
CPAs – Close the Loopholes on Continuing Education

Dr. Gene Smith, Eastern New Mexico University

ABSTRACT

The certified public accounting profession places great importance on professional competency as evidenced by the following: a) passing the certified public accountant (CPA) exam, b) numerous authoritative releases by the American Institute of Certified Public Accountants (AICPA) concerning professional competency (e.g., Statement on Auditing Standards No. 1, Code of Professional Conduct, Statements on Standards for Continuing Professional Education, Uniform Accountancy Act) and c) complexity and diversity of services provided by CPAs.

Since its origination in 1896, the CPA profession has been held in high esteem by the public. Granted, during the last 111 years, there have been peaks and valleys in the public’s perception of the CPA profession. Fundamental in the public’s perception, among other items, is CPAs must a) pass a national uniform CPA exam, b) maintain professional competency as evidenced by completing 120 hours continuing professional education during a three-year time frame (requirement by most state board of accountancies) (Table 4) and c) comply with licensing requirements of the various state boards of accountancy in which CPAs practice public accountancy.

CPAs have many opportunities to obtain continuing professional training of which some are a) online courses, b) self-study courses, c) in-house training provided by a CPA firm (if certain requirements are fulfilled) and d) attending in-house training sessions sponsored by the various CPA state societies. The online and self-study courses require registrants to pass an exam before continuing education credit is given by sponsoring organizations. The self-study material issued by the AICPA includes statements similar to “For self-study participants only, the CPE standards require the inclusion of review questions that provide periodic learning feedback” (Davidson and McDonald, 2007). Participants attending in-house training sessions sponsored by various CPA state societies receive course credit based on hours attended not on their comprehension of material presented during the session. The course material is generally distributed at the beginning of the CPE session and as a result, the participants are unable to read or study the material prior to the commencement of the training session. Sitting in a chair for the entire class period is the only requirement for registrants to obtain course credit for attending in-house training sessions sponsored by CPA state societies (Table 1).

The public’s perception of the CPA profession is important. The public would be concerned if they became aware that CPAs can meet their continuing education requirement by just attending certain training sessions.

Currently, CPAs practicing public accountancy provide numerous services including auditing, personal financial planning, tax compliance and planning, management consulting, estate planning, litigation advising, advising small businesses and bookkeeping services. Many CPAs specialize in specific areas in the practice of public accountancy; however, very few state boards of accountancies require continuing education in the CPAs specifics areas of practice (Table 2). CPAs specializing in tax could, for instance, fulfill continuing hour’s credit requirements by taking attestation continuing education courses.

Why has not the CPA profession established a feedback mechanism for continuing professional education (CPE) ensuring CPAs understand the continuing education material presented? Is the public...
(e.g., clients, credit grantors, governments, employers, investors, business and financial community, and others) aware that potentially the only time CPAs formally understood the body of knowledge was upon the initial passage of the CPA exam?

The time is past due for the AICPA, state boards of accountancies and state CPA societies to eliminate this loophole. CPAs attending in-house state society sponsored training sessions should either a) be given a take-home exam to successfully pass similar to online and self-study courses or b) successfully pass an exam at the end of the training session before they receive credit for the course. Since professional competency is a key to the public’s perception of the profession, the state boards of accountancies should require some training in the areas in which a CPA practices public accountancy.

BACKGROUND

The acquiring and maintaining licensure as a CPA, in most jurisdictions, is a four component process a) formal collegiate education providing a technical foundation for entry into the profession, b) successful CPA examination completion, c) experience requirement under supervision assuring capability to apply this knowledge at an acceptable level with a minimal professional attitude and judgment level and d) continuing professional education assuring a licensed accountant maintains acceptable familiarity with professional body of knowledge (Heaston, 2001; Thomas and Harper, 2001).

Tremendous emphasis has historically been placed by the CPA profession on passing the certified public accountancy entrance exam (CPA exam). The first CPA legislation became law in New York on April 17, 1896. The bill provided for issuance of a certificate conferring the title “Certified Public Accountant” upon qualified persons and prohibiting usage of the title by others. The bill also provided for an applicant’s examination but did not include education or experience requirements (Turner, 2006).

