



## CHAIRMAN'S WELCOME SPOTLIGHT ON: TECHNICAL COMPETENCE

Thomas S. Chambers



Welcome to the Fall issue of *The Account Balance*! This time, I've decided to use my column to discuss **competence and technical standards** (COMAR 09.24.01.06 G. (1) through (4)).

In essence, this regulation states that a licensee may not undertake any engagement for the performance of professional services which the licensee cannot reasonably expect to complete with due professional competence, including compliance with applicable standards for the

specific type of engagement.

In practice, this regulation means:

- Don't take on a job that you cannot complete on time. This includes taking on more clients than you or your firm can handle. Your client needs the product of your services in order to meet filing deadlines with government or financial organizations.
- Don't take on a job that you or the members of your firm don't have the appropriate education or technical expertise to complete.

This regulation requires licensees to comply with applicable generally accepted auditing standards and financial accounting standards for particular types of engagements as well as regular, ordinary engagements. Audit and accounting standards vary for pension plans, non-profit organizations, banks, the construction industry, community associations, and other industries. The American Institute of Certified Public Accountants ([AICPA](#)), the Public Company Accountancy Oversight Board ([PCAOB](#)), and other government agencies issue, and frequently revise, generally accepted auditing standards.

Licensees should thoroughly familiarize themselves with the standards that have been established for the type of organization before entering into an engagement. There are many resources available to licensees. Most auditing standards can be found on the Internet. For example, the "[Yellow Book](#)" contains the auditing standards for most nonprofit organizations and all government agencies that accept federal money.

As always, thanks for reading, and be sure to let us know what you'd like to see in *The Account Balance*!

## JULY-AUGUST EXAM RESULTS

Congratulations to all successful 3rd-quarter CPA Exam candidates! A total of 95 candidates passed the exam, bringing the current total for 2009 to 268. We're on track to surpass 2008's numbers, so keep up the good work! [View the pass list.](#)

Maryland candidates sat for 965 examination sections in the 3rd quarter. Candidates performed best on the Audit and Attestation section of the exam with a 59.4% pass rate. Passing rates for the other sections of the exam were Financial Accounting and Reporting (55.9%), Regulation (50.4%) and Business Environment and Concepts (49.0%).

*Successful CPA Exam Candidates Since the Launch of Computer-Based Testing*

2004\*   2005   2006   2007   2008   2009\*\*

## WANTED: EMAIL ADDRESSES

Do you have your email address on file with the Board? If not, you may be missing valuable information. Exam candidates: make sure you include your email address on your application, or update it via [cpa@dllr.state.md.us](mailto:cpa@dllr.state.md.us). This is especially important as approval notices, including your Notice to Schedule, are automatically emailed to you. We have ceased sending candidate approval letters through the mail! When you go online to schedule your exam, please check that all your information, **including your email address**, is correct.

Licensees: renewal notices are emailed 5 days before expiration (notices are also mailed 60 days prior to expiration). If you don't receive either notice because you haven't updated your contact information, you **will** be assessed a non-negotiable late fee. [Update your contact information, including your email address.](#)

## NACES EXAM CANDIDATES!



Non-U.S. applicants for the CPA Exam: [NACES](#) members are the **only** acceptable evaluation services for foreign transcripts. There are no exceptions—please

don't use another service and expect the Board to accept their evaluation of your credentials. You must request a course-by-course evaluation **for the purpose of taking the Uniform CPA Exam in Maryland**. Any other evaluation will be denied.

## CPE: COUNT YOUR HOURS CAREFULLY

Accuracy and truthfulness in reporting your CPE are of the utmost importance. You are certifying, under penalty of perjury, that your CPE hours are valid. If you can't prove it in the event that you are audited, don't claim it. This speaks directly to your professional integrity and commitment to uphold the honor of the CPA profession. The Board has now decided to seek administrative action against and present consent orders to licensees who falsify or mis-report their CPE. Not sure if you have enough hours? [Get all your CPE questions answered.](#)

## SOLE PRACTITIONER VS. FIRM

74    166    194    236    291    268

\* Successful candidates from the May 2004 launch date to December 2004

\*\* Successful candidates during the period January 1, 2009 through September 30, 2009

#### CONTRACTOR FYI

If you do subcontract work, remember that you **must** report every firm you have contracted with when you benefit from a firm's peer review.

#### WHAT IS NASBA?



[The National Association of State Boards of Accountancy](#) (NASBA) works to connect the U.S.' 55 boards of public accountancy (50 states plus Washington, D.C., Guam, the U.S. Virgin Islands, Puerto Rico, and the Commonwealth of

the Northern Mariana Islands). NASBA's goals include providing information, programs, and services of interest to the CPA community and reporting on major trends and developments in the accounting world. NASBA also provides a valuable networking environment where members of disparate boards can disseminate information. Of course, NASBA also administers the CPA Exam, an important contribution indeed, and holds regional and national meetings where CPA boards can gather. Additionally, NASBA maintains an extensive library of exam publications, white papers, board reports, and many other documents. They're a great resource for accounting professionals.

CPAs often call the Board to inquire as to whether they need to obtain a firm permit in addition to their individual license. Many CPAs work by themselves and have small staffs in their practice. In answering this question, it all depends on how a CPA practice is organized.

A firm permit is required if the practice is formally organized as a corporation or limited liability company. Of course, partnerships and limited liability partnerships are also required to have a firm permit.

