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Report of the Special Committee on CPE Accreditation

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Report of the Special Committee on CPE Accreditation

April 4, 1979

REPORT OF THE SPECIAL COMMITTEE ON CPE ACCREDITATION

In fall, 1977 the AICPA Board of Directors authorized the appointment of a special committee to recommend whether and how continuing professional education (CPE) should be accredited. The committee included representatives of users, sponsors, and state boards.

The recommendations of the special committee flow from (1) the existence of CPE standards that would provide reasonable assurance of quality if CPE sponsors abide by them, (2) the authority of state boards of accountancy and the two sections of the division for CPA firms to require sponsors of CPE programs to agree to such standards and abide by them, (3) the professional and noncommercial nature of most CPE sponsors and their anticipated willingness to accept and implement such standards, (4) the substantial cost of centralized accreditation, (5) the anticipated obstacles to the acceptance of centralized accreditation, and (6) the anticipated failure of centralized accreditation to improve the general quality of CPE significantly beyond the quality attainable without centralized accreditation.

Existence of standards

Continuing education as a condition of renewal of a CPA's license to practice was a 1971 policy decision of the AICPA's governing Council (Appendix A). The main reasons for this decision were the increasing complexity of practice and the responsibility of the profession to promote competence. A Statement on Standards for Formal Group and Formal Self-Study Programs (Standards) was approved by the AICPA's Board of Directors in 1975 and published by the AICPA shortly thereafter for use by CPE sponsors (Appendix B). The Standards are consistent with Council's 1971 policy decision and cover CPE program development, presentation, measurement, and reporting.

A review of the Standards persuaded the special committee that they are substantive and the best available guide to means of efficiently striving for course quality. If sponsors of CPE for the profession would abide by the Standards, the profession would be reasonably assured of the quality of CPE course offerings. Sponsors would be motivated to review internal compliance with the Standards knowing that users would quickly identify and criticize those individual courses or presentations that are substandard. The committee is willing to rely on CPAs' natural reluctance to squander time as the chief mechanism for eliminating marginal courses whose defects have not been remedied by sponsors.

**Authority to require sponsors to
adhere to standards**

In 1973, to promote consistency among the states, the National Association of State Boards of Accountancy (NASBA) adopted model CPE provisions for state boards (Appendix C). Although the model provisions do not include all the Standards published by the AICPA, they do not conflict with them because both are based upon the guidelines that accompanied Council's 1971 policy decision. The model provisions could be extended to include the development and presentation standards as well as the measurement and reporting standards now included.

With few exceptions, all of the boards in the 31 states that have mandatory CPE have regulations that are identical to or essentially the same as NASBA's model provisions. State boards have the authority to require sponsors to sign agreements to abide by CPE standards. (The boards also have the authority to monitor sponsor compliance if problems arise.) NASBA could incorporate a provision for sponsor's agreements in its model provisions and thereby encourage state boards to use their authority to maintain the quality of CPE. As mentioned above, NASBA's model provisions have been influential among boards in mandatory CPE states and can be expected to influence those states that adopt CPE statutes in the foreseeable future.

In addition, the creation of the AICPA Division for CPA Firms has had the effect of requiring CPE for all professionals from all states and in all disciplines of all firms that choose to participate in the division. Each section of the division could adopt the Standards for programs developed and/or presented by participating firms. If this were done, the Standards required by the division for CPA firms would be consistent with the standards for sponsors required by the state boards. Because many of the larger firms have adopted the Standards voluntarily and many local firms use Standards-based AICPA and state society programs to satisfy most of their CPE needs, the two sections of the division for CPA firms should be willing to adopt the Standards.

**Anticipated sponsor acceptance of
and compliance with standards**

Most CPE for the profession is provided by the AICPA, state societies, public accounting firms, and colleges or universities.* This condition encouraged the special committee to anticipate that most sponsors, including the largest ones, will readily accept and comply with sponsor agreements incorporating the Standards or their equivalent. Indeed, as indicated in the preceding sections, some of the largest sponsors already comply with the Standards.

* Commercial sponsors or sponsors outside the profession now provide a negligible amount of CPE for the profession. In California, for example, less than 15% of continuing education reported by CPAs is provided by such sources. The amount is thought to be considerably less in other states with the possible exception of New York, where such information is not available.

If there will be any problems in gaining acceptance and compliance, they will probably occur because it may be bothersome to have to maintain evidence and document that the Standards were complied with when programs that already exist were developed. However, in time, the AICPA, state societies, public accounting firms, and colleges or universities should be able to implement the Standards without undue hardship. If they want to maintain their share of the market, significant commercial providers undoubtedly will comply with whatever standards the profession adopts.

The substantial cost of centralized accreditation

The costs of centralizing an accreditation program for CPE are likely to be substantial given the thousands of courses and sponsors, many of whom confine their offerings to a city, state, or region. That such costs can be substantial is apparent when one contemplates the size of the staff and the number of teams of volunteers that will be needed to conduct the thousands of accreditation reviews that would have to be carried out in a reasonably short period of time. Inevitably, sponsors would pass along the costs to attendees in the form of higher course registration fees.