A uniform CPA exam is presently taken by applicants in all 50 states, District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. Successful CPA exam passage is the primary methodology determining the initial technical competency of CPA candidates.

The first CPA legislation did not address the need for ongoing continuing education to maintain professional competency. The ongoing continuing education importance was not addressed by the AICPA until 1971 when state boards of accountancies were urged to institute formal CPE requirements (Humphries, Plunkett and Herring, 1988). The AICPA cited “the explosion of knowledge and the increasing complexity of practice” as the challenge for continuing professional education and advocated CPAs “demonstrate that CPAs are continuing professional education as a condition precedent to the …. validation of a CPA designation” (Thomas and Harper, 2001; Humphries and Plunkett, 1988). Unfortunately, uniform CPE rules are still far from a reality, even though more than 36 years have passed since the AICPA resolution (Tables 2 and 3).

State accountancy boards presently require continuing professional education to ensure licensed CPAs maintain acceptable familiarity with developments in the profession’s body of knowledge. However, the required continuing education hours per year and the required subject matter vary significantly among CPA jurisdictions (Tables 2 and 3).

LITERATURE REVIEW

The public expects CPAs to exhibit at least the following characteristics:

- Competence
The AICPA has established the following to reinforce the importance of professional competency:

- Uniform CPA Examination
- Statement on Auditing Standards No. 1
- Code of Professional Conduct
- Statement on Standards for Continuing Professional Education (CPE) Programs
- Uniform Accountancy Act (UAA)
- Membership CPE requirements
- Competency Self-Assessment Tool (CAT)

**Uniform CPA Examination**

Passing the Uniform CPA examination is a CPA certificate prerequisite. The accountancy boards of all 50 states, District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands use the Uniform CPA examination as the primary methodology of measuring CPA candidates’ technical competency. Most board of accountancy’s statutes include educational and experience requirements, in addition, to passing the CPA exam, to obtain a CPA certificate and practice permit (Uniform CPA exam, [http://www.aicpa.org/](http://www.aicpa.org/), retrieved July 26, 2007).

**Statement on Auditing Standards No. 1**

The AICPA’s Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures (SAS No. 1), AU Section 210, Training and Proficiency of the Independent Auditor includes requirements for auditor training and proficiency. Concerning professional competency AU Section 210 states: “This standard recognizes however capable a person is in other fields, including business and finance, he cannot meet the requirements of the auditing standards without proper education and experience in the field of auditing” (Training and proficiency of the independent auditor, [http://www.aicpa.org/](http://www.aicpa.org/), retrieved July 26, 2007).

**Code of Professional Conduct**

Sections 56 and 201 of the Code of Professional Conduct address professional competency:

ET Section 56 – Article V – Due Care
“A member should observe the profession’s technical and ethical standards, strive continually to improve competence and the quality of services and discharge professional responsibility to the best of the member’s ability” (ET Section 56, [http://www.aicpa.org/](http://www.aicpa.org/), retrieved July 26, 2007).

ET Section 201 – General Standards
A CPA can “undertake only those professional services that the member or member’s firm can reasonably expect to be completed with professional competence” (ET Section 201, [http://www.aicpa.org/](http://www.aicpa.org/), retrieved July 26, 2007).

Maintaining professional competency is a practicing CPA’s responsibility.
Statement on Standards for Continuing Professional Education (CPE) Programs

Section 100 of the Statement on Standards for Continuing Professional Education advises CPAs and the public who rely on CPAs’ objectivity and integrity that CPAs:

- have a duty to maintain “…current knowledge, skills, and abilities in all areas of service”
- “…to continuously maintain and enhance their knowledge and skills”
- continuing professional competence development “involves a program of lifelong educational activities” (Section 100, http://www.aicpa.org/, retrieved July 26, 2007).

