

**STATE OF MARYLAND
BOARD OF PUBLIC ACCOUNTANCY
BUSINESS MEETING MINUTES
April 2, 2019**

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

**MEMBERS
IN ATTENDANCE:** Arthur E. Flach, Chair
Leslie Mostow
Phillip J. Korb
Macon M. Ware, III
Edward J. Helmstetter, Jr
Mary Campbell

MEMBERS ABSENT: Christopher Dorsey, Assistant Director
James E. Marshall, Jr.

DLLR OFFICIALS/STAFF: Shanai Jordan, Executive Director
Sloane Fried Kinstler, Legal Counsel
Norbert Fenwick, CE Consultant
Linda L. Rhew, Administrative Officer
Victoria Wilkins, Commissioner, Occupational and Professional
Licensing
Kimberly Burns, OOS-Chief of Staff
Todd Blackistone, Executive Director, Maryland Commission of Real
Estate Appraisers, Appraisal Management Companies, and Home
Inspectors

OTHERS PRESENT: Tom Hood, MACPA
Mary Beth Halpern, MACPA
Alberta Steinwedel, MSATP

The April 2, 2019, 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. Helmstetter, the minutes of the March 5, 2019, meeting were approved without corrections.

Chairman's Report

NASBA Executive Director's Meeting

One of the conference sessions that was presented was "continuous testing" for the CPA Exam. It would eliminate the testing "window" concept and the prohibition against retaking a failed section in the same "window". This change would offer year-round testing without restriction, other than waiting to receive scores from prior attempts of the same exam section. It would provide more candidate convenience and reduce a barrier to entry for the profession. This has been the topic of

discussion during regional and national conference calls and is gaining momentum within the AICPA, NASBA and many states.

This change would require a legislative amendment to Maryland law as outlined below. This change in statute would not adversely affect the Board, candidates, or the state. It was apparent that many states already support this concept and NASBA is stressing the continued uniformity of regulations around the CPA Exam.

Highlighted below are the references in the statute and regulations related to timing of exam testing. We believe the only regulatory change required is removing 09.24.05.04 (G)

§2-305.

(a) An applicant who meets the educational requirements established by the Board is entitled to be examined as provided in this section.

(b) The Board shall give examinations to applicants at least twice a year, at the times and places that the Board determines.

§2-307 |

(a) Subject to the provisions of this section, an applicant who fails an examination given under § 2-305 of this subtitle may retake the examination.

(b) (1) Subject to the provisions of this subsection, the Board may not limit the number of times that an applicant may take an examination.

(2) The Board may adopt regulations to set conditions for retaking examinations, including requirements that an applicant:

(i) wait a reasonable period between examinations; and

(ii) prepare for reexamination in a manner specified by the Board

09.24.05.04

.04 Filing an Application with the Board.

A Each original applicant shall:

(1) File an application with the Board on forms that the Board approves; and

(2) Submit the appropriate fee and the official transcripts demonstrating completion of the educational requirements set forth in Regulation .03 of this chapter to the address designated by the Board on the appropriate application forms.

B A candidate may choose to take the examination sections individually and in any order.

C An application to take a reexamination shall be submitted on a form, or in a manner, determined by the Board

D For examinations administered after November 6, 2003, a candidate approved to take the examination before July 1, 1999 shall meet the requirements of Regulation .03 of this chapter unless the candidate:

(1) Has earned conditional credit under Regulation .04 of this chapter; or

(2) Was present for the examinations administered in:

(a) May 2003; or

(b) November 2003.

E The Board shall give examinations to applicants, at least twice a year, at times and places that the Board determines.

F Notification of Candidate Eligibility and Notice to Schedule.

(1) The Board or its designee shall issue a notice to schedule upon:

(a) The original candidate's approval to take the Uniform CPA Examination and payment of appropriate examination fees; or

(b) Receipt of payment of appropriate examination fees from a reexamination candidate.

(2) The notice to schedule is valid for 180 days from the date issued

G A candidate may not retake a failed examination section during the same administration window.

H After filing the proper application and fee, if a candidate does not appear at the exam as scheduled, the candidate forfeits the application fee.