Anticipated obstacles to acceptance of centralized accreditation

There undoubtedly would be a number of obstacles to the acceptance of a centralized accreditation body:

- Some state boards might have legal difficulties relying upon a private organization to carry out any accreditation responsibilities they adopt.
- States with CPE requirements that differ from the standards adopted by a centralized body would have to monitor sponsors' compliance with the unique requirements or make special arrangements for the centralized body to do so.
- Sponsors, such as firms that participate in the AICPA Division for CPA Firms and colleges and universities, would be burdened with multiple review of their CPE activities if the accreditation body duplicated the work of peer review teams, state board compliance review groups, or other accreditation bodies. It is unlikely the accreditation body could or would delegate its review responsibilities to peer review teams or other accreditation bodies. The reverse also probably would be true.

- Legal challenges to the authority of a centralized body would be expected from colleges or universities confronted with a new accreditation body not recognized by the Council on Post-Secondary Accreditation. Such recognition is unlikely to be forthcoming.

The anticipated failure of centralized accreditation to improve significantly the present quality of CPE programs

Substandard programs currently appear to be the exception rather than the rule. Until the potential problem of substandard programs becomes a significant one, a centralized accreditation body is not needed. Centralized accreditation is not likely to improve the quality of CPE programs significantly beyond the level now attainable without centralized accreditation.

Conclusions and recommendations

The committee concludes that quality CPE can be achieved without incurring the substantial costs of centralized accreditation. CPE Standards now exist in a voluntary form. State boards could require sponsors to agree to comply with the Standards or their equivalent, and the executive committees of the SEC practice and private companies sections of the division for CPA firms could require participating firms to agree to adopt the Standards for programs they develop and present. A high degree of compliance with such agreements can be expected from virtually all sponsors of CPE courses for the profession. This condition means that the profession can have reasonable assurance of high quality CPE without paying for centralized accreditation. As a consequence, the committee recommends that no centralized accreditation body be formed.

Given this background, the special committee recommends the following:

- The AICPA Board of Directors urge the National Association of State Boards of Accountancy (NASBA) to adopt the AICPA Statement on Standards for Formal Group and Formal Self-Study programs (Standards) and to incorporate the standards in NASBA's "Model Provisions for Required Continuing Education." NASBA should urge all state boards of accountancy to strongly encourage sponsors of CPE programs to agree to abide by such standards and maintain the necessary documentation of compliance.
- The AICPA Board of Directors request the executive committees of the private companies and SEC practice sections of the division for CPA firms to adopt the Standards for programs developed and/or presented by participating firms. The CPE function should be included in any peer reviews that are conducted to comply with the requirements of participation.

- The AICPA Board request the executive committee of the AICPA's Continuing Professional Education Division, which is a developer and sponsor of CPE programs, to arrange for a review of the division's compliance with the Standards within the next three years, and periodically thereafter.
- The AICPA Board urge state societies, which are important developers and sponsors of CPE programs, to abide by the Standards, maintain the necessary documentation of compliance, and undergo compliance reviews periodically.
- The AICPA Board urge other developers and sponsors of CPE programs offered for the profession to adopt the Standards and document their compliance with them. Such actions will assure the profession that such developers and sponsors support its effort to provide quality CPE programs.
- The AICPA Board of Directors recommend (1) that prospective attendees be advised whenever developers and sponsors of CPE program have adopted and complied with the Standards and (2) sponsors of such programs use the following language or its equivalent:

We have adopted and complied with the Statement on Standards for Formal Group and Formal Self-Study Programs published by the American Institute of Certified Public Accountants (or the NASBA equivalent). This program is designed to qualify for _____ hours of CPE credit. (optional sentence)

Special Committee on CPE Accreditation

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April 4, 1979

Resolution on Continuing Education

(May 12, 1971)

Guidelines Recommended in the Resolution on Continuing Education

The industry and government advisory committee to the AICPA's Board of Directors recommends that members not in public practice continue their education in a manner consistent with the substance of the resolution and guidelines set forth here.

Approved by Council of the American Institute of Certified Public Accountants

Whereas, the explosion of knowledge and the increasing complexity of practice make it essential that certified public accountants continue to develop their competence, and

Whereas, the public interest requires that certified public accountants provide competent service in all areas of their practice, and

Whereas, formal programs of continuing education provide certified public accountants with the opportunity to maintain and improve their competence.

Therefore be it resolved that the Council of the American Institute of Certified Public Accountants urges each of the several states to institute a requirement, by legislation or regulation as may be appropriate, that certified public accountants demonstrate that they are continuing their professional education as a condition precedent to the reregistration, renewal of permit to practice, or other validation of a CPA's designation.

Further be it resolved that the National Association of State Boards of Accountancy be asked to consider this resolution with a view to lending its support.

Further be it resolved that in the interest of uniformity the Council urges each of the several states to adopt the guidelines attached to the report of the committee on continuing education.

I. Basic Requirement

A. In the three-year period immediately preceding reregistration, the applicant must have completed 120 hours or 15 days of acceptable continuing education (a one-day program should be considered to equal 8 hours).

1. Measurement is in full hours only (a fifty-minute period equals one hour).
2. Only class hours or the equivalent (and not hours devoted to preparation) are counted.
3. Services as lecturer or discussion leader will be included to the extent that it contributes to his professional competence (repetitious presentations should not be counted).

