

LIST OF PRACTICE ANALYSIS RESPONDENTS

RESPONDENT REPORT CATEGORY	RESPONDENT NAME
Firms	Allen, Gibbs & Houlik, L.C.
Firms	Baker Tilly
Firms	BKD
Firms	Blum, Shapiro & CO.
Firms	Boyer & Ritter, LLC
Firms	CLA
Firms	Crowe
Firms	Deloitte
Firms	Eide Bailly
Firms	Grant Thornton
Firms	Heinfeld, Meech & CO.
Firms	Horton McNulty & Saeteurn
Firms	Lauterbach & Amen, LLP
Firms	Mauldin & Jenkins
Firms	Melanson Heath
Firms	PwC
Firms	RFH
Firms	Rubin Brown
Firms	Scott S. Perry, CPA PLLC
Government	Alabama Association of School Business Officials
Government	Auditor General - State of Florida
Government	Baltimore County Public Schools
Government	California State Controllers
Government	City of Brookfield, Wisconsin
Government	City of Charlottesville, Virginia
Government	City of Cibolo, Texas
Government	City of La Puente, California
Government	City of Leavenworth, Kansas
Government	City of Lynwood, California
Government	City of Reedley, California
Government	City of San Jose, California
Government	City of Springdale, Arkansas
Government	Clackamas County, Oregon, Department of Finance
Government	Colorado Office of the State Auditor
Government	Coachella Valley Water District, California
Government	County of Santa Barbara, California, Auditor-Controller's Office
Government	County of Amador, California
Government	County of Sonoma, California
Government	Cugamonga Valley Water District, California
Government	David Douglas School District, Oregon
Government	Indiana State Board of Accounts
Government	Michigan Office of the Auditor General
Government	Napa County, California
Government	North East Independent School District, Texas
Government	Office of the District of Columbia Auditor
Government	Ohio Auditor of State
Government	Orange County, California, Auditor-Controller
Government	San Bernardino County, California, Employees' Retirement Association
Government	San Mateo County, California
Government	Santa Clarita Valley Water Agency, California
Government	State and Local Government Finance Division within the North Carolina Department of State Treasurer
Government	State of Illinois Office of the Auditor General
Government	Tennessee Department of Audit, Division of State Audit
Government	Tennessee Comptroller of the Treasury, Division of Local Government Audit
Government	Town of Blacksburg, Virginia
Government	City of Tustin, California
Government	Washington State Auditor
Government	West Virginia State Treasurer's Office
Government	Yuba County, California, Auditor-Controller
Individuals	Achu Nyindem
Individuals	Alan Styles
Individuals	Amanda Beck
Individuals	Amber McGhinnis

Individuals	Amy Holmes
Individuals	Andrea Russell
Individuals	Andrew Crockett
Individuals	Anka Kondraska
Individuals	Bernie Rosenstein
Individuals	Bill Stone
Individuals	Billy Morehead
Individuals	Billy Little
Individuals	Brad DeLauder
Individuals	Brian Hemmerle
Individuals	Brian Wolf
Individuals	Brigid Okyere
Individuals	Buffy Bullis
Individuals	Carolyn Miles
Individuals	Casey Kopcho
Individuals	Chrystal Brooks
Individuals	Cindy Vance
Individuals	Mary Claire Chase
Individuals	Curtis Bagley
Individuals	Cynthia Freeman
Individuals	Danny Coyle
Individuals	David Harvey
Individuals	Dean Michael Mead
Individuals	Diane Allison
Individuals	Domenic Savini
Individuals	Donna Lee
Individuals	Elsa Watts
Individuals	Enrique Mendoza
Individuals	Erica Brown
Individuals	Erick Cheung
Individuals	Frank Liu
Individuals	James Carson
Individuals	James Volpi
Individuals	Jay Poole
Individuals	JC Squires
Individuals	Jenifer West
Individuals	Jerri Norton
Individuals	Joanne Prakash
Individuals	John Gross
Individuals	John Troyer
Individuals	Joy Black
Individuals	Justin Gutierrez
Individuals	Karen Chang
Individuals	Kari Dunlap
Individuals	Karl Kacir
Individuals	K. Bac
Individuals	Kelly Diaz
Individuals	Kelly Gooderham
Individuals	Kelly Crosby
Individuals	Khara Durden
Individuals	Kimberly Trinkle
Individuals	Ko Tang Cha-Moses
Individuals	Kyle Sutherland
Individuals	Lance Sehorn
Individuals	Lauren Roberts
Individuals	Lisa Monteiro
Individuals	Lisa Valentine
Individuals	Lita McHugh
Individuals	Lori DePies
Individuals	Mark Thalacker
Individuals	Matthew Hornby
Individuals	Michael Steinhaus
Individuals	Michael Stout
Individuals	Patrick Kelly
Individuals	Paul Sampietro
Individuals	Paula Hodges
Individuals	Philip Diamond
Individuals	Philip Molina
Individuals	Randy Kinnersley
Individuals	Rebecca Foote

Individuals	Richard Hill
Individuals	Rita Trainor
Individuals	Robert Mitchell
Individuals	Shane Ellis
Individuals	Stacy Albert
Individuals	Stephen Terry
Individuals	Stephen Gilligan
Individuals	Steven Giovinelli
Individuals	Susan Keller
Individuals	Suzanne Lowensohn
Individuals	Tammy Waymire
Individuals	Terry Patton
Individuals	Tim Seufert (NBS)
Individuals	Tyson Beck
Individuals	Wei Cao
Organizations	American Accounting Association (AAA) - Government and Nonprofit (GNP) Section
Organizations	AGA - Association of Government Accountants
Organizations	Pennsylvania Association of School Business Officials
Organizations	Association of Local Government Auditors
Organizations	California State Association of County Auditors (CalSACA)
Organizations	California Society of Municipal Finance Officers (CSMFO)
Organizations	Florida Government Finance Officers Association (FGFOA)
Organizations	GFOA - Government Finance Officers Association
Organizations	National Association of State Auditors, Comptrollers and Treasurers (NASACT)
Organizations	Oregon Government Finance Officers Association
Organizations	Truth in Accounting
Organizations	Virginia Government Finance Officers Association
Regulators	Federal Accounting Standards Advisory Board (FASAB)
Regulators	U.S. Government Accountability Office (GAO)
Regulators	Governmental Accounting Standards Board (GASB)
Regulators	PCAOB
State Boards and State Societies	NASBA
State Boards and State Societies	Illinois Board of Examiners
State Boards and State Societies	Missouri State Board of Accountancy
State Boards and State Societies	New York State Board for Public Accountancy
State Boards and State Societies	Oklahoma State Board of Accountancy
State Boards and State Societies	South Dakota Board of Accountancy
State Boards and State Societies	Texas State Board of Public Accountancy
State Boards and State Societies	California Society of CPAs (CalCPA)
State Boards and State Societies	Connecticut Society of CPAs (CTCPA) - Governmental Accounting and Auditing Committee (GAAC)
State Boards and State Societies	Illinois CPA Society
State Boards and State Societies	Kentucky Society of CPAs
State Boards and State Societies	New Jersey Society of Certified Public Accountants (NJCPA) - Accounting and Auditing Standards Interest Group
State Boards and State Societies	New York State Society of CPAs
State Boards and State Societies	Pennsylvania Institute of Certified Public Accountants (PICPA)
Universities	Lansing Community College
Universities	Rutgers Business School
Universities	University of Illinois - Springfield

April 15, 2020

American Institute of Certified Public Accountants,

On behalf of Allen, Gibbs & Houlik, L.C., we thank the American Institute of Certified Public Accountants for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

AGH is not in agreement with this proposed change that results in a reduction, and ultimate elimination, of the coverage of accounting and financial reporting for state and local governments (SLG) in the CPA Exam, which is outlined in the ED/ITC. Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, our firm believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. As the Governmental Accounting Standards Board continues to issue multiple new standards each year, many SLGs are struggling to find qualified personnel to meet these very technical accounting and financial reporting standards.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. As a firm that provides assurance services to many SLGs, we have experienced this issue first-hand and strongly disagree with the potential removal of state and local government accounting content from the CPA exam.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions.

Respectfully,

ALLEN, GIBBS & HOULIK, L.C.



Paul S. Allen
Chief executive



April 30, 2020

Board of Examiners
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Baker Tilly Virchow Krause, LLP
205 N Michigan Ave, 28th Fl
Chicago, IL 60601-5927
United States of America

T: +1 (312) 729 8000
F: +1 (312) 729 8199

bakertilly.com

Via Email: practiceanalysis@aicpa.org

Re: Maintaining the Relevance of the Uniform CPA Examination Exposure Draft and Invitation to Comment

Dear Members of the Board of Examiners:

We appreciate the opportunity to comment on the exposure draft and invitation to comment referenced above. Our comments will be in the form of responses to the specific questions included in the exposure draft and invitation to comment.

A. Comments requested on the next version of the CPA Exam as defined in this ED.

- a. **Understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports have been identified as the three primary findings affected by technology and impacting the profession and nCPA practice. See further details on these findings in the Practice Analysis — Findings section of this document.**

1. **How do the findings align with the changes you see impacting nCPA practice? If the primary findings do not align with the changes you see impacting nCPA practice, please provide your view and explain your rationale.**

We believe that these findings align with the changes occurring in the profession.

- b. **The AUD and BEC section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. See changes 7, 8, 13, 23, 26, and 27. The PA findings support this more integrated approach to better assess the knowledge and skills required of nCPAs.**

These changes add, reorganize, and emphasize content. Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed. The proposed deletions and changes are also described in the Proposed Exam Changes section of this document.

- 2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).**

Except as noted below, we believe that the changes detailed in the Proposed Exam Changes section appear to be appropriate.

Proposed CPA Exam Changes 13 and 14 – While we believe that the audit evidence and audit data analytics topics referenced in proposed changes 13 and 14 include critical skills and knowledge for nCPAs, we caution the Board against overweighting these topics, particularly those related to audit data analytics. We believe that it is important for the Board to balance the score weightings assigned to these topics with the score weightings assigned to other equally important topics.

Proposed CPA Exam Change 31 – While we agree that the evaluation of going concern events and conditions from management’s perspective is generally not the responsibility of nCPAs, we believe that understanding going concern accounting and disclosure requirements should be considered critical knowledge for nCPAs, therefore, we believe that this topic should continue to be included on the CPA Exam.

- c. Technology constantly evolves and will continue to impact the work of nCPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.**
- 3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.**

We have not identified any such areas.

- 4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.**

We have not identified any such content.

B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

- a. The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.**

1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

Written and general communication skills are extremely important to nICPA's success. As indicated in the invitation to comment, these skills are also assessed through the education and experience CPA licensure requirements. In our opinion, removing the written communication question from the CPA Exam is unlikely to have a significant effect on the development of nICPAs communication skills. These skills require development and evaluation over a longer period of time than can be accomplished through the inclusion of a single CPA Exam question. We believe that it would be beneficial if the profession's focus on the development of these skills was increased, however, due to the limitations discussed in the invitation to comment, we agree with the Board that the CPA Exam may not be the best tool for accomplishing this goal.

b. Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nICPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.

2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

We believe that accounting for state and local governments should continue to be assessed on the CPA Exam. While the invitation to comment lists a number of factors as to why the Board believes that accounting for state and local governments should be considered for removal from the CPA Exam, we believe that these factors require a more in depth analysis than was provided for in the invitation to comment.

- o *A large majority of nICPAs are required to have very little or no knowledge of financial and reporting requirements for state and local governments.*

We believe that this is an unfair criteria with which to evaluate topics for inclusion in, or exclusion from, the CPA Exam. If you applied this standard to all of the topics included on the CPA Exam, many other topics in specialized areas would also need to be removed from the CPA Exam. For example, many nICPAs are required to have very little or no specialized tax knowledge (e.g. related to the taxation of gifts), however, that does not make those specialized tax topics any less valuable. We believe that the goal of CPA licensure should be to ensure that those earning the CPA designation are well-rounded professionals and that understanding the accounting for state and local governments is an important piece in the development of well-rounded nICPAs.

- o *Individuals assigned to work on state and local governments typically receive a significant amount of on-the-job training under the close supervision of individuals with specialized governmental knowledge and experience.*

We believe that this is another unfair criteria with which to evaluate topics for inclusion in, or exclusion from, the CPA Exam. As indicated in the background and introduction section of the exposure draft and invitation to comment, experience is a key component in the development of a nICPA. We believe that this is true regardless of the area of the profession that a nICPA decides to specialize in, therefore, we believe that it is unfair to use this criteria to conclude that accounting for state and local governments is somehow unique in this regard (i.e. that it requires more significant on-the-job training than other areas of the profession).

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- o *A CPA may pursue additional credentials or certifications that establish competency in governmental accounting.*

Many state and local governments have limited budgets and limited staffing. Margins for public accounting firms on governmental engagements are often lower than for other types of engagements forcing firms to be very cost conscious. It is not accurate to assume that nICPAs are, or will be, provided opportunities to pursue additional credentials or certifications in governmental accounting.

Instead of removing accounting for state and local governments from the CPA Exam, we believe that the Board should continue to refine the state and local governmental accounting content included on the exam, as it did with proposed CPA Exam changes 37 – 39 included in the exposure draft. We believe that by continuing to refine and focus the state and local governmental accounting content included on the CPA Exam on basic concepts and knowledge at the remembering and understanding skill level, instead of at the application skill level, the Board can increase the relevance of the state and local governmental accounting content included on the exam and help further the development of well-rounded CPAs.

We appreciate the opportunity to provide the above comments and are available for further discussion with the Board if that would be useful to the process. Should you wish to discuss any of these comments, please contact David Johnson, Professional Practice Group Partner, [REDACTED]

Sincerely,

A handwritten signature in cursive script that reads "Baker Tilly Virchow Krause, LLP".

BAKER TILLY VIRCHOW KRAUSE, LLP
David Johnson, Professional Practice Group Partner

April 29, 2020

Via email: practiceanalysis@aicpa.org

Dear AICPA Board of Examiners:

BKD, LLP (BKD) appreciates this opportunity to comment on the American Institute of Certified Public Accountants' (AICPA's) exposure draft and invitation to comment on Maintaining the Relevance of the Uniform CPA Examination®.

BKD is a national CPA and advisory firm with 40 offices in 18 states. BKD and its subsidiaries offer accounting, auditing, other assurance, tax, risk management, technology and forensic valuation services.

General Comments

We support the AICPA's Board of Examiners' ongoing efforts to maintain the validity, reliability and relevance of the Uniform CPA Examination® (CPA Exam). The primary findings of the practice analysis, that are outlined within the Exposure Draft, are in alignment with changes that we see impacting the newly licensed CPAs practice. We are not aware of any other significant areas affected by technology that are not already considered within this practice analysis, and we are not aware of any significant additional content that should be removed from the CPA Exam at this time. We would like to provide further feedback on the Invitation to Comment related to this practice analysis.

Thank you for the opportunity to comment. Our responses to the Invitation to Comment are included in Appendix A. If we can provide additional material or perspective on this issue, please contact Doug Bennett [REDACTED].

Sincerely,

BKD, LLP

BKD, LLP

Appendix A

Invitation to Comment

BEC – Essay Question (Written Communication): Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

Disagree. We believe that the importance of written communication within the profession and the frequency in which newly licensed CPAs will be responding to questions and prompts via written communication, in combination, outweigh the factors in favor of removing the written communication question format from the CPA Exam. We agree with responses received to the 2014 Invitation to Comment and the current PA research that the written communication would ideally measure more than just writing ability, *i.e.*, content knowledge, judgment and skepticism, but understand the reasons included within the Invitation to Comment for why the additional measure is not feasible, and still believe the written communication format should remain in the CPA Exam.

FAR – Accounting for State and Local Governments: Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

No. We are in agreement that given the specialized nature of the content assessed in FAR Area IV, State and Local Governments, and the limited or non-applicability to a large majority of newly licensed CPAs, in combination, support the removal of this specialized content from the FAR section of the CPA Exam.

April 30, 2020

American Institute of Certified Public Accountants

Re: American Institute of Certified Public Accountants (AICPA) Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment

Blum, Shapiro & Company, P.C. (blum) appreciates the opportunity to comment on the AICPA's Exposure Draft and Invitation to Comment on maintaining the relevance of the uniform CPA examinations. blum has served as auditors for municipal and quasi-government organizations for many years, and our current client base consists of over 55 towns, cities and school districts across the Northeast. We currently audit 5 of the top 10 municipalities in New England. Our extensive experience with auditing state and local governments uniquely positions us to respond to the following topic:

Given the consideration in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam?

blum opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination (CPA Exam), with the following considerations:

- Learning accounting and financial reporting in government and not-for-profit sectors reinforces student understanding of accounting for for-profit entities and builds critical thinking skills. The uniqueness of the industry and specialized regulations, the size of the government sector in the US economy and the interactions it continues to have on the commercial sectors will allow the newly licensed CPA a well-rounded view not only of all accounting concepts within the profession but of the business world and citizenship as well.
- Our firm currently has over 70 employees working in our government industry group at all levels. If this subject material is removed from the CPA Exam, schools will most likely reduce the curriculum in government and therefore young professionals would not learn valuable insight into this field to serve these types of clients. If the change is made, newly licensed CPAs will require even more training as they will not have a core curriculum on which to build when entering the workforce. The education of the staff would solely fall to each firm and result in increased training costs to public accounting firms.
- There are tens of thousands of state, municipal and quasi-government organizations in the United States. Removal of governmental topics from the CPA Exam and thus reducing the education surrounding government will only reduce the number of qualified accountants and auditors in this industry. Fewer firms will have this expertise, which would increase the burden to perform these audits and the risk that interruptions in service may occur for matters critical to the public interest.

- Governmental audit quality has been a major concern to the AICPA, GAO, and the accounting profession. The marginalization of governmental knowledge will likely refuel issues of audit quality. The quality of government audits is of utmost importance as these entities manage our public funds. We need well trained auditors to protect the public interest and that starts right out of school.
- The institutional knowledge of our current finance directors and accounting staff within state and local governments is dwindling as they continue toward retirement age. We need properly trained and educated CPAs working for this sector and auditing this sector. Eliminating this subject matter from the CPA Exam and a reduction in college curriculums just ignores a legitimate career path into the government sector which is not in keeping with the public interest.

The need for newly licensed CPAs to learn accounting and reporting for these sectors is paramount to this industry and the future public interest.

Thank you, again, for the opportunity to comment on this proposal. If you have any further questions, please feel free to contact Leslie Zoll [REDACTED] or Nikoleta McTigue [REDACTED].

Sincerely,

Blum, Shapiro & Company, P.C.

Blum, Shapiro & Company, P.C.

April 29, 2020

CPA Exam Practice Analysis
American Institute of Certified Public Accountants
1455 Pennsylvania Ave., NW
Washington, DC 20004-1081

On behalf of Boyer and Ritter LLC, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC) dated December 2019.

Boyer and Ritter LLC is a regional accounting firm located in Central Pennsylvania. Our firm provides auditing and accounting services to numerous governmental entities including state agencies, school districts, counties, and local municipalities. Our firm is committed to providing high quality services to assist our clients in their pursuit of success. For our governmental clients, this means accountability and transparency.

Boyer and Ritter has reviewed the Exposure draft and opposes any reduction or removal of state and local government accounting content from the CPA Exam as described in the ITC section of the Exposure Draft. The following rationale is provided to support this opposition:

- Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not consider the significant number of accountants employed by State and Local Governments or the reliance that the public tax-exempt securities markets have on the CPAs who generate and opine on the financial statements of State and Local Government. According to the 2012 Census, there were 89,004 local governments in the US. Many of these employ accountants to accurately maintain and report their accounting information. Often these entities are seeking individuals with a Certified Public Accountant license to ensure they are hiring individuals with the knowledge and skills to meet the demands of the position. Without this basic skill set, state and local governments may be left to the possibility of hiring individuals without the knowledge to accurately account for public funds which will have a negative impact on the entity, the community, and the taxpayers.

- Accountants employed by state and local governments should be able to prepare GAAP compliant financial statements, and provide informed, data-driven guidance to their governing Boards and constituents. Many State and Local Governments are already over reliant on auditors to assist in the preparation of financial statements. We believe reducing emphasis of governmental accounting in the exam reduces the number of accountants with basic governmental accounting knowledge, these entities rely more heavily on auditors for financial statement preparation which increases the potential to impair auditor independence.
- Without a focus on State and Local Government accounting on the exam, it may be more difficult to encourage new accountants employed by public accounting firms to develop an interest in Governmental auditing.
- Eliminating State and Local Government accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to Governmental accounting, further diminishing necessary expertise from the workforce. During recent years, we have already noted a decreased emphasis on governmental accounting in college and university curriculums.

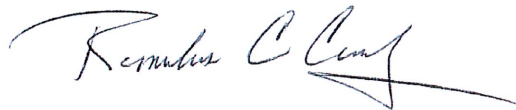
As a profession, we should support the increasing public expectations of transparency and accountability by our state and local governmental organizations for their expenditures, reporting, and compliance with laws and regulations.

Thank you, again, for the opportunity to comment on this proposal. I would be happy to respond to any questions you may have. Please feel free to contact me at 717-761-7210.

Sincerely,



Matthew S. Wildasin, CPA
Practice Chair – Governmental Group



Romulus Comly, CPA
Principal



Cathy Harlow
Manager



CLA (CliftonLarsonAllen LLP)
220 South Sixth Street, Suite 300
Minneapolis, MN 55402-1436
612-376-4500 | fax 612-376-4850
CLAconnect.com

April 30, 2020

Board of Examiners - Practice Analysis
American Institute of Certified Public Accountants (AICPA)

By email to: practiceanalysis@aicpa.org

Dear Board of Examiners - Practice Analysis:

On behalf of the professionals serving clients at CliftonLarsonAllen LLP (CLA), we appreciate the opportunity to comment on the combined Exposure Draft (ED) and Invitation to Comment (ITC) related to *Maintaining the Relevance of the Uniform CPA Examination*. We recognize that the proposed changes were developed to respond to rapid advancements in technology and the need to maintain the relevance of the CPA by adding content and removing content that may be less relevant to focus on critical practice areas. We appreciate your efforts.

Below are our responses to your request for comment.

Maintaining the Relevance of the Uniform CPA Examination

A. Comments requested on the next version of the CPA Exam as defined in this ED.

- a. Understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports have been identified as the three primary findings affected by technology and impacting the profession and nICPA practice. See further details on these findings in the Practice Analysis — Findings section of this document.

- 1. How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.**

Response: We agree that an enhanced focus on understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports for new professionals will benefit the CPA profession. We find that these skills are becoming increasingly important to the accounting profession and our practice.

- b. The AUD and BEC section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. See changes 7, 8, 13, 23, 26, and 27. The PA findings support this more integrated approach to better assess the knowledge and skills required of nCPAs. These changes add, reorganize, and emphasize content.

Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed. The proposed deletions and changes are also described in the Proposed Exam Changes section of this document.

- 2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).**

Response: We agree that removal of content is necessary to introduce more relevant material to better identify skills required for newly licensed CPAs (nCPAs). We also agree that much of the content removed is not essential for nCPAs.

Following are areas that may require further consideration.

- (5 I G - AUD 11) – **Revise - Group G: A firm’s system of quality control, including quality control at the engagement level.** nCPA and all professionals are required to understand their firm’s quality control system. We believe it is appropriate to revise content related to the development of a firm’s quality control system as this is outside of the skills required for nCPAs. We believe that content related to understanding of quality control systems should be retained.
 - (36 III L - FAR 23) – **Removal - Group L: Differences between IFRS and U.S. GAAP.** Understanding differences between IFRS and U.S. GAAP is very relevant in today’s ever shrinking world. This area is relevant to gaining an understanding of how businesses operate globally. Many of our clients have international affiliates. It is important that nCPAs are able to identify differences between these reporting frameworks. Conversely, content related to applying these differences is not necessary for nCPAs.
- c. Technology constantly evolves and will continue to impact the work of nCPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.

- 3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.**
- 4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.**

Response: We have not responded to questions 3 and 4. We believe there are likely many opportunities to add and remove additional content. Given the current state of the demands on our profession, we have not had sufficient time to consider and comment on these matters.

B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

- a. The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.

1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

Response: Essay questions provide an opportunity to consider critical thinking and writing skills which are necessary skills for nCPAs. We understand the administrative burden of this function; however, we believe the benefits of including the essay question outweigh the burden. We suggest you retain the written communication question.

- b. Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nCPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.

2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

Response: We believe the accounting for state and local governments should continue to be assessed on the CPA Exam. Excluding an entire accounting standard setting board gives the perception that the government industry is not an option for the candidate. Quite honestly, it tells the nCPA that governmental accounting is not worthy of consideration. There are over 90,000 governments in the United States that could use a CPA's expertise. In addition, state and local government industry specialization is paramount in several national, and many local, CPA firms. Excluding state and local government accounting on the CPA exam would be detrimental to nCPA opportunities, the industry, and a multitude of national, regional, and local CPA firms.

CLA appreciates the opportunity to review and offer our comments on this ED and ITC. We would be pleased to discuss any questions that you or your staff may have regarding our comments.

Sincerely,



CliftonLarsonAllen LLP



Crowe LLP

Independent Member Crowe Global

320 East Jefferson Boulevard
Post Office Box 7
South Bend, Indiana 46624-0007
Tel +1 574 236 8646
Fax +1 574 236 8692
www.crowe.com

April 30, 2020

Mr. Richard C. Gallagher, CPA
Senior Director – Examinations – Public Accounting
American Institute of Certified Public Accountants
practiceanalysis@aicpa.org

RE: Maintaining the Relevance of the Uniform CPA Examination, An Exposure Draft and Invitation to Comment

Dear Richard:

We appreciate the AICPA Examinations Team's efforts to maintain the validity, reliability, and relevance of the Uniform CPA Examination (CPA Exam), perform research on the accounting profession, and the perspectives described in the Practice Analysis. We also appreciate the opportunity to review and provide comments on the proposed changes to the CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination, An Exposure Draft and Invitation to Comment (ED/ITC)*.

The ITC proposes removing from the FAR section Area IV, State and Local Governments. The ITC cites removal may be justified based on the specialized nature of external financial reporting for state and local governments (whereas the CPA Exam is more focused on critical thinking, risk assessment, problem-solving, and professional skepticism skills), the limited applicability of this content to a large majority of newly licensed CPAs (nICPAs), and the minimal impact of FAR Area IV has on a candidate's overall score since the questions only cover 5-15% of the FAR section. This letter serves as our response to one specific question related to this matter:

Question:

Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

Our Response:

We believe the state and local government (SLG) content should remain within the FAR section of the CPA Exam. The basis for our position is provided below.

We are concerned that the removal of the SLG content will lead to a reduction or elimination of college course offerings exposing students to both governmental and not-for-profit (NFP) concepts, which are often taught in tandem. This would lead to a decrease in a general awareness and understanding of those industries and the related accounting concepts. It also could have an unintended consequence of contracting the pool of individuals entering the accounting and auditing profession who have an interest in pursuing a career in the SLG or NFP sectors.

Certain professionals within our firm focus and specialize in providing accounting, auditing, and consulting services to SLG entities. While we acknowledge nCPAs serving SLGs require significant on-the-job training to build and develop their technical competence, we believe core knowledge of SLG principles learned through post-secondary education and CPA Exam preparation serve as a necessary and important foundation. It is important to recognize that SLGs represent much more than just an area of specialized accounting. They represent an entirely separate sector of the economy, one with fundamentally different business motives and dramatic differences in the format and presentation of the financial statements in comparison to for-profit business enterprises. The need for specialized knowledge of SLG concepts also extends beyond nCPAs specifically employed within SLGs, or engaged in performing SLG audits, because SLG financial statements are often used much more broadly to inform and protect the public interest.

Lastly, the ITC suggests that the 5-15% of the FAR section could be better used on topics that "directly impact a significant majority of nCPAs." While nCPAs working in SLG may not constitute a majority, the numbers of individuals are not insignificant. Additionally, SLGs do not comprise an insignificant portion of the overall economy. Over the past few years, government spending has represented approximately 38% of the United States gross domestic product. The AICPA's State and Local Government Audit Guide indicated there were over 90,000 recognized general and special purpose state and local government entities in the United States, per the U.S. Census Bureau, 2012 Census of Governments. The Government Finance Officers Association (GFOA), which represents public financial officials throughout the United States and Canada, currently has over 20,000 members, consisting of federal, state/provincial, and local government finance officials. Additionally, the AICPA's Government Audit Quality Center (GAQC), which is the voluntary membership center for CPA firms and state audit organizations that perform governmental audits, currently has over 2,000 member firms, and it has been reported that over 7,600 firms annually perform at least one government audit.

Thank you again for the opportunity to provide this comment letter. Please contact Kevin Smith [REDACTED] [REDACTED] or Brian Archambeault [REDACTED] [REDACTED] should you have any questions or would otherwise like to discuss our response.

Sincerely,

Crowe LLP

Crowe LLP

April 30, 2020

Ms. Audrey Katcher (Chair, AICPA Board of Examiners Practice Analysis Sponsor Group)
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Re: Request for Input on “Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment”

Dear Ms. Katcher:

Deloitte & Touche LLP (“we” or “our”) is pleased to respond to the request for input from the AICPA (“you” or “your”) on the results of the 2019 Practice Analysis (“PA”) – “Maintaining the Relevance of the Uniform CPA Examination: Exposure Draft and Invitation to Comment” (“ED” and/or “ITC”) – on the structure of the current operational CPA Exam.

We firmly believe that the content of any licensure exam should be linked to the knowledge, skills and abilities thought necessary to perform the tasks on a job within the related profession – and that such content should be updated as the environment changes. Accordingly, we value the AICPA’s commitment to conducting periodic PAs to continually improve the CPA Exam and ensure that it remains relevant as the accounting profession evolves, especially because of rapid advances in technology and corresponding techniques. We also believe that your recognition that the CPA Exam should focus on the skills most necessary for a newly licensed CPA (“nlCPA”) allows for a rational review of content. The wide outreach of the PA to gather input from CPAs representing a broad spectrum of their roles in business today – including those practicing within firms of all sizes; those working in industry or government; and those with extensive state board regulatory experience - has built another layer of credibility into the process. We believe that the research conducted, feedback obtained, and analysis performed during the PA served as a comprehensive base on which to develop well-informed recommendations for change.

In this letter, we have included our thoughts on the interplay with this proposal and the CPA Evolution initiative, as well as responses to the specific questions posed in the ED and ITC.

Coordination with the CPA Evolution Initiative

We acknowledge that many of the concepts and changes proposed in the ED related to the impact of technology on the work of nlCPAs overlap with the recent discussions around the CPA Evolution initiative and the resultant proposed licensure model. We strongly believe the ultimate efficacy of any future model depends on informed deliberation of specific elements of

that proposal. As more details emerge, we call upon the AICPA to continue active and transparent dialogue with all stakeholders to obtain balanced input. We understand that any new CPA Exam structure will require a separate Practice Analysis and we look forward to providing our comments at that time to ensure all objectives are achieved.

REQUEST FOR COMMENT ON THE NEXT VERSION OF THE CPA EXAM AS DEFINED IN THE EXPOSURE DRAFT

From the ED: Understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports have been identified as the three primary findings affected by technology and impacting the profession and nICPA practice.

1. How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.

We fully agree that these three primary findings related to technology closely align to the changes impacting the work of an nICPA. The daily tasks which will be performed by all nICPAs will most certainly involve the use of technology, related to both the efficient execution of work, as well as efforts to increase quality of procedures performed and evidence obtained. We are supportive of removing some of the current portions of the CPA Exam to provide for ample time to address these critical topics (for example, removing content related to governmental and international accounting standards, auditing opening balances and derivatives, and preparing specialized reports (compliance, single financial statement)).

“Understanding business processes and flows of information” is basic to the everyday skills needed by an nICPA and a precursor to deeper dives into all types of internal controls, including management review controls. We strongly believe that this a fundamental knowledge building block that all CPAs should possess, and we would hope that, by its inclusion on the CPA Exam, undergraduate programs in accountancy would be incented to enhance their curricula to further emphasize this topic.

Including task-based simulations on data analytics in the CPA Exam will be helpful to assess knowledge of critical skills, but care should be given as to what elements are tested. It will be difficult to assess individuals on their ability to extract and prepare data for analysis, as this is often “application-specific.” While we understand that Excel is used across the board by firms and clients, we do suggest, whenever possible, to be tool-agnostic when creating task-based simulations.

We believe that data analytic task-based simulations would be most helpful to demonstrate the concepts of “understanding the composition of a population” and “appropriately disaggregating parts of that population for examination.” Additionally, we believe the “capacity to understand relationships” and “identify those that are best explored through more sophisticated analytics,” like regression analysis, are skills that should be specifically tested. Some of the rubrics of these

concepts have resided in the auditing literature for many years. Unfortunately, they have not been emphasized nor have they been broadly disseminated. Inclusion of these topics in the CPA Exam will again enhance undergraduate learning and begin to mainstream what we all believe to be critical components in an auditor's 21st century toolkit.

We also support including "usage of SOC 1 reports" in the CPA Exam as this plays well into the overall "understanding of how systems work" and "how data is processed." An nICPA should be able to "understand what is and isn't included in a SOC 1 report" and "understand how that influences their degree of reliance or their degree of testing." However, we also agree with the ED that inclusion in the CPA Exam should be limited to "understanding how to interpret the SOC 1 report," not on "how to perform procedures in support of the issuance of one."

From the ED: The AUD and BEC section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. The PA findings support this more integrated approach to better assess the knowledge and skills required of nICPAs. These changes add, reorganize, and emphasize content. Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed.

2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number.

In determining the optimal content of the CPA Exam, we believe it is very important to focus on both those tasks that an nICPA would typically perform in his or her first years and those concepts and skills that will provide a foundational base of the overall responsibilities of a CPA. We agree with the majority of the proposed expansion of content and removals in the ED; in particular, we are very supportive of the rationale that some topics can be removed from the CPA Exam because they are better suited to "on-the-job-training." We should never forget that part of an nICPA's training does not take place in the classroom, it takes place on the job. The topics that you chose to eliminate are those that are often executed against during the course of the nICPAs work experience when very specialized skills are taught. While many respondents may oppose the proposed elimination of some of the current CPA Exam content (for example, IFRS or state and local government accounting), we must recognize that their inclusion must be weighed against the exclusion of new content focusing on changes in technology. We would emphasize that this is a broadly administered examination that should address the most universally relevant topics rather than topics of a more specialized nature that won't be widely applicable to most future CPAs. Exclusion of this specialized content will not be detrimental to preparing individuals for work in the profession.

If not specifically mentioned below, we agree with the suggested removals and expansion of content in the CPA Exam as proposed in the ED.

#4 – AUD, page 11, Group F: Communication with component auditors and parties other than those charged with governance

The ED proposes that “communications with component auditors and parties other than those charged with governance” be removed from the CPA Exam from the “Remembering and Understanding” skill level. While we do believe that it is appropriate to remove content related to “communication with parties other than those charged with governance,” we also believe group audits is an area where evidence from inspections and peer reviews have shown that all CPAs (including nICPA) could improve performance, especially related to both communications with – and supervision and review of - component auditors. Accordingly, we believe that “communications with component auditors” should be retained in the CPA Exam in the “Remembering and Understanding” skill level.

#5 – AUD, page 11, Group G: A firm’s system of quality control, including quality control at the engagement level

The ED proposes that this group be revised to remove the “Remembering and Understanding” skill level content on “recognizing a CPA firm’s responsibilities for its accounting and auditing practice’s system of quality control” in order focus more narrowly on “engagement-level quality control,” as PA research indicates that firm-level quality control is beyond the scope of the nICPA practice. We would argue that, even though an nICPA won’t be directly involved in developing or monitoring firm-level quality controls, having a foundational understanding of the system of quality controls is important for everyone. The current PCAOB and IAASB projects on quality control (as well as the plan for the AICPA to begin a similar project) further substantiates the argument that it is important to retain this concept in the CPA Exam at the “Remembering and Understanding” skill level.

#6 – AUD, page 12, Group A: Planning an engagement. Topic 2: Developing a detailed engagement plan

The ED proposes to remove the “Analysis” skill level content on “developing or modifying a detailed engagement plan based on planning inputs and constraints” but retain content at the “Application” skill level for “preparing a detailed engagement plan starting with the prior-year engagement plan or a template.” We believe that it is important for nICPAs to be able to appropriately evaluate changes identified in planning discussions and ensure that the engagement plan is updated to align with those changes. Accordingly, we believe it would be optimal to retain the “Analysis” skill level content or, at a minimum, to simply reduce the content to the “Application” skill level.

#11 – AUD, page 17, Group H: Specific areas of engagement risk. Topic 3: Related party transactions

The ED proposes to remove the “Analysis” skill level content on “analyzing the potential impact of related party relationships and transactions on the risk of material misstatement” but retain the “Application” skill content on “performing

procedures to identify related party relationships and transactions.” Given that frauds often occur in related party situations, we recommend retaining content on “analyzing the potential impact.” Skepticism and the ability to analyze transactions should be part of an nICPA’s innate DNA. The possibility of fraud is, and always will be, something that every CPA should keep in the back of their mind.

#18 – AUD, page 21, Group D: Specific matters that require special consideration.
Topic 5: An entity’s ability to continue as a going concern

The ED proposes to remove “Application” skill level content on “performing procedures related to the assessment of management’s evaluation and conclusions regarding an entity’s ability to continue as a going concern” but retain the “Remembering and Understanding” content on “identifying the factors that could cause substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time.” Given the current economic environment, we believe it is important for nICPAs to understand that management is responsible for the analysis and how to evaluate that analysis. Accordingly, we recommend that either the current “Application” skill level content be retained as is, or at a minimum, be changed to “Remembering and Understanding.”

#19 – AUD, page 22, Group F: Written representations

The ED proposes to remove “Application” skill level content on “assisting in the preparation of required written representations” but retain the “Remembering and Understanding” skill level content for “identifying the written representations that should be obtained.” We believe that assisting in the preparation of required written representations will further reinforce the ability to identify which written representations should be obtained, and therefore recommend retaining the “Application” skill level content.

#20 – AUD, page 22 - Group G: Subsequent events and subsequently discovered facts

The ED proposes to remove “Application” skill level content on “identifying facts that become known to the auditor after the date of the auditor’s report” but retain the “Application” skill level content on “identifying subsequent events that could affect an entity’s financial statements or the auditors report.” We believe that identifying subsequently discovered facts may significantly impact current year financial statements and having an understanding of those impacts is essential. Therefore, we recommend the current “Application” skill level content be retained, or at a minimum, be changed to “Remembering and Understanding.”

#31 – FAR, page 9 - Group B: General-purpose financial statements: for profit business entities. Topic 9: Going concern

The ED proposes to remove the “Remembering and Understanding” skill level content on “recalling the requirements for disclosing uncertainties about an entity’s ability to continue as a going concern. We disagree with this proposal, especially in the current environment, and believe that management’s disclosure requirements

related to going concern are an important concept of which even nCPAs should have an understanding.

#34 – FAR, page 18 – Group K: Compensation and benefits. Topic 2: Retirement benefits

The ED proposes to remove the “Application” skill content on “using actuarial outputs to calculate the costs and the funded status for a defined benefit pension plan or a defined benefit postretirement plan and preparing journal entries” because PA research indicates that there has been a significant decline in the offering of defined benefit plans. We believe that issues related to defined benefit plans still exist, and therefore recommend including this “Application” skill content, or at a minimum, changing it to “Remembering and Understanding.”

From the ED: Technology constantly evolves and will continue to impact the work of nCPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

There are no additional areas affected by technology which, from our perspective, should be identified for revisions.

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

FAR, page 10 – Group C: General-purpose financial statements: nongovernmental, not-for-profit entities

In this Blueprint Group, there are four instances where there is “Application” skill level content on “adjusting a specific financial statement to correct identified errors” (one each for Statement of Financial Position, Statement of Activities, Statement of Cash Flows, and Notes to the Financial Statements). We ask that the AICPA consider whether making adjustments to the financial statements requires “Application” skill level content or whether this could be limited to “Remembering and Understanding.”

REQUEST FOR COMMENT ON THE STRUCTURE CHANGES AS DEFINED IN THE INVITATION TO COMMENT:

From the ITC: The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.

1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

Because of the difficulties to assess communication skills in an effective and automated way, we fully support removing the essay portion of the CPA Exam at this time. We don't believe there is value spending one hour of exam time and allotting 15% of the BEC score to testing skills such as appropriate use of grammar and punctuation. However, when artificial intelligence advances to enable automated scoring for appropriate accounting content within an essay, we do believe it would be worthwhile to revisit whether a written communication assessment should be included.


From the ITC: Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nICPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.

2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

We fully support removing content related to accounting for state and local governments from the CPA Exam. This type of content is highly specialized and is likely to be relevant to only a very small population of future CPAs.

We appreciate the opportunity to provide our perspectives on the Exposure Draft and Invitation to Comment. We would be pleased to discuss our letter at your convenience. If you have any questions, please contact Jennifer Haskell [REDACTED] or Tania Sergott [REDACTED]

Sincerely,



Deloitte & Touche LLP

cc: Ken Bishop, NASBA President and Chief Executive Officer
Tracey Golden, AICPA Vice Chairman
Susan Coffey, AICPA Executive Vice President – Public Practice
Christine Davine, Deloitte & Touche LLP
Erica Nelson, Deloitte & Touche LLP
Nancy Juron, Deloitte LLP



April 30, 2020

American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Via Email to practiceanalysis@aicpa.org

Re: Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft

American Institute of Certified Public Accountants,

On behalf of Eide Bailly, LLP, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Eide Bailly, LLP opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Eide Bailly believes the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) are two distinctly separate standard setting bodies and views specialized industries as specific subsets within either GASB or FASB. There are approximately 90,000 governmental units in the United States, most of which require an audit. Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not consider the significance SLGs have in the overall economy nor the significance of the GASB based financial statements subject to audit.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Sincerely yours,

A handwritten signature in black ink that reads "Scot Phillips".

Scot Phillips, CPA
Partner-in-Charge, National Assurance Office
Eide Bailly LLP
[Redacted]

GRANT THORNTON LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
S [linkd in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)
[twitter com/grantthorntonus](https://twitter.com/grantthorntonus)

April 30, 2020

Board of Examiners
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Via Email to practiceanalysis@aicpa.org

Re: Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment

Dear Board members and staff:

Grant Thornton LLP (Grant Thornton or we) appreciates the opportunity to comment on the AICPA's "Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment." Grant Thornton is the US member firm of Grant Thornton International Ltd., one of the world's leading organizations of independent audit, tax, and advisory firms. We have over 8,500 personnel and operate over 50 offices across the United States.

We fully agree that the evolution of the CPA Exam is necessary to remain relevant in today's dynamic business environment. We believe that the necessary skillset for a newly licensed CPA (nICPA) is not only changing but is also expanding. This may present challenges with regard to exam content given the breadth of possible subject matter. We generally support the direction of the proposed changes resulting from the findings of the Practice Analysis (PA) described in the exposure draft, and we respectfully submit our comments and recommendations for the Board's consideration.

Responses to exposure draft questions

Question 1: How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.

The PA findings described in the exposure draft on understanding the business and data analytics are consistent with the changes we see impacting our nICPAs.

However, while we do not disagree that there is increased reliance on SOC 1 reports, we do not see nCPAs undertaking the tasks of interpreting SOC 1 reports and determining the effect on a company's internal controls and the auditor's planned audit procedures. Although nCPAs are becoming increasingly involved in understanding the business, we believe this particular aspect is being left to more senior members of the audit engagement team. Therefore, we caution against additional emphasis being made within the AUD or BEC sections of the CPA Exam and encourage the Board to retain the current level of content for this topic.

Question 2: Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

We fully support the more integrated approach to technology, risk assessment, and internal controls described in the exposure draft. We agree that this approach can better assess the knowledge and skills required of nCPAs. Because information technology continues to play a more prevalent role in a financial statement audit, we believe that it will be beneficial for the Board to integrate these topics where possible and appropriate.

We generally support the changes described in the exposure draft and do not have any specific recommendations.

Question 3: Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

We recommend the Board consider the adequacy of coverage in applying professional judgment and/or skepticism, as well as in addressing fraud in the exam content. Otherwise, we have no additional areas to suggest. We believe the items identified are of most importance to incorporate into the exam content.

Question 4: Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

We did not identify other content that should be removed from the exam.

However, with regard to the REG section of the exam, given the significant changes in 2018, 2019, and 2020 tax law (which may continue into 2021), we question whether exam questions associated with tax treatments based on timing should be revisited to determine the best way to test knowledge using taxation rules applicable at the time of the exam.

[Responses to invitation to comment questions](#)


Question 1: Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

We do not agree with this recommendation. While we appreciate the limitations regarding what skills can be assessed through this essay question, we believe that writing skills are essential in the profession and therefore necessitate an essay question of this nature in the CPA Exam. Even with the continued evolution of technology and use of data analytics, it is imperative that nCPAs possess skills in written communication and be articulate when interacting with colleagues and client contacts, as well as when preparing sufficient audit documentation. Therefore, we support retaining the essay question and recommend the Board reassess the scoring approach taken to assess writing skills, so that it does not have a “minimal impact on the score,” given its importance and prevalence in the profession.

Question 2: Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

We do not disagree that state and local government (SLG) accounting is a specialized area and that the CPA Exam is intended to more generally and broadly assess a variety of skills. Nevertheless, we believe maintaining content related to accounting for SLG in the CPA Exam benefits public interest and supports the notion of public accountability and transparency.

Once in practice, an nCPA may consider further pursuing a career in SLG or auditing SLGs; however, we believe the content that is currently included in the CPA Exam is at an appropriate level to test the knowledge and skills of test-takers. We are also concerned that further reducing or eliminating SLG-related content from the CPA Exam could have negative unintended consequences, specifically universities could stop offering SLG-related topics in their accounting program curriculum due to its absence from the CPA Exam. We encourage the Board to find a balance whereby SLG content still has a place in the exam content while not making it over-burdensome given its specialized nature.

We would be pleased to discuss our comments with you. If you have any questions, please contact Bert Fox, National Managing Partner of Professional Standards, 

Sincerely,

/s/ Grant Thornton LLP

April 29, 2020

Practice Analysis Team
American Institute of Certified Public Accountants
practiceanalysis@aicpa.org

Dear PA Team:

HeinfeldMeech has reviewed the *Maintaining the Relevance of the Uniform CPA Examination*. We appreciate the opportunity to provide feedback to the Exposure Draft and the Invitation to Comment.

HeinfeldMeech is an Arizona-based accounting firm of ~50 members, including eleven partners. The firm performs approximately 200 audits annually, most of which are state and local governments. We perform over 110 single audits annually and are ranked in the Top 40 of firms in the country in the amount of single audits performed annually. Members of the firm are active in AICPA committees and activities as well as local accounting and finance officers organizations.

The following provides responses to the questions set forth in the Exposure Draft.

Question A.a.1

Agreed. The biggest change in recent years in our practice has been the impact of data analytics and a data-driven mindset to approaching the audit procedures. Our firm hired a data analyst to work with and train our entire staff on how to best utilize the software *IDEA* to assist with our audit procedures. New staff are exposed immediately to running large amounts of data through our software to make selections for testwork, identify anomalies in data and conduct further discussion with clients related to the results. Having a base level of understanding and ability to hold conversations with clients about data driven results will be highly beneficial to nCPAs.

Question A.b.2

Proposed Change #7

Agreed. Our documentation for understanding the entity and its environment is enhanced annually to include more documentation on the use and impact of technology at the entity.

Proposed Change #8

Agreed. A deeper understanding of the financial statement software and the testing of key controls in the business process is of significant importance in our workpaper documentation and compliance with risk assessment standards. Through Enhanced Oversight initiatives the AICPA continues to find a lack of knowledge and substandard related to internal controls in governmental audits in particular. There is a need for this knowledge at the nCPA level and this knowledge will better assist staff in performing their jobs at a higher level. This will help firms be compliant with documentation standards.

Proposed Change #13

Agreed. This is a positive change. As a smaller firm, we use IDEA to assist us with our sample selections on populations of data as well as pulling out the higher risk transactions for testwork. Most often our newer staff are performing these procedures. The use of automated tools and techniques for recalculation is a needed skill. We have begun using the IDEA tool for recalculation purposes over capital asset depreciation as well as other elements of significant audit areas.

Proposed Change #23

No comment

Proposed Change #26

Agreed. Having a deeper understanding of how to read and interpret a SOC 1 report would be helpful. Our state and local government organizations utilize several third party service providers for various needs, not necessarily IT functions. However a basic understanding of these reports and how to use them as support for our audits would be helpful.

Proposed Change #27

Agreed. The general theme of understanding data, manipulating the data, while maintaining data integrity is a critically needed skill in today's auditing environment. Continued emphasis and focus on developing these skills related to working with data in various applications, and the relationship of different data bases within applications will be very beneficial to the nCPAs.

Question A.c.3

No Comment

Question A.c.4

No Comment

Question B.a.1

Given the considerations provided in the ITC we agree with removing the written communication portion of the exam. It seems the time and effort it would take to appropriately score this section would be better spent on other areas of the exam. While written communication is very important in our practice, the critical communication skills are needed at a higher level and will be taught throughout an individual's career.

Question B.b.2

We do **not** support the removal of specific content from the exam related to state and local governments. As a firm that specializes in governmental accounting and auditing, we feel that this is most certainly a critical skill for nCPAs. While all specialized fields have their own nuances and requirements, state and local government accounting under GASB presents the entirely different concept of modified accrual that is not covered in the majority of the education students receive at Universities. Currently at all 3 State University's in Arizona there is only 1 governmental class offered to the students. In discussions with professors, it is noted that this class is part of the curriculum specifically designed to help students achieve success on the CPA exam. This is the only exposure students get to the governmental sector, GASB financial reporting standards and the state and local government environment. By decreasing the amount of content, and thus, the impact on passing this FAR section of the exam, it is highly likely this class may not be deemed necessary to the successful completion of the CPA exam and therefore no longer be

offered by Universities. The loss of this exposure would be doing a disservice to the students. Having knowledge of several different sectors of practice is incredibly important, especially in volatile markets. Governments rarely go “out of business” and provide a reliable and stable client base for many firms. With less exposure to this sector, students may be dissuaded from considering local government or firms like ours as an employment option. Nationally, there were a total over 90,000 local governments in the United States, spending \$3.25 trillion annually and employing over 19 million people. In addition, the governmental audit sector has been a focus of peer review and cited in audit quality matters in recent years, which indicates there is a need to increase exposure and exam material in this area, not eliminate it. Most of these local governments require annual audits by an external public accounting firm. There is a need for our incoming staff/nlCPAs to have a base knowledge of GASB financial reporting – including fund accounting and modified accrual and conversion entries. The reduction/removal of this content from the exam, and the repercussions of that decision, will negatively impact those in the practice of auditing state and local governmental entities and the nlCPAs. Further comments on specific Change #'s are indicated below:

#37 Topic 1: Government-wide financial statements

The statement that this content is less important to nlCPAs is incorrect. In a smaller to midsize firm nlCPA/staff are exposed to the not only auditing the information in the government- wide statements, but also drafting government- wide statements and performing reconciliations from government- wide to fund financial statements. We provide nonaudit services in the form of financial statement preparation for the majority of our clients. Having a good knowledge of government- wide statements is important to nlCPAs in our practice.

#38 Topic 2: Gov fund financial statements, Topic 3: Proprietary fund financial statements, Topic 4: Fiduciary fund financial statements

The suggestion to simplify this area to only discuss basic concepts and remove content about the preparation of specific statements would hinder the knowledge of our incoming staff that work directly in the arena of assisting clients with the preparation of financial statements. Once again this is a large part of our practice and nlCPA/staff spend a great deal of time preparing the specific financial statements.

#39 Topic 1: Net Position, Topic 2: Fund Balance, Topic 5: Interfund activity/transfers, Topic 8: Special Items

We do not support the suggestion to remove all of the topics above. Specifically topics 1, 2, and 5. These are important concepts to understand in governmental financial reporting. At a small to midsize firm these areas are quite often assigned out to nlCPA/newer staff. Removing the content from the exam would not be beneficial to these newer staff.

#39 Area IV, Group D, Topics 3,4,6,7 and 9 Not testing preparation of Journal Entries

Journal Entries can often be one of the highest risk areas of a governmental audit. Our testwork over this area has increased in recent years, especially with the use of data analytics. We have focused on the higher risk journal entries for testwork, searching key words, reviewing segregation of duties and looking for anomalies in transactions. We would suggest enhancing this section to include the use of data analytics in the testing of journal entries rather than the removal of this section. This would be contrary to what is happening in practice at the nlCPA levels.

The main concern regarding the changes in the above topics of the FAR exam is that by decreasing the detailed knowledge needed and the % of content for state and local governmental accounting in the CPA exam, there will no longer be a need for Universities to offer the governmental class.

As a result, newer staff will come in less prepared to audit state and local governments at all firms. It is already a challenge to bring incoming staff up to speed on the differences of government vs. for profit, this will further widen that knowledge gap.

Invitation to Comment

Q1

Given the considerations provided in the ITC, we agree with removing the written communication portion of the exam. It seems the time and effort it would take to appropriately score this section would be better spent on other areas of the exam. While written communication is very important in our practice, the critical communication skills are needed at a higher level and will be taught throughout an individual's career.

Q2

We do believe that accounting for state and local governments should continue to be assessed on the CPA exam. The statement that "a large majority of nCPAs are required to have very limited or no knowledge of financial accounting and reporting requirements for state and local governments" is incorrect. While this may be true at the National Firms this is not true for the majority of public accounting practices in the country. The number of small to mid-size firms that audit the state and local governments is many and there is a greater need for nCPAs/staff to come in with at least a base knowledge of this information. Without this, the amount of training increases, and with less/limited resources at a small to mid-size firm this puts additional stress on the system. As is mentioned above, with the removal of this content, the Universities will most likely discontinue the one class related to governmental accounting and auditing and students will have no exposure to one of the largest client bases in the country subject to external audit. The removal of this class will also limit their exposure to potential employment in the governmental sector which is one the largest employers in each city and state. We believe this would be doing a great disservice to our nCPAs and strongly urge the AICPA and PA team to reconsider this proposal.

Should there be any questions or clarification required on our comments please contact me

Sincerely,



Brittney Williams, Partner
Heinfeld, Meech & Co., P.C.
Phoenix, Arizona



April 29, 2020

Board of Examiners
AICPA

55 Independence Circle, Suite 102
Chico, CA 95973
530.588.7427

RE: Response to Invitation to Comment (Item B.b.) Maintaining the Relevance of the Uniform CPA Examination

Dear Board of Examiners:

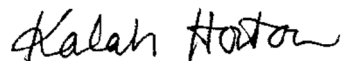
I am writing on behalf of Horton McNulty & Saeurn, LLP's position regarding the proposal to remove state and local government from the Uniform CPA Exam (Item B.b.). We request that state and local government remain as Area IV on the FAR exam. The proposal to remove this topic comes with extreme concern for the following reasons:

- While it is quite true that governmental accounting is a specialized area of accounting, it is the only such area that is defined by an entire sector of the economy (representing approximately 38% of the gross domestic product). A sector of such magnitude requires appropriately educated accountants and auditors to protect the public's interest. While a CPA may not devote his or her entire career to governmental accounting, it is very likely that the CPA would be involved in local communities in other capacities, such as through serving on a board of trustees.
- If Area IV were to be removed from the FAR exam, it creates a risk that universities would eliminate the related curriculum. As it stands, many universities devote only one class to governmental accounting, which is often taught in tandem with not-for-profit topics. Speaking for myself, as well as others in my firm and other similar firms, I may not have the career I have today had it not been for this one class. The government class was the baseline exposure that ignited my passion for this area and has ultimately led to an over ten-year career in this area.
- Newly licensed CPAs need to have a baseline exposure to the government sector. Our firm has been directly impacted by recruiting employees with no previous knowledge of governmental accounting and the effect has been detrimental to our practice, both in an increase in time to train these employees and the difficulty of finding recruits who are interested in this sector. Over 70% of our client-base is represented by the government sector, and many other CPA firms have a similar composition. During the recruiting process, we inquire of the candidate's exposure and enjoyment of governmental accounting. This allows firms such as ours to identify candidates that may have a spark for this area of accounting. A candidate that has not been exposed to governmental accounting may not even know if he or she has an interest in joining our firm. Removal of the state and local government area would further impact the ability of our firm to identify and recruit successful candidates.
- Government audit quality has been and continues to be a major focus of audit quality; so much so, that the AICPA itself created the Government Audit Quality Center, of which our firm is a member. Marginalizing the importance of governmental accounting will likely lead to an increase in audit quality issues.

- CPAs are regarded for the rigor involved in obtaining such a designation. Removal of such an immense topic would lead to an erosion of the prestige associated with this certification. A CPA should be an individual with a well-rounded knowledge of all topics that may pertain to accounting regardless of the areas in which a CPA will decide to specialize. If the Board and the CPA community begin to declare that certain areas are specialized and should no longer be included on the Uniform CPA Exam, it creates a sense that the area is of lesser importance. At what point will other areas that are “specialized” be removed—where is the line drawn? One could say that a CPA may never put to use knowledge of managerial accounting around manufacturing calculations, or IFRS, or even taxation for a CPA that specializes in auditing. There are any number of topics on the exam that a CPA may never put to use in practice. Nevertheless, the expectation is that CPAs have a baseline knowledge of a broad range of topics.

In summary, to limit the scope of required knowledge to hold a CPA license would be a lessening of the profession, and a detriment to many firms, including ours. Not only would this proposal be detrimental to the profession and CPA firms, it would also be detrimental to the students that potentially would not receive exposure to governmental accounting in college that would assist them in their career path decisions. In addition, the community at large will suffer because many CPAs will not have the minimum baseline knowledge of governmental topics to assist them in making important decisions or staying compliant with government regulations. This includes many not-for-profit entities that rely on government funding. As such, we respectfully request that Area IV of the FAR exam, state and local governments, remain on the exam.

Very truly yours,

A handwritten signature in black ink that reads "Kalah Horton". The signature is written in a cursive, flowing style.

Kalah M. Horton, CPA, CFE, Partner
Horton McNulty & Saeteurn, LLP



March 16, 2020

AICPA

Via: practiceanalysis@aicpa.org

To Whom it May Concern,

We are writing in response to the AICPA recently issued document titled *Maintaining the Relevancy of the Uniform CPA Exam: An Exposure Draft and Invitation to Comment*. Specifically, the proposed document outlines the potential removal of governmental accounting from the uniform CPA exam. As a firm, we currently serve over 500 units of government in the State of Illinois, providing a variety of services including audit services, financial consulting services, etc. We are a firm nearly entirely niched in providing government services and this proposal is concerning.

First and foremost, public organizations make up a large portion of the economy and gross domestic product, and includes those who work directly for units of government, those that serve units of government, such as our firm, and those that are board members or charged with governance for units of government. The specialized accounting required for governmental entities requires that we have licensed CPAs who are versed in this specialized field. We must have appropriately educated individuals who are serving as internal accountants, auditors, and board members. In order to ensure public interest and confidence in those serving governmental entities, the uniform CPA exam must also highlight and test for this specialized area of accounting. Removing government topics from the uniform CPA exam has a further effect of then reducing course offerings on this specialized topic by colleges and universities, which will only further reduce the number of qualified candidates to serve the government sector. This also reduces exposure to the not-for-profit sector, as often times this specialized accounting segment is taught in tandem with governmental accounting.

We have already observed as a firm over the last several years a reduced number of qualified candidates with government sector experience. Public confidence in government entities has been waning and much of that is attributable to underqualified internal staff or underqualified firm professionals. Governmental audit quality has been an ongoing concern for the AICPA, the GAO and the accounting professional as a whole. Removing governmental accounting from the uniform CPA exam only continues to marginalize this issue.

We ask for your reconsideration in removing governmental accounting from the uniform CPA exam.

Cordially,
LAUTERBACH & AMEN, LLP

Sherry Lauterbach, Partner

Ronald J. Amen, Partner

Jamie L. Wilkey, Partner

Nathan J. Gaskill, Partner

Matt Beran, Partner



April 30, 2020

Examinations Team
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, North Carolina 27707-8110

Via e-mail: practiceanalysis@aicpa.org

Re: Comments on *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment*

To whom it may concern:

Mauldin & Jenkins, LLC appreciates the opportunity to comment on the American Institute of Certified Public Accountants ("AICPA") Examinations Team's *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment* ("Exposure Draft" or "ED"), which includes two (2) broad categories for which the Examinations Team is seeking comments: (1) Comments requested on the next version of the CPA Exam as defined in the ED; and (2) Comments requested for the future of the CPA Exam content and structure changes as defined in the invitation to comment ("ITC").

We agree with the overall general findings and conclusions found within this document that technology is dramatically affecting the accounting profession and is impacting audit planning and execution, tax compliance and planning, and the nature of professional services provided. We further agree that the CPA Exam should evolve to reflect these changes. While we agree with these findings and need for the CPA Exam to continue evolving consistent with these changes, we disagree with the proposed examination changes regarding accounting for state and local governments.

Licensed CPAs serve the public interest by working directly for and auditing government entities, as well as participating as engaged citizens in their local communities. Government is an important part of the U.S. economy. Of the over 90,000 state and local governmental entities in the country, over 50,000 of those entities issue public debt, significantly more than public companies. Most of the 90,000 governmental entities require some form of public accountability, typically an audit. The magnitude of the sector (approximately 38% of gross domestic product [OECD, 2015]) requires appropriately educated accountants, auditors, and engaged citizens to ensure the public interest.

We are of the opinion that accounting for state and local governments should continue to be assessed on the CPA Exam. Our rationale for this opinion stems from a significant concern that removing accounting for state and local governments from the CPA Exam would, in turn, lead to colleges and universities discontinuing their courses where accounting for state and local governments is taught. For many CPAs, introduction to the profession occurs during the

undergraduate years. The AICPA's "This Way to CPA" website includes a "Career Planner" tool that begins with the following:

As a new accounting grad, you'll probably choose between a public accounting firm or a corporation of some kind. This decision can set the tone for the early part of your career – so it's important to consider all the factors. You should choose the place for its culture and its ability to take you toward the area you want to pursue later.

Below this intro, it allows the user to select between two options: "Public Accounting" and "Business / Industry / Government." Would nCPAs view professions involving accounting for state and local governments as a viable career path if colleges and universities discontinued course offerings that included this subject? We do not believe they will. Without the introduction of governmental accounting during a student's years of study and the requirement to have a basic knowledge of governmental accounting for the CPA exam, the potential for a student to choose a career involved in governmental accounting will, at best, be marginalized or, at worst, never be considered. This lack of interest in a career related to governmental accounting will have a severely detrimental impact on state and local governments in current need of qualified accountants as well as public accounting firms, such as ours, with significant government practices.

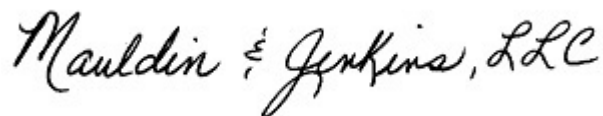
Additionally, we would like to highlight the importance of governmental audit quality – a concern that the AICPA, the GAO, and the accounting profession overall has shared in recent years. The AICPA's Government Audit Quality Center has over 2,000 member firms and state audit organizations, representing countless CPAs, and has worked extensively to promote the importance of quality governmental audits. The diminishing of governmental accounting and financial reporting knowledge would likely renew issues of audit quality for this significant sector of our country's economy.

While we appreciate the Exposure Draft's thought process regarding the specialized nature of accounting for state and local governments, we disagree with the conclusion that the material may not be important enough for inclusion in the CPA Exam due to the broader negative impact this may have on the credibility and importance of governmental accounting to the profession overall. Therefore, we are of the opinion that accounting for state and local governments should continue to be assessed on the CPA Exam.

* * * * *

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions you may have. Please contact Adam Fraley [REDACTED] [REDACTED] regarding our submission.

Sincerely,



Mauldin & Jenkins, LLC

April 30, 2020

To Whom It May Concern,

On behalf of Melanson Heath, a regional CPA firm serving clients across New England, I am responding to the AICPA's Exposure Draft and Invitation to Comment on *Maintaining the Relevance of the Uniform CPA Examination*. We would like to thank the AICPA for the opportunity to provide our feedback on proposed changes to the CPA exam and its impact to our staff, our firm, the accounting and auditing community, and future CPAs. It is instrumental to reevaluate the requirements for testing and CPA licensure given the significance of the role we play in assisting our clients, our businesses, the general public, and ultimately ourselves in financial decision-making, strategy, safeguarding, and planning. An added element now is the role of technology and its importance to the environment we work in. Given the significance of this element we understand that its likely to be a focus of the exam moving forward, and in turn, other elements may be reduced or all-together eliminated. The latter is the reason we are providing our comments today.

Specifically, we are commenting on the following change proposed in the Invitation to Comment:

Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nCPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.

As a firm who has provided auditing and assurance services to state and local governments over the last 40 years, we do not support the removal of this content from the CPA exam. While we understand that other industries/sectors may not be represented in the content of the exam, curriculums and related learning materials for prospective accounting graduates largely mirror what is on the CPA exam. Already an afterthought in many high schools and colleges, "State and Local Government Financial Reporting" or "Institutional Accounting" courses are already hard to come by, and if this content is removed from the exam, we are likely to see a similar move at institutions of higher education. As noted in the Invitation to Comment:

For those nCPAs assigned to work in the state and local government practice, they typically receive a significant amount of on-the-job training under the close supervision of individuals who have specialized content knowledge and experience. Additionally, CPAs working on engagements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) are subject to specific continuing professional education requirements.

While I agree with the "significant amount of on-the-job training" comment above, this is largely due to the fact that there are minimal learning opportunities provided/offered to prospective CPAs and others who may want to pursue careers on either side of state and local government finance, as auditors or accountants. This is worrisome that the AICPA wants to disregard the importance of the role CPAs play in government finance. Its more troubling that the AICPA acknowledges that on-the-job training is more than sufficient for folks that want to pursue that path. Training programs are an important aspect of a

firm's learning environment and quality control, but to assume that this is the only element needed seems to put those firms who work in the state and local government sector "behind the eight-ball" so to speak as the hiring classes largely need to start from scratch. This is a disservice to them, the firms who work with state and local governments, and in turn the governments themselves as states across the country are seeing shortages in qualified candidates to fill basic roles.

While we support the AICPA's initiative to consistently review and renew the content of the CPA exam, we expect the removal of *FAR Area IV - State and Local Governments* to have a negative impact on our industry moving forward. In summary, the basic knowledge of potential new hires/CPAs is going to be limited at best, and they likely will have no understanding of the complexities of state and local government accounting, reporting, and its environment.

We respectfully ask the AICPA to reconsider the removal of *FAR Area IV - State and Local Governments*. At a minimum, the overall content should be kept, but we could certainly agree on a reduction to the overall impact on the candidate's exam score to be around 10% (from 15%). This conclusion will provide some stability in knowing that curriculums will continue teaching this important content, providing more educated hires in the state and local government sector, show the AICPA's commitment to this specialized area of expertise which effects the confidence of the general public, but allows for the exam to introduce or expand other content/elements that are germane to all of us as CPAs.

Thank you again for the opportunity to provide our comments.

