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**REPORT OF THE
SPECIAL COMMITTEE ON THE FUTURE OF
CPA CONTINUING PROFESSIONAL EDUCATION**

MEMBERS

**Terry Sanford, Chairman
Joseph R. Call
Linda K. Cheatham
Theodore Flynn
Bernard Gratzer
James Kurtz
Mary Medley
Keith Newton
Stanley Person
William Shenkir
David Wilson
Jay Rothberg, Staff Aide**

September 15, 1993

"The first and last Recommendations are clearly the most important features of this Report: Creating a lean, efficient CPE agency which represents all members of the profession, and empowering it to establish the most modern tool yet devised for comprehensive, available, timely, quality continuing professional education." From p. 21.

The Special Committee members have a division of opinion on the implementation of the entity which they have named the "Alliance for Learning." Some members felt that it should be an independent entity, reorganizing the CPE function into a structure owned and operated by the Institute and the participating State Societies. Other members felt, among other reasons, that such action was precipitous and uncertain and might jeopardize the CPE enterprise. The Special Committee has left open this determination. It recommended that the Alliance for Learning be established as a "forum" within the AICPA, and given ambitious goals, that there be a two-year development and transition period during which time the AICPA Board can decide whether "The Alliance" is to remain a "forum" or become a separate operating entity. From p.8.

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**INTRODUCTION AND
EXECUTIVE SUMMARY**

In February, 1993, AICPA Chairman Jake L. Netterville appointed a Special Committee on the Future of Continuing Education (Special Committee) to review the development, delivery, and administration of Continuing Professional Education (CPE) by the AICPA, State CPA Societies, and others, and to make recommendations for the future in order to serve better the needs of the profession. A number of State CPA Societies had urged the AICPA to initiate such an independent study. The Special Committee was chaired by Terry Sanford and composed of representatives from the State CPA Societies and the AICPA's CPE Executive Committee. The specific Charge to the Special Committee was:

To study the respective roles of the AICPA, State Societies or others in the development, delivery, and administration of CPE and to recommend changes, if necessary, to meet the emerging educational or informational needs of CPAs. In developing its recommendations, the Special Committee should consider, in light of current and anticipated future needs of CPAs practicing their profession: (1) the changing purpose and service objectives of CPE; (2) emerging innovative methods of development and delivery (e.g., seminar vs. self-study, print vs. electronic); (3) necessary market research; and (4) organizational forms best suited to deliver

CPE in the future. The Special Committee should complete its work in time for consideration by Council in September, 1993.

The committee addressed its charge: Changing objectives, methods of development and delivery, market research, and organizational form; plus some related issues which grew out of the committee's discussions.

Underlying the Special Committee's recommendations is the belief that AICPA and State CPA Societies, in order to carry forward the finest continuing professional education, must immediately and deliberately put behind them all real and imagined conflicts, and work together as professionals with responsibilities at the State level, and overarching responsibilities, opportunities, and duties as a national organization of professionals. The profession, its Institute, and its State Societies are operating in a dynamic, changing, and increasingly competitive marketplace. This calls for a new boldness, a new structure, a new entity, a re-evaluation of learning materials, and an expanded concept of continuing professional education. In order to meet their responsibilities for continuing professional education, they, together, State Societies and their national organization, must establish a new partnership, develop strategic alliances with others, and utilize emerging technology to adapt to and succeed in what has become a new environment.

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The Special Committee has completed its work and offers nine recommendations.

SUMMARY OF RECOMMENDATIONS

- o One Creation and organization of the "Alliance for Learning."
- o Two Cooperative arrangements with other professional associations and commercial providers to meet the diverse and expanding needs of the CPA profession.
- o Three A redefinition of CPE practices to eliminate artificial barriers to the marketplace.
- o Four Continuation of CPE as a self-supporting member service.
- o Five The study, review, and revision of all CPE products.
- o Six The initiation of a re-evaluation of the AICPA's Statement of Standards for Formal CPE Programs.
- o Seven The conduct of market research and development of a business plan to respond to the profession's continuing professional education needs.

- o Eight Adopt a technology strategy to utilize new technologies to meet the professions CPE needs.