B. The effective date of the requirement should be three years after its adoption. With respect to any individual, the regulation should become effective on the effective date of the requirement or three years after his initial registration, whichever is later.

C. The Board of Accountancy should have authority to make exceptions for reason of health, military service, foreign residency, retirement, etc.

II. Programs Which Qualify

A. The overriding consideration in determining whether a specific program qualifies is that it should be a "formal program of learning which contributes directly to the professional competence of an individual after he has been licensed to practice public accounting."

B. Formal programs requiring class attendance should qualify only if:

1. An outline is prepared in advance and preserved.
2. The program is at least one hour (fifty-minute period) in length.
3. The program is conducted by a qualified instructor.
4. A record of registration or attendance is maintained.

C. The following are deemed to qualify provided the above are met:

1. Professional development programs of the AICPA and the state societies.
2. Technical sessions at meetings of AICPA, state societies and chapters.
3. University or college courses
 - a) Credit courses - each semester hour credit shall equal 15 hours toward the requirement. A quarter hour credit shall equal 10 hours.
 - b) Noncredit short courses.
4. Formal organized in-firm educational programs.
5. Programs in other organizations (accounting, industrial, professional, etc.).

D. Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion will qualify with the amount of credit to be determined by the Board of Accountancy.

E. The State Board of Accountancy should look to the state society for assistance in interpreting the acceptability of and credit to be allowed for individual courses. The American Institute of CPAs offers its assistance, on request of state boards or state societies, in making these evaluations.

III. Controls and Reporting

A. The candidate should provide a signed statement of the continuing education in which he has participated showing:

1. Sponsoring organization
2. Location of course
3. Title and/or description of content
4. Dates attended
5. Hours claimed.

Notice to Readers. The AICPA's Board of Directors and the executive committee of the continuing professional education division have approved these standards and recommend them for everyone involved in continuing professional education for CPAs. These standards have been adopted as policy for the continuing professional education division's programs.

In recent years, CPAs have shown an increased interest in continuing professional education (CPE). In large part this interest is reflected by legislation and regulation adopted in many states requiring continuing professional education. In a greater sense, it reflects the recognition by individuals, firms, and state societies of the place of continuing education in today's rapidly changing professional environment.

To help ensure that CPAs receive quality continuing professional education, minimum standards are needed. With minimum standards, programs are less likely to vary in:

Quality of development and presentation
Measurement and reporting of credits.

Moreover, the large number of programs available throughout the United States and the mobility of participants in these programs create measuring and reporting problems that suggest the need for nationally uniform standards. The purpose of this statement is to provide such uniform criteria.

Throughout this statement, the term "programs" refers to both formal group and formal self-study programs. A group program is an educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants. When a group program complies with the standards in this statement it becomes a "formal" group program. All other group programs are informal. A self-study program is an educational process designed to permit a participant to learn a given subject without major interaction with an instructor. For a self-study program to be "formal," (1) the sponsor of it must provide a certificate upon evidence of satisfactory completion, such as a completed workbook or examination, and (2) it must comply with the standards in this statement. "Sponsors" are the organizations responsible for presenting programs; they are not necessarily program developers.

Standard No. 1. The program should contribute to the professional competence of participants.

Commentary. The fundamental purpose of CPE is to increase the CPA's professional competence. A professional person is one characterized as conforming to the technical and ethical standards of his profession. This characterization reflects the expectation that a person holding himself out to perform services of a professional quality needs to be knowledgeable within a broad range of related skills. Thus, the concept of professional competence is to be broadly interpreted. It includes, but is not restricted to, accounting, auditing, taxation, and management advisory services. Accordingly, programs contributing to the development and maintenance of other professional skills also should be recognized as acceptable continuing education programs. Such programs might include, but not be restricted to, the areas of communication, ethics, quantitative methods, behavioral sciences, statistics, and practice management.

Standard No. 2. The stated program objectives should specify the level of knowledge the participant should have attained or the level of competence he should be able to demonstrate upon completing the program.

Commentary. Program developers should clearly disclose what level of knowledge and/or skill is expected to be mastered by completing a particular program. Such levels may be expressed in a variety of ways, all of which should be informative to potential participants. As an illustration, a program may be described as having the objective of imparting technical knowledge at such levels as basic, intermediate, advanced, or overview, which might be defined as follows:

1. A basic level program teaches fundamental principles or skills to participants having no prior exposure to the subject area.
2. An intermediate level program builds on a basic level program in order to relate fundamental principles or skills to practical situations and extend them to a broader range of applications.
3. An advanced level program teaches participants to deal with complex situations.
4. An overview program enables participants to develop perspective as to how a subject area relates to the broader aspects of accounting or brings participants up to date on new developments in the subject area.

Standard No. 3. The education and/or experience prerequisites for the program should be stated.

Commentary. All programs should clearly identify what prerequisites are necessary for enrollment. If no prerequisite is necessary, a statement to this effect should be made. Prerequisites should be specified in precise language so potential participants can readily ascertain whether they qualify for the program or whether the program is above or below their level of knowledge or skill.