Respectfully

Edward J. Boyd Jr., CPA
Principal



May 18, 2020

Mr. Michael Decker
American Institute of Certified Public Accountants
100 Princeton South
Suite 200
Ewing, NJ 08628

Re: Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment

Dear Mr. Decker:

PricewaterhouseCoopers LLP (PwC) appreciates the opportunity to comment on the AICPA's combined Exposure Draft (ED) and Invitation to Comment (ITC): *Maintaining the Relevance of the Uniform CPA Examination*. We support the AICPA's effort to ensure the content of the Uniform CPA Examination ("CPA Exam") remains current with the profession and that it continues to assess the appropriate knowledge and skills required of newly licensed CPAs (nlCPAs) to protect the public interest.

We appreciate that the two main themes of the 2019 Practice Analysis (PA) were focused on the impact of technology on the work of nlCPAs and identifying areas where existing CPA Exam content may have become too broad and less focused on the critical knowledge and skills required of an nlCPA. Our clients' processes are increasingly reliant on technology. In addition, new tools have made it more feasible to apply data analysis techniques to examine entire populations to support risk assessment and/or other testing procedures.

We are pleased that the PA technology research identified specific findings from a technology perspective that support the need for nlCPAs to have increased knowledge and skills related to:

- Understanding the business
- Digital and data-driven mindset including data analytics
- Reliance on System and Organization Controls (SOC1) reports

Overall, we believe the proposed changes to the CPA Exam content resulting from the PA findings, and outlined in the ED section of the document, broadly align with the changes we see in the nature of the work assigned to nlCPAs. For example, as many audit firms are centralizing the performance of certain routine audit activities, nlCPAs spend less time performing high volume, low risk procedures and instead focus on resolving questions on test exceptions and unexpected outcomes. This also affords them more time to focus on non-routine areas of the audit that often require more analysis and professional judgment. Higher order skills—such as business acumen, critical thinking, and understanding market trends—have always been expected of more senior auditors. However, the merger of technology and auditing, as well as the evolving structure of the audit team, makes developing these skills to a greater extent earlier in an auditor's career more important.

We generally agree with the proposed changes, but have included in the Appendix the specific proposals with which we do not agree or have additional comments. The basis for our responses was an assumption that nCPAs are professionals with two to three years of practical experience.

We understand that the proposed content changes are separate from the current discussions around the AICPA's CPA Evolution initiative ("CPA Evolution"). We support the AICPA's and other stakeholder's efforts to explore changes to the licensure structure in the future. We look forward to continued dialogue on CPA Evolution and will provide input on that initiative when it is requested.

The AICPA has posed two questions in the ITC. We realize these items are for future consideration and may require additional research and investigation before proposing changes to the CPA Exam.

1. Do you agree or disagree with the recommendation to remove the essay question (written communication question)?

We do not agree with the recommendation to remove the essay question from the BEC section. Assessment of higher order skills, including written communication, are becoming increasingly important for newly licensed CPAs. As stated in our response to the *Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination* in December 2015, we believe writing skills are essential to the success of our profession, and encourage the AICPA to explore ways of incorporating writing tasks into other sections of the CPA Exam beyond the BEC section.

We understand that the current essay question is assessed only for a candidate's writing ability and does not assess the technical accuracy of the subject matter. We also understand that the prior ITC and the AICPA's PA found broad interest in adding an assessment of the technical knowledge, which would require human graders that would increase cost to candidates and potentially delay score release time.

Given the rapid advancements of technology, we encourage the AICPA to continue to explore options that might accommodate automated scoring of content and writing ability. We also encourage the AICPA to consider alternative scoring models that might be effective, such as combining automated and human scoring. In the meantime, we support retaining the current assessment of writing ability.

2. Should accounting for state and local governments continue to be assessed on the CPA Exam?

We support reducing or removing accounting for state and local governments from the CPA Exam. Given the specialized nature of state and local government accounting and its limited applicability to the majority of nCPAs, we believe that reducing or removing this content would create an opportunity for the AICPA to incorporate other content areas that more directly impact a majority of nCPAs.

Other matters

Given the rapid advancements of technology and the resulting impact on entities' business models and the work of nCPAs, we encourage the AICPA to consider alternative ways to identify and incorporate needed changes into the CPA Exam more quickly than conducting a full practice analysis. The proposed changes currently being considered for the CPA Exam are not expected to be operational until July 2021. Yet, even by then, we will likely see the emergence of new technology or new applications of existing technology that will impact both how nCPAs perform their work and how their client companies conduct their business. We encourage the AICPA to consider how the skills needed to perform effectively in this fast changing environment can be incorporated into the CPA Exam in a more timely manner.

We note the AICPA's efforts to enhance the task-based simulations included in the CPA Exam, and applaud the planned introduction of Excel-based simulations in the AUD section for later this year. We believe simulations are an effective tool for assessing higher-order skills, and encourage the AICPA to continue to incorporate newer technologies into the simulations, such as visualization tools to more closely replicate the work required of nCPAs.

Again, we appreciate the opportunity to express our views on the content for the next version of the CPA Exam, and would be pleased to discuss our comments or answer any questions. Please contact Laura Martinez [REDACTED] or Valerie Wieman [REDACTED] [REDACTED] regarding our submission.

Sincerely,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

Appendix

Change number	Area	Change description and rationale	PwC comment
6	II	<p>Group A: Planning an engagement. Topic 2: Developing a detailed engagement plan.</p> <p>Remove the analysis skill level content on developing a detailed engagement plan. PA research indicates the analysis content tested is beyond the scope of n1CPA practice.</p> <p>This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by n1CPAs. The CPA Exam will continue to assess preparing and documenting an engagement plan, as well as supporting client request materials as these are the tasks commonly performed by n1CPAs.</p>	<p>We do not support removing the analysis skill level content for this area as n1CPAs are often required to assist with developing and modifying an engagement plan for audit and non-audit engagements. We expect n1CPAs to be able to critically evaluate changes in risk and other recent developments and suggest new or modified tests as part of the engagement plan.</p>
10	II	<p>Group G: Planning for and using the work of others, including group audits, the internal audit function and the work of a specialist.</p> <p>Remove content related to the use of the internal audit function. PA research indicates content on the use of the internal audit function is beyond the scope of n1CPA practice.</p> <p>This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by n1CPAs. Content related to the use of internal audit will be removed, and content related to using the work of an IT auditor will be added while maintaining current content on group auditors and using the work of other specialists.</p>	<p>While we agree with the addition of content related to using the work of an IT auditor, we do not support removing the content on the use of the internal audit function. The internal audit function remains a critical risk management function for many entities. An n1CPA should understand how the work of internal audit, as well as specialists and component teams, can be leveraged to support the audit.</p>

11	II	<p>Group H: Specific areas of engagement risk. Topic 3: Related parties and related party transactions.</p> <p>Eliminate analysis skill level content and focus on defining and identifying related parties. PA research indicates the content at the analysis skill level is beyond the scope of n1CPA practice.</p> <p>This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by n1CPAs. The CPA Exam will continue to assess procedures to identify related party relationships and transactions at the application skill level.</p>	<p>We do not believe the analysis skill level content in this area is beyond the scope of n1CPAs and support retaining it. The existence of related party transactions is an important fraud risk factor and can impact both internal audit and external audit. Newly licensed CPAs are increasingly required to assist with analyzing the potential impact of related parties and related party transactions and should be fluent in the relative risks. The representative task description incorporates testing related party transactions and disclosure and considering the related control implications. We consider these to be relevant, and in fact necessary, skills for an n1CPA.</p>
17	III	<p>Group D: Specific matters that require special consideration. Topic 4: Litigation, claims and assessments.</p> <p>Remove analysis skill level content from the topic. PA research indicates analyzing management's estimates of accruals for litigation, claims, and assessments are beyond the scope of n1CPA practice.</p> <p>This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by n1CPAs. This topic will now focus on performing procedures to identify litigation, claims, and assessments at the application skill level.</p>	<p>We do not support removing the analysis skill level content for this topic. Newly licensed CPAs commonly assist with analyzing management's estimates of accruals for litigation, claims, and assessments. Understanding how to audit estimates in general is an important skill in a business environment that requires an increasing volume of subjective estimates.</p>
27	IV	<p>Group A: Understanding of information technology (IT). Topic 3: Data.</p> <p>Change the current Topic 3 - Data to be a Group of its own and add content related to working with data.</p> <p>This change is in response to the findings identified in the PA research, more specifically the digital and data-driven mindset.</p> <p>This new Group on data would include expanded content on data management, data governance, and data relationships. Additionally, the Group would include content related to extracting and loading data at the remembering and understanding skill level and content related to transforming and working with data and data relationships at the application skill level.</p>	<p>We agree with making Data its own Group and adding content related to working with data. It is important for n1CPAs to embrace the data-driven mindset. We see the value in data management, data governance, and data relationships.</p> <p>We believe it is important that when assessing the understanding of data extraction and data loading, the representative tasks include a focus on understanding the source of data and its reliability; how to assess completeness and accuracy; and understanding the data flows.</p>

29	IV	<p>Group C: Controls that respond to risks associated with IT. Topic 4: Continuity and recovery plans.</p> <p>Broaden the topic and revise the skill level from application to remembering and understanding.</p> <p>This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nCPAs.</p> <p>Revise this topic to focus on recalling concepts related to business resiliency. Business resiliency integrates crisis management and business continuity. The revised content will be at the remembering and understanding skill level rather than the application skill level. This change would more closely align with nCPA practice.</p>	<p>We agree with broadening the topic and focusing it on business resiliency. The coronavirus pandemic is only the most recent example to demonstrate the importance of crisis management and business continuity. We believe nCPAs can benefit from having a good understanding of relevant issues businesses face in a crisis and the implications for accounting and auditing. Having more than just an understanding in this area will be important to the assessment of risk that is the foundation of the profession.</p> <p>Given the critical importance of this area, we do not support revising the skill level to remembering and understanding and recommend maintaining assessment at the application level.</p>
31	I	<p>Group B: General-purpose financial statements: for-profit business entities. Topic 9: Going concern.</p> <p>Remove the topic. PA research indicates that this topic is beyond the scope of nCPA practice.</p> <p>This change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by nCPAs. Remove recalling the requirements for disclosing uncertainties about an entity's ability to continue as a going concern from management's perspective. The CPA Exam will continue to assess concepts related to going concern in the AUD section.</p>	<p>We do not support removing content assessing an nCPA's ability to understand the disclosure requirements related to uncertainties about an entity's ability to continue as a going concern. We believe that recalling the requirements for disclosing uncertainties about an entity's ability to continue as a going concern is fundamental to an nCPA's understanding of the purpose of financial reporting.</p>



April 29, 2020

AICPA

practiceanalysis@aicpa.org

Re: Exposure Draft and Invitation to Comment: *Maintaining the Relevance of the Uniform CPA Examination*[®]

To whom it may concern:

On behalf of RFH, PLLC, we appreciate the opportunity to provide our views on the Exposure Draft for *Maintaining the Relevance of the Uniform CPA Examination*[®] (the ED). We support continued improvement to the Uniform CPA Examination[®] (CPA Exam) through regular review and analysis. It is imperative that the CPA Exam remain current and relevant to the profession. Information technology, data analytics, and the understanding of business processes and the related internal controls, is imperative in an audit. Much of the exposure draft, addresses additional emphasis in these key audit areas. Therefore, the overarching premise of the ED regarding these areas, appears sound. However, there are certain provisions contained in the ED that are concerning. Our primary concern is the reduction and possible removal of governmental accounting for state and local governments outlined in the exposure draft. We are responding specifically to the question regarding whether accounting for state and local governments should continue to be assessed on the CPA exam.

According to the 2012 Census Bureau Report, there were 89,004 state and local governments in the United States. Many CPAs serve the public interest by either working directly for these agencies or for public accounting firms servicing those agencies. In May 2018, the Bureau of Labor Statistics reported 87,690 accountants and auditors working directly for state and local governments. Many more CPAs perform audit and/or consulting work for these same agencies through their work in public accounting. Reducing or eliminating governmental accounting would severely impact the pipeline and knowledge coming into that sector, while placing the burden of developing basic technical skills on the firms and agencies, at a time when audit quality for governmental agencies is already under increased scrutiny.

Elimination or reduction of governmental accounting on the CPA exam would result in colleges and universities rethinking their curriculum and most likely eliminating the course. This would eliminate governmental and non-profit exposure, since the course is often taught in tandem. In addition, when firms or governmental agencies hire new graduates in this area, having exposure via relevant coursework is a big factor in the hiring decision. These new graduates would no longer have this exposure. In addition, many of these governments have limited resources and the public accounting firms performing this work are often smaller rural firms that do not have the resources to invest to teach the basics to their new hires. This change to the exam would essentially place the burden for teaching

all governmental accounting knowledge on the firms and governmental agencies that hire these new CPAs. That would be a huge undertaking and burden for many organizations.

In addition, every individual in the United States is directly impacted by state and local government's finances. Having less CPAs with governmental accounting knowledge reduces the number of users that can read and understand these financial statements. Other non-accounting users rely on CPAs to help them navigate these complex statements. While it is true governmental accounting is complex and specialized, and it does take a long time to truly know the rules; it is also true that reducing or eliminating new CPA's exposure only makes it more unknown by so much more of the population. More individuals should learn the basics of governmental accounting since we are all directly impacted by how well our governments function. In addition, the differences in governmental accounting standards and financial accounting standards further enhances the user's knowledge of financial accounting standards and their ability to assist non-accounting personnel with these differences. It is important to have well informed new CPAs so that they can go out into the world able to converse and read these important public financial statements, where so many users of the financial statements cannot.

In addition, there has been concern on the quality of governmental audits. Eliminating governmental accounting from the CPA exam would do nothing to assist in the effort to have better, well-informed governmental auditors. Elimination of this sector essentially signals to the public that governmental accounting is not important to the profession. Marginalization of a sector that everyone has direct contact with daily, is ill advised. In addition, placing an additional training burden on audit firms, that are already contending with trying to make improvements to audit quality, is unreasonable. Audit quality will not improve if firms and agencies are hiring individuals with no governmental accounting knowledge.

Again, we appreciate the opportunity to offer our comments on the ED. It is in everyone's best interest to have a CPA exam that is relevant and meaningful.

Sincerely,



Heather R. Cochran, CPA
RFH, PLLC

April 23, 2020

American Institute of Certified Public Accountants

Reference – CPA Exam Practice Analysis

To the AICPA Examinations Team:

RubinBrown LLP appreciates the opportunity to respond to the AICPA's Request for Comment and Invitation to Comment, *Maintaining the Relevance of the Uniform CPA Examination*. Overall we support the AICPA's efforts to adapt the CPA exam for a greater focus on current trends in accounting.

RubinBrown LLP is a regional accounting firm with over 100 partners and over 600 team members with offices located in 6 geographic locations. Our practice focuses on both private and public companies.

Our responses to the questions for respondents in the request for comment are included below for your consideration.

Question 1: How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.

We agree that given the growth in complex technologies and more automated processes, the changes to emphasize technology's impact on an entity are appropriate. Changes require further understanding of the business and their processes including how technology is used to operate and account for transactions. Knowledge of significant business processes, IT infrastructure and applicable significant software and transaction cycles are a significant component of planning and performance of an audit. An understanding of how data is entered and transformed to its output that is accurate and complete is critical in understanding how to design effective audit procedures. Further, the use of technology to mitigate organizational risks and serve as controls within an organization are important in today's environment.

We further agree an emphasis on data analytics and a data-driven mindset have become crucial for nICPAs on a going forward basis. The ability to take a set of data, determine ways to perform audit tests efficiently on large data sets and the ability to evaluate the accuracy, completeness, and outcomes of the testing are highly needed skills for all CPAs seeking licensure. Possessing Excel skills to manipulate data sets greatly serves the profession.

Related to SOC 1 reports, as businesses outsource more work, we agree this is becoming a more important component of an entity's transaction cycle processes. Understanding this type of report and how it affects the audit is becoming more important in order to ensure that the underlying data is appropriate. Further, this informs a CPA about the business risks of the organization.

Question 2: Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

We agree that the goals outlined are achieved with the changes made in the document by the AICPA. Changes are reasonable and appropriate to streamline the testing process over technology, which affects all aspects of a business.

Question 3: Are there other areas affected by technology beyond the findings identified in the Practice Analysis – Findings section of this document broadly impacting nICPA practice that should be considered in future revisions of the CPA Exam Blueprints? If so, describe them.

We did not identify any other areas significantly affected by technology that were not identified by the AICPA.

Question 4: Based on the review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to the nICPA practice and the protection of the public interest? If so, describe them.

We believe that AUD10 Group E item 1: “Planned scope and timing of an engagement” that requires a nICPA to be able to “prepare presentation materials and supporting schedules for use in communicating the planned scope and timing of an audit or non-audit engagement to management those charged with governance” is not a critical skill for a nICPA. These presentation materials are typically created by a more experienced CPA based on the guidance. Further, many of the presentation materials are derived from templates utilized within an accounting firm and are customized on an engagement-by-engagement basis. As a result, we do not believe this is a critical skill for a nICPA.

Our responses to the questions for respondents in the invitation to comment are included below for your consideration.

Question 1: Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

We agree that these skills are better suited to be demonstrated on an ongoing basis during the educational process. The ability to demonstrate critical writing skills that are grammatically accurate and that convey complex information in a manner that can be evaluated and understood remain a critical element. This has become even more crucial as the standards to which CPAs must adhere have become more stringent requiring more ability to convey complex concepts through concise and accurate writing skills.

Until such a time that higher order skills can be effectively assessed during an essay question portion of the exam, educators are better suited to evaluate whether licensure

candidates are able to display effective written communication skills. As a result, we agree with the proposed removal of the essay question from BEC.

Question 2: Given considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

We believe accounting for state and local governments is a unique area of the accounting guidance that requires specialized skills. While these skills can be developed on the job and through specialized trainings, a well-rounded CPA should have a basic working knowledge of the differences in the requirements for accounting for state and local governments including the state and local government concepts, notes to financial statements, management's discussion and analysis, and remembering and understanding certain format and content of the financial section of the comprehensive annual financial report. Accountants who work at or with state and local governments are an important part of the oversight process for the accounting profession and as a result, having a basic working understanding further suits the accounting profession's goal of having engaged and skilled professionals.

While the content is important for nCPAs, in our opinion, consideration should be given to a reduction in the weight that the topic affects the scoring of the exam. By removing many application requirements from the existing blueprint, the amount of the content required would be reduced and thus the weight of the knowledge should be similarly considered for reduction.

Sincerely,

RubinBrown LLP

A handwritten signature in cursive script that reads "RubinBrown LLP".



**RESPONSE TO INVITATION TO
COMMENT - MAINTAINING THE
RELEVANCE OF THE UNIFORM CPA
EXAMINATION®**

SSP^C_A SCOTT S. PERRY CPA, PLLC
AFFIRMING DIGITAL TRUST



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INTRODUCTION

The attached response represents the views of me, Scott Perry, CPA and my Firm Scott S. Perry CPA PLLC, a boutique CPA Firm licensed in Washington and Oregon.

My Firm uses its CPA license primarily to attest cybersecurity and other information technology controls asserted its clients. The Firm is one of seven licensed in the United States by CPA Canada to issue WebTrust reports. These reports are an integral part of the trust assurance program for the Internet itself. My Firm audits Certification Authorities, Internet trust anchors which issue security certificates to website administrators to ensure Internet traffic is securely protected. The Firm is a leading player in a small niche; but one that is growing, and its applications are moving into the mainstream.

My Firm also issues SOC reports and I am a registered SOC Peer Reviewer with the AICPA.

I am well-known and versed in emerging technologies that leverage cryptography, such as blockchain, to enhance trust in digital transactions. I am an accomplished speaking at conferences and an authority on blockchain trust.

My interest in this CPA Exam effort stems from the dearth of technically savvy CPAs. When I passed my CPA exam and first became a CPA (New York State) in 1990, I was a bit of an anomaly. I had five years technology experience with IBM before completely changing my career and joined a small CPA Firm where my father was Partner. In 1991 I left that Firm and have been based in Seattle ever since. I have worked for two of the Big Four accounting Firms and started my own Firm in 2011. I have served large technology organizations, aerospace and defense contractors and government agencies.

While I have seen major efforts in updating the foundational technology skills of new CPAs after the passage of the Sarbanes – Oxley Act and the introduction of the CITP credential, the skillset woefully lags behind technological trends that affect all clients. I hope that this effort by the AICPA will create another major step to outfit nCPAs with current and relevant technology skills they will need to proudly serve their clients.

A. COMMENTS REQUESTED ON THE NEXT VERSION OF THE CPA EXAM AS DEFINED IN THIS ED.

a. Understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports have been identified as the three primary findings affected by technology and impacting the profession and nCPA practice. See further details on these findings in the Practice Analysis — Findings section of this document.

1. How do the findings align with the changes you see impacting nCPA practice? If the primary findings do not align with the changes you see impacting nCPA practice, please provide your view and explain your rationale.

Response: I agree with the findings with a few caveats. In reading through the committee's rationale, its effort wanted to 1) modernize its inventory of foundational skills needed by nCPAs and 2) tailor topics typically performed by nCPAs. I agree with both postures with some slight reservations.

Over the last thirty years, CPAs have continually been driven to ascend the value curve to clients, providing insights on business trends and risks. This requires having more anticipated knowledge on why transactions occur and the risks preventing them from being trustworthy. The perceived market equivalent of a nCPA is an MBA with a concentration in Accounting and Audit. As a profession, we should strive to meet that perception.

Thirty years ago, the anchor of nCPAs' approach to clients were their chart of accounts, how their transaction originated, and controls surround those transactions. Now the prevailing market need is having nCPAs better understand how business is transacted in a digital world. A business self-contracting all its books of records in one edifice does not exist anymore. Efficiencies afforded by cloud providers, vendor specialization, and offshore resource pools have dispersed books of records everywhere. Data at rest and in motion are even more threatened today than ever by cyber data breaches, fraud and privacy concerns. I think these are the areas where the findings do not go far enough.

As far as limiting nCPAs to the topics they need at their phase of their CPA career, I agree with the approach but warn that the committee do not solely skew its posture to serve large Firms where nCPAs are targeted to leveraged areas of audits by biasing the exam to more audit execution tasks to the detriment of planning and reporting. We need to be equally considerate for the nCPAs to working for smaller Firms without full-service training organizations. A well-rounded nCPA needs to understand the entire process as well.

b. The AUD and BEC section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. See changes 7, 8, 13, 23, 26, and 27. The PA findings support this more integrated approach to better assess the knowledge and skills required of nCPAs. These changes add, reorganize, and emphasize content. Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed. The proposed deletions and changes are also described in the Proposed Exam Changes section of this document.

2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

Response

I do. However, I believe the proposed changes do not go far enough since changes that are likely to be implemented in 2021 are moving aggressively into obsolescence. I recommend another change pass be made looking at industry trends and a continual change process be implemented so the exam questions can more quickly adapt to a changing business climate.

c. Technology constantly evolves and will continue to impact the work of nCPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in

future revisions to the CPA Exam Blueprints? If so, describe them.

Response

I think that the topic of Identifying the Source and Nature of Transactions of an Entity needs more of an overhaul. nCPAs involved in even mid-sized, multinational entities, are always overwhelmed in trying to understand where client data resides, who is responsible for its control and the controls used in the risk mitigation of that data. The more we can prepare nCPAs for that understanding, the better.

One additional area that nCPAs are ill-prepared to address in the field is dissemination and impact of audit exceptions and their impact on risk and reportable conditions. While there is no prescriptive blueprint on this topic, there certainly is a wide disparity or approaches in the field leading even to unstated postures by clients to choose a Firm whose reporting posture favors them. The consistent education to address this trend must start at the CPA exam.

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

Response

The exam has too much content on Accounting for State and Local Governments. A nCPA needs to know how to compare and contrast approaches for a variety of different entities but any more focus should be encapsulated in a specialized certificate exam.

As I reviewed the Blueprint, I identified the following areas which are too niche for a general nCPA and would be more suited for a specialized certificate:

Auditing and Attestation:

- Eliminate: Identify the factors an auditor should consider when engaged to issue a comfort letter in connection with an entity's financial statements that are included in a securities offering.*
- Eliminate: Identify the factors an auditor should consider in connection with audited financial statements of a nonissuer that are included in a registration statement.*
- Eliminate: Identify the factors an auditor should consider when restricting the use of written communication by including an alert when the potential exists for the written communication to be misunderstood or taken out of context.*
- Eliminate: Identify requirements under Government Accountability Office Government Auditing Standards related to reporting on internal control over financial reporting and compliance with provisions of law, regulations, contracts and grant agreements that have a material effect on the financial statements.*

Business Environment and Concepts

- Less focus specifically on COSO and consideration of other control frameworks like CoBIT and NIST Cybersecurity.*
- Diminish the importance of Working Capital and stress more sources of funding.*
- Eliminate: Identify and define the different financial valuation methods and their assumptions, including but not limited to fair value, Black-Scholes, Capital Asset Pricing Model and Dividend*

Discount Model.

- *Eliminate: Calculate financial and non-financial measures appropriate to analyze specific aspects of an entity's performance (e.g., Economic Value Added, Costs of Quality-Prevention vs. Appraisal vs. Failure)*

Financial Accounting and Reporting

- *Eliminate: Recall the purpose and characteristics of the conceptual framework for state and local governments.*
- *Eliminate: Recall the measurement focus and basis of accounting used by state and local governments for fund and government-wide financial reporting.*
- *Eliminate: Determine the appropriate fund(s) that a state or local government should use to record its activities.*
- *Eliminate: Identify and recall basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements and financial statement components).*
- *Eliminate: Prepare the government-wide statement of net position for a state or local government from trial balances and supporting documentation.*
- *Eliminate: Prepare the government-wide statement of activities for a state or local government from trial balances and supporting documentation.*
- *Eliminate: Identify and recall basic concepts and principles associated with governmental fund financial statements (e.g., required funds, financial statements and financial statement components).*
- *Eliminate: Prepare the statement of revenues, expenditures and changes in fund balances for the governmental funds of a state or local government from trial balances and supporting documentation.*
- *Eliminate: Prepare the balance sheet for the governmental funds of a state or local government from trial balances and supporting documentation.*
- *Eliminate: Identify and recall basic concepts and principles associated with proprietary fund financial statements (e.g., required funds, financial statements and financial statement components)*
- *Eliminate: Prepare the statement of revenues, expenses and changes in fund net position for the proprietary funds of a state or local government from trial balances and supporting documentation.*
- *Eliminate: Prepare the statement of net position for the proprietary funds of a state or local government from trial balances and supporting documentation.*
- *Eliminate: Prepare the statement of cash flows for the proprietary funds of a state or local government.*
- *Eliminate: Identify and recall basic concepts and principles associated with fiduciary fund financial statements (e.g., required funds, financial statements and financial statement components).*
- *Eliminate: Prepare the statement of changes in fiduciary net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.*
- *Eliminate: Prepare the statement of net position for the fiduciary funds of a state or local government from trial balances and supporting documentation.*
- *Eliminate: Recall the disclosure requirements for the notes to the basic financial statements of state and local governments.*
- *Eliminate: Recall the objectives and components of management's discussion and analysis in the comprehensive annual financial report for state and local governments*
- *Eliminate: Recall the objectives and components of budgetary comparison reporting in the comprehensive annual financial report for state and local governments*

- *Eliminate: Recall the objectives and components of required supplementary information other than management's discussion and analysis in the comprehensive annual financial report for state and local governments.*
- *Eliminate: Recall the criteria for classifying an entity as a component unit of a state or local government and the financial statement presentation requirements (discrete or blended)*
- *Eliminate: Prepare worksheets to convert the governmental fund financial statements to the governmental activities reported in the government-wide financial statements.*
- *Eliminate: Prepare the schedule to reconcile the total fund balances and the net change in fund balances reported in the governmental fund financial statements to the net position and change in net position reported in the government-wide financial statements.*
- *Eliminate: Calculate the net position balances (unrestricted, restricted and net investment in capital assets) for state and local governments and prepare journal entries.*
- *Eliminate: Calculate the fund balances (assigned, unassigned, nonspendable, committed and restricted) for state and local governments and prepare journal entries*
- *Eliminate: Identify capital assets reported in the government-wide financial statements of state and local governments.*
- *Eliminate: Calculate the net general capital assets balance for state and local governments and prepare journal entries (initial measurement and subsequent depreciation and amortization).*
- *Eliminate: Identify general and proprietary long-term liabilities reported in the government-wide financial statements of state and local governments.*
- *Eliminate: Calculate the total indebtedness to be reported in the government-wide financial statements of a state or local government.*
- *Eliminate: Calculate the net general long-term debt balance for state and local governments and prepare journal entries (debt issuance, interest payments, issue premiums or issue discounts).*
- *Eliminate: Prepare eliminations of interfund activity in the government-wide financial statements of state and local governments.*
- *Eliminate: Prepare journal entries to recognize interfund activity within state and local governments.*
- *Eliminate: Calculate the amount of nonexchange revenue to be recognized by state and local governments using the modified accrual basis of accounting and prepare journal entries.*
- *Eliminate: Calculate the amount of nonexchange revenue to be recognized by state and local governments using the accrual basis of accounting and prepare journal entries*
- *Eliminate: Calculate expenditures to be recognized under the modified accrual basis of accounting (paid from available fund financial resources) for state and local governments and prepare journal entries.*
- *Eliminate: Calculate expenses to be recognized under the accrual basis of accounting for state and local governments and prepare journal entries.*
- *Eliminate: Identify transactions that require presentation as special items in government-wide financial statements for state and local governments.*
- *Eliminate: Recall and explain the types of budgets used by state and local governments.*
- *Eliminate: Prepare journal entries to record budgets (original and final) of state and local governments.*
- *Eliminate: Prepare journal entries to record encumbrances of state and local governments*
- *Eliminate: Calculate the amount to be reported as other financing sources and other financing uses in the governmental funds financial statements.*

- *Eliminate: Summarize the various securities laws and regulations that affect corporate governance with respect to the federal Securities Act of 1933 and federal Securities Exchange Act of 1934.*
- *Eliminate: Identify violations of the various securities laws and regulations that affect corporate governance with respect to the federal Securities Act of 1933 and federal Securities Exchange Act of 1934.*
- *Eliminate: Identify permanent vs. temporary differences to be reported on Schedule M-1 and/or M-3*
- *Eliminate: Calculate the book/tax differences to be reported on a Schedule M-1 or M-3*
- *Eliminate: Prepare a Schedule M-1 or M-3 for a business entity.*
- *Eliminate: Reconcile the differences between book and taxable income (loss) of a business entity*
- *Eliminate: Identify situations where the base erosion and anti-abuse tax (BEAT) would apply*
- *Identify factors that would qualify income as Foreign Derived Intangible Income (FDII).*
- *Eliminate: Define the components of Global Intangible Low-Taxed Income (GILTI).*

B. COMMENTS REQUESTED FOR THE FUTURE OF CPA EXAM CONTENT AND STRUCTURE CHANGES AS DEFINED IN THIS ITC.

a. The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.

1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

Response:

The question addresses many topics: 1) objectivity of the exam, 2) the cerebral orientation of candidates and 3) the competency of nI CPAs to convey English in succinct business terms. I will address all three:

- 1. I am unfamiliar with the cost and rigors of scoring the CPA Exam but if the exam were to eliminate essay questions, I can see how scores can be more objective and more cost-efficient to process. I think that is the strongest assertions to eliminate the essay question.*
- 2. People think differently. Candidates with strong STEM competencies tend to think concretely and rule based. Multiple choice tests favor those candidates. Candidates with strong liberal arts competencies think more abstractly and conceptual. Essay based questions favor those candidates. I fear that eliminating essay questions from the exam will filter out these candidates and they make excellent CPAs. Also, there are frankly some topics not suited to multiple choice questions. Therefore, this topic favors retaining the essay question.*
- 3. University and CPA Exam preparation ill-prepares candidates to the language of succinct business writing that they encounter when nI CPAs enter the workforce. It should be a foundational skill to all nI CPAs. Therefore, this topic favors retaining the essay question.*

*Based on my rationale, I recommend that the essay question **NOT** be eliminated.*

b. Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and

thus the potential limited applicability to a majority of nCPAs, the AICPA is considering the potential removal of state and local government and Department of Labor accounting content from the CPA Exam as described in the ITC section of this document.

2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

As stated earlier, the exam has too much content on Accounting for State and Local Governments. A nCPA needs to know how to compare and contrast approaches for a variety of different entities but any more focus should be encapsulated in a specialized certificate exam. If one reads through all the topics in the Exam Blueprint, it is overwhelming for candidates. The Exam Committee must be sensitive to separating foundational skills from specialized competencies so preparedness for nCPAs are not diluted and prepared for a specific industry in deference to others.

Joanne Scafidi

From: Ryan Miller [REDACTED]
Sent: Thursday, April 9, 2020 8:19 AM
To: Practice Analysis
Subject: Against Proposal to Reduce and Eliminate State and Local Government Content from CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants,

On behalf of the Alabama Association of School Business Officials (AASBO) and Leeds City Schools, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

AASBO and Leeds City Schools opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

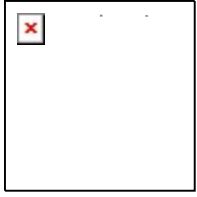
- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Furthermore, we have had difficulty recruiting quality candidates for jobs requiring governmental accounting and reporting knowledge.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. There are only a few qualified candidates when procuring services of independent CPA firms, and/or have experienced delays in issuing statements because their audit firm is busy with other clients or inaccessible during certain times of the year.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Ryan D. Miller, CPA, CFE, SFO

Chief Financial Officer
Leeds City Schools
1404 8th Street
P.O. Box 1029
Leeds, AL 35094





Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

April 1, 2020

American Institute of Certified Public Accountants (AICPA)

Transmitted electronically via: practicenalysis@AICPA.org

To Whom It May Concern:

We have reviewed the AICPA Exposure Draft (ED) entitled *Maintaining the Relevance of the CPA Exam*. Please see our comments below regarding selected areas of the ED.

1. The findings appear to align with the changes impacting the newly licensed CPA (nICPA) practice and the need to demonstrate the impact technology has on the practice. Specifically, the nICPA's need to:
 - Understand the business, including the data sources, automation, and internal controls, both manual and IT.
 - Develop a digital and data-driven mindset to understand the sources of data and assess the completeness, accuracy, and relevance of the data.
 - Understand and rely on internal control reporting. However, such reporting should not be limited to SOC 1 reports and should include, for example, consideration of COSO controls.
2. We are strongly opposed to the proposed removal of the content assessed in FAR Area IV (Change Numbers 37, 38, and 39) related to State and Local Governments. We believe that the CPA Exam should continue to address State and Local Governments as:
 - In Florida alone, there are over 1,700 local governments and nearly all of those governments need accounting staff, including nICPAs, who are knowledgeable about governmental accounting.
 - Many of the 1,700 local governments are required to obtain financial audits, and auditors, including nICPAs, with a working knowledge of governmental accounting are needed to perform such audits.
 - Citizens rely on the accurate financial accounting and auditing of their governments. All members of the public are affected by the financial reporting of governments as it impacts school funding, public assistance, road construction, property and sales taxes, etc. State and Local Government spending comprises approximately \$3 trillion each year and, given the

significance of that spending to the United States economy and the importance of accountability within governments, it does not seem logical to eliminate State and Local Government content from the CPA Exam.

- If State and Local Government content is removed from the CPA Exam, fewer universities will teach governmental accounting as “it’s not covered on the CPA Exam.” This will impact the comprehensive education of accounting majors, making them less prepared for a career in the public sector.
 - State audit organizations like ours already find it difficult to attract recent accounting graduates. If there is a further decrease in governmental accounting instruction due to the lack of State and Local Government content on the CPA Exam, there would be less exposure to government accounting and even less interest in public sector accounting and auditing careers.
3. The AICPA ED is unclear as to whether the State and Local Government content will be removed entirely from the CPA Exam or just be significantly reduced. Specifically, FAR Area IV Change Numbers 37, 38, and 39 seem to say that the content will be simplified or focused on basic concepts and principles, while page 36 implies that accounting for State and Local Governments may no longer be assessed on the CPA Exam at all.

Thank you for the opportunity to respond. Should you have any questions regarding the above, please feel free to call me or contact Jennifer Blanca [REDACTED]

Sincerely,



Sherrill F. Norman, CPA

SFN/jb

BALTIMORE COUNTY PUBLIC SCHOOLS

Darryl L. Williams, Ed.D. ♦ Superintendent ♦ 6901 North Charles Street ♦ Towson, MD ♦ 21204

April 8, 2020

American Institute of Certified Public Accountants

On behalf of the Baltimore County Public Schools (BCPS), we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

BCPS opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. BCPS has significant difficulty already in finding minimally qualified governmental accounting candidates. On the contrary, we believe that the colleges and universities should be *requiring* accounting students to study governmental accounting. There are many more accountants in the state, local, and education fields than most realize. Any action taken that would lessen the importance of governmental accounting will be detrimental to the profession. At a minimum, having had some exposure to governmental accounting in post-secondary education, and thereby in preparation for the CPA exam will enhance any accountant's marketability.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. Furthermore, most governmental financial statements continue to become more complex with the numerous new requirements imposed by the GASB. BCPS has had to shift its requirements when looking for accounting candidates from favoring CPA's to favoring some governmental accounting experience due to the complexities of governmental financial statements today.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Patrick M. Fannon, CPA, CPFO
Controller
Baltimore County Public Schools

██████████
██████████

AICPA Exposure Draft Commentary

Maintaining the Relevance of the Uniform CPA Examination

California State Controller's Office

Purpose:

The purpose of the AICPA's Practice Analysis (PA) is to explore the current impact of technology on the profession and the work of newly licensed CPAs (nICPAs) in today's environment. It also looks at areas where the Uniform CPA Examination may have become too broad and not sufficiently focused on the critical knowledge and skills required of today's nICPAs. Changes resulting from this PA are targeted to be operational in the CPA Exam sometime in 2021.

Background:

The PA involves many areas, but the following changes it proposes are particularly important from a State government perspective.

1. The AICPA is proposing to remove the application skill level content (the category labeled as the second lowest skill level) from the CPA Exam, and to retain or combine with other topics the remembering and understanding skill level content (the category labeled as the lowest skill level), for the following topics:
 - a. Independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor (p.14);
 - b. Government-wide financial statements (p.25);
 - c. Governmental funds financial statements, proprietary funds financial statements, and fiduciary funds financial statements (p.26); and
 - d. Net position and components thereof, fund balances and components thereof, and interfund activity including transfers (p. 26).
2. Given the specialized nature of the content assessed in FAR Area IV — State and Local Governments, the limited or non-applicability to a large majority of nICPAs, and the minimal impact of FAR Area IV on a candidate's overall score (15% maximum), the AICPA is considering removal of state and local government accounting content from the FAR section of the CPA Exam (p. 36).

Impact to the State:

The California State Controller's Office (SCO), State Government Reporting Policy Section of the State Accounting and Reporting Division reviewed the Exposure Draft for its applicability to the State's accounting capabilities, and disagrees with all of the above proposals and conclusions

AICPA Exposure Draft Commentary

Maintaining the Relevance of the Uniform CPA Examination

California State Controller's Office

that the AICPA has written. The SCO particularly disagrees with the proposal concerning the removal of the State and Local Governments content from the FAR section of the CPA Exam, as will be explained below.

Lack of Diversity in the AICPA's Research Methodology

Based on the information disclosed in the Exposure Draft regarding the AICPA's decision making process, such as the "Overview of the Practice Analysis Methodology" beginning on p. 30, it appears that the AICPA solicited public accounting firm employees as a primary source of feedback, with a notable exclusion of feedback from governmental accountants.

For example, in "Phase 1 – Firm Meetings and Focus Groups" (p. 30), the AICPA discloses that it has devoted the first component of its Phase 1 research to meeting with:

13 public accounting firms of various sizes including Big 4, national, and smaller firms. The purpose of these meetings was to ascertain, from the firms' professional services methodology and training leaders, the impact that technology is having on the delivery of professional services.

This entire component of Phase 1 excludes governmental accountants even though state and local governments comprise a significant portion of the United States' economic activity. For example, per the Bureau of Economic Analysis, state and local government expenditures comprised 10.9% of the annual United States GDP in the fourth quarter of 2017¹. Within California, state and local government expenditures accounted for 9.1% of the State GDP in 2017, making it a more significant component of California's economy than educational services, health care, and social assistance; retail trade; arts, entertainment, recreation, accommodation, and food services; construction; and eight other industry categories². According to the Securities Industry and Financial Markets Association, municipal bonds were estimated to comprise 9.5% of the total outstanding United States bond market debt in 2017³. The reliability of the CAFRs published by state and local governments, and the ability to understand them, is therefore of critical importance not only to citizen stakeholders but also to financial decision makers in the bond investment community. Clearly, excluding the governmental accounting methodologies underwriting this significant sector's financial reporting from the CPA exam does not support the public interest, which is a primary goal of the CPA designation.

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We must also note that the CAFRs of most state governments in the U.S. do not receive independent audit reports from public accounting firms, but rather independent governmental offices. For example, the five states with the largest GDPs in the United States are California, Texas, New York, Florida, and Illinois. Of these five states, only New York receives an audit opinion from a public accounting firm. California receives its opinion from the California State Auditor's Office, Texas from the Texas State Auditor's Office, Florida from the Florida Auditor General's Office, and Illinois from the Illinois Auditor General's Office. It appears that the AICPA has not consulted with any governmental entities that audit state CAFRs, despite the significance of their work to the United States economy, financial markets, and its citizenry. In addition to state auditors, the auditor/controller/comptroller divisions of many county governments, city governments, local education agencies, municipalities, and public retirement systems nationwide are led and staffed by CPAs and CPA candidates who were not considered in the AICPA's decision making process. Given the prevalence of the government sector and CAFR reporting, it is troubling that the AICPA did not consult with any governmental auditing or accounting offices during this component of its Phase 1 research. The SCO therefore recommends that the AICPA commit to obtaining additional feedback that is more representative of the diversity of practice of current and prospective CPA licensees.

Government is a Large Portion of the Accounting and Auditing Occupation

The AICPA, during its second component of Phase 1 research, utilized the following number of focus groups as p. 31 reads:

The focus groups were organized by public accounting firm size and included one focus group for the Big 4, three focus groups for large firms, and two focus groups for small firms. Additionally, there was one focus group for business and industry and government, and one focus group with CPAs with state board regulatory experience. The focus group participants represented a wide range of public practice including public practice of audit, attestation, and accounting services, public practice of taxation, and not-for-profits. Additionally, the business and industry and government focus group participants represented controllership roles,

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internal audit, corporate taxation, and governmental accounting and taxation.
Across the eight focus groups, 81 CPAs participated.

The SCO again notes the disproportionate underrepresentation of governmental accountants in the AICPA's research. The Exposure Draft indicates that only one of eight of its accounting focus groups (12.5%) included professionals representing "business, industry, and government." Since government employees are merely a sub-group of this focus group, only a small portion of the participants had experience with governmental accounting. The representation of governmental accountants within the focus groups is disproportionate to the facts concerning accounting employment within the United States, as can be seen below⁴.

13-2011 Accountants and auditors
Employment by industry, occupation, and percent distribution, 2018 and projected 2028.

Employment in thousands.
 Industries with fewer than 50 jobs, confidential data, or poor-quality data are not displayed.

Industry Title	Industry Code	Industry Type	2018 Employment	2018 Percent of Occupation
<input type="text" value="Search"/>	<input type="text" value="Search"/>			
Total employment	TE1000	Summary	1,424.0	100.0
Total wage and salary employment	TE1200	Summary	1,329.3	93.3
Professional, scientific, and technical services	540000	Summary	455.4	32.0
Professional, scientific, and technical services	541000	Summary	455.4	32.0
Accounting, tax preparation, bookkeeping, and payroll services	541200	Line Item	344.3	24.2
Finance and insurance	520000	Summary	119.9	8.4
Government	900000	Summary	117.9	8.3
Management of companies and enterprises	550000	Summary	97.5	6.8
Management of companies and enterprises	551000	Line Item	97.5	6.8

The Bureau of Labor Statistics (BLS) has indicated that as of 2018, employment for accountants within the "Government" sector comprised 8.3% of the total employment of accountants and auditors across the United States. In contrast, "Professional, scientific, and technical services" (of which "Accounting, tax preparation, bookkeeping, and payroll services" is

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a subset) comprised 32% of the total employment of accountants and auditors across the United States. In other words, government accountants and auditors are about 26% of the size of the “Accounting, tax preparation, bookkeeping, and payroll services” industry, but received less than 12.5% of the AICPA’s attention within its focus groups, and even less when Phase 1’s “Firm Meetings” are included in the reckoning.

Furthermore, there are more accountants and auditors employed in the “Government” industry than accountants and auditors employed in the “Management of companies and enterprises” industry; however, there is no apparent effort to remove managerial accounting concepts from accounting curriculums and the BEC section of the CPA Exam.

Removing Governmental Accounting from the CPA Exams Weakens the Certification

Since the CPA designation still holds significant weight within the field of governmental accounting, and given the sheer number of governmental accountants employed across the United States, it is reasonable for up to 15% of the AICPA’s FAR exam to include subjects pertaining to governmental accounting. Governmental entities still have a need for the CPAs in their workforce to have a solid understanding of governmental accounting for the CPA designation to mean anything, and governmental accounting still remains a significant portion of the total accounting and auditing workforce across the United States. Without a governmental accounting component to the exams, the CPA designation would carry less weight for auditors of governmental entities, accountants who wish to transfer to government employment, and stakeholders who rely on the quality of governmental financial statements that are both compiled and audited by CPAs.

The removal of governmental accounting does not seem to be justified by the AICPA’s initiative to establish more relevant application skill level content in the CPA Exam. While accounting applications of certain industries may have diminished over the years, the relevance of the government sector has not. The CPA designation has earned its prestige by establishing a brand of accountants who can quickly transition to and from performing accounting and auditing functions within private for-profit, public for-profit, non-profit, and governmental organizations, as well as prepare tax returns. A CPA license holder is supposed to represent professional competency in multiple areas. Removing criteria from the CPA exam pertaining to a field that

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employs more than 8% of the accountants and auditors within the United States will weaken the license.

New CPAs Are Essential for Governments Replacing Retired Accounting Staff

It is also worthwhile to note that governmental employees encompass an older demographic and will need to be replaced at some point. For example, within California as of June 2019, the largest segment of the State governmental workforce was the “45-49” age range at 14.9% of total employment. State employees under the age of 30 represented only 9.4% of the State workforce⁵. As more employees retire they will need to be replaced by younger employees, and if exposure to and understanding of governmental accounting is depleted from the pool of nICPAs who will be candidates for replacement positions, the governmental labor force will be at a significant disadvantage in the upcoming decades. The State government, and by extension its citizenry, cannot afford the impact that the proposed CPA Exam revisions could potentially have upon the pool of experienced, knowledgeable job candidates. The SCO recommends that the AICPA make a greater effort to understand the perspective of such a significant portion of the nation’s accounting professionals.

Conclusion:

The SCO would like to extend its thanks to and appreciation for the AICPA providing an opportunity to comment on the Exposure Draft released by the AICPA. The SCO believes that the AICPA should not remove governmental accounting content from the Uniform CPA Examination. Alternatively, the SCO suggests that the AICPA explore opportunities to refine the existing governmental content. The SCO sincerely hopes that the AICPA carefully considers all the factors behind its decisions regarding State and local governmental accounting proficiency amongst newly licensed CPAs.

Citations:

1

https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=3&isuri=1&nipa_table_list=5&categories=survey

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Maintaining the Relevance of the Uniform CPA Examination

California State Controller's Office

2

https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=30&isuri=1&major_area=0&area=06000&year=2017&tableid=505&category=1505&area_type=0&year_end=-1&classification=naics&state=0&statistic=-1&yearbegin=-1&unit_of_measure=levels

3

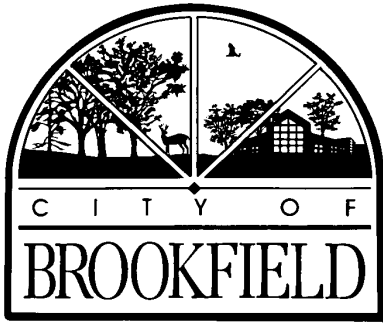
Xls file from <https://www.sifma.org/resources/research/fixed-income-chart/>

4

<https://data.bls.gov/projections/nationalMatrix?queryParams=13-2011&ioType=o>

5

<https://www.calhr.ca.gov/state-hr-professionals/Pages/workforce-planning-statistics.aspx>



FINANCE DEPARTMENT

2000 N. Calhoun Road
Brookfield, Wisconsin 53005-5095
(262) 782-9650 Fax (262) 796-6680
www.ci.brookfield.wi.us

Robert W. Scott, CPA, CPFO, CGFM, Director of Finance and Administration
Mary M. Reeves, CPA, MBA, Finance Manager

April 22, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Brookfield, Wisconsin, I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City of Brookfield opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, the City, and I as a CPA who has practiced in both public accounting and in the public sector, believe that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. As a case in point, our City has had difficulty on several occasions over the past decade in recruiting qualified candidates for managerial roles where most optimally the candidates should have governmental accounting and reporting experience.
- SLGs should be fully able to prepare their own GAAP compliant financial statements, and we at the City take pride in doing so. However, most of my peers in other jurisdictions in Wisconsin are already forced to rely on their auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- Further, the impact of this change will cascade to CPA firms specializing in audits of SLGs. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. Those delays have come under increasing scrutiny from citizen groups, investors and analysts, and the Securities and Exchange Commission.

Thank you again for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at the address/phone noted above.

Regards,

CITY OF BROOKFIELD

Robert W. Scott, CPA, CPFO, CGFM
Director of Finance and Administration

CITY OF CHARLOTTESVILLE

“To Be One Community Filled With Opportunity”

Office of Director of Finance

P.O. Box 911 · Charlottesville, Virginia 22902
Telephone 434-970-3200 · Fax 434-970-3232



April 09, 2020

American Institute of Certified Public Accountants,

On behalf of The City of Charlottesville, VA, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City of Charlottesville, VA opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. As GASB continues to increase accounting and reporting standards, we are increasingly seeing that candidates who are applying to the City for accounting positions are increasingly inexperienced, and have to be trained on SLG accounting principles. Having a new CPA that is unfamiliar with these standards, causes perceived pay disparities among current experienced staff, who may not have such CPA license.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Presently, the City has prepared its own financial statements, but we may be forced in the future to rely on auditors to prepare our financial statements. This supports an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the quality and the length of time it takes for completion of the audit. Our government is usually not given adequate resources and training to comply with new standards and sometimes rely on its auditor for guidance when preparing its financial statements.

Thank you, again, for the opportunity to comment on this proposal. I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Sincerely,

Glen E. Pack

Comptroller



City of Cibolo 200 South Main / PO BOX 826 Cibolo, Texas 78108 (210) 658-9900 www.cibolotx.gov

April 16, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Cibolo, Texas ("City"), we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty finding qualified, knowledgeable candidates to fill accounting and finance positions in our organization. As a result, succession planning has been a challenge.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. Delays in completion of auditor fieldwork and report completion has been prevalent in recent years due to the number of governmental clients that our auditors support. Costs of these audits also continues to rise as a result of the short supply.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at the above address or telephone number.

Regards,

A handwritten signature in blue ink that reads "Anna Soliz Miranda".

Anna Soliz Miranda, CPA
Finance Director



City of La Puente

15900 E. Main Street, La Puente, CA 91744-4719 Telephone: (626) 855-1500 Fax: (626) 961-4626 www.lapuente.org

April 14, 2020

American Institute of Certified Public Accountants,

On behalf of the City of La Puente, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City of La Puente opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at [REDACTED]

Regards,

Troy Grunklee, CPA

Director of Administrative Service



April 9, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Leavenworth, Kansas we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City of Leavenworth opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, the City believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Governmental accounting has specific requirements that are unique from private sector accounting. Of the last five (5) accountants that I've hired, only one had governmental accounting in college and it was only a 2 week exposure that was included as part of another class. This places an undue training burden on already limited resources.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

A handwritten signature in blue ink that reads "Ruby L. Maline". The signature is written in a cursive, flowing style.

Ruby L. Maline
Director of Finance
City of Leavenworth, Kansas
[REDACTED]



OFFICE OF THE
CITY MANAGER
JOSE OMETEOTL

City of
LYNWOOD

Incorporated 1921

11330 Bullis Road, Lynwood, CA 90262
(310) 603-0220 x 200



April 20, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Lynwood, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

The City of Lynwood opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
 - Our agency has a hard time finding qualified accountants with government accounting experience and the choice to eliminate the SLG accounting and financial reporting would make it more difficult to find someone with the desired expertise experience that is needed.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Jose Ometeotl
City Manager



City of Reedley

April 13, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Reedley, California, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City of Reedley opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. The City experiences significant difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. The City of Reedley recently conducted an RFP for auditing services in the fall of 2019, and found that well over half of the firms contacted in our region did not perform any work for governmental entities.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Paul A. Melikian, CPFO
Assistant City Manager / Director of Finance

April 29, 2020

Sent via email: practiceanalysis@aicpa.org

American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, North Carolina 27707-8110

Re: Comments on Proposed Changes to Uniform CPA Exam – “*Maintaining the Relevance of Uniform CPA Examination: An Exposure Draft and Invitation to Comment*”

Dear American Institute of Certified Public Accountants:

On behalf of the City of San Jose, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

The City of San Jose, the tenth largest city in the United States, opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

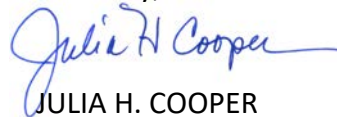
Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not consider the significance SLGs have in the overall United States' economy and in state and local economies. Additionally, the City of San Jose believes that the AICPA should consider the following:

- Eliminating SLG accounting and financial reporting from the CPA Exam will likely encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. The City of San Jose experiences significant difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- San Jose has encountered challenges in hiring accountants with governmental accounting experience. In our past several recruitments, there were a limited number of candidates who were experienced or well-versed in governmental accounting.

- Testing CPA candidates for knowledge of local governmental accounting and financial reporting experiences should be an important factor as we recognize the importance of having CPAs that understand public finance. Outside of the Government Finance Officers Associations' Certified Public Finance Officer (CPFO) program, there are limited uniform exams that can test a candidate's knowledge of governmental accounting.
- Having a good understanding and knowledge of state and local government accounting and financial reporting should remain one of the many critical requirements in becoming a CPA. Having CPAs that understand both type of accounting can also allow them to pursue careers in SLG and become well-rounded and educated accountants.
- Government agencies also rely on knowledgeable auditors who perform annual financial audits which are critical for reporting to our constituents, investors in our bonds and to the grantors, which includes federal agencies. Lack of trained auditors will impact the ability for government agencies, like San Jose, to contract with and engage auditing firms in this essential and critical service.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements at a time pressure is being placed on SLGs to prepare their financial statements in a timelier manner. In San Jose's last procurement for external auditor in 2017, the City received three responses; no responses from the "Big 4 Accounting Firms". A demonstration that the "Big 4" are no longer seeing service to SLG as part of their business plans, leaving providing auditing services to smaller, more regional accounting firms.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Sincerely,



JULIA H. COOPER
Director of Finance



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www.SpringdaleAR.gov

April 28, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Springdale, Arkansas, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The City of Springdale opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my City believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

In addition, as a CPA who previously worked in public accounting, and audited numerous cities and other local government entities, I strongly believe that SLG financial statement reporting is vital to cities, states and the nation as a whole. The City of Springdale receives an average of \$2-3 million annually in federal and state grants, and is thereby required to have a "Single Audit" under OMB A-133 or Subpart F of 2 C.F.R. Part 200. The City of New York, New York is also required to have a "Single Audit." According to its latest audit report for the year ended June 30, 2019, the City expended over \$23 billion in federal funds for that year alone. I believe that CPAs who audit SLGs consider that the knowledge they are required to have is just as relevant as CPAs who audit public companies.

Denise Pearce City Clerk/Treasurer

(479) 750.8118 phone | (479) 750.8505 fax | 201 Spring Street | Springdale, Arkansas 72764

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at [REDACTED]

Regards,

A handwritten signature in blue ink, appearing to read "Laura Favorite", with a long horizontal flourish extending to the right.

Laura Favorite, CPA
Finance Director
City of Springdale



Elizabeth Comfort
Finance Director, Interim

Department of Finance

Public Services Building
2051 Kaen Road, Suite 490 | Oregon City, OR 97045

April 16, 2020

American Institute of Certified Public Accountants,

On behalf of Clackamas County, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

We oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have experienced significant difficulties in recruiting for our positions such as Senior and Principal Accountant, positions which require advanced governmental accounting and reporting knowledge and where a CPA is preferred.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. In addition, we frequently experience delays in issuance as auditors are juggling the needs of their many clients.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Christa Bosserman Wolfe, CPA

Deputy Finance Director



MEMORANDUM

Date: April 30, 2019

To: AICPA

Re: AICPA Exposure Draft – *Maintaining the Relevancy of the Uniform CPA Exam*

VIA EMAIL: practiceanalysis@aicpa.org

The Colorado Office of the State Auditor (OSA) has reviewed the American Institute of Certified Public Accountants (AICPA) Exposure Draft (ED), *Maintaining the Relevancy of the Uniform CPA Exam*. Overall, we appreciate the information provided by the Board. However, we disagree with some of the Board's proposals on the exposure draft and have the following comments and feedback related to the specific Request for Comments in the exposure draft:

A. Comments requested on the next version of the CPA Exam as defined in this ED.

1. How do the findings align with the changes you see impacting newly licensed CPA (nlCPA) practice? If the primary findings do not align with the changes you see impacting nlCPA practice, please provide your view and explain your rationale.

Response: *Overall, we do not feel the findings align with the nlCPA, given that there are many nlCPAs who are not in public accounting. We do not feel there was significant input from non-Public Accounting Firms when looking at Phase 1 of the exposure draft that dealt with Firm Meetings and Focus Groups. Specifically, as noted in the exposure draft, only one of eight focus groups (12.5%) included business, industry, and government. Thus, since government is a sub group of this focus group, government representation would be far less than 12.5% noted in the previous sentence.*

There are many nlCPA that are part of corporate accounting departments; county, state, and local governments; internal audit departments; and not-for-profit companies. Specifically, licensed CPAs serve the public interest by working directly for and auditing government entities, as well as participating as engaged citizens in their local communities. The magnitude of the sector (approximately 38% of gross domestic product [OECD, 2015]) requires appropriately educated accountants, auditors, and engaged citizens to ensure the public interest.



We Set the Standard for Good Government

However, we agree with the PA technology research, specifically that nI CPAs need to have increased knowledge and skills related to a digital and data-driven mindset, including data analytics requiring the use of Excel, and evaluation of SOC 1 reports.

2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number see proposed changes beginning on page 14).

Overall Response: *Overall, we do not feel that parts of the exam related to governmental accounting and auditing should be removed, implemented or changed in scope.*

<i>Change Number</i>	<i>Area</i>	<i>Group</i>	<i>Topic</i>	<i>Blueprint Number</i>
<i>1</i>	<i>I</i>	<i>B</i>	<i>3</i>	<i>AUD 8</i>

Group B: Ethics, independence and professional conduct. Topic 3: Requirements of the Government Accountability Office and the Department of Labor.

Remove the application skill level content regarding independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor as PA research indicates this is less relevant to nI CPA practice. The Remembering and Understanding skill level content will be retained.

<i>Change Number</i>	<i>Area</i>	<i>Group</i>	<i>Topic</i>	<i>Blueprint Number</i>
<i>37</i>	<i>IV</i>	<i>B</i>	<i>1</i>	<i>FAR 24</i>

Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 1: Government-wide financial statements

Remove application skill level content. PA research indicates that this topic is less important to nI CPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.

<i>Change Number</i>	<i>Area</i>	<i>Group</i>	<i>Topic</i>	<i>Blueprint Number</i>
<i>38</i>	<i>IV</i>	<i>B</i>	<i>2, 3, 4</i>	<i>FAR 24, FAR 25, FAR 26</i>

Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 2: Governmental funds financial statements. Topic 3: Proprietary funds financial statements. Topic 4: Fiduciary funds financial statements.

Remove application skill level content and combine these topics into a new topic titled “Fund financial statements.” PA research indicates that this topic is less important to nI CPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.

<i>Change Number</i>	<i>Area</i>	<i>Group</i>	<i>Topic</i>	<i>Blueprint Number</i>
<i>39</i>	<i>IV</i>	<i>D</i>	<i>1,2,5,8</i>	<i>FAR 27, FAR 28</i>

Group D: Typical items and specific types of transactions and events. Topic 1: Net position and components thereof. Topic 2: Fund balances and components thereof. Topic 5: Interfund activity, including transfers. Topic 8: Special items.

Remove the application skill level content in Topics 1, 2, and 5 and move the remembering and understanding skill level content to the appropriate government-wide and governmental fund financial statement topics in Group B Remove Topic. Remove Topic 8. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.

<i>Change Number</i>	<i>Area</i>	<i>Group</i>	<i>Topic</i>	<i>Blueprint Number</i>
41	II	D	1	REG 10

Group D: Government regulation of business. Topic 1: Federal securities regulation.

Remove the topic. PA research indicates that this topic is less important to nCPA practice.

***Additional Overall Response:** Removal of governmental topics from the CPA exam will likely reduce government accounting and auditing curricular offerings at colleges and universities. This will not only reduce the number of qualified accountants and auditors for our hiring pools, but it will also limit student exposure to not-for-profit topics that are often taught in tandem with governmental topics.*

3. Are there other areas affected by in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

***Response:** We have not noted any other areas that should be considered at this time.*

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

***Response:** We do agree with the change numbers 7 and 8 as gaining an understanding of an entity's IT system and related internal control environment is important due to the ever-increasing reliance on IT. We also agree with the change number 12 to expand the content on the use of professional skepticism in gaining sufficient appropriate evidence.*

B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

***Response:** Written communication skills are vital to the nCPA and we believe the university and college accounting programs should ensure communication is fully addressed within their curriculums, thus we support the recommendation to remove the essay question from the CPA Exam itself.*

2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

***Response:** As noted in our response to the first question, we believe that accounting for state and local governments should continue to be assessed on the CPA Exam. Government and not-for-profit accounting is considered to be a specialized area of accounting, but it is the only such area*

that is defined by a sector of the economy. As such, newly licensed CPAs need to understand the nuances of accounting for the government and nonprofit sectors. In addition, learning accounting and reporting for these sectors reinforces student understanding of accounting for for-profit entities and builds critical thinking skills.

In addition, governmental audit quality has been a major concern to the AICPA, GAO, and the accounting profession. Marginalization of governmental accounting knowledge will likely refuel issues of audit quality.

If you need additional information regarding our comments, please contact Brad Walcher [REDACTED]
[REDACTED] or Crystal Dorsey [REDACTED]
[REDACTED]



COACHELLA VALLEY WATER DISTRICT

Established in 1918 as a public agency

GENERAL MANAGER
Jim Barrett

ASSISTANT GENERAL MANAGER
Robert Cheng

April 13, 2020

American Institute of Certified Public Accountants:

Regarding: Proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC)

The Coachella Valley Water District opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

I have worked for five public agencies in California over my 34 year career, including the City of Palm Springs, the San Jose Evergreen Community College District, two K-12 school districts, and now the Coachella Valley Water District. Over the course of my career, I can attest that the value of having a CPA designation has been minimized because the focus of the examination program had been deemed to be focused on the private sector. It has only been in the most recent years that the value, significance and relevance of the CPA designation has increased because of changes to the program. Currently I have four members of my Finance Department staff who are in various stages of the testing and certification process to earn their CPA designation. Our water District has demonstrated appreciation for the benefit of the program by providing educational incentives to employees for participating in your program. Also, we have added 'CPA strongly desired' to several of our top Finance Department job descriptions.

In one fell swoop, these proposed changes to your examination process would set back many years of progress towards raising the level of respect and relevance of the CPA designation in the public sector in not only our organization, but also in many other public agencies throughout the country. Therefore, I strongly urge you to eliminate the proposed changes to the examination process which de-emphasizes or even eliminates the importance of governmental accounting content.

Thank you for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Sincerely,

Geoffrey S. Kiehl
Director of Finance

COUNTY OF SANTA BARBARA

BETSY M. SCHAFFER, CPA
Auditor-Controller

C. EDWIN PRICE, JR., CPA
Assistant Auditor-Controller



County Administration Building
105 E. Anapamu Street, Rm. 303
Santa Barbara, CA 93101
(805) 568-2100

Auditor@co.santa-barbara.ca.us

Mailing Address:
P.O. Box 39
Santa Barbara, CA 93102-0039
Fax: (805) 568-2016

OFFICE OF THE AUDITOR-CONTROLLER

April 28, 2020

Re: Opposition to proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Dear American Institute of Certified Public Accountants,

On behalf of the County of Santa Barbara, CA, Auditor-Controller's Office, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The elected Auditor-Controller's Office employs 49 fulltime employees to perform government-code mandated financial and accounting services for the greater County organization, special districts, and school districts: general ledger control and oversight, financial reporting, accounts payable, payroll, property tax distributions, and information technology development and support.

Of our 49 employees, 16 (33%) are active CPAs licensed in California. We compete and recruit for new Accountant-Auditors along with the all the non-government CPA firms.

The letter is to inform you that as a local government accounting office, the Santa Barbara County Auditor-Controller's Office **opposes** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and to potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 state and local governments. Every

one of these organizations needs professional licensed accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfill the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants". From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

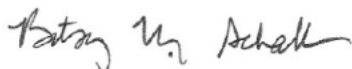
Additionally, my office believes that the AICPA should consider the following potential impacts:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements.

For the reasons stated above, we oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination, which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,



BETSY M. SCHAFFER, CPA
Auditor-Controller, Santa Barbara County, California



OFFICE OF
AUDITOR - CONTROLLER

TACY ONETO ROUEN, Auditor - Controller

County Administration Center
810 Court Street • Jackson, CA 95642-2132
Telephone: (209) 223-6357
Fax: (209) 223-6721

April 28, 2020

American Institute of Certified Public Accountants,

On behalf of the County of Amador, I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

I am also a member of CalSACA which represents the Auditor-Controllers and Finance Directors of California's 58 counties, many of whom, like me, are CPAs and/or who have CPAs on staff and all who work with CPA firms on a regular basis.

I **oppose** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 state and local governments. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfil the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and I have the responsibility to protect the public interest as I am a "public servant". From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides State and Local Governments and CPA firms with confidence in selecting a candidate with this designation. I understand the

candidate likely has a well-rounded education and technical background which includes the basic understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Additionally, I believe that the AICPA should consider the following potential impacts:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. I have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements. When soliciting for audit services, depending on the region, some of our counties have had few qualified candidates when procuring services of independent CPA firms, and/or have experienced delays in issuing statements because their audit firm is busy with other clients or inaccessible during certain times of the year.

