

NEW YORK STATE BOARD FOR PUBLIC ACCOUNTANCY MEETING AGENDA
January 28, 2026

295 Main Street, Suite 562, Buffalo
80 Wolf Rd, 3rd Floor, Colonie
370 Woodcliff Drive, Suite 2A, Fairport
1411 Broadway 10th Floor, MMMM Room, NYC
333 West Washington Street, Suite 500, Syracuse

10:00 a.m. Motion to move to Executive Session

10:30 a.m. Motion to move to Public Session

• Review and approval of minutes of the October 22, 2025 Board Meeting Minutes	Pages 2 - 5
• Board Member Update and meeting schedule for 2026 - 2027	Page 6
• Nominations Committee	Page 7
• Board office update	
• Legislative and Regulatory Update	Pages 8 - 29
<ul style="list-style-type: none"> • Education Committee <ul style="list-style-type: none"> <u>Committee Report</u> ○ NASBA –Proposed Updated to Statement on Standards for CPE Programs Exposure Draft and Committee Comments ○ Endorsement – CPE requirements for licensure ○ Meeting with NYCPA Education Committee 	Pages 30 - 69 Pages 70 - 73 None
<ul style="list-style-type: none"> • Examination Committee <ul style="list-style-type: none"> <u>Committee Report</u> ○ Extension Requests ○ Endorsement exam scores ○ Website modifications ○ Exam Statistics ○ NASBA discussion on exam with Executive Directors 	Pages 74 – 81 Pages 82 – 92 None
• Ad Hoc Education and Practice Committee	None
<ul style="list-style-type: none"> • Practice Committee <ul style="list-style-type: none"> ○ AICPA PEEC Exposure Draft: Proposed Revisions related to alternative practice structures ○ NASBA Private Equity Task Force -White Paper ○ Review scope for firm registration 	Pages 93 - 145 Pages 146 – 160 Pages 161 - 162
<ul style="list-style-type: none"> • NASBA <ul style="list-style-type: none"> ○ Meetings: Annual Meeting – Oct 2025; Executive Director Conference – Mar 2026; Eastern Regional Meeting – June 2026; Annual Meeting Oct 2026 ○ Principal Place of Business 	Pages 163 - 167 None
• New Business	
• Upcoming Meeting Date – April 29, 2026 – In person only NYC location	

NEW YORK STATE BOARD FOR PUBLIC ACCOUNTANCY

October 22, 2025

Meeting Minutes New York State Education Department Board Meeting

80 Wolf Rd, 3rd Floor, Colonie
1411 Broadway, 10th Floor, Regents Room, NYC
100 Chestnut Street, Suite 1200, Rochester
333 West Washington Street, Suite 500, Syracuse
8321 Main Street, Williamsville

Chair Ms. Moran called the meeting to order at 10:03 a.m.

<u>The following members were present:</u>	
Charles Abraham, CPA (NYC)	Danilsa Lopez, CPA (NYC)
Elizabeth Bush, CPA (Syracuse)	Maria Moran, CPA (Albany)
Ann Burstein Cohen, CPA (Buffalo)	Charles Pezzino, CPA (Buffalo)
Crisy Geerholt (Albany)	James Schnell, CPA (Rochester)
Gretchen Guenther-Collins, CPA (Albany)	Denise Stefano, CPA (NYC)
Timothy Hammond, CPA (Albany)	Shelly Taleporos, CPA (Albany)
Gregory Horton, CPA (Buffalo)	Anthony Tucci, CPA (NYC)
Rose Hu, CPA (Buffalo)	
John Lauchert, CPA (Syracuse)	
<u>Members absent:</u> Anthony Basile, CPA Thomas Sciametta, CPA Deborah Todaro, CPA	

Others in attendance:

Jennifer Winters, Executive Secretary, NYSED (Albany)
Julie McLoughlin, NYSED (NYC)
D. Edward Martin, CPA - Extended Board Member (NYC)
Stephen Langowski, CPA – Extended Board Member (NYC)

Public Session only:

Casey Fenton, Ostroff Associates, Inc. (Albany)
Karen Sibayan, NYSSCPA (NYC)
Jovan Richards, NYSSCPA (NYC)

The Board moved into Executive Session at 10:03 a.m., based on a motion made by Ms. Taleporos and seconded by Ms. Geerholt. The members discussed the disciplinary cases from July through September 2025.

Executive Session adjourned at 10:31 a.m. based on a motion made by Ms. Guenther-Collins and seconded by Ms. Hu. The Chair moved the Board into Public Session at 10:37 a.m. based on a motion by Ms. Stefano and seconded by Ms. Cohen.

Review and Approval of Minutes

Based on a motion made by Ms. Stefano and seconded by Ms. Geerholt, the Board unanimously approved the minutes of the July 30, 2025, Board meeting.

Board Member Update

Ms. Moran called for a moment of silence in honor of board member Joseph Mafia, remembering him as an energetic and motivated individual with whom she had the privilege of serving on the board.

Ms. Winters welcomed two new members to the Board, Mr. Horton and Mr. Tucci. Those in attendance introduce themselves. Ms. Winters indicated that there are three openings: two licensed members and the public member position. She asked the Board members to forward any recommendations to her for consideration. New Board member discipline training will take place for the new members. If anyone would like a refresher, please let Ms. Winters know.

Ms. Stefano will now chair the Ad Hoc Licensing – Experience Committee. Ms. Taleporos will chair the Ad Hoc Education and Practice Committee.

With the passing of Mr. Maffia, the Board will need to fill the vacancy of the Vice Chair position. Ms. Cohen has agreed to chair the nomination committee. Ms. Cohen requested volunteers to serve on this committee and to send your interest to her and Ms. Winters. Ms. Winters will send an email following the board meeting for a call for members of the committee. Ms. Moran noted that if you are on the nominations committee, you cannot be considered for the Vice Chair role.

Ms. Winters noted that today was the final day for the annual mandatory ethics training, and we had two board members who had to attend.

Board Office Update

Ms. Winters reported that there was no change in staffing since the last meeting all positions are filled in the board office. The staff are fully trained and there is no significant delay in processing.

Ms. Winters provided an update on the proposed legislation. It was noted that the proposed legislation, same as bill, A7613 and S6891, is still pending. The bill has not yet been delivered to the Governor. If passed and signed into law, the legislation has a one-year implementation date.

Ms. Winters noted that the proposed legislation clearly includes a 120 and 150 semester hour pathway and that an applicant could be reviewed under either pathway for licensure.

Ms. Winters expressed her appreciation to the board members who serve on various committees for their valuable contributions in developing regulatory concepts in response to the potential legislative changes.

Ms. Winters provided an overview of the various terms, practice privilege, mobility, and endorsement that are used and how legislation changes (or pending changes) in other states may impact New York. The Ad Hoc Education and Practice Committee will be continually reviewing and assessing the impact and provide updates to the board.

Education Committee

Ms. Hu presented the committee's recommendation regarding the regulatory concepts that are aligned with the proposed legislation, which outlines a 120-semester hour bachelor's degree and a two-year experience requirement for licensure.

Mr. Tucci noted that, in alignment with the CPA Evolution model presented by NASBA, New York State developed the revised 150E semester hour education pathway. To support this requirement, Colleges and Universities were provided guidance to ensure their programs complied with the standards necessary for students to meet the educational criteria under the 150E model. He noted that while NASBA continues to uphold the same competency standards, the current challenge is to integrate these competencies within a 120-semester hour framework. If the proposed legislation is enacted, institutions will be expected to deliver the same level of educational rigor and competency with 30 fewer credit hours—essentially requiring them to achieve more with less.

Ms. Winters acknowledged the concern and stated that a meeting will be scheduled with the NYS CPA Society education committee to review issues and provide further support to educational institutions. Additionally, she noted that if the proposed legislation is enacted, an informational session will be offered and recorded for New York schools outlining the 120 semester hour requirements. The previous video for the 150E requirements was well received by the education community.

Based on a motion by Ms. Taleporos and seconded by Ms. Stefano the board approved regulation concepts that were proposed by the education committee to be presented to the Education Department.

Examination Committee

Mr. Abraham reported out on the examination requests since the last board meeting.

Mr. Abraham noted that a legal determination has been made regarding language in Commissioner's Regulation section 70.5, and endorsement applicants. However, the Examination Committee has not yet convened to review the determination. The committee is scheduled to meet on November 7th and will provide an update at the next board meeting in January.

Mr. Abraham noted the change to the Commissioner's Regulation section 70.4 for the new sit provisions to align with the new education requirements. Based on a motion by Ms. Taleporos and seconded by Ms. Bush the board approved the proposed changes to the exam section of the regulation to submit to the Department.

Mr. Abraham presented NASBA's quarterly examination statistics by state. Ms. Hu acknowledged the limitations of the current data, particularly regarding candidates' highest degree earned, and inquired whether NASBA could provide more detailed educational information—especially as new education pathways are being introduced in other states. Ms. Stefano noted the significant disparities in the number of candidates pursuing the various disciplines.

Ad Hoc Licensing – Experience Committee

Ms. Stefano presented the proposed amendments to the Commissioner's Regulation section 70.3 concerning experience requirements. As a result of these updates and to further provide clarification, the form 4B, Verification of Experience by Supervisor (Instructions) and the corresponding website content required updates to ensure consistency.

Based on a motion by Mr. Tucci and seconded by Ms. Guenther-Collins the board accepted the draft form of the updates to the Commissioner's Regulation section 70.3, form 4B, and website to submit to the Department.

Ad Hoc Education and Practice Committee

No activities since the last meeting.

Practice Committee

No activities since the last meeting.

NASBA

Ms. Winters and Mr. Lauchert will be attending the NASBA annual meeting held from October 26-29th. Ms. Winters noted that the virtual meetings will not have a cost, and all are encouraged to attend if possible.

Ms. Winters noted that NASBA has done the appointment for various committees for this year. The following members will serve:

- Ann Cohen- Education Committee and Nominating Committee
- Denise Stefano- CPE Committee
- Jennifer Winters- ALD Task force and Peer Review Compliance Committee
- Steve Langowski- Regulatory Response Committee

Ms. Winters noted that NASBA re-published their CPA mobility website; however, the information for New York was incorrect and was asked to be removed.

Ms. Winters also noted that the updated Accountancy Licensing Database ALD (board facing) and CPA verify (public facing) was released yesterday afternoon.

New Business

Mr. Langowski noted that some other states are reviewing the Continuing Professional Education (CPE) requirement and the possibility of reducing the number of CPE that are required.

The next board meeting will be held virtually from the approved video locations on January 28, 2026.

The public session adjourned at 12:49 p.m. based on a motion made by Ms. Taleporos and seconded by Mr. Lauchert.

Respectfully submitted,

Jennifer B. Winters, CPA
Executive Secretary

Public Accountancy Board Meeting Schedule

2026-2027

<u>Date</u>	<u>Type</u>	<u>Location(s)</u>
Wednesday January 28, 2026	Video	TBD
Wednesday April 29, 2026	In person	New York City
Wednesday July 29, 2026	Video	TBD
Wednesday October 21, 2026	Video	TBD
Wednesday January 27, 2027	Video	TBD
Wednesday April 28, 2027	In person	New York City
Wednesday July 28, 2027	Video	TBD
Wednesday October 20, 2027	Video	TBD

Nominations Committee Report

Members of the Nominations Committee of the Public Accountancy Board:

Ann Cohen, Chair
Rose Hu
John Lauchert
James Schnell

Staff:
Jennifer Winters

The Committee met via videoconference on November 13, 2025.

Item #1

Due to the unexpected vacancy of the Vice Chair, the committee nominates the following Board member, Shelly Taleporos, to hold the position of Vice Chair for the remainder of the current year term beginning on January 28, 2026 to April 30, 2026.

Recommendation: Ms. Cohen reported that the nominee is willing to serve the recommended post if approved by the full Board for Public Accountancy.

Item #2

The Committee nominates the following Board members to hold the position for one year beginning on May 1, 2026 to April 30, 2027. Ms. Cohen, the Chair of the Nominations Committee, presented the following slate:

Chair

Maria Moran will serve a second one-year term.

Vice Chair

Shelly Taleporos will serve an initial full one-year term.

Recommendation: Ms. Cohen reported that the nominees are willing to serve the recommended posts if approved by the full Board for Public Accountancy.

The Chair of the Nominations Committee will present the two recommendations to the full Board for Public Accountancy at the January 28, 2026, Board meeting for approval of its nominations.

S6891-B STAVISKY Same as [A 7613-B](#) Peoples-Stokes

Education Law

TITLE....Reforms the education requirements for persons who want to become certified public accountants

This bill is not active in the current session.

03/26/25 REFERRED TO HIGHER EDUCATION

04/30/25 1ST REPORT CAL.906

05/01/25 2ND REPORT CAL.

05/05/25 ADVANCED TO THIRD READING

05/19/25 AMENDED ON THIRD READING 6891A

05/27/25 AMENDED ON THIRD READING 6891B

06/12/25 SUBSTITUTED BY A7613B

A07613 Peoples-Stokes AMEND=B

04/01/25 referred to higher education

05/15/25 amend and recommit to higher education

05/15/25 print number 7613a

05/25/25 amend and recommit to higher education

05/25/25 print number 7613b

05/28/25 reported referred to ways and means

06/06/25 reported referred to rules

06/09/25 reported

06/09/25 rules report cal.517

06/09/25 ordered to third reading rules cal.517

06/09/25 passed assembly

06/09/25 delivered to senate

06/09/25 REFERRED TO RULES

06/12/25 SUBSTITUTED FOR S6891B

06/12/25 3RD READING CAL.906

06/12/25 PASSED SENATE

06/12/25 RETURNED TO ASSEMBLY

11/17/25 delivered to governor

11/21/25 signed chap.530

STAVISKY, FAHY, FERNANDEZ, GALLIVAN, HOYLMAN-SIGAL, JACKSON, LANZA, LIU, SKOUFIS
Amd §§7404 & 7406, Ed L

Reforms the education requirements for persons who want to become certified public accountants; provides alternative pathways to being certified as certified public accountants.

STATE OF NEW YORK

6891--B

Cal. No. 906

2025-2026 Regular Sessions

IN SENATE

March 26, 2025

Introduced by Sens. STAVISKY, FAHY, FERNANDEZ, GALLIVAN, HOYLMAN-SIGAL, JACKSON, LANZA, LIU, SKOUFIS -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education -- reported favorably from said committee, ordered to first and second report, ordered to a third reading, amended and ordered reprinted, retaining its place in the order of third reading -- again amended and ordered reprinted, retaining its place in the order of third reading

AN ACT to amend the education law, in relation to clarifying the requirements for a certified public accountant

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

- 1 Section 1. Paragraphs 2, 3 and 4 of subdivision 1 of section 7404 of
2 the education law, as amended by chapter 651 of the laws of 2008, are
3 amended to read as follows:
4 (2) Education: have received an education, including a bachelor's or
5 higher degree or a foreign equivalent [~~based-on~~] from a program in
6 accountancy that is registered by the department, or deemed comparable
7 to a registered program as determined by the department. To meet the
8 professional education requirements for licensure, the applicant shall
9 present satisfactory evidence of completion of one of the following:
10 a. A curriculum of at least one hundred twenty semester hours in a
11 program in accountancy, [~~in accordance with the commissioner's regu-~~
12 lations] provided that the applicant shall satisfy the undergraduate
13 curriculum semester hour requirements for the specified subjects set
14 forth in the commissioner's regulations; or
15 b. A curriculum of at least one hundred fifty semester hours in a
16 program in accountancy, provided that the applicant shall satisfy the
17 curriculum semester hour requirements for the specified subjects set
18 forth in the commissioner's regulations;
19 (3) Experience: [~~have~~]

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[~~-~~] is old law to be omitted.

LBD11185-09-5

S. 6891--B

2

1 Present evidence of completion of the following experience, satisfac-
2 tory to the board of regents and in accordance with the commissioner's
3 regulations;

4 (i) two years of acceptable full-time experience, or the equivalent
5 thereof, for an applicant who is applying for licensure on the basis of
6 the education described in subparagraph a of paragraph two of this
7 subdivision; or

8 (ii) one year of acceptable full-time experience, or the equivalent
9 thereof, for an applicant who is applying for licensure on the basis of
10 the education described in subparagraph b of paragraph two of this
11 subdivision;

12 (4) Examination: pass a written examination satisfactory to the board
13 and in accordance with the commissioner's regulations, provided that the
14 required educational attainment for such examination shall not be great-
15 er than that set out in subparagraph a of paragraph two of this subdivi-
16 sion, and the requirement with respect to such examination may not be
17 waived;

18 § 2. Subdivision 2 of section 7406 of the education law, as amended by
19 chapter 456 of the laws of 2011, is amended to read as follows:

20 2. Practice privilege. a. Except as otherwise provided in subparagraph
21 two or three of paragraph [f] e of this subdivision, a certified public
22 accountant, licensed by another state [~~which the board of regents has~~
23 ~~determined to have substantially equivalent certified public accountant~~
24 ~~licensure requirements, or whose individual licensure qualifications are~~
25 ~~verified by the department to be substantially equivalent to New York's~~
26 ~~requirements, and in good standing~~], who intends to perform any of the
27 services in subdivision one, two or three of section seventy-four
28 hundred one of this article may practice public accountancy in this
29 state, if the certified public accountant:

30 (1) holds a valid license to practice public accountancy which is in
31 good standing in the other state, [~~and~~]

32 (2) practices public accountancy in another state that is [~~his or her~~]
33 such certified public accountant's principal place of business,

34 (3) has completed either of the professional education and experience
35 requirements as described in paragraphs two and three of subdivision one
36 of section seventy-four hundred four of this article, and

37 (4) has passed the written examination described in paragraph four of
38 subdivision one of section seventy-four hundred four of this article.

39 b. The practice privilege allows such certified public accountant, who
40 meets the requirements of paragraph a of this subdivision to practice
41 public accountancy in this state.

42 c. An individual who has been granted practice privileges under this
43 section who performs any of the services in subdivision one or two of
44 section seventy-four hundred one of this article may only do so through
45 a firm which has obtained a registration under section seventy-four
46 hundred eight of this article. Such an individual, as well as an indi-
47 vidual with a New York license who does not have a principal place of
48 business in New York, may provide services in subdivision three of
49 section seventy-four hundred one of this article through a firm of
50 certified public accountants that does not have a registration in this
51 state but that holds a valid license, registration, or permit in another
52 state.

53 d. Any certified public accountant who practices in this state pursu-
54 ant to this section, and any firm that employs such certified public
55 accountant to provide such services in New York, consents to all of the
56 following as a condition of the exercise of such practice privilege:

S. 6891--B

3

(1) to the personal and subject matter jurisdiction and disciplinary authority of the board of regents as if the practice privilege is a license, and an individual with a practice privilege is a licensee;

(2) to comply with this article, the rules of the board of regents and the regulations of the commissioner; and

(3) to the appointment of the secretary of state or other public official acceptable to the department, in the certified public accountant's state of licensure or the state in which the firm has its principal place of business, as the certified public accountant or firm's agent upon whom process may be served in any action or proceeding by the department against such certified public accountant or firm.

~~e. [For purposes of this subdivision, the board of regents may determine that nationally-recognized certified public accountant licensure requirements are substantially equivalent to New York's requirements, such that an individual licensed in a state determined to have licensure requirements substantially equivalent to the nationally-recognized CPA licensure requirements, or an individual whose licensure qualifications are determined to be substantially equivalent to the nationally-recognized CPA licensure requirements, may practice under the practice privilege pursuant to the requirements contained in this subdivision.~~

~~f.]~~ (1) A person who wishes to practice public accountancy in this state but does not meet the requirements of paragraph a of this subdivision is subject to the full licensing and registration requirements of this article.

(2) In the event the license from the other state of the certified public accountant's principal place of business is no longer valid or in good standing, or that the certified public accountant has had any final disciplinary action taken by the licensing or disciplinary authority of any other state concerning the practice of public accountancy that has resulted in (i) the suspension or revocation of ~~[his or her]~~ such certified public accountant's license, or (ii) other disciplinary action against ~~[his or her]~~ such certified public accountant's license that arises from (a) gross negligence, recklessness or intentional wrongdoing relating to the practice of public accountancy, (b) fraud or misappropriation of funds relating to the practice of public accountancy, or (c) preparation, publication, or dissemination of false, fraudulent, or materially incomplete or misleading financial statements, reports or information relating to the practice of public accountancy, the certified public accountant shall cease offering to perform or performing such services in this state individually and on behalf of ~~[his or her]~~ such certified public accountant's firm, until and unless such certified public accountant receives written permission from the department to resume the practice of public accountancy in this state pursuant to subparagraph three of this paragraph.

(3) Any certified public accountant who, within the last seven years, immediately preceding the date on which ~~[he or she]~~ such certified public accountant wishes to practice in New York, (i) has been the subject of any final disciplinary action taken against ~~[him or her]~~ such certified public accountant by the licensing or disciplinary authority of any other jurisdiction with respect to any professional license or has any charges of professional misconduct pending against ~~[him or her]~~ such certified public accountant in any other jurisdiction, or (ii) has had ~~[his or her]~~ such certified public accountant license in another jurisdiction reinstated after a suspension or revocation of said license, or (iii) has been denied issuance or renewal of a professional license or certificate in any other jurisdiction for any reason other

S. 6891--B

4

1 than an inadvertent administrative error, or (iv) has been convicted of
2 a crime or is subject to pending criminal charges in any jurisdiction,
3 shall so notify the department, on a form prescribed by the department,
4 and shall not practice public accountancy in this state under paragraph
5 a of this subdivision until ~~[he or she]~~ such certified public accountant
6 has received from the department written permission to do so. In deter-
7 mining whether the certified public accountant shall be allowed to prac-
8 tice in this state, the department shall follow the procedure to deter-
9 mine whether an applicant for licensure is of good moral character.
10 Anyone failing to provide the notice required by this paragraph shall be
11 subject to the personal and subject matter jurisdiction and disciplinary
12 authority of the board of regents as if the practice privilege is a
13 license, and an individual with a practice privilege is a licensee, and
14 may be deemed to be practicing in violation of section sixty-five
15 hundred twelve of this title.

16 ~~[g-]~~ f. (1) Notwithstanding subparagraph two of paragraph a of this
17 subdivision or any other inconsistent law or rule to the contrary, a
18 certified public accountant licensed by another state and in good stand-
19 ing who otherwise meets the practice privilege requirements under this
20 section and files an application for licensure under section seventy-
21 four hundred four of this article may continue to practice under such
22 privilege for a period coterminous with the period during which ~~[his or~~
23 ~~her]~~ such certified public accountant's application for licensure
24 remains pending with the department, including any period after the
25 certified public accountant establishes a principal place of business in
26 New York while ~~[his or her]~~ such certified public accountant's applica-
27 tion is pending.

28 (2) Nothing in this section shall limit the applicability of section
29 seventy-four hundred seven of this article.

30 § 3. This act shall take effect twelve months after it shall have
31 become a law.

**NEW YORK STATE SENATE
INTRODUCER'S MEMORANDUM IN SUPPORT
submitted in accordance with Senate Rule VI. Sec 1**

BILL NUMBER: S6891B

SPONSOR: STAVISKY

TITLE OF BILL:

An act to amend the education law, in relation to clarifying the requirements for a certified public accountant

PURPOSE OR GENERAL IDEA OF BILL:

Authorizes the establishment of an additional pathway to CPA licensure and enhance practice mobility.

SUMMARY OF PROVISIONS:

Section 1. Amends section 7404 of the education law to create an additional path to CPA licensure that would require a bachelor's degree, the passage of a CPA exam and two years of professional experience.

Section 2. Amends section 7406 of the education law to seek to shift to an "individual-based" mobility model that incorporates a CPA's ability to practice across state lines. The amendment would also add language to ensure CPAs meet exiting licensure requirements.

Section 3. Effective Date.

JUSTIFICATION:

Currently, CPA candidates must obtain 150 hours of higher education, or a master's degree, one year of experience and passage of the CPA exam in order to obtain a CPA license. This legislation would add an alternative route to licensure by allowing candidates to earn a bachelor's or 120-credit hours with 2 years of relative experience. This change will allow students to begin earning money sooner in their career while also avoiding the cost of an additional year of college.

This bill will help address the shrinking pool of CPAs both in New York and nationally, putting businesses, governmental agencies, individual taxpayers and capital markets at risk due to a shortage of these trusted financial professionals. Many other states are adopting this alternative pathway, encouraging students to leave New York and to obtain their CPA license in states that allow for the 120-hour pathway. Creating additional pathways to licensure will allow more opportunity for underprivileged and minority students to enter the accounting profession.

Additionally, this bill ensures continued interstate practice mobility for CPAs and makes it clear that as long as an out-of-state CPA has a license in good standing and has passed the uniform CPA Examination, they are welcome in New York without needing a reciprocal license, while still being subject to New York's laws and regulations.

PRIOR LEGISLATIVE HISTORY:

New Bill.

FISCAL IMPLICATIONS FOR STATE AND LOCAL GOVERNMENTS:

TBD

EFFECTIVE DATE:

This act shall take effect twelve months after it shall become a law.

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§70.2 Professional study of public accountancy.

- a. For purposes of this section, acceptable accrediting agency shall mean an organization accepted by the Department as a reliable authority for the purpose of accreditation of accountancy programs, having accreditation standards that are substantially equivalent to the requirements for programs registered pursuant to section 52.13 of this Title, and applying its criteria for granting accreditation in a fair, consistent, and nondiscriminatory manner.

b.

1. To meet the professional educational requirements for licensure, the applicant shall present satisfactory evidence of completion of a baccalaureate or higher degree program in accountancy that is registered by the Department pursuant to section 52.13 of this Title, ~~or a baccalaureate or higher degree program in accountancy that is accredited by an acceptable accrediting agency,~~ or a baccalaureate or higher degree program, or its foreign equivalent, that is deemed to be the substantial equivalent of a registered ~~or accredited~~ program, as determined by the Department. The applicant shall submit evidence of either:
 - i. A curriculum of at least 120 semester hours of education pursuant to section 52.13 paragraph (d) of this Title.
 - ~~i.~~ ii. A curriculum of at least 150 semester hours of education pursuant to section 52.13 paragraph (c) of this Title.
2. An applicant who applies to the Department for licensure with a curriculum of 150 semester hours on or after August 1, 2009 shall be required to have satisfactorily completed a curriculum of at least 150 semester hours in a program described in section 52.13 paragraph (4b) of this ~~subdivision~~ Title, except that an applicant who applies for licensure on or after August 1, 2009, but prior to August 1, 2027, and was licensed in another state prior to August 1, 2009 may meet the education requirements by having satisfactorily completed a curriculum of at least 120 semester hours in a program described in section 52.13 paragraph (4a) of this ~~subdivision~~ Title, provided, however, that such applicant shall meet all requirements for licensure, prior to August 1, 2027. An applicant who was not licensed by August 1, 2027 shall be required to have satisfactorily completed a curriculum of at least 150 semester hours pursuant to section 52.13 paragraph (c) of this Title.
3. An applicant who applies to the Department for licensure with a curriculum of 120 semester hours prior to August 1, 2009 shall be required to have satisfactorily completed a curriculum of at least 120 semester hours in a program prescribed in section 52.13 paragraph (4a) of this ~~subdivision~~ Title prior to August 1, 2009 and have submitted the required application forms for licensure to the Department prior to August 1, 2009, provided, however, that such applicant shall meet all requirements for licensure prior to August 1, 2027. An applicant who applies to the Department for licensure with a curriculum of 120 semester hours on or after [xxx] shall be required to have satisfactorily completed a curriculum of at least 120 semester hours pursuant to section 52.13 paragraph (d) of this Title.