Statement on Standards for Formal Group and Formal Self-Study Programs

Issued by the Continuing Professional Education Division of the American Institute of Certified Public Accountants

Standards for CPE Program Development

Standards for CPE Program Presentation

Standard No. 4. Programs should be developed by individual(s) qualified in the subject matter and in instructional design.

Commentary. This standard is not intended to require that any individual program developer be both technically competent and competent in instructional design. Its purpose is to ensure that both types of competency are represented in a program's development, whether one or more persons are involved in that development. Mastery of the technical knowledge or skill in instructional design may be demonstrated by appropriate experience or educational credentials.

"Instructional design" is a teaching plan that considers the organization and interaction of the materials as well as the method of presentation such as lecture, seminar, workshop, or programmed instruction.

Standard No. 5. Program content should be current.

Commentary. The program developer must review the course materials periodically to assure that they are accurate and consistent with currently accepted standards relating to the program's subject matter. Between these reviews, errata sheets should be issued where appropriate and obsolete materials should be deleted. However, between the time a new pronouncement is issued and the issuance of errata sheets or removal of obsolete materials, the instructor is responsible for informing participants of changes. If, for example, a new accounting standard is issued, a program will not be considered current unless the ramifications of the new standard have been incorporated into the materials or the instructor appropriately informs the participants of the new standard.

Standard No. 6. Programs should be reviewed by a qualified person(s) other than the preparer(s) to ensure compliance with the above standards.

Commentary. In order to ensure that programs meet the standards for CPE program development, they should be reviewed by one or more individuals qualified in the subject area and in the instructional design. Any one reviewer need not be competent in both the program subject matter and in instructional design, but both aspects of a program should be reviewed. However, it may be impractical to review certain programs, such as a short lecture given only once; in these cases, more reliance must be placed on the competence of the presenter.

Standard No. 1. Participants should be informed in advance of objectives, prerequisites, experience level, content, advance preparation, teaching method(s), and CPE contact hours credit.

Commentary. In order for potential participants to most effectively plan their CPE, the salient features of any program should be disclosed. Accordingly, brochures or other announcements should be available well in advance of each program and should contain clear statements concerning objectives, prerequisites (if any), experience level, program content, the nature and extent of advance preparation, the teaching method(s) to be used, and the amount of credit to be given.

Standard No. 2. Instructors should be qualified both with respect to program content and teaching methods used.

Commentary. The instructor is a key ingredient in the learning process in any group program. Therefore, it is imperative that sponsors exercise great care in selecting qualified instructors for all group programs. A qualified instructor is one who is capable, through background, training, education, and/or experience, of providing an environment conducive to learning. He should be competent in the subject matter and skilled in the use of the appropriate teaching method(s). Although instructors are selected with great care, sponsors should evaluate their performance at the conclusion of each program to determine their suitability for continuing to serve as instructors in the future.

Standard No. 3. Program sponsors should encourage participation only by individuals with appropriate education and/or experience.

Commentary. So that participants can expect CPE programs to increase their professional competence, this standard encourages sponsors to urge only those who have the appropriate education and/or experience to participate. The term "education and/or experience" in the standard also implies that participants will be expected to complete any advance preparation. An essential step in encouraging advance preparation is timely distribution of program materials. Although implementing this standard may be difficult, sponsors should make a significant effort to comply with the spirit of the standard by encouraging (1) enrollment only by eligible participants, (2) timely distribution of materials, and (3) completion of any advance preparation.

Standard No. 4. The number of participants and physical facilities should be consistent with the teaching method(s) specified.

Commentary. The learning environment is affected by the number of participants and by the quality of the physical facilities. Sponsors have an obligation to pay serious attention to these two factors. The maximum

number of participants for a case-oriented discussion program, for example, should be considerably less than for a lecture program. The seating arrangement is also very important. For a discussion presentation, learning is enhanced if seating is arranged so that participants can easily see and converse with each other. If small group sessions are an integral part of the program format, appropriate facilities should be available to encourage communication within a small group. In effect, class size, quality of facilities, and seating arrangements are integral and important aspects of the educational environment and should be carefully controlled.

Standard No. 5. All programs should include some means for evaluating quality.

Commentary. Evaluations should be solicited from both participants and instructors. The objective of evaluations is to encourage sponsors to strive for increased program effectiveness. Programs should be evaluated to determine whether:

1. Objectives have been met
2. Prerequisites were necessary or desirable
3. Facilities were satisfactory
4. The instructor was effective
5. Advance preparation materials were satisfactory
6. The program content was timely and effective.

Evaluations might take the form of pre-tests for advance preparation, post-tests for effectiveness of the program, questionnaires completed at the end of the program or later, oral feedback to the instructor or sponsor, and so forth. Instructors should be informed of their performance, and sponsors should systematically review the evaluation process to ensure its effectiveness.

Standard No. 1. All programs should be measured in terms of 50-minute contact hours. The shortest recognized program should consist of one contact hour.

