

Mr. Gring advised that although the 2017 General Assembly will not adjourn until April 10, it is time to start considering any legislative initiatives for 2018. If past year's schedule holds true, legislative

concept papers will be due to the Office of the Secretary for review by early June. The Board should be discussing any legislative initiatives at the May 2 and June 6 meetings.

Mr. Gring also reported on the potential impact of firm mobility legislation on the Board's revenues. Currently, there are 1,039 firm permit holders (804 Maryland; 235 other states). The top ten out-of-state firms are located in the following states:

Virginia (41)	Pennsylvania (30)	Florida (17)	New York (15)	Georgia (14)
New Jersey (11)	Delaware (9)	Ohio (8)	California (8)	Rest of USA (82)

The Board could see a decrease in excess of \$32,000 over a two-year permit term from current revenue under firm mobility.

Mr. Gring reminded the Board that it addressed the issue of firm mobility at its November 3, 2015 meeting. At that time, the Board unanimously endorsed the concept of mobility of out of state CPA firms, provided that the firms notified the Board of its intent to practice in Maryland. Modeled after the notification process in North Carolina, the Board believed that requiring out of state firms to complete a simple online notification, at no fee, would best serve the public interest.

Mr. Gring provided an update on NASBA's development of a continuing education (CE) tool. NASBA has advised that it will be sometime in 2018 before the CE Audit Tracking tool will be made available to state boards of accountancy. The DLLR IT department has been working to build a system compatible with the Board's database to maintain a four-year, two license term inventory of CE earned by all Maryland CPA licensees. The template for reporting CE for licensees is based upon the Board's online application for the CPA examination, where applicants must report the courses completed to meet the accounting, ethics and business related course necessary to qualify for the exam. MACPA and MSATP will be working with staff to refine this CE application.

Mr. Gring gave a final reminder to the Board for the filing of financial disclosure reports to the State Ethics Commission. April 30, 2017 is the deadline for filing their 2016 disclosure reports the reports can be filed online at <http://ethics.maryland.gov/boards-commissions/>

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

### **Exam Appeals**

The staff reported one (1) exam appeal EA-0417-01. The CPA exam coordinator found that the applicant was short three (3) semester credit hours in ethics. Applicant presented the exam appeal in person.

Upon a motion **(IV)** by Mr. Korb, and seconded by Mr. Ehudin the Board unanimously agreed to accept the ethics course (BUAD 625: Organizational Leadership and Ethics, Morgan State University) as an acceptable ethics course for examination.

### **Education Report**

Mr. Korb presented the Education Report. There were zero (0) Transfer of Grades applications approved. There were two (2) Transfer of Grades denials. Transfer of grades applicant TOG-0317-02

was denied for lacking 13 of the required 150 semester credit hours, and TOG-0317-03 was found to be short three (3) semester credit hours of ethics and 22 of the 150 required semester credit hours. Mr. Korb advised the Board that he would be attending a seminar with the MACPA and Maryland educators to discuss strengthening the education requirements so that the examination pass rate improves.

Dr. Greg Gaynor (University of Baltimore) addressed the Board discussing standardization of data supplied by the Maryland Board to NASBA. He also states that he is continuing his research regarding candidate performance, curriculum issues, out of state –vs. - in state pass rate.

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

#### **Experience Report**

Ms. Powell presented the Experience Report. There were thirteen (13) reciprocal applications approved, zero (0) reciprocal application denials, and twenty-nine (29) Maryland candidate license application approvals. There were zero (0) Maryland candidate application denials. There were no administrative closures.

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

#### **Firm Permit Report**

Mr. Vicks presented the Firm Permit Report. There were five (5) firm permit applications approved, zero (0) firm application denials. Three (3) of the approved firms were out of state firms.

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

#### **Peer Review Oversight Committee Report**

Mr. Flach provided an update on state accountancy boards comments on the proposed changes to the Peer Review Program. The proposal has redefined the benchmarks associated with the Peer Review Program. The most common suggestion for the evolution of peer review administration was to allow existing, effective Administering Entities (AE) that operate in full accordance with Program Standards and guidance, to continue administering the Program, without consideration given to the number of peer reviews administered. Many board comments advised that their individual AE were operating effectively.

Accordingly, the model proposed in the latest paper requires AEs to meet specific benchmarks, diligently monitored by the AICPA, and increases transparency of AE performance. AEs that choose to continue administering peer reviews must meet specific benchmarks, which include qualitative, objective and measurable criteria. AEs will be evaluated based upon whether they consistently meet these benchmarks. AE performance will be made transparent through new reporting requirements to various stakeholders, such as society CEOs and boards, as appropriate. If this approach is undertaken, the specific benchmarks illustrated in this paper are subject to changes and approval by the PRB, and may be modified over time due to advances in technology and other factors. The chairman indicated that he will be meeting with MACPA to discuss MACPA's continuing as administering entity for the State of Maryland.

A full copy of the Revised Proposed Evolution of Peer Review Administration was disseminated to board members. Mr. Flach advised that he will prepare a letter that states this Board's comments on the latest peer review paper for the Board's review prior to the May business meeting. Upon approval, the letter will be forwarded to the AICPA.

Upon a motion (VIII) by Ms. Powell and seconded by Mr. Ehudin, the Board unanimously approved the Peer review report.

**New Business**

There was no new business.

**Old Business**

There was no new business.

**Correspondence**

The staff did not have any correspondence for this meeting.

**Executive Session**

Upon a motion (IX), by Ms. Powell, and seconded by Mr. Jeter, the Board went into Executive Session in the 3rd Floor Conference Room, 500 N. Calvert Street, Baltimore, Maryland 21202 at 1:03 PM. 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 1:52 PM upon a motion (X), by Mr. Korb, and seconded by Mr. Vicks.

**Complaint Committee Report**

Mr. Jeter presented the Complaint Committee Report. Mr. Jeter reported that the Board received six (6) new complaints; and six (6) complaints closed.

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

Upon a motion (XII) by Ms. Powell, and seconded by Mr. Ehudin, the Board adjourned at 1:57 PM.

**NEXT MEETING**

May 2, 2017, 500 North Calvert Street, Third Floor, 9:00 AM

With corrections  Without corrections

**SIGNATURE ON**  
**ORIGINAL DOCUMENT**  
Chairman

5/2/17  
Date