DRAFT

- c. In lieu of meeting the education requirements prescribed in subdivision (b) of this section and the experience requirements prescribed in section 70.3 of this Part, the applicant may meet the following requirement: at least 15 years of full-time experience in the practice of public accountancy satisfactory to the State Board.

DRAFT

§70.3 Experience requirements.

- a. An applicant who has satisfied the requirements as to education shall meet the experience requirement for licensure as a certified public accountant by submitting documentation, satisfactory to the Board of Regents, of completion of the following experience requirements:
 1. One year of acceptable full-time experience, or the equivalent thereof, shall be required for an applicant who has met the professional education requirements for licensure in section 70.2 of this Part through completion of a curriculum of at least 150 semester hours in a baccalaureate or higher degree program in accountancy, or its foreign equivalent, in accountancy that is registered by the Department pursuant to section 52.13 paragraph (c) of this Title, accredited by an acceptable accrediting agency, or determined by the Department to be the substantial equivalent of a registered or accredited program.
 2. Two years of acceptable experience, or the equivalent thereof, shall be required for an applicant who has met the professional education requirements for licensure in section 70.2 of this Part through completion of a curriculum of at least 120 semester hours in a baccalaureate or higher degree program in accountancy, or its foreign equivalent, that is registered by the Department pursuant to section 52.13 paragraph (d) of this Title, accredited an acceptable accrediting agency, or determined by the Department to be the substantial equivalent of a registered or accredited program.
 3. For purposes of this subdivision, one year of full-time experience shall mean an aggregate total of 12 calendar months of full-time employment and two years of full-time experience shall mean an aggregate of 24 calendar months of full-time employment. Full-time shall be defined as a five-day work week, with at least 35 hours of experience per week, excluding overtime. The State Board for Public Accountancy may also credit an applicant for part-time experience in the amount of one week of experience for every two weeks of acceptable part-time experience earned. Part-time shall be defined as at least 20 hours of experience per week.
 4. Such experience shall be attested to by a certified public accountant licensed in New York or in another political subdivision of the United States, provided that such certified public accountant acted in a supervisory capacity to the applicant in the employing organization.
- b. Acceptable experience in the practice of public accountancy shall be limited to experience in providing accounting services or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills under the supervision of a certified public accountant licensed in the United States or a public accountant licensed in New York.
- c. Acceptable experience in the practice of public accountancy shall be earned through employment as an employee in public practice in a public accounting firm, government, private industry or an educational institution.

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§70.4 Licensing examinations.

- a. Content. The licensing examination shall consist of an examination designed to test the knowledge and skills required for licensure as a certified public accountant as determined by the Department. The Department may accept an examination to become a licensed certified public accountant as recommended by the State Board for Public Accountancy.
- b. Passing score. The Department shall determine a passing score, in consultation with the State Board for Public Accountancy, on an examination accepted pursuant to subdivision (a) of this section.
- c. Retention of credit. ~~On or before December 31, 2023, the retention period on an examination approved pursuant to subdivision (a) of this section shall be for a period of 18-months. Such 18-month retention period shall be computed in a manner determined by the Department.~~ On or after January 1, 2024, the retention period on an examination approved pursuant to subdivision (a) of this section shall be for a period of 30-months. Such 30-month retention period shall be computed in a manner determined by the Department.
 1. Extension requests. The Department may in its discretion provide an applicant with an extension to the retention period prescribed in subdivision (c) of this section. An extension may be granted upon a finding by the Department of extenuating circumstances outside the applicant's control. The length of an extension shall be determined by the Department as it relates to the length of the extenuating circumstances experienced by the applicant. The Department may consult with the State Board for Public Accountancy on the appropriateness of granting extension requests.
- d. Admission to the examination.
 - i. Prior to ~~August 1, 2027~~ November 21, 2026, for admission to the licensing examination as a New York State candidate, the candidate shall meet all education requirements including, but not limited to, completion of a minimum of 120 semester hours of study in an acceptable accredited college or university which shall include at least one course in each of the mandatory professional accounting content areas defined in subparagraph (i) of paragraph (1) of subdivision (b) of section 52.13 of this Title, or its equivalent as determined by the Department;
 - ii. On or after ~~August 1, 2027~~ November 21, 2026, for admission to the licensing examination as a New York State candidate, the candidate shall meet all education requirements including, but not limited to, completion of a minimum of 120 semester hours of study in an acceptable accredited college or university which shall include at least one course in each of the mandatory professional accounting and business content areas defined in subparagraphs (i) and (ii) of paragraph (1) of subdivision (c) of section 52.13 of this Title, or its equivalent as determined by the Department.
- e. Transfer of examination credit. Candidates who have passed, in another state, the licensing examination used by New York State may have their grades transferred upon application, if the requirements of this Part concerning education, and retention of credit have been met.
- f. Competency. If it has been more than ten years since the applicant passed the certified public accountant licensing examination, a license shall not be issued until the applicant completes a satisfactory amount of continuing professional education, acceptable to the

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Department. The State Board for Public Accountancy shall recommend to the Department the appropriateness of the continuing professional education that is to be completed to satisfy this requirement.

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§70.5 Licensure by endorsement.

- a. Endorsement of licenses of other states. A license to practice certified public accountancy issued by another state of the United States may be endorsed by the Department for practice in New York State if the applicant:
 1. is either:
 - i. licensed by a state that has significantly comparable licensure standards to New York. For purposes of this section, states that have significantly comparable licensure standards shall mean those states that are recognized by a national professional accounting organization acceptable to the Department as having licensure requirements for certified public accountants that are significantly comparable to New York State; or
 - ii. licensed by a state that has not been recognized as having significantly comparable licensure standards to New York, provided that the Department has determined that the applicant has completed licensure requirements significantly comparable to the licensure requirements for certified public accountants in New York State; and
 2. presents satisfactory evidence to the State Board of at least four years of professional experience in the practice of public accountancy following initial licensure and within the 10 years immediately preceding application for licensure by endorsement;
 3. received acceptable grades on a professional competency examination acceptable to the State Board; and
 4. submits a completed application, on a form prescribed by the Department, which shall include, but need not be limited to, the following information:
 - i. certification by the applicant of good moral character;
 - ii. verification of the applicant's licensure status in his/her initial state of licensure and, if different, verification of the applicant's licensure status in the state of the applicant's principal place of business;
 - iii. verification by the applicant of the location of his or her principal place of business;
 - iv. certification by the applicant that he or she has completed the continuing education requirements of the state where the applicant's principal place of business is located in the year prior to submission of the application form; and
 - v. certification of satisfactory completion of the required education and professional experience in the practice of public accountancy, as required in paragraphs (1) and (2) of this subdivision.
- b. Endorsement of foreign licenses. A certified public accountancy license, or its foreign equivalent, that is issued by a foreign country in which licensure or registration is regulated by an authority responsible for the regulation of the practice of public accountancy in such foreign jurisdiction and acceptable to the Board of Regents, may be accepted by the Department for licensure in New York State if the applicant:
 - 1.

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- i. presents satisfactory evidence of a license in certified public accountancy, or its foreign equivalent, from a foreign jurisdiction that is recognized by the Department or a national professional accounting organization acceptable to the Department, as having significantly comparable licensure standards to New York; or
 - ii. presents satisfactory evidence of a license in certified public accountancy, or its foreign equivalent, from a foreign jurisdiction that has not been recognized as having significantly comparable licensure standards to New York, provided that the Department has determined that the applicant has completed licensure requirements significantly comparable to the licensure requirements for certified public accountants in New York State;
2. presents satisfactory evidence to the State Board of at least four years of professional experience in the practice of public accountancy following initial licensure and within the 10 years immediately preceding application for licensure by endorsement;
3. received acceptable grades on a professional competency examination acceptable to the State Board; and
4. submits a completed application, on a form prescribed by the Department, which shall include, but not be limited to:
 - i. certification by the applicant of good moral character;
 - ii. verification of the applicant's licensure status in his/her initial country of licensure and if different, verification of the applicant's licensure status in the state of the applicant's principal place of business;
 - iii. verification of acceptable grades on a professional competency examination acceptable to the State Board;
 - iv. certification of completion of the required education for licensure as a certified public accountant; and
 - v. certification of completion of four years of satisfactory professional experience in public accountancy, as required in paragraph (2) of this subdivision.

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§70.7 Practice by certain out-of-state individuals and firms.

- a. Practice by certain out-of-state firms.
 1. A firm that holds a valid license, registration, or permit in another state shall register with the Department if the firm offers to engage or engages in the practice of public accountancy pursuant to subdivision 1 or 2 of section 7401 of the Education Law;
 2. A firm that holds a valid license, registration, or permit in another state that is not required to register with the Department pursuant to paragraph (1) of this subdivision, including those out-of-state firms that use the title “certified public accountant” or “certified public accountants” or the designation “CPA” or “CPAs” but do not have an office in New York, may practice in this state without a firm registration with the Department, if the firm’s practice is limited to the practice of public accountancy pursuant to subdivision 3 of section 7401 of the Education Law;
 3. A firm may register and perform services pursuant to this subdivision only if:
 - i. at least one partner of a partnership or limited liability partnership, member of a limited liability company or shareholder of a professional service corporation or the sole proprietor is licensed as a certified public accountant engaged within the United States in the practice of public accountancy and is in good standing as a certified public accountant of one or more of the states of the United States;
 - ii. the firm complies with the Department’s mandatory peer review program pursuant to section 7410 of the Education Law; and
 - iii. the services are performed by an individual who is licensed and in good standing as a certified public accountant of one or more states of the United States.
- b. Practice by certain out-of-state individuals.
 1. An individual who holds a certificate or license as a certified public accountant issued by another state, who is in good standing in the state where certified or licensed, and whose principal place of business is not in this state may practice public accountancy in this state without obtaining a license pursuant to section 7404 of the Education Law, if:
 - i. the Department has determined that the other state has education, examination, and experience requirements for certification or licensure ~~that are substantially equivalent to or exceed as described in Section 7404 as to the requirements for licensure in this state; or~~
 - ii. ~~the Department has verified that the individual possesses licensure qualifications that are substantially equivalent to or exceed the requirements for licensure in this state.~~
 2. Except as otherwise provided in paragraph (6) or (7) of this subdivision, an individual who meets the requirements of paragraph (1) of this subdivision and who offers or renders professional services in person or by mail, telephone, or electronic means may practice public accountancy in this state without notice to the Department. An individual who wishes to practice public accountancy in this

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state, but does not meet the requirements of paragraph (1) of this subdivision is subject to the full licensing and registration requirements of the education law and of this title.

3. An individual licensee or individual practicing under this subdivision who signs or authorizes someone to sign the accountant's report on the financial statement on behalf of a firm shall meet the competency requirements set out in the professional standards for such services and as set out in paragraph (13) of subdivision (a) of section 29.10 of this title.
4. An individual practicing under this section shall practice through a firm that is registered with the Department pursuant to section 7408 of the Education Law if the individual performs any attest or compilation service as defined in section 7401-a of the Education Law.
5. Each certified public accountant who practices in this state pursuant to this section and each firm that employs such certified public accountant to provide services in New York consent to all of the following as a condition of the exercise of such practice privilege:
 - i. to the personal and subject matter jurisdiction and disciplinary authority of the Board of Regents as if the practice privilege is a license and an individual with a practice privilege is a licensee;
 - ii. to comply with Article 149 of the Education Law and the provisions of this Title relating to public accountancy; and
 - iii. to the appointment of the Secretary of State or other public official acceptable to the Department, in the certified public accountant's state of licensure or the state in which the firm has its principal place of business, as the certified public accountant's or firm's agent upon whom process may be served in any action or proceeding by the Department against such certified public accountant or firm.
6. In the event the license from the state of the certified public accountant's principal place of business is no longer valid or in good standing, or that the certified public accountant has had any final disciplinary action taken by the licensing or disciplinary authority of any other state concerning the practice of public accountancy that has resulted in any of the dispositions specified in subparagraphs (i) or (ii) of this paragraph, the certified public accountant shall so notify the Department, on a form prescribed by the Department, and shall immediately cease offering to perform or performing such services in this state individually and on behalf of ~~his or her~~ such certified public accountant's firm, until ~~he or she~~ the certified public accountant has received from the Department written permission to do so:
 - i. the suspension or revocation of ~~his or her~~ such certified public accountant's license; or
 - ii. other disciplinary action against ~~his or her~~ such certified public accountant's license that arises from:
 - a. gross negligence, recklessness or intentional wrongdoing relating to the practice of public accountancy; or
 - b. fraud or misappropriation of funds relating to the practice of public accountancy; or

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- c. preparation, publication, or dissemination of false, fraudulent, or materially incomplete or misleading financial statements, reports or information relating to the practice of public accountancy.
- 7. Any certified public accountant who, within the seven years immediately preceding the date on which ~~he or she~~ such certified public accountant wishes to practice in New York, has been subject to any of the actions specified in subparagraphs (i), (ii), (iii), or (iv) of this paragraph shall so notify the Department, on a form prescribed by the Department, and shall not practice public accountancy in this state pursuant to Education Law section 7406(2) and this section, until ~~he or she~~ such certified public accountant has received from the Department written permission to do so. In determining whether the certified public accountant shall be allowed to practice in this state, the Department shall follow the procedure to determine whether an applicant for licensure is of good moral character. Anyone failing to provide the notice required by this paragraph shall be subject to the personal and subject matter jurisdiction and disciplinary authority of the Board of Regents as if the practice privilege is a license, and an individual with a practice privilege is a licensee, and may be deemed to be practicing in violation of Education Law section 6512:
 - i. has been the subject of any final disciplinary action taken against ~~him or her~~ such certified public accountant by the licensing or disciplinary authority of any other jurisdiction with respect to any professional license or has any charges of professional misconduct pending against ~~him or her~~ such certified public accountant in any other jurisdiction; or
 - ii. has had ~~his or her~~ such certified public accountant license in another jurisdiction reinstated after a suspension or revocation of said license; or
 - iii. has been denied issuance or renewal of a professional license or certificate in any other jurisdiction for any reason other than an inadvertent administrative error; or
 - iv. has been convicted of a crime or is subject to pending criminal charges in any jurisdiction.
- 8. Notwithstanding paragraph (1) of this subdivision or any other inconsistent law or rule to the contrary, a certified public accountant licensed by another state and in good standing, who otherwise meets the practice privilege requirements under this section and files an application for licensure under Education Law section 7404, may continue to practice under such privilege for a period coterminous with the period during which ~~his or her~~ such certified public accountant's application for licensure remains pending with the Department, including any period after the certified public accountant establishes a principal place of business in New York, while ~~his or her~~ such certified public accountant's application is pending.

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§ 52.13 Accountancy

- a. Prior to August 1, 2004, the program shall meet the curricular requirements in this subdivision or subdivision (b) of this section.
1. Undergraduate curriculum. An undergraduate curriculum shall lead to a baccalaureate degree and include not less than 120 semester hours or their equivalent, including the following semester hours or their equivalent in the specified subjects:

Subject	Semester hours
Accounting, including course coverage in each of the following subject areas— accounting principles, cost accounting, tax accounting and auditing	24
Commercial Law	6
Finance	6
Business statistics	3
Business and accounting electives	21
Economic principles (which may be used to satisfy the business and accounting electives requirements	6

- 2.
3. The department may recognize a curriculum of comparable course content but with fewer semester hours, if given either wholly or partly at the graduate level, as being equivalent to the undergraduate curriculum outlined above.
4. Graduate curriculum. A graduate curriculum shall include not less than the following semester hours or their equivalent in the specified subjects depending on the undergraduate preparation of the students:

Subject	Subject Semester hours (prerequisites for the respective programs are described below)	
	Alternative A	Alternative B
Accounting, including at least one course each in accounting theory, tax accounting, and auditing, and in addition, under the B program, at least one course in cost accounting	9	24
Economic analysis	3	3
Finance	3	3
Commercial law-six semester hours at the undergraduate level will be considered equivalent	---	4
Other business and accounting electives	15	26
Total	30	60

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- i. The prerequisite for alternative A is a bachelor's degree or the equivalent in the field of accounting or business administration, including at least 21 semester hours of accounting and meeting the minimum semester hour requirements in the other subjects set forth in paragraph (1) of this subdivision. Deficiencies of not more than three semester hours each in any two of the following subjects may be made up by using electives in the graduate curriculum:
 - a. accounting;
 - b. commercial law;
 - c. finance;
 - d. economics; and
 - e. business statistics.

Further deficiencies may be duly made up, but credit therefor may not be applied to the 30-semester-hour requirement above.

- ii. The prerequisite for alternative B is a bachelor's degree or the equivalent in a field other than accounting or business administration, including:
 1. at least six semester hours shall be in economic principles;
 2. at least six semester hours in finance; and
 3. three semester hours in business statistics.

If such curriculum did not include the requirements set forth in this paragraph relating to economic principles, finance and business statistics, equivalent study in these subjects shall be carried out through the use of electives in the graduate curriculum.

b. CPA-150 semester hours in effect prior to August 1, 2027.

1. Definitions. As used in this subdivision:

- i. Prior to August 1, 2027, professional accountancy content area shall mean curricular content in professional accountancy that includes but is not limited to each of the subjects identified in clauses (a) through (d) of this subparagraph and may also include but need not be limited to the subjects identified in clauses (e) through (g) of this subparagraph:
 - a. financial accounting and reporting;
 - b. cost or managerial accounting;
 - c. taxation; and
 - d. auditing and attestation services;
 - e. fraud examination;
 - f. internal controls and risk assessment; and
 - g. accounting information systems.
- ii. Prior to August 1, 2027, general business content area shall mean curricular content relating to the development of knowledge in traditional business principles and technical skills. Curricular content in general business may but is not limited to each of the following subjects:
 - a. business statistics;
 - b. business law;
 - c. computer science;
 - d. economics;

- e. finance;
 - f. management;
 - g. marketing;
 - h. operations management;
 - i. organizational behavior;
 - j. business strategy;
 - k. quantitative methods; and
 - l. information technology and systems.
 - 2. Curriculum. On or after August 1, 2004, in addition to meeting all applicable provisions of this Part, to be registered as a program recognized as leading to licensure in public accountancy which meets the requirements in section 70.2 of this Title, such program shall be a baccalaureate or higher program that, by requisites or prerequisites, shall ensure completion of at least 150 semester hours or its equivalent, including a minimum of 33 semester hours or its equivalent in the professional accounting content area and a minimum of 36 semester hours or its equivalent in the general business content area. Such curriculum shall include the study of business and accounting communications, ethics and professional responsibility, and accounting research, either by integration into the coursework of other courses or in separate courses.
- c. CPA-150E semester hours in effect on or after August 1, 2027.
- 1. Definitions. As used in this subdivision:
 - i. On or after August 1, 2027, professional accountancy content area shall mean curricular content in professional accountancy that includes but is not limited to each of the subjects identified in clauses (a) through (e) of this subparagraph and may also include but need not be limited to the subjects identified in clauses (f) through (i) of this subparagraph:
 - a. financial accounting and reporting;
 - b. cost or managerial accounting;
 - c. taxation;
 - d. auditing and attestation services;
 - e. accounting information systems;
 - f. fraud examination;
 - g. internal controls and risk assessment;
 - h. accounting ethics; and
 - i. accounting data analytics.
 - ii. On or after August 1, 2027, general business content area shall mean curricular content relating to the development of knowledge in traditional business principles and technical skills. Curricular content in general business shall include content in clauses (a) through (e) of this subparagraph and may also include but is not limited to subjects in clauses (f) through (m) of this subparagraph:
 - a. information technology and systems;
 - b. business law;
 - c. business data analytics;
 - d. economics;

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- e. finance;
 - f. management;
 - g. marketing;
 - h. operations management;
 - i. organizational behavior;
 - j. business strategy;
 - k. quantitative methods;
 - l. business statistics; and
 - m. computer science.
2. Curriculum. On or after August 1, 2027, in addition to meeting all applicable provisions of this Part, to be registered as a program leading to licensure in public accountancy that meets the requirements in section 70.2 of this Title, such program shall be a baccalaureate or higher program in accountancy or its equivalent that, by requisites or prerequisites, shall ensure completion of at least 150 semester hours or its equivalent, including a minimum of 33 semester hours or its equivalent in the professional accounting content area and a minimum of 36 semester hours or its equivalent in the general business content area.

d. CPA-120 semester hours in effect on or after [xxx]

1. Definitions. As used in this subdivision:

- i. On or after [XXXX], professional accountancy content area shall mean curricular content in professional accountancy that includes but is not limited to each of the subjects identified in clauses (a) through (e) of this subparagraph and may also include but need not be limited to the subjects identified in clauses (f) through (i) of this subparagraph:

- a. financial accounting and reporting;
- b. cost or managerial accounting;
- c. taxation;
- d. auditing and attestation services;
- e. accounting information systems;
- f. fraud examination;
- g. internal controls and risk assessment;
- h. accounting ethics; and
- i. accounting data analytics.

- ii. On or after [XXXX], general business content area shall mean curricular content relating to the development of knowledge in traditional business principles and technical skills. Curricular content in general business shall include content in clauses (a) through (e) of this subparagraph and may also include but is not limited to subjects in clauses (f) through (m) of this subparagraph:

- a. information technology and systems;
- b. business law;
- c. business data analytics;
- d. economics;
- e. finance;
- f. management;

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- g. marketing;
- h. operations management;
- i. organizational behavior;
- j. business strategy;
- k. quantitative methods;
- l. business statistics; and
- m. computer science.

2. Curriculum. On or after XXXX, in addition to meeting all applicable provisions of this Part, to be registered as a program leading to licensure in public accountancy that meets the requirements in section 70.2 of this Title, such program shall be a baccalaureate or higher program in accountancy or its equivalent that, by requisites or prerequisites, shall ensure completion of at least 120 semester hours or its equivalent, including a minimum of 27 semester hours or its equivalent in the professional accounting content area and a minimum of 30 semester hours or its equivalent in the general business content area.