Commentary. The purpose of this standard is to develop uniformity in the measurement of CPE activity. A contact hour is 50 minutes of continuous participation in a group program. Under this standard, credit is granted only for *full* contact hours. For example, a group program lasting 100 minutes would count for 2 hours; however, one lasting between 50 and 100 minutes would count for only 1 hour. A one-day program consists of 8 contact hours. For continuous conferences and conventions, when individual segments are less than 50 minutes, the sum of the segments should be considered one total program. For example, five 30-minute presentations would equal 150 minutes and should be counted as 3 contact hours.

Sponsors are encouraged to monitor group programs in order to accurately assign the appropriate number of credit hours for participants who arrive late or leave before a program is completed.

Since credit is not allowed for preparation time for group programs, it should not be granted for the equivalent time in self-study programs. Self-study programs should be pre-tested to determine average completion time. One-half of the average completion time is the recommended credit to be allowed. For example, a self-study program that takes an average of 800 minutes to complete is recommended for 8 "contact hours" of credit.

Standard No. 2. When an instructor or discussion leader serves at a program for which participants receive CPE credit and at a level that increases his or her professional competence, credit should be given for preparation and presentation time measured in terms of contact hours.

Commentary. Instructors and discussion leaders should receive CPE credit for both preparation and presentation. For the first time they present a program, they should receive contact hour credit for actual preparation hours up to two times the class contact hours. If a course is rated as 8 contact hours, the instructor could receive up to 24 contact hours of credit (16 hours for preparation and 8 hours for presentation). For repetitious presentations the instructor should receive no credit unless he can demonstrate that the subject matter involved was changed sufficiently to require significant additional study or research.

In addition, the maximum credit for preparation and presentation should not exceed 50 percent of the total CPE credit an instructor or discussion leader accumulates in a reporting period. For example, if a discussion leader's state required 40 hours of CPE yearly, and he actually taught 16 hours and took 30 hours to prepare, the most credit he could claim would be 20 hours.

Standard No. 1. Participants in group or self-study programs should document their participation including: (a) sponsor, (b) title and/or description of content, (c) date(s), (d) location, and (e) number of CPE contact hours. Documentation should be retained for an appropriate period.

Commentary. This standard is designed to encourage participants to document their attendance at a group program or participation in a self-study program. State laws or regulations may dictate the length of time to retain documentation. In the absence of legal specifications, a reasonable policy would be to retain documentation for five years from the date the program is completed. For self-study programs evidence of completion would normally be the certificate supplied by the sponsor.

Standards for CPE Program Measurement

Standards for CPE Reporting

Standard No. 2. In order to support the reports that may be required of participants, the sponsor of group or self-study programs should retain for an appropriate period: (a) record of participation, (b) outline of the course (or equivalent), (c) date(s), (d) location, (e) instructor(s), and (f) number of CPE contact hours.

Commentary. Because participants may come from any state or jurisdiction, the appropriate time for the sponsor to retain this information is not dependent solely on the location of the program or sponsor. To satisfy the detailed requirements of all jurisdictions, a retention period of five years from the date the program is completed is appropriate. The record of attendance should reflect the contact hours earned by each participant, including those who arrive late or leave early.



MODEL PROVISIONS FOR
REQUIRED CONTINUING EDUCATION

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NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

MODEL PROVISIONS FOR REQUIRED CONTINUING EDUCATION

SECTION 1

This document has been designed to implement the resolution adopted by the National Association of State Boards of Accountancy at its Annual Meeting on September 29, 1972. The NASBA resolution, which is similar to a resolution adopted by the AICPA Council in May 1971, "...urges each of the several states to institute at the appropriate time a requirement, by legislation or regulation, that certified public accountants and others licensed to practice public accounting demonstrate that they are continuing their professional education as a condition precedent to the reregistration, renewal of permit to practice, or other validation of their professional designation."

In the interest of uniformity, the resolution also urges adoption of guidelines recommended by the Committee on Continuing Education, which are similar to those recommended by the AICPA, and calls on the Committee to develop model rules, regulations and procedures to assist state boards in the administration and enforcement of the requirement.

The resolution of NASBA and the accompanying guidelines appear in Section 2 of this document.

Continuing Education Legislation

It should be noted that the resolution of NASBA differs in two respects from the AICPA resolution.

First, the NASBA resolution urges the several states to institute a continuing education requirement at the appropriate time. This modification, or clarification, recognizes that each state has its own peculiar legislative problems and priorities and that proper timing is essential. The profession at large in a state must support the concept of required continuing education and the legislative climate must be favorable for the enactment and enforcement of such a requirement to be successful.

Second, the NASBA resolution recommends that the continuing education requirement be applicable to all who are licensed by the state to practice as public accountants, rather than to certified public accountants only. This modification, or clarification, recognizes that the public interest is affected by all who are licensed to practice as public accountants and that the state boards have a responsibility to upgrade the level of competence of non-CPA licensees.

Two versions of model legislative provisions have been developed and approved by the AICPA Committee on State Legislation, and are available on request. One version is designed for general applicability to all state accountancy laws. The other is tailored specifically to amend the AICPA Form of Regulatory Public Accountancy Bill. The model legislative provisions would empower a State Board of Accountancy to require practicing certified public accountants, subsequent to obtaining the CPA certificate, to satisfy educational requirements established by the Board.

NASBA's Committee on Continuing Education recommends that the model provisions approved by the AICPA Committee on State Legislation be broadened in two respects.