For the reasons stated above, I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination, which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

My Regards,



Tacy Oneto Rouen, CPA
Auditor-Controller, Amador County, California

ERICK ROESER
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

585 FISCAL DRIVE, SUITE 100
SANTA ROSA, CA 95403
PHONE (707) 565-2631
FAX (707) 565-3489



JONATHAN KADLEC
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

AMANDA RUCH, CPA
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

BROOKE KOOP, CPA
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

April 29, 2020

American Institute of Certified Public Accountants

Re: Invitation to Comment - Proposed Changes to the Uniform CPA Exam
Response via email: practiceanalysis@aicpa.org

American Institute of Certified Public Accountants,

As the County of Sonoma Auditor-Controller-Treasurer-Tax Collector, I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I represent the County of Sonoma Auditor-Controller-Treasurer-Tax Collector's Office, which has a staff of over 100 accounting and finance professionals and is responsible for accounting and financial reporting, and internal audit services for the County of Sonoma and many special districts within the county. I have several CPAs on staff and work with independent CPA firms on a regular basis.

I **oppose** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 state and local governments. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfil the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and have the responsibility to protect the public interest as "public servants". From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government

accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides State and Local Governments and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a well-rounded education and technical background which includes the basic understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Additionally, I believe the AICPA should consider the following potential impacts:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements. The County of Sonoma has had few qualified candidates when soliciting and procuring audit services of independent CPA firms.

For the reasons stated above, I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination, which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Best regards,



Erick Roeser
Auditor-Controller-Treasurer-Tax Collector
County of Sonoma

John Bosler

Secretary/General Manager/CEO

April 13, 2020

American Institute of Certified Public Accountants,

On behalf of the Cucamonga Valley Water District (District), we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The District opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We currently employ four (4) CPA's and this knowledge is extremely relevant to our organization.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Personally, the only substantial education on governmental accounting that I received was through my CPA exam review course. I am grateful for that knowledge as my entire career has been serving or working for a public agency. Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,



Carrie Guarino, CPA
Assistant General Manager



David Douglas School District

Learn – Grow – Thrive

Ken Richardson, *Superintendent* | 11300NEHalseyStreet,Portland,Oregon97220 | Phone 503-252-2900 | Fax 503-256-5218

April 14, 2020

American Institute of Certified Public Accountants,

On behalf of David Douglas School District, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

David Douglas School District opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Over the past several years we've had significant difficulties recruiting and retaining staff with sufficient knowledge of SLG accounting matters. We feel that reduced emphasis on SLG accounting in college and universities will increase this difficulty.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. Reduced emphasis on learning SLG accounting and financial reporting will increase SLG dependence on auditors. Furthermore, if candidates are no longer tested on SLG financial statements, auditors may lose the expertise required to prepare the statements.

Visit our website: www.ddouglask12.or.us

Email: David_Douglas@ddouglask12.or.us



David Douglas School District

- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. If these firms are no longer able to recruit/retain graduates with the necessary skills, there may fewer firms qualified to perform audits of state and local governments

As a member of the AICPA currently working in local government, I urge you to keep coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination. State and local governments impact all of us and it is critical that CPAs continue to study the unique accounting and financial reporting needs of these organizations.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me via email [REDACTED]

Regards,

Laura Olsen, CPA
Accounting Manger
David Douglas School District



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 9, 2020

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Re: AICPA ED and ITC

To Whom it May Concern:

I would like to thank you for the opportunity to respond to the AICPA's Maintaining the Relevance of the Uniform CPA Examination Exposure Draft and Invitation to Comment.

As the title of the document suggests, we reviewed the practice analysis findings and proposed CPA examination changes with a view toward maintaining the relevance of the CPA examination in light of technical standards changes and obsolescence. Our purpose in making comment is to provide additional insight from our work with newly licensed CPAs (nlCPA) in an effort to help the AICPA keep the examination current with the profession and support the profession's commitment to protecting the public interest.

Although, we agree with some proposed changes, as stated below, we view those changes as downplaying the importance of proficiency in state and local government accounting knowledge and find them to be inconsistent with the stated objectives for the exposure draft. Government accounting is a significant part of the accounting industry when considering those working within state and local governments and those in public sector accounting services of public accounting firms. This portion of the industry is not obsolete. We would argue just the opposite. We believe it is part of the basic accounting and auditing skills for which a clear understanding is essential to support nlCPAs use of technological advances and protect the public interest in licensing such individuals.

We agree with change numbers 2, 6, 7, 9, 12, 18, 22, 24, 25, 27, 35 and 36 for the reasons stated in the exposure draft. We also agree with removal of the essay question within the BEC but only for the rationale provided. Written communication remains an extremely important skill for the nlCPA but until such time as automated scoring can assess the higher-order skills in addition to writing ability for the essay question, its relevance in the CPA exam is diminished.

Change number 1 should not be implemented. A base level knowledge of the independence rules and ethical requirements for the Government Accountability Office is not sufficient for the nICPA. Ethics and independence are paramount to ensuring public confidence in the work of CPAs. The nICPA must be able to apply the learned knowledge to any engagement including government sector work. The difference between the educated accountant and the nICPA must be their ability to apply the education obtained. To protect the public interest it is important that the skills necessary to apply the candidate's knowledge of independence and ethics rules be tested for all types of assignments, not just those for which they may already have experience.

Change number 21 goes beyond reducing testing of skills related to compliance reporting which is most common in a regulatory or government setting. The ability to demonstrate the skill set needed to prepare a draft compliance report also can show higher-order skills of critical thinking, subject matter knowledge, judgment and skepticism, which the practice analysis determined were important to the nICPA.

Change numbers 32 and 34 also remove content from the examination that, although not specific to governments, is prevalent in government accounting. We understand the CPA exam will continue to assess content on the identification of the required financial statements for defined benefit pension plans but note that removal of content related to these relatively new and complex standards for reporting have a significant impact to the preparedness of the nICPA to work in some areas of the government sector. The U.S. Census Bureau currently reports over 5000 public retirement systems in operation offering defined benefit plans.

Change numbers 37, 38, and 39 substantially eliminate the testing of state and local government accounting within the CPA examination. Reducing these areas of the exam to recalling basic concepts and principles does not provide the proper foundation of knowledge needed by the nICPA to protect the public interest. Government accounting is a significant part of the accounting industry and should be reflected as such within a relevant CPA examination.

As mentioned in the exposure draft, the CPA exam is a portion of the CPA designation, along with education, ethics and experience. The removal of state and local government accounting content from the FAR section of the CPA examination, if it were to happen, will have impacts to the broader accounting industry that may not have been contemplated or intended by the practice analysis in the exposure draft. For example, university courses directly related to government accounting are already limited and we would expect removal from the examination would further erode the availability of these courses.

The CPA designation makes a powerful statement to those hiring, engaging and working in cooperation with any member of the accounting profession. It is true that CPAs can pursue additional credentials in the area in which they choose to specialize, including government accounting. However, the CPA designation alone connotes a certain expectation of proficiency in all significant areas of the accounting industry even in the nICPA. State and local government accounting absolutely remains a significant part of the accounting industry at large. We hope government accountants whether elected, employed or contracted can continue to count on the CPA designation to ensure to the public, the CPA they engage has a strong foundation of basic skills in all significant areas of the accounting profession in addition to the specialized skills for which they are being hired.

Sincerely,



Tammy R. White, CPA
Deputy State Examiner

TRW:



Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

April 24, 2020

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

To Whom It May Concern:

We have reviewed the AICPA's Exposure Draft and Invitation to Comment entitled *Maintaining the Relevance of the Uniform CPA Examination*. We appreciate the AICPA's efforts in updating the CPA Exam and in general we do agree that updates are necessary and appropriate due to the changes in technology. We agree that the exam should provide greater exposure to CPA candidates to Reports on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1) both in terms of how to perform these engagements and how to use these reports as auditors of entities that engage third-parties to process transactions.

Specific comments related to Request for Comment #2 are as follows:

Q. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

Regarding Change #1, we recommend maintaining the content that tests knowledge of the independence rules and ethical requirements of the Government Accountability Office. The majority of governmental audits must be conducted in accordance with *Government Auditing Standards* and the vast majority of those audits are conducted by private CPA firms. Since governments are a broad category of non-SEC filers that must adhere to AICPA audit standards, we consider this information as essential for future CPAs.

Regarding Changes #37, #38, and #39, we do not support the proposal to remove this content for two reasons. CPAs provide vital assistance to governmental units, particularly smaller units of government. While we agree that this is a specialized discipline within accounting, the existence of tens of thousands of governmental units nationwide demonstrates the need to require this basic level of understanding. In addition, we believe there is a correlation between the content included in the CPA exam and the content of courses taught in colleges and universities. Removing this content from the exam eliminates a key reason why some colleges and universities include a governmental accounting course in their curriculum. Access to such courses is vital in hiring qualified governmental accounting personnel.

American Institute of Certified Public Accountants
Page 2
April 24, 2020

Regarding the Invitation to Comment topic on whether the CPA exam should continue to assess State and Local Government accounting, we strongly support maintaining this topic on the exam. State and local governments constitute a major part of economic activity in the country and accounting and auditing this activity fulfills a public service by ensuring proper accountability of public funds.

We appreciate the opportunity to comment on this document. Should you have any questions or desire further details on our comments, please contact me or Craig M. Murray, CPA, CGFM, CIA, Director of Professional Practice.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, slightly slanted style.

Doug Ringler
Auditor General

c: Craig Murray

Via email



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Auditor-Controller

1195 Third Street · Room B10
Napa, CA 94559
www.countyofnapa.org

Main: (707) 253-4551
Fax: (707) 226-9065

Tracy A. Schulze
Auditor-Controller

April 28, 2020

American Institute of Certified Public Accountants,

I want to thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I am a certified CPA and have worked as a Government Finance Officer in the State of Wisconsin, and currently in the State of California. I completely **OPPOSE** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over **90,000 state and local governments**. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfil the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants". From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides State and Local Governments and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a well-rounded education and technical background, which

includes the basic understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Additionally, I encourage the AICPA to consider the following potential impacts:


- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements. When soliciting for audit services, depending on the region, some of our counties have had few qualified candidates when procuring services of independent CPA firms, and/or have experienced delays in issuing statements because their audit firm is busy with other clients or inaccessible during certain times of the year.

For the reasons stated above, I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination, which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions.

Please feel free to contact me 

Sincerely,



Tracy A. Schulze, CPA
Napa County Auditor-Controller



North East Independent School District

8961 Tesoro Dr., Suite 201 – San Antonio, TX 78217
(210) 407-0186

April 15, 2020

American Institute of Certified Public Accountants,

On behalf of North East Independent School District, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

North East Independent School District opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Many of our applicants come to us with little or no governmental accounting knowledge or experience. We use the CPA designation as a differentiator in our hiring to ensure we employ qualified individuals in key positions. This change would weaken our applicant pool and possibly diminish the financial reporting at many SLGs.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me via email [REDACTED]

Regards,

Jeff Coats, CPA
Senior Director of Accounting and Payroll
North East Independent School District
8961 Tesoro Drive, Suite 201
San Antonio, TX 78217

April 22, 2020

American Institute of Certified Public Accountants (AICPA)

Via email: practiceanalysis@aicpa.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern:

I write on behalf of the Office of the D.C. Auditor to comment on the AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, issued in December 2019.

The Office of the D.C. Auditor (ODCA) was created in the District's Home Rule Charter and supports the Council of the District of Columbia by making sound recommendations to improve the effectiveness, efficiency, and accountability of the District government. ODCA is a member of the Association of Local Government Auditors, the National Association of State Auditors, Comptrollers and Treasurers and other professional audit organizations.

I write today in support of the comments submitted April 9, 2020, by the Association of Local Government Auditors and, specifically, to strongly endorse the continued assessment of accounting for state and local governments in the CPA Exam. We concur with ALGA's opposition to removing the state and local government accounting content from the FAR section of the CPA Exam as suggested on page 36 of the exposure draft.

As noted in the ALGA statement, the CPA exam's goal is to ensure "demonstrated knowledge and skills necessary to protect the public interest" and it is difficult to see what purpose could possibly be served by removing incentives for training in government accounting. We believe it is and remains in the public's interest for newly licensed CPAs to have a foundation and understanding of government and of the public sector's accounting practices.

Thank you for the opportunity to provide comments.

Sincerely yours,



Kathleen Patterson
D.C. Auditor

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

April 21, 2020

American Institute of Certified Public Accountants (AICPA)
220 Leigh Farm Road
Durham, NC 27707-8110

Transmitted electronically via: practiceanalysis@aicpa.org

To whom it may concern,

We are pleased to respond to the AICPA's exposure draft (ED) on Maintaining the Relevance of the Uniform CPA Examination® issued December 23, 2019.

Our office recognizes the importance of the AICPA's 2019 Practice Analysis (PA) and the desire for the CPA Exam to remain current with new standards and laws. We agree technology is dramatically affecting the accounting profession and that there is an increased reliance on service organizations and we support these additions. We do have concerns with the proposed removal of State and local government accounting from the CPA exam.

Invitation to comment

Q: Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam?

A: Definitely! State and local government accounting should continue to be assessed on the CPA Exam. While we support the PA in the efforts to include technology and service organization elements on the exam, our office strongly opposes to the removal of governmental accounting (Area IV) from the CPA exam. Our reasoning is as follows:

1. The Auditor of State of Ohio (AOS) is responsible for auditing, in accordance with generally accepted auditing standards, over 5,900 local and state governments receiving public money in Ohio. In the United States there are over 90,000 local and state governments, each employing numerous financial accounting department staff. Having educated staff is key to effective and efficient government accountability.
2. As Ohio's chief compliance officer, the AOS makes Ohio government more efficient, effective and transparent by placing checks and balances on state and local governments for taxpayers. Our office alone employs over 800 auditors and contracts with up to 70 CPA firms with numerous staff to perform governmental audits on our behalf. AOS issues an average of 4,150 audit reports each year. While staff and the number of audits may vary, all 50 states conduct governmental audits supporting the need for educated staff.

3. We feel it is extremely important that governmental accounting not only be an integral part of the CPA exam but also in our institutions of higher learning. Lessening the importance of governmental accounting conveys the message that the related classes in institutions of higher education are unnecessary. If the importance of governmental accounting is not emphasized and supported, the 90,000+ entities mentioned above and 50 state auditor's offices will struggle to find educated staff and will need to spend additional resources training nICPAs.
4. It is unrealistic to base, in part, the removal of governmental accounting from the CPA Exam on 1) low rankings by the rating panel, 2) the fact that it involves specialized content knowledge and experience that requires a significant amount of on-the-job training under close supervision of individuals who have specialized content knowledge and experience or 3) the fact Generally Accepted Government Auditing Standards (GAGAS) requires specific continuing education. The ED emphasizes the importance of a nICPA having a good understanding of the business including areas of operations, underlying business processes, and flow of transactions. This is no less important for a governmental entity environment. Contrary to the panel's rating, the specialized content knowledge necessary and the demand for qualified, educated governmental accountants supports the need for a *greater* emphasis on governmental accounting on the CPA Exam and related classes in institutions of higher education.
5. Our office disagrees with the removal of the application skill level content for the Government Accountability Office independence rules and ethical requirements (#1) for the reasons stated above.
6. Our office disagrees with the removal of references to other regulatory frameworks (#23), as a significant number (3,100) of our local governments are permitted to report on a regulatory basis under Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).
7. The rationale for removal of topics or application guidance and the change to a more basic knowledge level is concerning. We feel it is critical the nICPA clearly understand the application skills necessary in areas of the engagement, such as change #'s 4, 6, 10, 17, 18, 20, 21, 33, 35, to aid in understanding the importance of their basic level work. We suggest the questions for these areas be drafted in such a way the nICPA understands the impact of their work and what judgements and evaluations will be necessary.
8. Our office disagrees with the removal application skill level content for #'s 37 and 38 for the reasons stated above.

Additional Comment:

9. Page 26, numbers 38 and 39 indicate a change in focus is recommended but page 36 indicates Accounting for State and Local Governments will be removed from the CPA exam.

Invitation to comment

Q: Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)?

A: We agree with the recommendation to remove the essay question (written communication question) due to the focus being on a candidate's writing ability (e.g., organization, grammar, punctuation, word usage, capitalization, spelling, and whether the response is on-topic), rather than the technical accuracy of the subject matter contained in a candidate's response. In the event the essay question remains, we recommend the focus be on the technical accuracy of the subject matter instead.

We appreciate the opportunity to comment. If you have any questions, please contact me [REDACTED]

Sincerely,

KEITH FABER
Auditor of State

A handwritten signature in black ink, appearing to read "Robert R. Hinkle". The signature is written in a cursive style with a large initial "R".

Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor



OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

FRANK DAVIES, CPA
AUDITOR-CONTROLLER

April 28, 2020

TO: American Institute of Certified Public Accountants

SUBJECT: Should accounting for state and local governments continue to be assessed on the CPA Exam?

I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam (CPA Exam) as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*, dated December 2019.

I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the CPA Exam, which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the accounting profession, potential CPA candidates, and the public.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 SLGs. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus, serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 SLGs in the United States, the AICPA is excluding this segment of the profession and does not fulfill the AICPA's mission of protecting the public interest. CPAs are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants". An argument can be made that the number of people, or "the public", who rely on the integrity of SLG financial accounting and reporting, collectively may equals or even outnumber those benefiting from public accounting. Everyone in the country is within a SLG and benefits from it.

From the public's perspective, having the applicant understand the differences relating to SLG promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in SLG accounting and retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides SLGs and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a well-rounded education and technical background which includes the basic understanding of

Should accounting for state and local governments continue to be assessed on the CPA Exam?

April 28, 2020

Page 2 of 2

governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Those of us who are CPAs in SLG chose SLG as a great career alternative within the accounting profession. Governmental accounting is just as challenging and rewarding as public accounting. A career in SLG draws the same pool of quality, educated, motivated candidates as other fields of accounting. To reduce then eliminate coverage of governmental accounting in the CPA Exam gives the perception that it is of less importance. It is not.

I am the elected Auditor-Controller of one of the largest counties in the country with a career in governmental accounting spanning over 30 years and who became a CPA in the early part of his career. I have firsthand knowledge that keeping coverage of governmental accounting in the CPA Exam keeps it relevant in the minds of accounting students and CPA candidates.

The AICPA should consider the following potential impacts:

- Eliminating governmental accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less of their curriculum to governmental accounting, further diminishing necessary expertise from the workforce.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of accounting.

Again, for the reasons stated above, *I oppose* the proposed reduction in, and ultimate elimination of, the coverage of governmental accounting and financial reporting in the CPA Exam which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to answer any questions you may have. Please feel free to contact me [REDACTED]

Regards,



Frank Davies, CPA
Auditor-Controller

April 9, 2020

American Institute of Certified Public Accountants
Via email: practiceanalysis@aicpa.org

We are submitting this letter on behalf of the San Bernardino County Employees' Retirement Association (SBCERA), a multi-employer public pension fund serving more than 42,000 members and 18 employers.

We thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

We oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. In our most recent Request for Proposal to engage independent auditors, we received four proposals, with only two of the submitters being qualified to actually perform audit services for SBCERA.

Thank you, again, for the opportunity to comment on this proposal, and we would be happy to respond to any of your questions. Please feel free to contact us [REDACTED]

Regards,



Deborah Cherney, CPA
Chief Executive Officer, SBCERA



Amy McInerny, CPA
Chief Financial Officer, SBCERA



COUNTY OF SAN MATEO
OFFICE OF THE CONTROLLER

Juan Raigoza
Controller

Shirley Tourel
Assistant Controller

County Government Center
555 County Center, 4th Floor
Redwood City, CA 94063-1665
650-363-4777
<http://controller.smcgov.org>

April 28, 2020

American Institute of Certified Public Accountants,

On my behalf as the Auditor-Controller of San Mateo County, California, and as an officer of the California State Association of County Auditors (CalSACA), I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC).

CalSACA represents the Auditor-Controllers and Finance Directors of California's 58 counties, many of whom are CPAs and/or who have CPAs on staff and all who work with CPA firms on a regular basis.

CalSACA **opposes** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 state and local governments. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest." With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfil the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants." From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides State and Local Governments and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a

well-rounded education and technical background which includes the basic understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

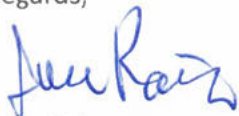
Additionally, our organization believes that the AICPA should consider the following potential impacts:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements. When soliciting for audit services, depending on the region, some of our counties have had few qualified candidates when procuring services of independent CPA firms, and/or have experienced delays in issuing statements because their audit firm is busy with other clients or inaccessible during certain times of the year.

For the reasons stated above, we oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination, which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,



Juan Raigoza

2nd Vice President, California State Association of County Auditors

Auditor-Controller, San Mateo County, California



April 13, 2020

American Institute of Certified Public Accountants,

On behalf of the Santa Clarita Valley Water Agency, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC).

Santa Clarita Valley Water Agency opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my agency believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. When we advertise accounting positions, people with private industry experience are interested in applying. However, if we need higher level staff, it is very difficult to attract staff experienced in SLG.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions.

Please feel free to contact me [REDACTED]

Regards,

A handwritten signature in blue ink, appearing to read "Amy Aguer", with a long horizontal flourish extending to the right.

Amy Aguer, CPA
Controller
Santa Clarita Valley Water Agency



Dale R. Folwell, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

GREGORY C. GASKINS
DEPUTY TREASURER

April 11, 2020

American Institute of Certified Public Accountants,

The State and Local Government Finance Division within the North Carolina Department of State Treasurer has a staff of approximately 30 accountants, financial advisors, and CPAs who work with more than 1,300 local government finance officers and officials across North Carolina, reviewing their financial condition, advising them how to improve internal controls and business practices, approving and selling their public debt, and providing them guidance on new accounting and auditing standards. Our work is valuable to the citizens and taxpayers of North Carolina because it helps ensure that public funds are managed well and accounted for in an open, transparent manner.

While we appreciate the chance to comment on the proposed changes to the Uniform CPA Exam, we adamantly oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam fails to consider the large significance SLGs have in the overall economy and the immense amount of public funds that are controlled and expended by local governments. Additionally, we ask the AICPA to consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less instructional time to SLG matters, or to eliminate it entirely. This will further diminish the number of accounting program graduates and CPA candidates that consider governmental accounting as a career option. SLGs as well as agencies such as ours struggle now to recruit candidates that are qualified to fill our professional level positions. SLG accounting and auditing professionals have a critical stewardship function that requires significant training, given the increasing complexity of governmental accounting and auditing standards over the past several decades. College and university curriculum help fill this gap by introducing accounting students to governmental accounting and auditing and working collaboratively with SLGs to arrange internships for potential candidates. Without support for governmental accounting in the college and university curriculum, we will see a deterioration in the quality and quantity of personnel interested in governmental accounting service over time that will not serve the public well.
- Ideally, SLGs should be fully able to prepare their own GAAP compliant financial statements or, at a minimum, have the skills, knowledge and experience to understand and react to the statements provided by their accountants. If SLGs rely on auditors to prepare financial statements and do not have the necessary background to review with skeptic and knowledgeable eye, they are inappropriately dependent on their auditors in a way that impairs auditor independence. Eliminating SLG accounting from the CPA exam will reduce or eliminate the amount of governmental accounting instruction available at colleges and universities, making it difficult for staff to get the in-depth training that is needed to be able to write their own GAAP financial reports.

- We do not doubt that this change will ultimately impact CPA firms specializing in SLG auditing and accounting services. Already, there are a relatively small number of firms in NC that are willing to perform audits of state agencies and local governments and we anticipate those numbers to continue decreasing, negatively impacting the timeliness of governmental financial reporting. The firms that remain struggle to recruit for their governmental practices. Again, eliminating or reducing SLG accounting from the CPA exam will reduce or eliminate students' exposure to governmental accounting as a career option, making recruiting even more difficult for CPA firms that conduct governmental audits.

Thank you, again, for the opportunity to comment on this proposal. I am happy to respond to any questions. You may contact me [REDACTED]

Sincerely,

A handwritten signature in black ink that reads "Sharon Edmundson". The signature is written in a cursive style with a large initial 'S'.

Sharon Edmundson, MPA, CPA
Director, Fiscal Management Section

Springfield Office:
Iles Park Plaza
740 East Ash – 62703-3154
Phone: 217/782-6046
Fax: 217/785-8222 TTY (888) 261-2887



Chicago Office:
State of Illinois Building – Suite S900
160 North LaSalle – 60601-3103
Phone: 312/814-4000
Fax: 312/814-4006

Office of the Auditor General
Frank J. Mautino

April 29, 2020

American Institute of Certified Public Accountants
Board of Examiners
practiceanalysis@aicpa.org

Re: Exposure Draft and Invitation to Comment on Maintaining the Relevance of the Uniform CPA Examination

I appreciate the opportunity to provide my Office's perspective on the two invitation to comment questions posed within the recent *Practice Analysis* on maintaining the relevance of the Uniform CPA Examination (Exam) to the Board of Examiners within the American Institute of Certified Public Accountants (AICPA).

B.1 Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

We are very disappointed the AICPA is considering eliminating the written communication question from the Exam, because the ability to communicate in writing is essential and growing in importance to the work performed by newly licensed CPAs (nCPAs). In our work with our own staff and contractual firms (ranging from one-person to Big Four firms) providing audit services under the auspices of our Office, we are aware of many nCPAs who must concisely and clearly draft written materials. These materials are disseminated to varying parties and serve many purposes, including documenting procedures performed, drafting a technical memo on an accounting or auditing matter, drafting audit findings for external consumption by legislators and the general public, and providing non-technical explanations to auditees about complex engagement issues.

First, we believe removing the written communication question does not align with the expectations for the role of a nCPA in the modern workforce. We encourage the AICPA to send a strong message to candidates and educators about the importance of strong written communication skills for nCPAs. We acknowledge the AICPA views the development of writing skills as a part of professional development that occurs during a candidate's

academic experience (within the puzzle piece representing education on page 9 of the *Practice Analysis*). In our professional experience, we have seen students tending to focus on what content is covered on the Exam as a guide to what is important to the development of their careers and absolutely expect the college curriculum to reflect the Exam, sometimes to the exclusion of other vital skills. Those students who are very focused on passing the Exam frequently lose sight that the Exam is an initial hurdle to cross in what will, hopefully, be a long and successful career as a CPA.

Second, we agree with the AICPA's view that because the written portion is not graded based on technical content, the grades earned by candidates on that portion of the exam are not indicative of their technical knowledge and, therefore, the grades do not capture their true ability to develop professional responses. Rather than remove the written portion, and potentially have the unintended consequence of sending the message that written communication is not important, we advocate for the AICPA to focus on testing each candidate's ability to respond in a technically accurate and professional manner. We acknowledge a manual scoring process would increase the overall costs; however, this process is necessary for the Exam to obtain dual coverage of a candidate's ability to draft a written communication that simultaneously tests another substantive area. Further, the ITC currently lacks sufficient evidence to evaluate whether the additional manual scoring would (1) cause unacceptably long times for score releases and/or (2) be cost prohibitive.

We reviewed other national tests, noting data was publicly available for both the Exam and the ACT Test. According to the National Association of State Boards of Accountancy's *Candidate Performance on the Uniform CPA Examination: 2018 Edition*, 40,948 BEC sections were taken during Calendar Year 2018 as opposed to the 903,603 candidates taking the writing portion of the ACT across seven test dates¹. To take the optional writing section, the ACT currently charges an additional \$16 fee with the price falling to \$15 next year², which is graded by two individuals with a third individual resolving discrepancies if the two initial graders differ by more than one point³. The ACT writing scores are typically released approximately four weeks after the ACT test was taken, which is about two weeks after the multiple-choice scores are released⁴. We believe the AICPA should evaluate what resources are necessary to grade its significantly smaller number of written BEC sections and the length of time to conduct a grading process similar to the ACT. If the AICPA could reach a reasonable cost structure within a four week window similar to the ACT, we do not believe the delay would be onerous as one could still, theoretically, sit for many BEC tests during the 18-month testing window after continuous testing starts on July 1, 2020.

Finally, we believe there is still value in testing writing ability through technical topics, even if the resulting score focuses on non-technical skills. A nICPA's ability to digest and express complex ideas through composition is a form of critical thinking integral to

¹ https://www.act.org/content/dam/act/unsecured/documents/cccr2018/P_99_999999_N_S_N00_ACT-GCPR_National.pdf and <https://www.act.org/content/dam/act/unsecured/documents/pdfs/Test-Date-Schedule-National-2019-2020.pdf>

² <http://www.act.org/content/act/en/products-and-services/the-act/registration/fees.html>

³ <http://www.act.org/content/act/en/products-and-services/the-act/scores/writing-test-scores.html>

⁴ <http://www.act.org/content/act/en/products-and-services/the-act/scores.html>

professional communication. In our experience, poor writing and communication skills adversely impact an nCPA's performance and act as a barrier to career progression. While we acknowledge that it would be better to have a grading process that addresses both writing ability and "higher-order" technical skills, retaining a written portion of the Exam in some form will preserve a minimum threshold that the AICPA can refine and improve over time while still offering current value.

For the foregoing reasons, we believe a writing component should remain on the Exam and, potentially, be expanded for grading the candidate's technical response.

B.2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

The Exam, in its role of protecting the public interest to ensure only qualified individuals become licensed CPAs, tests a candidate's knowledge, understanding, and application of the rules and regulations encountered by CPAs across various practice environments. By necessity, due to the broad breadth of services rendered by CPAs in practice, the Exam must be limited to (1) matters that a significant number of nCPAs will encounter and (2) matters of a broad based minimum level of knowledge that professionals need to know to ensure the protection of the public as their careers progress. In our opinion, testing candidates on the authoritative generally accepted accounting principles (GAAP) for state and local governments (SLGs) meets both criteria.

SLGs Represent a Major Component of the U.S. Economy Served by CPAs

First, economic activity attributed to the nation's 90,000+ SLGs⁵ is vast. According to the U.S. Department of Commerce's Bureau of Economic Analysis, the total percentage of each individual state's gross domestic product from its SLGs is between 6.7% (Massachusetts) and 11.8% (Mississippi) and each state's percentage of its workforce employed by SLGs varies between a low of 10.0% (Pennsylvania) and 21.1% (Wyoming)⁶. In addition to overall economic activity, SLGs also represent a significant component of activity in the capital markets, with the Federal Reserve Bank of St. Louis reporting SLGs had \$3,085.02 billion in outstanding debt obligations at the end of Calendar Year 2019⁷.

Second, due to the many differences of SLGs from for-profit entities – including different organizational purposes, overall potential for longevity through involuntary taxation, the role of the legally adopted budget, the lack of a direct relationship between the economic value of a capital asset and cash inflows and outflows measured by return on investment, the relationship between stakeholders necessitating a higher level of accountability for and the usage of resources, the lack of a common measurement metric like net income or earnings per share, and that revenues of SLGs are not indicative of the demand for

⁵ https://www.census.gov/content/dam/Census/library/visualizations/2019/econ/from_municipalities_to_special_districts_america_counts_october_2019.pdf

⁶ tennesseean.com/story/money/2019/06/23/state-local-government-size-based-on-gdp/39600491/

⁷ fred.stlouisfed.org/release/tables?rid=52&eid=799655#snid=799666

governmental services – SLGs have their own GAAP standards setter. While some concepts are universal between U.S. GAAP set by both the FASB and the GASB, SLGs have significant differences, including classifications of equity, fund accounting, and even an additional basis of accounting and measurement focus. Additionally, unlike almost every other industry, SLGs directly impact everyone’s daily life. These impacts are vast, from the provision of public services to the raising of revenues from the public to pay for those services.

Finally, accounting professionals throughout the nation provide critical support to enable SLGs to perform their critical functions. According to data from the U.S. Department of Labor’s Occupational Employment Statistics Query System, the nation has 1.28 million accountants and auditors (excluding tax examiners, collectors, and revenue agents)⁸. Within this group, approximately 57,470 and 61,540 accountants and auditors are directly employed by state and local governments, respectively⁹. These employees represent around 9% of the nation’s total accountants and auditors, which is likely understated as this total does not include (1) individuals employed by accounting firms working on government engagements and (2) self-employed workers providing services to governmental entities. Additionally, CPAs are called upon, in both formal and informal ways, to provide trusted advice on financial and accounting matters to SLGs and their officials.

Impact on the Pipeline of Professionals Serving SLGs

Without including SLGs on the Exam, we are very concerned the pipeline of CPAs able to serve SLGs will constrict, decreasing the number and quality of professionals available to serve these entities. As we previously noted, in our experience, students tend to focus on what is covered on the Exam as a guide to what is important to the development of their careers and absolutely expect the college curriculum to reflect the Exam, sometimes to the exclusion of other vital skills. By removing SLG accounting from the Exam, it is likely student interest in governmental accounting classes will decline, resulting in colleges and universities not running courses in government accounting. This change would likely result in students not being exposed to an entire source of GAAP and will likely reduce the number of students who would consider providing professional services to, or starting careers at, SLGs.

Public Interest Considerations

The touchstone of our profession is its commitment to the public interest. We identified three key concerns with the proposed change that, if it were adopted, would result in an overall hindrance to our profession’s responsibilities to the public.

⁸ OES Standard Occupational Classification Code No. 132011 (May 2019 Data – accessed April 14, 2020) <https://www.bls.gov/oes/current/oes132011.htm>

⁹ OES Query System Query <https://data.bls.gov/oes/#/home> – Parameters = Accountants and Auditors (SOC code 132011) falling within State Government, including schools and hospitals (SOC code 999201), and Local Government, including schools and hospitals (SOC code 999301)

First, the only statutory power distinguishing the CPA from other professional credentials is the ability of CPAs to express an opinion as an independent auditor. Without including testing on one of the two major sources of GAAP, the Exam will likely not ensure a minimum level of knowledge and applicable skills for candidates that will ultimately issue audit opinions on SLGs. The *Practice Analysis* attempts to diminish this risk by noting auditors serving SLGs usually receive additional specialized CPE training and firms frequently provide significant support to ensure the competence of their professionals. However, this overlooks the reality that many SLGs' audits are not performed under the requirements of *Government Auditing Standards* and that a nICPA may, after a short period under the direction of an experienced CPA, strike out on their own and issue audit opinions. In our opinion, the exclusion of SLGs from the Exam would unduly increase the risk of unqualified CPAs without providing any significant benefits.

Second, due to the unique nature of SLGs providing services to all and the burdens they impose on taxpayers, the public has a direct interest in ensuring the competency of CPAs providing professional services and advice to SLGs. We believe the AICPA should consider the signal being sent to the general public and their overall opinion of the profession when the AICPA does not consider SLGs "important enough" to include on the Exam to ensure the competency of CPAs serving SLGs to protect the public from unqualified CPAs.

Finally, as we noted earlier, it is important to note audit quality at SLGs continues to be problematic at both large and small firms, with the profession responding to this problem by establishing the Governmental Audit Quality Center. In addition, while the old structure of tax/audit in the busy season with government audits in the summer is no longer the model for many smaller firms, we are aware of many firms, usually located in rural regions, that continue to follow this model and that their CPAs do not necessarily specialize in a specific area of the profession. Without establishing a baseline minimum of competency with SLGs, the risk of harm to the public increases.

In order to address our second and third concerns, we strongly believe the profession is best served by having the Exam serve as an initial gatekeeper to establish minimum competency for working with SLGs, as opposed to using regulatory discipline as a post facto protection mechanism after harms have already occurred.

For the foregoing reasons, we believe SLGs should remain on the Exam.

Sincerely,



FRANK J. MAUTINO
Auditor General



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

May 8, 2020

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

To Whom it May Concern:

On behalf of the Tennessee Department of Audit, Division of State Audit, we thank the AICPA for the opportunity to comment on the Exposure Draft (ED) and Invitation to Comment (ITC), *Maintaining the Relevance of the Uniform CPA Examination*. We appreciate the AICPA's dedication to establishing the minimum level of technical knowledge and skills necessary for initial licensure; supporting the profession's commitment to protecting the public interest; remaining current, relevant, reliable, and legally defensible; and fulfilling the needs of the boards of accountancy in carrying out their licensing responsibilities.

We generally agree with the AICPA's practice analysis proposals in the areas of understanding business processes and the internal control framework components, the need for a data-driven mindset, use of data analytics, and increased reliance on SOC 1 reports. However, we are very concerned about removing state and local government accounting and financial reporting content from the CPA exam. We have comments below related to our concerns.


1. How can the Practice Analysis claim to be protecting the public interest and establishing the minimum level of technical knowledge and skills by ignoring governmental accounting and financial reporting requirements for state and local governments representing over 90,000+ governmental entities and a material portion of national expenditures (trillions of dollars) for which many CPA firms either audit or provide non-audit services? Governmental entities also currently (and in the future) employ many nCPAs who must have a basic knowledge of governmental financial accounting and reporting. How is state and local governmental accounting and financial reporting, including audit assurance services, less critical to the public interest? In our view, government accountability to our citizenry and other stakeholders (legislative bodies and creditors) is at a higher threshold than even regulated businesses and issuers who are accountable only to shareholders.
2. On page 32, state and local governmental accounting and financial reporting was indicated to be specialized, and thus the reason for the lower score. We disagree because this area is no more specialized than other topics in the FASB arena that are readily addressed in the content of the CPA exam. GASB is an equal standard setter to FASB and should not be relegated to second-class. We believe the reason for the lower scores could be a function

of how many representatives the state and local government community had in the PA process serving on the focus groups (i.e., less representation). In addition, the state and local government environment represents a substantial amount of CPA firm business. We find it inexcusable to have a nI CPA that has no or little basic knowledge of governmental accounting and financial reporting, especially considering the size of the government environment. On-the-job training is too late for any exposure to governmental accounting and financial reporting and demonstrates little to no encouragement for accounting majors to consider the government environment for employment. If we want well-rounded accounting majors and nI CPAs, the CPA exam content must contain governmental accounting and financial reporting.

3. On page 36, the impact of State and Local Government in FAR Area IV is indicated to be minimal. We believe that is a matter of purposely minimizing the importance of state and local government accounting and financial reporting over time. The amount of demand and business in the government arena has only increased, not decreased, over the same timeframe. Thus, how can its importance decrease?

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz (615) [REDACTED]

Sincerely,



Deborah V. Loveless, CPA
Director, Division of State Audit



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

May 8, 2020

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

To Whom it May Concern:

This response is written on behalf of the Tennessee Comptroller of the Treasury, **Division of Local Government Audit (the Division)**. The Division is responsible for auditing or reviewing the audits of approximately 1300 local governmental entities and 225 nonprofit entities. In accomplishing this task, we have a staff of 92 auditors who specialize in government audits. In addition, we contract with approximately 300 CPA firms and are intimately familiar with the qualifications of those firms as they perform governmental and nonprofit audits on behalf of the Division. The Division will be directly affected by the proposed changes to the Uniform CPA Examination (CPA Exam).

We thank the AICPA and are pleased to have the opportunity to comment on the proposed changes to the CPA Exam as described in *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment (ED/ITC)*.

With regard to question A: Comments requested on the next version of the CPA Exam as defined in this ED: The Division concurs with the proposed changes and has no additional changes to recommend.

With regard to question B: Comments requested for the future of CPA Exam content and structure changes as defined in this ITC: The Division concurs with the proposed changes as described at part *a1* but does not concur with the proposed changes at *b2* for the reasons listed below.

The Division has serious concerns over the proposed elimination of the coverage of accounting and financial reporting for State and Local Governments (SLGs) as described in the ED, and we strongly oppose the elimination of accounting for SLGs from the CPA Exam as proposed in the ED/ITC. The Division would like to make the following comments for your consideration:

- A. There are in excess of 90,000 governments in the United States according to the U.S. Census Bureau. Government accounts for approximately 40 percent of our nation's GDP. Several state economies are larger than many world countries. And, to further emphasize the point, the largest employer in Tennessee is, the State of Tennessee. Accounting for state and local governments (SLGs) is relevant to the CPA Exam.

- B. Every citizen, every business, and every CPA has a direct relationship with government. Therefore, given the pervasiveness of government, governmental accounting should not be considered a narrow specialization.
- C. One of the main concerns expressed by government finance officials across the nation is the lack of qualified candidates for important government accounting roles. This is a topic of concern at almost every conference we attend. One of the main reasons this is true is because many of our colleges and universities emphasize private sector accounting over governmental accounting. If the governmental portion of the CPA Exam is eliminated, this will only serve to further isolate the field of governmental accounting from their curriculums.
- D. The Securities and Exchange Commission (SEC) has, in very recent statements, indicated its desire for more timely financial statements from governments. We need more qualified professional accountants to accomplish that goal. The U.S. Office of Management and Budget describes many federal program audits of state and local governments as deficient. We need more government qualified CPAs to perform audits of federal programs at the state and local government levels. GASB has found it necessary to issue increasingly complex accounting pronouncements to deal with an increasingly diverse and complex government operating environment. We need well educated university graduates to step into this complex setting. As an employer of government accountants, many who are CPAs, the Division has first-hand knowledge that universities are not preparing students for professional work in the governmental field. The Division also contracts with approximately 300 CPA firms to help us audit local governments. Again, we have first-hand knowledge that CPAs are not sufficiently trained to perform government audits, nonaudit services, or to prepare SOC reports. The following quote was found on page 36 of the ED/ITC, “These engagements are typically performed by firms or separate practice groups within firms that specialize in state and local governments.” This contradicts the Division’s experience with the approximately 300 CPA firms that are contracted by the Division. We need more qualified government accountants not less. It was suggested in the ED/ITC that government accountants will receive “on the job training.” This seems to imply, or perhaps literally states, that governmental accounting is less complicated than private sector accounting.
- E. Has GASB been relegated to a secondary status compared to FASB?
- F. Finally, we would hope that the research and analysis performed by the AICPA as described in the ED/ITC included a representative number of focus groups and accounting firms from state or local governments or firms that provide services to state or local governments. We are concerned, that SLG representation may not have been adequate.

April 17, 2020

American Institute of Certified Public Accountants,

On behalf of Town of Blacksburg, Virginia, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The Town of Blacksburg, Virginia opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. The Town is able to prepare their own financial statements but upon my retirement, it will be difficult to recruit qualified personnel to ensure the Town could continue to this skill as well as many other areas.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. The last time we went out for audit services, only one firm answered the Request for Proposal. This firm while very well qualified has so many SLG clients that their ability to perform the audit in a timely manner is being affected.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Sincerely,



Susan H. Kaiser, CPA
Director of Financial Services



CITY OF TUSTIN

300 CENTENNIAL WAY–TUSTIN, CA 92780 • P: (714) 573-3061 • www.tustinca.org

April 29, 2020

American Institute of Certified Public Accountants

VIA EMAIL TO: PracticeAnalysis@AICPA.org

Re: Proposed changes to the CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment

To Whom It May Concern:

The City of Tustin opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the Exposure Draft and Invitation to Comment.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy and in civic engagement. Additionally, the AICPA should consider that:

- Eliminating state and local government content may encourage colleges and universities to devote less curriculum to governmental accounting content, which may result in fewer accounting graduates with exposure to (and interest in pursuing) accounting careers in government.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you for the opportunity to comment on this proposal. I would be happy to respond to any questions. I may be reached [REDACTED]

Respectfully,

Jason Al-Imam
Finance Director/City Treasurer



**Office of the Washington State Auditor
Pat McCarthy**

April 23, 2020

Via Electronic Mail

AICPA Examinations Team
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036-8775

RE: Response to Exposure Draft and Invitation to Comment: *Maintaining the Relevance of the Uniform CPA Examination*

We appreciate the Board's continuing efforts to enhance, improve, clarify and evolve the CPA license. Those efforts are evident in this thoughtful and well-researched exposure draft and invitation to comment. In particular we continue to appreciate:

- Documenting exam content in the form of Blue Prints
- Methodical, data-driven and transparent due processes to continually maintain and improve the exam.
- Basing content on representative tasks a newly licensed CPA may be expected to perform.
- Anchoring tasks in skill levels from Bloom's Taxonomy of Educational Objectives.

However, we strongly disagree with the proposal to remove content related to preparation of state and local government financial statements from the examination.

ED - How do findings align with the changes you see impacting newly licensed CPAs in practice?

We agree with findings that regarding how understanding the business, data analytics, and reliance on SOC reports are impacting the profession and, in turn, the expected competencies and activities of newly licensed CPAs in practice.

In particular, we would emphasize the findings about the specific aspects of understanding business that newly licensed CPAs need to have. Namely, that these aspects of understanding revolve around accounting systems, data and controls. In contrast, the current title and content of the BEC section seems to have a much broader focus.

ED - Do you agree with the proposed Exam changes?

We agree with the goals of sharpening the scope of the exam and reorganizing the AUD and BEC sections to take a more integrated view of technology. We also agree with almost all of the proposed changes.

However, we do not agree with proposed changes #38 and 39 regarding removal of content related to preparation of financial statements for state and local governments from the Exam. As a state audit organization conducting audits of over 2,400 units of state and local government in Washington, all newly licensed CPAs that we encounter have a need to understand and apply generally accepted accounting standards for state and local governments – as auditors, at CPA firm contractors, in government finance departments, and as users or stakeholders. The government sector represents a significant percentage of the accounting and auditing work and jobs, both now and in the future.

We understand that the state & local reporting model is very different than the private sector model. This large divergence creates a stress on the education, experience, and examination components of the licensing process to prepare newly licensed CPAs to work in or with the governmental sector. However, we believe the best long-term solution is for the AICPA to more strongly advocate for convergence in US private, not-for-profit, and governmental reporting models rather than choose to ignore one on the Exam.

In addition, we also do not fully agree with change #21. We agree that application level content related to AU-C §806 is relatively rare in practice and not an activity that a newly licensed CPA would be expected to perform. However, we would encourage the Board to retain application level content related to AU-C §935. Single audit work is not only far more common for newly licensed CPAs, but is also an area of focus for the AICPA's Enhancing Audit Quality initiative and was identified (along with governmental GAAP financial reporting) as an [emerging risk area](#) for peer reviews. Therefore, its emphasis as part of the Exam is both consistent with practice and responsive to practice risk.

ED - Are there other areas affected by technology beyond the findings identified in the Practice Analysis broadly impacting newly licensed CPAs in practice that should be considered in future revisions to the CPA Exam Blueprints?

In line with the CPA Evolution project, we encourage the Board to continue to focus the CPA exam on core functions of financial accounting, tax, and assurance. Technology impacts all three of these areas by way of the need for skills in data analysis, evaluating digital evidence, understanding of information systems and controls, awareness of technology risks, and being able to use technology as a tool. While CPAs end up in a wide variety of related fields, these opportunities are based on the foundation of credibility and expertise represented in these core functions. We would therefore encourage the Board to continue using an integrated approach to technology, rather than attempting to expand the CPA exam to overlap the myriad of other credentials in the marketplace focused on cybersecurity or information technology at a detailed level.

With that in mind, we appreciate the Board's use of technology to advance the exam itself. In particular, we are in favor of expanded use of task-based simulations to take advantage of software capabilities. While high-quality simulations take more time to develop, they allow a far more complete and realistic assessment of skills than multiple-choice answers. We are also in favor of using a commercially available and widely used spreadsheet software for simulations.

ED - Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to newly licensed CPAs in practice and the protection of the public interest?

We appreciate the Board's work in continuing to review and improve content. Suggestions to consider for removing, adding, and re-locating content are as follows:

Suggested content to consider removing

- We agree with proposed change #24 and would further suggest removing BEC Area II, Group A and B in its entirety. Economic and business cycles and market influences on business relate to separate disciplines and are only rarely and indirectly related to work of newly licensed CPAs. Requirements for five years of higher education should be sufficient to demonstrate a general understanding of economics.
- BEC Area V.C (Process Management) appears to also relate to separate disciplines that are identified with other certification programs. Requirements for five years of higher education should be sufficient to demonstrate an awareness of common management approaches and philosophies.
- In many states, a separate ethics assessment is required in addition to the CPA Exam. There may be an opportunity for the Board to provide leadership and improve uniformity in this area by moving AUD Area I Group B to a separate assessment.

Suggested content to consider adding

Consider the following content for the BEC section:

- Banking controls, such as content on clearing accounts, sweep accounts and imprest accounts, methods of internal accounting for interbank activity and performing bank reconciliations.
- Role of accounting in a business enterprise - in particular the [vision model of accounting](#) presented by the American Accounting Association's [Pathways Commission](#). It is important for CPAs to understand and be able to articulate what the "A" stands for.

- Contrasting the roles of management, internal auditor, governing body, external auditor and regulator.

Suggested content to consider re-locating

The Board may also wish to consider moving content from AUD Area II.B (Understanding the Entity and its Environment) and C (Understanding an Entity's Internal Control) to BEC Area I and IV in order to help balance the amount of content among the different sections of the exam. The Board may also wish to consider moving budgetary accounting content from FAR Area IV.D.9 to BEC Area V.D. While we understand why this content is currently located in the AUD and FAR sections, respectively, we believe it would be equally understandable to locate it in the BEC section since it is equally (if not more) relevant as a business concept.

ITC – Do you agree or disagree with the recommendation to remove the essay question?

We agree with the recommendation to remove the writing exam. While writing is a key skill needed by newly licensed CPAs, the Exam is not the best of the “Four E’s” in which to address this skill. We agree with the ITC in concluding the education and experience requirements more completely address writing skills.

ITC – Should accounting for state and local governments continue to be assessed on the CPA Exam?

We strongly believe governmental accounting should continue to be assessed on the CPA exam. While the ITC describes these engagements as a specialization, the same could be said for any area of CPA practice, including tax and audit themselves, which are considered specializations and often performed by separate groups. On the contrary, government not only represents a substantial portion of our economy and accounting jobs, but is also relevant to every citizen in every part of the country. It is important to society and the public interest for CPAs to be well-versed in government accounting – not only to competently deliver accounting, auditing and consulting services to governments, but for every CPA to be able to credibly contribute to public discourse and accountability.

Removing state and local government content from the CPA exam would pose a significant risk that the CPA license will lose credibility for the government sector and will become viewed as a “private sector” license. It would be a detriment to the profession to exclude this large category of professional accountants and auditors. It would be a detriment to the AICPA’s ongoing advocacy with government regulators if the association was viewed as a private sector advocate only, rather than an advocate for the public interest that represents the government’s own trusted advisors as well as those for private companies. It would further be detrimental to the CPA brand and to a CPA’s job opportunities to be viewed as only relevant or applicable to certain accountants working in the private sector, rather than the premier certification for any and all accountants.

Thank you for the opportunity to provide our comments. Any inquiries may be directed to me ■

Sincerely,

A handwritten signature in black ink that reads "Scott Woelfle, CPA". The signature is written in a cursive style with a large, sweeping initial 'S'.

Scott Woelfle, CPA
Director for Quality Assurance

Joanne Scafidi

From: Lucas, Joellen [REDACTED]
Sent: Friday, April 17, 2020 4:23 PM
To: Practice Analysis
Cc: Price, Misty; Byrne, Connie
Subject: Proposed Action Against AICPA Proposal

Follow Up Flag: Follow up
Flag Status: Flagged

April 17, 2020

American Institute of Certified Public Accountants,

On behalf of the West Virginia State Treasurer's Office, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

The West Virginia State Treasurer's Office opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for positions requiring governmental accounting and reporting knowledge in the past. This problem will only get worse if potential employees are not learning about governmental topics.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED] or at the phone numbers listed below.

Regards,
Joellen



John D. Perdue, Treasurer



Joellen Lucas, CPA
Director of Debt Management
West Virginia State Treasurer's Office
315 70th Street SE
Charleston, WV 25304



Main: **304.558.5000** Toll Free: **800.422.7498**
www.wvtreasury.com

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The County of Yuba



Office of the Auditor-Controller

Richard Eberle, CPA
Yuba County Government Center
915 8th Street, Suite 105
Marysville, CA 95901



April 28, 2020

American Institute of Certified Public Accountants,

On behalf of Yuba County, California, I want to thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I am a CPA and the Auditor-Controller for Yuba County. I work with many consultants who are CPAs and the firm that completes our County's annual audit employs many CPAs, whose expertise augments my own in handling County financial operations.

I **oppose** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 state and local governments. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfil the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants". From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides State and Local Governments and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a well-rounded education and technical background which includes the basic understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Additionally, our organization believes that the AICPA should consider the following potential impacts:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements. When soliciting for audit services, depending on the region, some of our counties have had few qualified candidates when procuring services of independent CPA firms, and/or have experienced delays in issuing statements because their audit firm is busy with other clients or inaccessible during certain times of the year.

For the reasons stated above, I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination as proposed in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,



C. Richard Eberle, CPA
Auditor-Controller
Yuba County, California

Joanne Scafidi

From: Nyindem, Achu [REDACTED]
Sent: Tuesday, April 21, 2020 1:00 PM
To: Practice Analysis
Subject: Comments about removing state and local government from CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have “demonstrated knowledge and skills necessary to protect the public interest”. Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Achu Nyindem, CIA, CRMA, PMP

Senior Internal Auditor | Department of Internal Audit
Mecklenburg County Government
600 East Fourth Street | Charlotte, NC 28202



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Alan Styles, Ph.D.,
Chair, Department of Accounting
Professor of Accounting
California State University San Marcos
San Marcos, California 92096-0001 USA

www.csusm.edu

Board of Examiners
Uniform CPA Examination® Practice Analysis 2019
American Institute of CPAs
practiceanalysis@aicpa.org.

April 29, 2020

Re: Invitation to Comment

**COMMENTS ON PROPOSAL TO REMOVE STATE AND LOCAL GOVERNMENT
ACCOUNTING CONTENT FROM THE FAR SECTION OF THE CPA EXAM**

I have been an accounting educator for almost 30 years. I have taught a Government and Nonprofit (GNP) accounting class for over a decade, researched and authored academic publications on state and local government issues, worked with a number of local government agencies, served as President of the American Accounting Association's Government and Nonprofit Section, and contributed to the deliberations of the Governmental Accounting Standards Board since 2012. Based on my knowledge and experiences in state and local government financial reporting, I believe I can provide invaluable comments on the future impact of the AICPA's proposal to remove state and local government accounting content from the FAR section of the CPA Exam. The comments I provide are solely my own comments and do not reflect the position of California State University San Marcos, the American Accounting Association or the Governmental Accounting Standards Board.

My comments draw your attention to three implications, 1. the degradation of a CPA's obligation to serve in the public interest, 2. the large scale reduction of critical knowledge of issues involving state and local governments that threaten the well-being of the community of people CPAs serve, and 3. the undermining of government agencies' efforts to recruit knowledgeable employees.

1. Degradation of a CPA's obligation to serve in the public interest

In the *Exposure Draft* you state that the goal of licensure is "protection of the public interest, or more specifically, providing the public with assurance that those individuals who are licensed possess a sufficient level of knowledge and skills necessary for safe and effective practice" (p.29). This focus on serving the public interest is also emphasized in the AICPA's Code of Conduct *public interest principle*,

“. . . A distinguishing mark of a profession is acceptance of its responsibility to the public. The accounting profession’s public consists of *clients*, credit grantors, governments, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of *members* to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on *members*. The public interest is defined as the collective well-being of the community of people and institutions that the profession serves.” (The Public Interest 0.300.030.02, AICPA Code of Professional Conduct).

State and local governments are critical to the “orderly functioning of commerce” and through the provision of services such as police and fire protection, sanitation, education, and frequently construction and maintenance of infrastructure, state and local governments are integral to the “collective well-being of the community.” There should be no doubt that CPAs in public practice and in business are beneficiaries of the public goods provided by state and local governments. But with requirements on nCPAs for considerable knowledge and understanding of financial reporting of the governments, CPAs are in a position to assume a leading role in the accountability of government to its citizens.

The Governmental Accounting Standards Board (GASB) highlights the opportunity for CPAs possessing knowledge of financial reporting for state and local governments:

“The Board believes that financial reporting plays a major role in fulfilling government’s duty to be publicly accountable in a democratic society. Public accountability is based on the belief that the taxpayer has a ‘right to know’, a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives. Use of financial reporting by citizens and legislative and oversight officials to assess accountability is pervasive and is implied in the uses noted above. The Board also believes that financial reporting should provide information to assist users in assessing interperiod equity by showing whether current-year revenues are sufficient to pay for current-year services or whether future taxpayers will be required to assume burdens for services previously provided.” (Summary, GASB Concept Statement No.1, *Objectives of Financial Reporting*).

I agree with the notion that “[T]he preparation of financial statements for state and local governments is an area of public practice that requires specialized content knowledge and experience.” But I strongly disagree with the statements that,

“. . . a large majority of nCPAs are required to have limited or no knowledge of financial reporting and reporting requirements for state and local governments . . . Given the specialized nature of the content assessed in FAR Area IV—State and Local Governments, the limited or non-applicability to a large majority of nCPAs” (Invitation to Comment, Issue Description, p. 36).

Although this knowledge may have limited applicability to the provision of some client services, it is critical that CPAs participate as members of society in the assessment of financial reporting and the accountability of governments. Academic research and anecdotal evidence highlight how the citizenry in general is not sufficiently knowledgeable and/or adequately engaged in both

the due process of financial reporting regulation and the public debate over the accountability of governments. The recent unprecedented increase in federal expenditures and the necessity for federal stimulus of state and local governments resulting from Covid-19, only emphasizes the need for assessment of financial reporting and the fiscal accountability of all government agencies. Removing the state and government accounting content from the FAR section of the CPA Exam would remove the majority of future nCPAs and practicing CPAs as educated participants in the debate on the accountability of governments across the United States.

2. Large scale decline in critical knowledge of issues involving state and local governments that threaten the well-being of the community CPAs serve

The vast majority of accounting students in Government and Nonprofit Accounting (GNP) classes across the U.S. cite coverage of the material tested on the CPA Exam as their primary motivation for enrollment in the class. Coverage of state and local government financial reporting introduces students to reporting for a significant sector of the U.S. economy and the relevance for business organizations that rely on the many services provided by the multitude of government agencies. When accounting students do not enroll in GNP classes, where will they gain an understanding of the many pressing issues that threaten “the collective well-being of the community of people and institutions that the profession serves”? (The Public Interest 0.300.030.02, AICPA Code of Professional Conduct).

For example,

- The ongoing need for maintenance and construction of infrastructure assets in the U.S.
- The large-scale underfunding of state and local government pension plans and the threats to future provision of public services.
- Accountability for federal stimulus/bailout payments and Single Audit requirements.
- Financial sustainability of not-for-profit organizations that increasingly provide social services to the community.
- Fiscal sustainability of healthcare organizations.
- Federal budgeting, growing budget deficits and the growing cost of servicing the government debt.

These topics are generally not covered in any other classes taken by accounting students at the undergraduate nor graduate level. We cannot rely on media coverage of these topics to adequately educate nCPAs on these issues.

3. Undermining of government agencies’ efforts to recruit accounting students

The topics covered in GNP classes and the instructors who frequently have experience (or are currently) working in government agencies, provide accounting students exposure to the career opportunities in governments, nonprofits, and public accounting firms that specialize in serving these organizations. Government agencies are experiencing increasing rates of retirement for accounting and finance professionals. Without recruitment of educated accounting and finance personnel, many government agencies are struggling to meet the demands of financial reporting regulation. A lack of knowledgeable personnel also limits government agencies ability to continuously improve efficiency and effectiveness in management of government resources. As many government agencies do not have the recruitment budgets to


present at campus, they have consistently experienced extreme difficulty recruiting accounting students to public service orientated careers. A decline in student enrollment in GNP classes will lead to fewer opportunities for accounting students to learn about the role of government and nonprofit agencies and the careers opportunities available with these organizations. Although not the AICPA's intention, removal of the state and local government accounting content from the FAR section of the CPA Exam, I believe, would send a message to accounting students and nCPAs that knowledge and careers in state and local government reporting are not relevant to CPAs in the U.S. and not a worthwhile career path. Such a message would be detrimental to the future accountability of governments vital to the "well-being of the community of people and institutions that the profession serves."

Recommendation

I ask that you reconsider your proposal to remove the state and local government accounting content from the FAR section of the CPA Exam. If you believe that a basic understanding and application of financial accounting and reporting requirements for state and local governments has limited or non-applicability to a large majority of nCPAs, I recommend that you work with relevant parties in the state and local government sector and government accounting academics to revise the content tested so that future CPAs can step up in serving the public interest in the debate on the accountability of state and local governments.

If you have any questions regarding my comments or are looking for a volunteer to help revise the content tested on state and local governments, please do not hesitate to contact me.

Sincerely,



Alan K. Styles, Ph.D.
Professor of Accounting
Chair, Department of Accounting
Director, Certificate of Specialized Study in Water Management & Leadership
College of Business Administration
California State University San Marcos
San Marcos, CA 92096

President, Government and Nonprofit Section, American Accounting Association, 2016/17.
Member, Conceptual Framework-Disclosure Framework Task Force, GASB, 2018-present.

April 30, 2020

To the AICPA Board of Examiners:

I write to express concern over the proposal to remove governmental accounting from the CPA exam as part of “maintaining the relevance” of the CPA. Government is a unique and important sector of the US economy. State and local government activities alone comprise approximately 20% of GDP and approximately 90% of publicly traded bonds. **As recent events illustrate, government is becoming *more* – not less – relevant to our national economy and daily lives than ever before.**

Accounting is a key mechanism through which citizens hold governments accountable. Governments follow a separate set of accounting standards than corporations and have a more diverse set of stakeholders – many of which do not have a background in accounting or finance. As the creators, auditors, and analyzers of governmental financial statements, CPAs play an important role in ensuring government accountability and stewardship. As a large and respected professional community, CPAs’ knowledge and understanding of the governmental accounting model is crucial to relationship between governments and stakeholders.

Because government is one of the most significant working industries in the US, many (if not most) CPAs will be required to understand the governmental reporting model and work directly or indirectly with governmental financial statements during their careers. Government accountability fosters public trust, and public trust is essential to the functioning of our society and economy. Society depends on CPAs to uphold financial accountability. **Removing the expectation that CPAs are aware of and understand the important differences between corporate and governmental accounting will discount CPAs’ value to society and risks undermining public trust in government institutions.**

I strongly recommend that the AICPA reject the proposal of removing governmental accounting from the CPA exam. These views are my own, but are informed by my experience as an accountant and professor, and by extensive academic research of the governmental reporting environment.

Sincerely,

A handwritten signature in black ink that reads "AW Beck". The signature is written in a cursive, flowing style.

Amanda W. Beck, Ph.D., CPA (inactive)
Assistant Professor of Accounting
Robinson College of Business
Georgia State University

Joanne Scafidi

From: Amber Y. McGhinnis [REDACTED]
Sent: Wednesday, April 8, 2020 10:37 AM
To: Practice Analysis
Subject: Opposition to proposed changes to CPA exam

Importance: High

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Flag Status: Flagged

American Institute of Certified Public Accountants,

I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, I believe that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Our firm is heavily involved in the audits of local governments in NC and related recruiting efforts for new staff accountants, and this would directly affect our firm.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal.

Regards,

Amber McGhinnis

Amber Y. McGhinnis

[Martin Starnes & Associates, CPAs, P.A.](#)

Senior Manager, CPA
[REDACTED]

[Click Here to upload Files.](#)

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SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING
AMY FOSHEE HOLMES
ASSOCIATE PROFESSOR

██████████
██████████
██████████

TRINITY UNIVERSITY
ONE TRINITY PLACE
SAN ANTONIO, TEXAS 78212-7200
new.trinity.edu

April 30, 2020

**Response to the AICPA’s Exposure Draft and Invitation to Comment:
Maintaining the Relevance of the Uniform CPA Examination**

The AICPA is to be commended on efforts to maintain the relevance of the CPA Examination and address the changing business environment due to advances in technology. Thank you for the opportunity to provide feedback on the proposed changes. In the paragraphs that follow I will provide concerns with the Practice Analysis followed by comments regarding proposed changes to the examination from an educator perspective and accounting student perspective.

Concerns with the Practice Analysis:

The limited scope of the input and data collected for the practice analysis is concerning. The practice analysis included only a small number of CPAs in total and even smaller subsets for each rating panel (around 150 in total with an average of 18 CPAs in each rating panel¹). The proposed changes are impactful and may have unintended consequences that will drive accounting curriculum in years to come. The decision to omit content related to accounting principles based on a small sample size seems problematic. In particular, omitting accounting for state and local governments from the CPA Examination could result in less accountability for governmental units. While the Exposure Draft does mention the “low ranking in State and Local Governments may be directly related to the specialized nature of this content”¹, the AICPA practice analysis does not make an effort to gather additional data from professionals that

¹ Invitation to Comment, page 32.

practice in this area. Given that a standard setting body (Governmental Accounting Standards Board) is dedicated to providing guidance for the accounting for governmental entities, the accounting for this specialized area warrants coverage on the CPA Examination.

Educator perspective:

As an educator, I am concerned with the proposal to omit governmental accounting information from the content of the exam. Accountability of governmental entities necessitates that there are constituents who have a basic understanding of the accounting for financial matters within state and local governments. Students of accounting are in a position to better comprehend the accounting for governmental entities and therefore, provide accountability as citizens.

When content is removed from the CPA Examination, universities will respond with changes to the curriculum to better equip students for practice based on content of the exam. Therefore, fewer universities will offer courses in governmental accounting. At a time when the national debt is increasing, state and local governments are having difficulty achieving balanced budgets, and more governmental units are financially stressed, the importance of governmental accounting warrants more coverage on the CPA Examination rather than less coverage.

It is my understanding that the proposal to omit content is driven by the desire to include more data analytics and technology on the examination. I would suggest that including more data analytics could be achieved through each section of the exam by using content specific data in a format that addresses data analytics questions. Rather than removing content such as state and local governments, use the content to address questions related to big data and analytics.

Student perspectives:

Students in a governmental accounting course were asked to review the Exposure Draft and respond to the Invitation to Comment. The following information was compiled from class discussion on student perspectives:

There are a variety of concerning issues with the proposed changes to the CPA exam regarding state and governmental accounting. We strongly believe that the removal of these concepts from the CPA exam could have harmful effects to the profession. As graduate students, these concepts were difficult to learn, as they are so different from other accounting concepts. If this subject matter is to be removed from the CPA exam, there will be less of an incentive for students and emerging CPAs to learn this material. Right away, this threatens the responsibilities

of auditors to exercise professional judgement, as they may not obtain adequate knowledge. Furthermore, if state and governmental accounting is removed from the exam, there is a possibility the subject would be removed from graduate and undergraduate programs as well. This could also have negative long-term effects. For instance, the “pipeline” at many large public accounting firms would be adversely impacted. If emerging professionals do not have adequate knowledge of governmental accounting concepts, it could ultimately lead to less-effective upper management on engagements and comprise integrity of the profession.

In addition, the need for governmental and state audits is only likely to increase due to the effects of COVID-19. State and local governments have been drastically impacted by the virus and will require more assurance than ever. The effects from this pandemic are likely to cause financial distress for at least another year. Therefore, the need for expertise in this area has become imperative.

And one student expressed that “I cannot stress enough the utmost importance of encouraging the practical understanding of governmental accounting as a significant component of the certified public accountancy examination.” Simply put, we cannot afford the luxury of delays in the support services of governmental entities and reduced accountability from the lack of understanding of governmental accounting by members of the accounting profession.

Conclusion:

Thank you for the opportunity to express concerns regarding the Exposure Draft and provide comments regarding proposed changes to the CPA Examination. We appreciate the guidance of the AICPA to maintain the integrity and relevancy of the accounting profession.