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The Statement on Standards for Continuing Professional Education (CPE) Programs

Jointly issued by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA)

~~December 2019~~

Red-Line of the 2019 Standards

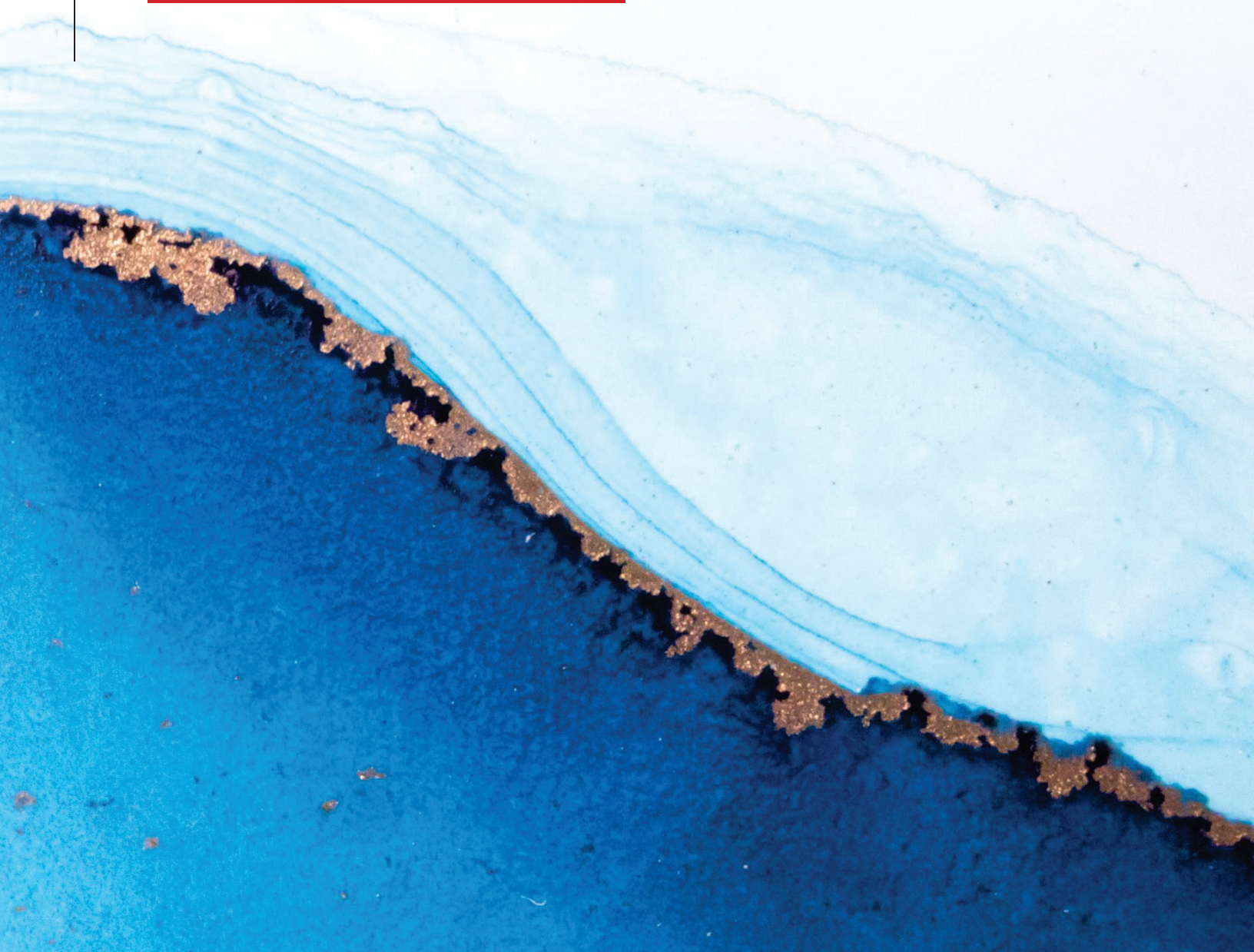


Table of Contents

Introduction	v
Preamble	vi
Article I – Definitions	1
Article II – General Guidelines for CPAs	4
2.1 Professional Competence	4
2.2 CPE Compliance	4
2.3 CPE Credits Record Documentation	5
2.4 Reporting CPE Credits	5
2.5 Independent Study	6
Article III – Standards for CPE Program Sponsors	7
3.1 General Standards	7
Standard No. 1: CPE Program Sponsor Responsibility	7
S1-01: CPE requirements of licensing bodies and others	7
3.2 Standards for CPE Program Development	7
Standard No. 2: Learning Activities Based on Learning Objectives	7
S2-01: Program knowledge level	7
Standard No. 3: Learning Activities Consistent With Experience of Participant	7
S3-01: Prerequisite education and experience	7
Standard No. 4: Current and Accurate Learning Activities and Materials	7
S4-01: Developed by subject matter expert(s)	8
Standard No. 5: Learning Activities Reviewed by Content Reviewers	8
S5-01: Qualifications of content reviewers	8
S5-02: Review responsibilities if content is purchased from another entity	8
Standard No. 6: Independent Study Learning Activities	9
S6-01: Requirements of independent study sponsor	9
Standard No. 7: Group Live Programs	9
S7-01: Required elements of engagement	9
S7-02: Real time instructor during program presentation	9 <u>10</u>
S7-03: No real time instructor during recorded program presentation	10
Standard No. 8: Group Internet Based Programs	10
S8-01: Real time instructor during program presentation	10
S8-02: No real time instructor during recorded program presentation	10
Standard No. 9: Self Study Programs	10 <u>11</u>

S9-01: Guide participant through a program of learning	10 11
S9-02: Use of review questions and other content reinforcement tools	11
S9-03: Evaluative and reinforcement feedback on review questions or other content reinforcement tools	11
S9-04: Qualified assessment requirements	12
S9-05: Feedback on qualified assessment	13
S9-06: Program or course expiration date	13
S9-07: Based on materials developed for instructional use	13
Standard No. 10: Nano Learning Programs	14
S10-01: Qualified assessment requirements	14
S10-02: Feedback on qualified assessment	14
S10-03: Program or course expiration date	14
S10-04: Based on materials developed for instructional use	14
Standard No. 11: Blended Learning Programs	15
S11-01: Guide participant through a program of learning	15
S11-02: Primary components of blended learning program are synchronous learning activities	15
S11-03: Primary components of blended learning program are asynchronous learning activities	15
S11-03.1: Qualified assessment requirements	15
S11-04: A course for credit from an accredited university or college	16
3.3 Standards for CPE Program Presentation	16
Standard No. 12: Descriptive Materials for Participant to Assess Learning Activities	16
S12-01: Disclose significant features of program in advance	16
S12-02: Disclose advance preparation and prerequisites	17
Standard No. 13: Instructors Qualified in Program Content and Instructional Method	17
S13-01: Qualifications of instructors	17
S13-02: Evaluation of instructor's performance	17
Standard No. 14: Evaluation of Learning Activities	17
S14-01: Required elements of evaluation	17
S14-02: Evaluation results	17
Standard No. 15: Instructional Strategies Appropriate for Learning Activities	18
S15-01: Assess instructional strategy in context of program presentation	18

S15-02: Facilities and technology appropriateness	18
3.4 Standards for CPE Program Measurement	18
Standard No. 16: Program Length Measured in CPE Credits	18
S16-01: Learning activities with individual segments	19
S16-02: Responsibility to monitor attendance	19
S16-03: <u>Attendance Monitoring</u> mechanism for group Internet based programs	19
S16-04: Small group viewing of group Internet based programs	20
<u>S16-05: Internet enabled two-way video participation of group live programs.</u>	<u>20</u>
S16- 05 <u>06</u> : University or college credit course	20
S16- 06 <u>07</u> : University or college noncredit course	20
S16- 07 <u>08</u> : Participant preparation time	<u>20</u> <u>21</u>
S16- 08 <u>09</u> : Committee or staff meetings qualification for CPE credits	<u>20</u> <u>21</u>
Standard No. 17: Self Study CPE Credits Based on Pilot Testing	
or Word Count Formula	<u>20</u> <u>21</u>
S17-01: Method 1 – Sample group of pilot testers	<u>20</u> <u>21</u>
S17-02: Method 1 – CPE credit based on representative completion time	21
S17-03: Method 1 – Requirement for re-pilot testing	<u>21</u> <u>22</u>
S17-04: Method 1 – Pilot testing when course purchased from vendor or other developer	<u>21</u> <u>22</u>
S17-05: Method 2 – Basis for word count formula	<u>21</u> <u>22</u>
S17-06: Method 2 – Calculation of CPE credit using word count formula	22
S17-07: Method 2 – Consideration of audio and video segments in word count formula	<u>22</u> <u>23</u>
S17-08: Method 2 – Word count formula when course purchased from vendor or other developer	<u>22</u> <u>23</u>
S17-09: CPE credit calculation for an adaptive learning self study program ...	<u>22</u> <u>3</u>
S17-10 Adaptive learning Method 1 – Sample group of pilot testers	<u>22</u> <u>3</u>
S17-11: Adaptive learning Method 1 – CPE credit based on representative completion time	23
S17-12: Adaptive learning Method 1 – Requirement for re-pilot testing	<u>23</u> <u>4</u>
S17-13 Adaptive learning Method 1 – Pilot testing when course is purchased from vendor or other developer	<u>23</u> <u>4</u>
S17-14 – Adaptive learning Method 2 – Computation using the prescribed word count formula	<u>23</u> <u>4</u>
S17-15 – Adaptive learning Method 2 – Basis for prescribed word count formula	<u>23</u> <u>4</u>

S17-16 Adaptive learning Method 2 – Calculation of CPE credit for each potential learning path using the prescribed word count formula	245
S17-17 Adaptive learning Method 2 – Word count formula when course is purchased from vendor or other developer	245
Standard No. 18: CPE Credit for Nano Learning Programs	245
Standard No. 19: CPE Credit for Blended Learning Programs	25
Standard No. 20: Instructor or Content Reviewer CPE Credit for Preparation and Presentation Time	25
S20-01: Instructor CPE credit parameters	256
S20-02: Presenting a program	256
S20-03: Content reviewer CPE credit parameters	256
Standard No. 21: Author CPE Credit	256
S21-01: Requirement for content review	256
S21-02: Authoring a program	256
Standard No. 22: CPE Credit for Independent Study	26
S22-01: CPE credits agreed to in advance	26
3.5 Standards for CPE Program Reporting	267
Standard No. 23: Documentation of Participation in Program	267
S23-01: Entity to award CPE credits and acceptable documentation	267
S23-02: Certificate issuance for simultaneous delivery of a group live and group Internet based program	278
Standard No. 24: Program and Participant Documentation Maintenance	278
S24-01: Required documentation elements	278
S24-02: Maintenance of documentation as basis for CPE credit for self study programs	278
S24-03: Maintenance of documentation of element of engagement for group live programs	289
S24-04: Maintenance of documentation of <u>attendance monitoring mechanisms for group Internet based programs</u> instructions and information learning program	289
S24-05: Maintenance of documentation of <u>instructions and information to participants regarding the components that comprise a blended learning program</u>	29
S24-0506: Maintenance of documentation of an independent study program	289
Effective date	2830

Introduction

Continuing professional education (CPE) is required for CPAs to maintain or improve their professional competence and provide quality professional services. CPAs are responsible for complying with all applicable CPE requirements, rules, and regulations of boards of accountancy, as well as those of membership associations and other professional organizations.

The Statement on Standards for Continuing Professional Education (CPE) Programs (Standards) is published jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to provide a framework for the development, presentation, measurement, and reporting of CPE programs. The Standards were last revised in ~~2016~~2019.

The Standards are periodically reviewed in their entirety by the CPE Standards Working Group (Working Group). The Working Group comprises 13 members representing the various stakeholders in the CPE arena, including boards of accountancy, state societies, educators, CPE providers, and the AICPA. If the Working Group determines that revisions or modifications are required, then the Working Group will make its recommendations to NASBA's CPE Committee (CPE Committee), which, in turn, makes recommendations to the Joint AICPA/NASBA CPE Standards Committee (Joint Committee). The Joint Committee will then make its recommendation to the respective AICPA and NASBA Boards of Directors. Any revisions or modifications to the Standards will be posted to the AICPA and NASBA websites for comment.

The Standards are intended to be an "evergreen" document. As questions arise related to implementation and application of the Standards, the questions will be presented to the Working Group. NASBA will communicate the findings of the Working Group to the specific CPE program sponsor. Authoritative interpretations will only be issued by the CPE Committee in limited cases in which the matter is not addressed in the Standards, cannot be addressed specifically with the CPE program sponsor, or cannot be addressed in the "Best Practices" web pages. All interpretations issued by the CPE Committee will be reviewed and considered by the Joint Committee upon the next revision of the Standards.

Preamble

- 1.** The right to use the title “Certified Public Accountant” (CPA) is regulated by each state’s board of accountancy in the public interest and imposes a duty to maintain public confidence by enhancing current professional competence, as defined in the Statement on Standards for Continuing Professional Education (CPE) Programs (Standards), in all areas in which they provide services. CPAs must accept and fulfill their ethical responsibilities to the public and the profession regardless of their fields of employment.¹
- 2.** The profession of accountancy is characterized by an explosion of relevant knowledge, ongoing changes and expansion, and increasing complexity. Advancing technology, globalization of commerce, increasing specialization, proliferating regulations, and the complex nature of business transactions have created a dynamic environment that requires CPAs to continuously maintain or improve their professional competence.
- 3.** The continuing development of professional competence involves a program of lifelong educational activities. Continuing professional education (CPE) is the term used in these Standards to describe the educational activities that assist CPAs in achieving and maintaining quality in professional services.
- 4.** The following Standards have been broadly stated in recognition of the diversity of practice and experience among CPAs. They establish a framework for the development, presentation, measurement, and reporting of CPE programs and thereby help to ensure that CPAs receive the quality CPE necessary to satisfy their obligations to serve the public interest. The spirit of the Standards is to encourage high-quality learning with measurable objectives by providing baseline requirements. These Standards may also apply to other professionals by virtue of employment or membership. Boards of accountancy have final authority on the acceptance of individual courses for CPE credit.
- 5.** Advances in technology, delivery, and workplace arrangements may lead to innovative learning techniques. Learning theory is evolving to include more emphasis on outcome-based learning. These Standards anticipate innovation in CPE in response to these advances. Sponsors must ensure innovative learning techniques are in compliance with the Standards. CPE program sponsors are encouraged to consult with NASBA regarding questions related to compliance with the Standards when using innovative techniques.
- 6.** These Standards create a basic foundation for sound educational programs. Sponsors may wish to provide enhanced educational and evaluative techniques to all programs.

¹ The term “CPA” is used in these Standards to identify any person who is licensed or regulated, or both, by boards of accountancy.

Article I – Definitions

Adaptive learning self study program. A self study program that uses a computer algorithm, other predictive analytics tools, or learner-driven selections to orchestrate interaction with the learner and deliver customized learning activities to assist the learner in meeting the course’s stated learning objectives. CPE credit for an adaptive learning self study program must be determined based on the methodologies detailed in S17-09 through S17-17.

Advanced. Program knowledge level most useful for individuals with mastery of the particular topic. This level focuses on the development of in-depth knowledge, a variety of skills, or a broader range of applications. Advanced level programs are often appropriate for seasoned professionals within organizations; however, they may also be beneficial for other professionals with specialized knowledge in a subject area.

Asynchronous. A learning activity in which the participant has control over time, place, or pace of learning.

Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

Blended learning program. An educational program that includes both asynchronous and synchronous learning activities, and incorporates different instructional delivery methods or instructional strategies, or different levels of guidance.

Content reinforcement tools. Tools used within the overall learning activity to reinforce learning and influence behavior change throughout the learning or at the end of the learning. Examples include but are not limited to simulations, drag-and-drop, rank order, or matching activities.

Content reviewer. Individuals or teams qualified in the subject matter other than those who developed the content.

Continuing professional education (CPE). An integral part of the lifelong learning required to provide competent service to the public. The set of activities that enables CPAs to maintain or improve their professional competence.

CPE credit. Fifty minutes of participation in a program of learning equals one CPE credit.

CPE program sponsor (sponsor). The individual or organization responsible for issuing the certificate of completion and maintaining the documentation required by the Statement on Standards for Continuing Professional Education (CPE) Programs.

Elements of engagement. Tools within the overall learning activity of a group live program to encourage the participation of learners within the program. Examples include but are not limited to group discussion, polling questions, instructor-posed question with time for participant reflection, role play, demonstration, or use of a case study with different engagement elements throughout the program.

Evaluative feedback. Specific response to incorrect answers to questions in self study programs.

Group Internet based program. Individual participation in a synchronous group learning program with real time interaction of an instructor or subject matter expert and built-in processes for attendance and interactivity. See Standard No. 8 for examples of group Internet based programs.

Group live program.- Synchronous learning program in a group in a group environment with real time interaction of participants with each other and with an instructor or subject matter expert that provides the required elements of attendance monitoring and engagement. See Standard No. 7 for examples of group live programs.

Group program. Any group live or group Internet based programs.

Independent study. An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor.

Instructional delivery methods.- Delivery formats used for CPE programs as defined within these Standards: group live, group Internet based, self study, nano learning, and blended learning.

Instructional strategies. Strategies such as but not limited to case studies, computer-assisted learning, lectures, group interaction, programmed instruction, and use of audiovisual aids employed within the instructional delivery methods of group, self study, or independent study programs or other innovative programs.

Intermediate.- Program knowledge level that builds on a basic program and is most appropriate for CPAs with detailed knowledge in a particular topic. Such persons are often at a mid-level within the organization, with operational or supervisory responsibilities, or both.

Learning activity. An educational endeavor that maintains or improves professional competence.

Learning contract. A written contract signed by an independent study participant and a qualified CPE program sponsor prior to the commencement of the independent study.

Learning objectives. Measurable outcomes that participants should accomplish upon completion of a learning activity. Learning objectives are useful to program developers in deciding appropriate instructional strategies and allocating time to various subjects.

Nano learning program. An asynchronous program of learning completed individually without the assistance or interaction of a real time instructor that is designed to permit a participant to learn a given subject in a minimum of 10 minutes and less than 20 minutes through the use of electronic media (including technology applications and processes and computer-based or web-based technology) ~~and without interaction with a real time instructor~~. A nano learning program differs from a self study program in that it is typically focused on a single learning objective and is not paper-based. A nano learning program is not a group program. Nano learning is not a substitute for comprehensive programs addressing complex issues.

Overview. Program knowledge level that provides a general review of a subject area from a broad perspective. These programs may be appropriate for professionals at all organizational levels.

Pilot test. A method to determine the recommended CPE credit for self study programs that involves sampling of individuals who are independent of the development team and are representative of the intended participants to measure the representative completion time.

Pre-program assessment. A method of measuring prior knowledge that is given before the participant has access to the course content of the program.

Professional competence. Having requisite technical competence, professional skills, values, ethics, and attitudes to provide quality services as defined by the technical and ethical standards of the profession. The expertise needed to undertake professional responsibilities and to serve the public interest.

Program of learning. A collection of learning activities that are designed and intended as continuing education and that comply with these Standards.

Qualified assessment. A method of measuring the achievement of a representative number of the learning objectives for the learning activity.

Reinforcement feedback. Specific responses to correct answers to questions in self study programs.

Self study program. An asynchronous educational program of learning completed individually without the assistance or interaction of a real time instructor.

Social learning. Learning from one's peers in a community of practice through observation, modeling, and application.

Subject matter expert. A person who has expertise in a particular area or topic. Expertise may be demonstrated through practical experience or education, or both.

Synchronous. A learning activity~~group program~~ in which participants engage simultaneously with a real time instructor~~in learning activities~~.

Word count formula. A method, detailed under ~~S17-05~~ method 2, to determine the recommended CPE credit for self study programs that uses a formula, including word count of learning material, number of questions and exercises, and duration of audio and video segments.

Update. Program knowledge level that provides a general review of new developments. This level is for participants with a background in the subject area who desire to keep current.

Article II – General Guidelines for CPAs

2.1 Professional Competence. All CPAs should participate in learning activities that maintain or improve their professional competence.²

Selection of learning activities should be a thoughtful, reflective process addressing the individual CPA's current and future professional plans, current knowledge and skill level, and desired or needed additional competence to meet future opportunities or professional responsibilities, or both.

CPAs' fields of employment do not limit the need for CPE. CPAs performing professional services need to have a broad range of professional competence. Thus, the concept of professional competence may be interpreted broadly. Accordingly, acceptable continuing education encompasses programs contributing to the development and maintenance of professional skills.

The [fields of study](#), as published on NASBA's website, www.nasbaregistry.org, represent the primary knowledge and skill areas that CPAs need to perform professional services in all fields of employment.

To help guide their professional development, CPAs may find it useful to develop a learning plan. Learning plans are structured processes that help CPAs guide their professional development. They are dynamic instruments used to evaluate and document learning and professional competence development. They may be reviewed regularly and modified as CPAs' professional competence needs change. Plans include a self-assessment of the gap between current and needed professional competence; a set of learning objectives arising from this assessment; and learning activities to be undertaken to fulfill the learning plan.

2.2 CPE Compliance. CPAs must comply with all applicable CPE requirements.

CPAs are responsible for compliance with all applicable CPE requirements, rules, and regulations of state licensing bodies, other governmental entities, membership associations, and other professional organizations or bodies. CPAs should contact each appropriate entity to which they report to determine its specific requirements or any exceptions it may have to the standards presented herein.

Periodically, CPAs participate in learning activities that do not comply with all applicable CPE requirements, for example, specialized industry programs offered through industry sponsors. If CPAs propose to claim credit for such learning activities, they must retain all relevant information

² The terms "should" and "must" are intended to convey specific meanings within the context of this joint AICPA/NASBA Statement on Standards for Continuing Professional Education Programs (Standards). The term "must" is used in the Standards and applies to CPAs and CPE program sponsors to convey that CPAs and CPE program sponsors are not permitted any departure from those specific Standards. The term "should" is used in the Standards and applies to both CPAs and CPE program sponsors and is intended to convey that CPAs and CPE program sponsors are encouraged to follow such Standards as written. The term "may" is used in the Standards and applies to both CPAs and CPE program sponsors and is intended to convey that CPAs and CPE program sponsors are permitted to follow such Standards as written.

regarding the program to provide documentation to state licensing bodies and all other professional organizations or bodies that the learning activity is equivalent to one that meets all these standards.

2.3 CPE Credits Record Documentation. CPAs are responsible for accurate reporting of the appropriate number of CPE credits earned and must retain appropriate documentation of their participation in learning activities.

To protect the public interest, regulators require CPAs to document maintenance or improvement of professional competence through periodic reporting of CPE. For convenience, measurement is expressed in CPE credits. However, the objective of CPE must always be maintenance or improvement of professional competence, not attainment of credits. Compliance with regulatory and other requirements mandates that CPAs keep documentation of their participation in activities designed to maintain or improve professional competence. In the absence of legal or other requirements, a reasonable policy is to retain documentation for a minimum of five years from the end of the year in which the learning activities were completed.

Participants must document their claims of CPE credit. Examples of acceptable evidence of completion include the following:

- For group, blended learning, and independent study programs, a certificate or other verification supplied by the CPE program sponsor
- For self study and nano learning programs, a certificate supplied by the CPE program sponsor after satisfactory completion of a qualified assessment
- For instruction or content review credit, appropriate supporting documentation that complies with the requirements of the respective state boards subject to the guidelines in Standard No. 20 in the “Standards for CPE Program Measurement” section of the Standards
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received
- For university or college noncredit courses, a certificate of attendance issued by a representative of the university or college
- For published articles, books, or CPE programs:
 - a copy of the publication (or in the case of a CPE program, course development documentation) that names the CPA as author or contributor,
 - a statement from the writer supporting the number of CPE hours claimed, and
 - the name and contact information of the content reviewer(s) or publisher

2.4 Reporting CPE Credits. CPAs who complete sponsored learning activities that maintain or improve their professional competence must claim no more than the CPE credits recommended by CPE program sponsors subject to state board regulations.

CPAs may participate in a variety of sponsored learning activities. Although CPE program sponsors determine credits, CPAs must claim credit only for activities through which they maintained or improved their professional competence. CPAs who participate in only part of a program must claim CPE credit only for the portion they attended or completed.

2.5 Independent Study. CPAs may engage in independent study under the direction of a CPE program sponsor who has met the applicable standards for CPE program sponsors when the subject matter and level of study maintain or improve the CPAs' professional competence.

Independent study is an educational process designed to permit a participant to learn a given subject under the guidance of a CPE program sponsor. Participants in an independent study program must

a. enter into a written learning contract with a CPE program sponsor that must comply with the applicable standards for CPE program sponsors. A learning contract:

- i. specifies the nature of the independent study program and the time frame over which it is to be completed, not to exceed 15 weeks.
- ii. specifies that the output must be in the form of
 - (1) a written report that will be reviewed by the CPE program sponsor or a qualified person selected by the CPE program sponsor or
 - (2) a written certification by the CPE program sponsor that the participant has demonstrated application of learning objectives through
 - (a) successful completion of tasks or
 - (b) performance of a live demonstration, oral examination, or presentation to a subject matter expert.
- iii. outlines the maximum CPE credit that will be awarded for the independent study program, but limits credit to actual time spent.

b. accept the written recommendation of the CPE program sponsor regarding the number of credits to be earned upon successful completion of the proposed learning activities. CPE credits will be awarded only if

- i. all the requirements of the independent study as outlined in the learning contract are met;
- ii. the CPE program sponsor reviews and signs the participant's report;
- iii. the CPE program sponsor reports to the participant the actual credits earned; and
- iv. the CPE program sponsor provides the participant with contact information.

The maximum credits to be recommended by an independent study CPE program sponsor must be agreed upon in advance and must be equated to the effort expended to maintain or improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

c. retain the necessary documentation to satisfy regulatory requirements regarding the content, inputs, and outcomes of the independent study.

Article III – Standards for CPE Program Sponsors

3.1 - General Standards

Standard No. 1. CPE program sponsors are responsible for compliance with all applicable Standards and other CPE requirements.

S1 – 01. CPE requirements of licensing bodies and others. CPE program sponsors may have to meet specific CPE requirements of state licensing bodies, other governmental entities, membership associations, and other professional organizations or bodies. Professional guidance for CPE program sponsors is available from NASBA; state-specific guidance is available from the boards of accountancy. CPE program sponsors should contact the appropriate entity to determine requirements.

3.2 - Standards for CPE Program Development

Standard No. 2. Sponsored learning activities must be based on relevant learning objectives and outcomes that clearly articulate the professional competence that should be achieved by participants in the learning activities.

S2-01. Program knowledge level. Learning activities provided by CPE program sponsors for the benefit of CPAs must specify the knowledge level, content, and learning objectives so that potential participants can determine whether the learning outcomes are appropriate to their professional competence development needs, except as provided in Standard 12. Knowledge levels consist of basic, intermediate, advanced, update, and overview.

Standard No. 3. CPE program sponsors must develop and execute learning activities in a manner consistent with the prerequisite education, experience, and advance preparation of participants.

S3-01. Prerequisite education and experience. To the extent it is possible to do so, CPE program sponsors should make every attempt to equate program content and level with the backgrounds of intended participants. All programs identified as Intermediate, Advanced or Update must clearly identify prerequisite education, experience, and advance preparation in precise language so that potential participants can readily ascertain whether they qualify for the program. For courses with a program knowledge level of Basic and Overview, prerequisite education or experience and advance preparation, if any, must be noted, otherwise, state “none” in the course announcement or descriptive materials.

Standard No. 4. CPE program sponsors must employ activities, materials, and delivery systems that are current, accurate, and effectively designed. Course documentation must contain the most recent publication, revision, or review date. Courses must be revised as soon as feasible following changes to relative codes, laws, rulings, decisions, interpretations, and so on. Courses in subjects that undergo frequent changes must be reviewed by a subject matter expert at least once a year to verify the currency of the content. Other courses must be reviewed at least every two years.

S4-01. Developed by subject matter expert(s). Learning activities must be developed by subject matter expert(s).

Standard No. 5. CPE program sponsors of group, self study, nano learning, and blended learning programs must ensure that learning activities are reviewed by content reviewers other than those who developed the programs to assure that the program is accurate and current and addresses the stated learning objectives. These reviews must occur before the first presentation of these materials and again after each significant revision of the CPE programs.

The participation of at least one licensed CPA (in good standing and holding an active license or the equivalent of an “active” CPA license in a U.S. jurisdiction) is required in the development of every program in accounting and auditing. The participation of at least one licensed CPA, tax attorney, or IRS enrolled agent (in good standing and holding an active CPA license or the equivalent of an “active” license in a U.S. jurisdiction) is required in the development of each program in the field of study of taxes. In the case of the subject matter of international taxes, the participation of the equivalent of an “active” licensed CPA for the international jurisdiction involved is permitted. As long as this requirement is met at some point during the development process, a program would be in compliance. Whether to have this individual involved during the development or the review process is at the CPE program sponsor’s discretion.

S5-01. Qualifications of content reviewers. Individuals or teams qualified in the subject matter must review programs. The intent of the review is to serve as a quality control procedure to ensure the course content is accurate and current as well as appropriate for CPE. When it is in rare circumstances, it may be impractical to review certain programs in advance, ~~such as lectures given only once.~~ In those rare circumstances, greater reliance should be placed on the recognized professional competence of the instructor or presenter, and the basis for the lack of content review must be documented.

S5-02. Review responsibilities if content is purchased from another entity. CPE program sponsors may purchase course content from other entities and developers. The organization that issues the certificate of completion under its name to the participants of the program is responsible for compliance with all Standards and other CPE requirements.

If a CPE program sponsor plans to issue certificates of completion under its name, then the CPE program sponsor must first consider whether the content was purchased from an entity registered with NASBA on the National Registry of CPE Sponsors.

- If the content is purchased from a sponsor registered with NASBA on the National Registry of CPE Sponsors, then the CPE program sponsor that issues the certificate of completion under its name ~~may~~ must maintain the author/developer and content reviewer documentation from that sponsor to satisfy the content development requirements of the Standards. The documentation should be maintained as prescribed in Standard No. 24.

- If the content is purchased from an entity not registered with NASBA on the National Registry of CPE Sponsors, then the CPE program sponsor must independently review the purchased content to ensure compliance with the Standards. If the CPE program sponsor does not have the subject matter expertise on staff, then the CPE program sponsor must contract with a content reviewer to conduct the review. The CPE program sponsor must maintain the appropriate documentation regarding the credentials and experience of both the course author/developer(s) and content reviewer(s) as prescribed in Standard No. 24.