First, as explained above, the model provisions should be broadened, where appropriate, to make clear that the requirement is applicable to all licensees, and not only to CPAs. This can be accomplished simply by adding "and public accountants" (or "licensed public accountants," "registered public accountants," etc.) wherever the term "certified public accountants" appears, and making other minor word changes in the model provisions.

Second, to provide for effective administration and enforcement of the requirement, the model provisions should be broadened to make clear that the state board has authority to appoint a committee of licensees, who need not be members of the board, to assist the board in the administration of the requirement. This can be accomplished by adding a general provision to the statute regarding the appointment of committees by the board (see Example #1 below), or by adding a specific provision for the appointment of a continuing education committee (see Example #2 below).

Example #1

Committees

The board may create and appoint committees consisting of certified public accountants [or public accountants] of this State in good standing, who need not be members of the board, for the purpose of making recommendations on such matters as may be specified by the board. Such committees

may conduct such investigations, examinations and hearings as may be authorized by the board.

Example #2

Continuing Education Committee

The board may appoint a continuing education committee of not less than five members consisting of certified public accountants [or public accountants] of this State in good standing who need not be members of the board. The committee shall perform the following duties, and such committee shall be vested with the full powers of the board for such purposes:

- (a) To evaluate programs to determine whether they qualify under the regulations adopted by the board.
- (b) To consider applications for exceptions as permitted under Section ___.
- (c) To consider other matters as the board may assign to the committee.

It should be noted that legislation actually proposed should be conformed to existing legislation and considered in the light of applicable requirements under State Constitutional law. Among other things, states may wish to conform the period required for the accumulation of continuing education credits to the registration or renewal period of the existing law.

A bibliography of materials describing the background, rationale, and present status of required continuing education is

available on request. In addition, NASBA's Committee on Continuing Education stands ready to assist the states in any consideration of this subject.

Continuing Education Regulations

Section 3 of this document contains model state board regulations recommended by NASBA's Committee on Continuing Education. The Committee recommends that formal state board regulations should be specific enough to provide appropriate guidance to licensees, yet broad enough to provide the board with sufficient discretionary powers to make interpretations and exceptions for the fair and equitable administration of the law.

To the extent possible, state board regulations should adhere to the recommended guidelines. Amplification and clarification of the guidelines should be established (and published when appropriate) as policies of the board, but not included in the formal regulations of the board.

Continuing Education Policies

Section 4 of this document contains model state board policies recommended by NASBA's Committee on Continuing Education. These policies serve to amplify and clarify the formal regulations of the board without limiting the board's discretionary powers.

Purpose

The purpose of this document is to assist state boards in drafting and administering continuing education regulations and to promote to the extent possible the adoption and enforcement of

uniform continuing education requirements in order to avoid the establishment of unnecessary barriers to interstate and international practice.

Acknowledgement

Many of the provisions and recommendations contained in this document are based upon the deliberations and decisions of the California State Board of Accountancy and its Continuing Education Committee, whose contributions are gratefully acknowledged.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

SECTION 2

R-E-S-O-L-U-T-I-O-N

WHEREAS, the explosion of knowledge and the increasing complexity of practice make it essential that certified public accountants and others licensed to practice public accounting continue to develop their competence, and

WHEREAS, the public interest requires that certified public accountants and others licensed to practice public accounting provide competent service in all areas of their practice, and

WHEREAS, formal programs of continuing education provide certified public accountants and others licensed to practice public accounting with the opportunity to maintain and improve their competence,

THEREFORE BE IT RESOLVED that the National Association of State Boards of Accountancy urges each of the several states to institute at the appropriate time a requirement, by legislation or regulation, that certified public accountants and others licensed to practice public accounting demonstrate that they are continuing their professional education as a condition precedent to the reregistration, renewal of permit to practice, or other validation of their professional designation.

FURTHER BE IT RESOLVED that in the interest of uniformity the National Association of State Boards of Accountancy urges each of the several states to adopt the guidelines recommended by the committee on continuing education and attached to this resolution.

FURTHER BE IT RESOLVED that in the interest of consistency the committee on continuing education be asked to develop, with all deliberate speed, model rules, regulations and procedures for the administration and enforcement of the requirement by state boards of accountancy.

**Guidelines Recommended in the Resolution on Continuing Education
for Adoption by States**

I. Basic Requirement

A. In the three-year period immediately preceding reregistration, the applicant must have completed 120 hours or 15 days of acceptable continuing education (a one-day program should be considered to equal eight hours).

1. Measurement is in full hours only (a 50-minute period equals one hour).
2. Only class hours or the equivalent (and not hours devoted to preparation) are counted.
3. Service as lecturer or discussion leader will be included to the extent that it contributes to his professional competence (repetitious presentations should not be counted).

B. The effective date of the requirement should be three years after its adoption. With respect to any individual, the regulation should become effective on the effective date of the requirement or three years after his initial registration, whichever is later.

C. The board of accountancy should have authority to make exceptions for reasons of health, military service, foreign residency, retirement, etc.

II. Programs Which Qualify

A. The overriding consideration in determining whether a specific program qualifies is that it should be a "formal program of learning which contributes directly to the professional competence of an individual after he has been licensed to practice public accounting."