- o Nine The establishment of a national database for the ordering and delivery of CPE and other products.

HISTORY

At the conclusion of World War II, prompted by a need to help their staff members make the transition from the armed services, formal Continuing Professional Education (CPE) in the accounting profession began. The largest CPA firms offered staff training courses, and several of the large State CPA Societies organized large audience conferences on developments in tax, accounting and auditing, and practice management. The AICPA began developing CPE courses in the early 1950's, offering a handful of group-study seminars on subjects such as accountants' fees, writing audit reports, and budgeting for profit, and in 1958, an ad hoc AICPA committee recommended that the AICPA expanded its CPE offerings with the creation of a CPE Project.

In 1959, the AICPA established a Professional Development (PD) Division, which expanded the Institute's CPE offerings primarily through co-sponsorship with the State CPE Societies. During the next 10 years, the AICPA's and State CPA Societies' CPE programs experienced steady growth. In 1967, AICPA President Marvin Stone

called for required continuing professional education, and in 1969 the Iowa State Board of Accountancy issued regulations mandating at least 15 days of continuing education every three years for all its licensees. Soon thereafter, an ad hoc committee appointed by the AICPA, chaired by Elmer G. Beamer, recommended a resolution, which was approved by Council, calling for the States to "institute a requirement by legislation or regulation...that (CPAs) demonstrate that they are continuing their professional education as a condition precedent to the re registration renewal of permit to practice or the validation of a CPA's designation."

Today, all the licensing jurisdictions, except one, mandate specific continuing professional education requirements. The AICPA's 1992-93 CPE program included some 3,300 group-study seminars, 80,000 self-study courses, and 70 conferences while the State CPA Societies sponsored more than 9,000 group-study seminars (3,000 being AICPA courses), and more than 160 conferences. Mandatory CPE has become an important element in the professional associations' overall operations.

CPE has become an important element in the professional associations' overall operations. However, the CPE marketplace is changing. The associations' programs are being effected by aggressive competition, downsizing by CPA firms, a trend towards in-firm CPE, and more consumers seeking the lowest priced CPE available. The AICPA and state CPA societies are also facing new capital requirements because of the emerging technological needs

of CPE. To keep pace with this changing marketplace, the associations must adapt with innovative leadership.

METHODOLOGY

The Special Committee examined and reviewed in conference, by telephone, by correspondence, and with numerous drafts, the AICPA's and State CPA Societies' CPE operations in order to fulfill the Charge given to the Committee. The Committee received extensive background information on past and current CPE programs. It interviewed representatives of the AICPA's CPE Division, the Canadian Institute of Chartered Accountants, and American Society for Training and Development. Members of the committee who also serve on the AICPA's CPE Executive Committee and as State CPE Society executive directors made presentations on their perspectives of the current CPE environment and its future. A preliminary draft of the Report was presented by the chairman of the Special Committee to the AICPA Board, and its members were invited to comment and make suggestions.

The Committee focused appropriately on its Charge, and makes these observations and recommendations:

THE CHARGE: ORGANIZATION FORM

OBSERVATIONS: The Special Committee discussed various organizational forms for the delivery, development, and administration of CPE. An array of alternatives was considered. These included the AICPA and State CPA Societies forming independent joint ventures for the delivery and/or development of CPE, the AICPA and/or State CPA Societies moving out of the development of CPE, and the AICPA establishing itself as a CPE accrediting organization. In the end, the committee decided that no organizational structure would in and of itself assure more efficient and harmonious operations, but that nevertheless the AICPA and State CPA Societies could best meet the future educational needs of the profession through a new partnership, a new conception, a new joint venture in the planning, production, and delivery of CPE through an "Alliance for Learning" that builds on the strength of the CPE Division of AICPA, and involves the talents, energies, and goodwill of the State Societies.

The Special Committee members have a division of opinion on the implementation of the entity which they have named the "Alliance for Learning."

Some members felt that it should be an independent entity, reorganizing the CPE function into a structure owned and operated by the Institute and the participating State Societies.

Other members felt, among other reasons, that such action was precipitous and uncertain and might jeopardize the CPE enterprise. The Special Committee has left open this determination.

