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Education

Mandatory Continuing Education

How Do State Accounting Societies View This Requirement?

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Historically, state accounting societies have been providers of high quality continuing professional education (CPE) for CPAs. The experience of state accounting societies in both mandatory and voluntary CPE should reveal much about the efficacy of mandatory continuing education (MCE) requirements for CPAs.

MCE for accountants is now widespread in the United States, with 46 states having some form of mandatory requirement. Advocates of MCE have long argued that *mandatory* requirements will (1) raise the professional competence of accountants, (2) help avoid governmental intervention in the profession, and (3) improve the public image of the profession.

Opponents of mandatory requirements counter that: (1) MCE has had little positive effect because CPAs who received good training in the past continue to work to improve competence while inadequately trained CPAs meet state requirements in the easiest way possible and do little to further their professional competence; (2) there is little, if any, evidence that mandatory as opposed to voluntary professional education is more effective; (3) the administration of MCE requirements is expensive both for state boards and the accountants subject to the requirements; and (4) having fulfilled the requirements, CPAs have little or

no defense against professional malpractice claims.

Although the jury is not in yet regarding the costs and benefits of mandatory requirements, CPAs, boards, and state societies have now had several years of experience with the requirements. CPAs are aware that a much larger number and variety of CPE providers have now entered the arena in response to the demand created by mandatory requirements. CPAs also are aware that difficulty in defining exactly what CPE is has resulted in at least some CPE activities of little professional merit being allowed to meet mandatory requirements.

60 percent of the respondents indicated that the quality of CPE increased since MCE was required in their state.

With this background in perspective, a survey regarding MCE was mailed to the directors of the state societies of accountancy in each of the 46 states with a mandatory requirement. Twenty-eight of these 46 states responded, providing a response rate of over 60 percent. Sev-

eral additional responses were not included in the data analysis because the state's mandatory requirement had been in effect for only a short period of time or because, in one instance, the requirement was a state society rather than a state board requirement.

The questionnaire was divided into the following five areas:

1. questions on the background of the respondents
2. questions regarding the possible effect of the states' MCE requirement on the quality of CPE
3. questions regarding providers of CPE
4. questions regarding use of the American Institute of CPAs' national curriculum
5. questions calling for a written response on the results of the move from voluntary to mandatory continuing professional education.

Results of the Survey

The results of the survey, divided into the five areas, are as follows:

AREA 1: Questions on the professional background of the respondents. Seventy percent of those responding held the position of executive director of their state society. The remaining respondents were CPE coordinators, directors of CPE, or held an equivalent position. Furthermore, more than one-half of the respondents had ten or more years' experience in the accounting field. Thus, the respondents have a professional background in MCE in accounting.

AREA 2: Questions regarding the possible effect of the states' MCE requirement on the quality of CPE. It may be reasonable to assume that before MCE was required, market demand helped ensure that only "quality" CPE would survive in the marketplace. Accountants had little reason to take low-quality CPE courses. Now, with MCE requirements in effect, accountants may have an additional reason to take CPE courses — to fulfill a mandatory requirement. This need to meet mandatory requirements could result in low quality CPE courses remaining in the marketplace. However, 60 percent of the respondents indicated that the quality of CPE increased since MCE was required

in their state. This increase in quality, which occurred during a corresponding increase in the quantity of CPE offerings, may be a result of the state societies providing a better quality product in response to increased competition among CPE providers.

In regard to who should monitor MCE requirements and the quality of allowed MCE credit, 85 percent of the respondents indicated that monitoring should be done by the state boards of accountancy.

All of the respondents indicated that MCE had widespread "legitimacy" from the perspective of their state's CPAs. Thirty percent of the respondents thought that this legitimacy would increase while less than 10 percent thought that it would decrease. Nearly 90 percent of the respondents felt that their state should not change the number of MCE hours required. These results indicate that the states will retain their MCE requirements at about the current level.

In regard to who should monitor MCE requirements and the quality of allowed MCE credit, 85 percent* of the respondents indicated that monitoring should be done by the state boards of accountancy. Other frequent choices were state accounting professional organizations (36 percent*) and a national organization such as the AICPA (29 percent*).

In regard to funding for monitoring MCE requirements, over 60 percent of the respondents indicated that this should come from CPA license fees. Other choices selected were provider fees and tuition charges on MCE courses.

*These responses will not total 100 percent because respondents could make more than one choice.

Sixty-five percent of the respondents indicated that the *quality* of MCE should be controlled by monitoring providers of MCE. Only 17 percent indicated that the quality of MCE should be controlled by monitoring what is allowed MCE credit.