Other major issues discussed included the increased de-regulatory risk from legislation around the country (19 states in the past few months), CPA firm licensing mobility, and the revised CPA

Pathways Project or CPA Exam Evolution Project. NASBA and the AICPA are starting a conversation about how to keep our profession relevant in an age of Artificial Intelligence, Bots and Blockchain.

If there was ever a time to make sure the state Board and staff are encouraged to attend NASBA meetings, it is now. As an example, the Tennessee State Board had five people in attendance, including two of their state board staff with the Executive Director, their legal counsel, and investigator.

Chairman Flach has asked Mr. Lawrence, attorney to the Board, to take a look at the regulations to determine whether the current regulations would permit us to move forward with continuous testing.

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

Executive Director's Report

Ms. Jordan shared several topics of interest that were discussed at the NASBA Executive Directors and Staff conference in San Antonio, Texas.

Peer Review

- AICPA is working on improving peer reviewer quality by:
 - Adding additional subject matter experts to the reviewer pool
 - Expedited communication with firms on corrective action needed (currently at <30 days, was at <120 days in the past)
 - Issue advisory hotline
 - Increased focus on quality control system
- Drop vs. Termination
 - DROP: Peer review not yet begun, information requested by the peer reviewer not sent or not sent in a timely manner, not paying the administrative fees, or review not performed by the due date
 - TERMINATED: multiple non-pass, failure to correct deficiencies, not responding in a timely manner, failure to complete corrective actions
- Exams
 - NASBA is seeing a decrease in the number of candidates taking the exam, and the number of parts registered for per application
 - Current average 1.5 parts per application, used to average 2 per application
 - Current average 38,000 candidates per year, used to average 40,000 candidates per year
- Continuous Testing
 - NASBA in the process of making changes to support continuous testing – Target roll-out date of July 1, 2020 in order to allow states to make changes to their respective statutes and/or regulations
- CPA Pathways
 - CPA Evolution – incorporate data analytical/technology courses into current requirements to sit
 - 1st draft will be presented at the regional meetings in June

In addition, Ms. Jordan reported that NASBA's CE tracker may be released and ready for use in June of this year. More information to follow as it becomes available.

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

Exam Appeals

There were no exam appeals this month.

Education Report

Mr. Korb presented the Education Report. There were five (5) Transfer of Grades applications approved. The transfer of grades applications originated from CA-1, VT-1, DE-1, PA-1 and NJ-1. There were three (3) Transfer of Grades application denials as follows:

TG-0419-01 was denied for lacking three (3) semester credit hours in ethics and three semester credit hours of the required 150 for licensure. Once the applicant takes a three (3) semester credit hour course in ethics the 150 semester credit hour will be fulfilled as well.

TG-0419-02 was denied for lacking one (1) semester credit hour of the 150 required for licensure.

TG-0419-03 was denied for lacking three (3) semester credit hours in U.S. federal income tax. The course the applicant took was taken in Canada and was not acceptable.

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

Experience Report

Ms. Campbell presented the Experience Report. There were eleven (11) Reciprocal applications approved, zero (0) Reciprocal application denials. The eleven (11) reciprocal license applicants were licensed in the following states: VA-3, CA-2, DE-1, NC-2, CO-1, WV-1 and WA-1. There were twenty-seven (27) Maryland candidate license application approvals and zero (0) Maryland candidate application denials.

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

Firm Permit Report

Mr. Ware presented the Firm Permit Report. There were two (2) firm permit applications approved that originated from PA and MD. There were eleven (11) firm applications closed. There were thirteen (13) administrative closures.

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 presented the peer review report to the Board.