Sincerely,

Amy Foshee Holmes, CPA

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As the City Auditor for the City of Cape Coral, FL and CPA, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest. We need individuals in government accounting and auditing whose skills have been established and tested!

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including newly licensed CPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The newly licensed CPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. This is a HUGE mistake. Now more than ever we need knowledgeable CPAs in the public sector. In fact, many government organizations including the City I work for, prefer or require a CPA for certain positions within the City and not just internal audit and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,
Andrea R. Russell, CPA, CFE, CIA, CGMA

Joanne Scafidi

From: Crockett, Andrew [REDACTED]
Sent: Tuesday, March 10, 2020 6:07 PM
To: Practice Analysis
Cc: [REDACTED]
Subject: Maintaining the Relevancy of the Uniform CPA Exam
Attachments: AGA_Response_AICPA_ExposureDraft_issued_2019Dec23_1.pdf

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

AICPA,

Hello, I am AICPA member # [REDACTED], and also a member of the Association of Government Accountants (AGA ID# [REDACTED]), as I am a CPA who works for the County of Santa Clara Health System Finance Department.

I am writing to express disapproval of AICPA's proposed removal of governmental accounting standards from the CPA examination. Governmental accounting is an essential component of modern finance, however idiosyncratic it may be. As such, not requiring a baseline of familiarity with the concept puts our professional careers as CPAs in jeopardy.

In fact, two years ago I consulted with Santa Clara County's HR department to aide them in improving the job specifications for Santa Clara County's Accountant job series ([Accountant Associate](#), [Accountant I](#), and [Accountant II](#)). My efforts were successful, and Santa Clara County now recognizes the possession of a CPA license as the equivalent to one year of work experience, in addition to whatever other relevant work experience one may have. Part of securing this benefit for CPAs applying to work for Santa Clara County was arguing that the CPA exams contain material covering governmental accounting: an argument that could no longer be made if AICPA does not change its course and abandon the idea of removing the Governmental Accounting sections from the CPA examination.

AGA's official response to AICPA's proposal is attached, and speaks for me regarding additional specifics addressing why it would be in the interest of our profession to maintain the Governmental Accounting requirements in the CPA examination.

Andrew M. Crockett

Health Care Financial Analyst Associate | County of Santa Clara Health System Finance Administration | Revenue & Reimbursement Department | 2325 Enborg Lane, Suite 360 | San Jose, CA 95128 | [REDACTED]
[REDACTED]

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Joanne Scafidi

From: Anka Kondraska [REDACTED]
Sent: Tuesday, January 14, 2020 11:37 PM
To: Practice Analysis
Subject: Comment on Changes to the CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

Hello,

I hope this email finds you well!

My name is Anka and I am a graduate student in the Master of Professional Accountancy program at the Graduate School of Management at UC Davis. I have been tracking these proposed changes to the exam as I am preparing to start taking parts of the CPA exam this year. I also have over 6 years of private industry experience and have worked with numerous CPAs.

I am baffled as to why the changes to the exam will only impact incoming CPAs, these changes need to impact the whole profession including existing CPAs. I have found the already licensed CPAs to be the most resistant to change and not willing to incorporate technology or try to even understand it. The proposed changes are short sighted in that they only address part of the problem, incoming CPAs. I think the bigger issue is the sentiment in the industry/existing status quo of already licensed CPAs who pose a greater risk to the profession in their resistance to change and unwillingness to incorporate new technologies in their professional life.

Best,
Anka Kondraska, MPAC [REDACTED]

Joanne Scafidi

From: Bernard Rosenstein [REDACTED]
Sent: Thursday, January 23, 2020 7:09 PM
To: Practice Analysis; [REDACTED]
Subject: Re: Keeping newly licensed CPAs prepared for tomorrow's profession

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Sir,

I reviewed the Exposure Draft and Invitation to Comment entitled "Maintaining the Relevance of the Uniform CPA Examination" and my comments are as follows:

A- I agree with all of the recommended changes that are included in the Exposure Draft (ED)

B- In the Invitation to Comment section, I agree with the removal of the content on Accounting for State and Local governments as the content is much too specialized and the majority of CPAs will never need to use the content in their careers and initial jobs.

However, I disagree with the concept of removing the BEC-Essay Question from the exam...while I realize the essay does not test the technical part of the subject matter covered in the exam, it does test the basic writing skills and basic writing skills are a key skill needed by CPAs in any job position including those in their first few years after becoming a CPA. And without basic effective writing skills, the knowledge of the content cannot be properly translated when communicating concepts and performing application of the technical knowledge and skills. Additionally, I view some level of basic writing skills as critical for license as a necessary skill as it will be expected that the entry-level CPAs have those skills as part of the learning and license process since that skill is not easily tested in an interview process and the exclusion of that skill could have adverse effects in entry-level position performance.

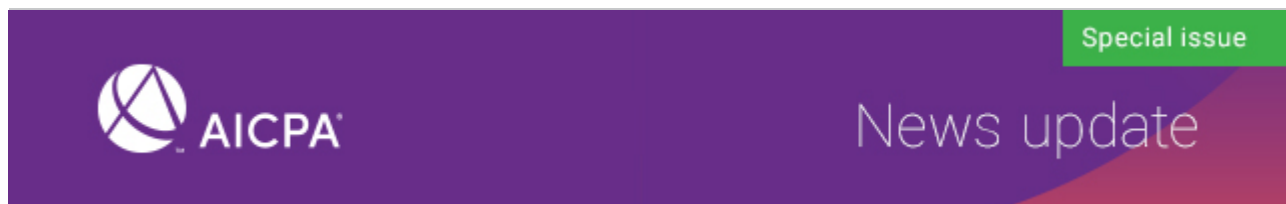
These responses represent my individual views and I hope are helpful. Please let me know if I can be of any further assistance or participate in any future research or surveys. Thanks you.

Bernie Rosenstein

On Fri, Jan 10, 2020 at 10:26 AM Michael Decker, VP of Examinations [REDACTED] wrote:

To view this email as a web page, go [here](#).

[Review our CPA Exam Practice Analysis](#)



January 10, 2020 — Volume 27 No. 2

Dear Bernard,

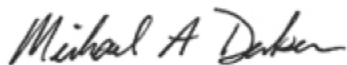
As we celebrate the start of the New Year, we reflect on where we've been and where we're headed. This rings especially true for the AICPA as we move forward with planned and proposed changes to the CPA Exam — changes that facilitate the Exam's continued focus on assessing the knowledge and skills newly licensed CPAs need.

Throughout 2019 we conducted a research effort called a [practice analysis](#) to determine how the technology revolution has impacted the work of newly licensed CPAs. Detailed meetings and focus groups with practitioners — many of whom directly supervise the work of new CPAs — were called upon to share their insights. Our findings revealed several themes, including that these new CPAs must not only have a data-oriented, digital mindset but a keen understanding of core business functions as well. As expected, participants also reinforced the importance of critical thinking, problem-solving skills and proficiency with Excel.

Be sure to review and comment on our findings. Your feedback to our report is essential. Comments will be accepted through April 30, 2020. Additional details can be found on the [CPA Exam Practice Analysis web page](#), and we also encourage you to [register for our free CPA Exam Practice Analysis: Current Status and Next Steps webcast](#) on Jan 15 at noon ET.

We wish you all the best for the year ahead.

Michael Decker,



VP, Examinations – Public Accounting



AICPA
220 Leigh Farm Road
Durham, NC
27707-8110

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Joanne Scafidi

From: Stone, Bill [REDACTED]
Sent: Thursday, April 9, 2020 10:01 AM
To: Practice Analysis
Subject: Opposition to Proposed Changes to the Uniform CPA Examination

Follow Up Flag: Follow up
Flag Status: Flagged

Good morning,

I write today in strong opposition of the proposed elimination of the State and Local Government (SLG) content from the uniform CPA examination. I have been a CPA for 15 years, and have worked in public school finance for 12 years. Currently, I am responsible for the financial operations of a \$250 million, high-performing school district in suburban Philadelphia with more than 1,400 employees. My responsibilities include budget preparation and management, payroll, procurement, tax collections, accounts payable and receivable and general ledger accounting for 10 funds. I owe much of my success, both professional and personal, to my decision to become a CPA and enter this profession. The stakes and scrutiny are high in this line of work, and the accounting and fiscal operations impact the lives of children and taxpayers alike. Despite the stresses, it is rewarding work that compensates well.

Frankly, by not assessing future CPA's on this content will result in a dearth of qualified candidates to lead our governments. Colleges and universities will reduce their focus on government accounting course work which will de-emphasize the career path. At a time when distrust of public officials is seemingly at an all-time high, it would seem counterintuitive to potentially divert CPA candidates from this line of work. I can attest to the declining quality in applicant pools at all levels of the profession, and can further attest that having a CPA on my staff would improve our efficiency and credibility with the community. There is a tremendous need and opportunity for CPA's to contribution to the success of our school districts.

Please reconsider the decision to eliminate this content from the examination.

Regards,
Bill

Bill Stone
Director of Business Administration
Council Rock School District

[REDACTED]
[REDACTED]
District Web Site: www.crsd.org



Mississippi College

A CHRISTIAN UNIVERSITY

School of Business

March 6, 2020

TO: American Institute of Certified Public Accountants (AICPA)
Transmitted electronically via: practiceanalysis@AICPA.org

RE: AICPA's Exposure Draft on Maintaining Relevance of the Uniform CPA Examination
Issued December 23, 2019

Dear Sirs/Madams:

As a [REDACTED] member of the AICPA, Professor of Accountancy, CPA, CGFM, CGMA, and a former auditor for the Mississippi State Auditor's Office, former GAAP specialist for the Mississippi Department of Finance and Administration, former CFO for the Mississippi Department of Mental Health, and retired Vice-President for Finance and Administration for Delta State University, I offer these comments in response to your exposure draft, hereafter referred to as the AICPA ED, on Maintaining Relevance of the Uniform CPA Examination issued on December 23, 2019.

While I am supportive of the overall practice analysis (PA), I am very concerned about the AICPA's proposal to remove governmental accounting from the CPA exam and as such, offer the following specific comments as my rationale.

1. As a professor and a CPA, I applaud the AICPA's Practice Analysis (PA) findings that identify a need to more broadly demonstrate technology's impact on the newly licensed CPA (nlCPA) practice including:
 - a. Understanding business processes from inception to completion including automated aspects, risk identification and internal control mapping.
 - b. The need for a digital and data-driven mindset and the use of data analytics.
 - c. Increased reliance on internal control reporting, not just SOC 1 controls for service organizations as included in the AICPA ED, but more broadly inclusive of COSO and COSO ERM controls.
2. However, I am strongly opposed to the proposed removal of the content assessed in FAR Area IV – State and Local Governments as cited in B.b. and B.2. on page 8 of the AICPA ED. In answering the question B.2. on page 8 regarding whether the CPA exam should continue to assess accounting for state and local governments, my answer is a resounding YES!


My reasonings are as follows:

- a. There are approximately 93,000 state and local (S&L) governmental entities across the United States; many of these are multi-billion-dollar entities; and collectively, these 93,000 entities expend almost \$2 trillion dollars annually.
 - b. Nearly all of these 93,000 entities require financial staff, including nCPAs, who must be prepared for their careers on day one. Many of these 93,000 entities require financial audits. Therefore, thousands of CPA firms and state audit organizations in all 50 states and territories conduct governmental audits as part of their livelihood and all need staff, including nCPAs, with a working knowledge of governmental accounting.
 - c. The AICPA states that part of the CPA's responsibility is to protect the public. Every American, all 320+ million citizens of the United States, are affected by S&L financial reporting while only the stockholders of a single publicly traded organization (such as an IBM, GE, or Apple) are affected by the financial reporting of these entities. Removal of the S&L content from the CPA Exam is not in the best interest of the public. Citizens must hold public officials of all 93,000 governmental entities to a higher threshold of accountability and this cannot happen without a solid foundation of S&L governmental accounting and financial reporting knowledge.
 - d. All of these 93,000 government entities and their accountants and auditors have focused responsibilities on internal controls and technologies. In fact, many governmental entities, especially federal agencies, are leaders in the development, use, and implementation of some of the most advanced technologies in the marketplace, including blockchain, artificial intelligence, and robotic process automation.
 - e. Removing governmental content from the CPA exam will also wreak havoc in institutions of higher learning. It will become increasingly more difficult to support the teaching of governmental accounting classes because "the CPA exam doesn't require it" despite the demonstrated need for the subject matter across the nation. This will negatively impact sound accounting academic programs, faculty, students, and the public interest.
 - f. Government entities are struggling today to attract and hire recent accounting graduates. Any resulting decrease in the number of institutions teaching governmental accounting will result in fewer accounting graduates with exposure to (and interest in pursuing) accounting careers in government. Our governments, as well as private industry, also deserve our best and brightest students.
3. I bring to your attention that on page 26 of the AICPA ED in Change Numbers 38 and 39, the AICPA proposes removing the application skill level of various components of S&L reporting (CAFR; Governmental, Proprietary, and Fiduciary fund financial statements; net position, fund balances interfund activities, transfers, and special items).

If I understand the recommendations included in Change Numbers 38 and 39 correctly, these subjects will no longer be tested in simulations but will remain in the theory (multiple choice) components of the CPA exam. If this interpretation is correct, I will reluctantly accept retaining a minimal amount of S&L content *far more preferably to removing it entirely*.

4. However, I must call your attention to the contraindication between pages 26 and 36 within the AICPA ED regarding S&L content in the CPA exam. As mentioned in paragraph 3. above, my interpretation of page 26 is that at least some S&L government content will remain on the revised CPA exam; yet, page 36 of the AICPA ED indicates a *complete removal of all S&L government accounting* content from the FAR section of the CPA Exam. **Both cannot be correct.**

The AICPA's rationale is based on the notion that only a limited number of n1CPAs need this knowledge upon the start of their career. However, I have demonstrated over 93,000 government entities and thousands of public accounting firms across the United States depend upon S&L accounting. The bottom line is a significant percentage of financial accountants and auditors must have this relevant content upon the start of their careers.

If you have any questions, do not hesitate to contact me at 

Sincerely,

William A. Morehead

William A. Morehead, Ph.D., CPA, CGFM, CGMA
Professor of Accountancy

Joanne Scafidi

From: Little, Billy R [REDACTED]
Sent: Thursday, April 9, 2020 4:59 PM
To: Practice Analysis
Subject: CPA Exam concern

Follow Up Flag: Follow up
Flag Status: Flagged

AICPA,

Good afternoon. Thank you for allowing me to comment on a concern I have about the CPA Exam and a proposal I was made aware of by the AICPA. Please allow me to elaborate.

I am a member of the Oklahoma Society of CPA's, the Government Finance Officers Association, and a few other organizations. I have worked for a CPA firm early in my career but have spent [REDACTED] years in the government sector. My experience includes working in Accounting Services, Utilities Department Financial Management, and now the Public Works business management. I have concerns that the AIPCA is recommending Governmental Accounting to not be included in the Uniform CPA exam. All through my career have even had reservations about many colleges and universities accounting curriculum is set up. I know when I was in college, Governmental Accounting was an elective for non-accounting majors only. I thought that was odd at the time but as I went into the governmental sector, first as an auditor at a CPA firm then working for a municipality, I quickly saw the fallacy of that approach to accounting education. I have heard from others that many colleges did change the approach and include governmental accounting in the curriculum, which was good. But I see this changing back again, if the AICPA and the Exam don't see this as a benefit to the profession.

Accounting is very broad and we want our professionals to be able to manage, teach, assist, and be employed in many sectors, including a major sector of employment: government. I would hope you would reconsider this position which in turn encourages colleges and universities to teach a broad range of disciplines to our future colleagues. We want them to be equipped the best they can be so they can be gainfully employed in the financial and accounting profession that best suits them. In turn this approach helps all CPA's. We need good CPA's in government, and at hospitals, and at universities, and at fortune 500 companies, and at CPA firms, etc.

Thank you for letting me express my strong disagreement with taking governmental accounting and auditing out of the Uniform CPA Exam and noting some of the reasons why.

Billy R Little, CPA | [The City of Oklahoma City](#)

Business Manager **[Public Works Department](#)**

420 W Main Street, Suite 700 | OKC, OK 73102
[REDACTED]

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American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As an internal auditor for Harford County Government (and CPA and CIA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Sincerely,

Brad DeLauder, CPA CIA

Joanne Scafidi

From: Brian Hemmerle [REDACTED]
Sent: Sunday, March 1, 2020 4:22 PM
To: Practice Analysis
Subject: Comment on Relevance of the CPA Exam - Governmental Accounting Questions

Follow Up Flag: Follow up
Flag Status: Flagged

To whom it may concern,

Thank you for the invitation to comment on the exposure draft related to the relevancy of the CPA exam. After reading the draft, I only have one concern.

As an audit partner for a large local CPA firm in Arizona, whom practices only governmental auditing and accounting, I have found it increasingly difficult to hire well qualified entry level audit staff with knowledge of governmental accounting. Removing the already small portion of the CPA exam dedicated to governmental accounting will almost certainly make my hiring efforts more difficult, and quality of candidates nearly obsolete.

In a time when GASB seems bent on diverging from FASB and adding more complexity to the governmental accounting world then ever, I would argue the need for maintaining the basic governmental related questions in the CPA exam is higher then ever. Nearly every State and Local Government is required to obtain an audit in the United States, but not every commercial or non-profit organization is required unless they are publicly traded or obtained some level of financing. Arguably, the governmental audit arena has a far greater number of audits nationwide, then does the FASB based audits. Also governmental audits protect all our citizens, as opposed to FASB based audits that only really ever protect investors, owners and lenders. By removing the governmental portion of the CPA exam, you are further marginalizing governmental accounting, which in turn may yield less quality governmental accountants. As populations grow, so do governments, and they tend to only become more complex entities as they grow. I ask that you please maintain the basic governmental accounting based questions historically tested on future CPA exams.

Brian J. Hemmerle, CPA, CFE
Partner
Henry & Horne, LLP

Joanne Scafidi

From: Brian Wolf [REDACTED]
Sent: Thursday, April 9, 2020 6:36 PM
To: Practice Analysis
Subject: Elimination of Governmental Accounting from the CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

I want to thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I oppose the proposed reduction of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Governmental accounting and reporting provides transparency to citizens regarding the financial position, activities, and funding sources and uses of their local and state government. This information is critical not only to citizens, but to other stakeholders such as lending institutions.

Currently governmental accounting is deemphasized at many colleges around the country. These proposed changes will further reinforce the message that knowledge and abilities related to governmental accounting and reporting has little value.

I have found that accountants that have no exposure to governmental accounting have a difficult transition to this field. As a result, finding qualified applicants is already challenging. This proposal will limit a CPAs ability to pursue a career in governmental accounting and finance.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions.

Brian Wolf, CPA

Accounting Manager | Clark Regional Wastewater District

8000 NE 52 Court, Vancouver WA 98665 | PO Box 8979, Vancouver WA 98668

[REDACTED]
APWA Accredited since 2005

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Joanne Scafidi

From: Brigid Drury [REDACTED]
Sent: Tuesday, April 21, 2020 1:22 PM
To: Practice Analysis
Subject: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have “demonstrated knowledge and skills necessary to protect the public interest”. Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Personally, I obtained a degree that was heavily aligned with the content on the CPA exam. As such, I received a few weeks of coursework on governmental accounting. This coursework was already limited; without it, I would have had reduced exposure and less inclination to pursue this industry. Further, the CPA designation is highly sought after and a huge achievement for those that obtain it. If it didn't cover the state and local government industry, it might give the impression that a career in the government sector is not as highly respected as other industries covered in the CPA exam.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Brigid Okyere

April 29, 2020

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036
Via email:practiceanalysis@aicpa.org

Re: Exposure Draft Comments - Maintaining the Relevance of the Uniform CPA Exam (FAR Area IV Change Nos. 37-39)

Dear American Institute of Certified Public Accountants,

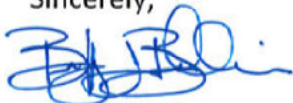
I would like to thank you for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment*. I appreciate the opportunity to comment on this proposal. Please note that my response represents my individual view as a Certified Public Accountant (CPA).

I strongly oppose the proposed changes to the FAR Area IV Section (Change Nos. 37-39) of the Uniform CPA Examination (CPA Exam), which proposes a reduction in the coverage of, and ultimate elimination of, the accounting and financial reporting for state and local governments (SLG). The justification for these changes is based on the idea that SLG accounting and financial reporting is a specialty area, and experience in this area should be obtained through on-the-job training and by pursuing additional credentials and certifications that establish competency. In my professional opinion and experience, to consider SLG financial statement reporting as a narrow specialty will diminish a CPA's ability to be an active participant in civic engagement and does not take into account the significance that SLG's have in the overall economy. There are over 89,000 local governments throughout the United States (U.S. Census 2012) that need qualified CPA's with this expertise. As a previous financial statement preparer and auditor of SLG's, as well as currently serving as the Finance Director for a local government in California, I have personally experienced the need for CPA's to be knowledgeable and educated in this field. The financial statements of SLG's have become increasingly complex in the twenty-two years that I have been working in the field, and I feel that it is incumbent upon the AICPA to lead the charge in ensuring that CPA's are prepared and educated with a base level of knowledge in this area. To that end, I do not support the proposed changes to the FAR Area IV Section (Change Nos. 37-39).

Additionally, I believe that eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to dedicate even less curriculum to governmental accounting content, which will ultimately result in fewer accounting graduates with exposure to, and interest in, accounting careers in government. Additionally, it will further reduce the necessary expertise from the workforce that is so desperately needed at this time.

Thank you for the opportunity to comment on this proposal and for your consideration of my feedback. Please feel free to contact me [REDACTED] should you have any additional questions.

Sincerely,



Buffy Bullis, CPA

Joanne Scafidi

From: Carolyn Miles [REDACTED]
Sent: Monday, February 17, 2020 11:00 AM
To: Practice Analysis
Subject: Questions Regarding BEC Section 4 changes
Attachments: 2019-practice-analysis-report.pdf; 2019 CPA_ExamBlueprints_Effective_Jan_2019.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Hello,

I was looking at the proposed blueprint changes for BEC Section 4 and could not find some of the 2019 Blueprint sections referenced by the 2019 Practice Analysis. I teach accounting information systems and intro to data analytics, so I was reviewing only BEC Sections 1 and 4.

Change 26

References "Group A: Understanding of Information Technology (IT)", but in the 2019 blueprint Group A is "Information Technology (IT) Governance".

References Group A Topic 1 "Organization and governance", but in the 2019 blueprint Group A Topic 1 is "Vision and Strategy"

All of the proposed changes to BEC section 4 have the same issue. BEC section 1 matched without a problem.

Any help in sorting this out would be appreciated. I have attached the documents I used in case I have old editions.

Cheers,

Carolyn Miles

Professor of Practice
C. T. Bauer College of Business
Department of Accountancy & Taxation
University of Houston
A Carnegie-designated Tier One public research university



Joanne Scafidi

From: Carolyn Miles [REDACTED]
Sent: Wednesday, February 19, 2020 10:40 AM
To: Practice Analysis
Subject: Suggestion for the Future Blueprint

Follow Up Flag: Follow up
Flag Status: Flagged

Hello,

I suggest adding the effective date to the footer of each page in the new CPA Exam Blueprint, so readers can easily identify the blueprint version. If pages of the blueprint are separated from the cover page, the reader cannot identify the version of the blueprint. Also, although the newest version is posted on your website, candidates or others may have older versions on their computers or posted on websites.

Cheers,

Carolyn Miles

Professor of Practice
C. T. Bauer College of Business
Department of Accountancy & Taxation
University of Houston
A Carnegie-designated Tier One public research university



American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a government auditor with over a decade of experience at federal and state levels and former audit manager for Deloitte & Touche, LLP, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nCPAs, are recognized and sought out in general for their education and awareness in broad and general concepts. The nCPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Casey Kopcho
Principal Auditor, Oregon Secretary of State

Joanne Scafidi

From: Brooks, Chrystal [REDACTED]
Sent: Tuesday, April 21, 2020 8:41 PM
To: Practice Analysis
Subject: Comments about removing state and local government from CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nlCPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest. Currently, my office is preparing our annual budget analysis. My staff understand governmental accounting and it can still be a challenge to work through the impact of new guidance. Take for example the implementation of GASB 87, my staff have to determine whether the changes made by our Treasury Department are reasonable and then communicate that information to non-accountants. It is only with thorough, understanding of the fundamentals of governmental accounting that they are able to translate the County budget and financial reports for our County Council and other stakeholders.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including (nlCPAs), are recognized and sought out in general for their education and awareness in broad and general concepts. The nlCPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace. I'll add that many local government offices are small like mine. With a workforce of just 3 auditors, it is difficult to quickly teach all of the nuances of fund accounting when someone new comes aboard.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. For my position, a CPA license is required by our County Charter. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Chrystal Brooks
CPA, CGFM, CGAP, CIA, CISA, CRMA
County Auditor
Harford County, Maryland



Joseph Maslott

From: Cindy Vance [REDACTED]
Sent: Thursday, June 4, 2020 7:33 PM
To: Practice Analysis
Subject: Opinion on Exposure Draft to Remove Govt Acct from CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

I strongly oppose removing Govt Acct from CPA exam. Why would we do this as there are many individuals that work in state and local government? This affects not only the people working in the governments but the auditors. Accounting students need to understand state and local govt accounting. This is a required course at my institution, and it is a semester long. I think it should be a required course and not just pieces of other courses, which is what some institutions do. If someone does not like the modified accrual method, then work to change it. Don't make a decision that will negatively affect accounting students. As long as modified accrual accounting is used, it should be taught. Additionally, I have often wondered why federal govt accounting is not taught on the CPA exam.

Thank you!!

Dr. Cindy Vance

P.S. I am also not in support of the new CPA licensure model. I agree that data analytics needed added so make it for the additional 30 hours. As of now, I see no reason that 150 hours are required for the CPA license. There is a loophole that was never thought out. Students take courses not even related to accounting for the 150 requirement. Either we need to go back to the 120 (have not seen any evidence that the extra 30 hours has increased exam scores or decreased the number of attempts) or make the 30 hours mean something.

The reason that I am against the new model is that students have no idea what area of accounting that they want to concentrate in during college. Why would we try to put them into a specific path when they have not had the experience in both tax and audit to choose? I believe this is a very poor decision that is focused on the employers and not the students who are taking the exam out of college. We are trying to force them into a path that may not be the path they that end up choosing when they begin working.

Cindy Vance, Ph.D.
Associate Accounting Professor & Chair
Active Certified Public Accountant in Virginia
White Hall Room # 233 C
Shepherd University
P.O. Box 5000 310 High Street
Shepherdstown, WV 25443
[REDACTED]

"Honesty and transparency make you vulnerable. Be honest and transparent anyway." - Mother Teresa

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,



Mary Claire Chase
Senior Accountant

April 24, 2020
1106 Rial Drive
Bethel Park PA 15102

To Whom It May Concern,

I am sending this letter to address the recent Exposure Draft concerning the proposed changes to the CPA Examination. Specifically, the changes proposed for the letter writing portion of the exam.

My background includes working for a major accounting firm and subsequently being employed at Westinghouse Electric Corporation. I also worked as an officer and director for a group of aviation corporations. I concluded my career teaching at the college level for over 20 years.

When not working in industry, I was an examination grader for the AICPA starting in 1974. Because part of the exam included written responses, it was realized there was a need for examination candidates to improve their writing skills. At one point in time, the examination began to score candidates based on their writing abilities. There was an obvious deficiency in written expression for many of the candidates. Unfortunately, for many years there seemed to be little improvement in the written performance.

Once the examination oversight was transferred to Education Testing Services in 2003, our grading was the exclusive review of written responses prepared by the candidates. Again, the writing abilities were lacking. It has only been in the last five years or so, that a substantial improvement was recognized in the writing skills. My impression is that the coaching courses that candidates were attending taught the candidates how to properly present a good business letter. The result was seeing letters offered on the exam with good grammar, proper organization of paragraphs, opening topic sentences, necessary concluding remarks and accurate spelling.

It is my fear that the great progress that has been experienced in recent years will be lost and we will revert to the poor letter communication we experienced before. Therefore, I urge the AICPA to maintain some required writing skills as part of the examination. I hope we can keep the advancements that we have gained and not relinquish our progress.

Curtis E. Bagley, CPA

████████████████████
████████████████████

Joanne Scafidi

From: [REDACTED]
Sent: Thursday, April 23, 2020 10:49 AM
To: Practice Analysis
Subject: Elimination of State & Local Government Accounting & Financial Reporting from CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

To whom it may concern,

I've worked in government for almost 30 years as an auditor, CFO, budget director and finance officer. During that time, I've seen the struggles that audit firms have with auditing local governments, the difficulty that accountants have with governmental accounting and the difficulty in hiring accountants familiar with governmental accounting. To eliminate this from the exam and expect accountants to be as well versed in the profession as is expected with a CPA designation is ludicrous. How will they be qualified to perform governmental audits?

Cordially,

Cynthia L. Freeman
Cynthia L. Freeman, MBA, CPFIM
Budget & Fiscal Officer

[REDACTED]

16th Circuit Court of Jackson County, Missouri Budget & Fiscal Office
415 East 12th St. Suite 303
Kansas City, MO 64106

Serving the community through the rule of law.

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INTERNAL AUDIT

Page 1 of 1

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

April 22, 2020

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor and CPA, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggests there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Danny Coyle
Danny Coyle, CPA
Internal Auditor
City of Harlingen

Joanne Scafidi

From: David Harvey [REDACTED]
Sent: Wednesday, April 29, 2020 10:52 AM
To: Practice Analysis
Subject: Comments on AICPA Exposure Draft on Maintaining Relevance of the Uniform CPA Examination dated December 23, 2019

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern:

I write to argue against the removal of State and Local Government content from the CPA exam. There are over 90,000 state and local government entities in the United States and most, if not all, of which are audited by CPA firms as a one check in ensuring public accountability over tax dollars. The CPA profession exists to support the informational needs of the public and not having the next generation of CPAs understanding state and local government accounting issues would be a real loss and this could cause the prevalence of existing quality control issues with governmental audits performed by CPA firms to worsen. Also, as it stands now, many colleges and universities do not offer government accounting courses and the proposed action would likely provide a disincentive for offering such courses in the future. This also would have the affect of reducing the exposure to governmental accounting subjects and reduce the potential for accounting majors from seeking jobs in government. The exposure drafts cites the specialized nature of governmental accounting as a basis for its removal, but would the same be said of nonprofit accounting or partnership accounting? While many are interested in PCAOB standards, many CPAs will not ever work on performing an audit of a publically traded company and markets still demand accurate information in regard to the large state and municipal bond market. Lastly, with many governmental institutions being attacked in the political sphere and with the stress of the current coronavirus situation and the associated funding challenges, it would be unfortunate to have CPAs not be well-versed in government finance and less prepared to protect the public interest. Thank you for the opportunity to comment.

David A. Harvey, CPA

4427B Willow Pond Road
West Palm Beach, FL 33417

April 30, 2020

Board of Examiners, Content Committee, Content Subcommittees
American Institute of Certified Public Accountants
Princeton South Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

Dear Chair Hoops and Members of the Board of Examiners, Content Committee, and Content Subcommittees:

I am grateful for the opportunity to respond to the American Institute of Certified Public Accountants (AICPA) Exposure Draft and Invitation to Comment, *Maintaining the Relevance of the Uniform CPA Examination*. I am deeply concerned about your proposals that would diminish the importance of governmental accounting in the CPA exam and am writing to ask that you replace those proposals with measures that would instead *enhance* the coverage of governmental accounting.

The views expressed in this letter are based on my nearly 25 years of teaching governmental and not-for-profit accounting and financial management to graduate students. I am a long-standing member of the American Accounting Association and its Government & Nonprofit Section, the Association of Government Accountants, the Association for Budgeting and Financial Management, and the National Federation of Municipal Analysts, as well as Certified Government Financial Manager (CGFM).

Since 2008, I have been an adjunct member of the accounting faculty at Rutgers Business School (RBS), Rutgers University. During that time, I have taught introductory governmental accounting and auditing, governmental financial analysis, and advanced topics in governmental accounting to many hundreds of students who have since passed the CPA exam. I am immensely proud that RBS affords its Master of Accountancy students the opportunity to take a full-semester course in governmental accounting and auditing and that it is the only institution in the country with a Master of Accountancy program in governmental accounting.

I am *not* writing in my capacity as the senior research manager of the Governmental Accounting Standards Board (GASB). The GASB has submitted its own letter in response to your proposals. Nevertheless, my views are informed by 22 years of experience at the GASB, during which I have served as the GASB's liaison to the academic community and have worked extensively to increase the quantity and quality of governmental accounting education and research in accounting programs throughout the country.

The Sisyphean effort to increase the teaching of governmental accounting in Master of Accountancy programs, while simultaneously working to retain its presence where it currently is

being taught, has borne some small but welcome fruit. I fear that your proposals will undo that progress and irreparably undermine governmental accounting education and research. It is said that accounting programs teach to the CPA exam, and my anecdotal experience supports that contention. Removing or diminishing the presence of governmental accounting in the CPA exam may sound its death knell. I cannot imagine you want that accomplishment on your resume.

The Importance of Government

The U.S. Census of Governments identifies slightly more than 90,000 state and local governmental entities in the United States. If you count the many public colleges and universities, public retirement systems, transportation authorities, economic development corporations, and other public benefit corporations that are rolled up into the governments but nevertheless produce separate financial statements based on U.S. generally accepted accounting principles (GAAP) as promulgated by the GASB, the number is north of 95,000. Those governmental entities employ over 20 million persons or more than 13 percent of total nonagricultural employment in the U.S. State and local governments account for \$1.8 *trillion* of value added annually to the U.S. economy. The federal government employs another 2.8 million Americans and contributes an additional \$791 billion of value added. To put that contribution into perspective, the value added of the federal, state, and local governments is greater than that of every other industry category reported by the U.S. Bureau of Economic Analysis except real estate, rental, and leasing—greater than manufacturing; finance and insurance; professional and business services; and educational services, health care, and social assistance.

Many of those public employees are CPAs and many more have benefited from undergraduate and graduate education that included governmental accounting. Although employment figures do not separately identify accountants within government, consider that the Government Finance Officers Association has more than 20,000 members and the Association of Government Accountants has over 8,400 members in government. The AICPA's own Government Audit Quality Center has more than 2,000 member firms.

Lastly, both you and I are citizens in multiple governments—a state, county, city/town/village, school district, possibly one or more special districts—and possibly recipients of services from multiple other governments—as travelers through airports, patients in public hospitals, students or the parents of students in public colleges and universities, customers of public power and water/sewer utilizes, and so on. CPAs can take on important roles in their home and business communities because of their advanced knowledge, helping to hold governments accountable for their use of scarce public resources and assist them in being faithful stewards of the public fisc.

Bias Toward Businesses

Despite the evident importance of governments as employers or clients of CPAs and as economic engines, the Financial Accounting and Reporting section of the exam has always been overwhelmingly focused on business, to the detriment of both governmental and not-for-profit accounting. One can see the ingrained nature of that bias in the AICPA's usage of the term *business*, rather than *entity*, even when it is referring broadly to all entities, including those that are governmental or not-for-profit in nature.

The proposed diminution of governmental accounting-related content in the exam myopically reflects that bias and will serve only to solidify it. Consider the following sentence from the Exposure Draft, which appears repeatedly as the justification for cutting back on governmental content: “The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.” In light of the evidence of the widespread and fundamental importance of government to CPAs and the nation in general, referring to governmental accounting as a specialized area of practice is either highly condescending to CPAs working in the governmental area or willfully ignorant.

The inherent bias in your two exposure documents also is reflected in this remarkable feat of circular logic:

Given the specialized nature of the content assessed in FAR Area IV — State and Local Governments, the limited or non-applicability to a large majority of nICPAs, and the minimal impact of FAR Area IV on a candidate’s overall score (15% maximum), the AICPA is considering removal of state and local government accounting content from the FAR section of the CPA Exam.

Governmental accounting represents only 15 percent of the exam *because that is the way you designed it*. You cannot severely limit the amount of governmental accounting content in the exam and then argue to cut it even further because there is so little content. That is tantamount to cutting off a dying patient’s oxygen as an act of mercy when you were actually the cause of their fatal condition. That’s not a kindness, it’s an attempt to erase the evidence of a crime.

A Note on Your Research

I would offer one aside, as someone with 35 years of experience in rigorous academic research, before commenting further on your proposals related to governmental accounting. Your proposals repeatedly state, “PA research indicates that this topic is less important to nICPA practice.” I would suggest that you never again engage whoever conducted that research for you. The only ways that they could fail to recognize the importance of governmental accounting to CPAs would be (1) to have designed their research methodology with an inherent bias toward business, or to have designed objective and unbiased research but (2) failed to find the obvious evidence of the importance of governmental accounting or (3) found the evidence but chose to ignore or downplay it. Any of those explanations would call into question the entire basis for your proposals.

Comments on the Proposed Changes

I am adamantly opposed to proposed change numbers 37–39 of the Exposure Draft and the entirety of your proposals in the Invitation to Comment with respect to FAR—Accounting for State and Local Governments (page 36). You ask whether accounting for state and local governments should continue to be assessed on the CPA exam, but you should be asking how much governmental accounting should be *enhanced* in the exam. These are the reasons for my position:

- *The need for CPAs and other employees with governmental accounting knowledge has been dire for some time now and is growing.* As I travel around the country to make presentations to state CPA societies, state GFOA and AGA chapters, and other professional organizations, I often am told of the difficulties that accounting firms and governments have identifying job candidates with prior knowledge of governmental accounting. For many years now, governments have been experiencing significant annual staff turnover, including among their accounting positions, which has exacerbated the struggle to hire enough employees with governmental accounting in their portfolio.
- *Accounting programs are not devoting sufficient resources to teaching governmental accounting.* That is the primary reason why firms and governments have so much difficulty recruiting graduating students with governmental accounting knowledge. Accounting programs teach to the CPA exam and, because the portion related to governmental accounting has been kept to a small section of just one part of the exam, many accounting programs have abdicated their responsibility for teaching governmental accounting to the CPA preparation companies.

If you increase the significance of governmental accounting in FAR, accounting programs will devote resources to teaching it. One need only look back at what happened when there was discussion of convergence between FASB and IASB standards and attention to international standards increased—accounting programs threw enormous resources at international accounting education. In hindsight, it was an overreaction, as the push for convergence abated. A similar concern would not apply to governmental accounting—the prominence of government and its need for properly trained CPAs is well established unlikely to wane.

- *Accounting graduate programs are not supporting the pursuit of governmental topics by doctoral candidates.* In fact, some program chairs actively discourage it. Part of the reason for that is the lack of prominence of governmental accounting in the CPA exam. Another part is the lack of awareness of how significant government is as an employer of CPAs. There has been a concerted effort by several professional organizations (sadly, not the AICPA) to support doctoral candidates who are interested in pursuing research and teaching in governmental accounting, but it is barely maintaining the status quo. An initiative similar to that for encouraging Ph.D. candidates to study auditing is needed to make headway toward producing more Ph.D. recipients with the credentials to teach governmental accounting (which would help programs to add the subject to their catalogs) and to mentor future Ph.D. candidates conducting dissertation research on governmental topics (which will establish a robust pipeline of new professors).
- *Governmental accounting research has been diminished in volume and stature, which is harmful to accounting standards setting and, by extension, to the financial transparency of governments and public accountability.* In the absence of a readily available database of information from GAAP-based governmental financial statements, comparable to EDGAR for publicly traded companies and the Form 990 database for not-for-profits, research on governmental accounting is a significant undertaking that involves hand collection of financial reports and manual data entry. Academics and others who perform governmental accounting research are a dedicated group. Their difficulties are magnified by an

environment that discourages governmental accounting as a field of study—an environment that was partially formed by the AICPA.

Independent academic research is a vital resource for the GASB’s standards-setting activities because of its resource limitations. The ability to leverage academic research helps to compliment the research conducted by the GASB staff, both in terms of subject areas and methodologies. The paucity of academic research makes the work of the GASB more difficult, which poses a threat to the quality of its standards. If accounting and financial reporting standards were to become less than the highest quality that they have been for the past 36 years, the result would be less useful information for decision making and accountability. That would directly and negatively impact the nearly \$4 trillion municipal bond market, including an increase in uncertainty among buyers of bonds, which will result in higher borrowing costs for governments. You and I, as citizens of many governmental entities, will be asked to pay for the higher interest on government debt. We also will be adversely affected because it will be more difficult to determine how governments have spent our tax dollars and whether they are financially healthy or on a path to severe financial troubles.

- *CPAs starting their careers need governmental accounting knowledge that extends beyond mere recitation of applicable GAAP.* CPAs working in government need to understand the mechanics of financial statement preparation and disclosure; it is not enough just to know which GASB Statement is relevant. Many CPA firms provide preparation assistance to governments other than their audit clients. That service is incredibly important because many governments are small and do not have a CPA on their financial reporting staff; the only way they can issue GAAP-based financial statements is to hire a CPA firm to assist them.

Conclusion

I cannot overemphasize that I believe the AICPA is heading down the wrong path, one that will result in very real and deleterious ramifications for CPA firms, governments, accounting programs, and everyday citizens. Rather than seeking to diminish governmental accounting in the CPA exam, the AICPA should be seeking ways to increase the prominence of governmental accounting, including practical applications as well as recall. The need among governments, CPA firms, and other employers for new CPAs with knowledge of governmental accounting is large and growing. The public’s dependence—directly and indirectly—on high-quality financial information from state and local governments has never been more important, even without considering the effects of the COVID-19 pandemic.

Thank you again for the opportunity to share my views with you.

Sincerely,

Dean Michael Mead, CGFM
Part-Time Lecturer
Rutgers Business School
Rutgers, The State University of New Jersey



Diane B. Allison, CPA



Certified Public Accountant
Chartered Global Management Accountant
Certified Government Finance Officer
Certified Louisiana School Business Administrator

April 18, 2020

American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, New York 10105

Dear Sir or Madam,

Thank you for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment*.

As a CPA who has worked in government for 20 years, I am opposed to the reduction and eventual elimination of the coverage of state and local governmental accounting from the Uniform CPA Exam.

While only a few CPAs work in state and local governments, state and local governments are significant in the overall local and state economies, in terms of number of employees, expenditures, and bonds purchased by investors. We CPAs who work in government proudly and gladly bear a strong fiduciary responsibility to properly account for tax dollars, and be accountable to the taxpayers, residents, investors, and regulators.

Eliminating governmental accounting from the CPA exam could encourage colleges and universities to devote less curriculum to governmental accounting, which would further diminish necessary expertise from the workforce. I took the one governmental accounting class offered at my university simply because the material was on the CPA exam; little did I know then that two-thirds of my career would be spent in government.

State and local governments should be fully able to prepare their own financial statements according to generally accepted accounting principles, which we learn in college and the importance of which is emphasized by including governmental accounting on the CPA exam. I know of many state and local governmental accountants who rely on auditors to prepare their financial statements, which could lead to the impairment of auditor independence.

Another concern is that the impact of this change will cascade to CPA firms specializing in state and local government auditing, which currently is a relatively small number of firms.

American Institute of CPAs
April 18, 2020
Page 2

Thank you for the opportunity to comment on this exposure draft. If you would like to discuss this further, please call me [REDACTED] or send an email to [REDACTED]

Sincerely,

A handwritten signature in blue ink that reads "Diane B. Allison, CPA". The signature is written in a cursive style.

Diane B. Allison, CPA, CGMA, CGFO, CLSBA
Chief Financial Officer
Orleans Parish School Board



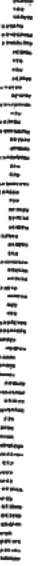
Diane B. Allison, CPA



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American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, New York 10105

10105-001527



Domenic N. Savini, CPA
EthicQuest, Llc



April 29, 2020

Mr. Jeffrey Hoops, CPA
Chair, AICPA Board of Examiners
American Institute of CPAs
Princeton South Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

Dear Mr. Hoops:

I am writing to express my concern about a recent decision to remove questions from future CPA exams related to governmental accounting. I would like to encourage the AICPA to rethink this decision and contend that failing to highlight/acknowledge this important sector of financial management is a disservice to our profession and Nation.

There are approximately 112,000¹ accountants employed by Federal, State, and Local governments providing transparency and accountability over governmental use of resources to the public and Congress each day. Direct governmental expenditures account for over \$ 2.5 trillion dollars annually or 12.4% of annual GDP². Please note that such governmental expenditures have a multiplier effect that boost private sector GDP which some economists estimate 2018 government spending at 37.8 percent of GDP³. Given the magnitude of this financial activity, shouldn't the CPA exam include at relevant questions to highlight its existence?

Government accountants and auditors help oversee the Nations' most cherished and probably the world's largest social insurance programs affecting future generations. They help administer, supervise, or perform professional accounting work that requires the application of accounting theories, concepts, principles, and standards unique to the federal landscape covering financial activities of governmental, quasi-governmental, and private sector organizations. Specifically, all governmental financial communities rely on accounting and finance professionals for functions such as budgeting, financial accounting and reporting, auditing, payroll, and cost analysis. Without a fresh supply these skills and talents, all governments and ultimately the public, suffer.

¹ The U.S. Bureau of Labor Statistics reports that accountants and auditors held about 1.4 million jobs in 2018 and the government employed 8.0% of the total. Source: <https://www.bls.gov/ooh/business-and-financial/accountants-and-auditors.htm#tab-3>

² The U.S. Bureau of Economic Analysis reports 2018 GDP at \$20.58 Trillion (Line 1) of which total government expenditures were \$2.5 Trillion (Line 89). Source: <https://apps.bea.gov/iTable/iTable.cfm?ReqID=51&step=1>

³ Source: <https://tradingeconomics.com/united-states/government-spending-to-gdp>

Without CPA exam test questions, there is the likelihood that colleges and universities will diminish, if not end, their curriculums around governmental accounting. This is critical to our profession as, like all others, we are dependent on entry level recruiting for a steady source of labor and new ideas. As noted by the AICPA's Financial Literacy Resource Center, CPA's are encouraged to engage elementary school students about the basics of money to include money management and retirement planning. How can CPA's be expected to accomplish this effectively if their core competencies ignore the importance of a government's fiscal and monetary policies and corresponding impacts on local and national economies?

Consistent with the Center's "Feed the Pig" campaign, I believe that the profession needs to educate the public about the role of government and the impact that debt and deficits have on their financial future. As such, if we do not educate accounting students to understand government finances, how do we expect to increase citizen involvement and financial literacy?⁴

As you are undoubtedly aware, public trust in government is near all-time lows. The governmental accounting profession is directly combating this by providing transparency and accountability to governmental use of taxpayer resources. Additionally, this is the profession that is measuring, tracking, and forecasting the fiscal 'cliff' that governmental spending is pushing us towards. Failing to ensure that future CPA's are equipped with even the most basic principles underlying governmental accounting further exacerbates the public's distrust and undermines on-going government initiatives to improve stewardship over taxpayer monies.

Finally, the federal financial management community is poised to make history. While State and Local governments have been boasting unmodified audit opinions for years, the Federal government has yet to achieve this. This is primarily due to the Department of Defense (DoD) who underwent its first consolidated audit in 2018. With continued Congressional pressure and the annual audit regimen, DoD will attain an unmodified opinion in the near future and the U.S. Government will be positioned for its first unmodified audit opinion.

Given the above, I believe this is a critical time for the governmental accounting profession and hope the AICPA will reconsider the decision to remove governmental accounting questions. I am happy to answer any questions you may have and/or welcome the opportunity to discuss how best the governmental accounting profession could be reflected in future AICPA efforts.

Sincerely,

Domenic N. Savini, CPA
EthicQuest, Llc

⁴ <https://www.aicpa.org/volunteer/financialliteracyresourcecenter.html>

Joanne Scafidi

From: Lee, Donna [REDACTED]
Sent: Tuesday, April 14, 2020 4:24 PM
To: Practice Analysis
Subject: Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants,

I would like to thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, I believe that the AICPA should consider that:

- I worked in public accounting straight out of college auditing local government agencies and have worked for several local government agencies since then. The knowledge I gained both in my college governmental accounting classes and in preparing for the CPA Exam helped me understand governmental accounting at a level that would have taken many years to learn on the job.
- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at any time. My contact information is below.

Regards,

Donna K. Lee, CPA, CIA
Budget Officer
City of Concord
1950 Parkside Drive, MS/06
Concord, CA 94519
[REDACTED]

Joanne Scafidi

From: Elsa S. Watts [REDACTED]
Sent: Wednesday, April 8, 2020 10:51 AM
To: Practice Analysis
Subject: CPA Exam Changes opposition

Follow Up Flag: Follow up
Flag Status: Flagged

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,

Elsa S. Watts

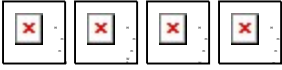
[Martin Starnes & Associates, CPAs, P.A.](#)

Manager, CPA
[REDACTED]

[Click Here to upload Files.](#)

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Joanne Scafidi

From: Enrique J Mendoza [REDACTED]
Sent: Wednesday, December 25, 2019 1:34 AM
To: Practice Analysis
Subject: CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

In my humble opinion, I believe firmly that the accounting profession has become so unbelievably important and critical to the wellbeing of our nation that the degree of the preparedness of our young licensed professionals may not be measured by the successful performance on a test that so feebly and scarcely measures the knowledge possessed by the licensure candidate.

It seems that, to date, the exam seeks to test not what the candidate knows but what the candidate does not know. The result of this approach shows a constant through the decades. The average percentage of those who passed all four parts of the CPA the first time was 5%, approximately. Think about it, only 5 out of 100 candidates were able to achieve this nearly impossible task. Why is it that through the decades this percentage did not improve? How can it be that the university curriculum was so inadequate that its contribution to improving the 5% passing rate in one seating has been so insignificant and so meager?

It will come to pass very soon, it is my fervent hope, that it will not be necessary to have a CPA exam for the new accounting curriculum will offer the prospective student several levels of learning and within each level there will be offered the student the opportunity to specialize within each level.

Sent from my iPad

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,



Erica L. Brown, CPA
Audit Partner

Joanne Scafidi

From: [REDACTED]
Sent: Tuesday, April 14, 2020 12:10 PM
To: Practice Analysis
Subject: Comment on AICPA change on State and Local Government Accounting

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern:

I understand that the AICPA is considering the reduction and then the elimination of state and local government accounting and financial reporting from the uniform CPA exam. The AICPA's rationale is based that this only impacts a minimal number of CPAs. As a CPA in government, I believe this to be a tremendous mistake and would eliminate this path for many potential future candidates. If this requirement is removed from the CPA exam, all colleges that currently provide this subject would be eliminated since there would be no longer be a need. If this occurred during my college education and my governmental course did not exist, I would probably not have found this path. For some reason governmental accounting made sense to me in college and I found a career to service the public. This would likely not have happened if I never took that governmental accounting course in college in preparation of the CPA exam. Being part of many governmental organizations over the last 14 years, I know how difficult it is to find trained governmental accountants right now and this would make it even more challenging for the profession. Please do not eliminate this important and valuable portion of the exam as we need more educated governmental accountants not fewer.

Sincerely,

Erick Cheung
CPA [REDACTED]

Sent from [Mail](#) for Windows 10

Joanne Scafidi

From: Liu, Frank [REDACTED]
Sent: Thursday, April 30, 2020 4:27 PM
To: Practice Analysis
Subject: Comment to Proposed Changes to the CPA Exam -

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Representatives of American Institute of Certified Public Accountants,

As a member of the American Institute of Certified Public Accountants (AICPA), I appreciate the AICPA for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

As a CPA working in a local government agency, I opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, I believe that the proposed reduction will worsen the current condition as listed below that is already challenging for SLG; and the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. At the Port of Los Angeles, California, we have encountered challenges recruiting candidates with governmental accounting and reporting knowledge that are critical for annual and continuing disclosure reporting for benefits of public investors of our bonds.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. At the Port of Los Angeles, California, we have found that there are limited qualified firms with governmental auditing and accounting experiences. While discussing the engagement staffing with partners of these qualified firms, they have also faced challenges on recruiting candidates with governmental accounting and reporting.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Best Regards,

Frank Liu, CPA, CGMA



425 S. Palos Verdes Street, 4th Floor
San Pedro, CA 90731



-----Confidentiality Notice-----

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American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

“Re: AICPA’s Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have “demonstrated knowledge and skills necessary to protect the public interest”. Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including s (nICPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,”

James Carson, MBA, CIA, CFE
Senior Auditor

Joanne Scafidi

From: JAMES VOLPI [REDACTED]
Sent: Tuesday, March 31, 2020 12:39 PM
To: Practice Analysis
Subject: BEC essay removal

Follow Up Flag: Follow up
Flag Status: Flagged

I am currently retired from Rider University after 15 years. Before Rider, I served as Professor of Accounting from Peirce College for 19 years. I was also the recipient of the Lindback Award for teaching excellence. During my 34 years of teaching, I have taught the following courses in Accounting: Financial/Management, Intermediate, Advanced, Cost, Auditing and Taxation. Prior to teaching, I served as Junior Auditor for 3 years at both Price Waterhouse Coopers and Deloitte Touche.

While at Rider University, I wrote several articles appearing in referred journals such as The Tax Advisor, Taxation for Accountants, Management Accounting and CPA Journal.

During my several years of teaching, I owned a small accounting practice emphasizing compilation and review audits and specializing in taxation.

Starting in 1978 I served as a grader for the CPA Examination in both New York and Jersey City and eventually from Home when the examination became computerized in 2004. Over these years, I graded essay questions relevant to Accounting Theory for technical accuracy and later writing skills relating to the BEC section of the Examination.

From 2004 to the current period, writing skills of candidates have **increased considerably**. Removing the writing requirement from the CPA Examination would send a signal to future candidates that writing is not important in their profession.

I am of the opinion that writing is of the utmost importance in our current computerized and technical world. One must still communicate both orally and especially in **writing** to clients, to governmental agencies and to the public.

Removing the written portion from the BEC section of the CPA Examination by the AICPA would be a **dire mistake**.

Thank You
James Volpi--CPA-MBA

American Institute of Certified Public Accountants (AICPA)

Via email: practiceanalysis@aicpa.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor, CPA, and AICPA member, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam, as well as independence and ethics questions related to *Government Auditing Standards*. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including (n)CPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nCPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations (including my own) prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,



Jay Poole, CPA, CGMA

City Auditor

City of Chesapeake, Virginia



OFFICE OF THE
ORANGE COUNTY AUDITOR-CONTROLLER

FRANK DAVIES, CPA
AUDITOR-CONTROLLER

April 29, 2020

American Institute of Certified Public Accountants
New York, New York

SUBJECT: Accounting for State and Local Governments on the CPA Exam

I thank the American Institute of Certified Public Accountants for the opportunity to comment on *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment*, dated December 2019.

I oppose the complete elimination of the testing for knowledge of accounting and financial reporting for state and local governments in the CPA Exam. CPA's are relied on daily to know something about everything, by public sector employers/clients and private sector employers/clients doing business with governments.

Government collectively is the largest employer on the planet and is a constant source of employment for new graduates, experienced CPA's, and accounting firms.

Personally, like my college classmates, I saw my future in public accounting. However, I was presented an opportunity that led me to a wonderful 40-year adventure in local government auditing and accounting. Since the start, I have been required to seamlessly move from Enterprise operations to General Government operations and to provide direction on the proper accounting. The knowledge I was required to possess in becoming a CPA has been invaluable. Taking this away is removing a career tool from the candidate's tool box and a resource for future employers. I know this because I have hired over 100 CPA's and CPA candidates, many from public accounting firms, into government accounting and auditing positions. Again, their base knowledge was a huge benefit to them and my agency.

Lastly, the elimination from the exam sends a clear message to the universities that it is not important and can be removed from their teaching. This will not only impact government employers, but also public accounting firms that provide audit and consulting services to government as we recruit for future employees.

Thank you, for the opportunity to comment. Please feel free to contact me [REDACTED]

Sincerely,

JC Squires, CPA
Director, Central Accounting Operations
Orange County Auditor-Controller



April 16, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Dallas, I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

The City of Dallas opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, I believe that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. As a hiring manager, I have found that many recent graduates from major universities lack understanding of governmental accounting and cannot answer basic questions related to theory on this topic. Many bachelor's and master's degree programs have already eliminated governmental and not-for-profit accounting from their curriculums. It is imperative that we continue to encourage students to pursue governmental accounting careers, as there are thousands of SLGs across the nation that depend on the expertise of governmental accountants who have the proper education to perform their duties. Had I not been exposed to governmental accounting as a university student, I would have missed out on a lifelong career in this field, where I have served for nearly 24 years.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. The auditors and accounting firms that are working with SLGs need a solid working knowledge of governmental accounting in order to perform effectively.
- In its acknowledgement that preparation of financial statements for SLGs is an area of public practice that requires specialized content knowledge and experience, and that CPAs working in SLG practice typically receive a significant amount of on-the-job training, the AICPA fails to recognize the importance of obtaining the foundational knowledge of governmental accounting needed to be successful even as an entry-level staff member in an SLG environment. With ninety-three published Governmental Accounting Standards, and the vast complexities of governmental financial reporting, it is impossible to teach all of the practical and technical skills that are necessary, on an ad hoc basis in the workplace. Additionally, without continued support in higher education, and through content in the CPA exam, it will be difficult to maintain continuity in training of the finance function of SLGs, especially as those who have extensive knowledge of governmental accounting leave the workforce.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me via phone [REDACTED]

Regards,

Jenifer L. West
Senior Program Manager, Financial Reporting

Joanne Scafidi

From: Jerri Norton [REDACTED]
Sent: Thursday, April 9, 2020 11:20 AM
To: Practice Analysis
Subject: CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

Hello,

When I sat for the CPA exam, way back in the 1970s, there were several multiple choice questions related to governmental accounting. I also had one giant problem that focused on governmental accounting.

This training was crucial to my career. I worked as an auditor for 36 years and my audit practice was mostly governmental entities. Then I changed to the role of CFO of our local school district.

Since government is such a large portion of the economy (nearing 20% under normal circumstances), it does not make any sense to reduce the emphasis on governmental accounting in the CPA exam.

Sincerely,

--

Jerri Norton, CPA
Director of Fiscal Services
Elko County School District
850 Elm Street
Elko, Nevada 89801
[REDACTED]

Joanne Scafidi

From: Prakapas, Joanne [REDACTED]
Sent: Tuesday, April 21, 2020 1:55 PM
To: Practice Analysis
Subject: Comments about removing state and local government from CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nlCPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including s (nlCPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nlCPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Joanne Prakapas
Director | Department of Internal Audit
[REDACTED]



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Joanne Scafidi

From: John Gross [REDACTED]
Sent: Sunday, April 12, 2020 7:39 PM
To: Practice Analysis
Subject: eliminating governmental accounting from CPA test - not a good idea

Follow Up Flag: Follow up
Flag Status: Flagged

Government make up a large and important part of the business community and governmental accounting has become increasingly complex. In addition, state and local budget requirements and practices typically do not utilize GAAP accounting for decision-making; as a result, the role of the accountant is even more complex from the viewpoint of an accountant working in government. We need more accountants entering this field with some knowledge and understanding, not less – which is what eliminating governmental testing will do. Eliminating testing of governmental accounting downplays the unique accounting requirements of government and the complexities of the fund structures and distinctions of the various measurement focuses and budget/control processes. It would be a disservice to government and the residents and businesses of this Country if you downplayed the importance of accurate and meaningful governmental reporting by eliminating it from testing. Please reconsider.

John Gross

John Gross
Finance Director / CFO
Department of Financial Management
411 W. Ocean Blvd, 6th Floor | Long Beach, CA 90802



Joanne Scafidi

From: Troyer John [REDACTED]
Sent: Monday, April 13, 2020 2:10 PM
To: Practice Analysis
Cc: Practice Analysis
Subject: Exposure Draft / Invitation to Comment

Follow Up Flag: Follow up
Flag Status: Flagged

April 13, 2020

American Institute of Certified Public Accountants,

Thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Our local jurisdiction has had continuing difficulty recruiting for our positions. Last year, we hired an Accounting Manager and a Senior Accountant – both of whom are CPAs, but with no or limited governmental accounting experience. We are happy to have these two new hires, but have had to send both to training for governmental accounting to get them up to speed in the governmental realm. These are CPAs!
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. There is already too long of a delay for publishing financial statements. These proposals will make it more difficult to keep the existing schedules – much less shrink the schedule that should be our collective goal. Timeliness has long been a standard Principle of Accounting, and this proposal directly makes timeliness more difficult.
- Furthermore, our profession has given a great deal of attention to educating professionals to be practitioners, financial statement preparers and financial statement auditors. This goes against our efforts.
- **Never has there been a greater need for better understanding of Federal, State and Local government financial statements. The policy discussions at every level of government need to be raised, not lowered. We as a nation should feel compelled as a civic duty to understand our jurisdiction's financial position and results. We should be the leaders in establishing the facts – from which we can have policy discussions. The AICPA should be leading the way to responsible, civil discussions of our nation's finances at every level of government.**

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me. I am licensed in the State of Georgia.

Regards,

John Troyer, CPA, MBA
Director of Finance
Town of Hilton Head Island
One Town Center Court
Hilton Head Island, SC 29928



www.hiltonheadislandsc.gov



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Joanne Scafidi

From: Joy Black [REDACTED]
Sent: Thursday, April 9, 2020 10:08 AM
To: Practice Analysis
Subject: Keep Govt and Fin on the CPA Exam Please

Follow Up Flag: Follow up
Flag Status: Flagged

Dear AICPA,

I was shocked to hear you are considering removing what little Governmental Accounting is on the CPA Exam. As a professional in the Governmental Accounting Field I urge you to keep this content in the exam. This field is growing and under a lot of continued stress. It is a viable field for students to enter into and provides an alternative to other more conventional routes with a CPA of taxes or audit. Students barely get a taste of what constitutes this field currently, reducing that amount would be a mistake. Please feel free to contact me further.

Sincerely,

--

Joy Black,CPA
City of Bryant -Finance Department
Finance Director
[REDACTED]

Joanne Scafidi

From: Justin Gutierrez [REDACTED]
Sent: Thursday, April 23, 2020 12:28 PM
To: Practice Analysis
Subject: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern,

As a local government auditor, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including s (nICPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Justin Gutierrez

April 17, 2020

American Institute of Certified Public Accountants,

Re: Comment on the Exposure Draft for proposed changes to the Uniform CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination®:

I understand that the AICPA is considering the reduction and then the elimination of state and local government accounting and financial reporting from the uniform CPA exam. The AICPA's rationale is based that this only impacts a minimal number of CPAs. As a CPA in government,

I believe this to be a tremendous mistake and would eliminate this path for many potential future candidates. If this requirement is removed from the CPA exam, all colleges that currently provide this subject would be eliminated since there would be no longer be a need. If this occurred during my college education and my governmental course did not exist, I would probably not have found this path. The training at College helped me to land a career in local government to serve the public. This would not have happened if I never took that governmental accounting course in college in preparation of the CPA exam. Being part of many governmental organizations over the last 10 years, I know how difficult it is to find trained governmental accountants right now and this would make it even more challenging for the profession. **Please do not eliminate this important and valuable portion of the exam as we need more educated governmental accountants not fewer.**

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at

[REDACTED]

Sincerely,

Karen Chang

Karen Chang, CPA

Special Projects Manager

City of Pleasanton, CA

Joanne Scafidi

From: Kari Dunlap [REDACTED]
Sent: Wednesday, April 8, 2020 10:17 AM
To: Practice Analysis
Subject: CPA Exam changes opposition

Follow Up Flag: Follow up
Flag Status: Flagged

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,

Kari Dunlap

[Martin Starnes & Associates, CPAs, P.A.](#)
Manager, CPA

[REDACTED]
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Joanne Scafidi

From: Karl Kacir [REDACTED]
Sent: Saturday, February 29, 2020 8:19 AM
To: Practice Analysis
Subject: Input to Exposure Draft re Maintaining Relevance of CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

I do not keep up with changes in the exam, so I have a limited knowledge of all of the exam requirements and the objectives in testing those taking the test. Given that limitation, I do want to provide a comment on the recommendation to remove accounting for state and local governments.

I took the exam a long time ago, in 1975. I never intended to go into governmental accounting. I began getting involved in audits of small governmental entities in the mid-1980's, and over time began to have a much higher appreciation of the complexities unique to the governmental environment. I was involved in many audits of small governments until 1994, when I left to spend 20 years in CFO roles for school districts. I retired 5 years ago and now have a small audit practice limited to audits of small school districts.

My rationale on FAR - Accounting for State and Local Governments is as follows:

- **The exposure draft states:** "a large majority of nICPAs are required to have very limited or no knowledge of financial accounting and reporting requirements for state and local governments." I find this surprising and would think that there is a significant number of CPAs involved with governmental accounting; certainly enough to warrant attention on the CPA exam.
- CPAs assigned to work in state and local government and governmental audit engagements do receive on-the-job training and other specialized training, but that is true of all areas of the profession, and that training does not provide that fundamental background that comes more from education, and which the CPA exam should assess.

- I realize the exam must focus on a broad assessment of "critical thinking, risk assessment, problem-solving, and professional skepticism skills," but I think it is important that all CPAs has some understanding of governmental accounting.

I appreciate the time and effort spent on ensuring the quality of the CPA exam, but do request you reconsider removal of state and local governmental accounting.

Thank you!

--

Karl Kacir, CPA, RTSBA



Joanne Scafidi

From: K BAC [REDACTED]
Sent: Monday, December 23, 2019 6:49 PM
To: Practice Analysis
Subject: CPA Exam Change Suggestion

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern:

I suggest to add one testing part on the CPA exam which is "Accounting Information Systems" as a stand alone paper. Also, the AICPA should publish the CPA exam uniform books that all CPA candidates can use to prepare for the CPA exam.

Thank you.

K.C.

Kelly A. Diaz



April 27, 2020

American Institute of Certified Public Accountants:

Thank you for welcoming public comment on changes discussed in December 2019's Maintaining the Relevance of the Uniform CPA Examination[®]: An Exposure Draft and Invitation to Comment ("Exposure Draft").

I disagree with the AICPA's proposal to eliminate assessment of state and local government accounting content from the CPA Exam.

In the Exposure Draft, the AICPA cites the "specialized nature of the content assessed in FAR Area IV – State and Local Governments" as justification for eliminating this assessment on future exams. Newly licensed CPAs are expected to be financially literate and highly capable of understanding and preparing a variety of financial documents, which should include governmental financial statements.

It is no secret that most colleges structure their accounting course curriculum with the goal of preparing students for the CPA Exam, so there is already a heavy bias in academia towards teaching public accounting concepts. Removing the state and local government assessment from the CPA Exam will result in colleges reducing or even eliminating governmental accounting courses. Thus, this proposed change will result in an overall less knowledgeable, less skilled generation of accountants.

To many hiring managers across a variety of industries including state and local governments, the CPA designation remains the gold standard of accounting credentials. It symbolizes a candidate's financial literacy and all-encompassing accounting knowledge and skills. If these proposed changes to the CPA Exam take effect, will management in state and local governments continue to hold the CPA designation in such high esteem? Will this move diminish the ability of state accountancy boards to ensure that newly licensed CPAs are performing engagements for state and local governments with due professional competence?