B. Formal programs requiring class attendance should qualify only if:

1. An outline is prepared in advance and preserved.
2. The program is at least one hour (50-minute periods) in length.

3. The program is conducted by a qualified instructor.

4. A record of registration or attendance is maintained.

C. The following are deemed to qualify provided the above are met:

1. Professional development programs of the AICPA and the state societies.
2. Technical sessions at meetings of AICPA, state societies and chapters.
3. University or college courses
 - (a) Credit courses—each semester hour credit shall equal 15 hours toward the requirement. A quarter hour credit shall equal ten hours.
 - (b) Noncredit short courses.

4. Formal organized in-firm educational programs.

5. Programs in other organizations (accounting, industrial, professional, etc.).

D. Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion will qualify with the amount of credit to be determined by the board of accountancy.

E. The state board of accountancy should look to the state society for assistance in interpreting the acceptability of and credit to be allowed for individual courses. The American Institute of CPAs offers its assistance, on request of state boards or state societies, in making these evaluations.

III. Controls and Reporting

A. The candidate should provide a signed statement of the continuing education in which he has participated showing:

1. Sponsoring organization.
2. Location of course.
3. Title and/or description of content.
4. Dates attended.
5. Hours claimed.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

SECTION 3

MODEL CONTINUING EDUCATION REGULATIONS

Pursuant to the provision of Section ___ of this Act, the board prescribes the following regulations establishing requirements of continuing education to be met from time to time by licensees in order to maintain their professional knowledge and competence, as a condition to continuing to practice as public accountants.

These regulations shall become effective on _____.

I. Basic Requirement

A. During the three year period* immediately preceding re-registration applicants for license renewal must complete 120 hours* of acceptable continuing education except as otherwise provided under Section I-C. The following standards will be used to measure the hours of credit to be given for acceptable continuing education programs completed by individual applicants.

- (1) A one day program will be considered to equal eight hours.
- (2) Only class hours or the equivalent (and not student hours devoted to preparation) will be counted.
- (3) Service as lecturer or discussion leader of continuing education programs will be counted to the extent that it contributes to the applicant's professional competence.

B. The effective date of this requirement shall be three years after the effective date of these regulations, or three years after a licensee's initial registration, whichever is later.

C. The board shall have authority to make exceptions for reasons of individual hardship including health, military service, foreign residency, retirement, or other good cause.

II. Programs Which Qualify

A. The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a public accountant.

B. Continuing education programs will qualify only if:

- (1) an outline of the program is prepared in advance and preserved.
- (2) the program is at least one hour (fifty minute period) in length.
- (3) the program is conducted by a qualified instructor.
- (4) a record of registration or attendance is maintained.

C. The following programs are deemed to qualify provided the above are met:

- (1) Professional development programs of recognized national and state accounting organizations.
- (2) Technical sessions at meetings of recognized national and state accounting organizations and their chapters.
- (3) University or college courses
 - (a) Credit courses -- each semester hour credit shall equal 15 hours toward the requirement. A quarter hour credit shall equal 10 hours.

(b) Non-credit short courses.

(4) Formal organized in-firm educational programs.

(5) Programs in other recognized organizations (accounting, industrial, professional, etc.).

D. Formal correspondence or other individual study programs which require registration and provide evidence of satisfactory completion will qualify with the amount of credit to be determined by the board.

E. The board may look to recognized state or national accounting organizations for assistance in interpreting the acceptability of and credit to be allowed for individual courses.

III. Controls and Reporting

A. Applicants for reregistration must provide a signed statement of the continuing education programs which they claim to be acceptable showing:

- (1) Sponsoring organization.
- (2) Location of program.
- (3) Title of program or description of content.
- (4) Dates attended.
- (5) Hours claimed.

* The period may vary depending upon the existing renewal period, but the hours required for that period should be based on 40 hours per year.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

SECTION 4

MODEL CONTINUING EDUCATION POLICIES

In an endeavor to assist licensees in complying with the accountancy statute and regulations as they pertain to continuing education, the board has adopted the following policies:

1. Who must comply - exceptions

A. General

All licensees are required to comply with the continuing education requirements except those individuals not engaged in public practice such as licensees in private industry, governmental organizations, educational institutions, or similar activities unless those individuals in addition to their basic employment, engage in public practice, regardless of degree, or perform for compensation any services normally performed by public accountants whether or not a license is required to perform such services. This encompasses licensed staff accountants in public practice. The board anticipates that licensees will maintain the high standards of the profession in selecting quality educational programs to fulfill the continuing education requirement.

B. Non-resident licensees

Licensees who are out-of-state residents and not engaged in public accounting in the State are excepted from the

continuing education requirements until such time as they enter or reenter this State to practice public accounting. This exception also applies to non-resident licensees who are partners of public accounting partnerships or stockholders of professional accountancy corporations that are licensed by the board to do business in this State, provided such licensees do not practice public accounting in this State.

C. Attorney - CPAs/PAs

Persons occupying the dual status of Attorney at Law and Certified Public Accountant/Public Accountant are excepted from continuing education requirements only if they do not engage in public accounting under their accounting license.