- **Peer Review changes to Uniform Accountancy Act's Model Rules**
 - As approved by the NASBA Board of Directors, we are releasing for comment revisions to the Uniform Accountancy Act's Model Rules that pertain to peer review (compliance assurance) programs.
 - Some substantive changes are being proposed to Article 7. Overall, Rules 7-1 and 7-2 basically remain the same, and Rule 7-8 and most of 7-9 are unchanged but for numbering; however, the rest of Article 7 includes several significant changes that we would like you to review. Because these are significant changes, which the NASBA Compliance Assurance Committee has carefully worked through, the NASBA Board has voted to have the comment period extend until June 30. This should give all Boards time to review the changes and perhaps discuss them with other Boards at the Regional Meetings.
 - The goal of these changes was to make the Rules more closely reflect current practice than the existing Model Rules do. In the proposed changes, the term "peer review program" is used instead of "compliance assurance program" and there is no reference to a CARB oversight body. But more important than title changes, the Rules being proposed contain basic definitions, recognition of the AICPA and the State Societies as approved sponsoring organizations, requirement that non-AICPA members be allowed to participate in the AICPA's program, clarification of what needs to be done by a set date, guidance for the selection of Peer Review Oversight Committee members, and required submissions to the State Board.
 - NASBA is asking each state board to consider these rules in respect to your Board's current rules and consider where the Model Rule should fit. The NASBA Compliance Assurance Committee, led by John Dailey, Jr. has consulted with the American Institute of CPAs teams and the AICPA/NASBA Uniform Accountancy Act Committee in developing these proposed changes, but the process is not over. After they hear from interested parties during the comment period, the UAA Committee will reconvene and review those comments, incorporate any appropriate edits, and then make a final recommendation to the NASBA Board regarding whether to adopt these changes.
 - The UAA Committee would appreciate receiving state board input in the form of comment letters submitted by June 30, 2019.

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

New Business

Ms. Victoria Wilkins, Commissioner, Occupational and Professional Licensing, Department of Labor, Licensing and Regulation (DLLR or the department) discussed with the Board the findings of the department in connection with questions posed by Chairman Flach's questions concerning the Board

of Public Accountancy's declining budget and the meetings with Chairman, Flach, Executive Director, Shanai Jordan, Assistant Secretary, Dave McGlone, Assistant Commissioner, John Papavasiliou, and Commissioner, Victoria Wilkins, on February 4, 2019 and April 1, 2019, to discuss the declining budget.

Ms. Wilkins explained the definitions used when working with the budget as well as the different categories included in the budget in order to provide a better understanding. The budget established for the CPA board, as with all special funds, must remain positive. The CPA fund is a non-lapsing, non-reverting fund as stipulated by law. Ms. Wilkins indicated there were some errors in the allocation of IT costs and the department is in the process of determining how the allocation of legal fees was determined.

Chairman Flach reported that Maryland has the second-lowest fees for the renewal of a license with Missouri being the lowest. He has asked for the Board to consider what enhancements are needed such as staff and IT, so that they can be considered before the 2021 budget is established and give input to the department for establishing the budget.

Chairman Flach asked the Exam Coordinator, Linda Rhew, to report the impact that continuous testing would have on the staff and the processing of applications to sit for the exam at the May 7, 2019, meeting.

Old Business

There was no Old Business this month.

Correspondence

Chairman Flach shared a letter the Board received from Tom Hood at the MACPA congratulating the Board on a successful first edition of the newsletter. Mr. Hood stated the quarterly newsletter offers a great opportunity to communicate directly with licensees and will keep them informed and updated on key issues the Board is addressing.

Executive Session

Upon a motion **(VIII)**, by Mr. Helmstetter, and seconded by Mr. Ware, the Board went into a closed Executive Session in the 3rd Floor Conference Room, 500 N. Calvert Street, Baltimore, Maryland 21202 at 9:48 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 9:58 AM upon a motion **(IX)**, by Mr. Mostow, and seconded by Mr. Ware.

Return to Open Session

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

In EX-A0419, upon a motion **(XI)** by Mr. Korb, and seconded by Ms. Campbell, the Board unanimously approved the extension of exam credits request.

Board of Public Accountancy Minutes

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Chairman Flach reminded the Board members there will be four hearings scheduled for the May 7, 2019 Board meeting and to plan accordingly.

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

NEXT MEETING May 7, 2019, 500 North Calvert Street, Third Floor, 9:00 AM

With corrections Without corrections

SIGNATURE ON
ORIGINAL DOCUMENT

Chairman

5/7/19
Date