AICPAs Uniform Accountancy Act (UAA)

The Uniform Accountancy Act (UAA) approved by the AICPA and National Association of State Boards of Accountancy, Inc. (NASBA) as a comprehensive model, was designed to promote uniformity across jurisdictions, protect the public and promote high professional standards (http://www.nasbaweb, retrieved July 26, 2007; Roberts, 1994; Colbert and Murray, 1999). Licenses are renewed on a regular basis by demonstrating current knowledge through professional education requirements (Silva, 1998).

AICPAs Membership CPE Requirements

AICPA members must complete 120 hours CPE during a three-year reporting period. However, CPAs are not required to be AICPA members (Membership requirements, http://www.aicpa.org/, retrieved July 26, 2007).

Competency Self-Assessment Tool (CAT)

CAT enables AICPA members to assess their current proficiencies in the following areas (http://www.cpa2biz.com, retrieved July 26, 2007):

- Business Valuation, Forensics and Litigation Services
- Taxation
- Fraud Prevention, Detection and Investigation
- Audit
- Business and Industry/New Finance
- Government
- Personal Financial Planning
- PrimePlus/Elder Care
- Employee Benefit Plan Audit

Issues with Existing Continuing Professional Education Program

There are three issues which need addressing by the AICPA, state boards of accountancy and state CPA societies:

Credit is granted for attendance at in-house training sessions sponsored by the various state CPA societies, regardless of whether any learning takes place

Many state boards of accountancy do not require attestation CPE for CPAs licensed to perform attestation services

CPAs can be driven to register for classes based on convenience rather than professional development
A CPA must participate in learning activities provided by CPE program sponsors to receive CPE credit. Learning activities include group study, workshops, seminars, Internet-base programs, self-study, in-house training courses, trade association conferences and university classes. CPAs must maintain participation documentation for CPE program sponsored events (Section 200, http://www.aicpa.org/, date retrieved July 26, 2007).

Credit is granted for attendance at in-house training sessions sponsored by the various state CPA societies, regardless of whether any learning takes place. This model is inconsistent with the lifetime learning core value in the CPA vision (Thomas and Harper, 2001).

Since the primary role reserved by law for CPAs is the attest function, more attestation experience is necessary to assure competence and to protect the public. If this is true, present experience requirements fall far short. Even among states requiring public accounting experience, many do not demand attest function experience (Roberts, 1994). If emphasis is on qualification to perform the attest function, maybe what is needed is a much longer experience requirement with increased focus on the attest function. A disconnect frequently exists in the current CPE structure between classes attended and skills or knowledge benefiting the CPAs’ practice specialty areas. CPAs can be driven to register for classes based on convenience rather than professional development (Thomas and Harper, 2001).

EMPIRICAL DATA

CPE Completion Documentation

Questionnaires were sent to 50 state and the Greater Washington D.C. CPA societies determining completion documentation needed for in-house training sessions sponsored by these organizations. The CPA society’s representatives were requested to respond to the following four items:

a) Attendees are required to attend the entire session (e.g., 8 hours training session, 16 hours training session, et. al) before continuing education credit is given for the session.

b) At completion of the session, attendees are given a test to confirm understanding of material presented.

c) At completion of the session, attendees are given a take-home exam to complete and return to the state society before credit is given for the course.

d) Completion certificates are provided at the end of the training session to attendees.

Thirty six responses were received. The results are summarized as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Responses</th>
<th>%</th>
<th>Responses</th>
<th>%</th>
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<tbody>
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</tr>
<tr>
<td>d</td>
<td>28</td>
<td>78</td>
<td>8</td>
<td>22</td>
</tr>
</tbody>
</table>

Sixty-four percent of responding state societies provides credit for hours attended during training sessions, rounded to nearest whole hour. Whereas, 36% of responding state societies do not provide partial credit for hours attended. These societies require attendees to attend the entire course before CPE credit is given.
None of the 36 responding state societies gives a test confirming understanding of material presented or gives a take-home exam for completion and return to the state society before credit is given for the course.

Seventy-eight percent of responding state societies provide completion certificates to attendees. Twenty-two percent of responding state societies either email or mail completion certificates or retain completion certificates online. Attendees can download completion certificates at their convenience.