Standard No. 6. CPE program sponsors of independent study learning activities must be qualified in the subject matter.

S6-01. Requirements of independent study sponsor. A CPE program sponsor of independent study learning activities must have expertise in the specific subject area related to the independent study. The CPE program sponsor must also

- review, evaluate, approve, and sign the proposed independent study learning contract, including agreeing in advance on the number of credits to be recommended upon successful completion.
- evidence program completion by at least one of the following:
 - reviewing and signing the written report developed by the participant in independent study.
 - certifying in writing that the applicant has demonstrated application of learning objectives through successful completion of tasks.
 - certifying in writing that the applicant has performed a live demonstration, oral examination, or presentation to a subject matter expert.
- retain the necessary documentation as included in Standard No. 24 to satisfy regulatory requirements regarding the content, inputs, and outcomes of the independent study.

Standard No. 7. Group live programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning, and include elements of engagement within the program.

Whether a program is classified as group live or group Internet based is determined by how the participant ~~consumes the learning (in a group setting or on an individual basis)~~ interacts with other participants and the instructor and not by the technology used in program delivery.- Group live examples include but are not limited to:

- physical classroom setting with a real time instructor;
- Internet enabled two-way video participation that complies with S16-05;
- participation in a group setting and calling in to a teleconference call; and/or
- participation in a group setting and watching a live broadcast or rebroadcast of a program with a real time subject matter expert facilitator.

S7-01. Required elements of engagement. A group live program must include at least one element of engagement related to course content during each full credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

In certain limited circumstances, for example, a high-profile keynote session, an element of engagement may not be appropriate. In such cases, the sponsor should document the justification.

S7-02. Real time instructor during program presentation. Group live programs must have a real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). Once a group live program is recorded for future presentation, it will continue to be considered a group live program only when a real time subject matter expert facilitates the recorded presentation. CPE credit for a recorded group live program facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation.

S7-03. No real time instructor during recorded program presentation. A group live program that is recorded for future presentation that does not include a real time subject matter facilitator is no longer a group live program and will be classified as a self study program only if it meets all self study delivery method requirements with the exception of the basis for CPE credit. CPE credit for a recorded group live program not facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation, or it may be determined by either of the two self study credit determination methodologies described in Standard No. 17: pilot testing or the prescribed word count formula, at the sponsor's discretion.

Standard No. 8. Group Internet based programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning, and provide evidence of a participant's satisfactory completion of the program.

Whether a program is classified as group live or group Internet based is determined by how the participant ~~consumes the learning (in a group setting or on an individual basis)~~interacts with other participants and the instructor and not by the technology used in program delivery. Group Internet based examples include but are not limited to individual participation in a:

- ~~participation in a~~webcast;st individually,
- Internet enabled two-way video participation that complies with S16-03;
- ~~participation in a~~broadcast of a group live presentation;or on an individual basis, and
- ~~participants calling in to a~~conference callon an individual basis.

S8-01. Real time instructor during program presentation. Group Internet based programs must have a real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). Once a group Internet based program is recorded for future presentation, it will continue to be considered a group Internet based program only when a real time subject matter expert facilitates the recorded presentation. CPE credit for a recorded group Internet based program facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation.

S8-02. No real time instructor during recorded program presentation. A group Internet based program that is recorded for future presentation that does not include a real time subject matter facilitator is no longer a group Internet based program and will only be classified as a self study program if it meets all self study delivery method requirements, with the exception of the basis for CPE credit. CPE credit for a recorded group Internet based program not facilitated by a real

time subject matter expert will be equal to the CPE credit awarded to the original presentation, or it may be determined by either of the two self study credit determination methodologies described in Standard No. 17: pilot testing or the prescribed word count formula, at the sponsor's discretion.

Standard No. 9. Self study programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning, and provide evidence of a participant's satisfactory completion of the program.

S9-01. Guide participant through a program of learning. To guide participants through a program of learning, CPE program sponsors of self study programs must elicit participant responses to test for understanding of the material. Appropriate feedback must be provided. Satisfactory completion of the program must be confirmed during or after the program through a qualified assessment.

S9-02. Use of review questions or other content reinforcement tools. Review questions or other content reinforcement tools must be placed throughout the program in sufficient intervals to allow the participant the opportunity to evaluate the material that needs to be re-studied. At least three review questions or other content reinforcement tools with scored responses per CPE credit must be included. If the program is marketed for one-half CPE credits, then two review questions or other content reinforcement tools with scored responses must be included. Other content reinforcement tools with scored responses, such as simulations, that guide participants through structured decisions can be used in lieu of review questions.

After the first full credit and the minimum of three review questions or other content reinforcement tools with scored responses, additional review questions or other content reinforcement tools with scored responses are required based on the additional credit measurement amount of the program as follows:

Additional Credit	Additional Review Questions or Other Content Reinforcement Tools
0.2	0
0.4	1
0.5	2
0.6	2
0.8	3
Next full credit	3

S9-03. Evaluative and reinforcement feedback on review questions or other content reinforcement tools. When review questions, such as the multiple choice method, are used, evaluative feedback for each incorrect response must explain specifically why each response is wrong, and reinforcement feedback must be provided for correct responses even when the minimum number of review questions or other content reinforcement tools requirement has otherwise been exceeded. When other content reinforcement tools, such as drag-and-drop, rank

order, or matching activities, are used, then it is permissible to provide single feedback to explain the correct response. Other content reinforcement tools, such as simulations, that guide participants through structured decisions could provide feedback at irregular intervals or at the end of the learning experience. In those situations, single feedback would be permissible. “True or false” questions do not count toward the number of required review questions per CPE credit. Sponsors that elect to include “true or false” questions ~~must-should~~ provide evaluative and reinforcement feedback to further the learning process. Forced choice questions other than “true or false” questions, when used as part of an overall learning strategy, are allowed as review questions and can be counted in the number of review questions required per CPE credit. There is no minimum passing rate required for review questions or other content reinforcement tools.

S9-04. Qualified assessment requirements. To provide evidence of satisfactory completion of the course, CPE program sponsors of self study programs must require participants to successfully complete a qualified assessment during or after the program with a cumulative minimum passing grade of at least 70 percent before issuing CPE credit for the course. Assessments may contain questions of varying format (for example, multiple choice, essay, and simulations). At least 5 questions and scored responses per CPE credit must be included on the qualified assessment or 3 assessment questions and scored responses if the program is marketed for one-half CPE credits. For example, the qualified assessment for a 5-credit course must include at least 25 questions and scored responses. Alternatively, a 5 ½ credit course must include at least 28 questions and scored responses. Except in courses in which recall of information is the learning strategy, duplicate review and qualified assessment questions are not allowed. “True or false” questions are not permissible on the qualified assessment.

After the first full credit and the minimum of five questions and scored responses per CPE credit, additional qualified assessment questions and scored responses are required based on the additional credit measurement amount of the program as follows:

Additional Credit	Additional Questions/Scored Responses
0.2	1
0.4	2
0.5	3
0.6	3
0.8	4
Next full credit	5

If a pre-program assessment is used in the course, then the pre-program assessment cannot be included in the determination of the recommended CPE credits for the course. If a pre-program assessment is used and feedback is provided, then duplicate pre-program assessment and qualified assessment questions are not permitted. If a pre-program assessment is used and feedback is not provided, then duplicate pre-program assessment and qualified assessment questions are permissible. Feedback may comply with the feedback for review questions as described in S9-03 or take the form of identifying correct and incorrect answers.

A qualified assessment must measure a representative number of the learning objectives for the program. A representative number of the learning objectives is 75 percent or more of the learning objectives for the program. The representative number of the learning objectives can be less than

75 percent of the learning objectives for the program only if a randomized question generator is used, and the test bank used in the creation of the assessment includes at least 75 percent of the learning objectives for the program. Assessment items must be written to test the achievement of the stated learning objectives of the course.

S9-05. Feedback on qualified assessment. Providing feedback on the qualified assessment is at the discretion of the CPE program sponsor. If the CPE program sponsor chooses to provide feedback and

- uses a test bank, then the CPE program sponsor must ensure that the question test bank is of sufficient size to minimize overlap of questions on the qualified assessment for the typical repeat test taker. Feedback may comply with the feedback for review questions as described in S9-03 or take the form of identifying correct and incorrect answers.
- does not use a test bank, whether or not feedback can be given depends on whether the participant passes the qualified assessment, then
 - on a failed assessment, the CPE program sponsor may not provide feedback to the test taker.
 - on assessments passed successfully, CPE program sponsors may choose to provide participants with feedback. This feedback may comply with the type of feedback for review questions as described in S9-03 or take the form of identifying correct and incorrect answers.

S9-06. Program or course expiration date. Course documentation must include an expiration date (the time by which the participant must complete the qualified assessment). For individual courses, the expiration date is no longer than one year from the date of purchase or enrollment. For a series of courses to achieve an integrated learning plan, the expiration date may be longer.

S9-07. Based on materials developed for instructional use. Self study programs must be based on materials specifically developed for instructional use and not on third-party materials. Self study programs requiring only the reading of general professional literature, IRS publications, or reference manuals followed by a test will not be acceptable. However, the use of the publications and reference materials in self study programs as supplements to the instructional materials could qualify if the self study program complies with each of the CPE standards.

Instructional materials for self study include teaching materials that are developed for instructional educational purposes. These materials must demonstrate the expertise of the author(s). At a minimum, instructional materials must include the following items:

- An overview of topics
- The ability to find information quickly (for example, an index, a detailed menu, or key word search function)
- The definition of key terms (for example, a glossary or a search function that takes a participant to the definition of a keyword)
- Instructions to participants regarding navigation through the course, course components, and course completion
- Review questions with feedback
- Qualified assessment

Standard No. 10. Nano learning programs must employ instructional strategies that clearly define a minimum of one learning objective, guide the participant through a program of learning, and provide evidence of a participant's satisfactory completion of the program. Satisfactory completion of the program must be confirmed at the conclusion of the program through a qualified assessment. Review questions or other content reinforcement tools that comply with S9-03 may be included in a nano learning program.

S10-01. Qualified assessment requirements. To provide evidence of satisfactory completion of the course, CPE program sponsors of nano learning programs must require participants to successfully complete a qualified assessment with a passing grade of 100 percent before issuing CPE credit for the course. Assessments may contain questions of varying format (for example, multiple choice, rank order, and matching). Only two questions must be included on the qualified assessment. "True or false" questions are not permissible on the qualified assessment. If the participant fails the qualified assessment, then the participant must re-take the nano learning program. The number of re-takes permitted a participant is at the sponsor's discretion.

S10-02. Feedback on qualified assessment. Providing feedback on the qualified assessment is at the discretion of the CPE program sponsor. If the CPE program sponsor chooses to provide feedback and

- uses a test bank, then the CPE program sponsor must ensure that the question test bank is of sufficient size for no overlap of questions on the qualified assessment for the typical repeat test taker. If the multiple choice method is used, evaluative feedback for each incorrect response must explain specifically why each response is wrong, and reinforcement feedback must be provided for correct responses. If rank order or matching questions are used, then it is permissible to provide single feedback to explain the correct response. Feedback may also take the form of identifying correct and incorrect answers.
- does not use a test bank, whether or not feedback can be given depends on whether the participant passes the qualified assessment, then
 - on a failed assessment, the CPE program sponsor may not provide feedback to the test taker.
 - on assessments passed successfully, CPE program sponsors may choose to provide participants with feedback. This feedback may comply with the type of feedback described in the preceding paragraph or take the form of identifying correct and incorrect answers.

S10-03. Program or course expiration date. Course documentation must include an expiration date. The expiration date is no longer than one year from the date of purchase or enrollment.

S10-04. Based on materials developed for instructional use. Nano learning programs must be based on materials specifically developed for instructional use and not on third-party materials. Nano learning programs requiring only the reading of general professional literature, IRS publications, or reference manuals followed by an assessment will not be acceptable.

Acceptable instructional materials for a nano learning program include intentional, engaged learning activities developed for focused content delivery. Nano learning programs may incorporate techniques such as visuals, slide reinforcements, role play, demonstrations, or use of a white board. The intent of a nano learning program is to transfer knowledge that is interactive—seeking to teach by example—to supply information to understand a specific concept, complete a certain task or computation, or to problem-solve or make decisions through role play or demonstration. At a minimum, nano learning programs must include the following items:

- The learning objective(s) of the program
- Any instructions that participants need to navigate through the program
- A qualified assessment

Standard No. 11. Blended learning programs must employ instructional strategies that clearly define learning objectives and guide the participant through a program of learning. Pre-program, post- program, and homework assignments should enhance the learning program experience and must relate to the defined learning objectives of the program.

S11-01. Guide participant through a program of learning. The blended learning program includes both asynchronous and synchronous learning; different instructional strategies (for example, lectures, discussion, guided practice, reading, games, case studies, and simulation); different instructional delivery methods (group live, group Internet based, nano learning, or self study); or different levels of guidance (for example, a program led by an individual, instructor or subject matter expert, or group and social learning). To guide participants through the learning process, CPE program sponsors must provide clear instructions and information to participants that summarize the different components of the program and what must be completed or achieved during each component in order to qualify for CPE credits. The CPE program sponsor must document the process and components of the course progression and completion of components by the participants.

S11-02. Primary components of blended learning program are synchronous learning activities. If the primary components of the blended learning program are synchronous learning activities, then CPE credits for pre-program, post- program, and homework assignments cannot constitute more than 25 percent of the total CPE credits available for the blended learning program.

S11-03. Primary components of blended learning program are asynchronous learning activities. If the primary components of the blended learning program are asynchronous learning activities, then the blended learning program must incorporate a qualified assessment in which participants demonstrate achievement of the learning objectives of the program.

S11-03.1. Qualified assessment requirements. A qualified assessment must measure a representative number of learning objectives for the program. A representative number of the learning objectives is 75 percent or more of the learning objectives for the program. The qualified assessment must be completed during or after the program with a cumulative minimum passing grade of at least 70 percent before issuing CPE credit for the course.

S11-04. A course for credit from an accredited university or college.—A course from an accredited university or college that is successfully completed for credit will be considered to be a blended learning program. CPE program sponsors should refer to respective state board of accountancy requirements for definition of an accredited university or college.

3.3 - Standards for CPE Program Presentation

Standard No. 12. CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. For CPE program sponsors whose courses are developed for sale or external audiences, or both (that is, not internal training), CPE program sponsors must make the following information available in advance:

- Learning objectives
- Instructional delivery methods
- Recommended CPE credit and recommended field of study
- Prerequisites
- Program knowledge level
- Advance preparation
- Program description
- Course registration and, where applicable, attendance requirements
- Refund policy for courses sold for a fee or cancellation policy
- Complaint resolution policy
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits)

For CPE program sponsors whose courses are purchased or developed for internal training only, CPE program sponsors must make the following information available in advance:

- Learning objectives
- Instructional delivery methods
- Recommended CPE credit and recommended field of study
- Prerequisites (if required)
- Advance preparation (if required)
- Program knowledge level (for optional internal courses only)
- Program description (for optional internal course only)

S12-01. Disclose significant features of program in advance. For potential participants to effectively plan their CPE, the program sponsor must disclose the significant features of the program in advance (for example, through the use of brochures, websites, electronic notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with non-educational activities or when several CPE programs are offered concurrently, participants must receive an appropriate schedule of events indicating those components that are recommended for CPE credit. The CPE program sponsor's registration and attendance policies and procedures must be formalized, published, and made available to participants and include refund and cancellation policies as well as complaint resolution policies.

S12-02. Disclose advance preparation and prerequisites. CPE program sponsors must distribute program materials in a timely manner and encourage participants to complete any advance preparation requirements. All programs must clearly identify prerequisite education, experience, and advance preparation requirements, if any, in the descriptive materials. Prerequisites, if any, must be written in precise language so that potential participants can readily ascertain whether they qualify for the program.

Standard No. 13. CPE program sponsors must ensure that instructors are qualified with respect to both program content and instructional strategies used.

S13-01. Qualifications of instructors. Instructors are key ingredients in the learning process for any group or blended learning program. Therefore, it is imperative that CPE program sponsors exercise great care in selecting qualified instructors for all group or blended learning programs. Qualified instructors are those who are capable, through training, education, or experience, of communicating effectively and providing an environment conducive to learning. They must be competent and current in the subject matter, skilled in the use of the appropriate instructional strategies and technology, prepared in advance, and must strive to engage participants.

S13-02. Evaluation of instructor's performance. CPE program sponsors should evaluate the instructor's performance at the conclusion of each program to determine the instructor's suitability to serve in the future.

Standard No. 14. CPE program sponsors must employ an effective means for evaluating learning activity quality with respect to content and presentation, as well as provide a mechanism for participants to assess whether learning objectives were met.

S14-01. Required elements of evaluation. The objectives of evaluation are to assess participant and instructor satisfaction with specific programs and to increase subsequent program effectiveness. Evaluations, whether written or electronic, must be solicited from participants and instructors for the overall program, including self study and nano learning programs. Sponsors may elect to solicit evaluations for each session within an overall program. Evaluations determine, among other things, whether

- stated learning objectives were met.
- stated prerequisite requirements were appropriate and sufficient.
- program materials, including the qualified assessment, if any, were relevant and contributed to the achievement of the learning objectives.
- time allotted to the learning activity was appropriate.
- instructors were effective. (Note: This topic does not need to be included in evaluations for self study and nano learning programs.)

If the instructor is actively involved in the development of the program materials, then it is not necessary to solicit an evaluation from the instructor.

S14- 02. Evaluation results. CPE program sponsors must periodically review evaluation results to assess program effectiveness and should inform developers and instructors of evaluation results.

Standard No. 15. CPE program sponsors must ensure that instructional strategies employed are appropriate for the learning activities.

S15-01. Assess instructional strategy in context of program presentation. CPE program sponsors must assess the instructional strategies employed for the learning activities to determine whether the delivery is appropriate and effective.

S15-02. Facilities and technology appropriateness. Learning activities must be presented in a manner consistent with the program materials provided. Integral aspects of the learning environment that should be carefully monitored include the number of participants and the facilities and technologies employed in the delivery of the learning activity.

3.4 - Standards for CPE Program Measurement

Standard No. 16. Sponsored learning activities are measured by actual program length, with one 50-minute period equal to one CPE credit. Sponsors may recommend CPE credits under the following scenarios:

- **Group programs, independent study, and blended learning programs – A minimum of one full credit must be awarded initially, but after the first credit has been earned, credits may be awarded in one-fifth increments or in one-half increments (1.0, x.2, x.4, x.5, x.6, x.8, and so on).**
- **Self study – A minimum of one-half credit must be awarded initially, but after the first full credit has been earned, credits may be awarded in one-fifth increments or in one-half increments (0.5, 1.0, x.2, x.4, x.5, x.6, x.8, and so on).**
- **Nano learning – Credits must be awarded only as one-fifth credit (0.2 credit). A 20-minute program would have to be produced as two stand-alone nano learning programs.**

CPE Program	Minimum initial credit that must be earned	After first full credit has been earned, credit may be earned in these increments, in addition to one whole credit
Group	One	One-fifth or one-half
Independent study	One	One-fifth or one-half
Blended learning	One	One-fifth or one-half
Self study	One-half	One-fifth or one-half
Nano learning	One-fifth	Not applicable (single nano learning program is one-fifth credit)

~~Sponsors may round down CPE credits awarded to the nearest one-fifth, one-half, or whole credit at their discretion and as appropriate for the instructional delivery method; however, the CPA claiming CPE credits should refer to respective state board requirements regarding acceptability of one-fifth and one-half CPE credits.~~

Only learning content portions of programs (including pre-program, post-program, and homework assignments, when incorporated into a blended learning program) qualify toward eligible credit amounts. Interactive, facilitated question and answer time between instructor and participants qualifies toward eligible credit amounts. Time for activities outside of actual learning content, including, for example, excessive welcome, ~~and~~ introductions, and housekeeping instructions, and breaks, is not accepted toward credit.

At their discretion, CPE program sponsors may round down (but not up) CPE credits awarded for a CPE program to the nearest one-fifth, one-half, or whole credit increment as appropriate for the instructional delivery method. The increment chosen by the CPE program sponsor must be applied to all CPE program sessions (learning activities) within the same CPE program. Any resulting certificate(s) issued for the CPE program must also be awarded in the chosen increment for full credit; however, partial credit must be issued in only one-fifth, one-half, or whole increments. In addition, CPE program sponsors must ensure that the total credit for a CPE program is only in the allowable increment and should round down the credit if necessary. The CPA claiming the CPE credits should refer to the respective state board requirements regarding acceptability of one-fifth and one-half CPE credits.

S16-01. Learning activities with individual segments. For learning activities in which individual segments are less than 50 minutes, the sum of the segments would be considered one total program. For example, five 30-minute presentations would equal 150 minutes and would be counted as three CPE credits. When the total minutes of a sponsored learning activity are greater than 50, but not equally divisible by 50, the CPE credits granted must be rounded down to the nearest credit basis depending on the instructional delivery method of the program. For example, a group live program must be rounded down to the nearest one-fifth, one-half, or whole credit. Thus, learning activities with segments totaling 140 minutes would be granted two and four-fifths CPE credits if using one-fifth increments and two and one-half credits if using one-half increments.

For learning activities in which segments are classified in multiple fields of study, the CPE credits granted should first be computed based on the content time of the total program. Next, the CPE credits granted should be allocated to the fields of study based on the field of study content time. If the sum of the individual segments by field of study content time does not equal the CPE credits computed based on the content time for the total program, then the difference should be allocated to the primary field of study for the program.

S16-02. Responsibility to monitor attendance. Although it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient.

S16-03. Attendance Monitoring mechanism for group Internet based programs. In addition to meeting all other applicable group program standards and requirements, group Internet based programs must employ some type of real time attendance monitoring mechanism to verify that participants are in attendance during the program/course. The attendance monitoring mechanism must be of sufficient frequency and lack predictability to ensure that participants have been engaged throughout the program. The attendance monitoring mechanism must employ at least three instances of interactivity completed by the participant per CPE credit. CPE program sponsors should verify with respective boards of accountancy on specific interactivity requirements. After the first full credit and the three instances of interactivity, additional attendance monitoring mechanisms are required based on the additional credit amount of the program as follows:

Additional Credit	Additional Monitoring Mechanisms
0.2	0
0.4	1
0.5	2
0.6	2
0.8	3
Next full credit	3

Prior to the commencement of the group Internet based program, the CPE program sponsor must communicate how the participants can earn full credit, including the number of minutes of attendance required. Participants must be advised if the CPE program sponsor requires polling questions to be answered correctly in order to earn full CPE credit for the program. If polling questions are used for the attendance monitoring mechanism, the participant must be informed of the number of polling questions posted per CPE credit and how many must be answered in order to earn full credit for the program.

S16-04. Small group viewing of group Internet based programs. In situations ~~wherein which~~ small groups view a group Internet based program such that one person logs into the program and asks questions on behalf of the group, documentation of attendance is required in order to award CPE credits to the group of participants. Participation in the group must be documented and verified by the small group facilitator or administrator in order to authenticate attendance for program duration.

S16-05 Internet enabled two-way video participation of group live programs. In situations where individual participants log into a group live program and are required to enable two-way video to participate in a virtual face-to-face setting (with cameras on), elements of engagement are required in compliance with S7-01 in order to award CPE credits to the participants. Participation in the two-way video conference must be monitored and documented by the instructor or attendance monitor in order to authenticate attendance for program duration. The participant-to-attendance monitor ratio must not exceed 25:1, unless there is a dedicated attendance monitor in which case the participant-to-attendance monitor ratio must not exceed 100:1.

S16-065. University or college credit course. For university or college credit courses that meet these CPE Standards, each unit of college credit shall equal the following CPE credits:

- Semester system 15 credits
- Quarter system 10 credits

S16-076. University or college noncredit course. For university or college noncredit courses that meet these CPE standards, CPE credit shall be awarded only for the actual classroom time spent in the noncredit course.

S16-087. Participant preparation time. Credit is not granted to participants for preparation time, unless the program meets the criteria for blended learning in Standard No. 11.

S16-098. Committee or staff meetings qualification for CPE credits. Only the portions of committee or staff meetings that are designed as programs of learning and comply with these Standards qualify for CPE credit.

Standard No. 17. CPE credit for self study learning activities must be based on one of the following educationally sound and defensible methods:

Method 1: Pilot test of the representative completion time

Method 2: Computation using the prescribed word count formula

If a pre-program assessment is used, the pre-program assessment is not included in the CPE credit computation.

S17-01. Method 1 – Sample group of pilot testers. A sample of intended professional participants must be selected to test program materials in an environment and manner similar to that in which the program is to be presented. The sample group must consist of at least three qualified individuals who are independent of the program development group.

- For those courses whose target audience includes CPAs, the sample group must be licensed CPAs in good standing, hold an active CPA license or the equivalent of an “active” CPA license in a U.S. jurisdiction, and possess the appropriate level of knowledge before taking the program.
- For those sponsors who are subject to various regulatory requirements that mandate a minimum number of CPE credits and offer courses to non-CPAs, those courses do not have to be pilot tested by licensed CPAs.
- For those courses whose target audience includes CPAs and non-CPAs, the sample group must be representative of the target audience and contain both CPAs, as defined previously, and non-CPAs.

S17-02. Method 1 – CPE credit based on representative completion time. The sample does not have to ensure statistical validity; however, if the results of pilot testing are inconsistent, then the sample must be expanded or, if the inconsistent results are outliers, the inconsistent results must be eliminated. CPE credit must be recommended based on the representative completion time for the sample. Completion time includes the time spent taking the final examination and does not include the time spent completing the course evaluation or pre-program assessment. Pilot testers must not be informed about the length of time the program is expected to take to complete. If substantive changes are subsequently made to program materials, whether in one year or over a period of years, further pilot tests of the revised program materials must be conducted to affirm or amend, as appropriate, the representative completion time.

S17-03. Method 1 – Requirement for re-pilot testing. If, subsequent to course release, actual participant completion time warrants a change in CPE credit hours, re-pilot testing is required to substantiate a change in CPE credit prospectively.

S17-04. Method 1 – Pilot testing when course is purchased from vendor or other developer. CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which pilot tests were conducted and provided, CPE program sponsors must review results of the course developer's pilot test results to ensure that the results are appropriate. For purchased courses in which no pilot tests were conducted or provided, CPE program sponsors must conduct pilot testing or perform the word count formula as prescribed in method 2 in S17-05.