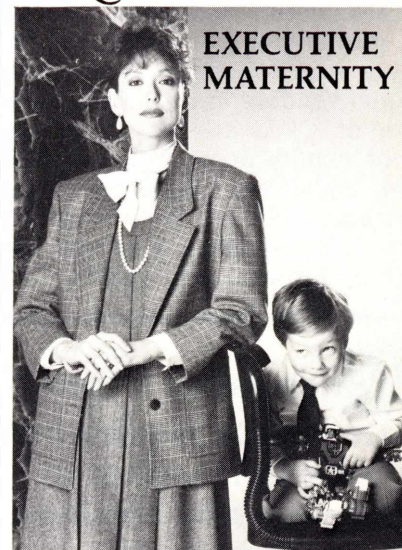
An issue closely related to the quality of MCE is *what* should be allowed MCE credit. MCE is often described as a learning experience which contributes to the professional competence of the licensee. Definitions which are this broad are difficult to administer and inevitably give rise to horror stories regarding what, under particular circumstances, is allowed MCE credit. When asked if their state *should* more closely limit what it allows as MCE credit, approximately 60 percent of the respondents indicated that tighter controls were needed. Over 80 percent of the respondents indicated that there should be a limit on the number of MCE hours accepted from certain areas of study, such as personal development. When asked if their state should require all CPAs to complete a minimum number of MCE hours in specified areas of study such as auditing or practice, well over one-half of the respondents answered in the affirmative. Depending on the particular area, between one-fourth and one-third of the respondents indicated that there *should* be limits on the amount of MCE credit accepted from the following:

- In-house training
- Discussion leader
- Accounting professional meetings
- Video
- Cassette
- Self-study
- Magazine exams

A number of respondents suggested that there should be no credit allowed for magazine exams.

These results suggest that those providing CPE at the state society level believe that their respective state boards of accounting should place at least some additional restrictions on what is allowed MCE credit. As previously mentioned, professional education is frequently defined as "that which contributes to the professional competence of the accountant." Practically any activity could be claimed as CPE credit under definitions of CPE such as this. Therefore, unless the states further

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restrict what is allowed as CPE credit, the requirements may be abused to such an extent that a number of states will discontinue their mandatory requirements. However, in suggesting tighter restrictions on what is allowed MCE credit, we should keep in mind that 75 percent of the respondents indicated that their state should have the same MCE requirement for accountants in industry, public practice and government. Furthermore, 55 percent of the respondents indicated that a minimum number of hours be required in the areas of industrial, public and governmental accounting. With this in mind, possibly all CPAs should be required to take a minimum number of hours (such as 15-20) in the accounting, auditing and tax areas.

CPAs are the losers when poor quality products are offered.

It is encouraging to note that when asked if market demand would result in high-quality CPE offerings, over 85 percent of the respondents answered in the affirmative. However, it should not be overlooked that there are now many non-professional vendors in the CPE provider market. CPAs are the losers when poor quality products are offered. But, as several respondents suggested, CPAs are becoming more sophisticated and are turning back to their profession for quality CPE.

When asked if their state should require that a minimum number of MCE hours be obtained from professional provider groups such as the AICPA or their state society, less than 20 percent of the respondents indicated that such a requirement was desirable.

AREA 3: Questions regarding providers of MCE. As MCE requirements have become more widespread, the number and variety of those providing CPE has increased dramatically. In addition to traditional suppliers of CPE such as the AICPA and state societies, we now have stockbrokers, insurance salesmen, real estate salesmen, bankers and numerous other parties providing CPE. This increased number and variety of suppliers have made it more difficult to ascertain and control the quality of CPE. As earlier discussed, 65 percent of the respondents indicated that providers of CPE should be regulated as a means of insuring high-quality CPE. Thirty percent of the respondents indicated that providers of CPE are required to register with their state board of accountancy before providing CPE. At the same time, 90 percent of the respondents indicated that their state did allow MCE credit from providers who had not registered in advance. Although only one respondent indi-

cated that providers of CPE *must* be "accredited," approximately one-half of the respondents indicated that providers of CPE *should* be accredited. These results are interpreted to mean that there will be additional regulation of providers in the future. Perhaps the state boards of accountancy should require that providers of CPE be registered and that they pay a one-time registration fee of \$100. This would have the effect of limiting the number of providers who are perhaps less qualified to offer CPE. When asked if their state should require that a minimum number of MCE hours be obtained from professional provider groups such as the AICPA or their state society, less than 20 percent of the respondents indicated that such a requirement was desirable. Thus, changes such as this do not appear likely.