RECOMMENDATION ONE: To provide a higher level of continuing professional education to the members of AICPA and the CPA State Societies, to resolve conflicts, and to seize upon new opportunities, technology, and methodology, it is specifically recommended by the Special Committee that by the adoption of this Report by the Council, the CPA's "Alliance for Learning" is created, and the Board and the staff of AICPA shall implement the establishment of this entity, in accord with the guidelines set forth in this Report and as adopted by the Council.

The Special Committee recommended that the Alliance for Learning be established as a "forum" within the AICPA, and given ambitious goals, that there be a two-year development and transition period during which time the decision can be made whether "The Alliance" is to remain a "forum" or become a separate operating entity.

THE MISSION for this new entity will be: "The Alliance for Learning is an entity composed of the American Institute of Certified Public Accountants (AICPA) and participating State CPA Societies. The mission of the Alliance is to act on behalf of its member organizations to meet the educational and informational needs of their members. In fulfilling its mission, the Alliance will facilitate the member organizations' sharing resources,

eliminating duplicative efforts, and providing members with access to the most current and timely continuing professional education."

GUIDELINES: The Alliance of Learning will be directed by a Board of Trustees consisting of 15 members, serving for five-year terms, staggered in classes of 3, with four classes initially serving for 1 to 4 years. The Trustees will be elected by and at a time to be determined by the AICPA Board, making certain that one-third of the Trustees shall be from those nominated by the several State Societies engaged in the production of CPE materials, one-third from a list of nominees submitted by the other Societies, and that in electing the other one-third that ample consideration be given to those professionals in corporate or academic positions and those who are members of the "large" CPA firms and those not in the CPA profession but who might make a unique contribution to CPE.

It is recommended that within two years, unless the Council upon the recommendation of the AICPA Board of Directors, determines by 1995 that some other course is to be taken, the Alliance for Learning will supplant the CPE Division and its Advisory Board, and will become a separate entity under the control of its broadly representative Board of Trustees. At such time, the Alliance may be housed by AICPA, but need not be, as determined by the Board of Directors of the AICPA, and the Alliance will no longer be a part of the organizational structure of AICPA, although its trustees will continue to be elected by the Board of AICPA.

The Alliance will have no authority to direct or compel actions by the State Societies, but the Trustees will be guided by an overview of the good of the entire profession, and will actively seek total cooperation from the Societies.

The Special Committee envisions that the Alliance will be administratively supported initially by the AICPA's staff unless otherwise determined by the AICPA Board. Funding for the Alliance's activities will be determined by the Board of the Alliance and the AICPA Board. All partners will be equal and participation will be voluntary. The AICPA and State CPA Societies will not lose their individuality by participating in the Alliance. The strength of the Alliance will be realized by the common goals of its partners to eliminate duplication in marketing and development, shared investment in new technologies and other areas of research and development, and initiating a national database (discussed later in this report), among others.

The Board of the Alliance is charged with evaluating the appropriateness of establishing an independent entity to carry out its mission, considering among other issues, the conditions for membership, organization and governance, equity requirements, and staffing. The Special Committee envisions that through this body, the AICPA and State CPA Societies will ultimately combine their resources and efforts to achieve a truly efficient and professional vehicle for developing and delivering CPE.

The CPA's "Alliance for Learning" will have the immediate responsibility for carrying forward all other Recommendations of this Report.

OBSERVATIONS: To achieve these broad goals of effectiveness and efficiencies, the Alliance will need to establish strategic alliances with other providers in order to meet the CPE needs of its constituency. There are many others, including commercial providers of materials that have wide acceptance.

RECOMMENDATION TWO: The Alliance should seek out other national professional associations, the larger CPA firms, and commercial providers to offer a broader range of CPE products to members. These programs should be offered in cooperation with the Alliance, accessible through Alliance channels, with a policy of providing the best and most cost-effective materials, whatever the source, to AICPA and State Society members.

OBSERVATIONS: The Special Committee recognizes that the AICPA's CPE Division has operated under certain parameters with the State CPA Societies that have been established over time. The Committee believes that given the changing environment for CPE, the Alliance should eliminate any and all artificial restrictions and barriers in the marketplace, thus putting all members in a better position to meet their current and future educational needs in the most timely, efficient, and cost-effective manner.