S17-05. Method 2 – Basis for prescribed word count formula. The prescribed word count formula begins with a word count of the number of words contained in the text of the required reading of the self study program and should exclude any material not critical to the achievement of the stated learning objectives for the program. Examples of information material that is not critical and, therefore, **excluded** from the word count are course introduction, instructions to the participant, author/course developer biographies, table of contents, glossary, pre-program assessment, and appendixes containing supplementary reference materials.

Again, only course content text that is critical to the achievement of stated learning objectives should be included in the word count formula. If an author/course developer determines, for example, that including the entire accounting rule or tax regulation is beneficial to the participant, the accounting rule or tax regulation should be included as an appendix to the course as supplementary reference material and excluded from the word count formula. Only pertinent paragraphs or sections of the accounting rule or tax regulation required for the achievement of stated learning objectives should be included in the actual text of the course and, therefore, included in the word count formula.

Review questions, exercises, and qualified assessment questions are considered separately in the calculation and should not be included in the word count.

S17-06. Method 2 – Calculation of CPE credit using the prescribed word count formula. The word count for the text of the required reading of the program is divided by 180, the average reading speed of adults. The total number of review questions (including those above the minimum requirements), exercises, and qualified assessment questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time (not narration of the text), if any, are then added together and the result divided by 50 to calculate the CPE credit for the self study program. When the total minutes of a self study program are not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit, one-fifth credit, or whole credit using the guidelines of Standard No. 16.

$$\frac{[(\# \text{ of words}/180) + \text{actual audio/video duration time} + (\# \text{ of questions} \times 1.85)]}{50} = \text{CPE credit}$$

S17-07. Method 2 – Consideration of audio and video segments in word count formula. If audio and video segments of a self study program constitute additional learning for the participant (that is, not narration of the text), then the actual audio/video duration time may be added to the time calculation as provided in the prescribed word count formula. If the entire self study program constitutes a video, then the prescribed word count formula in S17-06 would consist of the actual video time plus the total number of review questions (including those above the minimum requirements), exercises, and qualified assessment questions multiplied by 1.85, divided by 50 (that is, there would be no word count for text used in the formula).

$$[\text{actual audio/video duration time} + (\# \text{ of questions} \times 1.85)] / 50 = \text{CPE credit}$$

S17-08. Method 2 – Word count formula when course is purchased from vendor or other developer. CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which the word count formula was calculated, CPE program sponsors must review the results of the course developer's word count formula calculation to ensure that results are appropriate. For purchased courses in which the word count formula calculation was not performed or provided, CPE program sponsors must perform the word count formula calculation or conduct pilot testing as described in method 1 in S17-01 and S17-02.

S17-09. CPE credit calculation for an adaptive learning self study program. CPE credit for an adaptive learning self study program must be based on one of the following educationally sound and defensible methods:

Adaptive Learning Method 1: Pilot test of the representative completion time

Adaptive Learning Method 2: Computation using the prescribed word count formula

S17-10.- Adaptive Learning Method 1 – Sample group of pilot testers. A sample of intended professional participants must be selected to test program materials in an environment and manner similar to that in which the program is to be presented. The sample group must consist of at least seven qualified individuals who are independent of the program development group.

- For those courses whose target audience includes CPAs, the sample group must be licensed CPAs in good standing, hold an active CPA license or the equivalent of an "active" CPA license in a U.S. jurisdiction, and possess the appropriate level of knowledge before taking the program.
- For those sponsors who are subject to various regulatory requirements that mandate a minimum number of CPE credits and offer courses to non-CPAs, those courses do not have to be pilot tested by licensed CPAs.
- For those courses whose target audience includes CPAs and non-CPAs, the sample group must be representative of the target audience and contain both CPAs, as defined previously, and non-CPAs.

S17-11. Adaptive learning self study Method 1 – CPE credit based on representative completion time. The sample does not have to ensure statistical validity; however, if the results of pilot testing are inconsistent, then the sample must be expanded or, if the inconsistent results are outliers, the inconsistent results must be eliminated. CPE credit must be recommended based on the representative completion time for the sample. Completion time includes the time spent

taking the qualified assessment. Pilot testers must not be informed about the length of time the program is expected to take to complete. If substantive changes are subsequently made to program materials, whether in one year or over a period of years, further pilot tests of the revised program materials must be conducted to affirm or amend, as appropriate, the representative completion time.

S17-12. Adaptive learning self study Method 1 – Requirement for re-pilot testing. If, subsequent to course release, actual participant completion time warrants a change in CPE credit hours, re-pilot testing is required to substantiate a change in CPE credit prospectively.

S17-13. Adaptive learning self study Method 1– Pilot testing when course is purchased from vendor or other developer. CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which pilot tests were conducted and provided, CPE program sponsors must review results of the course developer’s pilot test results to ensure that the results are appropriate. For purchased courses in which no pilot tests were conducted or provided, CPE program sponsors must conduct pilot testing as prescribed in S17-10 and S17-11.

S17-14. Adaptive learning self study Method 2 – Computation using the prescribed word count formula. For adaptive learning self study programs, the CPE credit issued must be based on the average word count formula calculation of each potential path the learner could take to complete the program using the prescribed word count formula as described in S17-16. All potential paths must be documented. For example, if the adaptive learning self study program has nine potential paths a learner could take to complete the program, then the word count formula must be calculated for each of the nine potential paths, with the sum of the results divided by nine.

S17-15. Adaptive learning self study Method 2 – Basis for prescribed word count formula. The prescribed word count formula begins with a word count of the number of words contained in the text of the required reading of the adaptive learning self study program and should exclude any material not critical to the achievement of the stated learning objectives for the program. Examples of information material that is not critical and, therefore, **excluded** from the word count are course introduction, instructions to the participant, author/course developer biographies, table of contents, glossary, pre-program assessment, and appendixes containing supplementary reference materials.

Again, only course content text that is critical to the achievement of stated learning objectives should be included in the word count formula. If an author/course developer determines, for example, that including the entire accounting rule or tax regulation is beneficial to the participant, the accounting rule or tax regulation should be included as an appendix to the course as supplementary reference material and excluded from the word count formula. Only pertinent paragraphs or sections of the accounting rule or tax regulation required for the achievement of stated learning objectives should be included in the actual text of the course and, therefore, included in the word count formula.

Review questions, exercises, and qualified assessment questions are considered separately in the calculation and should not be included in the word count.

S17-16. Adaptive learning self study Method 2 – Calculation of CPE credit for each potential learning path using the prescribed word count formula. The word count for the text of the required reading of the program is divided by 180, the average reading speed of adults. The total number of review questions (including those above the minimum requirements), exercises, and qualified assessment questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time (not narration of the text), if any, are then added together and the result divided by 50 to calculate the CPE credit for the adaptive learning self study program. When the total minutes of an adaptive learning self study program are not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit, one-fifth credit, or whole credit using the guidelines of Standard No. 16.

$$[(\# \text{ of words}/180) + \text{actual audio/video duration time} + (\# \text{ of questions} \times 1.85)] / 50 = \text{CPE credit}$$

S17-17. Adaptive learning self study Method 2 – Word count formula when course is purchased from vendor or other developer. CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which the word count formula was calculated, CPE program sponsors must review the results of the course developer's word count formula calculation to ensure that results are appropriate. For purchased courses in which the word count formula calculation was not performed or provided, CPE program sponsors must perform the word count formula calculation or conduct pilot testing as described in method 1.

Standard No. 18. CPE credit for nano learning programs must be based on the duration of the program including review questions or other content reinforcement tools plus the qualified assessment, which, when combined, should be a minimum of 10 minutes. The maximum credit to be awarded for a single nano learning program is one-fifth (0.2) credit. Sponsors must use Method 2 in S17-07 to confirm that the nano learning program is a minimum of 10 minutes and less than 20 minutes.

Standard No. 19. CPE credit for blended learning programs must equal the sum of the CPE credit determinations for the various completed components of the program. CPE credits could be determined by actual duration time (for example, audio/video duration time or learning content delivery time in a group program) or by a pilot test of the representative completion time as prescribed in S17-01 or word count formula as prescribed in S17-06 (for example, reading, games, case studies, and simulations).

Standard No. 20. Instructors and discussion leaders of learning activities may receive CPE credit for their preparation, review, and presentation time to the extent the activities maintain or improve their professional competence and meet the requirements of these Standards. Content reviewers of learning activities may receive CPE credit for actual review time up to the actual number of CPE credits for the program, subject to the regulations and maximums established by boards of accountancy.

S20-01. Instructor CPE credit parameters. Instructors, discussion leaders, or speakers who present a learning activity for the first time may receive CPE credit for actual preparation time up to 2 times the number of CPE credits to which participants would be entitled, in addition to the time for presentation, subject to regulations and maximums established by the boards of accountancy. For example, for learning activities in which participants could receive 8 CPE credits, instructors may

receive up to 24 CPE credits (16 for preparation plus 8 for presentation). For repeat presentations, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed, and such change required significant additional study or research.

When multiple presenters are actively involved in instructing one CPE program session for the first time, all presenters may receive the maximum CPE credit for preparation time up to 2 times the number of CPE credits to which the participants would be entitled, in addition to the time for presentation, subject to regulations and maximums established by the boards of accountancy. For example, a CPE program session (learning activity) with 3 presenters offers participants 1 CPE credit. Each presenter may receive up to 3 CPE credits (2 for preparation plus 1 for presentation).

S20-02. Presenting a program. The CPA claiming CPE credits should refer to respective state board requirements.

S20-03. Content reviewer CPE credit parameters. Content reviewers who review a learning activity for the first time may receive CPE credit for actual review time up to the actual number of CPE credits for the program, subject to regulations and maximums established by boards of accountancy. For repeat content reviews, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed, and such change required significant additional study or research.

Standard No. 21. Writers of published articles, books, or CPE programs may receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence.

S21-01. Requirement for content review. Writing articles, books, or CPE programs for publication is a structured activity that involves a process of learning. For the writer to receive CPE credit, the article, book, or CPE program must be formally reviewed by a content reviewer other than the writer. CPE credits should be claimed only upon publication.

S21-02. Authoring a program. As a general rule, receiving CPE credits for authoring and presenting the same program should not be allowed. The CPA claiming CPE credits should refer to respective state board requirements.

Standard No. 22. CPE credits recommended by a CPE program sponsor of independent study must not exceed the time the participant devoted to complete the learning activities specified in the learning contract.

S22-01. CPE credits agreed to in advance. The maximum credits to be recommended by an independent study CPE program sponsor must be agreed upon in advance and must be equated to the effort expended to improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

3.5 - Standards for CPE Program Reporting

Standard No. 23. CPE program sponsors must provide program participants with documentation (electronic or paper) of their participation (certificate of completion), which includes the following:

- CPE program sponsor name
- ~~contact information~~
- Participant's name
- Course title
- Date offered or completed
- If applicable, location
- Type of instructional ~~and~~ delivery method used
- Amount of CPE credit recommended by field(s) of study
- ~~Verification by CPE program sponsor representative~~
- Sponsor identification number
- ~~State or~~ registration number, if required by the state boards
- NASBA time statement stating that CPE credits have been granted on a 50-minute hour
- Any other statements required by boards of accountancy

The documentation should be provided as soon as possible and should not exceed 60 days (so that participants can report their earned CPE credits in a timely manner).

S23-01. Entity to award CPE credits and acceptable documentation. The CPE program sponsor is the individual or organization responsible for issuing the certificate of completion and maintaining the documentation required by these Standards. The entity whose name appears on the certificate of completion is responsible for validating the CPE credits claimed by a participant. CPE program sponsors must provide participants with documentation (electronic or paper) to support their claims of CPE credit. Acceptable evidence of completion includes the following:

- For group, blended learning, and independent study programs, a certificate or other verification supplied by the CPE program sponsor
- For self study and nano learning programs, a certificate supplied by the CPE program sponsor after satisfactory completion of a qualified assessment
- For instruction or content review credit, appropriate supporting documentation that complies with the requirements of the respective state boards subject to the guidelines in Standard No.20 in "Standards for CPE Program Measurement"
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received
- For university or college noncredit courses, a certificate of attendance issued by a representative of the university or college
- For published articles, books, or CPE programs:
 - A copy of the publication (or in the case of a CPE program, course development documentation) that names the CPA as author or contributor
 - A statement from the writer supporting the number of CPE hours claimed
 - The name and contact information of the content reviewer(s) or publisher

S23-02. Certificate issuance for simultaneous delivery of a group live and group Internet based program. In circumstances in which the CPE program sponsor is providing simultaneous delivery of ~~a~~ group live and group Internet based program~~s~~, the CPE program sponsor must ensure that the delivery, attendance monitoring and documentation requirements of the respective instructional delivery methods are met, including the following:

- Group live program participants must be monitored for attendance as detailed in S16-02 and S16-05.
- The group live program must include at least one element of engagement related to course content during each full credit of CPE as detailed in S7-01.
- Group Internet based participants must respond to at least three attendance monitoring mechanisms per CPE credit as detailed in S16-03.
- Group live documentation requirements in S24-01 and S24-03.
- Group Internet based documentation requirements in S24-01 and S24-04.

If the individual delivery method and attendance requirements are met, then the CPE program sponsor, at its discretion, may issue the certificate of completion to all program participants by awarding CPE credits under the instructional delivery method attended by the majority of the participants. ~~The delivery and attendance monitoring requirements of the respective instructional delivery methods still apply.~~

Standard No. 24. CPE program sponsors must retain adequate documentation (electronic or paper) for a minimum of five years to support their compliance with these standards and the reports that may be required of participants.

S24-01. Required documentation elements. Evidence of compliance with responsibilities set forth under these Standards that is to be retained by CPE program sponsors includes the following:

- Records of participation.
- Dates and locations.
- Author/instructor, author/developer, and content reviewer, as applicable, names and credentials. For the CPA and tax attorney acting as an author/instructor, author/developer, and content reviewer for accounting, auditing, or tax program(s), the state of licensure, license number, and status of license should be maintained. For the enrolled agent acting in such capacity for tax program(s), information regarding the enrolled agent number should be maintained.
- Number of CPE credits earned by participants.
- Results of program evaluations.
- Program descriptive materials (course announcement information).

Information to be retained by CPE program sponsors includes copies of program materials, evidence that the program materials were developed and reviewed by qualified parties, and a record of how CPE credits were determined.

S24-02. Maintenance of documentation as basis for CPE credit for self study programs. For CPE program sponsors using method 1 (pilot tests) as the basis for CPE credit for self study programs, as well as adaptive learning self study programs, appropriate pilot test records must be retained regarding the following:

- When the pilot test was conducted
- The intended participant population
- How the sample of pilot testers was selected
- Names and credentials and relevant experience of sample pilot test participants
- For CPA pilot testers, the state of licensure, license number, and status of license should be maintained
- A summary of pilot test participants' actual completion time
- Statement from each pilot tester to confirm that the pilot tester is independent from the course development group and that the pilot tester was not informed in advance of the expected completion time

For CPE program sponsors using method 2 (word count formula) as the basis for CPE credit for self study programs, the word count formula calculation, as well as the supporting documentation for the data used in the word count formula (for example, word count; number of review questions, exercises, and final examination questions; duration of audio or video segments, or both, if applicable; and actual calculation), must be retained. For adaptive learning self study programs, all potential paths that a learner could take to complete the program must be documented and retained.

S24-03. Maintenance of documentation of element of engagement for group live programs. In addition to the requirements in S24-01, group live CPE program sponsors must retain the program outline, agenda, speaker notes or other documentation that evidences the element of engagement related to course content during each credit of CPE planned for the group live program. As noted in S7-01, in certain limited circumstances, such as a high-profile keynote session, an element of engagement may not be appropriate. In such cases, the sponsor should document the justification.

S24-04. Maintenance of documentation of attendance monitoring mechanisms for group Internet based programs. In addition to the requirements in S24-01, group Internet based CPE program sponsors must retain documentation that serves as the evidence of the individual participant response to the attendance monitoring mechanisms required in S16-03.

S24-0405. Maintenance of documentation of instructions and information to participants regarding the components that comprise a blended learning program. In addition to the requirements in S24-01, blended learning CPE program sponsors must retain clear instructions and information that summarizes the different components of the blended learning program and what must be completed or achieved during each component in order to qualify for CPE credits. The CPE program sponsor must also retain documentation of the course progression and what CPE credits were earned by participants upon the completion of the components.

S24-0506. Maintenance of documentation of an independent study program. The CPE program sponsor of independent study learning activities must retain the approved, signed independent study learning contract. The CPE program sponsor must also retain the documentation to evidence program completion, such as the written report developed by the participant, a certification that the participant has demonstrated the application of learning objectives, or a certification that the participant has performed a live demonstration, oral examination, or presentation to a subject matter expert.

Effective date:

Unless otherwise established by state licensing bodies or other professional organizations, these Standards are to be effective on January 1, 2024.

From: Smartsheet Forms
To: [Jennifer Winters](#)
Subject: Confirmation - Comments on Proposed Updates to Statement on Standards for CPE Programs Exposure Draft
Date: Thursday, December 11, 2025 11:38:30 AM



Thank you for submitting your entry. A copy is included below for your records.

Comments on Proposed Updates to Statement on Standards for CPE Programs Exposure Draft

Date Submitted	2025-12-11
First Name	Jennifer
Last Name	Winters
Organization Affiliation	New York State Board for Public Accountancy
Section	General Comment
Page Number	Multitple
Comments	<p>Overall, we suggest that NASBA consider the need to continue offering of the nano and blended course offerings. The current course registry indicates that less than one-half of one percent of all available courses encompass the combined methods. A recent review of the registry reveals an extremely limited number of courses for nano and blended learning, raising questions as to why these methods remain included within the standards. In contrast, for Group Internet-Based, Group Live, and Self-Study QAS formats, there are well over 26,000 courses available. Conversely, nano and blended formats combined account for slightly more than 160 courses, representing approximately 0.5% of the total.</p> <p>Group Reclassification: We support the change of combining the Group Internet Based and Group Live to the category: Group.</p> <p>Self-study reclassification: We have several concerns with the reclassifications of “nano” and “blended” to be combined within the “self-study” without distinction on the course or certificate may become problematic. We believe this will provide the</p>

participants with the best overall description of the required coursework. Many CPAs seek out the traditional self-study model so that they can start-stop the course to fit into their schedule. Having a blended or nano component included in self-study may hinder that ability.

The nano and blended courses should be designated either separately from self-study or distinctly notated within the self-study description, such as “Self-Study – Nano”, “Self-Study - Blended”, or “Self-Study – QAS” that will provide accurate and sufficiently detailed information to reflect the learning within.

Significant Features - Although the Section 8.01.1 (page 22) in the Exposure Draft requires the type of formal learning program to be included in the descriptive materials, although it indicates, “significant features” but does not go so far as to say the description must include terms to alert that the course type being offered. Confusion or lack of understanding of the kind of content at the time the CPE’s are purchased may also cause the participant to not successfully complete the CPE’s or at the very least cause the participant to have to make a case with the provider for a refund based on that confusion. We suggest that the course method be included.

The blended and nano components are well defined and described in the Exposure Draft’s definitions and therefore can easily stand alone, either as apart from self-study or as subtypes of self-study as noted above.

Pass Rates - By combining nano into self-study, page 12 indicates that there must be a 70% pass rate. This contradicts the information on page 14 where it indicates 100% pass rate is required.

Credit Awarded - On pages 12-13, the table indicates that after 1/5 credit (or .2) is awarded, there can be an increase by .2. This is contrary to the definition of nano in that it is a 10-minute but no more than 20-minute course on page 2.

Test bank - On page 13 of the standards note the requirements of a test bank being a sufficient size. Now that nano is included in self-study, we question what that looks like when there are only one or two questions max and this is a 10-minute block of information learning and using the percentages of the course objective when there are typically one. How would there be a sufficient test bank of these questions with such little content coverage?

We thank you for the opportunity to comment.

**Suggested
Language**

EDUCATION COMMITTEE

ISSUE: Continuing Professional Education (CPE) required for Endorsement applicants. States are considering either eliminating CPE all together or reducing CPE. All states have a general basis of 40 CPE per year (some allow carry forward or carry backward); however, the general requirements are 120 credits over three years equate to 40 per year.

CONSIDERATION: Do we need to modify the rules in the regulations in the event another state eliminates or significantly reduces the CPE requirement?

BACKGROUND: The state legislature in Florida has reintroduced a bill to eliminate professional boards and CPE requirements. It passed the first committee in Dec and is in the next committee in the House. Additionally, NASBA and a few other states are reviewing CPE and there is discussion to modify the annual requirement on the national level. The NASBA review and the work of the other states is in preliminary stages.

The intent in requiring CPE is to have competent people who are current on the very complex standards, laws and technology for endorsement applicants who are actively practicing. For endorsement for the CPA profession, we require that the applicant confirm that they completed the CPE. Under the current policies, an endorsement applicant that is “exempt” from CPE is ineligible for licensure by endorsement.

Similarly, if a licensee has not met the CPE requirement, we require that they complete the CPE and send an attestation statement indicating that they have. The issue is that if the CPE requirement is zero in their “principal place of business”, that does not meet the intention of the competent practitioner transferring to New York.

Options considered by the committee:

1. Modify the rule to state that if a state does not have a CPE requirement, the licenses are ineligible for endorsement? (Consistent policy with the “exempt” status folks).
2. Modify the rule indicating that if the state does not have a CPE requirement that the applicant may attest to completing [40] CPE credits within the past [12 months]. On the applications, update the question on the application as two step, one does your state have a CPE requirements. Yes/No. If no is marked, then did you complete [40] CPE credits within the past [12 months]. Time period and amount would remain flexible.

Commissioner’s Regulation

[§70.5 Licensure by endorsement.](#)

1. Endorsement of licenses of other states. A license to practice certified public accountancy issued by another state of the United States may be endorsed by the Department for practice in New York State if the applicant:
 1. is either:
 - i. licensed by a state that has significantly comparable licensure standards to New York. For purposes of this section, states that have significantly comparable licensure standards shall mean those states that are recognized by a national professional accounting organization acceptable to the Department as having licensure requirements for certified public accountants that are significantly comparable to New York State; or
 - ii. licensed by a state that has not been recognized as having significantly comparable licensure standards to New York, provided that the Department has determined that the applicant has completed licensure requirements significantly comparable to the licensure requirements for certified public accountants in New York State; and
 2. presents satisfactory evidence to the State Board of at least four years of professional experience in the practice of public accountancy following initial licensure and within the 10 years immediately preceding application for licensure by endorsement;
 3. received acceptable grades on a professional competency examination acceptable to the State Board; and
 4. submits a completed application, on a form prescribed by the Department, which shall include, but need not be limited to, the following information:
 - i. certification by the applicant of good moral character;

- ii. verification of the applicant's licensure status in his/her initial state of licensure and, if different, verification of the applicant's licensure status in the state of the applicant's principal place of business;
- iii. verification by the applicant of the location of his or her principal place of business;
- iv. certification by the applicant that he or she has completed the continuing education requirements of the state where the applicant's principal place of business is located in the year prior to submission of the application form; and
- v. certification of satisfactory completion of the required education and professional experience in the practice of public accountancy, as required in paragraphs (1) and (2) of this subdivision.

Question on the application:

21 Continuing Professional Education

Initial License (120/150 semester hour or 15 years experience) Applicants Only:

Has it been more than 10 years since you passed the Uniform CPA examination?

☐ Yes ☐ No

If Yes, submit certificates demonstrating 40 continuing professional education credits that have been completed within the past 12 months.

Endorsement Applicants Only:

Have you met the continuing professional education (CPE) requirements that apply to you in the state/country of your principal place of business in the year immediately preceding the date that you submitted this application for licensure by endorsement?

☐ Yes ☐ No

In the event there are changes that move forward, the Committee is suggesting modifying the rule to allow for flexibility. The proposed rule below allows for flexibility to modify the number and duration. It is modeled after the rule for the exam candidates with exam scores older than 10 years):

PROPOSED RULE:

- iv. certification by the applicant that he or she has completed a satisfactory amount of continuing education requirements acceptable to the Department. The State Board for Public Accountancy shall recommend to the Department the appropriateness of the continuing professional education that must have been completed in order to satisfy this requirement.

COMMITTEE RECOMMENDATIONS:

1. Recommend to the Department to modify the rule language as noted in the Proposed Rule. Needs a motion to approve the Committee's recommendation to the Department.
2. The number of credits required would be consistent with the NY licensees: either 40 in any subject area or 24 in a concentration within the past 12 months. Needs a motion to approve the Committee's recommendation for policy on amount and timeframe.

Examination Committee Report

ITEM 1

Report on examination extension requests since the last board meeting:

There were 15 examination extension requests from Oct to Dec 2025 where a final decision was made. This number excludes requests that were made but lacked the required supporting documentation. The review of the cases is noted below.

Approvals: Extension requests approved:

Reason	# of Requests	# of Committee Reviews
Medical	1	1
Totals	1	1

Disapprovals: Extension requests that were not approved:

Reason	# of Requests	# of Committee Reviews
Medical	1	
Request retroactive reinstatement	10	
Further extension	2	
Family Death	1	
Totals	14	

ITEM 2

Update for Jan 2026 Board Meeting: The examination committee met on November 7, 2025 to discuss the legal guidance provided.

“When the Committee is determining how to interpret scores and evaluate a candidate’s credentials from a state **not** significantly comparable to New York’s requirements, it is recommended that they take into consideration NASBA’s Model Rule 6-9, that states that a review of test scores submitted by a candidate seeking licensure via endorsement be reviewed only to ensure that it is a recorded acceptable grade from a professional competency examination *“..in accordance with the rules of the other state at the time it granted the candidate’s initial certificate.”*

Based on the legal interpretation in order for the review of passing exam scores as acceptable, the examination committee is recommending to make the recommendation to the Department to add language to the endorsement webpage. The information will include documentation needed for those that may have had their exam scores passed outside the 18- or now 30-month window (not substantially equivalent to the NY rules) as they will need to be reviewed on a case-by-case basis.

Motion: Accept the recommendation by the Examination to modify the website and application to include language for inclusion of supporting documentation when the exam scores were passed and not substantially equivalent to New York's examination rule.

Background:

Update reported at Oct meeting: The legal made a determination recently, however, the exam committee has not been able to meet to discuss. The exam committee will meet before the January meeting to discuss.

Background (same from July meeting):

The board office requested interpretation on the endorsement applicants from legal. There has been a multitude of changes in the CPA profession over the last few years, in particular with the exam. One area of great divergence is the CPA exam condition period.

This particular issue stems from the lengthy COVID extensions and the 36-month condition period. The Department accepted a blanket extension for COVID within our (then) COVID regulations through 6/30/2021 and a bit beyond for international candidates who were unable to sit for the exam due to lockdowns in their home country and/or countries not allowing them into their country.

