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August 31, 2020

J. Coalter Baker, Chair – NASBA Uniform Accountancy Act Committee
150 Fourth Avenue North, Suite 700
Nashville, TN 37219-2417

Re: Proposed Revisions to the Uniform Accountancy Act's Model Rules

Dear Mr. Baker:

The Center for Audit Quality (CAQ) is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high-quality performance by public company auditors; convenes and collaborates with other stakeholders to advance the discussion of critical issues that require action and intervention; and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs (AICPA). This letter represents the observations of the CAQ but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

The CAQ appreciates the opportunity to share our views and provide input on the Uniform Accountancy Act's (UAA) Model Rules that pertain to education. As noted in the NASBA UAA Committee cover letter, these proposed revisions were developed with input from the AICPA/NASBA CPA Evolution Initiative. Although the CAQ is not involved in the AICPA/NASBA CPA Evolution Initiative, the CAQ supports its successful implementation. Specifically, the CAQ supports the necessary adaptation to technological and analytical expertise needed to continue to enhance audit quality and expanding subject-matter content to include data analytics, digital acumen and other technology focused content. The CAQ believes these changes are necessary to keep pace with the rapidly changing business landscape.

While generally supportive of the proposed changes to the UAA model rules and the AICPA/NASBA's CPA Evolution, the CAQ believes more needs to be done to address the impact of existing CPA licensure requirements – specifically the costs associated with these requirements – on the accessibility of the audit profession, particularly to underserved and underrepresented talent. In addition to the CPA Evolution Initiative, the CAQ believes two catalysts strongly support the need to examine these issues at this time:



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- As a result of recent events in the US, an accelerated commitment for the audit profession, where feasible, to develop real, sustainable solutions to help close race-based opportunity gaps. The CAQ and audit profession have long held a steadfast commitment to increasing the diversity in its talent pipeline – a view that we know is also shared by the AICPA and NASBA. Despite this commitment, however, the problem persists. For example, in the [2019 AICPA Trends Report](#), Black/African American enrollment in bachelor’s and master’s of accounting programs has decreased over time, from 11% in 2006, to 9% in 2018; and Black/African American bachelor’s and master’s of accounting graduates has decreased from 7% in 2006 to 6% in 2018. While there have been increases in some other underrepresented demographics, these changes have been limited.
- The COVID-19 pandemic has expedited revolutionary changes in the ways in which students obtain education and experience through expanded virtual and online methods. While many colleges and universities have increased the availability of online and virtual offerings in recent years, COVID-19 has necessitated these changes and, in some cases, required an entirely virtual environment. Public company audit firms have quickly adopted to this changed environment, in many cases shifting to 100% work from home, including internship programs, and eliminating all travel.

The CAQ believes changes to improve the accessibility and affordability of the education and experience requirements for CPA licensure can meet both objectives: allowing for greater flexibility¹ and cost-effective options in meeting CPA education requirements, while leveling the playing field and increasing diversity in the profession’s talent pipeline.

Accordingly, at the direction of the CAQ Governing Board, the CAQ has established a formal working group to explore, discuss and recommend changes to improve the accessibility and affordability of CPA licensure, focusing on the education *and* experience requirements to CPA licensure.² The CAQ intends for these efforts to complement and proceed simultaneously with the successful implementation of the AICPA/NASBA CPA Evolution Initiative.

The CAQ has reviewed the proposed UAA Model Rule changes through the lens of the objectives set forth above (as applicable) – improving the accessibility and affordability of the profession, particularly to underrepresented and underserved talent. We are generally supportive of the proposed revisions and

¹ Greater flexibility for individuals seeking CPA licensure is consistent with one of the underlying goals of CPA Evolution.

² As of the date of this letter, the working group consists of representatives from the following: (i) the CAQ’s eight Governing Board member firms; (ii) CPA State Society CEOs; (iii) academia; (iv) the National Society of Black CPAs; (v) NASBA; and (vi) AICPA designated representatives. We envision the stakeholders involved in the working group may change over time depending on the recommendations of the group.