Like many other accountants working for state, county, city, township and other local governments, I have no desire to work in public accounting, yet I am preparing to take the CPA Exam. I want to be licensed by my state's accountancy board and recognized through my CPA designation as a proficient, reliable accounting professional dedicated to protecting the public interest. I think it is most advantageous for the AICPA to continue cultivating professional development of government accountants.

Thank you for considering this comment.

Sincerely,

Kelly A. Diaz

Joanne Scafidi

From: Kelly A. Gooderham [REDACTED]
Sent: Wednesday, April 8, 2020 11:04 AM
To: Practice Analysis
Subject: CPA Exam changes opposition

Follow Up Flag: Follow up
Flag Status: Flagged

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,

Kelly Gooderham

Kelly A. Gooderham

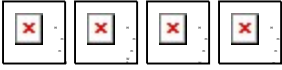
[Martin Starnes & Associates, CPAs, P.A.](#)

Manager, CPA
[REDACTED]

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Joanne Scafidi

From: Kelly Crosby [REDACTED]
Sent: Monday, April 27, 2020 5:21 PM
To: Practice Analysis
Subject: Comments about removing state and local government from CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs, are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace. *Governmental agencies are already at a disadvantage when recruiting new accountants due to real or perceived disparities in pay scale. Lack of formal training and exposure to governmental accounting concepts intensifies that disadvantage.*

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removal of relevant questions from the CPA exam.

Respectfully submitted,

--

Kelly J. Crosby, CPA, CIA, CFE

Director of Risk and Compliance
Internal Audit, Risk & Compliance
2129A Hollis Building
Georgia Southern University
[REDACTED]

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the
Uniform CPA Examination, December 2019

To Whom It May Concern,

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Respectfully submitted,



Khara L. Durden CPA, CISA, CFE
Director of Internal Audit, Chesterfield County, Virginia



Joanne Scafidi

From: Kim Riboni [REDACTED]
Sent: Tuesday, April 21, 2020 1:40 PM
To: Practice Analysis
Subject: Comments about removing state and local government from CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern,

As a local government accountant (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have “demonstrated knowledge and skills necessary to protect the public interest”. Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

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Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Kimberly Trinkle, CPA



Kim Riboni
Senior Accountant
City of Carlsbad
1635 Faraday Avenue

Carlsbad, CA 92008
www.carlsbadca.gov



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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC).

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,



Ko Tang Cha-Moses, CPA

Joanne Scafidi

From: Kyle Sutherland [REDACTED]
Sent: Wednesday, April 22, 2020 7:05 AM
To: Practice Analysis
Subject: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including s (nICPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Kyle Sutherland, CPA, CIA
County Internal Auditor | Gaston County

[REDACTED]

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medical information are subject to North Carolina General Statute, Chapter 132 and may be considered a matter of public record.



April 15, 2020

American Institute of Certified Public Accountants,

On behalf of the City of Dallas, Texas, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

The City of Dallas, Texas opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, the City of Dallas, Texas believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We already have had a very difficult time finding qualified candidates to fill our accounting positions. We have been interviewing recent college graduates that have taken the accounting course for SLGs, and most all the candidates fail to adequately answer basic accounting questions related to SLGs. We have also found that several major universities in the area do not teach accounting for SLGs. There is currently a very large gap between open accounting positions in state and local governments and qualified candidates that have knowledge of accounting for SLGs. If the coverage of accounting and financial reporting for SLGs is eliminated on the CPA Exam, this industry will not have any qualified candidates to fill the positions in the future. There are currently 93 Governmental Accounting Standards Board Pronouncements that SLG accountants and leaders must thoroughly understand to complete our jobs successfully. This is too much information for to expect the current SLG accountants and leaders to train all future SLG accountants. It is extremely important for colleges and universities to continue teaching accounting and financial reporting for SLG, and it imperative that this information be included on the CPA Exam in the future.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,


Lance Sehorn, CPA, CGMA
Assistant City Controller

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including (nICPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,



Lauren Roberts, CPA
Association of Local Government Auditors, Member
American Institute of Certified Public Accountants (AICPA), Member

Joanne Scafidi

From: Lisa Monteiro [REDACTED]
Sent: Wednesday, April 22, 2020 5:11 PM
To: Practice Analysis
Subject: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants (AICPA)

To Whom It May Concern,

As a local government auditor and CPA, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs, are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry, and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards, the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggests there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removal of relevant questions from the CPA exam.

Respectfully submitted,

Lisa Monteiro, CPA, CFE

Senior Management Auditor
City of Anaheim – Audit Division
[REDACTED]

If you suspect fraud, waste, or abuse of authority and/or position at the City of Anaheim, contact the Fraud Hotline:
<http://www.anaheim.net/4648/Fraud-Hotline>.

Intake specialists are available 24/7/365 and you can remain anonymous.



"The time is always right to do what is right." – Martin Luther King, Jr.

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Joanne Scafidi

From: Lise Valentine [REDACTED]
Sent: Monday, April 27, 2020 9:21 PM
To: Practice Analysis
Subject: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

AICPA,

As a CPA, AICPA member, and local government auditor, I strongly oppose the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area with greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including s (nICPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Lise Valentine

Lise Valentine
Pronouns: she/her
Deputy Inspector General for Audit and Program Review

City of Chicago | Office of Inspector General
740 N. Sedgwick, Suite 200 | Chicago, Illinois 60654



Complaints/Suggestions: (866) 448-4754

www.igchicago.org/



In 2020, make sure you're counted in the US Census. To find out how to count your household and to learn more about the Census and its impact on Chicago, check out census2020.chicago.gov.

Joanne Scafidi

From: McHugh, Lita [REDACTED]
Sent: Tuesday, April 21, 2020 1:39 PM
To: Practice Analysis
Subject: AICPA Exposure draft and invitation to comment on maintaining relevance of the uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA to have “demonstrated knowledge and skills necessary to protect the public interest”. Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs are recognized and sought out in general for their education and awareness in broad and general concepts. Newly licensed CPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed. I worked for two public accounting firms, for a total of 13 years, before moving to a local government position. In both these firms, staff were needed to perform for-profit, not-for-profit, and governmental engagements.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider removing state and local government accounting and financial reporting from the uniform CPA exam.

Lita J. McHugh, CPA, CIG, CIGI

Inspector General for

Stacy M. Butterfield, CPA

Clerk of the Circuit Court &

County Comptroller

[REDACTED]

[REDACTED]



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FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE

Jan H. Gardner
County Executive

Lori L. Depies, CPA, Division Director

April 15, 2020

American Institute of Certified Public Accountants
Delivered via email at practiceanalysis@aicpa.org

American Institute of Certified Public Accountants,

On behalf of Frederick County Maryland, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*. Frederick County Maryland opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Frederick County Government has many financial positions that require the CPA designation. The ethical standards and skill level of a CPA is very much desired within our workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. We are able to produce our own statements, but also rely heavily on the expertise of our auditors to assist us in implementation of new standards. I do not know how we would have survived the sweeping changes in GASB standards from GASB 34 to the most recent GASB87, not to mention changes in pension and other post-employment benefit reporting.
- Credit rating agencies rely on the consistent application of standards in our financial reporting as a basis for their ratings. Frederick County is blessed to be rated AAA by three agencies and I believe the expertise and knowledge of our staff is a large component of the confidence these agencies have in us.
- The impact of this change will result in CPA firms specializing in SLG. Recent solicitations at Frederick County for internal and external auditing services received a limited number of responses. Most jurisdictions follow the same fiscal year schedule and it is difficult for the few firms that are available to handle all of the workload for the many Maryland counties and municipalities. I would assume this is also the case through the United States.

Thank you, again, for the opportunity to comment on this proposal. I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Lori L. Depies, CPA
Frederick County Maryland

Joanne Scafidi

From: Mark Thalacker [REDACTED]
Sent: Thursday, April 16, 2020 12:26 PM
To: Practice Analysis
Subject: Keeping newly licensed CPAs prepared for tomorrows education

Follow Up Flag: Follow up
Flag Status: Flagged

Invitation to comment:

FAR - Accounting for state and local governments

I agree that the exam section for state and local governments be removed. Since accounting for state and local governments may be considered an area of specialty, it is not a topic all CPAs will need to be prepared to address. If a new CPA enters that arena, there is specialized training available or would be provided in-house.

BEC - Essay question

I agree that the relative value of the essay question is doubtful. Considering the amount of exam time required to complete a written essay, along with the fact that the section only accounts for 15% of the score, it would seem that exam time could be put to better use. However, the essay question could be useful in assessing a candidates research, judgement, and skepticism skills if the appropriate questions were asked. However, I realize artificial intelligence likely has not reached the stage at this time where such characteristics could be adequately evaluated in an automated fashion.

I hope my comments are found useful.

Regards,

Mark A. Thalacker, CPA-Retired

Joanne Scafidi

From: Mark Thalacker [REDACTED]
Sent: Thursday, April 16, 2020 12:26 PM
To: Practice Analysis
Subject: Keeping newly licensed CPAs prepared for tomorrow's education

Follow Up Flag: Follow up
Flag Status: Flagged

Keeping newly licensed CPAs prepared for tomorrow's profession
Sat, Mar 21, 2020 - Sun, Jul 5, 2020

Additional comments. I have some recommendations regarding undergraduate education. I first entered public accounting with an undergraduate degree majoring in accounting. I feel I was under prepared. I could have been better prepared if I could have taken more courses related to My Chosen profession, chosen in my senior high school year. The Core curriculum required me to pay for courses which had little or no value related to my chosen profession. I could have substituted more relevant coursework if allowed to do so. I recommend more flexibility in the choice of courses in undergraduate education, especially in consideration of increasing student debt.

Regards
Mark A. Thalacker, CPA, retired

Sent via the Samsung Galaxy A6, an AT&T 4G LTE smartphone

Keeping newly licensed CPAs prepared for tomorrow's profession
Sat, Mar 21, 2020 - Sun, Jul 5, 2020
Additional comments. I have some recommendations regarding undergraduate education. I first entered public accounting with an undergraduate degree majoring in accounting. I feel I was under prepared. I could have been better prepared if I could have taken more courses related to My Chosen profession, chosen in my senior high school year. The Core curriculum required me to pay for courses which had little or no value related to my chosen profession. I could have substituted more relevant coursework if allowed to do so. I recommend more flexibility in the choice of courses in undergraduate education, especially in consideration of increasing student debt. Regards
Mark A. Thalacker, CPA, retired ----- Sent via the Samsung Galaxy A6, an AT&T 4G LTE smartphone

Joanne Scafidi

From: Matt Hornby [REDACTED]
Sent: Monday, April 20, 2020 10:57 AM
To: Practice Analysis
Subject: Uniform CPA Exam Content

Follow Up Flag: Follow up
Flag Status: Flagged

Good Morning,

I hope you are doing well. I wish to write and thank you for the opportunity to comment on the proposed changes to the Uniform CPA exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I strongly oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

There are thousands of local governments, school boards, authorities, boards, and commissions in our country that require a more specialized accounting knowledge not only to complete day-to-day tasks but also to navigate the ever-changing governmental accounting requirements.

Furthermore, framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Not only has our jurisdiction noticed the lack of qualified candidates but I've heard other surrounding localities experience the same issue.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. I was in public accounting for eight years specializing in local government audits before joining the Town and this has been prevalent since I started my career in 2004.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. I can't stress this point enough. Our most recent request for proposal for audit firms provided only one firm that responded. Thankfully they were qualified but the lack of response was frightening.

I hope the AICPA takes these points into strong consideration. I believe there should be no reduction and eventual elimination of this practice content but on the contrary, there should be an increase in this content based on the issues already faced by government finance officers.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at the information below.

Matthew R. Hornby, CPA

Assistant Director of Finance

Town of Blacksburg, Virginia



www.blacksburg.gov

April 29, 2020

TO: American Institute of Certified Public Accountants

I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam (CPA Exam) as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*, dated December 2019.

I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the CPA Exam, which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the accounting profession, potential CPA candidates, and the public.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not consider the significance of SLGs. Nationally, there are over 90,000 SLGs. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus, serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 SLGs in the United States, the AICPA is excluding this segment of the profession and does not fulfill the AICPA's mission of protecting the public interest. CPAs are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants". An argument can be made that the number of people, or "the public", who rely on the integrity of SLG financial accounting and reporting, collectively may equal or even outnumber those benefiting from public accounting. Everyone in the country is within a SLG and benefits from it.

From the public's perspective, having the applicant understand the differences relating to SLG promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in SLG accounting and retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides SLGs and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a well-rounded education and technical background which includes the basic understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Those of us who are CPAs in SLG chose SLG as a great career alternative within the accounting profession. Governmental accounting is just as challenging and rewarding as public accounting. A career in SLG draws the same pool of quality, educated, motivated candidates as other fields of accounting. To

reduce then eliminate coverage of governmental accounting in the CPA Exam gives the perception that it is of less importance. It is not.

I am the elected Auditor-Controller of one of the largest counties in the country with a career in governmental accounting spanning over 30 years and who became a CPA in the early part of his career. I have firsthand knowledge that keeping coverage of governmental accounting in the CPA Exam keeps it relevant in the minds of accounting students and CPA candidates.

The AICPA should consider the following potential impacts:

- Eliminating governmental accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less of their curriculum to governmental accounting, further diminishing necessary expertise from the workforce.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam, you are sending a message of relative unimportance of this sector of accounting.

Again, for the reasons stated above, **I oppose** the proposed reduction in, and ultimate elimination of, the coverage of governmental accounting and financial reporting in the CPA Exam which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal.

Regards,

Michael Steinhaus, CPA
Audit Manager

Joanne Scafidi

From: Michael Stout [REDACTED]
Sent: Thursday, April 9, 2020 12:14 PM
To: Practice Analysis
Subject: Gov't Accounting

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Sir or Madam,

I strongly urge the retention of state and local government accounting in the financial reporting content of the uniform CPA exam. Governmental accounting is a crucial and already under-represented portion of an accountant's education. Few accountants arrive in government with any understanding of the discipline works. Retaining what little education and expectations exist in the Uniform CPA Exam help ensure transparency and consistency across government in the United States, especially now in a time when governmental services are most needed.

Sincerely,

Michael Stout, CPA, MBA, CMA
Chief Financial Officer
Washington County Consolidated Communications Agency
17911 NW Evergreen Place
Beaverton, Oregon 97006
[REDACTED]

Below are my comments on the specific CPA Exam changes. They are organized by question and then the responses follow.

Invitation to Comment

A.1. How do the findings align with the changes you see impacting the nICPA practice?

My simple response is that will be looking primarily at documents and data that are generated by information systems. Thus they must have a data driven mindset and understand data analytics. NICPA's need to understand when their audit procedures require them to request a SOC 1 report and then the output of that report. It is necessary to cover these concepts from an audit perspective on the CPA exam. The changes are necessary.

A2. Do you agree with proposed Exam changes? Yes, I agree.

A.3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis-Findings Section of this document that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

I have none at this time.

A.4. Based on review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nICPA and the protection of the public interest? If so, describe them.

See comments on writing skills below.

B.1. Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

I **do not** believe the written communication question should continue on the CPA exam. Critical writing skills are essential in business given such things as email, memoranda and of course, letters. Colleges and Universities have or absolutely should have business writing courses. This was a required core course in my graduate curriculum. Writing courses are also occasionally available as Continuing Professional Education for CPA's.

However, it is my opinion that skillful writing is difficult to evaluate on an exam under such strict and brief time constraints. Thus, I don't think you can truly measure and individuals writing capability by writing a document in a few short minutes.

I do believe that requiring them to analyze the final audit evidence and write the correct audit opinion should be covered on the exam. This would justify that they know the contents of the different types of audit opinions such as unqualified or going concern.

B.2. Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA exam?

I **do** believe that accounting for state and local governments continue to be assessed on the CPA exam and that the current level of content is appropriate.

As there are approximately 100,000 governmental units that require audit, all public accounting auditors will most likely encounter a governmental assignment in there career, though some will not. As an n1CPA right out of college I was assigned to a couple of governmental audits while working at a Big 4 firm.

I would suggest that the AICPA consider offering a certification in GAGAS. There are entire firms dedicated to governmental audits. It does make sense with about 100,000 audits being done annually.

Thank you,

Patrick D, Kelly

AICPA Member [REDACTED]

Joanne Scafidi

From: Paul Sampietro [REDACTED]
Sent: Monday, April 13, 2020 12:12 PM
To: Practice Analysis
Subject: Do Not Remove Govt. Acct. From CPA Exam

Follow Up Flag: Follow up
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Hello,

I am a CPA, and a governmental accountant. I have worked in both public accounting firms and for the government as an internal auditor, cost accountant, and now as a manager. I believe it is vitally important to keep the CPA exam broad. For example, the CPA exam covers taxation, auditing, financial accounting (including government), and various business and informational technology subjects. In my experience most CPAs use only a portion of this in their career, and that is exactly why it is broadly focused. It should remain that way.

Sincerely,

Paul M. Sampietro, CPA
Assistant Treasurer-Tax Collector

[REDACTED]

Joanne Scafidi

From: Paula Hodges [REDACTED]
Sent: Wednesday, April 8, 2020 10:38 AM
To: Practice Analysis
Subject: CPA Exam Changes Opposition

Follow Up Flag: Follow up
Flag Status: Flagged

April 8, 2020

American Institute of Certified Public Accountants,

On behalf of Martin Starnes & Associates, CPAs, P.A., we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Martin Starnes & Associates, CPAs, P.A. opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Regards,

Paula P. Hodges

Paula Hodges

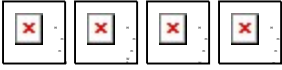
[Martin Starnes & Associates, CPAs, P.A.](#)

Partner C.P.A.
[REDACTED]

[Click Here to upload Files.](#)

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Joanne Scafidi

From: Diamond, Phil [REDACTED]
Sent: Tuesday, April 21, 2020 12:56 PM
To: Practice Analysis
Subject: Governmental Accounting / CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@aicpa.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Philip Diamond, CPA

Disclaimer: Florida has a very broad public records law. As a result, any written communication created or received by the Orange County Comptroller's Office will be made available to the public and media, upon request, unless otherwise exempt. Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public records request, do not send electronic mail to this office. Instead, contact our office by phone or by written document.

Joanne Scafidi

From: Molina, Phillip [REDACTED]
Sent: Monday, April 13, 2020 12:18 PM
To: Practice Analysis
Subject: RE: proposal to reduce and then eliminate state and local government accounting and financial reporting content from the uniform CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged

Sir,

I am a retired CPA with an MBA and a court certified mediator in Ventura County California. For over 30 years have worked as an government auditor, finance director, chief financial manager and treasurer. I am currently the elected treasurer for Oxnard, Ca.

There are too few new CPAs with the required background knowledge in GAGAP (Generally Accepted Government Account Principals) in the current market. To further decrease the importance of governmental accounting from the CPA exam will not provide the government sector with auditors that have sufficient knowledge of proper government accounting.

Therefore, I am opposed to any decreased requirements for the basic accounting degree and for the CPA exam in the area of government accounting.

Respectfully,
Phillip Molina,
City Treasurer
[REDACTED]

Thank you for the opportunity to respond to the proposals in *Maintaining the Relevance of the CPA Examination*. My letter responds only to issues related to state and local governmental accounting in the Exposure Draft and the Invitation to Comment. I provide comments on change numbers 37, 38, and 39 in the Exposure Draft and my letter also provides information in response to the Invitation to Comment related to Accounting for State and Local Governmental Units in the FAR section of the exam. The comments provided in this letter are my own and represent my views. My comments do not represent any other person, group, or organization.

EXPOSURE DRAFT

Change #	Area	Group	Topic	Blueprint Page #	Comments
37	IV	B	1	FAR 24	I support the proposed revisions in Change #37.
38	IV	B	2, 3, and 4	FAR 24, FAR 25, and FAR 26	<p>I do not support the combining of the three fund types into a single topic labeled Fund Financial Statements.</p> <p>The proposed change combines the three types of fund financial statements (governmental funds, proprietary funds, and fiduciary funds) from three separate Topics into one Topic. The new Blueprint would include Government-wide financial statements in Topic 1 and Fund Financial statements in Topic 2. The appearance in the revised Blueprint would imply that Government-wide financial statements are of equal importance to all the fund financial statements .</p> <p>Most general governments (states, cities, counties, and many special districts) likely believe the governmental fund financial statements and the proprietary fund financial statements are the most important financial statements. In many governments, government-wide financial statements are only prepared once a year for the audit report. In addition, there are many special government units that prepare only the three proprietary fund financial statements, such as government utilities, government colleges and universities, port authorities, airport authorities, mass transit systems and more. Other special governments prepare only the two fiduciary fund statements, such as many state and local pension funds. These special governmental units never prepare either of the government-wide financial statements.</p> <p>In my opinion, 70 -75% of questions on government financial statements should relate to the three fund types and less than 30% should relate to government-wide financial statements. The proposed revision implies that 50% of the financial statement questions would come from government-wide statements and 50% from the three fund types as a group.</p> <p>My position is that the current Blueprint that lists each fund type as a separated Topic better represents the importance of each fund type, especially relative to the government-wide statements.</p> <p>I support the elimination of the application skill level and the elimination of the preparation of specific fund financial statements.</p> <p>I support the proposed changes (and reclassification) of Group C Deriving the Government-wide financial statements and related reconciliations into a separate Group B Topic and reducing the skill level.</p>

Change #	Area	Group	Topic	Blueprint Page #	Comments
39	IV	D	1, 2, 5, and 8	FAR 27 and FAR 28	<p>I do not support the proposed revisions in Change #38 related to Topics 1 and 2.</p> <p>I believe Topic 1 on Net Position, and the components there of, and Topic 2 on Fund Balances, and the components there of should be retained as separate topics in Group D. Knowledge of the components of net position and fund balance are equivalent to knowing the components of equity in a for-profit company. It is important for candidates to know the distinctions in equity that are unique to governmental accounting.</p> <p>I support removing the Application skill level from both these topics and testing at the Remembering and Understanding skill level.</p> <p>I support all changes recommended for Topic 5 on Interfund Activity, including transfers.</p> <p>I support eliminating Topic 8 on Special Items from the exam.</p> <p>I support the elimination of journal entry preparation for specific transactions for Group IV, Area D, Topics 3, 4, 6, 7, and 9.</p>

INVITATION TO COMMENT

FAR – Accounting for State and Local Governments

I strongly advocate for retaining accounting for State and Local Government as part of the CPA Exam. It is my contention that the issue description begins with a few debatable premises. My concern with some of the premises are stated first followed by information that supports my position. In addition, I provide resources from which the Board of Examiners and staff could collect additional information for consideration.

Debatable Premises

The first debatable premise, in my opinion, does not fully appreciate the breadth of government organizations on which a nICPA may have exposure, especially when the nICPA is moving from audit team to audit team to gain experience. While it is true that the big four and many large regional firms have separate government practice groups, most state and local government (SLG) audits are performed by small regional firms and single office firms, where many nICPAs in the office are routinely engaged in government audits.

The second debatable premise is that “a large majority nICPAs are required to have very limited or no knowledge of financial accounting and reporting requirements for state and local governments.” This assertion in the issue description is a testable question. Newly licensed CPAs are readily identifiable by each State Boards of Accountancy. A well designed research plan that questions nICPAs from across the country two years after passing the exam could identify the percentage of nICPAs that have been involved in a SLG government financial reporting and auditing. Also, the issue description does not identify the percentage of nICPAs that would justify retaining SLG accounting in the FAR section of the exam. Is 15% involvement by nICPAs sufficient? 10%? 25%? If the percentage nICPAs working at or auditing governmental entities was 25% would that justify an increase in the percentage of SLG financial accounting in the FAR section of the exam to 25%?

The third debatable premise is that the exam is testing only candidates that are entering public practice. This premise is not specifically stated, but all the discussion in the issue description seems directed to public practice nICPAs. It is true that in

some states a candidate must enter public practice to become a licensed CPA, but in many other states a CPA exam candidate can be licensed after working under the supervision of a CPA in business or government. The issue description does not appear to consider exam candidates that are not entering public practice. One of eight focus groups did include at least one government representative. How many of the 81 focus group participants worked in government or government auditing? The results reported are not surprising if the governmental community was under-represented in the analysis.

Information and Discussion

SLG accounting and financial reporting is much broader than most nongovernmental accountants recognize. Identifying the types of organizations that follow GASB standards is not obvious to many people. A few obvious examples of governmental organizations that most accountants would recognize as following GASB Standards are states, cities, counties, townships, state colleges and universities, public housing authorities, and independent school districts. Other types of organizations that follow SLG accounting standards that many might not think of are airport authorities, port authorities, convention centers, mass transit systems, and Native American groups.

There are other types of special government entities that vary by region of the country. The private sector provides utilities in some parts of the country, but governments provide at least some utilities in many parts of the country. I have lived in IL, TX, KY, and TN. Only in IL were my utilities provided by the private sector. In TX, KY, and TN the local government provided my water service and electric service. In many parts of the country, if you specialize in auditing organizations in certain industries, you will need to know the standards of both FASB and GASB. Examples include: utilities (electric and water are the most common), colleges and universities, hospitals, nursing homes, sports authorities and others. In addition, all these separate legal entities require accounting personnel and in most cases receive an audit independent of the local government. (I provide an illustration later.)

I do not have access to the specific exam data, but the most recent information my internet research located was 2018 exam candidate information. It indicates that there were 85,550 unique exam candidates in 2018, of which 63,088 were first-time candidates. The appropriate starting point for the analysis below is first-time candidates (not unique exam candidates, which includes re-take candidates). What percentage of first-time candidates that will work in SLG accounting or audit a SLG organization is necessary to retain SLG accounting on the CPA exam? The calculations below are an attempt to estimate the number of CPA exam candidates that will work full-time in the SLG accounting area. I will use 65,000 first-time candidates to simplify the math and to provide a conservative estimate.

There are more than 90,000 governmental entities in the U.S. based on the Census of Governments prepared by the federal government. If just 10% of these governments hire one recent college graduate interested in taking the CPA exam, the government new hires sitting for the CPA exam would represent 13.8% (9,000/65,000) of the first-time CPA exam candidates. I think this is a low estimated percentage and it does not include any of the first-time CPA exam candidates that will work for an audit firm that audits SLG entities.

A second approach to think about the potential number of CPA exam candidates is presented next. Assume there are 65,000 first time CPA exam candidates and that 15% of exam candidates working or auditing SLG organizations would justify retaining SLG accounting on the CPA Exam. Less than 10,000 CPA exam candidates ($65,000 \times 15\% = 9,750$) would justify retaining SLG accounting on the CPA exam. I will use 10,000 in my analysis to make the math easy and be conservative. Each state would need to average only 200 candidates ($10,000/50$) that intended to work in SLG accounting or would audit an SLG client.

It is not difficult to imagine 200 nCPAs per state working in or auditing a SLG in his or her first two years. Even if the number of first-time candidates was increased to 75,000 and the percentage of candidates working in or auditing SLG organizations was increased to 20%, the average nCPAs per state only increases to 300 nCPAs per state ($(75,000 \times .20)/50$ states). Refer back to the list of government organizations listed in paragraphs one and two of this section. How many of those types of SLG organizations would hire an entry level person interested in sitting for the CPA exam in your state? Then

consider how many audit teams are needed to audit those organizations. Most audit teams have at least one nCPA or CPA exam candidate.

I believe a comprehensive analysis would find that more than 20% of CPA exam candidates will either work in or audit a government entity in his or her first two years of employment. How many recent accounting graduates are hired by departments within state governments, in addition to those hired in the state comptroller's office, the department of treasury, or state auditor's office? How many new accounting graduates are hired and work at their state college or university? How many cities, counties, and school districts hire recent accounting graduates? What about government utilities, government hospitals, and other special governments? My point is that it is not hard to imagine 9,000, and likely many more, new hires in government. Many of the recent graduates that work for SLG entities have the same ambition as their fellow graduates, which is to earn a CPA license. The good news is that this is a testable question. A broad unbiased sample of recent nCPAs after two years of practice could estimate the percentage of nCPAs that have worked in or participated in auditing government entities in his or her first two years of licensure.

Every government that spends more than \$750,000 in federal funds during a fiscal year must have a single audit report completed. Virtually every school district in the country will meet this requirement, along with every state, most cities of 50,000 in population (and maybe less population), many county governments, all state universities, most mass transit authorities, most airport authorities, and more. The single audit reports must be electronically submitted to the Federal Audit Clearinghouse at <https://harvester.census.gov/facweb/default.apx/>. This is a searchable data base which could help identify the number of audit firms completing government audits. It is not a comprehensive list because many smaller governments will not meet the \$750,000 spending requirement and some governmental entities receive very limited federal funding, such as local utilities. However, it should help highlight the large number of audit firms that complete government audits. Keep in mind that national and regional accounting firms almost certainly have multiple audit teams working in the governmental sector.

Audit Coverage Breadth Example

I researched the 2019 City of Nashville, TN Comprehensive Annual Financial Report (CAFR), my home town, to provide one example of the number of audit firms associated with one government audit. Crosslin CPAs, a regional firm, audited the Metro Nashville CAFR. The Metro Nashville CAFR identified seven component units, which are separate legal entities. Listed in the table below are the audit firms that provided audit services necessary to complete the Metro Nashville 2019 CAFR.

Metro Nashville Component Unit	Audit Firm
Airport Authority	Dixon Hughes Goodman
Electric Power Board (Nashville Electric Authority)	PWC
Convention Center Authority	KPMG
Nashville District Management Corporation	Cherry Bekaert
Gulch Business Improvement District	Cherry Bekaert
Metro Development and Housing Agency	MCM
Emergency Communications District	Kraft

Seven different audit firms (six different audit firms for the component units plus the City auditors) provided services necessary for the City CAFR using GASB standards. It is likely that each of these audit teams had at least one nCPA. It is also important to note that other than PWC and KPMG, probably none of these firms has a separate SLG section. Also keep in mind, that each of the component units identified needs an accountant competent in GASB standards.

The City of Nashville could easily have had two additional audit firms had the legal organization been different. The City has a water department and a hospital. In many cities the water utility and the hospital would be separate legal entities and reported as component units. In the case of Nashville, both of these entities are proprietary funds of the legal entity and

audited by the main audit firm Crosslin. The City of Nashville is not uncommon. My employment was in Bowling Green, KY. Bowling Green and the county in which it is located (population of approximately 100,000) has an electric and water utility, an airport authority, two different school districts, a housing authority, a convention center, a university, and a community and technical college. I was not able to find the number different audit firms that participated in auditing these organizations, but I expect that it would be five or more different audit firms.

Invitation to Comment Conclusion

It seems counter intuitive that *Maintaining the Relevancy of the CPA Exam* seeks to eliminate testing of a major area of generally accepted accounting principles (GAAP) from the CPA exam. The Invitation to Comment asks whether the Board of Examiners should consider eliminating SLG accounting from the exam. The stated concern in the whole document is that the breadth of the exam is too broad as new topics are added to the exam, such as data analytics. The implication, although not stated, is that *Maintaining the Relevancy of the CPA Exam* requires adding new non-GAAP topics such as data analytics and maybe others to the exam. The Invitation to Comment asks whether eliminating GAAP accounting for SLG accounting from the exam is an appropriate elimination to decrease the breadth of the exam. SLG accounting is the one topic of the exam that affects every citizen in the U.S. Nothing is more important to protect the public interest than SLG financial reporting and auditing. What type of organization affects the general public more than a government? Every citizen has an interest in the proper financial reporting and auditing of SLG governments.

An unintended consequence of eliminating SLG accounting from the CPA exam is that some (and maybe many) colleges and universities would eliminate SLG accounting from the curriculum. It is already uncommon for university accounting departments to require governmental accounting. (It is usually an elective.) Unless a university has a governmental accounting specialist, eliminating SLG accounting from the curriculum becomes an attractive option, especially during times of economic stress.

Another unintended consequence is that the number of universities that teach not-for-profit (NFP) accounting will also likely decrease significantly. In many universities, government and NFP are taught in a single class. If the governmental class is eliminated the NFP coverage would also likely be eliminated as well. It is possible that universities would move the NFP content to another class, but that is not likely if there is no full-time professor interested in NFP accounting.

CONCLUDING COMMENTS

Thank you for the opportunity to share my thoughts and insights on the Exposure Draft and Invitation to Comment in the *Maintaining the Relevance of the CPA Exam* document. I hope you find my comments helpful and insightful.

Sincerely,

Randall L. Kinnersley

Randall L. Kinnersley, Ph. D., CPA

RE: Invitation to comment on the December 2019 Exposure Draft

Thank you for the opportunity to provide my thoughts on the December 2019 Exposure Draft via the invitation to comment.

As an accounting faculty member at a four-year, AACSB accredited college of business (accredited at both the college level and at the department of accounting level), I have the privilege of being the instructor of record for all four 6000-level CPA review courses, which are required in our Master of Accountancy curriculum. In that role, I am charged with providing guidance in applying to sit for the CPA Exam, supporting and holding the students accountable in their preparations for the each section of the exam, and documenting the outcomes when they sit for each section of the exam.

I wish to register my strong vote against removing “Accounting for State and Local Governments” from the Financial Accounting and Reporting section of the CPA Exam.

My rationale for this vote is two-fold:

1) Governmental accounting (and not-for-profit) is not a specialized knowledge area, used by only a small segment of nCPAs.

Governmental accounting is a *segment* of the accounting profession that many of our students choose to enter immediately upon graduation. We have a long history of understanding the importance to our students – and to our profession – of offering dedicated not-for-profit/governmental accounting courses in our undergraduate and graduate curricula. We are fortunate to have a highly-respected faculty member who specializes in those areas and engages in the not-for-profit/governmental accounting community at the highest level (she is a member of the Financial Accounting Standards Board’s Not-for-Profit Advisory Committee). While it is our good fortune to have her on our faculty, it is also not a matter of luck – we sought her out and brought her in at a salary that conveys we believe her expertise to be extremely valuable.

Our students often hire into well-paying jobs of significant responsibility in this segment of the profession. Securing those jobs is a result of being able to speak knowledgeably with potential employers about the segment they strive to enter, exhibiting an understanding of the great opportunities provided by and the importance of the contributions they will make through their service. We are a service-driven profession. We should be striving to inspire nCPAs to contribute at every level of government, whether through their employment and/or through their volunteerism. Removing this content from the CPA Exam would cause accounting programs to eliminate not-for-profit/governmental accounting courses due to resource constraints and choices that would have to be made. That would lead to nCPAs being less confident about the contributions they can make due to the fact that they would have had no exposure to governmental accounting.

The issue description states nCPAs “typically receive a significant amount of on-the-job training under the close supervision of individuals who have specialized content knowledge and experience”. While employers are willing to provide on-the-job training, I know none that are willing to teach the concept of debits and credits, nor should they be, which is equivalent to understanding fund accounting in governmental employment. Students who gain employment with government entities and have not been fortunate enough to complete a governmental accounting course as part of their

formal education will enter the work force inadequately prepared, compounding the already overwhelming learning curve the majority of new hires face.

Students hiring into public accounting are also assigned to teams conducting government audits in their first year of employment. That was my personal experience many years ago, and I know it is often the experience of our recent graduates. It is discouraging to me that the proposed changes to the CPA Exam will result in less prepared nCPAs, with the potential of causing them to question their ability to succeed in the field of accounting when presented with work at the most basic level, yet not the skill set to complete the work without significant training and supervision. I am certain that is not anyone's goal.

The issue description also states that "CPAs working on engagements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) are subject to specific continuing professional education requirements". Continuing professional education is just as implied – for nCPS it is required to continue building on the foundation already established at the time of licensure – not to teach anew.

2) *It is not in the public interest.*

Just a few minutes of watching local or national news readily reveals the importance of an accounting profession stocked with those who understand governmental accounting, having been raised up in a profession built on integrity and possessing the fortitude to do what is right. It is the members of our profession who must do the work and then communicate to a wide variety of audiences in a way that provides transparency and accuracy.

We are on the brink of failing to inspire those of our profession to serve in the not-for-profit/governmental segment by shoving it to the side, as if it does not hold real value in the lives of all who depend upon the accounting profession to both educate them about state and local government and to protect the assets they entrust to those governments. I am going to close with the bold statement that I believe we should elevate this segment of our profession, and not take steps that will unquestionably minimize it.

I am grateful for your time and your consideration.

Sincerely,



Rebecca A, Foote, M.A., CPA

Joanne Scafidi

From: Richard Hill [REDACTED]
Sent: Friday, March 6, 2020 1:20 PM
To: Practice Analysis
Subject: CPA exam changes

Follow Up Flag: Follow up
Flag Status: Flagged

Good Afternoon,

I understand that there are changes being considered to remove or reduce governmental accounting from the CPA exam. I strongly oppose this. Governmental accounting represents a large part of the accounting that is being done and also represents a substantial amount of money (local, state and federal). Students who want to become CPAs should have some knowledge of how governmental accounting works and how it is different from other types of accounting. I urge you to keep this as part of the material being tested on the exam.

Best regards,

[REDACTED]





Joanne Scafidi

From: Rita Trainor [REDACTED]
Sent: Monday, March 9, 2020 2:44 PM
To: Practice Analysis
Subject: Comments regarding the Institute's proposed changes to the CPA Exam-- changes # 37-39

Follow Up Flag: Follow up
Flag Status: Flagged

I am writing to respond to the Invitation to Comment on the Institute's proposed changes to the CPA Exam. I am specifically writing regarding changes #37-39 and to section B, question 2 **"2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale."**

The views expressed in this email represent my individual views. I am CPA with nearly 40 years of experience. I have a mix of experience: external and internal audit, public company experience (all of this in my first 13 years of working) and the last 25+ years in local government. I strongly object to the removal of the state and local governments from the exam. It is my belief that doing so will result in colleges and universities removing it from their curriculums. This will result in accounting majors failing to have exposure to governmental accounting prior to entering the work force. In a google search I did today, there are 87,576 units of state and local government in the USA. This is not an insignificant figure. Each of those units have financial records to maintain, and most of them are subject to an external audit conducted by CPAs. Pulling the state and local government questions from the exam will eventually impact the recruitment of CPAs in local government.

In Illinois, we have many units of government located outside of the Chicago metro area that have very limited choices in auditors. These auditors are frequently from very small firms. If the exam doesn't include local governments, at some point in the future, they will be faced with the real possibility that there will not be any auditor in their geographic area that has any governmental accounting expertise. I have to believe the situation is the same in other states as well.

This measure will result in increased costs in audits for these smaller units of government as the governments are forced to reach out to firms outside of their area and as there are fewer auditors qualified to do local government audits.

It will also drive up the costs of audits in my Chicago metro area over time as the firms will find themselves having to "pick up the slack" when colleges and universities cease to offer governmental accounting and their new hires have not completed any governmental accounting coursework. The increased cost to the firms to educate their staff will get reflected in higher audit fees. This will result, at least in Illinois, in a diversion of taxes from services to increased audit fees. I would not like our profession to have that type of publicity. I also admit, I am concerned about the inconsistency in training that could result from this shift away from colleges and universities providing the foundational level.

I am also very concerned about the recruitment impact on these units of government. Historically, I have viewed my CPA credential as a "plus" on my resume and by extension, a "plus" for any candidate that I have evaluated. However, if the exam doesn't continue to test for governmental accounting, I would feel differently about candidates with a CPA. I will be quite concerned about how much training we might have to do for any staff accountants we hire. That could make such candidates slower to get up to speed and slower to be promotable into more senior roles. This could have the further deleterious impact on employees staying in the governmental area, at least on the government side. They may choose to leave the governmental side because of the slower promotional track or to not even consider a career in state or local government because of their lack of knowledge. One potential recruitment area would be from the audit firms that serve governments, but that will put more pressure on the firms to fill positions and continue to train them. GASB

standards differ from FASB standards and over the past 10-15 years they have become much more complex. This increases the need for more education and training, not less.

As a profession, I consider it essential that we maintain high standards of competency in all of the industries served. It is my belief that dropping state and local governments from the exam indicates that the AICPA is abandoning the entire industry. For me, it also calls into serious question whether I should continue my membership, if the institute abandons my industry.

Everyone has a stake in their state and local governments, as a user of their services and as the funding source for those governments. The same cannot be said for all industries the profession serves, but I think it should be considered as a factor in weighing whether or not this industry should be dropped from the exam.

Joanne Scafidi

From: Robert Mitchell [REDACTED]
Sent: Saturday, April 4, 2020 8:03 PM
To: Practice Analysis
Subject: Regarding the new proposal

Follow Up Flag: Follow up
Flag Status: Flagged

I Robert Mitchell is not in favor of any Government non disclosure of Information on anything. They are forgetting that we the people created Government we are the people that pay them with our tax dollars. Their oaths of office clearly explains what their obligations are as public servants. We are the creditors and they are the debtors we must never forget that. They are not being reminded of that very often we the people need to make that a priority.

Best wishes
Robert

[REDACTED]

Joanne Scafidi

From: Ellis Shane [REDACTED]
Sent: Tuesday, April 21, 2020 1:21 PM
To: Practice Analysis
Subject: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

To Whom It May Concern,

As a local government auditor (and CPA), I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPA (nICPA) to have "demonstrated knowledge and skills necessary to protect the public interest". Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including s (nICPAs) are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, removing requirements for governmental accounting from the CPA exam will put pressure on higher education to eliminate course work on this subject. Without the ongoing support of colleges and universities to provide formal training on governmental accounting standards the pipeline for new hires in the government arena would be negatively impacted. The exposure draft suggest there are other means to obtain governmental certifications. It is arguable that any other training or certification track would be an adequate substitute for college-level governmental accounting coursework as a foundation for understanding and applying these concepts to the workplace.

Lastly, the exposure draft implies that a CPA license may not be needed to conduct governmental audit and accounting work. In fact, many government organizations prefer or require a CPA for certain positions and internal audit functions, including providing assistance to external CPA firms that conduct financial statement audits. Eliminating the governmental accounting questions from the CPA exam has the potential for long lasting negative consequences for our state and local government profession. Please reconsider the removing relevant questions from the CPA exam.

Respectfully submitted,

Shane Ellis, CIA, CRMA, CGAP
Senior Auditor | Office of the Chief Auditor



Joanne Scafidi

From: Stacey Albert [REDACTED]
Sent: Tuesday, April 21, 2020 2:02 PM
To: Practice Analysis
Subject: Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

Follow Up Flag: Follow up
Flag Status: Flagged

American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@aicpa.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

As a local government auditor and CPA, I am opposed to the proposed elimination of governmental accounting questions from the CPA exam. This proposal is incongruent with the stated purpose of the CPA exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a newly licensed CPAs to have "demonstrated knowledge and skills necessary to protect the public interest." Government functions and accounting impact every citizen. There is no area that would have a greater impact on the public interest.

This is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including newly licensed CPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The newly licensed CPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

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Respectfully submitted,

Stacey Albert, CPA
Auditor
New York City Campaign Finance Board
100 Church Street, 12th Floor

New York, New York 10007



www.nyccfb.info



Joanne Scafidi

From: Stephen Terry [REDACTED]
Sent: Wednesday, April 8, 2020 7:07 AM
To: Practice Analysis
Subject: CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

Was informed this morning that there is consideration to remove governmental accounting from the CPA Exam. If the students are not going to be exposed to the uniqueness of governmental accounting in their accounting curriculum (which will happen – if they're not going to be tested on it, the schools are not going to teach it), where will they learn how to audit a local government? While I understand that a lot of students/graduates will never be exposed to governmental accounting in the real world, the material should still be taught and tested. This same concept could be used with Sarbanes-Oxley and all that it entails – a majority of the accounting profession will never deal with a publicly-traded corporation so this should be removed from any instruction material and/or testing (or application in the real world, for that matter).

With all due respect, please re-consider the thoughts of removing governmental accounting from the CPA Exam.

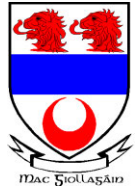
Stephen G. Terry, CPA
Partner
Haigh, Byrd & Lambert, LLP
1007 Hay Street
PO Box 53349
Fayetteville, North Carolina 28305

[REDACTED]
www.hbl-cpa.com

Learn more about Haigh, Byrd & Lambert by visiting our website www.hbl-cpa.com.

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46 Parklawn Road
West Roxbury, Ma 02132

April 10, 2020

Re: Opposition To Removal of SLG Requirements and Components of The CPA Exam.

American Institute of Certified Public Accountants:

I ask that you read this letter, and not immediately place it in the “disagree file”.

As a retired Treasurer & Collector of Taxes of the Town of Arlington, Massachusetts, I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

As a Treasurer & Collector responsible for all treasury management, including cash management, debt management, investment management and collections of all revenues, I oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not consider the significance SLGs have in the overall economy. Knowledge of, and expertise in accounting and financial reporting for state and local governments (SLG) is crucial to CPAs engaged in the field of accounting and auditing of municipalities, counties, and states, as well as the necessary and critical oversight of local and state governments’ financial operations to protect the public. Eliminating these requirements from the Uniform CPA Exam abandons best practices and degrades the CPA profession.

The AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce;
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence;

- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements;
- In addition to creating an environment which only best-serves existing CPA firms specializing in SLG, a monopolistic marketplace is created which will artificially increase cost to SLG clients and reduce services performance and quality.

Massachusetts state and local governments are seeing a decrease in the number of CPA firms providing services to SLGs. The AICPA initiative to remove SLG exam components from the CPA Exam disregards the fiduciary responsibility of the CPA profession.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at the above mailing address, via email at:

[REDACTED]

Best Regards,



Stephen J. Gilligan
Treasurer & Collector of Taxes, Retired
(Town of Arlington, Massachusetts)

Joanne Scafidi

From: Giovinelli, Steven [REDACTED]
Sent: Monday, April 13, 2020 7:57 AM
To: Practice Analysis
Subject: Commentary on Proposal to remove SLG Assessment from CPA Exam

Follow Up Flag: Follow up
Flag Status: Flagged

Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

Accounting for state and local governments should continue to be assessed on the CPA Exam.

As a financial reporting administrator for the State of New Hampshire's Division of Accounting Services I am one of three CPAs reporting directly to the State Comptroller. My career as a governmental accountant has spanned fifteen years with eleven of those years spent as a legislative auditor and budget analyst in the Office of the Legislative Budget Assistant.

According to the US Bureau of Economic Analysis, approximately 11.5% of New Hampshire's gross domestic product is attributable to government and government enterprise while USGovernmentSpending.com states local and state government comprise approximately 14.5% of gross domestic product. US Government Spending indicates these percentages range from 13-30% nationwide.

Government entities have unique accounting and reporting requirements with many notable differences between accounting standards promulgated through the Governmental Accounting Standards Board and the Financial Accounting Standards Board applicable to non-governmental entities.

CPA Exam requirements have traditionally guided college curriculum for accounting programs inherently designed to prepare graduates for the exam and experience requirements to certify after graduation. When I began my career, governmental accounting comprised its own undergraduate level course in the curriculum. This provided an adequate foundation of knowledge not only to accommodate the state and local government portions of the exam, but also to provide state and local governments with employment candidates possessing the knowledge and skills necessary to begin a career in governmental accounting or auditing. Just as I chose to do.

Over time, as I talk to new-comers to governmental accounting and auditing, I've learned the separate course has devolved into a minor element of an advanced accounting class. Although this continues to provide some preparation for the corresponding elements of the CPA exam, it has diminished state and local governments' abilities to find employment candidates at undergraduate levels with sufficient knowledge and skills to begin a career in governmental accounting or auditing without providing additional training and development. Whereas the college curriculums for accountants is designed to prepare future CPAs for the exams; the AICPA's proposal to eliminate the state and local government elements of the CPA exam will relegate governmental accounting to obscure electives within the college curriculum if at all.

I have seen this first hand as there are very limited options for qualified candidates when it comes time to fill positions. The elimination of the state and local government elements of the CPA exam would exacerbate this problem limiting the pool of potential qualified candidates even further.

The exposure draft ITC speaks to governmental accounting being of such a narrow niche, governments would be able to provide specific training and education in the workplace to make up for the removal of the SLG elements from the exam.

I would propose two problems with this assessment. One, although the cost of a new recruit fresh from college with an accounting degree will remain what the market bears, states and local government will have additional costs of developing and supporting in house training programs to provide the knowledge previously included in the standard college curriculum thereby significantly increasing the cost of employment. States may have the capacity to do this, but as units of government get smaller, this capability will inherently diminish.

Secondly, shifting the responsibility for education relative to governmental accounting from higher education institutes operating independently and subject to accreditation standards, to governmental organizations themselves, has the potential to fragmentize educational criteria and standards. This may ultimately have a negative effect on the quality of accounting and financial reporting for a significant proportion of the economy.

In closing, I would implore the AICPA to continue to assess accounting for state and local government on the CPA exam.

Regards;

Steven Giovinelli, CPA

Federal Financial Reporting Administrator

NH Department of Administrative Services

Division of Accounting Services



FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE

Jan H. Gardner
County Executive

Lori L. Depies, CPA, Division Director

April 10, 2020

American Institute of Certified Public Accountants
Delivered via email at practiceanalysis@aicpa.org

American Institute of Certified Public Accountants,

On behalf of Frederick County Maryland, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*. Frederick County Maryland opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Frederick County Government has many financial positions that require the CPA designation. The ethical standards and skill level of a CPA is very much desired within our workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. We are able to produce our own statements, but also rely heavily on the expertise of our auditors to assist us in implementation of new standards. I do not know how we would have survived the sweeping changes in GASB standards from GASB 34 to the most recent GASB87, not to mention changes in pension and other post-employment benefit reporting.
- Credit rating agencies rely on the consistent application of standards in our financial reporting as a basis for their ratings. Frederick County is blessed to be rated AAA by three agencies and I believe the expertise and knowledge of our staff is a large component of the confidence these agencies have in us.
- The impact of this change will result in CPA firms specializing in SLG. Recent solicitations at Frederick County for internal and external auditing services received a limited number of responses. Most jurisdictions follow the same fiscal year schedule and it is difficult for the few firms that are available to handle all of the workload for the many Maryland counties and municipalities. I would assume this is also the case through the United States.

Thank you, again, for the opportunity to comment on this proposal. I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Susan A. Keller, CPA
Frederick County Maryland

Dear AICPA Board of Examiners:

Thank you for the opportunity to comment on the December 2019 Exposure Draft and Invitation to Comment (ITC). I focus my comments on the ITC's *Issue Description* that suggests removal of accounting for state and local governments from the FAR section of the CPA exam.

I **strongly disagree** with the removal of accounting for state and local governments from the FAR section of the CPA exam. I offer comments below.

It was not that long ago that poor governmental audit quality became a major concern to the AICPA and the accounting profession. Financial difficulties in major metropolitan areas and the misuse of federal funds contributed to public perceptions that government was wasteful and inefficient and fueled demands for accountability. Who does the public trust to ensure stewardship and accountability of public funds? One could argue they turn to the independent auditor – the Certified Public Accountant. In the past decade, however, the percentage of governmental coverage on the Uniform CPA Exam has continued to drop. Has the need for the accountability of public funds diminished? Absolutely not! The events of 2020 and COVID-19 have resulted in previously-unseen amounts of federal expenditures. As the country recovers, there will undoubtedly be more excessive federal grant funds distributed to aid citizens and organizations. The need for auditors with governmental accounting and auditing knowledge has not diminished and will be greater than ever. The marginalization of governmental accounting and auditing knowledge required of nCPAs may refuel issues of poor audit quality.

The ITC *Issue Description* suggests that because governmental accounting and auditing knowledge is specialized, auditors who *choose* to work in this arena can seek out specialized training or receive on-the-job training. While this sounds like a feasible solution, the reality will likely be less palatable. The removal of governmental accounting from the CPA exam means nCPAs may have no exposure to governmental accounting. Governments other than the largest municipalities are often audited by local or regional accounting firms that have fewer training resources or staff able to train the nCPAs compared to larger national firms. Hence, removal of governmental accounting and auditing from the Uniform CPA exam will directly reduce governmental audit quality, much as was seen in the early 1980s and before.

The fact that governmental accounting appears to be of limited interest to the AICPA and large public accounting firms is contrary to the importance ascribed to governmental accounting and accountability by the public. I have served as an auditor with a Big 4 accounting firm, as a member of an AICPA subcommittee, and as a faculty member at a large state university. In each of these roles I was often mocked for being involved with governmental accounting and auditing. I envision that the government member(s) of the business and industry and government American Institutes for Research focus groups was (were) outnumbered and ignored in much the same way. Just because governmental accounting and auditing are not popular does not mean they are not important. In fact, I argue to the contrary.

While I could provide figures of federal and local government expenditures, federal grant fund expenditures, number of accountants employed in federal, state, and local governments, etc. I opted to keep this comment letter short and to the point – governmental accounting and auditing – while not popular – are important to the citizens and public accountants throughout the country. They serve a very important role that should be supported by the AICPA, its membership, and all licensed CPAs, those who practice in the governmental sector and those who do not.

Thank you for your consideration of my thoughts.

Sincerely,

A handwritten signature in black ink that reads "Suzanne Lowensohn". The signature is written in a cursive, flowing style.

Suzanne Lowensohn, PhD, CPA (Florida)

April 27, 2020

To the AICPA in response to its Exposure Draft and Invitation to Comment:

I disagree with the AICPA's proposal to remove governmental accounting topics from the CPA exam. As a Past President of the Accounting Association (AAA) Government and Nonprofit (GNP) Section, I participated in a separate letter on behalf of the GNP Section, expressing opposition to this element of the AICPA proposal. I do not wish to reiterate those points here, but rather to present my opposition from a personal vantage point as an educator and licensed CPA.

My professional background includes auditing in a public accounting firm where my clients were almost all governmental and nonprofit entities, and my education (which included a separate governmental and nonprofit accounting course) and CPA licensure process provided me with the foundation needed to be successful in that role. Consistent with the turnover we still see in public accounting, I left public accounting in search of a different experience after five years. My next professional chapter was a government career where my CPA license was valued. My ultimate decision to pursue a doctoral degree was fueled by the desire to teach and support the next generation of accounting students who also sought to pursue a career in public service. Many of my former students have used their accounting education to work directly for government at all levels – local, state, and federal, and many work in public accounting serving governmental and nonprofit clients.

Two Points for Consideration

I make two observations that I hope will be fully considered in the AICPA's deliberations. First, as a license that is designed to contribute to the public interest, the CPA license should not overlook government as a major component of economic output. Rather than viewing governmental accounting as a specialized area of accounting, it should be considered for the sector that it is. Whether newly licensed and/or existing CPAs audit governmental entities, work directly for governmental entities, or simply participate as citizens in local communities, states, and the nation as a whole, governmental accounting knowledge is an important element of their ability to contribute to the public interest. The CPA exam should place value on public sector accounting and financial reporting.

Second, the content of the CPA exam drives university curricular decisions. Just as the CPA exam should place value on public sector accounting, accounting programs should offer opportunities for students to gain exposure to government career opportunities and provide a foundation of accounting skills that will help interested students launch such a career. Given resource constraints and a limited number of credit hours available, many accounting programs will make the decision to eliminate their governmental and nonprofit accounting courses if governmental accounting is reduced or removed from the FAR section of the CPA exam. Governmental accounting course experience is necessary to spark the interest of future public servants, create informed and engaged citizens who, as CPAs, should contribute to public discourse, and provide an alternative financial reporting framework that builds higher critical thinking skills.

Recommendations

It is my hope that the AICPA will carefully consider its role in preserving and promoting the public interest. As the primary, most coveted, license in our profession, the CPA should be a symbol of commitment to the accounting profession in all sectors of the economy – for-profit (publicly traded or private), not-for-profit, and governmental. My recommendations are two-fold: (1) increase the amount and breadth of governmental accounting coverage on the CPA exam (expanded to include federal accounting), and (2) consider how the AICPA can influence governmental and nonprofit accounting education beyond the CPA exam. An opportunity exists for the AICPA to promote governmental and nonprofit accounting education by taking a more active role in promoting governmental and nonprofit accounting research and doctoral education in this area. Whether through the Accounting Doctoral Scholars program or other initiatives, accounting programs would be well-served to have more tenure-track faculty who are passionate about and trained to teach the next generation of accountants in public service. The AICPA could become a positive force in this needed effort.

I appreciate the opportunity to share my views and would be glad to address questions as the AICPA deliberates its response to the comments received.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Waymire". The signature is written in black ink and is positioned below the word "Sincerely,".

Tammy Waymire, PhD, CPA



Dillard College of
Business Administration

DEPARTMENT OF ACCOUNTING,
MANAGEMENT INFORMATION SYSTEMS,
AND LEGAL STUDIES

3410 Taft Boulevard
Wichita Falls, Texas 76308-2099

msutexas.edu

April 30, 2020

Mr. Jeffrey Hoops, CPA
Chair, AICPA Board of Examiners
American Institute of CPAs
Princeton South Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

Dear Mr. Hoops:

Thanks to the AICPA and the Board of Examiners for the opportunity to comment on its December 2019 Exposure Draft *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment*. I acknowledge the importance of and express my appreciation to the Board of Examiners for its efforts to maintain the relevancy of the CPA exam. However, I am concerned about and disagree with the proposal to remove accounting for state and local governments from the FAR section of the CPA exam for a number of reasons.

State and local governments provide important services for society and the communities that they serve. Accountability for those entities is important. CPAs that work for governments and firms that audit governments are an integral part of this accountability. Currently, federal, state, and local budgets are going to be strained due to the Coronavirus pandemic. I am concerned that some governments may have serious financial problems that could cause reductions in budgets and services. Some may have difficulty paying all their bills. I know CPAs in government will be responsible for making very tough decisions. I am not sure what message about the importance of their work is being sent if a decision is made to eliminate state and local government accounting from the CPA exam. Also, I wonder how the profession and public will view its elimination during such a time.

As a professor who teaches governmental and nonprofit accounting, I would like to express my thoughts regarding the potential consequences of eliminating state and local governmental accounting from the CPA exam. As you are probably aware, the content of the CPA exam has a significant influence on the accounting curriculum of many (if not most) universities. After reviewing your proposal, one of my colleagues has already suggested that we reconsider whether we need a governmental and nonprofit

accounting course at my university. My expectation is that the number of governmental and nonprofit courses offered by universities will be significantly reduced. Currently, many universities do not offer such a course. They typically provide some state and local government coverage in an advanced accounting course to help students prepare for the CPA exam. My expectation is that if your proposal to eliminate state and local governmental accounting from the CPA exam is approved, that topic also will be removed from advanced accounting courses. If that occurs, many accounting students will leave their university with no knowledge of state and local governmental accounting. You may be asking yourself, “Who cares whether CPAs know anything about governmental accounting?”

I believe that CPAs should have some knowledge of a broad range of accounting topics including governmental accounting. I have done little traditional manufacturing cost accounting during my career, but it is important to know about the topic. I find it interesting that the AICPA recently was engaged in trying to raise awareness regarding the federal government’s financial position and debt through the *What’s At Stake* video (<https://www.aicpa.org/advocacy/cpasinsight.html>). I agree that the CPAs are better able than most to explain the federal, state, and local government’s financial statements. However, there are differences between government financial statements and business financial statements, and I believe that CPAs should know about these so that they can inform others and be agents for positive change by being able to provide factual information about the financial health of their communities to citizens in their communities. I question whether seemingly deemphasizing the importance of governmental accounting by removing it from the CPA exam sends the right message. Instead, I would encourage including some questions about federal financial statements on the CPA exam.

When I graduated many years ago with my accounting degree, I only had state and local governmental accounting in an advanced accounting course. I went to work for a CPA firm in a city of about 100,000. Most of my first year audit assignments were for governmental entities—primarily independent school districts. The knowledge that I gained from the advanced accounting course was helpful as I, at least, understood some terminology and understood something about the concept of funds. If I had not had any governmental accounting at the university, it would have meant that the CPA firm would have had to do even more training. Currently, in the same city where I had my first job, I believe that two of the largest four firms continue to do a significant amount of governmental audits. One consequence of removing governmental accounting will be that firms will be responsible for all teaching and training in governmental accounting. This is probably not an issue for large firms, but will require more work and costs for the smaller firms that audit most governments.

It may surprise you, as it has me that a number of my students show interest in governmental accounting as careers after they take a governmental accounting course. It is not a large number, but I believe that about five to ten percent of my accounting graduates work in governmental accounting either for a government or for a CPA firm within three years of graduation. I know many of these students wish to be CPAs because it is encouraged by government employers or the CPA firms. I expect that

another consequence of the elimination of governmental accounting from the CPA exam will be to reduce the number of students who decide to work for government soon after graduation because they will know nothing about that career possibility.

I agree with your rationale that credentials other than CPA may be pursued by those that work in the governmental arena. Obviously, those that audit governments will need to be a CPA. However, those who work as accountants in governments may wish to look at other designations (such as the CGFM) in addition to or in lieu of becoming a CPA. (I think that you are alluding to the CGFM on page 36 of your *Exposure Draft and Invitation to Comment*.)

In summary, I will reemphasize that not including state and local governmental accounting on the CPA exam likely will result in relatively few accounting programs including any coverage of governmental accounting in their curriculum. If that occurs, fewer students likely will consider governmental accounting as a career. CPA firms will have to provide more training for their new hires as they will not have had 15 or more hours of instruction on the topic in an advanced class or close to 40 hours in a separate governmental and nonprofit accounting course. This may not be a problem for international CPA firms, but most governments are audited by smaller firms.

Finally, as an individual who has specialized in governmental accounting for most of my career, I am concerned about removing governmental accounting from the CPA exam especially at a time when governments at all levels likely will be facing significant financial challenges. It seems contrary to the message CPAs should hold dear—that is, CPAs wish to encourage accountability by providing the public with reliable information to assess accountability.

Sincerely yours,



Terry K. Patton, CPA

Chair, Accounting, MIS, and Legal Studies Department
Midwestern State University

MEMO

To: AICPA/American Institute of Certified Public Accountants
From: NBS
Date: April 14, 2020
Re: *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*

Thank you for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*. As local government consultants, and vested community members, we are interested in the best outcomes for local agencies, which are practically universally known to be the most responsive forms of government in our nation. We therefore oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, we believe that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you for taking the time to understand our concerns.

Joanne Scafidi

From: Tyson Beck [REDACTED]
Sent: Thursday, April 9, 2020 8:25 PM
To: Practice Analysis
Subject: Comment on CPA Exam Exposure Draft

Follow Up Flag: Follow up
Flag Status: Flagged

Thank you very much for the opportunity to comment on the CPA exam exposure draft!

Because of my limited time and not wanting to comment on something I have not fully studied, I would just like to comment on the question "should accounting for state and local governments continue to be assessed on the CPA exam?". My answer is emphatically yes!

My career background is split between public accounting and local government. I spent seven years in a local CPA firm performing audits under FASB and GASB standards. I then changed careers and have been in my current position as a municipal finance director for over five years.

I do not know what your research has found about "newly licensed CPAs" but I am concerned that you might be overlooking the importance of detailed understanding of GASB standards to nICPAs. I am looking specifically at your "Change number" 37, 38, and 39.

When I began auditing I was still finishing my master's degree in accounting and then I began my CPA exam studying and examination all while working full-time. From the moment I started auditing until I was a three-year staff auditor I regularly relied on the GASB standards I was learning in my master's courses and then what I was studying in preparation for the CPA exam. Colleges and universities will alter course curriculum if the CPA exam no longer requires an understanding of governmental accounting.

I feel that a good understanding of GASB standards allowed me to advance quicker in the CPA firm and provide better audits to firm clients. By the time I passed the CPA exam I was already writing multiple governmental audit reports for the firm's clients. The governmental accounting requirements of the CPA exam pushed me to master topics that in many cases even the client's I was auditing did not fully understand.

Your change numbers 37-39 are trying to "simplify" a necessary part of a CPA's understanding. Even if newly licensed CPA's never work in the government accounting realm they all reside in both a State and a local government. This detailed understanding of their respective government's CAFR or annual financial report is necessary for them to be informed citizens and actively participate in financial decisions that alter operational outcomes.

Your exposure draft referenced government as a "specialized area of practice". Have you been able to get data on CPA practitioners in governmental accounting? Does the data include both those with careers in governmental accounting or managerial positions, and those that audit governments? I know I don't have those numbers but given the number of State and local governments as well as all the professional staff to audit those governments, it seems that this is a significant area of focus for CPAs.

I truly believe the CPA exam needs to require CPAs to have a detailed understanding of GASB accounting including preparing government-wide financial statements, fund financial statements, and calculating net position/fund balance. My career both as an auditor and as a finance director has required this skill every year of my employment. I have also needed these skills as a citizen of my community and State.

I truly appreciate your consideration in not eliminating or simplifying the governmental accounting sections of the CPA exam!

Sincerely,

Tyson Beck, CPA

Finance Director

Bountiful City



Joanne Scafidi

From: Vicky C. [REDACTED]
Sent: Monday, April 13, 2020 3:40 PM
To: Practice Analysis
Subject: Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)

Follow Up Flag: Follow up
Flag Status: Flagged

April 13, 2020

American Institute of Certified Public Accountants,

I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

I opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me thru email - [REDACTED]

Regards,

Wei Cao, CPA

Management Analyst
City of El Segundo
California

AAA GNP Section Response to the AICPA's Exposure Draft and Invitation to Comment

On behalf of the American Accounting Association's (AAA) Government and Nonprofit (GNP) Section, we thank the AICPA and the Board of Examiners for the opportunity to comment on its December 2019 Exposure Draft and Invitation to Comment (ITC). The AAA GNP Section is comprised of approximately 350 academics interested in government and not-for-profit accounting, auditing, research, and education. As such, we are gravely concerned with the proposal to remove accounting for state and local governments from the FAR section of the CPA exam.

The ITC's *Issue Description* suggests removal of accounting for state and local governments from the FAR section of the CPA exam for three reasons: (1) the specialized nature of external financial reporting for state and local government; (2) the limited applicability of this content to a large majority of newly licensed CPAs (nlCPAs); and (3) the FAR Area IV has minimal impact on a candidate's overall score (15% maximum) and the CPA Exam more generally and broadly assesses critical thinking, risk assessment, problem-solving, and professional skepticism skills that are foundational to anyone who is working on a GAGAS engagement. The ITC asks: Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

We **strongly disagree** with the AICPA's suggestion to remove accounting for state and local governments from the CPA Exam. The elimination of state and local government accounting from the Exam would result in a singular focus on only one of the three U.S. standard-setters, the FASB. The financial reporting standards issued by the other two U.S. standard-setters (GASB and FASAB) would be completely ignored. In addition, state and local governments represent a sector of the economy that is important to us all, and as such, is applicable to CPAs, whether newly licensed or not (points 1 and 2 above). Furthermore, governmental accounting represents an important element of student understanding of financial accounting, offering a way to build critical thinking skills by demonstrating articulation across different bases of accounting (point 3). Our position is supported by the following evidence:

1. Licensed CPAs serve the public interest by working directly for and auditing government entities, as well as participating as engaged citizens in their local communities. There are over 90,000 local government entities (U.S. Census, 2017), and approximately 8% of accountants in the U.S. work for a government entity (Bureau of Labor Statistics 2020). There are approximately 2,000 audit firms registered as members of the Government Audit Quality Center. The magnitude of the sector (government spending in the U.S. is approximately 38% of gross domestic product [OECD, 2015]) demands appropriately educated accountants, auditors, and engaged citizens to ensure the public interest.