In 2023 NASBA and the AICPA had put out the suggested "Credit Relief Initiative" that was based on COVID. The CRI went well beyond our NY regulations and recommended policy on COVID extension. By that time in 2023 the COVID provisions were removed from the regulations. The board made the recommendation to the Department not to do this extended COVID extension as the condition period could be up to 7+ years. This was for those exam candidates that passed in 2018 and had the credit expiring in 2020 and this CRI extended all the way through June 2025 (four years more than ours). A few states further extended this blanket extension to 12/31/2025 and one is to 9/30/2025.

The initial licensure on transfer of exam scores is clear in section 70.4.e of the regulation that the applicant must meet our credit retention requirements. Any condition period beyond that length of time is reviewed as part of the regular extension requests parameters by the exam committee.

However, for endorsement applicants the regulation is subject to interpretation as it indicates “acceptable grades” and requires a legal review. Previously we have not experienced this issue as the extensions granted by state boards were always so few and far between. As the policies amongst the state boards were standardized previously with the condition period, as long as the endorsement applicant recorded the scores on the application, they did not get a full review the exam scores as is done with an initial licensure applicant.

The endorsement applicants would have a minimum of 4 year of post-licensure experience to be eligible for this pathway. Also, the Ed Law 7406.2.g indicates that those with an out-of-state license and are practicing here in NY are required to file an application for licensure.

Since there are divergent policies amongst the state and is and now erratic, the Department needs to make sure the regulation is applied in a proper manner and the decision is defensible and defensible.

Future work and review of the examination committee:

If the Board makes a recommendation to the Department to accept on a case-by-case basis, then the Examination Committee will work on suggested website changes to reflect this information in the Endorsement webpage at the April 2026 board meeting.

ITEM 3 – EXAMINATION INFORMATION FOR THE WEBSITE

See the suggested changes reviewed by the examination committee for the Department’s consideration.

ITEM 3 – EXAMINATION INFORMATION FOR THE WEBSITE

Review of Website language:

<https://www.op.nysed.gov/professions/certified-public-accountants/initial-license-requirements#examination-requirements>

New York State recognizes the Uniform CPA Examination, prepared and graded by the American Institute of Certified Public Accountants (AICPA). In New York, the examination is administered by [CPA Examination Services](#), a division of the National Association of State Boards of Accountancy.

The Uniform CPA examination is a computerized exam consisting of four (4) parts. The passing score for each of the four parts of the examination is 75. The candidate may sit for the parts individually, in any order within a rolling window.

From 2003 to 2023 the exam sections consisted of four required parts listed below. An applicant who successfully passed any part from 2003 to 2023 had an eighteen (18) months rolling window to pass all four parts.

- Auditing & Attestation
- Financial Accounting and Reporting
- Regulation
- Business Environment and Concepts

Beginning in 2024 the exam sections consist of four parts, three core and one discipline that must be passed within a rolling thirty (30) month window. The credit retention begins on the date the score is released for the first section passed. The exam candidate must sit for each section prior to the 30-month window credit expiration date. The examination consists of the following:

- Core: Auditing & Attestation (AUD)
- Core: Financial Accounting and Reporting (FAR)
- Core: Taxation and Regulation (REG)

Discipline (Select one):

- Discipline: Business Analysis and Reporting (BAR)
- Discipline: Information Systems and Controls (ISC)
- Discipline: Tax Compliance and Planning (TCP)

Expiration of Examination Scores

Commented [A1]: Leave in place for at least three more years. Reassess in 2028.

Commented [A2]: Paragraph (C) - Reorder paragraphs.

In New York State, once an applicant has passed all four sections of the examination, the examination credit does not expire. ~~Further, after successfully passing all four sections of the examination, there is no time requirement to meet the education or experience requirements for licensure.~~ This applies to candidates who physically sat for the exam in the U.S. or abroad at an overseas location.

NOTE: In order for New York to have jurisdiction over the exam scores, the candidate must become an applicant in New York by applying with a [Form 1](#) and paying the fee of \$427. If candidate does not apply for the license, New York will not have jurisdiction over the exam scores.

Examination scores older than 10 years

Applicants with exam scores older than 10 years are required to complete 40 hours of continuing professional education (CPE) within the past 12 months, prior to being licensed.

- Please refer to this [link](#) for a description of subject areas
- A list of approved subject areas may be found [here](#)
- All CPE may be completed through approved [NASBA](#) or [NYS sponsors](#).

Exams passed in another jurisdiction

~~If After~~ an applicant ~~for licensure has submitted an Application for Licensure (Form 1) and the applicant~~ passed ~~partany or all sections~~ of the Uniform CPA Examination in another jurisdiction ~~you may send either of these documents once you have submitted your one of the following with your~~ application: ~~for licensure (Form 1) to the Department:~~

- Authorization for Interstate Exchange of Examination Information. Upon your request ~~via the NASBA Store~~, CPA Examination Services will submit this form to the New York Board for Public Accountancy on your behalf; or
- [Form 3](#). Submit this form to the state board of accountancy where you passed the exams. The other state board of accountancy will certify your exam scores and submit the Form 3 to the New York Board for Public Accountancy on your behalf.
- NOTE: ~~If your exam scores were outside the windows noted above and you received an extension from another state board, you must include a copy of the extension approval and supporting documentation with your Application for Licensure (Form 1).~~ Applicants who completed their exams outside the designated

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Commented [A4]: Paragraph E - Reorder paragraphs

Commented [A5]: Add hyper link: <https://nasbastore.org/>

[testing window and received an extension from another state board of accountancy, must include a copy of the extension approval and supporting documentation with the Application for Licensure \(Form 1\).](#)

Examination ~~Eligibility Requirements and~~ Application Procedures

If you intend to take all or part of the CPA examination in New York, you must:

- Apply to [CPA Examination Services](#) to sit for the examination by submitting the First-Time Application for the Uniform CPA Examination and the application fee to CPA Examination Services.
 - NOTE: This fee is not the license application fee as indicated above. It is a separate fee that the candidate pays to CPA Examination Services to take the CPA Examination.
- Provide CPA Examination Services with transcripts so that they can review your education to sit for the examination. Have your college or university submit copies of your official transcript directly to CPA Examination Services on your behalf. Upon receipt, CPA Examination Services will evaluate your education to sit for the exam. See additional information in the Education Requirements to Sit for Examination below.

Contact information for CPA Examination Services: [website](#), phone at 1-800-CPA EXAM (1-800-272-3926), or Email: cpaes-ny@nasba.org.

Education Requirements to Sit for Examination (120-to-sit Rule)

Prior to [August 1, 2027](#)

- ~~If you are applying under the 150-semester hour pathway, y~~You may sit for the exam when you have completed 120 semester hours of course work, including one course in each of the four required accounting content areas: financial accounting and reporting; cost or management accounting, taxation; and auditing.

On or after [August 1, 2027](#)

- ~~If you are applying under the 150-semester hour "CPA Evolution Model" pathway, y~~You may sit for the exam when you have completed 120 semester hours of course work, including one course in each of the five required accounting content areas: financial accounting and reporting, cost or managerial accounting,

Commented [A6]: Paragraph (A) Make this the first paragraph after the description of the exams.

Commented [A7]: Paragraph (B) - Reorder paragraphs.

Commented [A8]: Insert date of new 120 effective date w/regs

Commented [A9]: Insert date of new 120 effective date w/rage

taxation, auditing, and accounting information system; and five required business content areas: information systems and technology, business law, business data analytics, economics, and finance.

U.S. Education ONLY: NASBA's CPA Examination Service (CPAES-NY) will conduct the 120-to-sit evaluation.

Foreign Education: If you have completed any of your post-secondary (college) education outside the United States, you may choose to have NASBA's International Evaluation Service (NIES) review your education **to sit for the examination only**. Alternatively, you may choose to apply for licensure and have your foreign education reviewed by the Department. If your education is approved as meeting the ~~full 150 semester hour~~ education requirements for licensure, ~~in effect at the time of your application and completion of the education requirements~~, the Department will notify NASBA of the approval. With this option you must meet the ~~full 150 semester hour~~ education requirements for licensure as the Department does not perform evaluations for the 120-to-sit rule.

NOTE: If you choose to pursue the 120-to-sit Rule, the license will not be issued until you have met New York's ~~150 semester hour education~~ requirements for licensure ~~in effect at the time of your application for licensure and completion of the education requirements~~.

- NIES and CPAES-NY are **not** authorized to conduct the ~~full 150 semester hour~~ education review for licensure.

Foreign Education:

Candidates who completed any of their post-secondary (college) education outside of the United States and did not complete a NYS Licensure Qualifying Registered program or an AACSB program as outlined in the Education Requirements section, will be required to submit a [Form 2](#) with transcripts, mark sheets and translation (if necessary) to the NYS Education Department as outline above.

- NASBA's International Evaluation Service (NIES) is not authorized to approve a candidate's education for licensure. The Department does not accept outside evaluation services of foreign education. This includes, but is not limited to, NIES, Josef Silny, World Education Services, etc.

Reasonable Testing Accommodations

Commented [A10]: Keep as last paragraph

Applicants with disabilities requesting reasonable accommodations for an examination need to contact CPA Examination Services and provide several types of documentation.

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<https://nasba.org/exams/cpaexam/newyork/>

Quarterly CPA Examination Report: Overall Performance - All

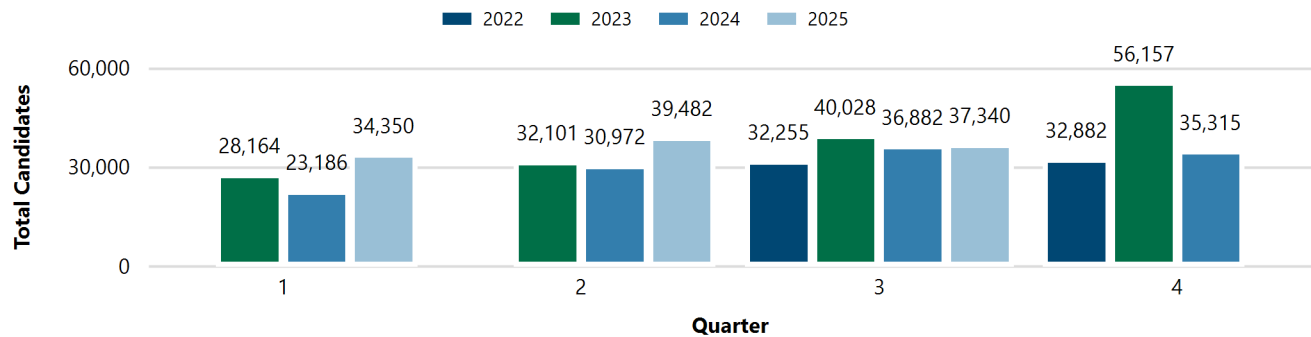
Jurisdiction: Overall

	Exam Type			Exam Section					
	Overall	FT	RE	AUD	FAR	REG	BAR	ISC	TCP
Candidates	37,340	24,879	14,951	11,923	15,715	9,781	1,138	1,916	2,898
Sections	46,375	28,545	17,830	13,062	17,028	10,333	1,138	1,916	2,898
% Pass	53.1%	60.8%	40.9%	50.0%	43.1%	66.1%	39.5%	66.9%	76.7%
Average Score	71.8	73.5	69.2	72.1	67.0	76.0	69.3	78.7	80.7
Average Age	28.3	27.2	30.0	28.5	28.2	28.1	31.1	26.9	28.7

	Gender			Residency			Cohort Year				Age at Time of Examination					
	F	M	U	In-State	Out-of-State	Int'l	2025	2024	2023	2022	<22	22-23	24-25	26-27	28-29	30+
Candidates	16,119	18,641	2,580	26,289	5,378	5,675	10,084	3,043	1,333	423	914	10,674	6,897	4,367	3,183	11,603
Sections	19,692	23,411	3,272	32,690	6,915	6,770	12,201	3,655	1,642	546	1,155	13,880	8,201	5,225	3,808	14,036
% Pass	49.2%	56.0%	56.1%	52.6%	57.6%	51.2%	50.3%	59.2%	44.6%	38.1%	70.0%	62.5%	51.5%	49.9%	49.1%	45.7%
Average Score	70.5	72.8	72.9	71.6	73.6	71.3	69.1	74.5	69.8	68.6	77.0	74.8	71.3	70.8	70.8	69.5
Average Age	28.7	28.1	27.4	28.0	27.7	30.4	26.6	27.1	28.6	30.5	20.9	22.5	24.4	26.5	28.5	37.6

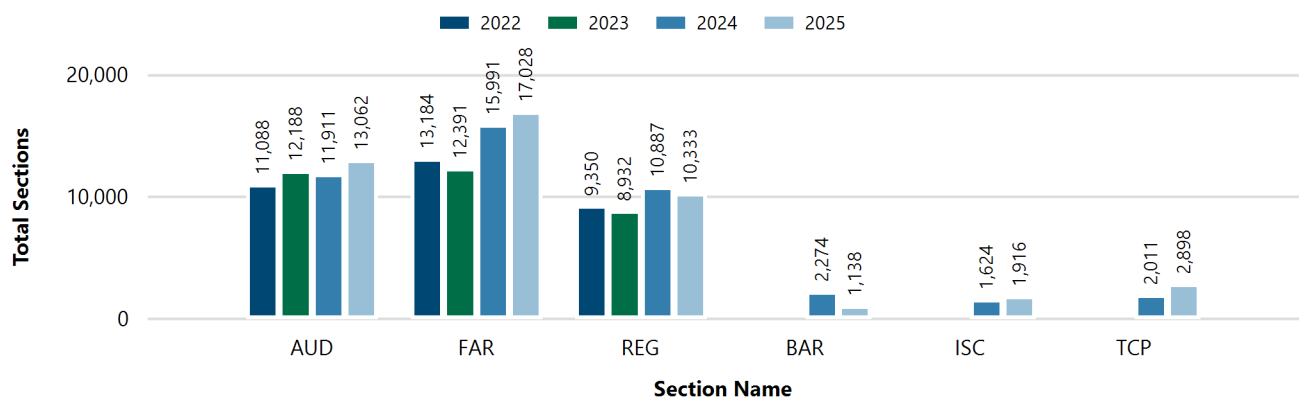
Total Candidates by Quarter

Number of unique candidates per quarter who have taken at least one section of the Examination.



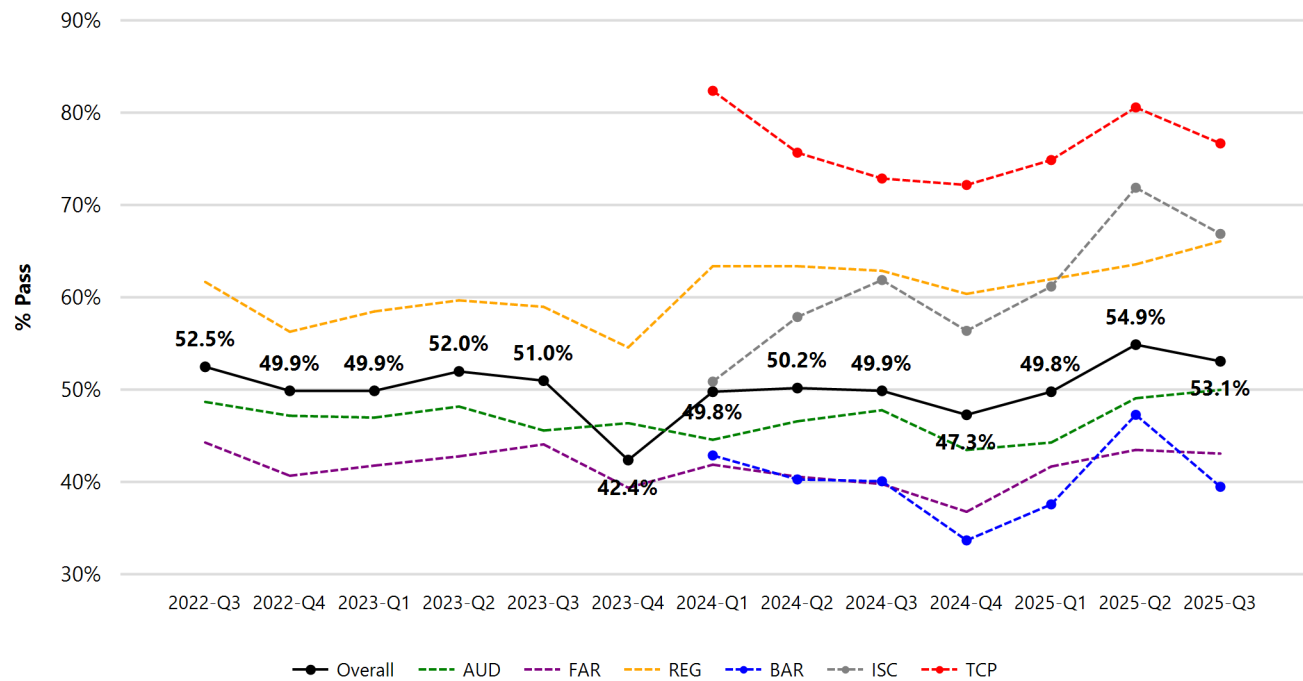
Total Sections by Section Type*

The total of Examination sections for which candidates received scores in the current quarter and the same quarter over the past 4 years.



% Pass

The percentage of sections that were passed in each quarter for the past three years. AUD, FAR and REG after 2023 represent the new core sections.

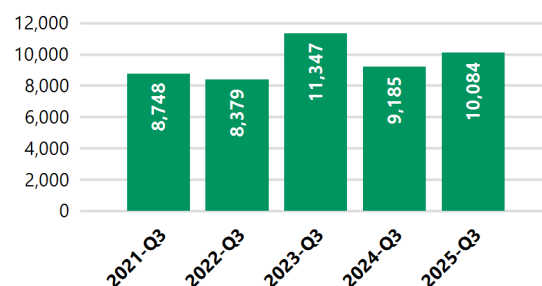


Year-Quarter	Overall Pass Rate	AUD	FAR	REG	BAR	ISC	TCP
2025-Q3	53.1%	50.0%	43.1%	66.1%	39.5%	66.9%	76.7%
2025-Q2	54.9%	49.1%	43.5%	63.6%	47.3%	71.9%	80.6%
2025-Q1	49.8%	44.3%	41.7%	62.0%	37.6%	61.2%	74.9%
2024-Q4	47.3%	43.5%	36.8%	60.4%	33.7%	56.4%	72.2%
2024-Q3	49.9%	47.8%	39.8%	62.9%	40.1%	61.9%	72.9%
2024-Q2	50.2%	46.6%	40.6%	63.4%	40.3%	57.9%	75.7%
2024-Q1	49.8%	44.6%	41.9%	63.4%	42.9%	50.9%	82.4%
2023-Q4	42.4%	46.4%	39.4%	54.6%	-	-	-
2023-Q3	51.0%	45.6%	44.1%	59.0%	-	-	-
2023-Q2	52.0%	48.2%	42.8%	59.7%	-	-	-
2023-Q1	49.9%	47.0%	41.8%	58.5%	-	-	-
2022-Q4	49.9%	47.2%	40.7%	56.3%	-	-	-
2022-Q3	52.5%	48.7%	44.3%	61.7%	-	-	-

Quarterly CPA Examination Report: Overall Performance - First Time Jurisdiction: Overall

	Overall	Exam Type		Exam Section					
		FT	RE	AUD	FAR	REG	BAR	ISC	TCP
Candidates	-	24,879	-	7,105	9,437	7,143	762	1,549	2,549
Sections	-	28,545	-	7,105	9,437	7,143	762	1,549	2,549
% Pass	-	60.8%	-	58.3%	47.7%	73.2%	43.7%	72.6%	79.2%
Average Score	-	73.5	-	73.5	67.2	78.0	70.1	80.2	81.6
Average Age	-	27.2	-	27.1	26.9	27.2	30.6	26.3	28.3

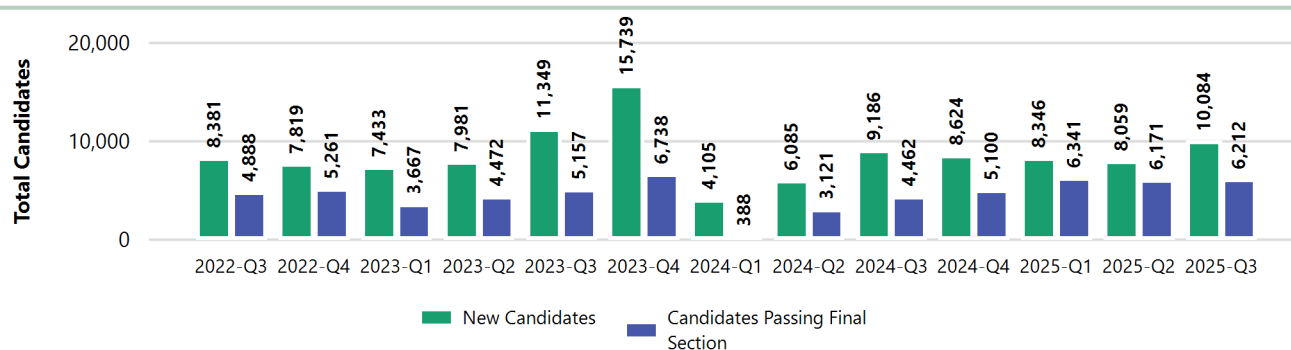
Cohort Size Trend



	Gender			Residency			Cohort Year				Age at Time of Examination					
	F	M	U	In-State	Out-of-State	Int'l	2025	2024	2023	2022	<22	22-23	24-25	26-27	28-29	30+
Candidates	10,237	12,848	1,794	17,262	3,704	3,913	10,084	3,043	1,333	423	858	8,847	4,286	2,602	1,907	6,498
Sections	11,528	14,889	2,128	19,832	4,418	4,295	12,201	3,655	1,642	546	1,027	10,724	4,696	2,846	2,066	7,134
% Pass	56.3%	63.9%	63.5%	60.2%	66.3%	58.0%	50.3%	59.2%	44.6%	38.1%	71.7%	67.4%	58.3%	56.9%	56.5%	53.7%
Average Score	71.9	74.6	74.8	73.2	75.7	72.7	69.1	74.5	69.8	68.6	77.4	76.0	72.6	72.1	72.3	70.7
Average Age	27.5	27.1	26.7	26.9	26.3	29.6	26.6	27.1	28.6	30.5	20.9	22.5	24.4	26.5	28.5	37.2

New Candidates vs. Candidates Passing Final Section

The number of new unique candidates taking their very first Examination section versus the total number of unique candidates who passed their fourth and final section in a quarter.



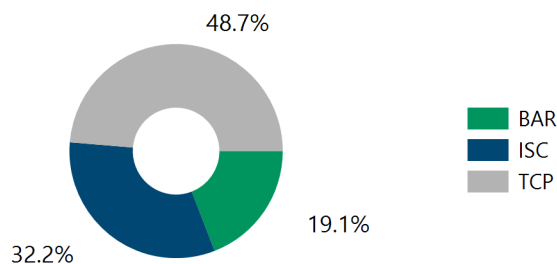
Degree Type

Highest degree listed for a candidate

	Candidates	% Total
Bachelor's Degree	22,215	59.5%
Advanced Degree	5,932	15.9%
Enrolled/Other	9,193	24.6%

Disciplines

Breakdown of what percentage of candidates are taking which disciplines



Notes

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.
4. A cohort is the year in which a candidate enters the CPA Exam pipeline. The candidate's cohort is determined by the very first section attempt on the CPA Examination.
5. The CPA Exam introduced a new Exam on January 1, 2024. AUD, FAR, and REG after 2023 represent the new core sections.

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Overall Statistics by Jurisdiction

Year-Quarter: 2025-Q3

Summary of Examination data for each Jurisdiction with 15* or more candidates.