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offer the following specific comments for the UAA’s consideration (italicized language comes directly from the NASBA UAA Committee’s cover letter summarizing the changes to the Model Rules):

1. *A revision is being proposed to Rule 5-1 that would remove the requirement that an accounting program must be recognized by the Council for Higher Education Accreditation (CHEA); instead the program must be recognized by the Board of Accountancy. Only a few States have adopted the language in the current Model Rules that calls for CHEA recognition. Many excellent accounting programs are recognized by the Association to Advance Collegiate Schools of Business-International (AACSB), which is no longer listed by CHEA. This issue arises again in Rule 5-2 (d)(7).*

CAQ Comments/Suggestions: Schools may choose to drop accreditation, accrediting agencies may cease to operate, or students may choose to attend unaccredited schools for personal/financial reasons. Allowing State Boards more flexibility in accepting coursework from unaccredited schools should allow students more flexibility in planning their academic path.

The CAQ generally supports this revision and values State Boards’ discretion over their educational standards, as it is believed this change will allow for greater flexibility and potential cost reductions for students in allowing for greater optionality. Revisions that allow for greater flexibility, while reducing costs, are aligned with the CAQ’s overall goals in this regard. However, the CAQ notes the importance of maintaining uniformity of these standards across all State Boards.

2. *Rule 5-2(a) has proposed additions of developing skills in “critical thinking” and “professional skepticism,” as has been advocated by accounting educators worldwide.*

CAQ Comments/Suggestions: The CAQ supports this revision as it believes strong critical thinking skills and professional skepticism are key in building the public’s trust and confidence in the reasonableness of judgments made by CPAs. The development of these skills should be embedded in education.

3. *Consistent with the proposed revised model of the Uniform CPA Examination, establish required accounting content that is core to the accounting profession as defined in Rule 5-2(d)(2).*

CAQ Comments/Suggestions: The CAQ supports expanding the subject matter content areas found in Rule 5-2(d)(2) to include data analytics and related courses, while allowing the flexibility for such courses to be taken in a college or university program that is outside of the business school. The CAQ believes these changes demonstrate that the profession values the increasing role technology, particularly data analytics, is playing in the profession, and ultimately will serve it in maintaining high audit quality.

Furthermore, the CAQ believes allowing courses offered outside of a business school to satisfy part of the education requirement should provide higher education institutions the flexibility to offer this content to their accounting program students.



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4. *Pre-approval of internship programs and independent study is being advised in proposed Rule 5-1 (f) and (g), to help ensure students receive valuable educational experiences.*

CAQ Comments/Suggestions: The CAQ believes pre-approval is important; however, the process for the approval should be both efficient and transparent for students.

5. *Boards are being urged to complete transcript reviews in Rule 5-2(c), as accrediting organizations are focused on the overall quality of educational institutions, and not verifying that the content of the accounting programs meets Boards of Accountancy licensing requirements. The issue of coverage is also raised in Rule 5-2(d)(6).*

CAQ Comments/Suggestions: The CAQ believes if State Boards are being urged to conduct transcript reviews to determine acceptable coursework rather than relying on specific accreditations, it becomes extremely important that NASBA and State Boards provide students with a clear understanding of how they can achieve their education requirements for CPA licensure. This should prevent students from incurring unnecessary costs and time on coursework that could be determined to be unacceptable. The CAQ also urges NASBA to consider further revising the UAA Model Rules to offer advance determination to students, so they are able to make deliberate course selections.

In addition, the CAQ believes State Boards need to do all that is possible to provide increased transparency to students about their education requirements, particularly universities/colleges that are accepted, programs that are accepted, etc. The CAQ offers the [California Board of Accountancy](#) as a leading example in providing transparency about approved programs and courses.

6. *Changes to align requirements among states and to add data analytics and related courses to basic subject matter to be covered are found in Rule 5-2(d). Also in Rule 5-2(d), you will note reference to areas “included in the Uniform CPA Examination Blueprints” to allow for updating topics as needed.*

CAQ Comments/Suggestions: The CAQ believes expansion of Rule 5-2(d) to reference other areas in the Uniform CPA Examination Blueprints will allow State Boards to consider and evaluate education requirements related to accounting content as new topics are incorporated into the CPA exam without having to update state accountancy statutes and regulations. The CAQ supports this change and believes it would align well with the intention of the CPA Evolution Initiative in recognizing the rapidly changing skills and competencies the practice of accounting requires today and will require in the future.