The 50 state governments in the U.S. each have an audit agency which employs auditors who are required (34 of the 50) or are encouraged to have professional licenses (NASACT 2018). These centralized state audit agencies are responsible for financial statement audits, performance audits, investigations, attestation engagements, and other accounting and review services for local governments and state agencies. In a significant number of states, these centralized audit agencies are exclusively responsible for the financial statement

audits of state agencies and/or local governments. In some other states, these agencies employ licensed CPAs to oversee or review audits conducted by external CPA firms.

The AICPA's focus appears to be on newly licensed CPAs (nlCPAs) who go to work for Big 4 firms, rather than those who go work for non-Big 4 firms, industry, and government. Licensing should serve to provide all graduates with a foundation that will serve them well regardless of their initial career placement and beyond their entry into the accounting profession. We point out that recent graduates (in the process of testing or newly licensed) may go to work for a centralized state audit agency or other government entity, and those who go to work for a public accounting firm are often assigned to government audits in their first year, particularly if they are hired outside of the corporate audit cycle. As governmental accounting professors, it is a refrain we frequently hear from recent graduates – that they were assigned to a governmental audit as one of their first engagements. Furthermore, given the significant historical turnover rates in public accounting firms, the misplaced emphasis on initial career placement ignores the need to prepare licensed CPAs for their subsequent position that is likely to be in industry or government.

2. Governmental audit quality has been a major concern to the AICPA, U.S. Government Accountability Office (GAO), and the accounting profession. In March 1987, the AICPA issued its *Report of the Task Force on the Quality of Audits of Governmental Units*. The Task Force considered governmental financial statement audits, as well as audits of federal funds, and recommended the 5 E's – Education, Engagement, Evaluation, Enforcement, and Exchange information. During this time period the AICPA's Task Force on Content Validity approved an increase of government and nonprofit (GNP) content from 10% to 25% of the accounting practice and theory sections of the CPA exam, as well as inclusion of governmental publications as part of the list of publications that CPA Exam candidates should study. In the past decade, the percentage of governmental coverage has dropped to 5-15% with complete removal of governmental content identified as a possibility. The relation between the 5 E's and governmental audit quality has been empirically established (Lowensohn and Reck, 2004). The marginalization of governmental accounting knowledge will therefore likely refuel issues of audit quality in this large sector of the U.S economy.
3. Removal of governmental topics from the CPA exam will reduce curricular offerings at colleges and universities. Theoretically, curricular decisions should be made based on a broader set of factors beyond licensing requirements. Practically, resource constraints and the emphasis on CPA exam pass rates will undoubtedly cause some universities to eliminate their GNP course(s). This will not only reduce the number of nlCPAs hired as governmental accountants and auditors with knowledge of government accounting, but it will also limit student exposure to not-for-profit topics that are often taught in tandem with governmental topics. Many nlCPAs either go to work for not-for-profit organizations or for CPA firms with not-for-profit practice units. Coverage of governmental and not-for-profit accounting is often limited to one course which may be the source of inspiration for some students to consider governmental and not-for-profit career paths (Martin and Waymire 2017). Removing GNP material from the CPA Exam will have the trickle-down effect of reducing the Education part of the 5 E's for both governmental and not-for-profit accounting.

If colleges and universities eliminate their GNP courses, we can expect fewer Ph.D. candidates in the field which will have an adverse effect on government and not-for-profit academic research. The natural extension of fewer teaching opportunities within GNP means that fewer professors will have the incentive to publish in these areas. The tenure-track faculty who research and publish in these sectors are also actively engaged in the profession and policy-making. Preserving the public interest depends critically on the supply of new Ph.D. graduates in this area to teach, research, and serve as resources to practitioners and policy-makers.

4. Government and not-for-profit accounting is described by the AICPA as a specialized area of accounting, but we point out that it is the only such area that is defined by sector of the economy, rather than type of accounting (like consolidations, for example). While the AICPA document contends that firms are responsible for training nCPAs in specialized areas, testing of GNP material on the CPA exam and its coverage in undergraduate and graduate level course remains critical for two important reasons. First, it is important for nCPAs to recognize that there is more than one U.S. standard-setter. Financial accounting is not the exclusive domain of accounting rules focused on for-profit entities and created by the FASB. Second, the government sector is defined by a fundamental difference in motive where the emphasis is on mission more so than on profit. This in turn results in significant differences in the accounting standards created by FASB versus by the GASB and FASAB. Newly licensed CPAs should have at least a baseline exposure to governmental accounting given the collective mission of the FASB and the GASB “to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and to educate stakeholders on how to most effectively understand and implement those standards (<https://www.accountingfoundation.org/aboutfaf>).” For the licensing process to ignore the GASB and the FASAB would be to disregard the stakeholders who depend on government financial reports.

The AICPA’s Practice Analysis document implies that only “understanding of the business” (page 11) is important to nCPAs. Given the size of the government market, linking knowledge of for-profit topics with baseline knowledge of the public sector presents numerous possibilities for the nCPAs. In addition, exposure to GNP accounting topics helps to reinforce financial accounting concepts learned in students' exposure to for-profit entities. The GNP course provides students with exposure to an alternative organizational structure, more than one basis of accounting required within the same entity, expanded critical thinking skills, and reinforcement of GAAP accounting and financial reporting for for-profit entities. With critical knowledge and skills at the heart of the CPA Exam, the ability of students to translate between the external financial reporting of government entities to that of for-profit entities should be a primary goal. Hence, the GNP class is a natural educational setting for Applying, Analyzing, and Evaluating (higher order learning verbs associated with Bloom’s Taxonomy) in an accounting context.

5. We appreciate the AICPA’s emphasis on data analytics and believe that government offers unique data opportunities to explore in GNP accounting classrooms. The faculty in our section are actively engaged in teaching data analytics using resources such as government

checkbooks, Federal Audit Clearinghouse data, and Smart City initiative. The transparency associated with governments makes their data readily available to their citizens, making the GNP course a natural setting for data analytics with real data. In a full analysis of the available data, Flasher (2019) compiles a list of the CAFR, checkbook, and open data portals for U.S. state governments that may be used in teaching government analytics.

Methodology

We commend the AICPA for following a multiple-step approach to the practice analysis. With that said, there are deficiencies in the approach, as well as ambiguity in its description. Our overarching concern related to methodology is the *lack of sufficient government representation in the process*. Without adequate government representation, the consequences related to governmental accounting coverage on the exam could not be adequately deliberated. It is not clear that the representation is proportionate to the total licensed CPAs or nCPAs who work directly for governments or who audit governments. Moreover, any process which seeks to fairly elicit the views of all stakeholders must actively work against ingroup (tendency to show favoritism to similar group members) and outgroup bias (tendency to discount the views of dissimilar group members) to ensure minority viewpoints are sufficiently represented.

We note the following specific deficiencies/concerns with the approach and omission of information:

- The representation from government in Phase 1 is almost entirely absent. Phase 1 firm meetings consisted solely of CPA firms (auditors), with no representation from industry or government and no indication of the level of involvement the selected auditors have with government clients. Phase 1 focus groups which followed consisted almost entirely of CPA firms (six of eight), with one of the two remaining focus groups representing state regulatory boards, and the other representing all of business, industry, and government. Despite the lack of government representation in Phase 1, there is no indication that participants suggested that state and local government accounting should be considered for elimination from the CPA exam.
- Phase 2 content rating panels were comprised of direct supervisors of nCPAs, but no additional information is provided about the composition of these panels. Participants' employment (public accounting, industry or government), role, and experience are not disclosed, but if consistent with Phase 1, the representation of government is insufficient. It is in this stage, where composition of the panels is unclear, where governmental accounting became identified as an area for potential elimination. Even the raters who discounted the value of government accounting as a topic on the CPA exam seem unsure of their conclusion, given a confidence rating of only 3.1 on a 5-point scale.
- Phase 3 confirmation panels also appear to use direct supervisors of nCPAs, although not the same individuals who were involved in Phase 2. There is no discussion of whether a feedback loop was completed to ensure that the views of the participants and recommendations from previous stages are accurately represented. Although the process should have been adjusted at the outset to ensure perceived minority views (we say perceived, as we have demonstrated the significance of the sector and the role of licensed and newly licensed CPAs in it) are adequately heard.

There is clearly a process failure to untangle *importance* from *popularity*, and the results of the practice analysis must be questioned given the absence of process adjustments to mitigate ingroup and outgroup bias.

Our Recommendation

Based on the foregoing, we make two statements. First, and most immediately, we believe that the level of testing of governmental material in the blueprint (FAR 24 through 28) should not be reduced as scheduled to begin July 2021. The application skill level of this content is important to the understanding of the governmental sector and to the demonstration of critical thinking skills. Second, related to the ITC and the longer-term strategy, we believe that it would be destructive to the career paths of nICPAs and to the public interest to eliminate state and local government accounting from the Uniform CPA Exam. We argue the opposite – ***that testing of governmental accounting should be increased***, and we urge the AICPA to consider this as well as ***expansion of topics to include the U.S. federal government*** given its economic impact.

We understand to this second point that the AICPA is in a consideration stage and will evaluate responses to the ITC, including our own. We are hopeful that the feedback received from government accounting and auditing stakeholders during the comment period makes the AICPA and the Board of Examiners more aware of the consequences of reducing or eliminating governmental accounting coverage on the CPA exam. ***As academics, we offer our resources as researchers and educators in evaluating the appropriate level of testing of governmental accounting material on the CPA exam.***

We appreciate your full consideration of our response.

Sincerely,



Suzanne Lowensohn, Ph.D., C.P.A.



Brian McAllister, Ph.D., C.P.A.



Tammy Waymire, Ph.D., C.P.A.

On behalf of the Government and Nonprofit Section of the American Accounting Association

References

Flasher (2019). Sunshine to Government - Opportunities for Engagement with Government Data. *Journal of Emerging Technologies in Accounting* In-Press. <https://doi.org/10.2308/jeta-52654>

Lowensohn and Reck (2004). Longitudinal Analysis of Local Government Audit Quality. *Research in Governmental and Nonprofit Accounting*, Volume 11: 213-228.

Martin and Waymire (2017). Filling the Demand for Municipal Government Accountants: The Benefits of a Governmental and Not-for-Profit Accounting Course. *Journal of Accounting Education*, Volume 40: 43-54.



March 5, 2020

American Institute of Certified Public Accountants (AICPA)

Transmitted electronically via: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft on Maintaining Relevance of the Uniform CPA Examination
Issued December 23, 2019

To whom it may concern,

The AGA, supported by its Higher Education Committee and Financial Management Standards Board members, offers these comments in response to the AICPA's Exposure Draft (AICPA ED) on Maintaining Relevance of the Uniform CPA Examination issued on December 23, 2019.

While we support the overall practice analysis (PA), AGA is extremely concerned about the AICPA's proposal to remove governmental accounting from the CPA exam and as such, offers the following specific comments as our rationale.

1. AGA supports the AICPA's Practice Analysis (PA) findings that identify a need to more broadly demonstrate technology's impact on the newly licensed CPA (nICPA) practice including:
 - a. Understanding business processes from inception to completion including automated aspects, risk identification and internal control mapping.
 - b. The need for a digital and data-driven mindset and the use of data analytics.
 - c. Increased reliance on internal control reporting, not just SOC 1 controls for service organizations as included in the AICPA ED, but more broadly inclusive of COSO and COSO ERM controls.
2. AGA is strongly opposed to the proposed removal of the content assessed in FAR Area IV – State and Local Governments as cited in B.b. and B.2. on page 8 of the AICPA ED. In answering the question B.2. on page 8 regarding whether the CPA exam should continue to assess accounting for state and local governments, our answer is a resounding YES!

Our rationale is as follows:

- a. There are approximately 93,000 state and local (S&L) governmental entities across the United States; many of these are multi-billion-dollar entities; and collectively, these 93,000 entities expend almost \$2 trillion dollars annually.



- b. Nearly all of these 93,000 entities require financial staff, including nCPAs, who must be prepared for their careers on day one.
 - c. Moreover, many of these 93,000 entities require financial audits. Therefore, thousands of CPA firms and state audit organizations in all 50 states and territories conduct governmental audits as part of their livelihood and all need staff, including nCPAs, with a working knowledge of governmental accounting.
 - d. The AICPA states that part of the CPA's responsibility is to protect the public. Every American, all 327+ million citizens of the United States, are affected by S&L financial reporting while only the stockholders of a single publicly traded organization (such as an IBM, GE, or Apple) are affected by the financial reporting of these entities. Removal of the S&L content is not in the public interest. Citizens must hold public officials of all 93,000 governmental entities to a higher threshold of accountability and this cannot happen without a solid foundation of S&L governmental accounting and financial reporting knowledge.
 - e. All of these 93,000 government entities and their accountants and auditors have focused responsibilities on internal controls and technologies. In fact, many governmental entities, especially federal agencies, are leaders in the use of and implementation of some of the most advanced technologies in the marketplace, including blockchain, artificial intelligence, and robotic process automation.
 - f. Removing governmental content from the CPA exam will also wreak havoc in institutions of higher learning as it will become increasingly more difficult to support teaching governmental accounting classes because "the CPA exam doesn't require it" despite the demonstrated need for the subject matter across the nation. This will negatively impact sound accounting academic programs, faculty, students, and the public interest.
 - g. Today, government entities are struggling to attract and hire recent accounting graduates. If there is a resulting decrease in the number of institutions that teach governmental accounting, there will likely be fewer accounting graduates with exposure to (and interest in pursuing) accounting careers in government. Our governments also deserve our best and brightest students.
3. AGA notes that on page 26 of the AICPA ED in Change Numbers 38 and 39, the AICPA proposes removing the application skill level of various components of S&L reporting (CAFR; Governmental, Proprietary, and Fiduciary fund financial statements; net position, fund balances interfund activities, transfers, and special items). If we understand the recommendations included in Change Numbers 38 and 39 correctly, these subjects will



no longer be tested in simulations but will remain in the theory (multiple choice) components of the CPA exam. If our interpretation is correct, the HEC reluctantly accepts retaining a minimal amount of S&L content *far more preferably to removing it entirely*.

4. However, the AGA calls attention to the contraindication between pages 26 and 36 within the AICPA ED regarding S&L content in the CPA exam. As mentioned in paragraph 3. above, our interpretation of page 26 is that at least some S&L government content will remain on the revised CPA exam, but relegated to the theory (multiple choice questions) rather than in application (simulations). Yet, page 36 of the AICPA ED indicates a *complete removal of all S&L government accounting* content from the FAR section of the CPA Exam. **Both cannot be correct.**

The AICPA's rationale is based on the notion that only a limited number of nCPAs need this knowledge upon the start of their career. However, we have demonstrated that over 93,000 entities and thousands of public accounting firms across the United States depend upon S&L accounting. Therefore, a significant percentage of financial accountants and auditors must have this relevant content upon the start of their careers.

If you have any questions, please feel free to contact Ann Ebberts at [REDACTED].

Respectfully,

Ann M. Ebberts
AGA, Chief Executive
Officer

Ernest Almonte
AGA, National President,
2019-2020

William A. Morehead
Chair, AGA Higher Education
Committee



Pennsylvania Association of School Business Officials

2608 Market Place, Harrisburg PA 17110-9358 | 717.540.9551 | FAX 717.540.1796

www.pasbo.org

May 28, 2020

American Institute of Certified Public Accountants,

On behalf of the Pennsylvania Association of School Business Officials (PASBO) Accounting Committee, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment* (ED/ITC).

PASBO is an association, 3,000 members strong, devoted to helping the business of schools stay on the right track through education, training, professional development and timely access to legislative and policy news.

The PASBO Accounting Committee strongly opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Pennsylvania's school districts already face a dearth of quality CPA leaders to guide increasingly complex operations that face tremendous public scrutiny. Additionally, the PASBO Accounting Committee believes the AICPA should consider the following:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters; thus, removing the period in which foundational knowledge of the subject is obtained and diminishing necessary expertise from the workforce. It is ironic that we have the opportunity to comment on this proposal during a time when Pennsylvania school business officials are attempting to develop next year's school budgets while working remotely due to the COVID-19 pandemic. With fewer CPAs available to provide informed, data-driven guidance, our SLG systems will be overseen by individuals lacking the foundation to make educated, effective decisions - this will prove to have costly ramifications on the taxpaying public. -
- SLGs should possess the ability to prepare their own GAAP compliant financial statements. Pennsylvania school districts already rely heavily on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of SLGs has contributed to delays in the length of time it takes for governments to issue their audited financial statements. There is ever-increasing public scrutiny and distrust of SLGs; with greater regulatory demands, including mandated accelerated filing deadlines to bondholders, that distrust will further erode the public's confidence in our SLG system.

It is ironic that we have the opportunity to comment on this proposal during a time when Pennsylvania school business officials are attempting to develop next year's school budgets while working remotely due to the COVID-19 pandemic.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me @ wilsonc@garnetvalley.org.

Regards,



Christopher J. Wilson, PCSBA, CPA

Chairperson, PASBO Accounting Committee



Association of Local Government Auditors

April 9, 2020

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449 Lewis Hargett Circle
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American Institute of Certified Public Accountants (AICPA)
Via email: practiceanalysis@AICPA.org

Re: AICPA's Exposure Draft and Invitation to Comment on Maintaining
Relevance of the Uniform CPA Examination, December 2019

To Whom It May Concern,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to share comments on the AICPA's Exposure Draft and Invitation to Comment on Maintaining Relevance of the Uniform CPA Examination, issued in December 2019.

ALGA represents 330 government audit organizations comprising more than 2,700 individuals. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

ALGA appreciates the AICPA's practice analysis (PA) process of ensuring the CPA Exam remains current with the profession. However, we are very concerned about the AICPA's proposal to remove governmental accounting from the CPA exam. ALGA offers the following comments and rationale:

1. ALGA agrees with the findings identified in the first phase of the Practice Analysis which included:
 - a. A need for nICPAs (newly Licensed CPAs) to understand business processes from inception to completion including automated aspects, risk identification and internal control mapping,
 - b. The need for a digital and data-driven mindset and the use of data analytics,
 - c. Increased reliance on System and Organization Controls for Service Organizations: Internal Control over Financial Reporting (SOC 1®) reports.
2. ALGA agrees with the AICPA's intent to monitor the SOC suite of services and their impact on nICPA practice, as there are other SOC reports that an nICPA should generally be aware of as well and that the AICPA may want to consider in their changes related to Group C, Topic 3.

3. The AICPA proposes the removal of the application skill level content related to change numbers 37, 38, and 39. ALGA understands, based on the results of the study, the desire to limit the questions and skill level related to governmental accounting. ALGA agrees with the changes proposed in change number 39.

4. However, ALGA prefers maintaining the application skill level associated with the format and content of the financial section of the comprehensive annual financial report (CAFR) identified in change numbers 37 and 38 rather than a complete removal, as is subsequently being considered in the document.

Reasons for keeping the application skill level are the same as those that support our opposition to removing the state and local government accounting content, provided below.

5. The Invitation to Comment Section on FAR – Accounting for State and Local Governments asks, “Should accounting for state and local governments continue to be assessed on the CPA Exam?”

ALGA is strongly opposed to completely removing the state and local government accounting content from the FAR section of the CPA Exam as suggested on page 36. CPAs, including nICPAs, in government have roles and responsibilities in auditing and financial accounting that are similar to their peers who work in public accounting and industry. The removal of state and local government accounting may result in unintended consequences on governments and the pipeline of future government accountants. Examples of possible outcomes of the removal include:

- a. The dedication of fewer resources, or the elimination of, governmental accounting courses in colleges and universities. The education requirements for the CPA generally include a concentration in accounting courses. If the CPA exam no longer requires an understanding of governmental accounting and focuses more on other areas, there may be a push for colleges and universities to shift their focus onto the other areas as well, or stop teaching governmental accounting altogether.
- b. The perception that a CPA license is not needed to conduct government audit and accounting work. However, many government organizations prefer and require CPAs for certain positions and internal audit functions, which often provide assistance to external CPA firms that conduct the financial statement audits, including the work performed by nICPAs.

The removal of state and local government accounting also appears to conflict with the mission of the CPA Exam to provide reasonable assurance that individuals seeking licensure have demonstrated the knowledge and skills necessary for a nICPA to protect the public interest in today’s business and financial environment. The CPA exam’s goal to ensure “demonstrated knowledge and skills necessary to protect the public interest” is a mission that extends beyond the financial assurance afforded by licensed CPAs. CPAs, including nICPAs are recognized and sought out in general for their education and awareness in broad and general concepts. The nICPAs are the future of audit and accounting in public accounting, industry and state and local government and as such, these broader areas should not be removed.

Further, the reports and management of state and local government accounting directly impact every member of the public. It is in the best interest of the public to ensure nI CPAs have a foundation and understanding of government and its accounting practices.

Thank you for the opportunity to provide these comments.
Respectfully submitted,

Victoria Classen, CPA, City of Colorado Springs, CO
Chair, Professional Issues Committee

Key ALGA Contributors:

Jennifer Bal, CPA, Manatee County Clerk of Circuit Court, FL

Holly Hart, CPA, City of Dallas, TX

Shirley McFadden, CPA, City of Raleigh, NC

Lise Valentine, CPA, City of Chicago, IL



April 25, 2020

American Institute of Certified Public Accountants,

On behalf of the California State Association of County Auditors (CalSACA), we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination*[®]: *An Exposure Draft and Invitation to Comment (ED/ITC)*.

CalSACA represents the Auditor-Controllers and Finance Directors of California's 58 counties, many of whom are CPAs and/or who have CPAs on staff and all who work with CPA firms on a regular basis.

CalSACA **opposes** the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC. Eliminating these questions on the CPA Exam sends the wrong message to the profession and potential CPA candidates.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance of SLGs. Nationally, there are over 90,000 state and local governments. Every one of these organizations needs professional accountants to ensure the public trust and integrity of the organization and their financial affairs. Additionally, there are many CPA firms that specialize in SLG, thus serving their communities and fulfilling their role to their profession and the public.

The AICPA's mission includes "protecting the evolving public interest". With over 90,000 state and local governments in the United States, the AICPA is excluding this segment of the profession and does not fulfil the AICPA's mission of protecting the public interest. CPAs, as a profession, are responsible for ensuring the integrity of financial accounting and reporting. CPAs in SLG share in the AICPA's mission and we have the responsibility to protect the public interest as we are "public servants". From the public's perspective, having the applicant understand the differences relating to State and Local Government promotes public confidence in the CPA designation. The newly licensed CPA should have a basic understanding of the differences in state and local government accounting and by retaining this component of the Uniform CPA Exam ensures that this basic understanding is present.

When recruiting professional accountants, the CPA designation provides State and Local Governments and CPA firms with confidence in selecting a candidate with this designation. We understand the candidate likely has a well-rounded education and technical background which includes the basic

C. RICHARD EBERLE, PRESIDENT
JEFFERY BURGH, 1ST VICE PRESIDENT • JUAN RAIGOZA, 2ND VICE PRESIDENT
CATHY SADERLUND, SECRETARY • TRACY SCHULZE, TREASURER



understanding of governmental accounting. The on-the-job training for the newly licensed CPA candidate is enhanced by this basic understanding.

Additionally, our organization believes that the AICPA should consider the following potential impacts:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have had difficulty recruiting for jobs requiring governmental accounting and reporting knowledge.
- The impact of this change will cascade to CPA firms specializing in SLG. By eliminating these questions from the CPA Exam you are sending a message of relative unimportance of this sector of public accounting. There is already a relatively small number of firms qualified to perform audits of state and local governments and this has contributed to the length of time it takes for governments to issue their audited financial statements. When soliciting for audit services, depending on the region, some of our counties have had few qualified candidates when procuring services of independent CPA firms, and/or have experienced delays in issuing statements because their audit firm is busy with other clients or inaccessible during certain times of the year.

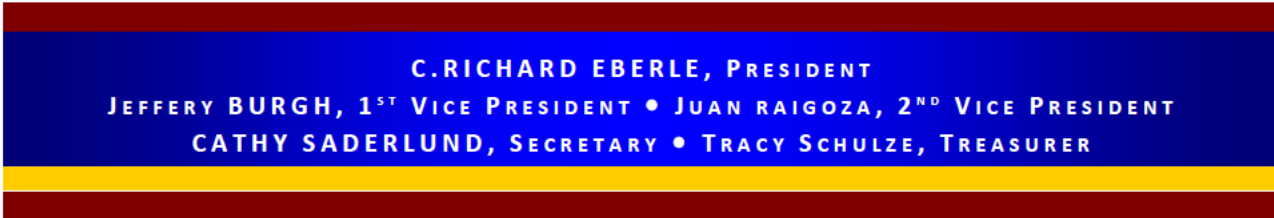
For the reasons stated above, we oppose the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments in the Uniform CPA Examination, which is outlined in the ED/ITC.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

A handwritten signature in blue ink, appearing to be "C. Eberle", written over a white background.

C. Richard Eberle, CPA
President, California State Association of County Auditors
Auditor-Controller, Yuba County, California



April 28, 2020

American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, North Carolina 27707-8110

VIA EMAIL TO: PracticeAnalysis@AICPA.org

Re: Proposed changes to the CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment

TO WHOM IT MAY CONCERN:

The California Society of Municipal Finance Officers (CSMFO) association was founded in 1958 and represents approximately 2,500 members statewide, including local government finance professionals in cities, counties, and special districts, as well as affiliated commercial business partners. CSMFO's mission is to serve all government finance professionals through innovation, collaboration, continuing education, and professional development.

CSMFO opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the Exposure Draft and Invitation to Comment.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy and in civic engagement. Additionally, the AICPA should consider that:

- Eliminating state and local government content may encourage colleges and universities to devote less curriculum to governmental accounting content, which may result in fewer accounting graduates with exposure to (and interest in pursuing) accounting careers in government.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

On behalf of CSMFO, thank you for the opportunity to comment on this proposal, and I would be happy to respond to any questions. I may be reached at [REDACTED]

Respectfully,



Steve Heide, CPA
CSMFO 2020 President

Finance Director
Chino Valley Fire District

Cc: CSMFO Board of Directors



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

P.O. Box 10270 • 301 South Bronough Street, Suite 300 • Tallahassee, Florida 32302-2270
Telephone: (850) 222-9684 • Fax: (850) 222-3806 • Web Page: www.fgfoa.org

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Brevard County Sheriff's Office

KELLY STRICKLAND, CPA, CGFO

Director of Financial Administration
City of Sarasota

PAUL SHAMOUN
Executive Director

April 24, 2020

Practice Analysis

American Institute of Certified Public Accountants

Via Email: practiceanalysis@aicpa.org

On behalf of the Florida Government Finance Officers Association we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*. The comments below were prepared based on a review by the Florida Government Finance Officers Association (FGFOA) members, its Technical Resources Committee, and its Board of Directors. The FGFOA's 3300 members include 682 CPA's, representing members employed by state and local governments, and by CPA firms. The professional finance officer's knowledge, integrity and dedication make certain that funds entrusted to governments are properly budgeted, disbursed and accounted for. This accountability is a key ingredient to ensure people's faith in government. Newly licensed CPA's knowledge of governmental accounting is vital to maintaining citizen confidence in their governments.

The FGFOA opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC (B)(b)(2).

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy, which is 11% of annual GDP as of March 2020 <per the Bureau of Economic Analysis>. Additionally, my organization believes that the AICPA should consider that:

- Given that colleges and universities tend to tailor their curriculum to the CPA exam content, eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. The members of our organization have encountered difficulty in recruiting staff experienced in the governmental arena at both state and local governments as well as at CPA firms. Elimination of the SLG accounting and financial reporting questions on the CPA exam, may indicate to potential CPA candidates the irrelevance or lack of importance of Governmental accounting. This will eventually result in fewer CPA's attracted to government.
- Governmental Accounting has its own standard-setting body (GASB), which has equal standing with the FASB. Having newly licensed CPA's in the workforce without knowledge of those standards renders them unprepared to engage in governmental accounting or auditing assignments with their employers whether in-house or CPA firms.

- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements. For those firms that do perform SLG audits in Florida, between 50% and 85% of professional staff works on SLG audits, and newly licensed CPA's employed there are assigned to those audits. Some members have reported difficulty getting qualified firms to respond to requests for proposal for governmental auditing services.
- The need for CPA's with government accounting knowledge is demonstrated by the sheer number of annual reports created and audits performed each year. In the State of Florida, there are more than 2,300 annual State and Local Government Audits performed by CPA's, all with year ends either June 30 or September 30 <Florida Auditor General>. This far exceeds the 461 Florida Headquarters SEC registrants requiring 10-k audits <EDGAR search>. Nationwide, there are over 89,000 local governments <2012 census data>, each requiring an annual audit. In summary, there is already a shortage of qualified governmental CPA's in practice now to support the thousands of required annual governmental audits. Removing the governmental questions from the CPA exam will only exacerbate this situation. Thank you, again for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,



Ken Burke, CPA
President



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

March 27, 2020

American Institute of Certified Public Accountants

To whom it may concern,

On behalf of the Government Finance Officers Association of the United States and Canada, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The Government Finance Officers Association (GFOA), founded in 1906, represents public finance officials throughout the United States and Canada. GFOA's more than 21,000 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions. GFOA's mission is to advance excellence in public finance, which includes accounting and financial reporting for state and local governments. GFOA has accepted the leadership challenge of public finance. This response was prepared by GFOA's standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR). The committee is composed of finance directors, accountants, and advisors from academia and public accounting firms who work for or represent state and local governments (SLGs) from across the United States, including many who are Certified Public Accountants in one or more U.S. states. The mission of the CAAFR is to promote excellence in state and local government financial management as it pertains to accounting, auditing and financial reporting.

GFOA opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLGs) in the Uniform CPA Examination (CPA Exam) which is outlined in the ED/ITC.

The proposed treatment of SLG accounting and financial reporting as a narrow specialty of concern to only the small proportion of Certified Public Accountant (CPA) candidates whose careers are currently expected to be spent serving government does not take into account the centrality of SLG activity to our economy and our democracy. With approximately 90,000 SLGs in the United States comprising approximately 40 percent of the nation's GDP, the current 15 percent maximum contribution of this subject matter to a CPA candidate's score is inadequate rather than being high. Moreover, while only a small percentage of CPA candidates may work in other specialized industries and practice areas, the overwhelming majority are likely to spend their entire careers – indeed, their lives – as citizens of U.S. state and local governments. While job-preparedness may be the appropriate primary focus for the CPA exam, it should never be forgotten that at the center of “Certified Public Accountant” is the *public*. No CPA should be wholly incapable of grasping the basics of financial position and results of operations of their communities' public entities. The AIPCA should not be proposing changes that would increase the likelihood of such an outcome; if anything, we believe that CPAs' education should enable and encourage their civic engagement.

Washington, DC Office

Federal Liaison Center, 660 North Capitol Street, NW, Suite 410 • Washington, DC 20001 • 202.393.8020 fax: 202.393.0780

www.gfoa.org

Recently there has been much concern raised by the Securities and Exchange Commission and others over the timeliness of financial statements for SLGs. In the experience of our members, a major contributor to the delays is the relatively small number of accountants who are qualified to prepare SLG financial statements and small number of CPA firms that are qualified to audit those financial statements. The rapidly increasing complexity of Generally Accepted Accounting Principles (GAAP) for SLGs does, we agree, require more skills, knowledge and experience than can be expected of a CPA candidate, thus requiring further specialized career development. However, without the introduction to SLG accounting and financial reporting that is afforded to candidates by the inclusion of the topic area on the CPA examination, we believe the opportunity to maintain and increase the population of qualified professionals will be irreparably diminished. This will only cause even longer delays in SLGs being able to issue audited financial statements.

By eliminating SLG accounting and financial reporting from the CPA Exam, the already insufficient number of CPA candidates with a basic understanding of SLG accounting principles will be significantly reduced.

Some of the effects of these ill-conceived proposals that we foresee are:

1. Education –

- a. If SLG accounting and financial reporting is eliminated from the CPA Exam, colleges and universities will devote even less of their curriculum to SLG matters, as these institutions focus on the skills needed to pass the CPA Exam. Many students entering the workforce will not have even the merest exposure to the topic or even recognize that SLG accounting and auditing is a specialization and possible career path.
- b. As colleges and universities further reduce and eliminate SLG accounting from their curriculums, support for critical academic research on SLG accounting and financial reporting will also be reduced or eliminated, depriving standard-setters of the understanding needed to ensure high-quality accounting and auditing standards and the citizenry of the most appropriate and reliable information about the collection and use of public resources.

2. Workforce –

- a. SLGs currently have difficulty finding qualified individuals to perform the accounting and financial reporting required for SLGs. The number of qualified individuals will be significantly reduced if the proposed changes go into effect. While CPAs may apply for SLG accounting positions, those with SLG accounting and financial reporting skills will be minimal. As current audit guidance makes clear, SLGs should be fully able to prepare their own financial statements in accordance with GAAP. In fact, however, many they are often already forced to rely on their auditors to prepare their financial statements, and this inappropriate dependency will only increase. *Government Auditing Standards* requires auditors to consider the preparation of financial statements by auditors be a significant threat

to auditor independence. Auditors have to document the safeguards in place to mitigate this risk, which includes assessing the skills, knowledge and expertise (SKE) of the SLG's management and accountants. The likelihood that a lack of SKE will impair auditor independence will be significantly heightened.

- b. SLGs have a limited pool of qualified public accounting firms to choose from to perform the financial statement and compliance audits. The complex nature of SLG accounting and financial reporting requires public accounting firms have knowledgeable staff to perform these audits. The same increased difficulties that SLGs will face finding qualified staff will also be felt by public accounting firms. Those firms that wish to start, maintain or expand audit and consulting services to governments will be even harder-pressed to recruit qualified candidates.

We understand that currently a disproportionate number of the professional ethics violations alleged and sustained by the AICPA's Professional Ethics Executive Committee pertain to the misapplication of technical governmental accounting and auditing standards. Based on this, we believe that it should be clear that these are subjects for which there are existing deficits of expertise among many CPAs and that these deficits are endangering the public as well as the public's trust of the profession.

Finally, we question whether the research and analysis by the AICPA outlined in the ED/ITC provides sufficient justification to eliminate SLG accounting and financial reporting from the CPA Exam. We would like to know, for example, of the various focus groups and accounting firms that were consulted for this project, how many participants were from SLG or from firms with a SLG-dedicated practice? We are concerned, based on the conclusions, that such representation may not have been adequate.

Thank you, again, for the opportunity to comment on this proposal and we would be happy to respond to any of your questions. Please feel free to contact GFOA's Director of Technical Services, Michele Mark Levine, by telephone at [REDACTED]

Sincerely yours,



Melanie S. Keeton, CPA, Chair
Committee on Accounting, Auditing, and Financial Reporting



Diane B. Allison, CPA, CGFO, Vice-Chair
Committee on Accounting, Auditing, and Financial Reporting



April 28, 2020

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

To Whom it May Concern:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the American Institute of Certified Public Accountant's Exposure Draft and Invitation to Comment – Maintaining the Relevance of the Uniform CPA Examination.

Below are our responses to the specific questions posed in the exposure draft and invitation to comment.

1. *How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.*

Overall, we do not believe that the findings align with the nICPA practice, given that there are many nICPAs who are not in public accounting. There does not appear to have been significant input from non-Public Accounting Firms when looking at Phase 1 of the exposure draft that dealt with Firm Meetings and Focus Groups. Specifically, as noted in the exposure draft, only one of eight focus groups (12.5%) included business, industry and government. Thus, since government is a sub-group of this focus group, government had very little representation.

Licensed CPAs serve the public interest by working directly for and auditing government entities, as well as participating as engaged citizens in their local communities. The magnitude of the sector requires appropriately educated accountants, auditors and engaged citizens to ensure the public interest. As the public demand for accountability in their government increases, along with the overall growth in business and governmental partnerships, it does not seem logical to remove the incentive for CPA professionals and the CPA profession in general to gain an adequate level of technical knowledge in the governmental sector.

However, we agree with the PA technology research regarding nICPAs needing to have increased knowledge and skills related to a digital and data-driven mindset, including data analytics requiring the use of Excel and evaluation of SOC 1 reports.

2. *Do you agree with the proposed Exam changes? If not, please explain your rationale.*

Overall, we do not believe that parts of the exam related to governmental accounting and auditing should be removed, implemented or changed in scope. Our specific comments based on change numbers are –



1 – We recommend maintaining the content that tests knowledge of the independence rules and ethical requirements of the U.S. Government Accountability Office. To protect the public interest, it is important that the skills necessary to apply the candidate's knowledge of independence and ethics rules be tested for all types of assignments, not just those for which they may already have experience. The majority of governmental audits must be conducted in accordance with Generally Accepted Government Auditing Standards and many of those audits are conducted by private CPA firms. Since governments are a broad category of non-SEC filers that must adhere to AICPA audit standards, we consider this information as essential for future CPAs.

21 – Single Audit work is not only common for newly licensed CPAs, but is also an area of focus for the AICPA's Enhancing Audit Quality initiative and was identified (along with governmental GAAP financial reporting) as an emerging risk area for peer reviews. Therefore, we believe the Board should retain this content.

37, 38 & 39 – Given that there are over 90,000 governmental entities, the ability to understand and apply how the government-wide financial statements work is an area nICPAs need. We believe a comprehensive exam that includes aspects of governmental accounting is necessary to maintain a competent governmental accounting workforce. If state and local government content is removed from the CPA Exam, fewer universities will teach governmental accounting. This will impact the comprehensive education of accounting majors, making them less prepared for a career in the public sector.

3. *Are there other areas affected by technology beyond the findings identified in the Practice Analysis – Findings section of this document broadly impacting nICPA practice that should be considered in future revisions to the CPA Exam Blueprints?*

We are in favor of expanded use of task-based simulations to take advantage of software capabilities.

4. *Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nICPA practice and the protection of the public interest?*

No additional content has been identified that should be considered for removal.

BEC Invitation to comment

Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)?

We agree with the AICPA's recommendation to remove the written communication question format from the CPA Exam. As stated, the current exam tested grammatical ability of the candidate not technical accuracy; as such, the written communication question provides no additional assurance of the competency of the candidate. In the event the essay question remains, we recommend the focus be on the technical accuracy of the subject matter.



FAR Invitation to comment

Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam?

We strongly believe governmental accounting should continue to be assessed on the CPA exam. The document states that “a large majority of nICPAs are required to have very limited or no knowledge of financial accounting and reporting requirements for state and local governments”; however, the same can be said for many different areas of study within the exam. A large percentage of CPAs, CPA candidates, and accountants are involved in state and local government accounting, either through direct employment with those entities or through audit, compilation and consulting work done through public accounting firms. It’s unclear to us whether the AICPA consulted with any governmental entities that audit statewide CAFRs, which we find concerning, despite their significance to the United States economy, financial markets and its citizenry.

We disagree with the statement on page 32 that indicates that state and local governmental accounting and financial reporting is specialized. We believe it is no more specialized than other topics in the FASB arena that are addressed in the content of the CPA exam. GASB standards are not incidental or subordinate to FASB standards; they are stand-alone GAAP, affecting thousands of entities in the United States. GASB is an equal standard setter to FASB and should not be relegated to second-class.

A reduction in, and especially the elimination of, governmental accounting in the CPA Exam would likely reduce the resources allocated by colleges and universities to governmental accounting education. Not only would this limit the exposure to important concepts in governmental accounting for future accounting professionals, it would severely impair the recruiting efforts of government organizations.

A significant risk to the profession of removing the state and local government content would be that the CPA exam and license will have far less credibility for the government sector and will become viewed as a “private sector” license. It would be a detriment to the profession to exclude this large category of professional accountants and auditors. It would further be a detriment to the CPA brand and to a CPA’s job opportunities to be viewed as only relevant or applicable to certain accountants working in the private sector rather than the premier certification for any and all accountants.

In addition to the practical consequences of this decision, contemplating the removal of governmental accounting from the CPA Exam conflicts with one of the core objectives of the CPA Exam itself: supporting the profession’s commitment to protecting the public interest. Thousands of Single Audits are conducted each year covering billions in taxpayer funds, much of which are expended by governmental entities. Promoting awareness of how these governments account for taxpayer funds is very much in the public interest and retaining governmental accounting on the CPA exam is a means to this end.

Finally, the current health and financial crisis has greatly increased the importance of a working knowledge of government accounting and reporting at all levels of government. With the unprecedented amounts of federal money being provided to the states, and in turn to many

National Association of State
**Auditors, Comptrollers
and Treasurers**



local governments, as a result of the CARES Act, we believe it is now more important than ever that CPAs be knowledgeable of state and local government accounting.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at [REDACTED].

Sincerely,

A handwritten signature in black ink that reads "Beth Pearce". The signature is written in a cursive, flowing style.

Beth Pearce
President, NASACT
State Treasurer, Vermont



April 22, 2020

American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

AICPA,

On behalf of Oregon Government Finance Officers Association, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

Oregon Government Finance Officers Association opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. Governments already are faced with the problem of training new staff government accounting and, when they go to work for smaller entities without training programs, new staff is faced with the task of teaching themselves government accounting.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me at rharker@cityofroseburg.org.

Oregon Government Finance Officers Association
6745 SW Hampton Suite 101 • Portland, OR 97223
Phone: 503-601-2777/866-757-9970 • Fax: 503-597-3668
www.ogfoa.org



Sincerely,

Ron Harker
Oregon Government Finance Officer Association President

Joanne Scafidi

From: Sheila Weinberg [REDACTED]
Sent: Wednesday, April 29, 2020 12:27 PM
To: Practice Analysis
Subject: Re: Comments for "Maintaining the Relevance of the Uniform CPA Examination"

Follow Up Flag: Follow up
Flag Status: Flagged

Thanks for your response Joe.

Below is my response. I inquired about the deadline, because I have reached out to others and wanted to know if the deadline had been extended.

+++++

The AICPA should remove the state and local government accounting content from the CPA Exam because state and local government accounting should more closely mirror corporate accounting. Unfortunately, that is not the case today in the United States.

Most CPAs are familiar with Generally Accepted Accounting Principles (GAAP) for corporations set by the Financial Accounting Standards Board (FASB), but another GAAP exists for state and local governments and it is set by the Governmental Accounting Standards Board (GASB). Recently government GAAP (GGAAP) took a step closer to corporate GAAP in that pension and retiree healthcare liabilities are now required to be reported on governments' consolidated balance sheets, known as the Statement of Net Position. But large differences between the two GAAPs still exist.

For example while the government-wide (consolidated) statements of states and municipalities are prepared using the full accrual basis, the governmental funds are prepared using the "modified accrual basis." The modified accrual basis of accounting is a hybrid between accrual and cash basis accounting with a focus on current financial resources available. Fixed assets and long-term debt are not included on the balance sheet. The accounting for the activities in the general and other governmental funds include loan proceeds and expenditures, not expenses. Therefore governmental funds statements only include the amounts elected officials chose to pay into the pension plans, not the benefits as they are earned and incurred.

This short-sighted modified accrual basis of accounting has supported government officials' claims that their budgets have been balanced (and even accumulated surpluses), while millions, if not billions, of dollars of debt, including unfunded pension and retiree health care benefits, have been incurred.

New Zealand and Australia successfully transitioned their government accounting systems to more closely match corporate accounting by using full accrual accounting. In the late 1990s, Ian Ball, Tony Dale, William D. Eggers, and John Sacco studied New Zealand's switch in "Reforming Financial Management in The Public Sector: Lessons U.S. Officials Can Learn From New Zealand." They urged GASB to follow the lead of New Zealand and Australia and switch to full accrual accounting for all government activities. The GAO has also noted that in Australia there are no longer government accountants and corporate accountants, but simply accountants. The accounting principles are so similar that accountants can easily switch from the public sector to the private sector and vice versa.

Instead of having governmental accounting on the CPA exam, the AICPA and CPAs throughout the country should work to change GGAAP to mirror corporate GAAP more closely. They should also work with state and local governments to move to full accrual budgeting.

There shouldn't be a need for governmental accounting on the CPA exam because accounting should be accounting and GAAP should be GAAP.

Thank you for your time and consideration,

Sheila

Sheila A. Weinberg
Founder & CEO
Truth in Accounting - www.truthinaccounting.org

118 N Clinton St, Suite 206
Chicago, IL 60661



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On Tue, Apr 28, 2020 at 7:12 PM Practice Analysis <PracticeAnalysis@aicpa.org> wrote:

Hi, we have not extended the deadline, which is 4/30. That being said, we want to be as flexible as possible. How much more time would you need?

Thanks,

Joe

Joe Maslott, CPA

Senior Manager – Examinations — Public Accounting

[Association](#) | [AICPA](#) | [CIMA](#)

Princeton South Corporate Center

100 Princeton South, Suite 200

Ewing, NJ 08628

[REDACTED]

[REDACTED]

AICPA Member Service: 888.777.7077 or service@aicpa.org

CIMA: cimaglobal.com/Contact-us/

From: Sheila Weinberg [REDACTED]
Sent: Tuesday, April 28, 2020 7:10 PM
To: Practice Analysis <PracticeAnalysis@aicpa.org>
Subject: Comments for "Maintaining the Relevance of the Uniform CPA Examination"

We hope everyone is safe in your organization. I was going to say safe and sound, but the second part of that is subjective during our quarantines.

My organization is drafting a comment in relation to government accounting. During this crisis, have you extended the time for people to submit comments?

Please let me know.

Thank you and stay safe,

Sheila

Sheila A. Weinberg
Founder & CEO
Truth in Accounting - www.truthinaccounting.org

[REDACTED]

[REDACTED]

[REDACTED]



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Joanne Scafidi

From: Underwood, Jill [REDACTED]
Sent: Friday, April 17, 2020 3:54 PM
To: Practice Analysis
Subject: Comment on proposal- Uniform CPA exam

Follow Up Flag: Follow up
Flag Status: Flagged



Virginia Government Finance Officers' Association
Financial Leaders

Developing Governmental and

8 East Canal Street
Richmond VA 23219
Phone: (804) 249-4525
vgfoa@valocalfinance.org
www.vgfoa.org

April 17, 2020

American Institute of Certified Public Accountants,

On behalf of the Virginia Government Finance Officers' Association we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*.

The Virginia Government Finance Officers' Association opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me [REDACTED]

Regards,

Jill Underwood

President, Virginia Government Finance Officers' Association

Jill W. Underwood
Director of Finance

Bedford Regional Water Authority
1723 Falling Creek Rd.
Bedford, VA 24523

Phone: [REDACTED], direct dial
Email: [REDACTED]





April 24, 2020

Mr. Jeffrey Hoops, CPA
Chair, AICPA Board of Examiners
American Institute of CPAs
Princeton South Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

Dear Mr. Hoops:

I am responding to *Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment*. I wish to acknowledge and express my appreciation to the Board of Examiners for its efforts to maintain the relevancy of the CPA exam through the practice analysis process. Clearly, the public's expectations of and reliance on the CPA community continues to grow. Notably, state boards of accountancy that protect the public through effective licensure and oversight of CPAs should ensure that individuals who pass the CPA exam possess the minimum level of technical knowledge and skills to practice in today's complex economic and business environment. As such, it is imperative for the profession to focus on the development of the critical knowledge and skills of those entering its ranks.

The speed and complexity of technological development creates both challenges and opportunities for our profession. Understanding the impact of those changes on operational processes, combined with the critical need for a digital, data-driven mindset and the ability to utilize data analytics, has become a basic requirement for members of our profession.

At the same time, as discussed below, I believe that it is critical that the CPA exam include the basic concepts and principles associated with government financial reporting and auditing for state and local governments, as well as the federal government, as critical skills and knowledge for newly licensed CPAs.

The following comments focus on all levels of governmental financial reporting, including the second question in the *Invitation to Comment*.

On page 36, FAR-Accounting for State and Local Governments asks, "*Given the considerations above, should accounting for state and local governments be assessed on the CPA exam?*" I strongly support the continued inclusion of basic concepts and principles associated with comprehensive annual financial reporting of state and local

government. Moreover, as discussed later, I believe that it should also include basic concepts and principles associated with federal financial statement reporting. Rationale for this position includes:

- Tens of thousands of members in our profession are employed by, contract with, or audit the over 90,000 government entities in the United States. Many of these entities are some of the largest in the United States, if not the world.
- Currently, many federal, state, and local government staff and auditors are required to have CPA certifications as evidence that they possess the competency to prepare and audit financial statements in accordance with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board and the Federal Accounting Standards Advisory Board (FASAB).
- Without a basic understanding of government financial reporting, the Board of Examiners risks impairing the profession's ability to protect the public interest and assist government officials, oversight organizations, and citizens in holding government organizations accountable for the stewardship of the public's assets.
- A key focus of many college and university accounting programs is preparing students to pass the CPA exam. I am concerned that the removal of any aspects of governmental accounting and reporting from the CPA exam will dramatically reduce the college and university curriculum in this area. The loss of such curricula will exacerbate the difficulty governments face to attract accounting graduates into a government career and negatively affect the knowledge base of new government auditors in both the public and private sectors.

While recognizing the importance of governmental accounting and reporting for state and local governments, the CPA exam continues to disregard the importance of federal accounting and reporting standards as promulgated by FASAB. The AICPA code of ethics and the auditing standards recognize and require adherence to GAAP applicable to federal reporting entities. The AICPA has recognized FASAB as the standard-setting body that promulgates GAAP for federal reporting entities since 1999. FASAB is celebrating its 30th year of existence and, to date, has issued 57 accounting and reporting standards.

The federal government is the largest issuer and guarantor of public debt and provides essential programs (Social Security, Unemployment Insurance, student loans, Medicare, Medicaid and many others) to a significant percentage of the population. The federal government's direct effect on all citizens and businesses is demonstrated even more dramatically in this current global health crisis. The sheer scale of federal government operations means there is a direct relationship between the federal government and other levels of government, as well as many industries and businesses. When the financial reach of the federal government is thoughtfully considered, it becomes apparent that a majority of the industry sectors are affected

(defense, pensions, healthcare, state and local governments, mortgage banking, insurance, financial institutions, etc.) by direct participation of the federal government.¹ As a result, a basic understanding of the federal financial reporting basics is essential for accountants not only in federal, state, and local governments, but also for those working in personal financial planning, estate and retirement planning, finance, public policy, media, healthcare, infrastructure, insurance, student loans, and grant programs. This also applies to the auditors of those thousands of entities.

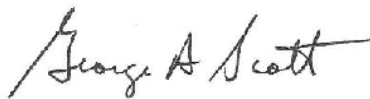
A CPA candidate needs to demonstrate an awareness and understanding of the different standard-setting bodies within the United States. As a practical matter, such awareness is essential to making the first-tier decision regarding the applicable financial reporting framework for many organizations. There are hundreds of federal grantees, such as colleges and universities, public-private partnerships, and quasi-governmental agencies. While most may fall under the jurisdiction of a standard-setter other than FASAB, some may be required to report financial information in accordance with FASAB standards.

The absence of a requirement for entry-level CPAs to be aware of the existence of GAAP applicable to federal government reporting entities will perpetuate a discontinuity and create a chasm in financial literacy within the profession. The addition of basic concepts of federal reporting could greatly increase awareness among the country's most trusted advisors and prepare CPAs to consider federal government issues encountered during their careers.

FASAB appreciates and supports the important role of the AICPA in maintaining the public trust associated with the CPA designation.

Thank you for this opportunity to respond to the exposure draft and invitation to comment. I would be pleased to speak with you if you have any questions or desire additional information.

Sincerely,



George A. Scott
Chair
Federal Accounting Standards Advisory Board

¹ The two phases of the federal coronavirus response—*Fight the Virus and Stabilize the Economy*—comprise over \$2.0 trillion and will leverage both the state/local governments as well as private sector industries. To that end, inter-governmental dependencies and public ownership of corporate capital will assuredly require a convergence of the three American GAAP frameworks. Moreover, the public's demand for transparency will create, in some cases, significant financial reporting challenges to non-governmental practitioners for years to come.



441 G St. N.W.
Washington, DC 20548

April 27, 2020

Mr. Michael Decker
Vice President, Examinations
American Institute of Certified Public Accountants
Princeton South Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

GAO's Response to the American Institute of Certified Public Accountants' December 2019 Exposure Draft and Invitation to Comment, *Maintaining the Relevance of the Uniform CPA Examination*

Dear Mr. Decker:

This letter provides GAO's response to the American Institute of Certified Public Accountants' (AICPA) exposure draft and invitation to comment, *Maintaining the Relevance of the Uniform CPA Examination*. GAO promulgates generally accepted government auditing standards (GAGAS), which provide professional standards for auditors of government entities in the United States.¹ GAGAS provides a framework for conducting high-quality audits of government awards with competence, integrity, objectivity, and independence.

GAO generally agrees with the practice analysis's (PA) direction, including its focus on the knowledge and skills required of newly licensed certified public accountants (nICPA). However, we are concerned about the exposure draft's proposed changes to GAGAS exam content. In our opinion, government auditing knowledge and skills are critical for nICPAs. We believe that the Uniform CPA Examination (CPA Exam) should maintain the current content related to GAGAS. In our view, auditors that have recently taken or passed the CPA Exam are regularly staffed to governmental audit teams, and it is crucial for nICPAs to have an understanding of and be able to apply GAGAS independence and ethics requirements when conducting these audits. The public interest in government spending, the number of organizations required to comply with government auditing standards, and the quality issues in this area demonstrate the need for the AICPA to test potential CPAs in government auditing standards.

We also encourage the AICPA to consider maintaining content related to government accounting standards. We believe that knowledge and skills in government accounting standards are critical for nICPAs. For state and local governments, the AICPA could consider focusing on fund accounting and how it differs from for-profit accounting. In addition, we strongly believe that the AICPA should include content in the exam related to basic concepts of federal accounting standards that the Federal Accounting Standards Advisory Board issues, which the AICPA has recognized as the generally accepted accounting principles (GAAP) standard-setting body for federal reporting entities since 1999. As noted above, nICPAs are often members of governmental audit teams, and it is critically important they are familiar with fund accounting. Similar to government auditing standards, government accounting standards have a far-

¹GAO, *Government Auditing Standards: 2018 Revision*, GAO-18-568G (Washington, D.C.: July 2018).

reaching effect on a large number of audits and the accountability of a major portion of the U.S. economy.

Governmental financial reporting and auditing are essential to public accountability and to an efficient and effective public sector. GAGAS serves a critical function in protecting the public interest and is highly relevant to the public accounting profession. The federal, state, and local governments' major roles in the U.S. economy underscore the need for nCPAs to understand GAGAS and for state and local government accounting requirements to help ensure the accountability and transparency of government funds.

It is important that the nCPAs' education and examination prepare them for work in the governmental arena, given the number of organizations required to comply with government auditing and accounting standards. As noted below, a substantial number of GAGAS audits are conducted each year. Several of the audits are performed on government financial reports. Audits that should comply with GAGAS include

- single audits,
- federal financial statement audits,
- federal contract audits, and
- other audits at the state and local government levels as required by law or regulation.

Single audits: According to the Federal Audit Clearinghouse, over 35,000 single audits were submitted in calendar year 2019. Entities such as state and local governments, nonprofit organizations, and Indian tribal organizations receive federal awards. Federal award recipients that expend \$750,000 or more in federal awards in a fiscal year are required to undergo a single audit, which is an audit of an entity's financial statements and federal awards, or a program-specific audit, for the fiscal year. The Federal Audit Clearinghouse also noted that state and local governments submitted approximately 15,000 of the single audits in calendar year 2019. According to the Federal Audit Clearinghouse, federal expenditures reflected in the audits submitted in calendar year 2019 exceeded \$1 trillion.

Federal financial statement audits: Annual financial reports are prepared for the federal government as a whole and by most federal government entities, which serve a broad range of sectors and interests in the U.S. economy. In 2019, CPA firms served as the financial auditors for 31 of 39 large federal entities that issued audited entity-wide annual financial statements. The other eight entities were audited by GAO or by their respective inspectors general.

Federal contract audits: For example, the Defense Contract Audit Agency (DCAA) provides audit services to the Department of Defense and other federal entities and plays a critical role in overseeing companies that provide billions of dollars of goods and services to the federal government. DCAA generally conducts its contract audits in accordance with GAGAS and AICPA attestation standards.

Other audits at the state and local government levels: Auditors at the state and local government levels may be required by state and local laws and regulations to follow GAGAS. Also, such auditors may be required by the terms of an agreement or contract to follow GAGAS.

In addition, professional organizations, including the AICPA, have raised concerns about the quality of governmental audits. Often, the source of these concerns is inconsistencies in the

application or understanding of government auditing standards. Significantly, the AICPA established its Governmental Audit Quality Center to help CPA firms meet the challenges of specific high-risk areas of practice. We believe that the AICPA could further its efforts to raise the profile and improve the understanding of government auditing standards by expanding the coverage of GAGAS on the CPA Exam.

We encourage the AICPA to maintain the exam's current GAGAS and state and local accounting government content. We believe that knowledge and skills in this area are important for nCPAs. The AICPA asked specific questions in its request to comment. We respond to these questions below.

Request for Comment

A. Comments requested on the next version of the Uniform CPA Examination (CPA Exam) as defined in this exposure draft (ED).

- a. Understanding the business, digital and data-driven mindset and data analytics, and reliance on System and Organization Controls for Service Organizations: Internal Control over Financial Reporting (SOC 1) reports have been identified as the three primary findings affected by technology and impacting the profession and newly licensed CPA (nCPA) practice.**

- 1. How do the findings align with the changes you see impacting nCPA practice? If the primary findings do not align with the changes you see impacting nCPA practice, please provide your view and explain your rationale.**

The primary findings of the practice analysis align with the changes that GAO sees affecting nCPAs. We agree that there is a significant increase in reliance on SOC 1 reports and that nCPAs need to understand such reports in the context of the audited entity's internal controls.

- b. The Auditing and Attestation (AUD) and Business Environment and Concepts (BEC) section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. See changes 7, 8, 13, 23, 26, and 27. The PA findings support this more integrated approach to better assess the knowledge and skills required of nCPAs. These changes add, reorganize, and emphasize content.**

Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed. The proposed deletions and changes are also described in the Proposed Exam Changes section of this document.

- 2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).**

As noted above, we are concerned that the Blueprint proposes reducing the tested skill level of GAGAS independence and ethics requirements (change 1). In our opinion, an understanding of GAGAS is critical for nCPAs given the expansive use

of GAGAS. We believe that the GAGAS independence and ethics requirements should continue to be tested at the application skill level.

We agree with the changes that add, reorganize, and emphasize content to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. In particular, we agree with the revisions proposed at change 8 to consider the control environment, significant business processes, and information technology systems more broadly as part of understanding an entity's internal control.

In our view, the AICPA should also consider including exam content related to *Standards for Internal Control in the Federal Government (Green Book)*² in the internal control frameworks content group of the BEC exam section. Entities subject to single audits are required to establish internal controls and can elect to adopt the Green Book as an internal control framework. Federal, state, and local governments also may use the Green Book as a framework for their internal control systems. Given its use throughout the accountability community, we believe that nICPAs should be aware of the Green Book and how it relates to the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control - Integrated Framework* (revised in 2013).

c. Technology constantly evolves and will continue to impact the work of nICPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nICPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

We have not identified any other areas affected by technology beyond the findings in the Practice Analysis — Findings section broadly affecting nICPA practice that should be considered in future revisions to the CPA Exam Blueprints.

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nICPA practice and the protection of the public interest? If so, describe them.

We have not identified any additional content that should be removed from the CPA Exam.

B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

²GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington D.C.: September 2014).

a. **The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.**

1. **Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.**

We agree with the recommendation to remove the essay question. Given that it is not feasible to assess accounting and auditing content knowledge along with basic writing skills through the essay question, we agree with the AICPA's rationale for removing the essay question from the exam.

b. **Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nCPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.**

2. **Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.**

In our view, government accounting standards should continue to be assessed on the CPA Exam. As noted above, according to the Federal Audit Clearinghouse, state and local governments submitted approximately 15,000 of the single audits in calendar year 2019, approximately 40 percent of all single audits submitted that year. In addition to those subject to single audits, other state and local governments prepare financial statements. The AICPA could consider focusing on fund accounting and how it differs from for-profit accounting as a way to make this section of the exam more applicable to nCPAs. In addition, we strongly believe that the AICPA should include content in the exam related to basic concepts of federal accounting standards that the Federal Accounting Standards Advisory Board issues, which the AICPA has recognized as the GAAP standard-setting body for federal reporting entities since 1999. Newly licensed CPAs with knowledge and skills in these areas are vital to effective governmental accounting, financial reporting, and auditing. We believe that testing government accounting concepts should be a priority for the AICPA.

Thank you for the opportunity to comment on these important issues. If you have questions about this letter or would like to discuss any of the matters it addresses, please contact me at (202) 512-3133 or dalkinj@gao.gov.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin". The signature is fluid and cursive, with a long horizontal stroke at the end.

James R. Dalkin
Director
Financial Management and Assurance

April 30, 2020

Board of Examiners, Content Committee, Content Subcommittees
AICPA
Princeton South Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

Dear Chair Hoops and Members of the Board of Examiners, Content Committee, and Content Subcommittees:

We appreciate the opportunity to respond to the American Institute of Certified Public Accountants (AICPA) Exposure Draft and Invitation to Comment, *Maintaining the Relevance of the Uniform CPA Examination*. This response was prepared by the Governmental Accounting Standards Board's (GASB) staff with input from individual GASB members. The final draft response also was provided to individual GASB members for additional input before submission. Official positions of the GASB are determined only after extensive due process and deliberation.

Over the years, we have noted a decline in the coverage that governmental accounting has been afforded in the Uniform CPA Examination. We respectfully remind the AICPA that the standards issued by the GASB are US GAAP. Unfortunately, many individuals and organizations (including those that developed and approved these AICPA proposals) only refer to the Financial Accounting Standards Board (FASB) in the context of US GAAP—see page 25 of the document (reference to differences between IFRS and US GAAP). We are deeply concerned that certain proposals in the Exposure Draft would hasten the decline in coverage of governmental accounting in the CPA exam and reinforce the incorrect conclusion that the FASB is the only US GAAP standards setter. Even more troubling is the proposal in the Invitation to Comment related to governmental accounting that would unequivocally make this point. We strongly believe that all US GAAP standards need to be fully integrated into the Uniform CPA Examination and that *none* of the proposed changes related to GASB standards are in the public interest.

Our detailed response is divided into four sections with closing comments. The first section presents background information on the state and local government environment, including standards setting and the implications that the proposed changes would have on that environment. The second section presents specific

comments on the proposals in the Exposure Draft. The third section presents specific comments on the proposals in the Invitation to Comment. The final section focuses on the unintended consequences associated with the proposed changes. The comments provided are limited to areas that specifically address governmental accounting and auditing.

Background

Government is an integral part of the US economy and even more so during times of crisis. Government revenue, including the federal government, is estimated to be 37 percent of the gross domestic product. Of the over 90,000 state and local governmental entities, over 50,000 of those entities issue public debt (almost four times larger than public companies). Even governments without debt normally require an annual audit, and all require some form of public accountability. Governments often are referred to by the uninformed as a specialized industry. Obviously, that is not the case. Governments are a significant economic sector with, as previously emphasized, its own US GAAP standards setters.

Governmental accounting and financial reporting objectives differ significantly from those of for-profit and not-for-profit entities, as reflected in the separate conceptual frameworks and standards of the FASB and the GASB. For example, for-profit accounting and reporting focuses on determination of net income and return to owners with revenue principally coming from exchange transactions with customers. In contrast, state and local government accounting and reporting focuses on the provision of public services and financial accountability to citizens with revenues principally coming from nonexchange transactions such as taxes and fees. Thus, core knowledge of the conceptual framework and standards of the FASB does not result in core knowledge of the conceptual framework and standards of the GASB and vice versa. Core knowledge of both is needed to protect the public interest and equip new CPAs with a portion of the knowledge, skills, and abilities they need for professional success.

Governmental accounting and reporting are significant to all CPAs as citizens and are directly significant to AICPA members:

- A significant percentage of AICPA members currently work for governments or will work for governments during their career.
- Over 2,000 accounting firms and a number of state auditor's offices are members of the AICPA's Government Audit Quality Center (GAQC). These firms and state auditors, as well as other firms who are not GAQC members, perform financial statement and compliance audits of or provide advisory services to state and local governments. Those audit and advisory engagements are a vital part of protecting the public interest and are relied upon by the federal and other government resource providers as a condition of providing intergovernmental financial assistance.

We recognize that nearly all of the larger CPA firms that perform governmental audits and larger government preparers provide some form of inhouse training on new GASB standards and current governmental accounting and auditing issues. Likewise, many small and medium size CPA firms and preparers from governments of all sizes obtain

training on new GASB standards and governmental accounting and auditing issues through CPE courses from the AICPA or other providers. However, it is important to note that existing core competencies are assumed as a prerequisite for this training. Without an introduction to governmental accounting and financial reporting in a university accounting course, as noted below in the adverse consequences section of this response, these core competencies would not exist.

Comments on the Exposure Draft

In the past, there was a balance of governmental accounting questions in both the application content and in the remembering and understanding content of the CPA exam. Based on anecdotal discussions with GASB postgraduate technical assistants that have recently taken the CPA exam, there already appears to be a movement away from application questions to remembering and understanding questions in the exam. Unless there is a substantial increase in the weighting of this skill (currently only weighted 10–20 percent of the FAR section of the exam), the proposal (Change 37, Area IV, Group B, Topic 1, Blueprint page number, FAR 24) to eliminate state and local government questions from the application skill level context (currently weighted 50–60 percent of the FAR section) effectively would trigger the adverse consequences noted in this response. We recognize that this recommendation is based on feedback from the practice analysis; however, we have anecdotal evidence that partners in charge of their firms' state and local government practice were not consulted as part of the AICPA's outreach efforts. Without their input or input from CPAs that work for state and local governments, we are not surprised by the findings. However, we challenge whether the findings are accurate given the lack of input from these important stakeholders.

Based on the proposal, the only logical outcome would be that the current state and local government allocation (currently 5–15 percent of the FAR section) would be significantly reduced to levels near or below the lower end of this range. Given the importance of the public sector and the fact that the state and local government questions should be attempting to cover the same content devoted to the FASB standards (conceptual framework, standards-setting process, financial reporting; selected financial statement accounts; and selected transactions) relegating the governmental coverage to remembering and understating signals that this important sector is not important at all. In a section of the CPA exam that currently has approximately 66 questions and 8 task-based solutions (none of which would be devoted to government based on this proposal), a candidate could miss every question related to state and local government accounting and financial reporting and still pass the examination, thus resulting in the adverse consequences outlined below.

Comments on the Invitation to Comment

Given our strong objections to the Exposure Draft proposal and the reasonable certainty that it would trigger adverse consequences, we adamantly object to the proposal presented in the Invitation to Comment. We strongly believe that elimination of the few governmental accounting and financial reporting application skill level questions retained after the implementation of the Exposure Draft proposal would not be in the public interest.

We also believe that this proposal directly counters past AICPA efforts, including the important role that the AICPA played in the creation of the GASB, the recognition by the AICPA of the GASB as a US GAAP standards setter, and the work that the AICPA's GAQC has done to improve government audits. We are gravely concerned that the actions related to the Uniform CPA examination could be viewed as the AICPA marginalizing the GASB and governmental accounting and financial reporting as a whole.