Jurisdiction	Total Candidates	Total Exam Sections	Sections FT	Sections RE	Average Pass Rate	Average Score	Average Age
Alabama	380	478	271	207	56.3%	73.1	26.5
Alaska	1,089	1,267	781	486	51.0%	71.4	31.9
Arizona	428	555	332	223	54.8%	72.4	29.6
Arkansas	282	330	207	123	51.8%	69.4	26.8
California	4,680	5,724	3,551	2,173	51.1%	70.7	29.3
Colorado	504	614	391	223	53.7%	73.1	27.8
Connecticut	442	566	305	261	49.3%	70.9	27.6
Delaware	85	97	51	46	30.9%	65.6	33.5
District of Columbia	108	135	80	55	58.5%	74.0	27.2
Florida	1,333	1,615	979	636	56.7%	73.0	29.2
Georgia	942	1,165	708	457	53.6%	71.8	28.6
Guam	1,663	1,961	1,294	667	51.1%	70.9	28.4
Hawaii	118	152	100	52	55.3%	73.2	27.5
Idaho	162	201	128	73	52.7%	71.2	29.4
Illinois	1,696	2,221	1,484	737	56.6%	72.9	26.4
Indiana	572	768	477	291	58.9%	73.5	26.5
Iowa	304	375	253	122	60.0%	73.9	24.9
Kansas	74	91	61	30	64.8%	75.8	27.6
Kentucky	259	327	196	131	53.8%	71.8	27.9
Louisiana	319	391	214	177	50.1%	70.5	28.1
Maine	335	414	247	167	47.8%	69.8	33.7



Jurisdiction	Total Candidates	Total Exam Sections	Sections FT	Sections RE	Average Pass Rate	Average Score	Average Age
Maryland	404	483	269	214	40.4%	68.1	29.4
Massachusetts	999	1,240	801	439	57.8%	73.6	25.9
Michigan	831	1,045	597	448	51.0%	71.1	27.2
Minnesota	659	852	564	288	55.4%	72.4	25.7
Mississippi	209	261	130	131	47.9%	70.5	26.9
Missouri	640	837	535	302	55.3%	72.6	25.6
Montana	688	870	547	323	57.7%	74.1	29.4
Nebraska	185	242	189	53	67.8%	76.8	25.4
Nevada	206	256	135	121	44.9%	69.7	30.9
New Hampshire	168	195	84	111	48.7%	70.6	33.7
New Jersey	937	1,180	601	579	45.4%	69.4	28.6
New Mexico	75	86	41	45	44.2%	69.9	34.2
New York	3,497	4,340	2,540	1,800	50.0%	71.2	27.6
North Carolina	885	1,130	723	407	57.2%	73.3	27.1
North Dakota	233	274	195	79	47.1%	69.2	27.6
Ohio	1,069	1,405	880	525	55.1%	72.4	26.3
Oklahoma	240	305	174	131	48.5%	71.2	28.6
Oregon	298	367	223	144	61.0%	74.8	29.9
Overall	37,340	46,375	28,545	17,830	53.1%	71.8	28.3
Pennsylvania	1,381	1,724	1,073	651	52.5%	71.6	27.1
Puerto Rico	228	262	138	124	38.9%	65.2	28.7
Rhode Island	69	88	53	35	45.5%	70.1	28.0
South Carolina	229	264	161	103	49.6%	71.2	28.4



Jurisdiction	Total Candidates	Total Exam Sections	Sections FT	Sections RE	Average Pass Rate	Average Score	Average Age
South Dakota	62	80	48	32	65.0%	74.8	26.8
Tennessee	658	815	461	354	56.4%	73.2	27.5
Texas	2,809	3,497	2,069	1,428	51.9%	71.3	29.2
Utah	495	627	448	179	64.0%	75.8	28.8
Vermont	90	129	84	45	58.9%	74.4	28.4
Virginia	1,044	1,313	804	509	52.6%	72.2	29.1
Washington	1,763	2,123	1,450	673	57.6%	73.2	30.9
West Virginia	78	88	50	38	46.6%	67.7	29.1
Wisconsin	405	510	341	169	61.8%	75.2	25.2
Wyoming	33	40	27	13	57.5%	72.8	29.1

**30 or more candidates is the cutoff for the annual performance report.*



Year-Quarter: 2025-Q3

Quarterly CPA Examination Report: Overall Performance - All

Jurisdiction: New York

	Exam Type			Exam Section					
	Overall	FT	RE	AUD	FAR	REG	BAR	ISC	TCP
Candidates	3,497	2,268	1,475	1,108	1,493	869	92	173	246
Sections	4,340	2,540	1,800	1,250	1,639	940	92	173	246
% Pass	50.0%	58.1%	38.5%	46.1%	42.0%	63.6%	31.5%	63.0%	69.1%
Average Score	71.2	72.7	69.1	71.2	67.0	75.5	69.6	77.3	78.9
Average Age	27.6	26.4	29.4	27.9	27.1	27.7	29.3	26.8	29.5

Jurisdiction Ranking

38

Overall Pass Rate

35

Overall Avg. Score

38

Core Pass Rate

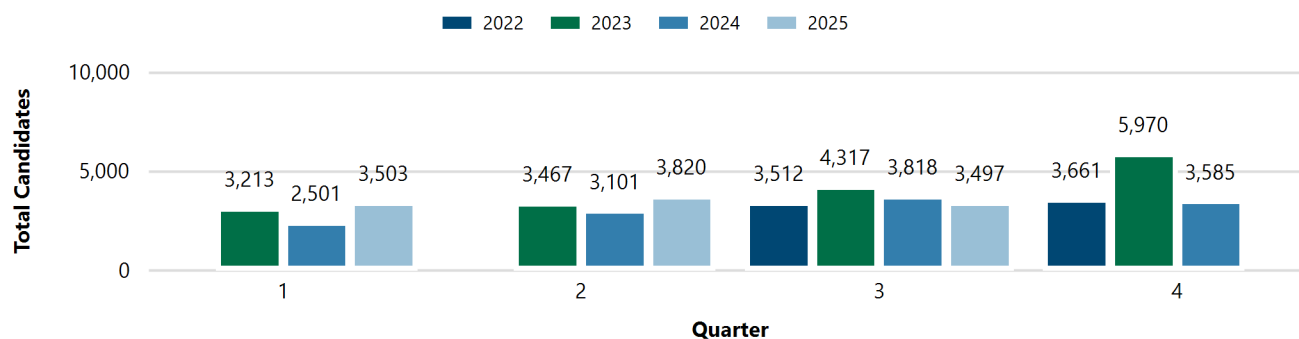
37

Discipline Pass Rate

	Gender			Residency			Cohort Year				Age at Time of Examination					
	F	M	U	In-State	Out-of-State	Int'l	2025	2024	2023	2022	<22	22-23	24-25	26-27	28-29	30+
Candidates	1,511	1,786	200	2,093	947	457	973	316	116	40	125	1,129	596	416	310	946
Sections	1,881	2,212	247	2,570	1,219	551	1,173	387	145	59	155	1,449	698	484	367	1,176
% Pass	47.4%	51.8%	53.4%	48.3%	54.9%	47.2%	47.9%	54.0%	39.3%	33.9%	64.5%	60.2%	43.6%	43.8%	45.0%	43.5%
Average Score	70.2	71.8	72.4	70.5	72.8	70.5	68.4	74.0	68.9	67.1	75.3	74.1	69.8	69.1	70.2	69.0
Average Age	27.9	27.7	25.8	27.5	26.5	31.2	25.5	26.4	27.6	29.8	20.9	22.5	24.4	26.4	28.5	37.2

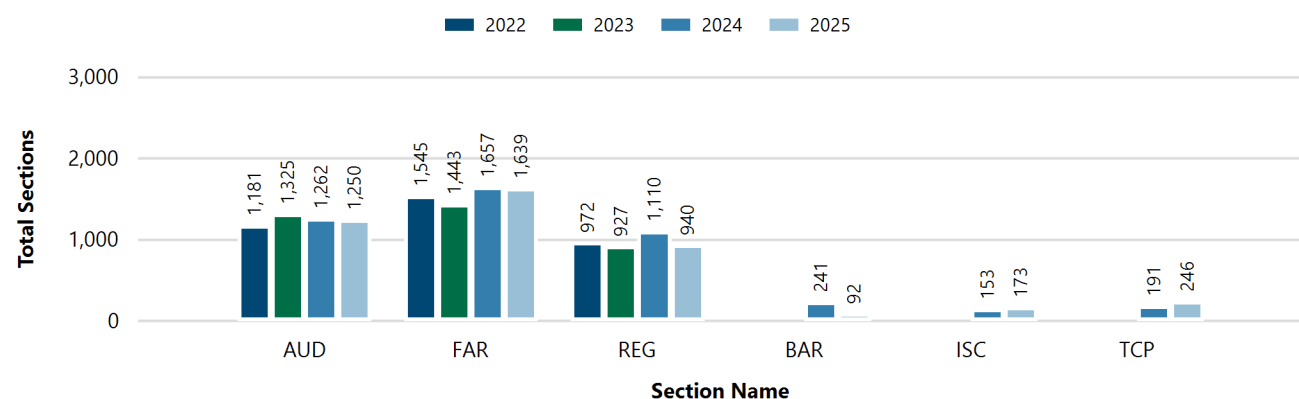
Total Candidates by Quarter

Number of unique candidates per quarter who have taken at least one section of the Examination.



Total Sections by Section Type*

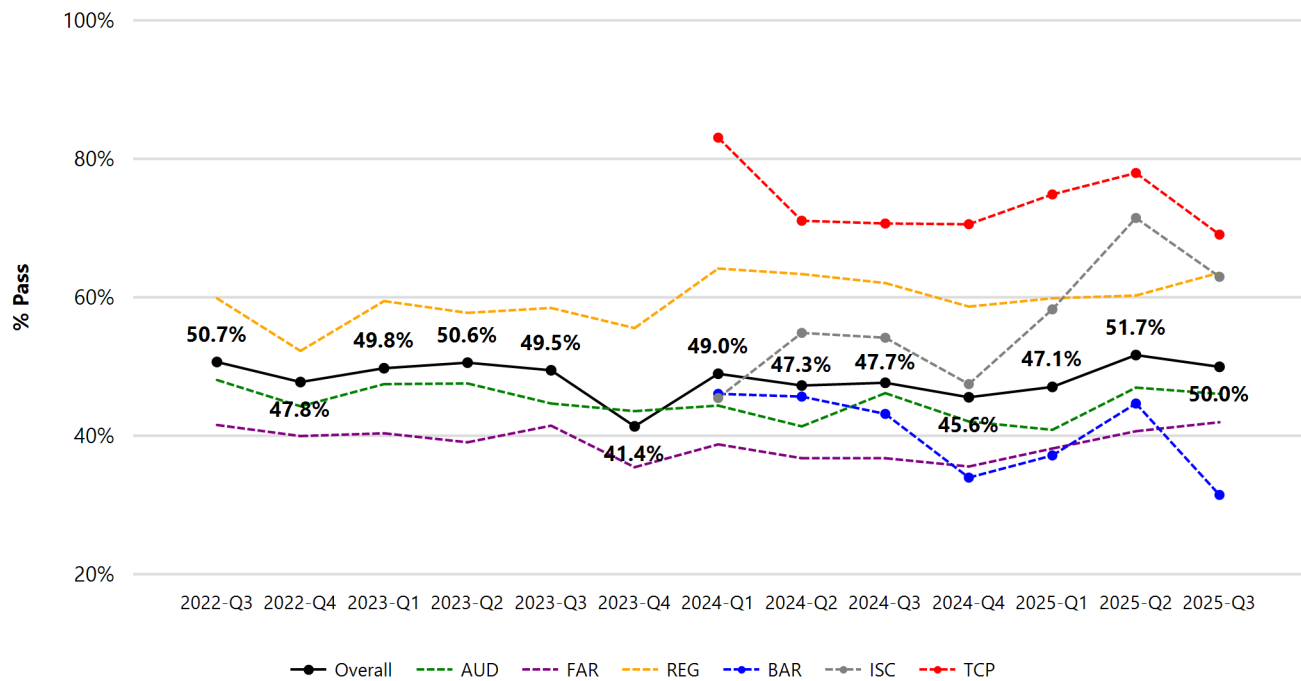
The total of Examination sections for which candidates received scores in the current quarter and the same quarter over the past 4 years.



Year-Quarter: 2025-Q3

% Pass

The percentage of sections that were passed in each quarter for the past three years. AUD, FAR and REG after 2023 represent the new core sections.

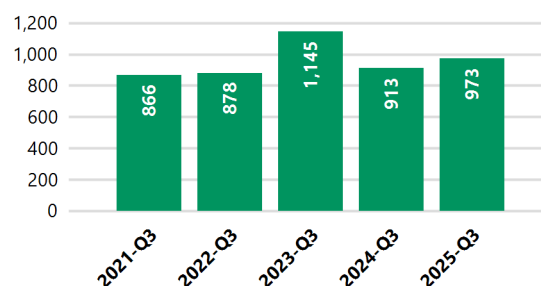


Year-Quarter	Overall Pass Rate	AUD	FAR	REG	BAR	ISC	TCP
2025-Q3	50.0%	46.1%	42.0%	63.6%	31.5%	63.0%	69.1%
2025-Q2	51.7%	47.0%	40.7%	60.3%	44.7%	71.5%	78.0%
2025-Q1	47.1%	40.9%	38.2%	59.9%	37.2%	58.3%	74.9%
2024-Q4	45.6%	42.1%	35.6%	58.7%	34.0%	47.5%	70.6%
2024-Q3	47.7%	46.2%	36.8%	62.1%	43.2%	54.2%	70.7%
2024-Q2	47.3%	41.4%	36.8%	63.4%	45.7%	54.9%	71.1%
2024-Q1	49.0%	44.4%	38.8%	64.2%	46.1%	45.5%	83.1%
2023-Q4	41.4%	43.6%	35.5%	55.6%	-	-	-
2023-Q3	49.5%	44.7%	41.5%	58.5%	-	-	-
2023-Q2	50.6%	47.6%	39.1%	57.8%	-	-	-
2023-Q1	49.8%	47.5%	40.4%	59.5%	-	-	-
2022-Q4	47.8%	44.3%	40.0%	52.3%	-	-	-
2022-Q3	50.7%	48.1%	41.6%	59.9%	-	-	-

Quarterly CPA Examination Report: Overall Performance - First Time Jurisdiction: New York

	Overall	Exam Type		Exam Section					
		FT	RE	AUD	FAR	REG	BAR	ISC	TCP
Candidates	-	2,268	-	632	889	603	63	139	214
Sections	-	2,540	-	632	889	603	63	139	214
% Pass	-	58.1%	-	55.9%	46.3%	72.5%	33.3%	67.6%	74.8%
Average Score	-	72.7	-	72.4	66.8	77.8	69.6	78.6	80.0
Average Age	-	26.4	-	26.5	25.7	26.2	29.5	25.9	29.1

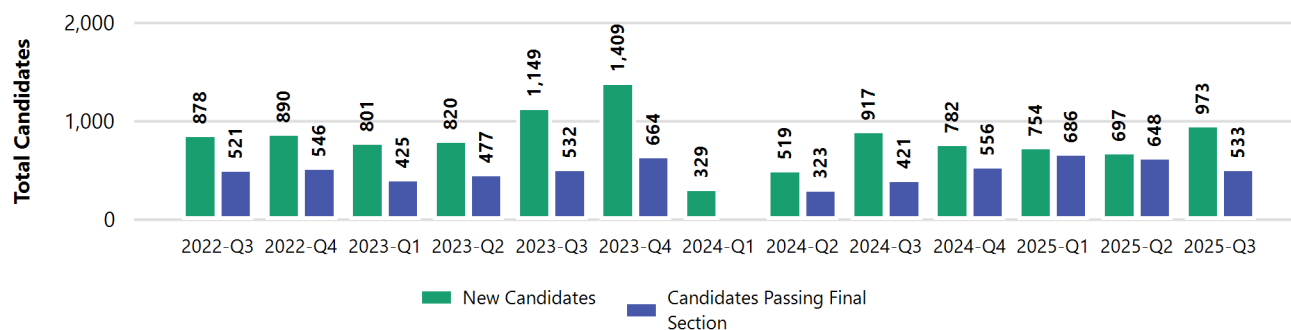
Cohort Size Trend



	Gender			Residency			Cohort Year				Age at Time of Examination					
	F	M	U	In-State	Out-of-State	Int'l	2025	2024	2023	2022	<22	22-23	24-25	26-27	28-29	30+
Candidates	941	1,179	148	1,350	641	277	973	316	116	40	114	916	353	238	168	482
Sections	1,052	1,316	172	1,492	748	300	1,173	387	145	59	134	1,071	371	248	176	530
% Pass	55.5%	60.3%	57.6%	56.4%	64.2%	51.7%	47.9%	54.0%	39.3%	33.9%	63.4%	68.0%	48.2%	47.6%	52.3%	51.1%
Average Score	71.6	73.4	73.2	71.8	74.9	71.2	68.4	74.0	68.9	67.1	75.1	75.7	70.4	68.8	70.8	70.0
Average Age	26.5	26.5	25.5	26.2	25.0	31.0	25.5	26.4	27.6	29.8	20.9	22.4	24.4	26.5	28.5	36.7

New Candidates vs. Candidates Passing Final Section

The number of new unique candidates taking their very first Examination section versus the total number of unique candidates who passed their fourth and final section in a quarter.



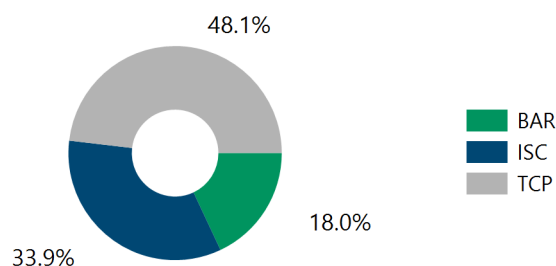
Degree Type

Highest degree listed for a candidate

	Candidates	% Total
Bachelor's Degree	2,008	57.4%
Advanced Degree	495	14.2%
Enrolled/Other	994	28.4%

Disciplines

Breakdown of what percentage of candidates are taking which disciplines



Notes

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.
4. A cohort is the year in which a candidate enters the CPA Exam pipeline. The candidate's cohort is determined by the very first section attempt on the CPA Examination.
5. The CPA Exam introduced a new Exam on January 1, 2024. AUD, FAR, and REG after 2023 represent the new core sections.

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Professional Ethics Division

Exposure draft:

Proposed revisions related to alternative
practice structures

December 29, 2025

Comments are requested by April 30, 2026

ethics-exposedraft@aicpa.org

Invitation to comment

December 29, 2025

Are you interested in the ethics of the accounting profession? If so, we want to hear your thoughts on this ethics exposure draft. Your comments are integral to the standard-setting process, and you don't need to be an AICPA member to participate.

This proposal is part of the AICPA's Professional Ethics Executive Committee's (PEEC's) effort to provide guidance for alternative practice structures arising from the increase in private equity investments in accounting firms.

This exposure draft explains proposed revisions to the AICPA Code of Professional Conduct and includes the full text of the guidance under consideration.

At the conclusion of the exposure period, PEEC will evaluate the comments and determine whether to publish the new and revised interpretations.

Again, your comments are an important part of the standard-setting process — please take this opportunity to comment. We must receive your response by April 30, 2026. All written replies to this exposure draft will become part of the public record of the AICPA. During the comment period, staff will present a Lunch-and-Learn session to review the proposed guidance and answer any questions.

Please email your comments to ethics-exposedraft@aicpa.org.

Sincerely,



Anna Dourdourekas, Chair
Professional Ethics Executive Committee



Toni Lee-Andrews, Director, CPA, PFS, CGMA
Professional Ethics Division

Contents

Explanation of the new interpretation and revised definition and interpretations	1
Proposed new interpretation “Alternative Practice Structures” (ET sec. 1.220.020)	32
Proposed revisions to definition and interpretations (redline)	43
Proposed revisions to definition and interpretations (clean).....	46
Acknowledgments	49

Explanation of the new interpretation and revised definition and interpretations

The Professional Ethics Executive Committee (PEEC) is exposing the following for comment:

- A new version of the “Alternative Practice Structures” interpretation (ET sec. 1.220.020)¹ of the “Independence Rule” (ET sec. 1.200.001) to replace the current interpretation in its entirety
- Revisions to the definition of *network firm* (ET sec. 0.400.36)
- Revisions to the “Alternative Practice Structures” interpretation (ET sec. 1.810.050) of the “Form of Organization and Name Rule” (ET sec. 1.800.001)
- Revisions to the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010)
- Revisions to the “Conceptual Framework for Members in Public Practice” interpretation (ET sec. 1.000.010)

Background

1. In the late 1990s, PEEC recognized that due to the evolving landscape of public accounting practices, specific guidelines were necessary to maintain integrity and independence when providing attest services while practicing in an alternative practice structure (APS). In 2000, the “Alternative Practice Structures” interpretations of the “Independence Rule” and of the “Form of Organization and Name Rule” were adopted into the AICPA Code of Professional Conduct (code).
2. In November 2022, PEEC appointed a task force to evaluate whether the nature of private equity (PE) investments in the nonattest entity of an APS (APS with PE) necessitates revisions to the code — either through amended or new interpretations — or issuance of nonauthoritative guidance. The task force comprises members practicing within APSs (with private and public investors), members from traditional firm structures, an attorney, representatives from the National Association of State Boards of Accountancy (NASBA), representatives from regulatory bodies, a representative from a technical committee, and staff of the AICPA ethics division. The task force evaluated the current provisions in the code, including the “Alternative Practice Structures” interpretation of the “Independence

¹ All ET sections can be found in the [AICPA Code of Professional Conduct](#).

Rule,” to determine their appropriateness and sufficiency for these structures.

Evaluation

3. PEEC determined that revisions to the code are necessary. Evolving APSs, including APSs with PE, have fundamental differences from the APS contemplated by the existing interpretation under the “Independence Rule.” These distinctions may affect how a member assesses the significance of threats to independence. Differences include the following:

Existing interpretation	APS with PE
Presents an APS in which a public company controls ² the nonattest entity.	The investor may or may not control the nonattest entity.
Assumes the public investor not only controls the nonattest entity but also controls the “other public company entities.” ³	This may not be the case in an APS with PE or in another structure when an investor has significant influence over but does not control the nonattest entity and other investees. For example, the other portfolio companies in which the PE investor has holdings may or may not be in the same fund as the nonattest entity, and the PE investor may have less than control over them. Additionally, the other funds and portfolio companies may be managed and advised by different general partners, fund managers, and investment advisers.
Defines “other public company entities” as those that “...include the public company and all entities consolidated in the public company financial statements...”	The entities subject to consolidation may vary.

² ET section 0.400.12.

³ ET section 1.220.020.04e.

4. In addition to these structural differences, the code has been revised since the adoption of the “Alternative Practice Structures” interpretation of the “Independence Rule” as follows:
 - The “Network and Network Firms” interpretation (ET sec. 1.220.010), and related definitions of *network*⁴ and *network firm*,⁵ were adopted into the code several years after the “Alternative Practice Structures” interpretation. According to that interpretation, when the attest firm and nonattest entity are network firms, the nonattest entity should be independent of the attest firm’s financial statement audit and review clients.
 - The *covered member*⁶ definition was not fully adopted into the code when the “Alternative Practice Structures” interpretation was drafted. Specifically, individuals who meet the definition of an *individual in a position to influence the attest engagement*⁷ may also meet the definition of “direct superior” or “indirect superior” as defined in the “Alternative Practice Structures” interpretation. While “direct superiors” and entities over which they can exercise *significant influence*⁸ must comply with the “Independence Rule,” “indirect superiors” currently are subject to only certain interpretations.
5. In evaluating potential changes to the existing “Alternative Practice Structures” interpretation, PEEC reviewed other interpretations of the “Independence Rule,” such as those related to financial interests, business relationships, loans, client affiliates, and mergers and acquisitions. PEEC sought to identify where threats to independence are more significant in an APS than those addressed through existing interpretations of the “Independence Rule.”
6. Based on its evaluation, PEEC is proposing a new “Alternative Practice Structures” interpretation of the “Independence Rule” as well as revisions to other interpretations and one definition. The new interpretation of the “Independence Rule” will address APSs broadly, including APSs with PE.
7. Additionally, PEEC reviewed and considered guidance from other standard-setting organizations and regulators — such as the International Ethics Standards Board for Accountants (IESBA), the SEC, and various state boards of accountancy — that have

⁴ ET section 0.400.35.

⁵ ET section 0.400.36.

⁶ ET section 0.400.14.

⁷ ET section 0.400.25.

⁸ ET section 0.400.49.

addressed independence considerations when an attest firm operates within an APS.

8. PEEC evaluated other rules within the code and is developing nonauthoritative guidance to assist members in applying the “Independence Rule” and the following rules and their interpretations when practicing in an APS:
 - The “Integrity and Objectivity Rule” (ET sec. 1.100.001)
 - The “Advertising and Other Forms of Solicitations Rule” (ET sec. 1.600.001)
 - The “Confidential Client Information Rule” (ET sec. 1.700.001)
 - The “Form of Organization and Name Rule” (ET sec. 1.800.001)
9. PEEC continues to evaluate whether the following rules should be applicable to the nonattest entity in an APS and does not address these in this exposure draft:
 - “Contingent Fees Rule” (ET sec. 1.510.001)
 - “Commissions and Referral Fees Rule” (ET sec. 1.520.001)

Outreach and stakeholder engagement

10. The task force issued a discussion memorandum, “Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures,” in March 2025 and solicited feedback through June 2025. The discussion memorandum focused on potential revisions to the “Alternative Practice Structures” interpretation of the “Independence Rule.” Thirty-six comment letters were received from various stakeholders, including state boards, state societies, firms in APSs, traditional firms, representatives from academia, and NASBA. PEEC considered these responses in developing this exposure draft.
11. The task force also met with and sought feedback from various stakeholders, attorneys specializing in PE transactions, CEOs and independence leadership from firms that operate in an APS, auditors of PE structures, insurance liability carriers, state CPA societies, state boards, IESBA, and NASBA.

Proposed new “Alternative Practice Structures” interpretation (ET sec. 1.220.020)

12. Parenthetical references throughout this explanatory material are references to the paragraphs in the proposed interpretation.
13. Paragraph .01 of the proposed interpretation clarifies that the “Alternative Practice Structures” interpretation is to be used in conjunction with the other interpretations of the

“Independence Rule;” it is not a “standalone” interpretation and does not include every independence requirement for members practicing in an APS.

Structure of an APS

14. An APS must have certain characteristics to be structured in compliance with jurisdictional laws and regulations, which are referred to in the beginning of the proposed new “Alternative Practice Structures” interpretation of the “Independence Rule.” PEEC encourages members to consult an attorney or other specialist who might be able to assist members in navigating applicable laws and regulations (.02–.03).

Terminology

15. The terminology section (.04) introduces terms defined solely for the purpose of applying the interpretation.
16. An “alternative practice structure” (.04a) is defined broadly to reflect the substance of the form of organization — one in which a firm that provides attest services (attest firm) is closely aligned with another public or private entity, partly or wholly owned by an investor or investors, that performs professional services other than attest services (nonattest entity).
17. “Closely aligned” (.04b) is defined to describe the relationship between the attest firm and the nonattest entity. The dependency of the attest firm on the nonattest entity is what provides the basis for treating the nonattest entity the same as the attest firm for independence purposes.
18. The term “investor” (.04c) is used to broaden application across various APSs and to incorporate any individual or entity that has a *financial interest*⁹ in the nonattest entity, including an individual, PE firm, partnership, corporate entity, or other type of investor. The interpretation specifies when it is necessary to identify whether an investor has less than significant influence, significant influence, or control over the nonattest entity.
19. A “significant influence investment” (.04d) exists when an investor has significant influence over the nonattest entity but not control. More than one investor may have significant influence over the nonattest entity. If more than one investor has significant influence over the nonattest entity, the member will apply the APS guidance to each investor.
20. *Significant influence*, defined in the code,¹⁰ is based on FASB Accounting Standards

⁹ **Financial interest.** An ownership interest in an equity or a debt security issued by an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest (ET sec. 0.400.17).

¹⁰ ET section 0.400.49.

Codification (ASC) 323-10-15. Ownership of 20 percent or more of the investee's voting stock generally presumes significant influence. The ability to exercise significant influence also may exist in other ways, such as through board representation, participation in policy-making decisions, material intra-entity transactions, interchange of managerial personnel, technology dependency, and concentration of other shareholdings.

21. A "controlling investment" (.04e) exists when an investor has control over the nonattest entity. *Control*, defined in the code,¹¹ is as used in FASB ASC 810, *Consolidation*. It is the direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise, including qualitative factors. The assessment includes consideration of the following:

- Ownership of a majority voting interest
- Contractual arrangements that grant decision-making authority
- Other mechanisms that allow one entity to direct the activities of another
- Veto rights of a minority shareholder

22. "Key stakeholders of the investor" (.04f) is defined as individuals who represent or act on behalf of an investor; such stakeholders could include owners, managing partners, founders, or principals. These individuals may have the authority to appoint members to the nonattest entity board. When these individuals are involved in activities related to the nonattest entity such as advising on the strategic direction of the nonattest entity or appointing nonattest entity board members, relationships they have with attest clients may create threats to independence.

23. "Upstream entities of the nonattest entity" (.04g.) are defined as those entities above the nonattest entity through the investor (.04c.) that have at least significant influence over the nonattest entity. The nonattest entity is not independent of these upstream entities due to the investment in the nonattest entity. For example, in an APS with PE when the investor has at least significant influence over the nonattest entity, this includes the fund (or funds that collectively have at least significant influence over the nonattest entity), the investment adviser, the general partner, and the PE firm. Entities with less than significant influence over the nonattest entity (for example, limited partners and shareholders) are not upstream entities for the purpose of this definition.