D. Retired licensees

Licensees who are retired and who do not in fact perform public accounting services to any degree whatever, although participating in the profits of a public accounting entity, are excepted from continuing education requirements.

2. Qualifying programs -- credit hours granted

A. Acceptable subject matter and programs

The following general subject matters are acceptable so long as they contribute to the professional competence of the individual practitioner:

Accounting and Auditing

Taxation

Management Services

Computer Science

Communication Arts

Mathematics, Statistics, Probability and Quantitative Applications in Business

Economics

Business Law

Functional Fields of Business --

Finance

Production

Marketing

Personnel Relations

Business Management and Organization

Social Environment of Business

Specialized Areas of Industry; e.g., Film Industry, Real Estate, Farming, etc.

Administrative Practice; e.g., Engagement Letters, Fee Structures, Personnel, etc.

Areas other than those listed above may be acceptable if the licensee can demonstrate that they contribute to his professional competence. The responsibility for substantiating that a particular program is acceptable and meets the requirements rests solely upon the licensee.

B. Credit hours granted -- general

Continuing education credit will be given for whole hours only, with a minimum of 50 minutes constituting one hour. As an example, 100 minutes of continuous instruction would

count for two hours, however, more than 50 minutes but less than 100 minutes of continuous instruction would count only for one hour. A one day program qualifying for 8 hours of credit is any program the timing of which requires participants to be absent from their work for a normal working day. Travel time cannot be claimed.

C. Credit for individual study programs

In determining the amount of credit to be allowed for specific correspondence and individual study programs (including taped study programs), the board will determine the equivalency of the program to a comparable seminar or a comparable course for credit in an accredited educational institution. Licensees claiming credit for such courses will be required to obtain evidence of satisfactory completion of the course from the program sponsor. Credit will be allowed in the renewal period in which course is completed.

D. Credit for service as lecturer, discussion leader, or speaker

Credit for one hour of continuing education will be awarded for each hour completed as an instructor or discussion leader to the extent that the particular activity contributes to the professional competence of the licensee as determined by the board. Credit as an instructor, discussion leader, or speaker will be allowed for any meeting or engagement provided that the session is one which would

meet the continuing education requirements of those attending. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of two hours for subject preparation for each hour of teaching. The maximum credit for such preparation and teaching will not exceed 50% of the renewal period requirement. Credit for licensees attending not as instructors, discussion leaders, or speakers is limited to the actual meeting time.

E. Credit for published articles, books, etc.

Credit may be awarded for published articles and books. The amount of credit so awarded will be determined by the board. Credit may be allowed for published articles and books provided they contribute to the professional competence of the licensee. Credit for preparation of such publications may be given on a self-declaration basis up to 25% of the renewal period requirement. In exceptional circumstances a licensee may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances which he feels justify a greater credit.

F. Credit for committee meetings

Participation in committee meetings of recognized professional societies, which are structured as educational programs, can qualify if they meet the appropriate requirements.

G. Credit for dinner and luncheon meetings, etc.

Dinner, luncheon and breakfast meetings of recognized

accounting organizations may qualify if they meet the appropriate requirements.

H. Credit for firm meetings, etc.

Firm meetings for staff or for management groups may qualify if they meet the appropriate requirements. Portions of such meetings devoted to administrative and firm matters cannot be included.

3. What is a qualified instructor?

A qualified instructor or discussion leader is anyone whose background, training, education or experience makes it appropriate for him to lead a discussion on the subject matter of the particular program.

4. Evidence of completion - retention

Primary responsibility for documenting the requirements rests with the licensee and evidence to support fulfillment of those requirements must be retained for a period of four years after the completion of educational courses.

Satisfaction of the requirements under II-B including the retention of attendance records and written outlines, may be accomplished as follows:

- A. In the case of courses taken for scholastic credit in accredited universities and colleges (state, community, or private) or high school districts, evidence of satisfactory completion of the course will be sufficient.

B. In all other instances, the licensee must maintain an outline and evidence of attendance. In the case of non-credit courses taken in educational institutions, a signed statement of the hours of attendance must be obtained from the instructor.

5. Verification

The board will verify on a test basis, information submitted by licensees. If an application for license renewal is not approved the applicant will be so notified and he may be granted a period of time by the board in which to correct the deficiencies noted.

6. Reciprocity

An individual, who holds a valid and unrevoked certified public accountant certificate issued by any state or other political subdivision of the United States, or comparable certificate or degree issued by any foreign country, and who receives a license to practice in this State under the appropriate provisions of this Act, will be required to comply with the continuing education requirement on a pro rata basis when his license is next renewed and each succeeding three year period thereafter.

7. Reentry to public practice

Licensees reentering public practice from areas as private industry, government or education or who otherwise have been excepted from the provisions of the continuing education requirement shall notify the board upon reentry and will be required to comply with the continuing education requirement on a pro

rate basis when his license is next renewed and each succeeding three year period thereafter.

8. License renewal

To renew an unexpired license, a certificate holder or registrant shall, before the time at which the license would otherwise expire, apply for renewal on a form prescribed by the board, pay the renewal fee prescribed and give evidence to the board that he has complied with the continuing education provisions.