RECOMMENDATION THREE: The Alliance, AICPA, and CPA State Societies should eliminate any barriers that currently inhibit the marketplace, including the current AICPA practice of providing automatic exclusivity to State CPA Societies in the delivery of its CPE programs, and the current practice of State CPA Societies not selling to others outside of their state. The Alliance should be free to establish group and individual arrangements with or without the participation of the State CPA Societies, but all the while working toward total cooperation with the State Societies.

II

THE CHARGE: CHANGING PURPOSE AND SERVICE OBJECTIVE OF CPE

OBSERVATIONS: The Committee discussed at length the purpose and objectives of CPE. The Committee confirms that the purpose of CPE, as it has been from the beginning, is to assist CPAs to become better professionals in providing quality services, to protect the public interest by assuring highly competent professional performance, and to assure the continuation of public confidence in the profession. Because use of CPE by members is uneven, the cost of this member service should be borne by those who use it.

RECOMMENDATION FOUR: The AICPA and State CPA Societies should renew the commitment that CPE will be provided as a member service, but all aspects of this operation should be financially self-supporting and not subsidized by the organizations' member dues.

OBSERVATIONS: While the commitment to CPE is reaffirmed, the Committee believes CPE implementation must change dramatically if the members of the Institute and the Societies are to be served adequately. The new marketplace calls for CPE choices that provide the consumer with greater flexibility and convenience. Operating in a more competitive CPE marketplace, the CPA Alliance for Learning must examine and consider the use of materials of other providers, and must take advantage of new technologies to adapt and succeed in this new environment. CPE must be more workplace-based and performance-oriented, and must embrace the merits of continuous and informal learning.

The Alliance, and the AICPA and State CPA Societies as partners in the Alliance, should view themselves as "information sources" and not limit themselves to present specific types of products. There must be a determination to eliminate duplication, overlap, and delay. As new standards are adopted or laws are enacted affecting the profession or its clientele, the associations, in concert with the Alliance, should immediately consider how best to educate the membership.

RECOMMENDATION FIVE: In order to provide service to the profession that keeps pace with change, the Alliance should undertake a study of its full CPE product line, most notably the group study programs, and determine whether the Alliance should edit, revise, add, out source, or discontinue specific products and product lines. The study should consider subject matter, length, method of delivery, pricing needed volume, and demand. The Alliance should also investigate means to develop its courses in a more flexible, timely, and economical manner, while considering how CPE might be made more informal for continuous learning. The Alliance should examine and evaluate ways to streamline the review process, and develop criteria for outsourcing development of materials.

OBSERVATIONS: In the late 1960s, upon the issuance of the Beamer Report, the AICPA and the State CPA Societies supported mandatory CPE and helped enact legislation requiring CPE for licensure. Certainly, it is now obvious that greater flexibility is needed, that State statutory specifications are often a disservice to the profession.

The Special Committee believes that the current model for CPE measurement, which is limited to study which can be measured in hours, needs reevaluation. As the CPA profession keeps up with a rapidly changing business environment and new technological advances, CPE measurement must also adapt. This calls for recognition of continuous, less-structured, and less-formal

learning. One alternative could be independent study validated by an examination or submission of a professional portfolio document.

The Special Committee supports uniform administrative reporting requirements, and uniformity in credit hours required and types of courses accepted, which could be accomplished by the Alliance working with the State Board Administrators' Conference toward a goal of uniform standards.

RECOMMENDATION SIX: The AICPA's Statement of Standards for Formal Continuing Professional Education (CPE) Programs should be reevaluated so that CPE credit can be granted to recognize non-formal learning as an alternative to the current model based on hours spent participating in CPE. The Committee recommends that the AICPA's CPE Standards Subcommittee revisit this issue and that the AICPA and the affected State CPA Societies consider recognizing non-formal learning to meet their organizations' CPE membership requirements. The Alliance, with representatives of the State Board Administrators' Conference, should initiate a study to compare the CPE reporting requirements throughout the United States with the goal of establishing uniform standards or a prototype for CPE reporting. These guidelines should cite a common deadline and other standards for reporting.