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7. *To cover situations where pertinent courses are not being offered inside the business school, but are available in another college or university program, changes (mainly the removal of reliance on “content and delivery methods”) are being suggested to Rules 5-2(c) and (d).*

CAQ Comments/Suggestions: The CAQ believes more clarity is needed on the intent of this revision, as this change removes State Board reliance on accreditation for “content and delivery methods” and specifically for removing reliance on “delivery methods” from accreditation.

The removal of “delivery methods” allows State Boards to place less reliance on the delivery method of courses that accreditations accept. However, the CAQ believes that this change could also enable a State Board to more easily reject a CPA candidate’s education solely on the basis that the courses were taken virtually, for example. This would be counter to the CAQ’s focus on accessibility and affordability of the profession under existing CPA requirements. In addition, we believe that restrictions on delivery methods of education could be detrimental to the CPA pipeline and cause confusion for students.

If the intent of this revision is in fact to allow more methods of how education is delivered, then the CAQ views this as a positive change. As we have noted above, in light of the COVID-19 pandemic, the world is shifting to a virtual environment.

8. *Currently, states have rules that permit three, or six, or an undetermined number of credits to be earned through internships and independent study. Changes are being proposed to Rule 5-2 (d)(7) to set the maximum number at nine credits and describe the content. This can help with education costs and add flexibility to the curriculum.*

CAQ Comments/Suggestions: The CAQ believes that meaningful hands-on internship type experiences have proven to be extremely educational in preparing CPA candidates for practice. Greater flexibility should be allowed in the experience that counts toward credit. Specifically, the CAQ advocates for allowing for education credit to be given through internship, apprenticeship or work experience, in addition to allowing for lower cost alternatives to obtaining education through online learning and/or virtual platforms.

On this point, it is also worth referencing the joint NASBA/AICPA International Qualifications Appraisal Board (IQAB),³ responsible for assessing the credentialing standards of other countries. In allowing for reciprocal credentialing between countries, the IQAB determines if a Mutual Recognition Agreement (MRA) can be reached by evaluating whether a foreign country’s credentialing standards are “substantially equivalent” to the education, examination and experience requirements for licensure as a CPA in the US. For some countries that do not require 150 hours of education for CPA licensure, but do require apprenticeship, the IQAB has deemed the combined education and apprenticeship requirements to be

³ <https://nasba.org/international/mra/>

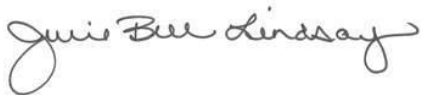
substantially equivalent in meeting the US 150-hour requirement. The CAQ believes similar flexibilities offered to achieve reciprocal credentialing could be applied toward internship programs and/or work experience.

With respect to the number of qualifying internship hours/independent study, the CAQ appreciates the stated intent of this proposed change “to help with education costs and add flexibility to the curriculum.” However, the CAQ believes this change, as proposed, requires additional scrutiny from the lens of potential underserved and underrepresented talent. The CAQ does not see how the current proposed changes to Rule 5-2(d)(7) would alleviate the burden on these students, who would still be required to pay tuition for the intern/study hours in exchange for academic credit. In addition, the CAQ does not believe that this proposed change allows for greater flexibility as any approval of intern/study hours would need approval by each university, thus not allowing for uniformity in application and thereby dampening the intended flexibility.

In short, the CAQ does not believe the proposed change in the number of internship/study hours goes far enough in allowing for greater flexibility, accessibility and/or affordability of CPA licensure, particularly for the underrepresented and underserved. For this intended change to have any impact on CPA licensure accessibility and affordability, the CAQ believes that both the types of internship experiences and the number of hours of such experience counting towards CPA licensure should be increased.

We appreciate the opportunity to comment on the proposal. As the Board and Staff gather feedback from other interested parties, we would be pleased to discuss our comments or answer any questions regarding the views expressed in this letter. Please address questions to Liz Barentzen (lbarentzen@thecaq.org) or Julie Bell Lindsay (jbelllindsay@thecaq.org).

Sincerely,



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