Adverse Consequences

Higher education is the principal means by which future CPAs initially acquire core competencies. A decision to significantly reduce (Exposure Draft proposal) or not test (Invitation to Comment proposal) governmental accounting and reporting core competencies on the Uniform CPA examination would have a significant negative impact on the level of attention devoted to our sector in higher education. Those changes also could have a significant negative impact on future CPAs who are preparing to work in the government sector or to audit and advise governmental entities, and could even negatively impact the supply of future CPAs who are interested in working in the sector.

- Most universities teach to the CPA exam. If these proposals are implemented, the result likely would be elimination of specific courses on governmental accounting and financial reporting. (Many of these courses also include the only coverage of not-for-profit accounting and financial reporting in the curriculum.) This would eliminate an opportunity to establish core competencies.
- It also would result in significantly reducing research opportunities that enhance the GASB's ability to issue high-quality standards in the future and provide users of governmental financial statements, including citizens, legislative bodies, and the financial community, with information to assess accountability and inform decisions. Without professors teaching governmental accounting, there likely would be significantly less interest in exploring research in this sector.
- There is a trend at universities to hire adjunct professors to replace retiring professors that teach governmental and not-for-profit accounting. One of the reasons for this trend is the lack of adequate databases to support research efforts by PhD candidates and tenure track professors. Several stakeholder organizations are supporting efforts to encourage dissertations on governmental accounting issues and research that supports the accounting standards-setting process. (The AICPA currently does not have such a program.) Without governmental accounting on the CPA exam, there would be less interest from the academic community in these efforts; with the elimination of that research support being the more likely outcome.
- The work of the GAQC is directly and indirectly supported by the academic community. Without more than an insignificant presence of governmental accounting on the CPA exam, there would be less (or likely no) interest from the academic community in the work of the GAQC.
- The massive turnover of government employees as the result of the retirement of the baby boomer generation exacerbates the need for governmental accounting

April 24, 2020

Board of Examiners
Examinations Team
American Institute of Certified Public Accountants
Parkway Corporate Center
100 Princeton South, Suite 200
Ewing, NJ 08628

[Via Email: practiceanalysis@aicpa.org](mailto:practiceanalysis@aicpa.org)

Re: An Exposure Draft and Invitation to Comment—Maintaining the Relevance of the Uniform CPA Examination

The Office of the Chief Auditor ("OCA") of the Public Company Accounting Oversight Board ("PCAOB" or "Board") welcomes the opportunity to comment on the American Institute of Certified Public Accountants' ("AICPA's") Exposure Draft and Invitation to Comment on *Maintaining the Relevance of the Uniform CPA Examination* ("ITC").¹

The PCAOB is a private-sector, nonprofit corporation, created by the Sarbanes-Oxley Act of 2002 ("Act"), to oversee the audits of companies that are subject to the federal securities laws in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. Section 103 of the Act directs the PCAOB to establish auditing and related professional practice standards to be used by registered public accounting firms in the preparation and issuance of audit reports. OCA provides advice to the Board on the establishment of such auditing and related professional practice standards, as well as advice on the application of professional standards in all areas of the PCAOB's activities.

We support the efforts of the AICPA's Board of Examiners ("BOE") to undertake periodic practice analysis to ensure that the CPA examination responds to changing circumstances, expectations, and demands and remains current to the profession.

Our specific comments in response to the request for comment on the next version of the CPA Exam and on the future of the CPA Exam content and structure changes are outlined below.

¹ The views expressed in this letter are those of the PCAOB's Office of the Chief Auditor and do not necessarily reflect the views of the Board, any Board member, or other staff of the PCAOB.

A. Comments related to the next version of the CPA Exam

Comments on Findings

We agree with the findings of the BOE's practice analysis related to technology's impact on newly licensed CPAs ("nICPAs"). As technology continues to evolve and new tools emerge, nICPAs will increasingly need to draw on a broader range of skill sets to perform competently in an ever more complex environment.

Technological advances give auditors tools to improve the efficiency and effectiveness of audits, but these tools do not eliminate the fundamental need for auditors to understand their clients' businesses, including information and data flows. We believe that advancements in technology and related changes to day-to-day business operations will make this understanding even more critical in planning, designing, and performing the audit. Accordingly, we agree with placing more emphasis in the exam on concepts related to understanding the business, information and data flows, risks and related internal controls, and we support your suggested approach to testing these concepts on a more integrated basis.

We also support adding and expanding on content related to the use of data, specifically focusing on understanding the availability and reliability (i.e., completeness and accuracy) of data. We caution the BOE to avoid terms such as audit data analytics since our understanding is that these terms can and do mean different things to different people. We think that the exam should continue to remain tool-agnostic and focus on the use of simple technologies in task-based simulations, such as Microsoft Excel, which continues to be the most widely used software by businesses. The required use of Microsoft Excel to sort, filter, and compare data sets to determine trends, identify missing or duplicate transactions, or highlight anomalies within data would also provide an opportunity to test underlying knowledge and skills that may be relevant to using more complex technology tools.

As businesses are increasingly outsourcing their business processes and information systems to third parties, we agree that nICPAs need to demonstrate an overall understanding of the types of SOC 1 reports that might be available, how to interpret them, the implications to a client's system of internal control, and the effect on planned audit procedures.

Comments on Specific Changes

We understand that as new topics receive greater emphasis on the exam, other topics will need to be de-emphasized or removed from the Blueprints. We reviewed proposed changes to the exam, including topics proposed to be removed or de-emphasized, and have observations in the following areas:

- Change #4 - AUD 11 – Group F. We suggest retaining the concept related to communication with component auditors but testing it at the basic understanding level. Component auditors are used frequently with the large number of multi-national companies and, in our view, nCPAs should be aware that such relationships exist and of the importance of effective communication between component auditors and group engagement teams.
- Change #5 - AUD 11 – Group G. We suggest retaining the concept of a firm's system of quality control instead of narrowly focusing on quality control at the engagement level. Both concepts are increasingly important to the profession and nCPAs should at least have a broad knowledge about the requirements for firms to have a quality control system and how firm level quality control systems interact with and support quality control at the engagement level. The concept of a firm's quality control would be especially important for those nCPAs who decide to start their own practice or who work for a small firm where they may be expected to assume some firm level QC responsibilities.
- Change #8 AUD 13 and AUD 14 – Group C. We suggest replacing the use of the term "key control" with "relevant controls" since the term "key" is not defined in professional standards, and therefore will not necessarily be consistently understood. In addition to including the reference to manual and application controls, we suggest also adding reference to IT-dependent controls. These controls may be manually performed by individuals, but rely on computer-generated information.
- Change #10 AUD 16 – Group G. We believe the concept related to the use of the internal audit function should be retained considering frequent use of internal auditors by companies. It is important for nCPAs to have an overall understanding of the requirements around the use of the work of others, including the internal auditors. In addition, the work of internal auditors feeds into auditors' understanding of the business and internal controls.
- Change #12 AUD 18 – Group A. We suggest expanding the content on audit evidence to emphasize considerations relevant to the use of evidence in digital form. We also suggest emphasizing the content related to the increased use of cloud-based systems, either in this section or the section related to use of service providers.
- Change #36 FAR 23 – Group L. We believe the nCPAs should be generally aware of IFRS, so we suggest retaining the concept at a basic understanding level, but we support eliminating the inclusion of content relating to testing of differences between IFRS and U.S. GAAP.

B. Comments related to the future of CPA Exam content and structure changes

We understand the challenges with administering the written portion of the exam, but encourage the BOE to continue researching ways in which the testing of communication skills can be retained and enhanced. Communication skills are

essential for all CPAs, including nCPAs, in many phases of the audit, including client communication and audit documentation. While technological advances will continue to provide tools that may replace manual processes, communication skills cannot be automated or replaced by technology. Effective oral and written communication will remain essential to the accounting profession. For example, in light of the new requirement for auditors to communicate critical audit matters, communication skills are arguably even more important now than in the past. We also believe that removing the testing of communication skills on the exam may send the wrong message to academia, and inadvertently result in de-emphasizing the teaching of these fundamental skills to those studying to enter the profession.

In addition to the recommendation to keep the written portion of the exam, we continue to recommend more emphasis on professional skepticism in the exam. Professional skepticism is an important audit requirement that is essential to the performance of effective audits. Regardless of an auditor's technical knowledge and data analytics skills, the audit will not be effective if the auditor is not also skeptical. The ability to effectively exercise professional skepticism may be enhanced through the use of technology, but auditors should be mindful that they are not over-reliant on data analytics or overly trusting of information that they produce. As innovative as the new technological tools are, or will become, they nonetheless are not substitutes for the auditor's knowledge, judgment, and exercise of professional skepticism. Accordingly, we recommend the BOE to continue exploring ways to enhance the testing of the understanding and proper application of professional skepticism throughout the exam.

If you have questions or comments on this letter, please feel free to contact me at [REDACTED].

Sincerely,

Megan Zietsman
Chief Auditor and
Director of Professional Standards
Office of the Chief Auditor

cc: William Reeb, Chairman, AICPA Board of Directors
Barry C. Melancon, President and Chief Executive Officer, AICPA
Laurie J. Tish, Chair, NASBA
Ken L. Bishop, President and Chief Executive Officer, NASBA



National Association of State Boards of Accountancy

◆ 150 Fourth Avenue North, Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615.880-4200 ◆ www.nasba.org ◆

April 30, 2020

Board of Examiners
American Institute of CPAs
100 Princeton South, Suite 200
Ewing, NJ 08628

Via Email: practice@aicpa.org

Re: Exposure Draft: Maintaining Relevance of the Uniform CPA Examination

Dear Board of Examiners and Staff:

We are pleased to respond to the request for comments from the American Institute of CPAs' (the "AICPA") Board of Examiners (the "BOE") on its *Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment* (the "Exposure Draft and ITC"). The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (the "Boards"). Our comments are made in consideration of the Boards' mandate to protect the public interest.

We support the AICPA and BOE in this important endeavor of conducting a practice analysis to ensure that the Uniform CPA Examination (the "Exam") continues to test the minimum competencies needed to become a licensed Certified Public Accountant. The Boards of Accountancy rely on this Exam, along with education and experience requirements, as stated in their Accountancy Acts, as they make the important determination of qualification to become a newly licensed CPA (nlCPA). Given the significance of the Exam to all Boards of Accountancy, they have relied upon NASBA to monitor this practice analysis process closely on their behalf.

In furtherance of the above, NASBA offers the following comments on the Exposure Draft and ITC.

RESPONSE TO EXPOSURE DRAFT AND ITC QUESTIONS

Section A – Comments requested on the next version of the Exam as defined in the Exposure Draft

1. *How do the findings align with the changes you see impacting nlCPA practice? If the primary findings do not align with the changes you see impacting nlCPA practice, please provide your view and explain your rationale.*

We agree with the broad findings identified by the AICPA practice analysis being nICPAs need to have increased knowledge and skills related to:

1. Understanding the business
2. Digital and data-driven mindset, including data analytics, and
3. Reliance on System and Organizational Controls (SOC1) reports.

In alignment with those findings, we strongly believe that the AICPA should continue to focus on testing higher-order cognitive skills in conjunction with content. CPAs, even those who are newly licensed, are expected to perform at more advanced levels due to the increased use of technology and outsourcing for relatively basic tasks. Given that expectation, we encourage the AICPA to continue to evolve the Exam by introducing additional analysis and evaluation simulations across the sections. nICPAs must typically make decisions about such things as the appropriateness of accounting methods used and correct tax treatment of items, which involve a moderate degree of complexity and uncertainty.

We were somewhat surprised to see reference to addition to the Exam of only testing some knowledge of SOC1 reports. Our stakeholders note that reliance on SOC 2 reports is also becoming more prevalent by businesses, and therefore their shareholders and customers. As the AICPA looks toward CPA Evolution, we believe that additional trust services such as SOC 2 engagements should be considered for inclusion.

We do also understand that the AICPA presumes that all nICPAs are supervised in everything that they do and that the practice analysis and the discussions with firms, focus groups, content rating panels and confirmation panels were conducted under that premise. It was noted a number of times in our discussions with Boards regarding the response to the Exposure Draft and ITC that small firms in states with fewer practitioners do not have the luxury of multiple levels of supervision of work or extensive firm-wide training programs for nICPAs. Such firms more heavily rely upon the education system and Exam to prepare their nICPAs to be ready to conduct complete audits. Such nICPAs are supervised and trained, but not to the depth assumed in some areas within this Exposure Draft and ITC. We also note that when licensed, with self-assessed competency, a CPA is afforded the right to sign audit and attestation reports.

2. *Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number.*

2.1. Change 2 – Group C: Terms of engagement. Topic 1: Preconditions for an engagement.

While we agree that nICPAs in many firms are not often required to perform precondition procedures, the underlying concepts are fundamental to the CPA / client relationship and could be considered unified with the client acceptance and continuation decision-making process. Given this, we believe that such procedures should remain in the body of knowledge and still be tested at the remember-and-

understand and the application skill levels. Board members in states with a higher representation of small firms were especially concerned about this change.

2.2. Change 18 – Group D: Specific matters that require special considerations. Topic 5: An entity’s ability to continue as a going concern

This is a topic area where we believe that testing of critical thinking skills is warranted. In firms where nCPAs are responsible for completing many small engagements, it is possible that they will be required to perform procedures to assess management’s evaluation and conclusions regarding an entity’s ability to continue as a going concern. We also believe this is a fundamental concept that all CPAs, even those who are newly licensed, should understand and be able to apply.

2.3. Change 20 – Group G: Subsequent events and subsequently discovered facts

We believe that the topic of subsequently discovered facts is a unified topic with subsequent events. One never knows when the lowest staff classification might be the first to learn of a subsequently discovered fact significant to an already issued report. This topic is fundamental to the reporting process and should not be deleted.

2.4. Change 27 - Group A: Understanding of information technology (IT). Topic 3: Data

Change 27 states that content will be added that is related to data but does not provide any further explanation of specifics. Data analytics is increasingly important and a nCPA needs to be able to analyze raw data to draw informed conclusions. We recognize that audit analytics is being added in Change 14 but encourage its emphasis by its retention in this area of the Exam as well. Not all analytics are related to financial reporting, but could also be related to other types of engagements.

2.5. Change 31 – Group B: General-purpose financial statement: for-profit business entities. Topic 9: Going concern.

While nCPAs may not usually have the primary responsibility for going concern issues, the ability to recognize a going concern problem is important as nCPAs may have the first opportunity to identify them. The nCPA should be able to recognize a potential going concern issue and understand disclosure requirements in order to help protect the public. We therefore recommend coverage of this topic be retained.

2.6. Change 40 – Group C: Debtor-creditor relationships. Topic 1: Rights, duties and liabilities of debtors, creditors and guarantors. Topic 2: Bankruptcy and insolvency. Topic 3: Secured transactions

We are concerned with the continued deemphasis of business law topics on the Exam. Following the last practice analysis, the AICPA reduced the minimum percentage of the REG section devoted to business law to only 10 percent from what was a minimum of 17 percent. Our recommendation at that time was to increase the range to (at a minimum) 15-20 percent of the REG section score.

We struggle with the juxtaposition of the recognition through the practice analysis of the need for increased understanding of clients' businesses with the perceived decision to continue decreasing the testing of business law on the Exam. The knowledge of business law topics, such as those being reduced in scope and removed from the Exam through Changes 40 and 41, are important to understanding clients' businesses and the laws and regulations they must follow. As an example, debt issues are critical to the evaluation of financial statements. The nCPA should have sufficient knowledge to evaluate debt issues.

An added concern to the deemphasis of business law is that universities could drop business law courses from their curriculum if it becomes even less tested and weighted on the REG section of the Exam. CPA candidates would then be left to gaining business law knowledge through on-the-job training, which is not sufficient given the topics and content involved.

Lastly, the International Qualifications Appraisal Board (IQAB) is concerned about deleting additional business law content such as those recommended in Changes 40 and 41. This is because the REG section of the Exam is used as the International Qualifications Examination (IQEX). Professionals from other countries who seek recognition in the United States under the terms of mutual recognition agreements are required to pass the REG section as a demonstration of their having knowledge of laws and regulations specific to the United States. It has been determined that by showing their knowledge of the United States ethics, responsibilities, business law, and the federal tax system and its procedures, they are equipped to become US CPAs. If the business law components of the REG section continue to diminish, it will jeopardize its continued use as IQEX.

2.7. Change 41 – Group D: Government regulation of business. Topic 1: Federal securities regulation.

We believe that the relationship of the securities regulations to corporations and corporate governance as it pertains to the Securities Acts of 1933 and 1934 are fundamental knowledge that all CPAs, including nCPAs should understand. These are not concepts which CPAs pick up on the job, but are as basic as understanding which government bodies establish and administer tax laws. Boards are often referred SEC investigations, which could be perceived as evidence that CPAs and those they serve do not adequately understand SEC regulations.

3. *Are there other areas affected by technology beyond the findings identified in the Practice Analysis – Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.*

We believe your assessment of the current landscape regarding the nCPA use of technology and data is accurate. Our stakeholders do note that nCPAs in small to medium-sized firms are much more apt to extract and transform data directly than are

those in larger firms, where teams of data engineers and analysts are on staff. Often commercially available software packages are used to extract and transform the data. This further confirms the need to continually ramp up the ability to assess critical thinking skills, including professional skepticism. It also underscores the vital importance of understanding the client's business and being able to adequately assess the quality of audit evidence. We encourage the AICPA to continue to review the need for data analytics skills in other engagement areas such as taxation and consulting.

In recognition of the research conducted through the practice analysis, we ask that the AICPA continue to monitor additional assurance and trust services developed and their acceptance by the business community. We believe that nCPAs might begin practicing earlier in their careers in areas such as SOC 2 reporting, cybersecurity controls and other expanding areas.

We concur that the AICPA and BOE should continually monitor developing technologies as we believe that, in the very near future, nCPAs will rapidly begin using additional tools and procedures. It will be important to publicly expose any such anticipated skills and content that could be added to the Exam as a result.

4. *Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.*

None are noted. We do encourage the AICPA to conduct regularly scheduled and comprehensive obsolescence reviews of all questions on the Exam to ensure they remain up-to-date, accurate and relevant.

As also discussed below in our ITC response, we acknowledge that this Exposure Draft and ITC does not address the CPA Evolution Initiative. We do believe, however, that as details of the proposed licensure model have been shared, it is important to consider if some topics recommended to be deleted from the Exam in this Exposure Draft and ITC should be paused until the CPA Evolution model is further developed. Certain specialized topics considered for removal now, might become appropriate for the more specialized discipline sections of the considered new Exam model.

Section B – Comments requested for the future of CPA Exam content and structure changes as defined in the Invitation to Comment.

1. *Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.*

Being able to effectively communicate is a key requirement of any CPA, including any nCPA. As an example, the assessment and then clear documentation of audit procedures and evidence is a vital skill for nCPAs. In our opinion, the methodology

used to grade the essay portion of the BEC exam, however, does not allow for an adequate evaluation of a person's communication skills as it pertains to entry into the CPA profession. In addition, the weighting of the essay questions is being used to differentiate marginal Exam candidates by only considering rudimentary skills such as grammar, punctuation, capitalization, spelling and the like, which is not a true test of effective communication skills.

While we certainly believe communication is an important skill for CPAs, we recognize that it is difficult to test and grade using computer technology. Unless and until there is an effective way to reasonably test and grade a candidate's communication skill in the context of accounting, auditing, and taxation knowledge and skills, including research, judgment, and professional skepticism, we support removal of the essay questions in BEC.

We do, however, strongly urge the AICPA to continue research projects into testing communication in conjunction with content and skills for inclusion in future versions of the Exam. With the advances in artificial intelligence and other technology, we are confident that this should be possible at some point. Effective communication is so fundamental to the practice of public accounting that we feel it should be tested on the Exam when it becomes feasible.

2. *Given the considerations in the ITC should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.*

NASBA had mixed reaction to this recommendation by the AICPA from our constituents, though general consensus was reached on at least one aspect of our response. All who participated in drafting the NASBA response believe that completely removing state and local (S&L) government accounting from the Exam is inappropriate. All feel that, at a minimum, basic coverage should be retained.

Though it is recognized that S&L government accounting is a specialized area, the Boards believe that in many states such practice by nCPAs is more common than perceived through the practice analysis. There are thousands of S&L government entities in the United States, ranging from very small to larger than many public companies and including hospitals, airports, utility districts, public protection agencies, university systems and more. The public is highly reliant on the financial viability and proper functioning of these entities, most of which have audit requirements.

Some of our constituents feel that reducing the amount of coverage of S&L governments is understandable in order to allow for new technology and data analytics content to be added. Others feel that reducing the content at all is inadvisable. All recognize, however, that nCPAs in small and medium-sized firms across the United States are often called to serve this industry. Often this is through small firms with very small audit teams requiring nCPAs to operate without substantial supervision that is afforded

in larger firms. There is added concern that if that entire area of accounting is removed from the Exam, universities will cease offering coursework in governmental accounting. This could have serious impact on the availability of nI CPAs needed in government entities and in the profession to serve the industry.

Though we realize that this practice analysis is not focused on the CPA Evolution Initiative, we suggest that possibly more advanced topics and skills related to S&L government accounting could be considered for inclusion in the Business Reporting and Analysis discipline examination, while basic understanding and knowledge could be retained in the core accounting examination. If this were considered, it might be inadvisable to completely remove S&L government accounting from the Exam at this time.

In this time of rapid changes to the business and economic environment, the CPA profession is also changing rapidly. As the Boards of Accountancy rely on the Exam as one measure by which they determine if a candidate meets the bar to become licensed as a CPA, it is imperative that the Exam is current, relevant, reliable and legally defensible. We appreciate that the BOE recognizes this and applauds them for conducting this targeted practice analysis after a shorter period since the last practice analysis and deploying methods that allowed for the analysis to be conducted in a more rapid fashion.

As the BOE considers any practice analyses required for CPA Evolution, we encourage them to conduct their review in a holistic fashion and ensure that all aspects of professional practice are incorporated into the study. Given this practice analysis had two discreet research objectives and was focused solely on technology and paring content, it was targeted in nature. We believe the next practice analysis should necessarily be broad. We continue to strongly support that the system by which changes are made to the Exam remains transparent and follows a robust process, which includes public review and comment. We value that the BOE plays a significant decision-making role and that the entire process remains transparent with appropriate exposure to all stakeholders, importantly including Boards.

* * *

NASBA appreciates the opportunity to provide our perspectives on these important topics. Our comments are intended to assist the AICPA and BOE in analyzing the relevant issues and potential impacts from a public protection point of view. Our Boards would be interested in seeing all responses received to this Exposure Draft and ITC to better understand the perspectives of other stakeholders, importantly including candidates.

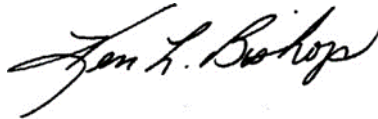
AICPA Board of Examiners
April 30, 2020
Page 8 of 8

We look forward to the opportunity to follow the deliberations of the BOE on responses to this Exposure Draft as they finalize the next version of the CPA Exam.

Very truly yours,



Laurie J. Tish, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO



Illinois Board of Examiners

1120 E. DIEHL ROAD • SUITE 107 • NAPERVILLE, ILLINOIS 60563

April 8, 2020

AIPCA Examination Team

Via email to: practiceanalysis@aicpa.org

Re: Maintaining the Relevance of the Uniform CPA Examination
An Exposure Draft and Invitation to Comment

Dear Members of the AICPA Examination Team:

I am submitting these comments to you on behalf of the Illinois Board of Examiners. We discussed this exposure draft at our last meeting. The comments are organized according to the questions on pages 7 and 8 of the exposure draft.

A 1. We agree that the findings align with the changes impacting a CPA's practice.

A 2. We have the following comments regarding proposed changes to the CPA exam which are arranged by change number.

- 5** We recommend that the CPA exam test both firm and engagement level quality controls. At a minimum, an awareness of several firm level quality control components is necessary. Some examples from the AICPA standards are Independence (QC 10.22); Engagement Performance (QC 10.35); Consultation (QC 10.37); Differences of Opinion (QC 10.46) and Complaints and Allegations (QC 10.60) which includes a requirement for "clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals." Additionally, the PCAOB issued on December 17, 2019 a Concept Release introducing potential changes to its quality control standards. The discussion includes a part on specifying roles for all firm personnel which goes beyond engagement level QC.
- 38** The exposure draft states "This new topic will focus on the basic concepts and principles associated with the governmental fund, proprietary fund, and fiduciary fund financial statements, but will not include the preparation of specific statements." It is critical for all CPAs to know how to prepare basic financial statements. If the preparation of basic financial statements is not tested elsewhere, it needs to be retained in this topic. This is especially important for all CPAs that work in smaller firms, where they are expected to be generalists and contribute in many ways.
- 39** The exposure draft states "In addition, limit the content of Area IV, Group D, Topics 3, 4, 6, 7, and 9 by not testing the preparation of journal entries for specific types of transactions." It is critical for all CPAs to know how to prepare journal entries. If the preparation of journal entries is not tested elsewhere, it needs to be retained in this topic. This is especially important for all CPAs that work in smaller firms where they are expected to be generalists and contribute in many ways.

- 41** We recommend a reduction in the coverage of the '33 and '34 Acts rather than removal of the topic. The CPA exam can continue to test these topics on the "Remembering and Understanding" level. It is important for all CPAs to understand what aspects of their profession create liability to either clients or third parties.
- 43** We recommend a reduction in coverage of AMT rather than removal of the topic. The CPA exam can continue to test this topic on the "Remembering and Understanding" level. This is especially important for all CPAs that work in smaller firms, where they are expected to be generalists and contribute in many ways.
- 46** The exposure draft states "Topic 2: Obtaining and maintaining tax-exempt status will be removed." We recommend that this topic be retained. This is especially important for all CPAs that work in smaller firms, where they are expected to be generalists and contribute in many ways.

A 3. We recommend that future CPA exams continue to test the candidate's ability to prepare financial statements. This is especially important for all CPAs that work in smaller firms, where they are expected to be generalists and contribute in many ways.

A 4. We believe there is no additional content that should be considered for removal from the CPA exam.

B 1. We believe that it is important in some way to test a candidate's ability to write as this is a most critical skill needed by all CPAs. If the essay question is removed from BEC, there needs to be another type of assessment of written communication skills. We suggest that the Examination Team consider questions like those used in the Verbal Reasoning Section of the GMAT or GRE exam.

B 2. We believe that accounting for state and local governments should continue to be assessed on the CPA exam. Many smaller CPA firms have these entities as clients and all their CPAs would be expected to understanding the accounting for state and local governments.

Thank you for the opportunity to provide input. Our Board looks forward to working with you to develop a CPA exam that meets needs of our changing profession.

Sincerely,



Simon Petravick, CPA
Board Chair

Missouri State Board of Accountancy
Practice Analysis Response to AICPA
Submitted April 20, 2020

A. Comments requested on the next version of the CPA Exam as defined in this ED.

Question #1

How do the findings align with the changes you see impacting the nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.

Board Response – The Board agrees that the findings align with the changes impacting nICPAs.

Question #2

Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

Board Response – The Board agrees with the proposed Exam changes.

Question #3

Are there other areas affected by technology beyond the findings identified in the Practice Analysis – Findings section of this document broadly impacting nICPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

Board Response – The Board would recommend that data extraction techniques be considered.

Question #4

Based on the review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nICPA practice and the protection of the public interest? If so, describe them.

Board Response – The Board does not believe there is additional content that should be removed from the CPA Exam.

B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

Question #1

Given the consideration in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

Board Response – The Board had mixed opinions on this question. In general, some members believe that writing skills are critical to the overall success as a professional, however, those skills are not accounting/audit-related core competency. Removal of the essay questions moves

the profession's confidence in higher education to enhance communication skills as those skills will not be evaluated in the exam process with the removal of the essay question. However, other members believe writing is a critical skill and the essay question allows the exam taker an opportunity to express their full knowledge and command of the material in a manner that other exam questions do not provide.

Question #2

Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

Board Response – The Board does not believe accounting for state and local governments should continue to be assessed on the CPA Exam. In the Board's opinion, the impact is limited to a small number of applicants and has little bearing on their future job responsibilities.



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

STATE BOARD FOR PUBLIC ACCOUNTANCY and
PEER REVIEW OVERSIGHT COMMITTEE
89 WASHINGTON AVENUE
ALBANY, NY 12234
Tel. (518) 474-3817, ext. 160
Fax (518) 474-6375
E-mail: cpabd@nysed.gov

American Institute of Certified Public Accountants
Board of Examiners
220 Leigh Farm Road
Durham, NC 27707

Via e-mail to: practiceanalysis@aicpa.org

Re: Maintaining the Relevance of the Uniform CPA Examination: An Exposure Draft and Invitation to Comment

Ladies and Gentlemen:

The New York State Board for Public Accountancy (Board) appreciates the opportunity to offer comment to the Exposure Draft (ED) and Invitation to Comment (ITC). The Board advises the New York State Board of Regents on regulatory, licensing, and disciplinary matters related to the practice of the profession of public accountancy in New York State.

The Board has had the opportunity to review the ED and ITC and accordingly offer the following comments:

OVERVIEW

The Board is supportive of incorporating more technology related items and concepts into the U.S. Certified Public Accountant (CPA) examination. The Board is interested in reviewing details for the assertion that the CPA examination became too broad for the newly licensed CPAs.

A major concern from the board is removing the content on governmental accounting and employee benefit accounting. The board believes that if this content is removed from the CPA examination, the education institutions will no longer incorporate this content area in its curriculum. Further, the board notes that within the profession there continues to be a fair number of disciplinary cases resulting from substandard auditing of governmental entities and employee benefit plans. Lastly, the board does not believe that this is consistent with the AICPA's Enhancing Audit Quality initiative.

The Board is highly encouraged that a delay in the score release is not anticipated with these changes.

SPECIFIC COMMENTS

Request for Comment

- A. Comments requested on the next version of the CPA Exam as defined in this ED.
 - a. Understanding the business, digital and data-driven mindset and data analytics, and reliance on SOC 1 reports have been identified as the three primary findings affected by technology and impacting

the profession and nCPA practice. See further details on these findings in the Practice Analysis — Findings section of this document.

- 1. How do the findings align with the changes you see impacting nCPA practice? If the primary findings do not align with the changes you see impacting nCPA practice, please provide your view and explain your rationale.**

NY Board response: The board believes that technology will impact the responsibilities of nCPA and this is coupled with the nationwide push for STEM initiatives.

- b. The AUD and BEC section Blueprints are each being reorganized to take a more integrated view of technology and business processes, including information systems, risk assessment, and related internal controls. See changes 7, 8, 13, 23, 26, and 27. The PA findings support this more integrated approach to better assess the knowledge and skills required of nCPAs. These changes add, reorganize, and emphasize content. Additionally, the PA findings support either deleting certain CPA Exam content or changing the cognitive skill level at which the content is assessed. The proposed deletions and changes are also described in the Proposed Exam Changes section of this document.

- 2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).**

NY Board response for specific items in “b”:

For items #7, 26 and 27 - The board agrees with the changes to this item and supports incorporating more assessment on the concepts related to technology.

For item #8 – The board agrees with the changes to this item on understanding an entity’s control environment and entity-level controls.

For item #13 – The board agrees with the changes to this item and supports incorporating more assessment related to data analytics for the nCPA.

For item #23 – The board agrees with the changes to this item as the understanding of the Internal Control Frameworks and Enterprise Risk Management (ERM) is used often in industry and governmental entities.

NY Board response for other changes:

For item #10 – The board does not support removing content related to the use of the internal audit function and general or basic knowledge should remain. The use of internal audit is still widely used in various industries such as healthcare, insurance, and those subject to the Public Company Accounting Oversight Board. Therefore, the board recommends retaining the content on the use of the internal audit function.

For item #16 – The board supports the change to eliminate the derivative content as the board believes these tasks would be performed of the tutelage of more senior staff.

For item #17 – The board agrees that the topic of litigation, claims, and assessments should be at an awareness of level of to understand when or why an accrual should be recorded for a probable or possible claim.

For item #18 – The board supports this change and suggests that the concept of going concern be assessed at a basic level.

For item #32 - The Board suggests keeping the assessment of employee benefit accounting on the CPA examination. By removing the employee benefit accounting, the Board believes this would inhibit the initiative to Enhancing Audit Quality as employee benefit plans continue to be an area of concern in the profession.

For items #37, 38, and 39 – The Board suggests that these items are not removed from the CPA examination and should remain on the examination. By removing the state and local government accounting, the Board believes this would inhibit the initiative to Enhancing Audit Quality as Single Audits continue to be an area of concern in the profession.

- c. Technology constantly evolves and will continue to impact the work of nCPAs in their role in protecting the public interest. Thus, the CPA Exam will need to continually evolve to ensure the appropriate knowledge and skills are assessed.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

NY Board response: The board suggests exploring the ideas of further utilizing Microsoft Excel to test the technology, data mining, and data analytics skill sets that are needed for the nCPA. The use of a universal tool such as Microsoft Excel would be able to test the minimum competency in these areas. For example, the Boards feels that the CPA examination can incorporate the use of pivot tables, enterprise risk management, visualization of data, graphs and charts, and integrating multiple data sets, etc in Microsoft Excel.

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

NY Board response: The board did not recognize any additional content that should be remove from the CPA examination.

- B. Comments requested for the future of CPA Exam content and structure changes as defined in this ITC.

- a. The AICPA proposes to remove the essay question (written communication question) given the limitations of the current assessment and its minimal impact on the overall score as described in the ITC section of this document.

1. **Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.**

Business Environment and Concepts (BEC) — Essay Question (Written Communication) - Given the considerations above, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

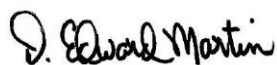
NY Board response: The Board recommends the assessment of written communication remain as part of the CPA examination for the BEC section as this is the only section where these skills are assessed. The Board suggests that written communication remain on CPA examination due to the high demand for effective communication of newly licensed individuals. The Board suggests keeping actual writing assessments; however, the AICPA may wish to explore other areas of writing assessment. For example, explore a concept of a rubric for assessment to identify proper grammar, punctuation, etc. in a professional communications sample may still incorporate assessing a newly licensed CPAs writing ability.

- b. Given the specialized nature of the content assessed in FAR Area IV - State and Local Governments and thus the potential limited applicability to a majority of nCPAs, the AICPA is considering the potential removal of state and local government accounting content from the CPA Exam as described in the ITC section of this document.

2. **Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.**

Financial Accounting and Reporting (FAR) — Accounting for State and Local Governments - Given the considerations above, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

NY Board response: The Board suggests keeping the assessment of state and local government accounting on the CPA examination. The assessments should continue to be multiple choice and task-based simulations. Further, the Board feels that if most of the state and local governmental accounting is removed from the CPA examinations, education institutions will not offer these courses or cover this content. The Board feels that in retaining the governmental accounting content, it remains in alignment with the AICPA's Enhancing Audit Quality. If this content of state and local government accounting were removed, the Board believes this would inhibit the initiative to Enhancing Audit Quality as Single Audits continue to be an area of concern in the profession.



D. Edward Martin, CPA
Chair
NY Board for Public Accountancy



Board of Examiners
American Institute of CPAs
100 Princeton South, Suite 200
Ewing, New York 08628

April 17, 2020

Re: Maintaining the Relevance of the Uniform
CPA Examination; An Exposure Draft and
Invitation to Comment

Thank you for the opportunity to comment on the Exposure Draft (ED) and Invitation to Comment (IC) on the AICPA's Maintaining the Relevance of the Uniform CPA Examination. The following comments represent the official response of the Oklahoma Accountancy Board (OAB).

The mission of the OAB is to safeguard the public welfare by prescribing and assessing the qualifications of and regulating the professional conduct of individual registrants and registered firms authorized to engage in the practice of public accounting in the State of Oklahoma.

In fulfilling its mission, the OAB relies on the American Institute of Certified Public Accountants (AICPA) and its Board of Examiners (BOE) to fulfill its mission of providing reasonable assurance that candidates passing the CPA exam possess the technical knowledge and skills necessary for initial licensure to protect the public interest. We believe our reliance has been well-placed and the ED and IC reinforce our confidence in the AICPA's stewardship of the Uniform CPA Examination.

Exposure Draft

Practice Analysis Process. The ED describes the Practice Analysis Process (PA) process and methodology on pages 29—34. The OAB finds the process and methodology appropriate to effectively achieve the stated goal of licensure to “providing the public with assurance that those individuals who are licensed possess a sufficient level of knowledge and skill necessary for safe and effective practice.”

The PA focuses on two major themes:

- The impact of technology on the work of newly licensed CPAs (nICPAs); and
- The identification of areas where the CPA Exam has become too broad and not sufficiently focused on the critical knowledge and skills required of a nICPA.

Technology. The OAB recognizes the use of advanced technologies is increasingly required for CPAs to effectively discharge their responsibilities to the public and agrees the CPA Exam should test those skills expected to be required of nICPAs. The PA describes technology changes to the Exam planned to be introduced in the AUD Section of the Exam beginning October 1, 2020. These changes will be included in the revised Blueprint planned to be available beginning April 1, 2020. These changes will require the use of Microsoft Excel to sort, filter, and compare data sets. The OAB fully supports the use of Excel as it is a tool used ubiquitously by nICPAs.

The PA identifies increased knowledge and skills required of nICPAs related to:

- Understanding of the business
- Digital and data-driven mindset including data analytics
- Reliance on System and Organization Controls (SOC 1) reports

The proposed Blueprint will add content to test these increased knowledge and skill requirements. In addition, Blueprint changes will reorganize and integrate technology assessments into the topics to which they relate. The OAB believes the PA findings and resulting Blueprint changes align with the changes we see impacting the nCPA practice and we concur with each of the Blueprint changes relating to implementation of the PA technology findings.

Knowledge and Skills not required of nCPAs. The second focus of the PA was to identify where the CPA Exam may have become too broad and not sufficiently focused on the critical knowledge and skills required of the nCPA. This focus resulted in proposed removal or revision of content in each of the four CPA Exam sections. It is difficult to independently evaluate knowledge and skill requirements of nCPAs, particularly in the many medium/small firms we regulate. However, the PA Process appeared to be well-designed and thorough enough to reasonably identify the knowledge and skills that are not required of nCPAs, and thus may not require testing or testing at a lower level.

Based on that reliance, the OAB supports all proposed Exam changes set forth in the ED with the exception of changes related to state and local governments (SLG). The proposed changes will essentially remove nearly all SLG accounting content related to application skill level testing but retain certain limited remembering and understanding testing. While some SLG application skills level content within the Blueprint could be effectively removed, changed or converted to remembering and understanding level testing, the proposed removal of nearly all application skills testing appears contrary to the objective of preparing nCPAs for work within SLG entities or within firms serving such entities and to protecting the public's interest. We recommend the retention of a more robust level of testing application skills than the PA proposes.

Invitation to Comment

BEC - Essay Question (Written Communication). The IC rightfully points out that interpersonal skills, oral communication, listening and working as a team are skills required of nCPAs but have never been assessed on the CPA Exam. Respondents to the IC are asked to consider whether written communication skills should be removed from testing and added to those required skills not tested on the CPA Exam.

We believe that the ability in to communicate in the various formats is as important as the ability to apply the pronouncements of the profession. The basic work to establish the body of knowledge required of CPAs began in 1963 with the research of Robert H. Roy, Dean of the John Hopkins University School of Engineering Science and James H. MacNeill (CPA), chairman of the Department of Accounting of the School of Business Administration of Fordham University sponsored by the Carnegie Corporation of New York and the AICPA overseen by a Commission responsible for documenting the required body of knowledge. The Commission included individuals who had earned a CPA certificate and served the public, leaders of industry, and academia who were not members of the accounting profession. The Commission produced a document titled Horizons for a Profession—The Common Body of Knowledge for Certified Public Accountants (Body). The conclusions reached by Professors Roy and McNeil and adopted by the Commission and the AICPA produced the foundation of the accounting profession that has stood the test of time.

One of the major conclusions of the Body was that the beginning CPA “must know how to present data in such a form to be readily understandable and of maximum utility” as communication is an intrinsic part of the accounting process. The study supports the communications skills the beginning CPA should have knowledge of to communicate with his/her clients.

“The end result of a certified public accountant’s service to a client—any service to any client—is the communication of his findings. Upon occasion he may communicate orally, perhaps quite informally, or he may present data, or communicate graphically, mathematically, or even pictorially, or by some combination of all of these. But nearly always the mode of communication will be written English.

To the CPA the ability to express himself well is more than the hallmark of an educated man, it is a professional necessity. A CPA’s inability to express his findings in understandable, explicit, unambiguous, intelligible English can be self-defeating, potentially misleading, and possibly disastrous to clients, creditors, and investors.”

Roy and McNeil concluded that they were justified as a consequence of both fact and opinion, in being unequivocal about the requirement of the Body for beginning CPAs: candidates who cannot write the English language at least as well as a minimum threshold should be denied admission to the profession, if need be on this account alone.”

A review of the literature since the Body was published does not suggest any significant changes to the preparation of CPAs for the profession regarding communications. It is the AICPA’s challenge to determine a testing methodology that demonstrates the nICPA has the requisite communication skills to serve the public. The public interest demands that communication skills be tested.

We understand it is not presently feasible to use automated essay scoring for assessing writing ability combined with higher-order skills given the information in the IC. We appreciate that the AICPA has met with leading automated scoring vendors in an effort to combine testing written communication skills with testing higher order skills and has not found an efficient solution to test the grading of content of essay questions and their manner of presentation. The AICPA should continue to monitor automated scoring vendors and when it becomes feasible to test written communications concurrent with higher-order skills, use that methodology to grade the Essay questions on the Exam.

FAR – Accounting for State and Local Governments. Should accounting for state and local governments continue to be assessed on the CPA Exam? The IC, page 36 asserts: “The preparation of financial statements for state and local governments is an area of public practice that requires specialized content knowledge and experience.” The OAB agrees with that assertion. The IC further asserts “...a large majority of nICPAs are required to have very little or no knowledge of financial accounting and reporting for state and local governments.” The OAB respectfully questions this assertion. Please consider the following data:

- There are over 90,000 units of SLG in the United States that expend an estimated \$4 trillion annually (per usgovernmentspending.com) and serve over 330 million citizens or stakeholders.
- In Oklahoma alone, there are over 2,000 units of state and local government expending nearly \$37 billion each year and serving approximately 4 million citizens/stakeholders.
- The OAB currently has over 275 licensed public accounting registrants, most employing multiple staff, included in its list of Registrants Performing Audits of Oklahoma Governmental Entities.

In the ED Executive Summary (page 5), the AICPA indicates that the periodic execution of the CPA Exam PA is necessary, among other things, to ensure the Exam “supports the profession’s commitment to protecting the public interest”. However, the AICPA’s assertion that SLG accounting has “potential limited applicability to a majority of nICPAs” fails to adequately consider the impact SLG accounting has on our profession’s commitment to protecting the public interest.

The cornerstone objective of SLG accounting is to maintain public trust through a high level of public accountability. The AICPA's stated objective to protect the public's interest, specifically as it relates to this significant area of our national economy, cannot be achieved without a solid working knowledge of SLG accounting and financial reporting, internal controls, technology, and laws and regulations by both public accountants and those accountants working directly within SLG entities.

Removal of SLG accounting content from the Exam could have some very likely unintended negative consequences. One such consequence could be a de-emphasis of SLG accounting and financial reporting knowledge and skills within higher education curriculum. If SLG accounting and financial reporting is de-emphasized at the higher education level, it will ultimately have a negative impact on protecting the public's interest because academic programs will not adequately prepare students to meet the public accountability needs of governments and fewer accounting graduates will likely be interested in pursuing a career in government resulting in a profession that is inadequately prepared to serve the public in this important area.

For these reasons, the OAB believes accounting for SLG should continue to be assessed on the CPA Exam.

The AICPA is studying a possible new model for CPA licensure (CPA Evolution project) whereby a core of accounting, audit, tax and technology is followed by further testing in specialized areas: Business reporting and analysis, Tax compliance and planning and Information systems and controls. If such a new model is adopted, we submit for consideration the possibility of testing SLG accounting within the proposed model for Business reporting and analysis (a Business/Government discipline). If such a proposal were adopted, CPAs seeking a career in tax compliance and planning or Information systems and controls) would not be required to acquire a significant knowledge of government accounting.

* * * * *

Again, the OAB appreciates the opportunity to provide input into this important effort underway at the AICPA.

Yours very truly,



April 17, 2020

Randa Vernon, CPA, Chair
Oklahoma Accountancy Board

Date



**SOUTH DAKOTA
BOARD OF ACCOUNTANCY**
301 E. 14th Street, Suite 200
Sioux Falls, SD 57104
(605) 367-5770 / Fax: (605) 367-5773
e-mail sdbdacct.sdbd@midconetwork.com
www.accountancy.sd.gov

April 28, 2020

AICPA Examinations Team
practiceanalysis@aicpa.org

RE: Maintaining the Relevance of the Uniform CPA Examination

The South Dakota Board of Accountancy has evaluated the proposed changes to the CPA examination as documented in the Maintaining the Relevance of the Uniform CPA Examination document prepared by the AICPA. Several questions were posed in the document requesting responses from constituents. The board has responded to items as numbered in the exposure draft.

- A. 1. How do you see the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale?

The practice analysis findings clearly state that advances in technology do not eliminate the need for basic accounting, auditing, business, and taxation concepts for nICPAs to undertake their role in protecting the public interest. It seems in our quest to build up the entry requirements for our profession, that we may have dismissed the basic skill sets necessary for success. Our board consists of several licensees that work closely with CPA candidates in their first professional role upon graduation. We believe the CPA exam as become far too broad and focused on very narrow areas of practice. It is critical for candidates to possess basic accounting and auditing knowledge to build their professional skepticism and develop judgment. These basic skills are imperative in the transformation to a data -driven profession. Without a basic understanding, candidates cannot determine where there are opportunities for errors within systems or have the ability to identify and correct errors. A thorough, basic understanding of accounting is the stepping-stone to developing high performing business advisors and practitioners. Testing a candidate's ability to think through accounting transactions is the best method to evaluate aptitude.

2. Do you agree with the proposed exam changes? If not, please explain your rationale. Responses should address specific changes by number.

We agree that the exam included far too much content that was not at the level expected to be understood by a candidate. Getting back to a basic understanding of accounting and auditing knowledge and building a solid foundation for CPA candidates is a better path to licensure. With the proposed changes to the exam, we may need to consider an evaluation of experience

requirements as on the job training will be a critical component in protecting the public. Specific areas of note are as follows:

Change 7, Area II, Group C: Generally, nCPAs have a basic understanding of ideal internal controls. They generally do not understand the purpose of a walk thru and tend to focus on ideal controls and not those actually in place. Candidates seem to have difficulty in assessing whether or not controls in place are sufficient or what controls could be added or revised to strengthen the internal control system.

Change 9, Area II, Group E: The revised content in this area should prove valuable in assessing the skills of candidates in analyzing data and their basic understanding of accounting and auditing.

Change 12, Area III, Group A: The changes in this area are critical. Generally, recent accounting graduates do not comprehend the concept of sufficient appropriate evidence. There is a tendency to rely heavily on client inquiries. Testing auditor judgment is difficult but perhaps there are methods to test inference of information such as considering data collected in other procedures to corroborate client responses.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis – Findings section of this document broadly impacting nCPA practice that should be considered in future revisions of the CPA Exam Blueprints?

With technology advancing at a rapid pace, candidates should have required technology training in their degree programs. The CPA exam cannot be nimble enough to incorporate changing technology appropriately. Some basic data analysis may be included in the exam content with simulations.

4. Based on a review of the CPA exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

There are a large number of analysis and evaluation topics in the exam blueprint. Some of these areas seem to be outside the knowledge base expected for candidates with little accounting or auditing experience.

B. 1. Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question? Please provide your rationale.

The practice analysis findings discuss the need for nCPAs to be able to communicate effectively about data with either their clients or data specialists supporting their engagements. The inclusion of essay questions in the exam provides an opportunity to assess the communication skills of CPA candidates and should be retained.

2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

Accounting for state and local government basics should continue to be assessed on the CPA exam. As we represent a rural area, most of the high-quality accounting jobs and much of my attest work relates to local governments. The basic concepts of fund accounting and the different reporting needs are critical skills to CPA candidates.

Additionally, some university degree programs focus on teaching what is included in the exam so that student pass rates are maintained at a certain level. This method of teaching accounting could result in the elimination of governmental accounting courses from many educational programs. The elimination of this content could result in candidates being poorly prepared for the myriad of experiences they may have in their career.

Audit quality in the governmental and Single Audit arena has been a hot topic in recent years. It seems counterintuitive to minimize the importance of these subjects in our role of protecting the public and maintaining our reputation. A basic understanding of these concepts should be included in the examination to support our role in protecting the public.

The South Dakota Board of Accountancy appreciates the opportunity to submit comments related to the AICPA Maintaining the Relevance of the Uniform CPA Examination exposure draft. We believe the AICPA Examinations Team will thoroughly review all responses and provide revisions that are acceptable to all interested parties. If there are further questions regarding our response, please contact Deidre Budahl, Chair or Nicole Kasin, Executive Director.

Sincerely,

A handwritten signature in blue ink that reads "Deidre Budahl". The signature is written in a cursive, flowing style.

Deidre Budahl, Chair
South Dakota Board of Accountancy



April 3, 2020

Tyrone E. Dickerson, CPA
Chair of the CBT Administration Committee
2911 Kenbury Road
Richmond, VA 23235

Dear Mr. Dickerson:

The Texas State Board of Public Accountancy has reviewed the AICPA's Exposure Draft and Invitation to Comment regarding *Maintaining the Relevance of the Uniform CPA Examination*. We offer the following responses for your consideration to each of the questions you posed on pages 7-8 of your Exposure Draft and Invitation to Comment.

A. Comments requested on the next version of the CPA Exam as defined in the Exposure Draft.

1. How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.

Response: The changes overall align with the changes in practice. However, we do have concerns about some of the specific areas. These are identified later in this letter of response.

2. Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number.

Response: We do not agree with the proposed Change to 31. While nICPAs may not have the primary responsibility for "going concern" issues, the ability to recognize a "going concern" problem is important as nICPAs may have the first opportunity to identify them. The nICPA should be able to recognize a potential "going concern" issue in order to help protect the public. We therefore recommend coverage of the topic should be retained.

We also do not agree with the proposed change to 40. Debt issues are critical to the evaluation of financial statements. The nICPAs should have sufficient knowledge to evaluate debt issues. We therefore recommend the application skill level should be retained in this area.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis – Findings section of this document broadly impacting nICPA practice that should be considered in future revisions to the CPA Exam Blueprints?

Response: Change 27 states that content would be added that is related to data, but does not provide any further explanation or specifics. Data Analytics is increasingly important and a nICPA needs to be able to analyze raw data to draw informed conclusions. We recognize that audit analytics is being added in change 14 but encourage its emphasis by its retention in this area for the CPA exam.

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nICPA practice and the protection of the public interest?

Response: There seems to be a lot of content overlap with the BEC and AUD related to IT controls. We believe the focus should be in understanding the controls and risks in BEC, and learning how to audit those controls in the AUD exam.

B. Comments requested for the future of CPA Exam content and structure changes as defined in this Invitation of Comment.

1. Given the consideration in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)?

Response: Being able to communicate is a key function of any CPA and certainly nICPA. However, the tool or methodology used to grade the essay portion of the BEC exam in our opinion does not appear to be a good evaluation of a person's communication skills.

In addition, the weighting of the essay questions was such that they only impacted the score of a marginal exam candidate. While we certainly believe communication is an important skill for CPAs, we recognize that is difficult to test and grade. Unless and until there is an effective way to reasonably test and grade a candidate's communication skill, we support the removal of the essay question in BEC. A better alternative might be a research essay question in the specialized exam under the CPA Evolution.

2. Given the consideration in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam?

Response: Removing some content allows for new content to be added. Content related to Data (change 27) is essential, as stated previously, data analytics is increasingly important. Reducing the amount of coverage of state and local governments accounting is understandable. We believe removing all state and local governments accounting is not in our opinion a good approach.

As a large state with many counties and local governmental agencies, the public needs CPAs to fill many accounting needs. CPAs in large and medium sized firms may never see state or local government accounting, but many nCPAs in this state do so in our small and medium sized firms. We recommend that some basic coverage of state and local governmental accounting should be retained.

Overall, the Exposure Draft recommends changing the cognitive skill level for many skills from application to remembering and understanding. These skills levels are easier to test in a multiple-choice format. However, care must be given that the accounting skills are not only tested as bookkeeping. One of the outcomes mentioned in Phase 1 – Firm Meetings, indicates that *nCPAs are required to exhibit higher-order skills earlier in their careers given the advances in technology*. If the cognitive skill level of questions is reduced to remembering and understanding on the CPA Exam, then the nCPA may not be demonstrating the higher-order of skills that firms are seeking.

As we commented previously on the CPA Evolution, we understand how changes may need to be substantive to capture the technological advances that impact the profession. We recommend against changes being rapid and transformational. Anything done in a rapid pace has the potential for unintended consequences. The CPA profession has been relied upon to be consistent in its approach and providing well thought out solutions to issues in businesses and in government. We urge the AICPA to continue to apply a consistent and professional approach to the CPA designation as it evolves into the profession of the future.

We appreciate the opportunity to comment on this draft and look forward to continuing to have the opportunity to work together to protect the public.

Best regards,



Manuel Cavazos IV, CPA
Presiding Officer



Roselyn Morris, Ph.D., CPA
Assistant Presiding Officer

Cc:

Grace Berger, NASBA Executive Committee Chair
Kenneth Bishop, President and CEO of NASBA
Patricia Hartman, NASBA Staff Liaison



1201 K St., Ste. 1000
Sacramento, CA 95814
(916) 441-5351
www.calcpa.org

April 30, 2020

Delivered via email to practiceanalysis@aicpa.org

AICPA Board of Examiners
100 Princeton South, Suite 200
Ewing, NJ 08628

RE: 2019 Uniform CPA Exam Practice Analysis Exposure Draft and Invitation to Comment

Dear Board of Examiners,

On behalf of the 43,000 members of the California Society of CPAs (CalCPA) representing the Certified Public Accountant (CPA) profession and related professionals working in large, medium and small public accounting firms, and businesses throughout California, we are providing comments to the 2019 Uniform CPA Exam Practice Analysis Exposure Draft and Invitation to Comment. Comments were developed in coordination with CalCPA's Board of Directors and its Governmental Accounting and Auditing Committee.

With respect to proposed CPA Exam updates as defined in the Exposure Draft, we generally agree that the CPA Exam should appropriately reflect the growing application of technology within the accounting profession—especially for newly licensed CPAs. A digital and data-driven mindset that understands automated business operations and the impact on financial reporting are no longer an optional skill for a CPA entering the profession. These are now essential skills that newly licensed CPAs are expected to have when they enter the profession and it is appropriate for the CPA Exam content to reflect this.

CalCPA is also providing comments related to questions posed in the Invitation to Comment to aid the AICPA in future evaluations and analysis of the CPA Exam content. While we understand the prioritization of content is necessary to allow for the incorporation of new skill assessments, we are concerned about the potential elimination of state and local government content. Governmental entities, and the many private and not-for-profit organizations that work with them, are accountable for the use and management of public resources—often with the highest level of scrutiny. This requires adherence to unique accounting and auditing standards, as well as compliance with numerous legal and regulatory requirements—each with distinctive considerations and risks. Even if a newly licensed CPA does not directly work in state and local government accounting, the assessment of baseline concepts of this highly specialized area of accounting is an important component of a well-rounded licensee entering the profession.

As a potential alternative, we suggest considering the incorporation of governmental accounting into the CPA Evolution framework. The “core + disciplines” licensure model balances core accounting, auditing, tax and technology content with focused application and deeper knowledge in a specific discipline. The areas of focus that are being considered (tax, business reporting and information systems) are all distinctive areas in which a CPA may choose to operate and specialize. We believe governmental accounting and auditing is similarly situated and could be organized as an area of focus for new licensees entering into this space.

Comments on the Next Version of the CPA Exam as Defined in the Exposure Draft:

1. How do the findings align with the changes you see impacting newly licensed CPA practice?

We agree with the practice analyses findings that illustrate the impact of technology on the practice of CPAs. We have found this to be true regardless of practice area, industries served, size of practice or years of licensure. CPAs are regularly applying technologies to interpret data efficiently and effectively;

help clients improve their business operations with the use of new technology; and provide assurance on technology systems. For a newly licensed CPA, the incorporation of technological competencies and their application to business operation is no longer optional—rather it is a prerequisite for most entry-level tasks.

2. Do you agree with the proposed Exam changes?

The proposed changes to specific exam topics in the Blueprint are appropriate and reasonable adjustments to balance existing content and new content that incorporates technology changes and the corresponding impacts on major business processes, IT systems and related internal controls. However, as noted elsewhere in our comments, the elimination of state and local government content may need further evaluation.

3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis document broadly impacting newly licensed CPA practice that should be considered in future revisions to the CPA Exam Blueprints?

Technology and its application to business and financial systems continues to change exponentially. While we do not identify any specific content changes at this point, we believe that the evaluation of technology and its impact on the profession will need to be ongoing—especially as new technologies enable newly licensed CPAs to apply different skillsets earlier in their career. We look forward to continued discussions in this area as the CPA Evolution project progresses and amplifies the technology skills that are assessed.

4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to newly licensed CPA practice and the protection of the public interest?

We did not identify other CPA Exam content for removal.

Comments on Future CPA Exam Content and Structure Changes as Defined in the Invitation to Comment:

1. Given the considerations in the invitation to comment, do you agree or disagree with the recommendation to remove the essay question (written communication question)?

The ability to communicate complex accounting, auditing and tax issues effectively is an important component of a well-rounded CPA. Candidates and newly licensed CPAs should work to develop proficiency in this area in the same manner they would develop technical knowledge and higher-order skills like professional judgment and skepticism.

However, if the assessment of writing skills in the context of technical accounting, auditing and taxation knowledge is only done appropriately by reverting to manual assessment, we agree that the written communication questions should be considered for removal. Manual assessment would not be worthwhile as it creates significant delays and allows for inconsistencies that may be too subjective.

We agree that written and oral communication skills may be better developed and comprehensively assessed as part of the education and experience requirements for licensure. We suggest that as discussions on the removal of the written communication question continue, due care should be made to underscore that the assessment of communication skills is not being diminished, but being emphasized elsewhere within the licensure model.

2. Given the considerations in the invitation to comment, should accounting for state and local governments continue to be assessed on the CPA Exam?

As noted in our earlier comments, we are concerned with the proposed removal of state and local government content. Accounting and auditing in this space is distinctly different with unique

considerations, risks and public scrutiny. Yes, there is specialized training after licensure, but we believe developing and assessing the base competencies of this practice area is appropriate for newly licensed CPAs.

First, the regulatory and legislative requirements related to the accounting for and use of public resources can create significant distinctions between state and local government accounting compared to other areas of practice. Substantial public scrutiny from policy leaders and other stakeholders underscored the magnitude and implications that are interwoven into this practice area. The Governmental Accounting Standards Board outlines this distinction in detail¹. Whether or not a newly licensed CPA works directly in this area, the risks of not knowing the variances in this area can be substantial.

Second, we are already seeing a growing shortage of CPAs working in state and local government accounting functions or with CPA firms qualified to perform governmental audits. Inadequately staffed government accounting departments and insufficiently qualified audit firms leads to delays in audits and reporting of required public information. Smaller local governments and regional based firms that serve government clients will likely be the most adversely impacted. Further, it may lead to lower quality work and avoidable audit failures. The AICPA's Governmental Audit Quality Center and CalCPA's Governmental Accounting and Auditing Committee works to support CPAs working in this space and promote quality. We fear eliminating this content from the CPA Exam will hinder these efforts and exacerbate the shortage by removing an important point of exposure to this area of practice.

Finally, removing state and local government content from the CPA Exam might send a negative message to policy leaders and the public. The CPA profession provides the assurance that public resources are appropriately accounted for and that financial information that inform policy decisions is accurate. If state and local government content is removed, we fear it would create a perception that the CPA profession is not interested in being part of the oversight function of public resources.

The Uniform CPA Exam is an integral component of becoming a CPA. As such, it is critical that it remains a comprehensive and relevant test of entry-level competency. CalCPA supports the efforts of the AICPA and Board of Examiners in this important endeavor.

Thank you for the opportunity to comment.

Sincerely,



Anthony J. Pugliese, CPA, CGMA, CITP
Chief Executive Officer

¹ Governmental Accounting Standards Board whitepaper: "Why Governmental Accounting and Financial Reporting is – and Should be – Different" <https://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176156741271>



April 29, 2020

American Institute of Certified Public Accountants

Via email: practiceanalysis@aicpa.org

Re: Invitation to Comment: FAR – Accounting for State and Local Governments

The views expressed in this comment letter are written on behalf of the Connecticut Society of CPAs (CTCPA) Governmental Accounting and Auditing Committee (GAAC). The GAAC is a technical committee of the CTCPA.

Request for Comment:

Should accounting for state and local governments continue to be assessed on the CPA Exam?

Response:

We believe accounting for state and local governments should continue to be assessed on the CPA Exam.

If accounting for State and Local Governments is no longer included as an assessment area on the exam, it may stop being taught in college. At the undergraduate level, governmental accounting is often taught in tandem with not-for-profit accounting and therefore currently is only allocated a very small portion of the curriculum.

CPAs working for and auditing governmental entities serve the public interest. Governmental accounting and auditing continues to become more complex. It is also an area where significant frauds can occur. In addition, improving governmental audit quality has been a major initiative to the AICPA and GAO. The potential impact of decreasing newly licensed CPAs knowledge of governmental accounting due to elimination of the State and Local Government assessment area from FAR and the then related potential removal from college curriculums can only negatively impact audit quality. Governmental accounting and auditing is specialized, but we believe that an exposure to governmental accounting for all CPAs is important.

Having a basic understanding of how governments function and why they and the accounting is different would provide a valuable perspective to all CPAs that serve clients who may work with governments.

Sincerely,

Katherine Patnaude, CPA, MSA, Chair
CTCPA Governmental Accounting and Auditing Committee

The Connecticut Society of CPAs



ILLINOIS CPA SOCIETY

April 29, 2020

American Institute of Certified Public Accountants
practiceanalysis@aicpa.org

Re: Exposure Draft and Invitation to Comment on Maintaining the Relevance of the Uniform CPA Examination

On behalf of our more than 23,000 members, the Illinois CPA Society appreciates the opportunity to provide its perspective on the *Maintaining the Relevance of the Uniform CPA Examination* exposure draft and invitation to comment. Our comments represent the view of the Illinois CPA Society and not the individual views of the members of the Task Force or the organizations with which they are affiliated. The organization of the Task Force is outlined in Appendix A to this letter.

Exposure Draft – Overall Comments

We would like to start by acknowledging that there are challenges with balancing testing of newly significant skills while retaining content and maintaining exam structure and duration.

We strongly support the AICPA’s proposal to incorporate technology and data analytics into the Uniform CPA Examination (Exam). In practice, newly licensed CPAs (nCPAs) must possess Microsoft Excel® (Excel) skills and the ability to analyze data. First, in our experience, our Task Force noted many firms have developed proprietary tools within applications and proprietary applications used for analyzing data. Because of both the disparity of tools used and Excel’s ubiquitous nature to colleges, students, and nCPAs, we agree with the AICPA’s proposed approach to focus on Excel when testing candidates’ technological skills. Second, in states that allow provisional candidates to sit for the Exam during the last semester of their graduate study, incorporating Excel into the Exam is likely to align with what the candidates have studied during their academic programs. Finally, use of Excel helps ensure a level playing field between colleges and universities that can afford more expensive application tools and those that cannot.

In general, we do not support the removal of accounting for defined benefit pensions plans and the significant reduction in the level of testing on governmental entities. In our experience, nCPAs will work on clients that continue to have defined benefit plans in place and need to understand the accounting for underlying significant pension liabilities on clients’ balance sheets.

Finally, we ask the AICPA to consider how incorporating different skillsets and removing areas of testing will impact the number of candidates interested in pursuing their CPA and entering the field as accounting professionals. The 2019 Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits¹ report notes the number of students in accounting programs nationwide declined since the 2015-16 academic year. Further, this report indicates a significant decline in new candidates taking the Exam since 2016.

While we believe that (1) a broad-based examination of a candidate’s skills and knowledge in all areas of accounting and (2) the need to maintain a rigorous test are critical to protecting the public from unqualified

¹ <https://www.aicpa.org/content/dam/aicpa/becomeacpa/cpaexam/downloadabledocuments/2019-practice-analysis-report.pdf>

CPAs, we need to ensure the Exam is not viewed as an almost impossible milestone by potential and existing students. We understand that the Exam is intended to test the knowledge of a second-year staff person. However, particularly with regard to understanding and performing data analysis, we believe caution is warranted in testing “higher-order skills” as many candidates will be working toward passing the Exam while they are still in college and possess limited professional experience.

Exposure Draft – Specific Questions for Comment (Section A)

A.1 How do the findings align with the changes you see impacting n1CPA practice? If the primary findings do not align with the changes you see impacting n1CPA practice, please provide your view and explain your rationale.

Overall, we agree with the three specific practice analysis findings that n1CPAs need to have increased skills and knowledge related to understanding a business, digital and data-driven mindsets (data analytics), and reliance on System and Organization Controls (SOC) reports. We concur these findings align with the activities n1CPAs are working on in practice. For SOC reports, we believe testing should include remembering and understanding the meaning of and the differences between the various reports (SOC 1, SOC 2, SOC 3, Cybersecurity, and Supply Chain) and types (Type 1 and Type 2). Additionally, we believe n1CPAs need the skills identified in the practice analysis findings (understanding how outsourced transactions are initiated, authorized, processed, and recorded along with the responsive internal controls) as well as the ability to distinguish a service provider from a vendor and understand complementary user entity controls.

A.2 Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

Concur with the Proposed Changes

We concur with changes 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 35, 36, 39, 42, 43, 44, and 46. In our review, we noted additional comments for several of these proposed changes, as noted below:

- **#08** In our opinion, a n1CPA’s understanding of the impact of information technology on an audit and internal control, including how SOC engagements work and what evidence a SOC 1 report provides, is critical.
- **#13** We believe defining what is meant by audit data analytics or identifying the specific standard or guidance on which the questions will be based will help both candidates and educators better understand the scope of this section.
- **#14** Similar to our response for #13, we believe defining what is meant by audit data analytics or identifying the specific standard or guidance on which the questions will be based will help both candidates and educators. In addition, given that the use of data analytics is common in practice and the application of the analysis to provide substantive audit evidence via data analytics is increasingly relevant, we recommend testing at the analysis or application skill level.
- **#20** We believe the Exam should include testing the distinction between recognized and non-recognized events at the application skill level.

- **#26** The profession would benefit from a better understanding of how a SOC engagement works and that users and their auditors need to perform procedures beyond obtaining and filing the report, particularly for complementary user entity controls.
- **#29** The events related to the COVID-19 pandemic over the past few weeks have only reinforced that general business resiliency, business continuity, and disaster recovery planning are a vital part of governance and risk response planning. In practice, many findings have been written about these topics which continue to be repeated findings year-after-year.
- **#39** We concur testing of net position, fund balance, and interfund activity are best suited within the remembering and understanding skill level.
- **#42** We concur with the change because, given the larger exemptions for estate taxation, this area has become more specialized for clients who are owners of larger small businesses and farms.
- **#46** Unrelated business income tax and obtaining/maintaining tax exempt status are specialized areas best tested at the remembering and understanding skill level. We believe nCPAs should be aware when these matters arise to ensure they properly treat these cases, especially as many nCPAs are assigned to tax-exempt organization clients where they will likely need to address unrelated business income tax issues.