III

THE CHARGE: NECESSARY MARKET RESEARCH

OBSERVATIONS: As the CPA population in the United States has become more diverse, with differing needs and an expanded scope of expertise, the AICPA's and State CPA Societies' market research has not evolved to keep up with this metamorphosis. The associations have asked the members what courses they would like to attend and where, but have not focused on the members' workplace needs or attitude towards CPE. The Special Committee believes this market research is essential to adjust to this new environment and to provide CPE that meets the members' needs. The model of the future will call for an ongoing evaluation of the marketplace. In addition to market research, and to implement the findings, there is needed a continuous comprehension of delivery, pricing, product development, competition, and other business aspects of CPE -- a business plan.

RECOMMENDATION SEVEN: The Alliance should implement a collaborative, continuous needs assessment, or market research, focusing on the members' attitudes regarding CPE and the profession's workplace needs for the future. The effort should begin immediately. A market report should be issued annually on a schedule adopted by the Trustees of the Alliance, and should be

integrated with the Alliance's Business Plan, which also should be prepared annually.

IV

THE CHARGE: METHODS OF DEVELOPMENT AND DELIVERY

OBSERVATIONS: The environment within which the accounting profession functions today is more dynamic and demanding than ever before. There is an explosion of relevant knowledge, increased complexity, a globalization of the world's economy, and new technological influences.

The CPA as a consumer is also changing, is more diverse, sophisticated, and demanding. They need frequent updating as technical changes occur and they want continual on-demand access to information. Historically CPE has been provided effectively through classroom instruction, conferences and self-study courses, and these methods will continue, but technology-based training will become increasingly dominant in today's rapidly changing business environment. The providers of CPE must recognize these developments and in response change their CPE development and delivery.

The Special Committee foresees an increasing impact of technology on CPE development and delivery. Teleconferencing, computer simulations, technology-based products such as CD-ROM, pay

per-view television, and "Information Highway" -- a merger of video, telephones, satellites, and computers -- will all be viable for CPE as costs are reduced. Print publications will continue to diminish in demand. In anticipation of growing member access and demand, the Alliance must move aggressively towards using technology in CPE development and delivery.

RECOMMENDATION EIGHT: The AICPA and State CPA Societies, coordinated by the Alliance for Learning, should produce their CPE products utilizing computer-based, inter-active training, full-motion video, satellite technology and other new technologies. The Alliance for Learning should identify new technologies appropriate for delivery of CPE, and promptly develop a technology strategy.

OBSERVATIONS: The new technologies should not be limited to CPE course development and delivery, but with the members of the CPA profession becoming increasingly more comfortable with technology, the Alliance should design ways to adapt to the new technologies to make all CPE information and materials accessible to the profession.

Using information for better results is a growing imperative for success of CPAs and CPA organizations. An extensive database, available to every CPA, is essential and achievable. More planning time for such a database is necessary than was available

to the Special Committee. This undertaking can be financed, should have wide acceptance, would revolutionize CPE, and is a "natural" for the CPA profession.

RECOMMENDATION NINE: The Alliance for Learning should immediately develop a plan for establishing and financing a national database to deliver CPE and to meet the informational needs of the profession, according to the following suggested guidelines.

GUIDELINES: The database, among other things, should provide an electronic catalogue -- which is constantly updated -- of CPE and resource materials (i.e., publications, software, etc.) available from multiple sources. Providers other than the AICPA and participating State CPA Societies would be able to list their offerings by paying a fee.

The database should also provide for: on-line ordering, registration, and coordinated fulfillment; on-line documentation and reporting for all the users of the database; on-line information regarding the availability of instructors and course developers; on-line research capabilities.

As a top priority, the database should provide the capacity to download CPE courses directly to the buyer. There will be other uses as this technology is developed.

FINALLY: The first and ninth Recommendations are clearly the most important features of this Report: Creating a lean, efficient CPE agency which represents all members of the profession, and empowering it to establish the most modern tool yet devised for comprehensive, available, timely, quality, continuing professional education.