A firm permit is not required if the practice is composed of only one CPA, who owns all the assets of the business.



**UPDATE YOUR EMAIL ADDRESS**

**MISSED THE LAST ISSUE OF THE ACCOUNT BALANCE? READ IT HERE.**

#### ENGAGEMENT LETTERS: DO YOU NEED THEM?

Engagement letters are a great risk management tool for any firm or CPA. At its most basic level, an engagement letter is much like a contract: it lays out the services to be performed and establishes a legal framework for the client-CPA relationship *before* work begins. It ensures that you and/or your firm will be protected in case of a misunderstanding that may result in legal action. A good engagement letter will include at least the following: identification of client (recipient of CPA services); services to be rendered and at what compensation; expected date of delivery of reports; responsibilities of both parties; terms for resolving disputes or terminating the contract; and any disclosures required or recommended by the AICPA. Of course, you should also have your client sign the engagement letter and return a copy to you; otherwise, send a certified letter stating that a lack of signature indicates that the terms are acceptable to your client. To ensure that your engagement letter is thorough and well developed, view the [AICPA's engagement letter evaluation checklist](#).

#### NEW LAWS AND REGULATIONS

In our Spring issue, we updated you on recent legislative developments. Now they've taken effect, so be sure you're in the know:

- [H.B. 1440](#) authorized the Board of Public Accountancy to reinstate a firm's expired permit once a reinstatement fee is paid, effective October 1, 2009.
- [S.B. 128/H.B. 69](#) removed the limit on the number of CPE hours that can be earned through self-study or as a teacher/instructor during each license term. All 80 hours of CPE may be earned in this manner, effective October 1, 2009.
- [S.B. 204](#) modified Maryland law to be consistent with the 2009 AICPA Standards on Performing Peer Reviews, effective June 1, 2009.

#### EDUCATIONAL REQUIREMENTS: WHAT COUNTS FOR ETHICS?

*Raymond C. Speciale, Esq., CPA*

The Board reviews hundreds of applications for the CPA exam every year. Board members carefully examine transcripts and course descriptions to determine compliance with current regulations.

Under the current regulations, applicants for the CPA exam must provide evidence that they've completed an ethics course. Specifically, they must complete 3 undergraduate semester hours (or 4 undergraduate quarter hours) in any one of the following four subjects:

1. Business ethics;
2. Accounting ethics;
3. Philosophy of ethics; or
4. A course that examines the framework for modern ethical decision-making.

When this requirement came into effect in December 2007, it greatly expanded the types of ethics offerings the Board is willing to accept. Prior to December 2007, the Board was only willing to accept "business ethics" as meeting the ethics requirement for the CPA exam.

The vast majority of applicants submit courses that meet the current ethics requirement. However, applications continue to be denied for failure to meet the ethics requirement. A summary of the most commonly encountered problems is outlined below.

1. "Hybrid" Courses: Perhaps the most common problem encountered is the applicant who attempts to meet the ethics requirement through a course that combines ethics with another substantive discipline or study. For instance, a 3-credit course that focuses on both business law and ethics will not meet the board's ethics requirements. The regulations require a 3-credit course devoted to ethics. A course that combines the study of business law *and* ethics is not considered by the Board as a full 3-credit ethics course.
2. Multiple Courses: From time to time, applicants argue that ethics was "taught across the curriculum" and therefore they have met the ethics requirement. Unfortunately, this is not acceptable to the Board. Unless each course has a published number of credits that are designated as "ethics" credits, the Board will deny an applicant attempting to meet the ethics requirement through multiple courses. While the Board appreciates the fact that ethics may have been taught effectively across the curriculum, it has no reasonable way of verifying this type of claim.
3. Introductory Philosophy or Theology Courses: Typically, these courses focus on contemporary responses to questions concerning the nature and limits of human reality and the relationship of individuals to society. The Board can't accept these courses because they are not substantially devoted to the study of ethics. On the other hand, the Board does accept upper-level Moral Theology or Moral Philosophy courses where the focus is ethics.

Students and faculty advisors should be mindful of the importance of the ethics requirement for any CPA candidate. Information on acceptable courses and approved degree programs is available on [our website](#). All candidates are urged to refer to the Board's website prior to submitting their application for clarification of any questions.

## FOCUS ON THE BOARD: ELLA H. PIERCE

Ella Pierce joined the Board as a consumer member in October of 2007. She has enjoyed a distinguished career as a purchasing agent for various state and city agencies, becoming Baltimore's first female City Purchasing Agent in 1987. That same year, she was selected as "Buyer of the Year" for the Maryland Public Purchasing Association (MPPA), of which she is a charter member. Ella holds lifetime certifications as a Certified Public Purchasing Officer (CPPO) and Certified Purchasing Manager (CPM). She has been honored with the highest awards of both the MPPA and the National Association Institute of Governmental Purchasing (NIGP). She holds the distinction of being the first person to simultaneously serve on the Boards of both the NIGP and the National Association of Purchasing Management (NAPM).

Her other involvements include membership on the Board of Jail Industries, Urban Services Cultural Arts Board, and the Managerial and Professional Society of Baltimore. Following her retirement in 1996, she continued to work on a contractual basis for over a year and still consults for government agencies. Recently, she was appointed by the Governor as a Commissioner to the Video Lottery Facility Location Commission. In her spare time, Ella enjoys gardening, traveling and playing various card games with her friends.



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