AREA 4: Questions regarding use of the American Institute of CPAs' National Curriculum. Although only two of the respondents indicated that, in their state, providers of CPE were required to submit or prepare their offerings in the format developed by the AICPA, one-half of the respondents indicated that their state *should* require that the format be used. Since the national curriculum is still being developed, it is not surprising that the respondents indicated that the respondents of MCE need to be significantly more familiar with the curriculum in order to benefit from it. As time progresses and the curriculum becomes more widely known, the curriculum is expected to be far more widely used by CPAs and their state boards.

Use of the national curriculum developed by the AICPA could possibly provide an ideal format for state board officials to evaluate the legitimacy of CPE credit claimed. CPAs can benefit from use of the curriculum by being in a position to better plan and select CPE offerings appropriate to their career paths and unique needs.

Perhaps the state boards should require the use of the AICPA's suggested curriculum in the areas of accounting, auditing and tax. This would allow the states to better evaluate how much MCE credit should be granted for particular events.

AREA 5: Questions calling for a written response. In response to the

question, "In your opinion, what has been the result of the move from voluntary to mandatory continuing professional education?" the comments received were generally positive. The following comments were offered as benefits of a *mandatory* requirement:

"More interest and attendance in CPE program,"

"greater awareness of changes in the field programs," and

"a forcing of marginal accountants to be at least minimally exposed to current standards."

In response to the question, "In your opinion, what changes do you feel *should* be made in your state's MCE requirement?" the following suggestions were made:

"Tighter controls on the quality of programs,"

"disallowing soft courses and monitoring more closely what is allowed CPE credit,"

"clearer definitions of what is acceptable for MCE credit and stricter standards for and better defined criteria for CPE provided by those developers not in the accounting professions," and

"an equitable method to disallow 'soft' courses."

These comments may indicate that state boards of accountancy need to develop stricter definitions regarding what is allowed MCE and to limit the acceptance of "soft" courses.

Use of the national curriculum developed by the AICPA could possibly provide an ideal format for state board officials to evaluate the legitimacy of CPE credit claimed.

Conclusions

Those at the state society level in states with mandatory requirements have had a generally favorable experience with the mandatory requirements. As a result of the requirements, there are now many more vendors offering a much broader

variety of CPE topics. As state boards of accountancy gain experience in administering mandatory requirements, they are undoubtedly clarifying and improving their MCE requirements.

The state societies indicate that the issues of allowed CPE credit and the quality of that credit need to be addressed by the state boards of accountancy. Limits need to be placed on the amount of credit allowed for "soft" CPE courses such as personal development. Also, the results of this survey indicate that the quality of CPE should be monitored by evaluating providers of CPE rather than evaluating what is allowed CPE credit. In order to further improve continuing professional education for accountants, it may be necessary that the state boards of accountancy more closely limit what is allowed CPE credit. Also, the state boards may need to begin implementing the AICPA's national curriculum format and perhaps put at least some controls on providers of CPE. Further research regarding the effectiveness of mandatory, as opposed to voluntary, CPE is needed.

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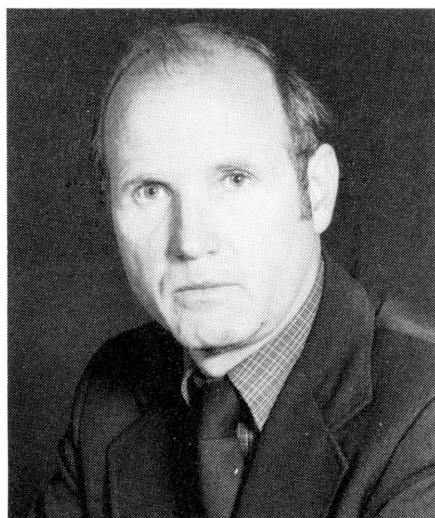
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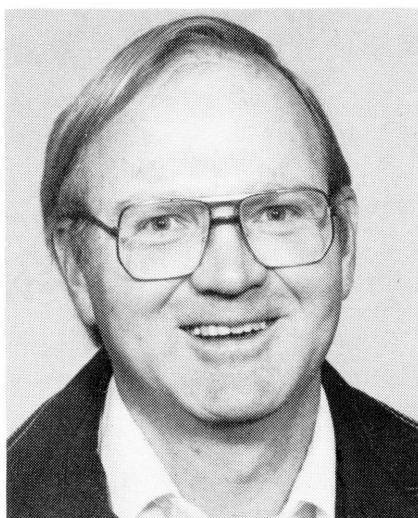
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