Partially Concur with the Proposed Changes

We partially concur with changes 27, 40, and 41, with our rationale for each as noted below:

- **#27** While we concur nCPAs need to understand data management, governance, and relationships along with how to extract and analyze data (including assessing the completeness and accuracy of the underlying population and extracted data), we have significant reservations about testing data extraction, loading data, and transforming and working with data. These skills are application dependent and may not transfer across auditees or firms.

Realistically, one application would need to be chosen to properly focus and guide candidates. However, the AICPA's selection of one application (or even several applications) may impact new entrants to this marketplace. Further, if expensive or multiple applications are chosen, this would place an additional burden on colleges and universities who must provide training to students on the application(s).

In our opinion, testing of this skill at the application skill level should only include Excel. In our experience, even large firms with proprietary data analytics applications still use Excel for data analysis, even if the firm builds additional custom tools within Excel or employs other data analysis software. Additionally, due to the pace of evolution, incorporation of other tools may require more frequent updates to the Exam. We caution against incorporating other specific analysis tools due to universality and obsolescence issues.

- **#40** We concur that secured transactions and bankruptcy topics are typically beyond the scope of the work performed by a nCPA in practice. While debtor and creditor relationships, bankruptcy, and secured transactions will be tested at the remembering and understanding

level, this is an area that exemplifies why a nCPA needs to have a broad base of general business knowledge to perform data analysis and apply professional judgment at the application skill level. For example, candidates and nCPAs need an understanding of these areas of the law so they can assess how these common issues may impact accounts receivable and assess the fairness of uncollectible balances along with the probability of future collection.

- **#41** We concur nCPAs may not have much interaction with federal securities regulation. However, we believe nCPAs need to have perspective and understanding of where their work fits into the bigger picture, necessitating at least a basic understanding of these regulations and why SEC reporting is critical to the worldwide capital markets.

Do Not Concur with the Proposed Changes

We do not concur with changes 1, 10, 34, 37, 38, and 45, with our rationale for each as noted below:

- **#01** We do not concur with removing the application level knowledge of the independence rules and ethical requirements for the Government Accountability Office and Department of Labor. Given the sheer number of ERISA audits (87,000+ for 2018)² and Single Audits (38,000+ for 2018)³, the ability to understand and apply the ethics, independence, and professional conduct requirements of these engagements is important. As we are aware of several firms with new staff working in these areas, it is very probable that a significant subset of nCPAs are working on these engagements across the nation.

Additionally, audit quality in these areas continues to be problematic, with the AICPA responding to these issues by establishing the Employee Benefit Plan Audit Quality Center and the Governmental Audit Quality Center. Further, in the 2018 revisions to *Government Auditing Standards* (commonly known as the Yellow Book) the U.S. Comptroller General's exposure draft proposed required training in the Yellow Book's specific requirements were needed in order to rectify deficiencies noted across engagements. While this proposed change was ultimately not incorporated into the final guidance, the 2018 revisions indicate training on the standards within *Government Auditing Standards* may assist practitioners when revisions occur.

- **#10** We do not concur with the removal of content related to the use of the internal audit function. All public companies we are aware of have an internal audit function on which the external auditors may rely upon during integrated audits. We believe nCPAs should understand the characteristics of the internal audit function and the factors impacting the evaluation of the quality of internal audit work. We maintain that testing at the remembering and understanding level is appropriate for nCPAs and assert that, based on our observations of practice, this area is becoming more, not less, relevant for nCPAs.
- **#34** We do not concur with the removal of testing on defined benefit plans. Based on our experience in practice, we still work with a number of defined benefit plans for both public and private company clients. We believe nCPAs need to understand how the amounts associated with defined benefit plans are calculated. Further, for governmental entities and many public companies, defined benefit plans and other post-employment benefits represent significant long-term liabilities. While we acknowledge there has been a decline

² Based on 2018 Schedule H "All" dataset (run in April 2019) available at <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/public-disclosure/foia/form-5500-datasets>

³ Based on search of 2018 audits (run in April 2019) <https://harvester.census.gov/facdissem/SearchA133.aspx>

in the number of defined benefit pension plans offered, there is still a significant need within practice for nCPAs to understand defined benefit pension plans and how related liabilities are calculated to successfully work with actuaries.

- **#37** We do not concur with the reduction in the level testing of government-wide financial statements from the application to the remembering and understanding level. First, given the sheer number of governmental entities (38,779 general purpose, 51,296 special purpose)⁴, the ability to understand and apply how the government-wide financial statements work is an area nCPAs work on in practice. Further, nCPAs need to understand the relationships between the three different major fund categories and how the conversion process “rolls-up” the ending results of the funds into the consolidated government-wide financial statement. These are topics best understood and tested by application skill testing, as it would be extremely difficult to cover the basics nCPAs need to know about this topic through identifying and recalling concepts about an extremely complex process.
- **#38** We do not concur with either the reduction of application skill-level testing to remembering and understanding level-testing of the governmental funds, proprietary funds, and fiduciary funds or the combination of these three distinct fund types into one “fund financial statements” topic. The combination of these three distinct fund categories does not reflect the unique differences in the measurement focus and basis of accounting, the reasons for and use of the different fund types that individually comprise the three major fund categories, and how to interpret and analyze relationships between the funds themselves and between the funds and government-wide level.
- **#45** We do not concur with removing topics involving trust and estates. Our practitioners indicate trusts and estates continue to be a major component of their practices and that nCPAs work on these entities. As a compromise, we agree with the retention of the topic regarding differences between simple and complex trusts as it is important for nCPAs to understand.

A.3 Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe them.

We are not aware of any other areas affected by technology that should be considered for testing on the Exam. We concur that, of all the technologies and data analysis tools, Excel has had the most consistent and universal impact on the profession.

In the previous *Practice Analysis* (2015), the AICPA shifted to testing “higher-order skills.” By incorporating testing technology into the exam, the AICPA should consider the impact of layering technology and higher-order skills. Data analysis is enhanced when higher-order skills and technology are combined to provide meaningful information from the data. We encourage the AICPA to be mindful of how it tests data analysis, as nCPAs are not as likely to have the experience to draw from to analyze data and recognize meaningful connections and relationships in the same way an experienced CPA would.

Additionally, colleges and universities accredited in business and accounting by the Association to Advance Collegiate Schools of Business (AACSB) must integrate information technology into the

⁴ Based on 2017 Census of Governments available within Table 2 at <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>

accounting education experience (Standard A5, AACSB, 2018). Accounting programs demonstrate compliance with Standard A5 by incorporating data analytics such as skills involving statistical techniques, data visualization, and data manipulation. In states that allow provisional testing during the last semester of graduate work, many students are sitting for sections of the Exam while they are still in school. At this point, the students' professional experience is limited so they may draw their technological skillset from their studies. While the technology used by the profession should guide the Exam's evolution, the standards already in place among the collegiate accrediting associations were informed by practice. To encourage more candidates to get an early start on sitting for the Exam, the AICPA may consider aligning the data analysis skills tested on the Exam with accreditation standards followed by colleges and universities.

A.4. Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

While we did not identify additional content that should be removed, we did identify an area for clarification. In the AUD section of the Exam, the only topic not clearly delineated in the current version of the blueprints is the distinction between financial statement audits and attest engagements. Some attestation engagements are covered (i.e. agreed-upon-procedures, compilations, and reviews), but others are not covered (i.e. examinations, compliance, and SOCs). We believe additional remembering and understanding content could be added about what exactly an attestation engagement is and how it is similar to/different from a financial audit, along with what each of these types of engagements are used for. This represents an area of understanding that could be of benefit to nCPAs.

Otherwise, we found the current blueprint very comprehensive.

Invitation to Comment – Specific Questions for Comment (Section B)

B.1 Given the considerations in the ITC, do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

We are very disappointed the AICPA is considering eliminating the written communication question from the Exam, because the ability to communicate in writing is essential and growing in importance to the work performed by nCPAs. Across the various entities represented by our Task Force, we noted the majority of work deliverables of both nCPAs and seasoned CPAs take written form, whether it is documenting procedures performed, drafting a technical memo on a matter, or engaging with clients.

First, we believe removing the written communication question does not align with the expectations for the role of a nCPA in the modern workforce. We encourage the AICPA to send a strong message to candidates and educators about the importance of written communication skills for nCPAs. We acknowledge the AICPA views the development of writing skills as a part of professional development that occurs during a candidate's academic experience (within education component represented on page 9 of the *Practice Analysis*). In our professional experience, we have seen students tend to focus on what content is covered on the Exam as a guide to what is important to their career development and absolutely expect the college curriculum to reflect the Exam, sometimes to the exclusion of other vital skills. Those students who are very focused on passing the Exam frequently lose sight that the Exam is an initial hurdle to cross in what will, hopefully, be a long, successful career as a CPA.

Second, we agree with the AICPA's view that because the written portion is not graded based on technical content, the scores on that portion of the exam are not indicative of technical knowledge. Therefore, these scores do not capture candidates' true ability to develop professional responses.

Rather than remove the written portion, and potentially send the message that written communication is not important, we advocate that the AICPA focus on testing candidates' abilities to respond in a technically accurate, professional manner. We acknowledge manual scoring would be necessary for the Exam to determine a candidate's ability to draft a technically accurate written communication and that this would increase the overall cost. However, the ITC lacks sufficient evidence to allow us to evaluate whether the additional manual scoring would (1) cause unacceptably long times for score releases and (2) be cost prohibitive.

Finally, we believe there is still value in testing "plain-English" writing ability through technical topics, even if the grading focuses on non-technical skills. An nCPA's ability to digest and express complex ideas through composition is a form of critical thinking integral to professional communication. In our experience, poor writing and communication skills adversely impact an nCPA's performance and act as a barrier to career progression. While we acknowledge that it would be better to have a grading process that addresses both writing ability and "higher-order" technical skills, retaining a written portion of the Exam in some form will preserve a minimum threshold that the AICPA can refine and improve over time while still offering current value.

Ultimately, writing ability itself is a crucial tool in an nCPA's toolbox. The absence of a written communication question risks reducing attention to developing candidates' writing skills. Therefore, we believe the written communication question should remain regardless of the scoring system with the hope that more comprehensive scoring methodologies may be incorporated in the future.

B.2. Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

The Exam, in its role of protecting the public interest to ensure only qualified individuals become licensed CPAs, tests a candidate's knowledge, understanding, and application of the rules and regulations encountered by CPAs across various practice environments. By necessity, due to the broad breadth of services rendered by CPAs in practice, the Exam must be limited to (1) matters that a significant number of nCPAs will encounter and (2) matters of a broad-based, minimum level of knowledge that professionals need to know to ensure the protection of the public as their careers progress. In our opinion, testing candidates on the authoritative generally accepted accounting principles (GAAP) for state and local governments (SLGs) meets both criteria.

SLGs Represent a Major Component of the U.S. Economy Served by Accounting Professionals

First, economic activity attributed to the nation's 90,000+ SLGs is vast. Further, SLGs also represent a significant component of activity in the capital markets, with the Federal Reserve Bank of St. Louis reporting SLGs had \$3,085.02 billion⁵ in outstanding debt obligations at the end of calendar year 2019. Hence, an understanding of SLG accounting is a crucial skill CPAs need in order to assist SLGs both with reporting an accurate financial picture and maintaining financial stability.

Second, due to the differences of SLGs from for-profit entities – including the different organizational purposes, the potential for longevity through involuntary taxation, the role of the legally adopted budget, the lack of a direct relationship between the economic value of a capital asset and cash inflows and outflows measured by return on investment, the relationship between stakeholders necessitating a higher level of accountability for and the usage of resources, the lack of a common measurement metric like net income or earnings per share, and the idea that SLG revenues are not indicative of the demand for governmental services – SLGs have their own GAAP standards setter. While some concepts are universal between U.S. GAAP set by FASB and GASB, SLGs have significant differences, including

⁵ fred.stlouisfed.org/release/tables?rid=52&eid=799655#snid=799666

classifications of equity, fund accounting, and even an additional basis of accounting and measurement focus. Additionally, unlike almost every other industry, SLGs directly impact everyone's daily life. These impacts are vast, from the provision of public services to the collection of revenues to pay for those services.

Finally, accounting professionals throughout the nation provide crucial support to enable SLGs to perform their critical functions. According to data from the U.S. Department of Labor's Occupational Employment Statistics Query System, the nation has 1.28 million accountants and auditors (excluding tax examiners, collectors, and revenue agents)⁶. Within this group, approximately 57,470 and 61,540 are directly employed by state and local governments⁷, respectively. These 119,010 employees represent around 9% of the nation's total accountants and auditors, which is likely understated as this total does not include (1) individuals employed by accounting firms working on government engagements and (2) self-employed workers providing services to governmental entities. Additionally, CPAs are called upon, in both formal and informal ways, to provide trusted advice on financial and accounting matters to SLGs and their elected officials.

Impact on the Pipeline of Professionals Serving SLGs and Not-for-Profit Entities

Without including SLGs on the Exam, we are very concerned the pipeline of CPAs able to serve both SLGs and, as an unintended consequence, not-for-profit entities that follow FASB standards, will shrink, decreasing the number and quality of professionals available to serve these entities. As we previously noted, in our experience, students tend to focus on what is covered on the Exam as a guide to what is important. By removing SLG accounting from the Exam, it is likely student interest in governmental accounting classes will decline, resulting in colleges and universities not offering courses in governmental accounting. This change would likely result in students not being exposed to an entire source of GAAP and will likely reduce the number of students who would consider providing professional services to, or starting careers at, SLGs. Further, due to the fact colleges and universities frequently teach FASB's accounting standards for not-for-profit entities with governmental accounting, this change may inadvertently impact the number of students capable of serving the not-for-profit sector. Finally, it is common for nCPAs and CPAs to engage with the community by serving as board members and treasurers to not-for-profits and SLGs. In this role, the public looks to nCPAs and CPAs for their knowledge of accounting and finance which if this change was implemented, would be more difficult for them to bring to the table.

Public Interest Considerations

The touchstone of our profession is its commitment to the public interest. We identified three key concerns with the proposed change that hamper our profession's responsibility to the public.

First, the only statutory power distinguishing the CPA from other professional credentials is the ability of CPAs to express an opinion as independent auditors. Without testing one of the major sources of GAAP, the Exam will likely not ensure a minimum level of knowledge and applicable skills for candidates who could ultimately issue audit or attest opinions on SLGs. The *Practice Analysis* attempts to diminish this risk by noting auditors serving SLGs usually receive additional specialized CPE training and firms frequently provide significant support to ensure the competence of their professionals. However, this overlooks the reality that many SLGs' audits are not performed under the

⁶ OES Standard Occupational Classification Code No. 132011 (May 2019 Data – accessed April 22, 2020)

<https://www.bls.gov/oes/current/oes132011.htm>

⁷OES Query System Query <https://data.bls.gov/oes/#/home> – Parameters = Accountants and Auditors (SOC code 132011) falling within State Government, including schools and hospitals (SOC code 999201) and Local Government, including schools and hospitals (SOC code 999301)

requirements of *Government Auditing Standards* (which require specialized continuing education) and that a nI CPA may, after a short period under the direction of an experienced CPA, strike out on their own and issue audit opinions. The exclusion of SLGs from the Exam would unduly increase the risk of unqualified CPAs without providing any significant benefits.

Second, due to the unique nature of SLGs providing services to all and the burdens they impose on taxpayers, the public has a direct interest in ensuring the competency of CPAs providing professional services and advice to SLGs.

Finally, as we noted earlier, audit quality at SLGs continues to be problematic, with the AICPA responding to this problem by establishing the Governmental Audit Quality Center. In addition, while less common today, all CPAs do not necessarily specialize in a specific area of the profession. This increases the risk of harm to the public if these CPAs have not established a baseline level of competency with SLGs.

In order to address our second and third concerns, we strongly believe having the Exam establish minimum competency with SLG material best serves the profession as opposed to the use regulatory discipline as a post facto protection mechanism against harms that have already occurred.

For the foregoing reasons, we believe SLGs should remain on the Exam.

CONCLUSION

Once again, we appreciate the AICPA's consideration of our perspectives on the proposed changes to the Exam within the exposure draft and invitation to comment questions. Everyone within this profession, regardless of their views on these proposed changes, understands the need for the AICPA to ensure the continued relevance of the Exam as the profession evolves and to ensure nI CPAs have a minimum competency level to protect the public interest.

Sincerely,

ILLINOIS CPA SOCIETY
Todd M. Shapiro, CPA
President and Chief Executive Officer

Appendix A
Task Force
ORGANIZATION

The Task Force is composed of the following technically qualified, experienced members appointed from industry, education, and public accounting who serve in various Illinois CPA Society committees. The Task Force comments reflect solely the views of the Task Force and do not purport to represent the views of their business affiliations. Members of the Task Force and their business affiliations are as follows:

Meghann Cefaratti, Ph.D., CIA	Northern Illinois University
Paul V. Inserra, CPA	McClure, Inserra & Company, Chartered
William C. Keirse, CPA	Ernst & Young LLP
Andrea L. Krueger, CPA	CDH, P.C.
Daniel J. Nugent, JD, CPA	State of Illinois, Office of the Auditor General University of Illinois at Springfield
Elizabeth Sloan, CPA	Grant Thornton LLP
Jeffery Watson, CPA	Miller Cooper & Company Ltd



April 30, 2020

Board of Examiners
American Institute of CPAs
100 Princeton South, Suite 200
Ewing, NY 08628

Re: Exposure Draft: Maintaining Relevance of the Uniform CPA Examination

The Kentucky Society of Certified Public Accountants (KyCPA) board members reviewed and discussed the above noted exposure draft. Following discussion, the members determined their main objection is to the proposal to eliminate state and local government accounting content from the FAR section of the exam.

Kentucky is similar to a number of other states with large rural areas where there is a demand for CPAs to perform governmental audits for local school boards, water districts, etc. but a limited number of firms available to do so. Also, due to the fees typically associated with providing this service, larger firms have reduced or eliminated this work from their practice. This has resulted in typically one person firms providing this service some of whom have been in practice for a short period of time. Therefore, KyCPA believes it is necessary to continue to have content on the exam related to this area.

The KyCPA board members also reviewed NASBA's proposed response to the exposure draft. They agree with the response however some members question the need for continued testing of federal securities regulations since CPAs engaged in that practice area are likely to be employed in a larger firm with experienced CPAs on staff to provide oversight and guidance.

Thank you for the opportunity to submit comments.

Sincerely,

Darlene Zibart, CPA
CEO
Kentucky Society of CPAs



April 29, 2020

Via electronic mail – practiceanalysis@aicpa.org

Re: MAINTAINING THE RELEVANCE OF THE UNIFORM CPA EXAM (December 2019)

The members of the New Jersey Society of Certified Public Accountants (NJCPA) Accounting and Auditing Standards Interest Group (the Group) appreciate the opportunity to respond to the Exposure Draft and Invitation to Comment mentioned above. The NJCPA represents over 14,000 members. The Group was formed to address technical topics affecting financial reporting entities. The Group understands and acknowledges the differences between the Uniform CPA Examination Practice Analysis 2019 (PA) and the discussions about the CPA Evolution initiative. These responses are submitted based on the views of the Group and may not reflect the opinions of all NJCPA members.

The Group appreciates the effort of the AICPA drafting this PA. The Group recognizes the AICPA wants to make sure newly licensed CPAs (nICPAs) remain current with the profession.

Overall

The Group agrees technology is impacting nICPAs as described in the General Findings and Conclusion section of the PA including - Understanding the Business – Data Analytics and SOC1 Reports.

The Group has the following comments on testing skills related to technology.

Request for Comment A.a.1. (page 7)

How do the findings align with the changes you see impacting nICPA practice? If the primary findings do not align with the changes you see impacting nICPA practice, please provide your view and explain your rationale.

RESPONSE

Understanding the Business -

The Group agrees technology has an impact on understanding business processes. A business is made up of systems, people, equipment, technology and products to fill customer needs. It is important to understand if procedures are reducing costs, functional, and producing reliable data. As part of understanding the business nICPAs could benefit from recognizing how finance and reporting interacts with other business systems. As well as recognizing if processes in manual, automated and legacy systems are useful.



Data Analytics -

The Group agrees task-based simulations (TBSs) using Excel is a good way of testing analytical skills. The Group believes the role of nCPAs includes being closely involved in extracting and transforming data using Excel and Excel alternatives like Google Spreadsheets and other open source software.

The Group believes the TBSs could include testing an understanding of using pivot tables, data validation, keyboard shortcuts and the formula auditing toolbar. In addition, TBSs could test what if analysis, cell referencing and presenting data with charts.

The Group believes nCPAs should recognize as models grow data-based decision making becomes more complex and for this reason they need to constantly work on improving their skills. When testing a data-driven mindset it is important for nCPAs to understand when they are using data to ask questions rather than just look for answers.

Reliance on SOC 1 Reports –

The Group agrees there is an increased reliance on SOC 1 reports. It is important for nCPAs to understand SOC 1 reports as well as be introduced to SOC 2 reports and know the differences.

The Group believes nCPAs will benefit by - being able to identify if a licensed independent firm prepared the report; knowing the differences in a Type 1 and Type 2 Report; understanding exceptions and identifying the effect of what was not included in the Report.

Request for Comment A.b.2. (page 7).

Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

Proposed Changes

7. Change 7; Area II; Group B; Topic 1 + 2: AUD 12: Understanding an entity and its environment.

Topic 1: External factors including the applicable financial reporting framework –

The Group believes changes proposed in response to findings identified in the PA including an understanding of the business and associated processes and the data-driven mindset are appropriate. However, the Group believes this should include a knowledge of how and where data is accumulated, whether it has been modified and if it is useful.

Topic 2: Internal factors, including nature of the entity, ownership and governance structure and risk strategy –



The Group believes changes including understanding and documenting significant business processes, IT system infrastructure and data flows is appropriate. The Group isn't clear how the PA expects to do this and would like to expand this comment when additional information is available.

8. Change 8, Area II; Group C; Topic 12,3 + 4; AUD 13 + 14: Understanding an entity's internal control.

Group C, Topic 1: Control environment and entity-level controls –

The Group believes revising content on identifying and documenting the significant components of an entity's control environment including entity-level controls to include IT general controls is appropriate.

However, the Group believes it is important to make sure nICPAs have an understanding of how to evaluate the effectiveness of internal control before including IT general controls. NCPAs that have not been exposed to strong control environments have little experience when answering questions that require more knowledge of an entity's control environment. In addition, nICPAs should be aware of the differences in internal control between large companies and SMBEs (small and medium business enterprises). NCPAs should also have an understanding of how legacy systems work.

The Group believes it would be helpful for the AICPA to work with college leaders to enhance curriculums to include courses on internal controls, significant business processes, and data extraction and analysis. This would allow students who wish to become nICPAs to develop these skills and succeed in the profession.

Group C, Topic 2: Flow of transactions and design of internal controls –

The Group believes revising content on walkthroughs to include significant business processes and how they relate to the financial statements is appropriate. The Group believes nICPAs should understand how income is recorded via credit cards, 3rd party processors or virtual currencies.

The Group believes adding content on obtaining an understanding of the IT systems used for financial reporting is appropriate. The Group believes it is important for nICPAs to understand how processes and transactions unite to create financial reports. Additionally, the Group believes nICPAs should be able to distinguish and describe the systems and internal controls for income, expenses, returns, transfers and administrative processes.

The Group believes revisions including documenting the effectiveness of manual, IT general and applications controls is appropriate. The Group believes it is important for nICPAs to be familiar with written descriptions when documenting revised content on process walkthroughs. Because it will be helpful when contributing to composing communications of findings to management.



Group C, Topic 3: Implications of an entity using a service organization –

The Group believes adding content regarding SOC1 (Type 2) is appropriate. The Group believes nCPAs should understand when a service organization processes transactions there is less interaction with the user entity. So, it may not be possible for the user entity to control certain transactions and reliance on the SOC 1 becomes more important.

Group C, Topic 4: IT general and application controls –

The Group believes including the current concepts in Topics 1 + 2 above is appropriate.

Request for Comment A.c.3. (page 7)

Are there other areas affected by technology beyond the findings identified in the Practice Analysis — Findings section of this document broadly impacting nCPA practice that should be considered in future revisions to the CPA Exam Blueprints? If so, describe.

RESPONSE

The Group agrees with including an assessment on the importance of governance over data and analytics. The Group believes this should contain content on obtaining an understanding of what data governance is and why it matters.

The Group also believes nCPAs should understand data security and privacy rules.

Request for Comment A.c.4 (page 7)

Based on a review of the CPA Exam Blueprints, do you believe there is additional content that should be removed from the CPA Exam as it is not critical to nCPA practice and the protection of the public interest? If so, describe them.

RESPONSE

Currently, the Group believes nothing else should be removed from the CPA Exam at this time.

Request for Comment B.a.1. (page 8)

Given the considerations in the ITC do you agree or disagree with the recommendation to remove the essay question (written communication question)? Please provide your rationale.

RESPONSE

The Group disagrees with removing the written communication question. The Group believes, even if the question does not assess the technical accuracy of the subject matter it is important for nCPAs to be tested on basic writing skills. Considering an engagement, assessing risks, documenting tests, reporting results, and communicating with



management all involve effective writing. These tasks require organization, proper sentence structure, enumeration and other things. Reports issued by CPAs are usually redundant, wordy and grammatically challenged. The Group believes technical accuracy and higher order skills are considered throughout the exam but that is not sufficient support in removing the essay question. When protecting the public interest, it is important nICPAs have the ability to clearly document analysis, interpretations and conclusions obtained from procedures performed as well as being able to clearly communicate and discuss complex matters with the stakeholders involved in each engagement. The Group believes the best way to ensure that each nICPA possesses these skills is to retain the essay question on the exam.

Request for Comment B.b.2. (page 8)

Given the considerations in the ITC should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

RESPONSE

Although FAR – Accounting for State and Local Governments is considered a specialized area in the PA the Group believes FAR it is not uncommon in practice. However, the Group believes that FAR is not a critical component when considering a data driven mindset. Given the considerations in the ITC and the objectives of the CPA Evolution - the Group believes testing accounting for state and local governments is no longer an essential part of the CPA Exam.

The Group appreciates the AICPA for requesting our professional views on the Practice Analysis. The Group thanks the AICPA for reading this comment letter submitted on behalf of the members of the New Jersey Society of Certified Public Accountants Accounting and Auditing Standards Interest Group.

Respectfully submitted,

Craig Dalinsky, CPA, Leader
Accounting and Auditing Standards Interest Group
New Jersey Society of Certified Public Accountants

Principal Drafters: Susan Firriolo, CPA, Laura Crowley, CPA, Elizabeth Harper, CPA and June M. Toth, CPA

cc: Kyle Sell, CPA, President - NJCPA
Ralph Albert Thomas, CPA (DC), CGMA, CEO & Executive Director - NJCPA
James Hardenberg, CPA, CGMA, CAE, Chief Learning Officer - NJCPA



May 15, 2020

Mr. Jeffrey Hoops
Chair, Board of Examiners
AICPA
220 Leigh Farm Road
Durham, North Carolina 27707

By e-mail: practiceanalysis@aicpa.org

**Re: Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft
and Invitation to Comment**

Dear Mr. Hoops:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 23,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's CPA Examination Task Force deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact task force chair Renee Rampulla or Ernest J. Markezin, NYSSCPA staff, at [REDACTED].

Sincerely,

A handwritten signature in black ink that reads "Ita M. Rahilly". The signature is written over a faint, semi-transparent watermark of the NYSSCPA logo.

Ita M. Rahilly
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**MAINTAINING THE RELEVANCE OF THE UNIFORM CPA EXAMINATION®: AN
EXPOSURE DRAFT AND INVITATION TO COMMENT**

May 15, 2020

Principal Drafters

**Robert J. Huether
William C. Huether
Vanessa McGovern
Renee Rampulla
Denise M. Stefano
Nina T. Terranova-Dorata
Mark Ulrich**

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Mitchell J. Mertz

Candice R. Meth
Michael E. Milisits

Steven M. Morse
Maria L. Petrollese

Jennifer Pickett
Thomas S. Pirro

Janeen F. Schran
Maria E. Suppa

Mark M. Ulrich
Liren Wei

Charles J. Weintraub
David G. Young

NYSSCPA CPA Examination Task Force

Renee Rampulla, *Chair*
Robert J. Huether

William C. Huether
Vanessa McGovern
Denise M. Stefano

Nina T. Terranova-Dorata
Mark Ulrich

NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment

We welcome the opportunity to respond to the AICPA's invitation to comment on *Maintaining the Relevance of the Uniform CPA Examination®* (Exposure Draft).

Overall, we support the ongoing efforts to maintain the validity, reliability, and relevance of the Uniform CPA Examination® (CPA Exam).

Our responses to the specific questions outlined in the Exposure Draft are presented below. We did not prepare responses to Questions 5, 15, 24, 31, 34, 36 and 39.

Question 1: Group B: Ethics, independence and professional conduct. Topic 3: Requirements of the Government Accountability Office and the Department of Labor.

Remove the application skill level content regarding independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor as PA research indicates this is less relevant to n1CPA practice. The Remembering and Understanding skill level content will be retained.

We agree with the removal of the application skill level content regarding independence rules and ethical requirements for the Government Accountability Office and independence rules for the Department of Labor. We believe the understanding and remembering these specific ethical requirements and independence rules are less relevant to a newly licensed CPA (n1CPA).

Question 2: Group C: Terms of engagement. Topic 1: Preconditions for an engagement.

Remove the topic. PA research indicates that the content in this topic is generally not among procedures completed by n1CPAs.

While we agree that n1CPAs may not be involved in performing procedures to determine whether the preconditions for accepting an engagement have been met, their level of involvement is often dependent on the size of the accounting firm they work for, the engagement, and the skill level of the individual n1CPA. Additionally, an understanding of these preconditions can help in the audit risk assessment process. Therefore, we suggest retaining a general understanding of the Topic and that n1CPAs continue to be assessed on identifying the factors affecting the acceptance or continuance of an audit or non-audit engagement.

Question 3: Group E: Communications with management and those charged with governance. Topic 3: All other matters.

Remove the topic. PA research indicates that the lack of specificity in the current CPA Exam Blueprint related to all other matters was not useful.

We agree with this proposed change providing the critical components of communication with management and those charged with governance continue to be covered elsewhere in the CPA Exam.

Question 4: Group F: Communication with component auditors and parties other than management and those charged with governance.

Remove the group. PA research indicates the content in this topic is beyond the scope of n1CPA practice.

We agree with the removal of Group F: Communication with component auditors and parties other than management and those charged with governance, and believe it is beyond the scope of a n1CPA practice.

Question 6: Group A: Planning an engagement. Topic 2: Developing a detailed engagement plan.

Remove the analysis skill level content on developing a detailed engagement plan. PA research indicates the analysis content tested is beyond the scope of n1CPA practice.

We agree that CPA Exam should continue to assess preparing and documenting an engagement plan, as well as supporting client request materials. We also agree with the proposed removal of the analysis skill level content in Topic 2: Developing a detailed engagement plan within Group A: Planning an engagement and acknowledge that it may go beyond the scope of some, but not all n1CPAs. A n1CPA's involvement in this area is often dependent on the size of the accounting firm they work for, the engagement, and the skill level of the individual n1CPA. Given this, we suggest that you consider assessing this content at the application skill level.

Question 7: Group B: Understanding an entity and its environment. Topic 1: External factors, including the applicable financial reporting framework. Topic 2: Internal factors, including nature of the entity, ownership and governance structures and risk strategy.

Expand the group to consider technology's impact on an entity.

We strongly agree with this necessary change to specifically include the understanding of the business and associated processes and a digital and data-driven mindset. We also believe that technology content should be tested at all skill levels up to and including the analysis skill level.

Question 8: Group C: Understanding an entity's internal control. Topic 1: Control environment and entity-level controls. Topic 2: Flow of transactions and design of internal controls. Topic 3: Implications of an entity using a service organization. Topic 4: Information Technology (IT) general and application controls.

Revise topics in Group C to more broadly consider the control environment, significant business processes, and IT systems.

We agree with all of the proposed revisions to the topics in Group C. We believe these revisions will adequately capture the relevant skills nCPAs need to understand data; the sources of data; where and how that data may be accessed; and the completeness, accuracy, and relevance of that data.

Question 9: Group E: Identifying and assessing the risk of material misstatement, whether due to error or fraud, and planning further procedures responsive to identified risks. Topic 3: Further procedures responsive to identified risks.

Add content regarding the use of audit data analytic techniques to identify transactions that may have a higher risk of material misstatement.

We strongly agree with the proposed addition of the use of audit data analytic techniques to identify transactions that may have a higher risk of material misstatement and believe this change is consistent with current practice.

Question 10: Group G: Planning for and using the work of others, including group audits, the internal audit function and the work of a specialist.

Remove content related to the use of the internal audit function. PA research indicates content on the use of the internal audit function is beyond the scope of nCPA practice.

We agree with the proposed addition of content that relates to the use of the work of an IT auditor. We also agree that the CPA Exam should maintain current content relating to group auditors and using the work of other specialists. We suggest a reconsideration of the removal of content relating to the use of the internal audit function. We acknowledge that the use of the internal audit function may go beyond the scope of some nCPAs, but not all nCPAs. A nCPA's involvement in this area is often dependent on the size of the accounting firm they work for, the engagement, and the skill level of the individual nCPA.

Question 11: Group H: Specific areas of engagement risk. Topic 3: Related parties and related party transactions.

Eliminate analysis skill level content and focus on defining and identifying related parties. PA research indicates the content at the analysis skill level is beyond the scope of nCPA practice.

We strongly disagree with the proposal to eliminate the analysis skill level content in Topic 3: Related parties and related party transactions, of Group H. We do not believe the content at that analysis skill level is beyond the scope of nCPAs in practice. The analysis is a natural extension of defining and identifying related parties, including related disclosures and a nCPA should be able to consider significant and unusual transactions with related parties, such as those charged with governance, in the context of the risk of material misstatement.

Question 12: Group A: Understanding sufficient appropriate evidence.

Revise group title to "Sufficient appropriate evidence."

Expand the scope of Group A to include content focused on determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data.

We agree with the proposed change to expand the scope of Group A to include content focused on:

- determining the sources of sufficient appropriate evidence and identifying procedures to validate the completeness and accuracy of data, and
- the use of professional skepticism and judgment in analyzing corroborating or contradictory evidence and evaluating whether sufficient appropriate evidence has been obtained.

Question 13: Group B: Sampling techniques.

Revise group title to “General procedures to obtain sufficient appropriate evidence.”

We agree that the concept of using automated tools and audit data analytics in audit sampling should be added to Group B along with the existing content found in other Groups. We suggest that you consider defining “automated tools” within the context of the CPA Exam because the use of the term may vary from firm to firm. We question whether it is necessary to include the term “General” in the name of the revised Group B.

Question 14: Group C: Performing specific procedures to obtain evidence.

Revise group title to “Specific procedures to obtain evidence.”

We agree to the expansion of content that will include working with data sets and encompassing tasks requiring the use of Excel (i.e., sorting, classifying, summarizing, and comparing data); and the analyzing of the results of an audit data analytic procedure along with understanding the significance of notable or unusual items. We question whether it is necessary that this content reside in a new Topic instead of being integrated elsewhere, such as being combined with the content discussed in Question 13.

Question 16: Group D: Specific matters that require special consideration. Topic 2: Investments in securities and derivative instruments.

Revise topic by eliminating derivative content and focus on the testing of inputs and assumptions relating to the fair value of investments. PA research indicates the testing of derivatives in this context is beyond the scope of nCPA practice.

We agree with the proposed change to focus on the broader concept of fair value measurement inputs and assumptions, which we believe would include various types of financial instruments and investments.

Question 17: Group D: Specific matters that require special consideration. Topic 4: Litigation, claims and assessments.

Remove analysis skill level content from the topic. PA research indicates analyzing management’s estimates of accruals for litigation, claims, and assessments are beyond the scope of nCPA practice.

We do not agree with the proposal to remove the analysis skill level content because the ability to analyze management's estimates of accruals for litigation, claims and assessments are not beyond the scope of a nCPA in practice.

Question 18: Group D: Specific matters that require special consideration. Topic 5: An entity's ability to continue as a going concern.

Remove application skill level content from the topic. PA research indicates that performing procedures related to the assessment of management's evaluation and conclusion on an entity's ability to continue as a going concern was beyond the scope of nCPA practice.

We agree that the CPA Exam should focus on identifying going concern factors and indicators, and that performing procedures related to the assessment of management's evaluation and conclusion on an entity's ability to continue as a going concern is beyond the scope of nCPA practice.

Question 19: Group F: Written representations.

Remove the application skill level content and retain the content related to identifying the necessary representations. PA research indicates the content currently in the remembering and understanding skill level more closely aligns with nCPA practice.

We believe the ability to remember and understand the types of the written representations that should be obtained from management or those charged with governance is within the scope of a nCPA's skill level and that the removal of the related application skill level content is appropriate.

Question 20: Group G: Subsequent events and subsequently discovered facts. Revise group title to "Subsequent events."

Remove subsequently discovered facts content. PA research indicates subsequently discovered facts are beyond the scope of nCPA practice.

We agree with the removal of subsequently discovered facts content and agree that the CPA Exam should continue to assess procedures to identify subsequent events, and if subsequent events are appropriately reflected in the financial statements and disclosures.

Question 21: Group D: Reporting on compliance.

Remove the application skill level content related to the preparation of draft compliance reports. PA research indicates the preparation of compliance reports is less important to nCPA practice.

We believe the ability to remember and understand the type of factors that the auditor or practitioner should consider when reporting on compliance is within the scope of a nCPA's skill level and that the removal of the application skill level content related to the preparation of draft compliance reports is appropriate.

Question 22: Group E: Other reporting considerations. Topic 5: Single statements. Topic 7: Letters for underwriters and filings with the SEC. Topic 8: Alerts that restrict the use of written communication.

Remove topics. PA research indicates the content assessed in these topics is beyond the scope of a newly licensed CPA practice.

We agree with the specific removal of other reporting matters contained in Group E: Topics 5, 7, and 8 because the topics are beyond the scope of a nICPA practice.

Question 23: Group A: Internal control frameworks. Group B: Enterprise risk management (ERM) frameworks. Group C: Other regulatory frameworks and provisions.

Revise groups. This change is proposed in response to the findings identified in the PA research, more specifically understanding the business and associated processes and the digital and data-driven mindset.

We agree to the proposed changes to revised Group A: Internal control frameworks, Group B: Enterprise risk management (ERM) frameworks, and Group C: Other regulatory frameworks and provisions.

Question 25: Group A: Capital structure.

Remove the analysis content from the group.

We agree that comparing and contrasting the strategies for financing new business initiatives and operations is beyond the scope of nICPA in practice and that the application level content is sufficient for this Group.

Question 26: Group A: Understanding of information technology (IT). Topic 1: Organization and governance.

Add content to the topic on understanding the need for SOC 1 reports for outsourced IT functions.

We agree that understanding the need for SOC 1 reports for outsourced IT functions is within the scope of a nICPA's skill set. Additionally, we propose that you consider the current location of this content and suggest a relocation to Content Group B: Role of Information Technology in Business versus Group A: Information Technology (IT) Governance.

Question 27: Group A: Understanding of information technology (IT). Topic 3: Data.

Change the current Topic 3 - Data to be a Group of its own and add content related to working with data.

We agree that data and working with data should reside in its own Group and suggest that it be located within the BEC Blueprint Area IV: Group B: Role of Information Technology in Business.

Question 28: Group B: Risk associated with IT. Topic 2: System development and maintenance.

Narrow the focus of the topic and revise the skill level from application to remembering and understanding.

This proposed change would more closely align with a nCPA's skill set and therefore we agree with narrowing the focus on recalling concepts related to controls over software changes at the remembering and understanding skill level rather than the application skill level.

Question 29: Group C: Controls that respond to risks associated with IT. Topic 4: Continuity and recovery plans.

Broaden the topic and revise the skill level from application to remembering and understanding.

We agree to the proposed revisions relating to business resiliency. Testing the revised content at the remembering and understanding skill level rather than the application skill level more closely aligns with a nCPA's skill set.

Question 30: Group B: General-purpose financial statements: for-profit business entities. Topic 8: Discontinued operations.

Remove the topic and add discontinued operations as an example to the multiple-step income statement task statement in Area I, Group B, Topic 2.

We agree with the proposed removal of separate Topic 8 and the addition of discontinued operations in the context of a multiple-step income statement because this is the general scenario a nCPA would encounter in practice.

Question 32: Group E: Financial statements of employee benefit plans.

Limit the scope of content assessed. PA research indicates that the assessment of defined benefit pension plans beyond basic concepts is not within nCPA practice.

We agree with limiting the scope of content tested in connection with Group E: Financial statements of employee benefit plans and believe that the assessment of defined benefit pension plans beyond basic concepts is not within a nCPA in practice.

Question 33: Group K: Compensation and benefits. Topic 1: Compensated absences.

Remove the topic and limit the scope of the content assessed to vacation accruals under Area II, Group G, Payables and accrued liabilities. PA research indicates that this topic is less important to nCPA practice.

We agree with moving the content in Group K: Compensation and benefits, Topic 1: Compensated absences to Area II: Group G: Payable and Liabilities, and believe it is still relevant that a nCPA be able to assess vacation accruals.

Question 35: Group D: Derivatives and hedge accounting (e.g., swaps, options, forwards).

Remove application skill level content. PA research indicates that this topic is less important to nCPA practice.

We agree that a nCPA needs to understand the basics of these instruments and the removal of the application skills level content in Group D: Derivative and hedge accounting (e.g., swaps, options, forwards) is appropriate because it is beyond a nCPA's scope of knowledge in practice.

Question 37: Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 1: Government-wide financial statements.

Remove application skill level content. PA research indicates that this topic is less important to nCPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.

We agree with this proposed change to limit the scope of this topic by focusing on identifying and recalling basic concepts and principles associated with government-wide financial statements (e.g., required activities, financial statements, and financial statement components). We believe this topic is less important to nCPAs in practice unless this is a nCPA's specialized area of practice.

Question 38: Group B: Format and content of the financial section of the comprehensive annual financial report (CAFR). Topic 2: Governmental funds financial statements. Topic 3: Proprietary funds financial statements. Topic 4: Fiduciary funds financial statements.

Remove application skill level content and combine these topics into a new topic titled "Fund financial statements." PA research indicates that this topic is less important to nCPA practice. The changes proposed throughout Area IV are intended to simplify the content assessed in this specialized area of practice.

We agree with the new combined topic and its focus on the basic concepts and principles associated with the governmental fund, proprietary fund, and fiduciary fund financial statements, which will not include the preparation of specific statements. A nCPA should be able to recall basic concepts at the remembering and understanding skill level involving the government-wide financial statements and reconciliation requirements.

Question 40: Group C: Debtor-creditor relationships. Topic 1: Rights, duties and liabilities of debtors, creditors and guarantors. Topic 2: Bankruptcy and insolvency. Topic 3: Secured transactions.

Limit the scope of the content to the basic concepts related to debtor and creditor relationships, bankruptcy and insolvency, and secured transactions. PA research indicates that these topics are less important to nCPA practice.

We agree that the proposed changes to combine Topics and limit the scope of the content to basic concepts related to debtor and creditor relationships, bankruptcy and insolvency, and secured transactions will better align with the skill set of a nCPA in practice.

Question 41: Group D: Government regulation of business. Topic 1: Federal securities regulation.

Remove the topic. PA research indicates that this topic is less important to nCPA practice.

We agree with the removal of Group D: Government regulation of business. Topic 1: Federal securities regulation, because these concepts related to a CPA's liability under the '33 and '34 Acts are not essential to nCPA practice. We believe the CPA Exam should continue to assess SEC reporting requirements in the FAR section.

Question 42: Group C: Estate and gift taxation. Topic 1: Transfers subject to gift tax. Topic 2: Gift tax annual exclusion and gift tax deductions. Topic 3: Determination of taxable estate.

Limit the scope of the content to the basics of gift taxation and remove content on estate taxation. PA research indicates that these topics are less important to nCPA practice.

We agree with the proposed changes to Group C: Estate and gift taxation and believe a nCPA should have a basic understanding of estate and gift taxation. We suggest that you consider combining this content with the content in Group G: Trusts and estates. Topic 2: Income and deductions as proposed in Question 45. Group G: Trusts and estates.

Question 43: Group H: Alternative minimum tax (AMT).

Remove the group. PA research indicates that this group is less important to nCPA practice.

We agree with the removal of this group given the recent and continuous changes to tax law along with the limited application to a nCPA's skill set in practice.

Question 44: Group C: C Corporations. Topic 2: Net operating losses and capital loss limitations.

Remove analysis skill level content. PA research indicates that this topic is less important to nCPA practice

We agree that the assessment of net operating loss content should remain at the application skill level, which best aligns with a nCPA in practice, and that it be removed from the analysis skill level content.

Question 45: Group G: Trusts and estates. Topic 2: Income and deductions. Topic 3: Determination of beneficiary's share of taxable income.

Remove the topics. PA research indicates that these topics are less important to nCPA practice.

We agree with the proposed transfer from Topic 1 to a separate group that will focus on recalling basic concepts related to the types of trusts (simple and complex trusts) and that these topics are less important to nCPAs in practice. We suggest that you consider combining this content with the content described in Question 42.

Question 46: Group H: Tax-exempt organizations. Topic 2: Obtaining and maintaining tax-exempt status. Topic 3: Unrelated business income.

Remove Topic 2 and limit the scope of Topic 3. PA research indicates that these topics are less important to n1CPA practice.

We agree with the removal of Topic 2: Obtaining and maintaining tax-exempt status and the limiting the scope of Topic 3: Unrelated business income, which will focus on assessing a n1CPA's understanding of unrelated business income for a tax-exempt organization rather than calculating it.

Additional Comments for Consideration

In addition to our responses to the specific questions in the Exposure Draft we believe it is important to bring the following to your attention:

- The Exposure Draft does not provide a definition of a “newly licensed CPA or n1CPA” thereby making it subject to varying interpretations. A respondent may view a n1CPA as a recent accounting graduate while another respondent may view a n1CPA as an individual who has been in practice for 3 to 5 years, or perhaps longer, and only recently passed the CPA Exam. Given the ambiguous nature of the profile of a n1CPA, we believe that responses to the Exposure Draft questions may unintentionally lack consistency.
- We suggest that you consider performing another review of the FAR section to consider the removal or reduction of additional items.
- We strongly disagree with the recommendation to remove the essay question (written communication question). This assessment is evidence of a candidates' ability to critically think and provide support for conclusions reached. Communication is especially important for n1CPAs who need to not only properly draft memos but communicate with clients, peers, management, those charged with governance, regulators, etc.
- We agree that the FAR area IV – State and Local Governments is specialized in nature and may not apply to a majority of n1CPAs. However, understanding this content is important to those n1CPAs working in state and local governments or with firms that specialize in this area. We suggest that you continue to reach out to the profession before reaching a final conclusion regarding the removal.



April 22, 2020

Re: 2019 CPA Exam Exposure Draft and Invitation to Comment

The Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the findings of the 2019 Practice Analysis. The PICPA is an association of more than 22,000 members working to improve the CPA profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest state CPA organization in the United States.

Overall, the PICPA supports the changes proposed in the Practice Analysis exposure draft. We agree that the proposed changes align with the changes we have seen impacting nICPA practice. We are happy to see less inclusion of government content, increased focus on technology, and the inclusion of service organization controls (SOC) reports. We do caution that while understanding a SOC report is important, candidates should be tested on reading and interpretation only, not preparation as this is a highly specialized area not relevant to nICPAs. Skills beyond basic understanding would not be expected of an nICPA.

The PICPA agrees with the proposed changes to each section. We would like to see more clarity in what would be tested, specifically regarding technology use in each section. Knowing that exam candidates typically study for one section at a time, this information would be valuable to their preparation. Additionally, while we are happy to see that technology is greatly considered, we caution against the exam becoming too specialized in IT matters.

Given the considerations in the ITC, we agree with the recommendation to remove the essay question. Though we see the value of formal communication skills, we know that academics already focus on building these skills in the classroom, and writing skills further develop with work experience. The current scoring and weighting of the essay question is confusing, and we feel strongly that it does not effectively assess a candidate's communication skills.

We also strongly agree that accounting for state and local governments should be removed as proposed. There is already an abundance of content for exam candidates to learn, and government accounting is generally a specialized area where an nICPA would get extra certification or training as needed.

Overall, we agree with the proposed changes. More detail about the specific items to be tested in technology, auditing, and SOC reports will be helpful to educators to better prepare students in these areas. We also encourage you to consider revising the task-based simulations. In their current form, the simulations are very detailed, overly challenging, and do not reflect the level of knowledge required by most nICPA's.

Headquarters

Ten Penn Center
1801 Market Street, Suite 2400
Philadelphia, PA 19103
t: (215) 496-9272

Western Regional

One Oxford Centre
301 Grant Street, Suite 4300
Pittsburgh, PA 15219
t: (412) 255-3761

Government Relations

500 N. Third Street, Suite 600A
Harrisburg, PA 17101
t: (717) 232-1821

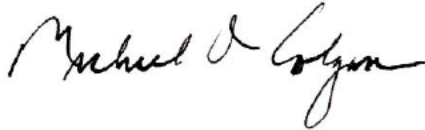
www.picpa.org
info@picpa.org

Toll Free
(888) 272-2001

Frequently, the content of the simulations seems misaligned with the section of the exam in which they appear. With the lack of practice examples and feedback available, it is difficult for candidates to prepare and/or improve on simulations.

Thank you again for the opportunity to provide our comments on changes to the CPA Exam. Feel free to contact me at [REDACTED] or Meg Killian, vice president of member relations, at [REDACTED] with any questions regarding our comments.

Sincerely,

A handwritten signature in black ink that reads "Michael D. Colgan". The signature is written in a cursive style with a large, stylized initial "M".

Michael D. Colgan, CAE
CEO and Executive Director



Financial Services Division
Lansing Community College
309 N. Washington Square, Suite 203
Lansing, Michigan 48933
Phone (517) 483-1865 Fax (517) 483-9876

April 16, 2020

American Institute of Certified Public Accountants:

On behalf of Lansing Community College, we thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC).

Lansing Community College strongly opposes the proposed reduction in, and ultimate elimination of, the coverage of accounting and financial reporting for state and local governments (SLG) in the Uniform CPA Examination (CPA Exam), which is outlined in the ED/ITC.

Framing SLG financial statement reporting as a narrow specialty in the CPA Exam does not take into account the significance SLGs have in the overall economy. Additionally, my jurisdiction/organization believes that the AICPA should consider that:

- Eliminating SLG accounting and financial reporting from the CPA Exam will encourage colleges and universities to devote less curriculum to SLG matters, further diminishing necessary expertise from the workforce. We have difficulty in recruiting and hiring accounting staff that have the requisite knowledge of basic fund accounting and the concepts of governmental accounting. An extraordinary amount of time is required for on the job training that in lean governmental organizations places an undue burden.
- In addition to my Controller position, I am also an adjunct faculty teaching auditing and governmental accounting courses. The instruction that my students receive in my governmental class is invaluable to them given we sit in the State's capital and a number of my students are able to secure employment with many governmental entities in our jurisdiction. Without their education, they would not be able to secure employment. If the requirement for governmental accounting is eliminated from the exam, the governmental class will no longer be offered hurting these students' employment opportunities.
- SLGs should be fully able to prepare their own GAAP compliant financial statements. Many SLGs are already forced to rely on auditors to prepare financial statements; supporting an inappropriate dependency that has the potential to impair auditor independence. When I took over as Controller of the college, I immediately stopped the preparation of our statements by our auditor and prepared them for the auditors to audit. My education, experience, and CPA exam status allowed me to do this.
- The impact of this change will cascade to CPA firms specializing in SLG. The relatively small number of firms qualified to perform audits of state and local governments has contributed to the length of time it takes for governments to issue their audited financial statements.

Thank you, again, for the opportunity to comment on this proposal, and I would be happy to respond to any of your questions. Please feel free to contact me.

Sincerely,

Lisa L. Mazure, CPA
Controller, Lansing Community College





Rutgers Business School
Newark and New Brunswick

Center for Governmental Accounting Education and Research
100 Rockefeller Road
Piscataway, NJ 08854-8054

American Institute of Certified Public Accountants
Via email practiceanalysis@aicpa.org

April 14, 2020

To Whom It May Concern:

On behalf of the Rutgers Center for Governmental Accounting Education and Research at Rutgers Business School—Newark and New Brunswick (RBS), we would like to thank the American Institute of Certified Public Accountants (AICPA) for this opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in the AICPA’s document entitled *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment*.

The Rutgers Center for Governmental Accounting Education and Research performs academic research projects in collaboration with other academic and professional organizations in promoting and enhancing governmental accounting and public financial management practices globally. RBS also offers a *Master of Accountancy in Governmental Accounting* degree. Our program is the only graduate program in governmental accounting and auditing in the nation and currently has students from approximately 25 states. At this time, RBS has about 1,000 undergraduate accounting majors, as well as 276 graduate students enrolled in various professional accounting programs.

We oppose the proposed changes to the CPA Exam’s coverage of accounting and financial reporting for state and local governments, as described in the Exposure Draft. In particular, **we do not support proposed changes 37, 38, and 39** to the FAR section of the exam because of the importance and broad implications of state and local government accounting (as discussed below). In addition, and regardless of the proposed changes outlined in the Exposure Draft, we believe it is imperative that the AICPA generally retain the state and local government coverage on the FAR section of the CPA Exam (currently 5-15%).

To that end, we would like to take this opportunity to respond to Question 2 of both the Exposure Draft and the Invitation to Comment, as described in the AICPA document:

Exposure Draft, Question 2: Do you agree with the proposed Exam changes? If not, please explain your rationale. Responses should address specific changes by number (see proposed changes beginning on page 14).

Invitation to Comment, Question 2: Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.

While we agree that it is necessary for the CPA Exam to continually evolve to remain relevant with respect to the expectations of newly licensed CPAs (nCPAs), we strongly oppose the AICPA's proposed reduction to, and possible elimination of, state and local governmental accounting coverage on the Uniform CPA Exam. As an academic institution, we clearly see the career paths of many of our undergraduate accounting students who go on to sit for the CPA exam. With the tremendous shortage of government finance professionals at all levels of government, our undergraduate and graduate programs in accounting provide students with the opportunity to consider careers in governmental accounting and auditing. In fact, in the past two years, we have taken steps as a school to promote exposure to governmental accounting among our undergraduates by allowing them to enroll in graduate governmental accounting courses. This has allowed some to consider careers in governmental accounting and auditing. Through the elimination of this content from the Uniform CPA Exam, these undergraduates will have no incentive to enroll in governmental accounting classes, thus leading to a reduction of course offerings in governmental and nonprofit accounting as well as having an unintended negative effect on research in these important areas in universities around the country. As a strong academic research institution, we encourage our doctoral students through our Center to undertake research in relevant governmental accounting and public finance issues. This research will be severely hampered in the absence of faculty and students pursuing research agendas in the governmental accounting area due to the proposed actions of the AICPA.

In our discussion with leaders of state and local governments, we have been made increasingly aware of the gap that exists between the private sector and governmental accounting professionals. As an example, in the federal government, 40% of the current senior financial personnel are expected to be eligible to retire in the next five years. Many nCPAs go on to work for federal, state, and local governments after graduation. With approximately 90,000 local government units and government spending accounting for almost 40% of GDP, along with 2,000 audit firms registered with the government audit quality center, the public sector is in great need for qualified nCPAs who are well versed in these areas so as to ensure public trust and accountability. In many public sector organizations, the CPA credential is used as a required qualification for senior-level government accounting positions. Elimination of this requirement will lessen the value of the CPA at all levels of government.

In past years, the AICPA has, along with the Government Accountability Office, expressed concerns regarding the quality of government audits. These concerns have arisen because of the substantial number of single audits performed by CPA firms that are deemed deficient. Currently, a lack of knowledge and training on the part of small CPA firms who do not have the resources to train their staff in the critical knowledge and environment of governmental accounting and auditing will further erode the number of CPA firms who are capable of providing audit services. This will be a particularly serious issue for smaller government jurisdictions that do not have the resources to hire larger firms for audit services. Newly licensed CPAs without a background in this area would further exasperate this problem and would lead to reduced competition for audit services among the CPA firms.

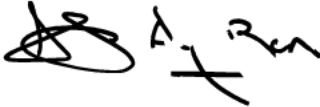
In our own experience, it is fundamental to a holistic accounting education that students be exposed to not only private-sector accounting, but also governmental and not-for-profit accounting, in their professional development. The AICPA's contention that state and local government accounting is a specialized area could diminish nCPAs knowledge of an alternative basis of accounting¹, their ability to

¹ Studying governmental accounting also enhances nCPAs general knowledge of accounting. In particular, knowledge of governmental accounting enables students to develop a deeper appreciation for accounting due to the fact that it forces students to examine transactions through different accounting lenses—the full accrual and modified accrual bases of accounting. This not only exposes students to governmental accounting concepts, but it importantly also serves to strengthen their overall comprehension of accounting and financial reporting by demonstrating alternatives to the accrual basis of accounting.

think critically about current public financial issues, and, most importantly, their ability to read and understand government financial reports. Despite the current coverage of state and local government accounting on the CPA exam, many CPAs are unable, for example, to comprehend a government's Comprehensive Annual Financial Report. Many state and local government leaders are unable to understand why CPAs, who should have a broad knowledge of all facets of accounting, cannot comprehend governmental accounting fully despite their extensive knowledge of accounting. These concerns, in turn, call for expanding the coverage of this content on the CPA Exam rather than a reduction (and possible elimination) of this content, as proposed by the AICPA.

In conclusion, during the current times of fiscal challenges due to the COVID-19 pandemic crisis that our state and local governments face, and the accountability needed for the trillions of dollars of federal stimulus, it is all the more important that nCPAs possess a broad knowledge of governmental accounting and auditing so as to contribute towards more effective public financial management. The contents of the CPA Exam and its broad nature cannot be substituted by in-house training, which is usually quite narrow in scope. Leaving such training and development of nCPAs to other organizations is not the proper path. We understand that the examination needs to accommodate other newly emerging areas; however, it should not be done at the expense of this greater public need and would represent a backward shift in the governmental accounting profession in the U.S. We would appreciate the AICPA reconsidering its conclusions, and we will be pleased to suggest ways in which the curriculum in this area can further be improved.

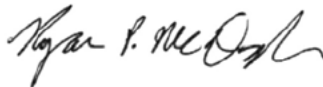
Sincerely,



Irfan A. Bora, CPA, CMA, CGFM
Director, Rutgers Master's Program in Governmental
Accounting
Phone: [REDACTED]
Email: [REDACTED]



Dr. Yaw Mensah, CMA
Academic Director, Rutgers Center for
Governmental Accounting and Research
Email: [REDACTED]



Dr. Ryan P. McDonough, CPA
Assistant Professor
Department of Accounting and Information Systems
Email: [REDACTED]

UNIVERSITY OF ILLINOIS
AT SPRINGFIELD

Department of Accountancy
College of Business and Management
University Hall, Room 4093
One University Plaza, MS UHB 4093
Springfield, Illinois 62703-5407

April 29, 2020

American Institute of Certified Public Accountants,

On behalf of the University of Illinois Springfield Accountancy Department, its current and future students, and alumnae, I thank the American Institute of Certified Public Accountants (AICPA) for the opportunity to comment on the proposed changes to the Uniform CPA Exam as outlined in *Maintaining the Relevance of the Uniform CPA Examination®: An Exposure Draft and Invitation to Comment (ED/ITC)*. I address issues related to state and local government (SLG) accounting; specifically, of concern to merit this letter is the proposal to eliminate SLG accounting coverage from the CPA Exam. This comment pertains to the future CPA Exam Content and structure changes:

B2: “Given the considerations in the ITC, should accounting for state and local governments continue to be assessed on the CPA Exam? Please provide your rationale.”

Emphatically, I believe that coverage of SLG accounting should continue to remain on the CPA exam. I understand and appreciate the impact of technology on our profession, and that these changes are a driver in the process. As to the need for more data analytics; I don’t believe that SLG topics need to give way to make room for the other; they can be complementary. As an educator, I see problems with this proposal and ask you to step back and take a look at the “goal of licensure...” as described on page 29 of the ED/ITC: “protection of the **public interest**... providing the public with assurance that those individuals who are licensed possess a sufficient level of knowledge and skills necessary for **safe and effective practice**.”

I am concerned that the focus groups were heavily oriented toward large and Big 4 firms. Per page 31 of the ED/ITC, four focus groups were thus oriented, an additional two groups for small firms, one group combined government with industry, and one with state regulatory experience. 50% of the focus groups were dominated by a large firm mentality. I wondered where the process initiated, how many actual individuals with SLG expertise were included in the focus groups. Next the content rating panels as described did not detail whether there was SLG expertise present. I attended the AICPA webinar in early 2020 that described this process; unfortunately, the details I was interested in were not provided there. On page 32 of the ED/ITC, the AICPA stated its belief that the low ranking given to SLG “may be directly related to the specialized nature of this content.” The low rankings may also have resulted from lack of expertise and inclusion – in other words, a possible bias or exclusion of a minority opinion.

The SLG accounting “specialized content knowledge” further presented on page 36 of the ED/ITC neglects the reality of many medium and small firms who audit and compile reports for the 90,000+ governments in North America, plus the many government accountants working within those governments. Is there evidence to support in all firm sizes that the workers “typically receive a significant amount of training” (page 36), or is that an assumption? The reference to GAGAS continuing education requirements (page 36 of the ED/ITC) which is 24 CPE hours across a two year period, did not

distinguish the reality that much GAGAS training focuses on federal government and single audit engagements – which are a subset of government accounting not typically included in SLG topics. 24 CPE credits are barely enough to keep current with changes in either SLG or federal in a two year period, let alone provide overall training in the SLG area. As I read this, I was concerned with the dismissive posture and assumption by individuals who possibly don't work in or know the nuances of SLG accounting.

The ED/ITC (page 36) referencing the consideration of a “**minimal impact** of FAR Area IV...15% maximum” on a candidate's score is flawed reasoning in my opinion. Why is SLG singled out, and not the NFP area, when actually these concepts are intertwined? If students have knowledge of fund accounting, they are better equipped to understand NFPs. Thus, the percentage allotted to the CPA exam is actually greater than 15%! Or is the plan to eventually remove NFP coverage also? I am concerned that if the exam removed SLG coverage, that curriculum at institutions will follow and find it unnecessary to have governmental accounting courses. Once that happens, the ability of accounting education to attract individuals to careers in government will be diminished. Living in the capital city in the 'Land of Lincoln' and hearing firsthand for decades the concerns and needs of many alums employed and working within or auditing governments, I care greatly about any diminishing efforts to the knowledge base required for effective governmental financial reporting. The governmental sector is already having trouble to attract fiscal talent, and this matter could be exacerbated if student exposure to this area is minimized. The coverage present in some advanced accounting textbooks is slight, and often out of date when the textbooks are adopted. Some of the intricacies and impact of governmental accounting is lost when only surface exposure is provided to our best and brightest, who as a result may fail to see a place for themselves in the SLG field, either as auditors or in public service.

Accountants have a role to help others understand what is happening in the huge governmental sector, which provides many diverse opportunities for those so inclined. Many traditional college-aged students are not motivated by huge salaries, but are more interested in seeking life-balance and a sustainable future. They want to “make a difference” – if we minimize the exposure of young people to the issues in the governmental fiscal arena, we invite challenges in an area that affects everyone in our communities and country. I wish you could see the heightened curiosity my students have when exposed to the “debt clock” of our state, and our nation. See for yourself how the fact impacts you <https://www.usdebtclock.org/> Or I wish you could see their puzzled looks when I highlight through my website [REDACTED] how the largest municipal fraud in U.S. history was allowed to be perpetrated in an Illinois town of 16,000 residents, previously known for having had Ronald Reagan live there when he was young. Dixon Illinois is one example of the failure of **safe and effective** accounting practices consistent with the AICPA goal of licensure in protecting the **public interest**. The ED/ITC view of SLG knowledge as “specialized” content does not take into account the necessity to have an informed and literate citizenry, so that we attract elected officials who understand what is at stake, and hire and utilize the trusted brand of the CPA to advise them. We as CPAs have an obligation to mind the till of our various governmental treasuries.

In 2016, I submitted with my colleague Dr. Mary Fischer of the University of Texas at Tyler, a research memorandum to GASB that had investigated a **random** sample of 425 large and small SLGs. In this report, we examined all 50 states and 250 randomly selected governments with revenue \geq \$100 million (counties, municipalities, independent school districts, and special districts). Additionally we randomly selected an additional 125 governments with revenue \geq \$10 million but $<$ \$100 million; this sample of “smaller governments” consisted of only 29% of our governments sampled. In other words, the largest SLGs in our sample were included at more than twice the rate of the smaller. In reviewing the auditors

of all 425 governments, we separately categorized large (i.e. Big 4) and national firms from those firms designated as large regional (operating in various states), regional (operating in single or adjoining states), local firms, and state auditors. Our results indicated that Big 4 and national firms audited only 109 (25.6%) of all governments in the sample; state auditors/controllers were responsible for 64 (15.05%) of those sampled. The remaining 252 audit firms doing SLG work were comprised of local and regional firms (59.2%); these firms hire entry level accountants, and would benefit from accountants with some level of SLG expertise. CPA firms and governments need people with SLG accounting training - I hear it all the time from my alums who say they were glad they had the governmental class, or come back later, sorry that they didn't. Of course in Illinois, with the dubious recognition of having the most local governments of the 50 states (i.e., over 6,900 local governments per the 2017 US Census of Governments), many CPAs will interact with officials and citizens who have questions. I would feel more comfortable if all CPAs were familiar with what goes into preparing a Comprehensive Annual Financial Report (CAFR), and knew how to read one.

I was puzzled that page 26 of the ED/ITC seemed to allow some materials to remain in SLG accounting, but page 36 was looking to remove it entirely. I am concerned that the AICPA has already moved in the direction of eliminating the SLG coverage. I do however, appreciate the AICPA allowing input on this matter. If the AICPA adopts this proposal as it presently stands related to SLG accounting coverage, I hope that the AICPA will also rise to the occasion to offer supplemental "credentials or certifications that establish competency in governmental accounting.....at the federal, state and local levels." I say this because of the cachet that the AICPA brand of its CPA credential holds in the eyes of the public. The **public interest** looks to this certification with trust. If the SLG content is removed from our "gold standard" designation for accountants, I expect that individuals will seek to show proficiency in this area, and desire a credential that values the expertise.

If I can be of any service to the AICPA as it moves forward in this matter, please let me know how I can help. Thank you for reading my perspective on this important matter.

Sincerely,



Carol M. Jessup, PhD, CPA, CFE
Professor and Chair of Accountancy
University of Illinois Springfield

AICPA Member ID: [REDACTED]