Requirements-CPE Hours

The websites for the 50 state accountancy boards were reviewed on April 16, 2007 for requirements concerning specific courses needed for ongoing licensure. Sixteen of the boards require minimum percentages of CPE hours to be accounting and auditing related. The minimum percentages range from 10% to 50% of the required hours during the reporting period. Fifteen accountancy boards restrict the CPE self-study hours to a maximum from 10% to 80% during the reporting period. Thirty-two boards restrict the maximum CPE credit of writing articles/books during the reporting period from 8% to 50%.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Jurisdictions</th>
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<tbody>
<tr>
<td>Minimum A&amp;A</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>Maximum Self-Study</td>
<td>15</td>
<td>35</td>
</tr>
<tr>
<td>Maximum Articles/Books</td>
<td>32</td>
<td>18</td>
</tr>
<tr>
<td>No Minimum/Maximum</td>
<td>8</td>
<td>42</td>
</tr>
</tbody>
</table>

1 Ranges from a minimum of 10% to 50%.
2 Ranges from a maximum of 10% to 80%.
3 Ranges from a maximum of 8% to 50%

Periodic Reporting Requirements

As Table 3 indicates, reporting periods vary significantly with 35% of the CPA jurisdictions requiring annual reporting requirements, 53% with biennial reporting requirements and 22% with triennial reporting requirements.

Table 3

<table>
<thead>
<tr>
<th>Reporting period</th>
<th>No. States</th>
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<tbody>
<tr>
<td>Annual</td>
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<tr>
<td>Annual/Triennial</td>
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</tr>
<tr>
<td>Biennial</td>
<td>21</td>
</tr>
<tr>
<td>Triennial</td>
<td>11</td>
</tr>
</tbody>
</table>

Annual Hours Required

All 50 states other than Arizona, Kentucky, Louisiana and New York require 120 hours continuing education (Table 3) over a three year time period. Arizona has a two-year reporting period and CPAs in public practice must obtain 80 hours CPE while CPAs in industry must obtain a minimum of 60 hours CPE. (Arizona State Board of Accountancy, Retrieved July 26, 2007 from www.accountancy.state.az.us/). Kentucky requires 80 hours CPE for CPAs who worked over 3,000 hours during a two-year reporting period and 60 hours CPE for CPAs with less than 3,000 hours worked during the two-year reporting
period or were employed in industry, education or government (Kentucky Board of Accountancy, Retrieved July 26, 2007 from www.cpa.ky.gov/). The current reporting period for Louisiana CPAs is January 1, 2004 to December 31, 2006. For CPAs licensed prior to 2004, 120 hours CPE during the three-year reporting period. For CPAs licensed in 2004, 80 hours completed in the period January 1, 2005 through December 31, 2006. For CPAs licensed in 2005, 40 hours completed in the period January 1, 2006 through December 31, 2006. For CPAs licensed in 2006, zero hours are required during the 3-year reporting period (State Board of Certified Public Accounting of Louisiana, Retrieved July 26, 2007 from www.cpaboard.state.la.us/). New York requires 72 hours during a three-year reporting period if the CPE hours are exclusively in accounting, auditing or taxation or 120 hours of acceptable continuing education in recognized areas of study (NYS Public Accounting, Retrieved July 26, 2007 from www.op.nysed.gov/cpa.htm).

RECOMMENDATIONS

The state boards of accountancy and the National Association State Boards of Accountancy, Inc. should adopt the following three recommendations:

CPAs attending in-house state society sponsored training sessions should either a) be given a take-home exam to successfully pass similar to online and self-study courses or b) successfully pass an exam at the end of the training session before they receive credit for the course.

Since professional competency is a key to the public’s perception of the profession, the state boards of accountancies should require some training in the areas in which a CPA practices public accountancy.

The reporting periods for CPE (e.g., annual, biennial or triennial) should be uniform among the fifty states.

REFERENCES

AICPA Competency Self-Assessment Tool (CAT). Retrieved July 26, 2007 from