¹¹ ET section 0.400.12.

Characteristics of an APS

24. Common characteristics of an APS are outlined in paragraph .05 of the proposed interpretation. These characteristics have been observed across different APSs with different types of investors; however, these characteristics are not necessarily representative of every APS. A variation of one or more of these characteristics may affect the significance of threats to independence.

APS models

25. PEEC presents three APS models in the proposed interpretation after paragraphs .06 and .07: one broadly applicable to any APS, one applicable to an APS with PE, and one applicable to an APS with a public company investor. PEEC intends to describe other APS models in nonauthoritative guidance.

Network firms

26. PEEC is proposing revisions to the definition of *network firm*¹² as described in paragraphs 68–70 of this explanatory material. These revisions include (a) removing the inclusion of entities “under common control” with a network firm, and (b) adding a requirement that a controlling entity also be cooperating with the network firm for the purpose of enhancing the network firm’s capabilities to provide professional services before the controlling entity is considered a network firm. The new requirement in (b) is the first characteristic of a *network*, as set forth in the definition of *network*, and is a precondition for a network relationship to exist. PEEC also believes that the proposed revisions are appropriate and would result in consistent treatment for both an APS and a traditional accounting network. The proposed APS interpretation incorporates additional independence requirements for entities within an APS, which PEEC believes are necessary because of the close alignment of the attest firm and nonattest entity in an APS.
27. PEEC’s conclusions regarding network firms in an APS are presented in paragraphs .09–.14 of the interpretation. Under the interpretation, the first step is to determine which entities are included in the attest firm’s network based on the definition of *network* (.09–.11). Then, the attest firm should determine which entities are brought into the network through the definition of *network firm* (i.e., those entities that the network firm can control, or that control the network firm and cooperate with the network firm for the purpose of enhancing the network firm’s capabilities to provide professional services) (.12–.13).
28. PEEC has concluded and the interpretation reflects that the attest firm and nonattest entity are network firms because they cooperate for the purpose of enhancing the firms’

¹² References to the definition of *network firm* used throughout this exposure draft are to the proposed revised definition in this exposure draft unless stated otherwise.

capabilities to provide professional services and share one or more of the characteristics as described in the definition of *network* (.09). Independence requirements for this relationship are described in detail in paragraphs 36–37 of this explanatory material and in paragraph .14 of the interpretation.

29. In addition to evaluating any other relationships with entities that may create a network, the relationship between the attest firm and an investor with significant influence or control over the nonattest entity should be evaluated to determine whether the investor is part of the attest firm's network (.10). As noted, the first characteristic of a *network*¹³ is that one or more firms "...cooperate for the purpose of enhancing the firms' capabilities to provide professional services" (cooperation characteristic). This characteristic must be met before considering whether the attest firm and the investor share one or more of the additional characteristics outlined in the definition of a *network* (for example, common business strategy). Characteristics reflecting that such cooperation does not exist and factors to consider when evaluating whether cooperation may exist are included in paragraphs 32–33 of this explanatory material.
30. When evaluating whether a potential network relationship exists with an investor or any other entity, the attest firm should make the determination based on the relationship between the attest firm and the entity being evaluated (.11). The exception to this is when applying the definition of *network firm* as described in paragraph 31 of this explanatory material and paragraphs .12–.13 of the interpretation.
31. After network relationships of the attest firm are determined by applying the definition of *network*, the definition of *network firm* should be applied to determine which additional entities are part of the network because they are either a) controlled by a network firm or b) control a network firm and cooperate with that network firm to enhance the network firm's capabilities to provide professional services (.12–.13). In the case of a controlling investor that cooperates with the nonattest entity for the purpose of enhancing the network firm's capabilities to provide professional services, the controlling investor would be considered a network firm even if it did not meet any other characteristics of the definition of *network*; this is because it would meet the definition of *network firm* as described in paragraphs 26 and 70 of this explanatory material. Specifically, in the circumstance described, the investor controls the nonattest entity (i.e., a network firm) and cooperates with that nonattest entity to enhance the nonattest entity's capabilities to provide professional services.
32. An investor with significant influence or control over the nonattest entity does *not* meet the cooperation characteristic when applying the definitions of *network* or *network firm* when the

¹³ ET section 0.400.35.

investor does *not* provide *professional services*¹⁴ and the investor's activities are limited to

- investing in the nonattest entity and
- advising on budgetary or strategic direction of the attest firm.

33. Examples of factors to consider when determining whether an entity (including an investor whose activities are not limited to those in paragraph 32 of this explanatory material) meets the cooperation characteristic when applying the definitions of *network* or *network firm* are as follows:

- Whether the entity is involved in or facilitates the attest firm's or network firm's provision of professional services
- Whether the entity assists or collaborates with the attest firm or network firm in providing professional services, with or without a formal agreement
- Whether the entity performs any functions for or provides resources to the attest firm or network firm relating to the delivery of professional services

34. Controlled acquisitions of the nonattest entity are network firms based on the definition of a *network firm* because they are controlled by a network firm (i.e., the nonattest entity) (.12).

35. Diagrams A, B, and C, which follow, depict (respectively) the steps for determining whether an entity is in the attest firm's network in an APS based on the definitions of *network* and *network firm*, application of the definition of *network firm* when a controlling investor is not a network firm, and application of the definition of *network firm* when a controlling investor is a network firm:

¹⁴ ET section 0.400.43.

Diagram A

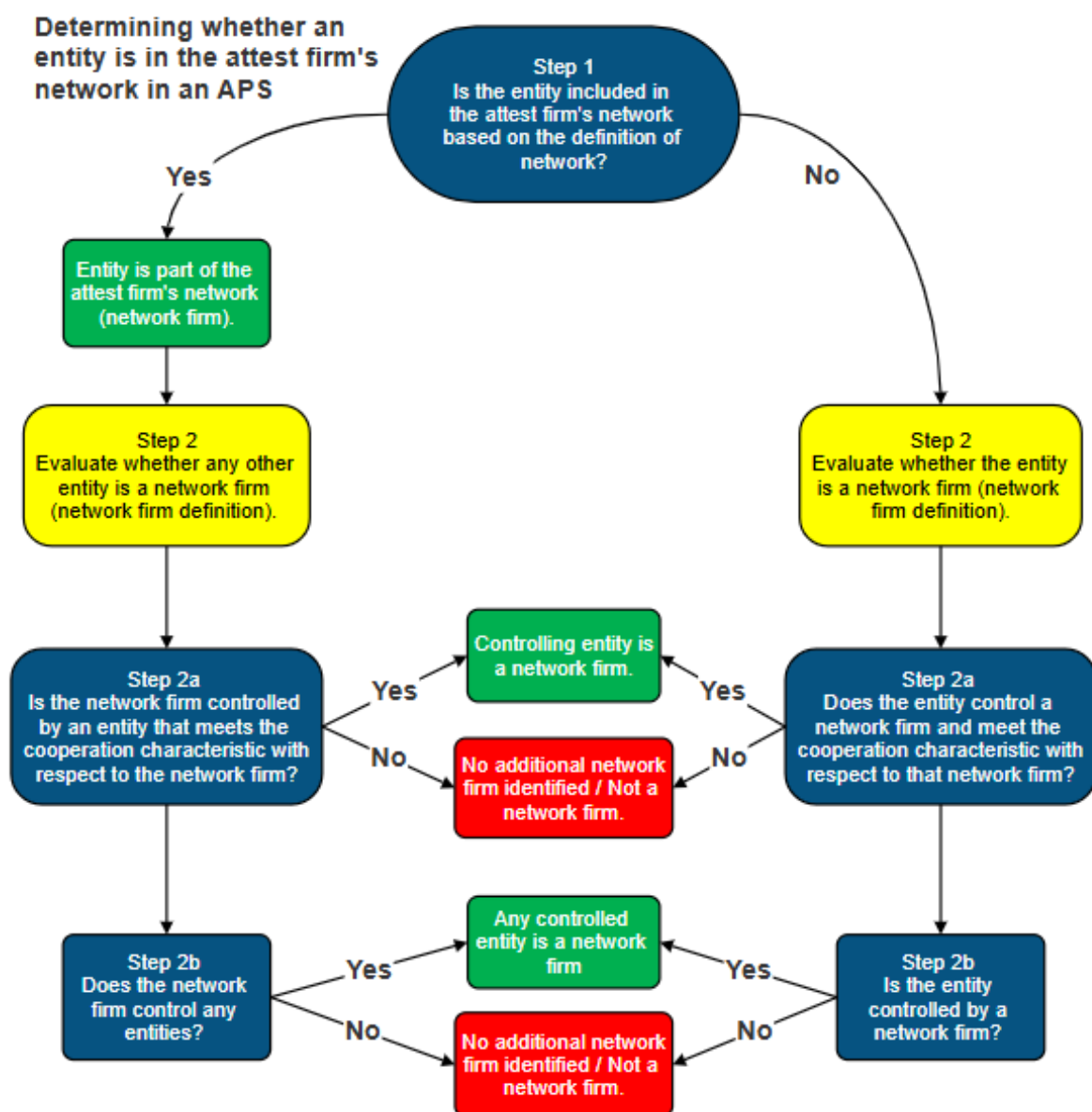


Diagram B

Controlling investment when investor does not meet cooperation characteristic with respect to nonattest entity. This example only evaluates the investor. Other entities may be network firms subject to evaluation.

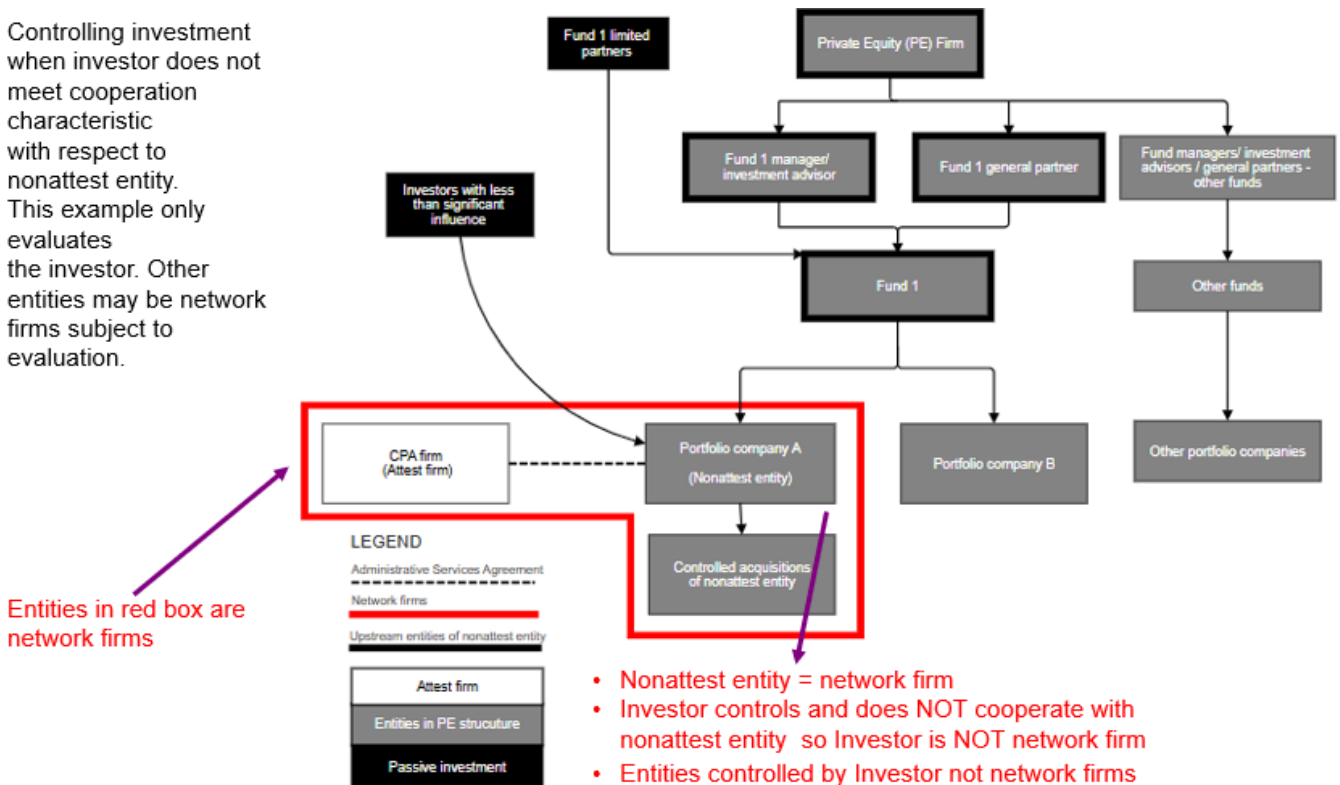
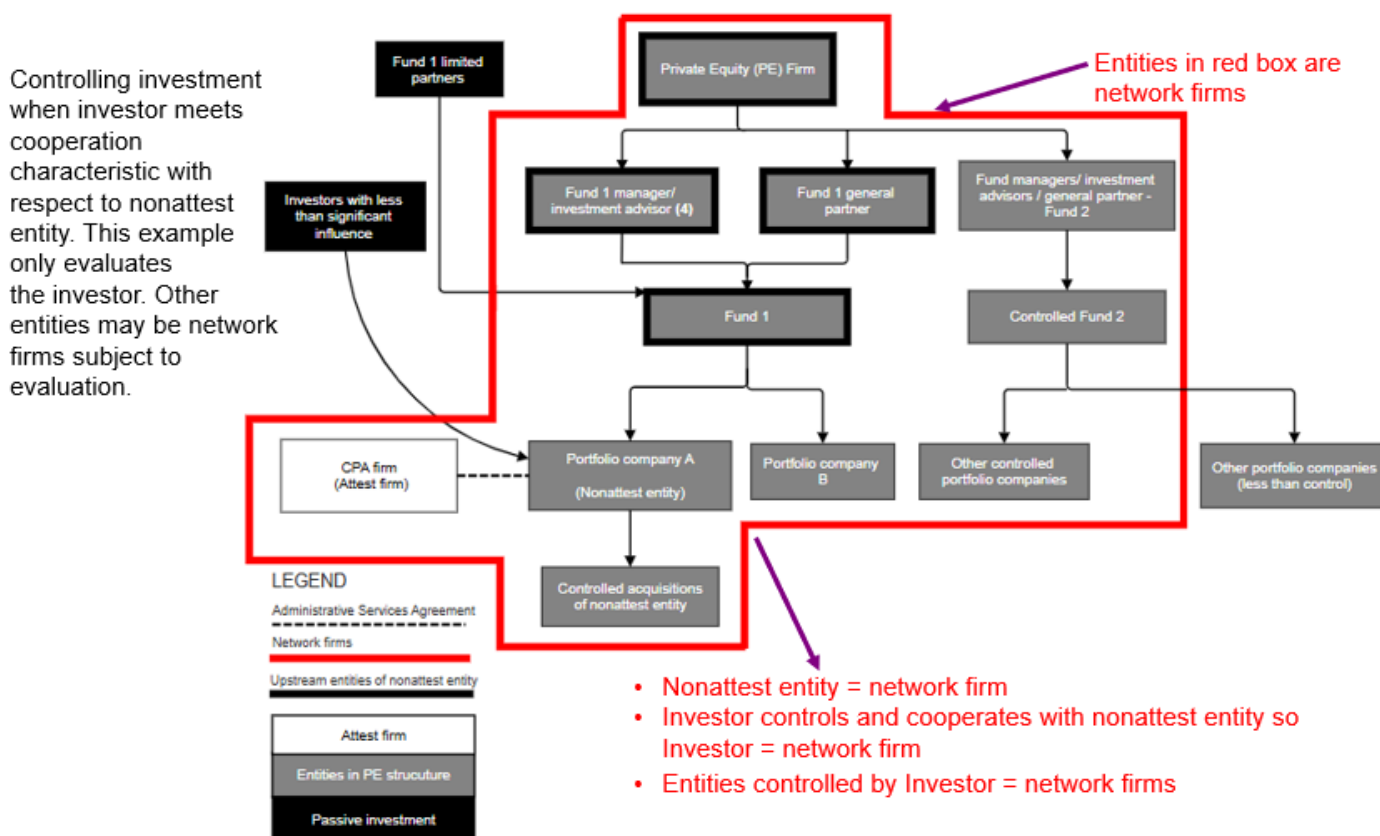


Diagram C



36. The “Network and Network Firms” interpretation requires network firms to comply with the “Independence Rule” and its interpretations with respect to financial statement audit and review clients, including any prohibitions on providing nonattest services as set forth in the “Nonattest Services” subtopic.¹⁵ Certain exceptions apply for network firms within the “Network and Network Firms” interpretation and other interpretations; these exceptions are as follows:

- Network firms are not required to comply with the “Independence Rule” and its interpretations for engagements subject to the Statements on Standards for Attestation Engagements (SSAEs) unless the covered member knows or has reason to believe threats are created by another network firm’s interests and relationships.¹⁶

¹⁵ ET section 1.295

¹⁶ ET section 1.220.010.04.

- A member is not required to take specific steps to evaluate conflicts of interests of other network firms under the “Conflicts of Interest for Members in Public Practice” interpretation.¹⁷
- A covered member is not required to include fees from attest and nonattest services of network firms when calculating total fees related to fee dependency under the “Fee Dependency” interpretation.¹⁸
- A member is not required to consider the possible threats to independence created due to the provision of nonattest services by other network firms when considering the cumulative effect of providing multiple nonattest services to an attest client under the “Cumulative Effect on Independence When Providing Multiple Nonattest Services” interpretation.¹⁹

37. The network firm relationship between the attest firm and nonattest entity in an APS is more closely aligned²⁰ than network firms in a traditional network of accounting firms due to the attest firm’s relationship with, and dependency on, the nonattest entity. For example, in an APS, attest partners and professional staff are employees of the nonattest entity, and the attest firm relies on the nonattest entity for professional resources; this level of dependency generally does not exist in a traditional network of accounting firms. Therefore, PEEC believes the nonattest entity, including entities controlled by the nonattest entity, should be subject to the same independence requirements as the attest firm. Other network firms are not affected by this extended requirement. The effect of the extended requirement means that the exceptions noted in paragraph 36 of this explanatory material do not apply to the nonattest entity and entities it controls (.14).

Covered members

38. Members are expected to apply the *covered member* definition when evaluating independence and to apply the “Independence Rule” and its interpretations to such individuals and entities.
39. The *covered member* definition includes *an individual in a position to influence the attest engagement*. In an APS, this may include individuals who
- evaluate the performance or recommend the compensation of the attest engagement

¹⁷ ET section 1.110.010.08.

¹⁸ ET section 1.230.040.02.

¹⁹ ET section 1.295.020.04.

²⁰ Closely aligned as defined in the Terminology section of the proposed interpretation (paragraph .04c).

partner; or

- directly supervise or manage the attest engagement partner, including all successively senior levels above that individual through the firm's chief executive.

40. In an APS, covered members may exist in the attest firm, nonattest entity, or in other entities in the investor's structure (.15–16.). Since covered members may exist outside the attest firm and nonattest entity, PEEC believes including specific examples of who meets the *covered member* definition, or who should be evaluated under the *covered member* definition, will remove any ambiguity and promote consistency in practice. Nonattest entity board members who have the authority to approve the compensation of the attest firm partners at the individual level meet the first bullet in paragraph 39 of this explanatory material and are, therefore, covered members²¹.

41. Members should evaluate other relevant individuals to determine if they meet the definition of *covered member*, including the following:

- Board members of the nonattest entity who do not have the authority to approve the compensation of the attest firm partners at the individual level (.16a.).
- Individuals in the nonattest entity who directly supervise or manage the attest engagement partner, including all successively senior levels above the attest engagement partner through the chief executive or equivalent of the nonattest entity. PEEC determined that these individuals should be evaluated to determine whether they meet the *covered member* definition (versus stating they meet the *covered member* definition in the proposed interpretation) because of the possibility that a chief executive of the nonattest entity is not in an attest partner's chain of command (.16b.).

Relationships with individuals and entities that may create threats to independence

42. PEEC recognizes that APSs continue to evolve; therefore, a “one-size-fits-all” set of rules is not appropriate. However, there are some relationships that, if present, PEEC has concluded will impair independence; these are specifically covered in the proposed interpretation. Because scenarios may arise in which facts and circumstances vary, members will still be required to use professional judgment when applying the APS guidance. Paragraph .18 of the interpretation describes relationships and circumstances

²¹ PEEC's “White Paper, Independence Rules Modernization Project” concluded that individuals who actively participate in compensation decisions for specific attest engagement partners are covered members.

when independence is impaired. Paragraph .20 of the interpretation provides examples of relationships and circumstances when, if the attest firm knows or has reason to believe the relationship or circumstance exists, the conceptual framework approach should be applied to evaluate whether the relationship or circumstance would lead a reasonable and informed third party who is aware of the relevant information to conclude that there is a threat to independence that is not at an acceptable level.²²

Relationships that impair independence

43. After a member determines network firms (.09–.14) and covered members (.15–.16) and applies the “Independence Rule” and its interpretations to the respective individuals and entities, members should determine which relationships and circumstances exist in an APS beyond the scope of covered member and network firms that create threats to independence. Independence requirements that extend beyond those required for covered members and network firms are based on the close alignment of the attest firm and nonattest entity. The public interest principle recognizes that members may face conflicting pressures and obliges members to act with integrity, “... guided by the precept that when members fulfill their responsibility to the public, clients’ and employers’ interests are best served.”²³ PEEC believes that there is at least a perceived greater undue influence threat²⁴ to independence in an APS where an investor has input into strategic and budgetary decisions of the attest firm which may affect a member’s objectivity and independence²⁵ even when an investor is not a network firm.

44. The relationships and circumstances that impair independence may differ based on the level of investment of the investor in the nonattest entity (that is, less than significant influence, significant influence, or control). These circumstances are described in paragraphs 45–57 of this explanatory material and outlined in paragraph .18a–d. of the interpretation.

Less than significant influence, significant influence, or controlling investment by investor

45. At this time, PEEC is unaware of a nonattest entity in an APS with PE that has become a publicly traded entity; however, PEEC believes that if such a nonattest entity becomes a publicly traded entity in the future, independence would be impaired if an attest client has a direct financial interest in the nonattest entity due to the close alignment of the attest firm and nonattest entity (.18c.). This includes an attest client that has any direct financial interest in the nonattest entity, or the attest client’s officers or directors of record or beneficial

²² ET section 1.210.010.01.

²³ ET section. 0.300.030.03.

²⁴ ET section 1.210.010.18.

²⁵ ET section 0.300.050.

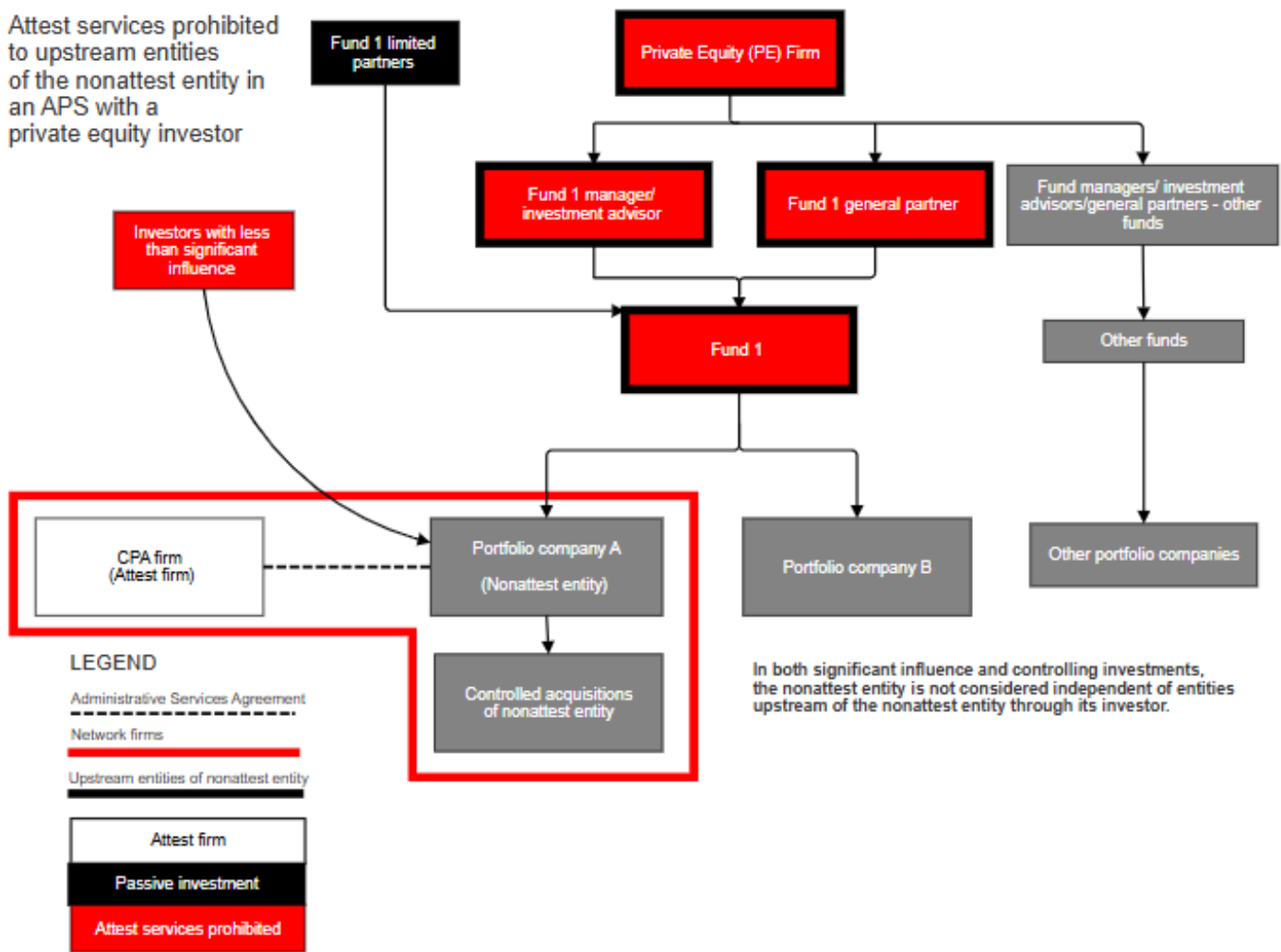
owners of more than 5 percent of the equity securities of the nonattest entity. This prohibition is consistent with the SEC’s Rule 2-01(c)(1)(iv)(A).

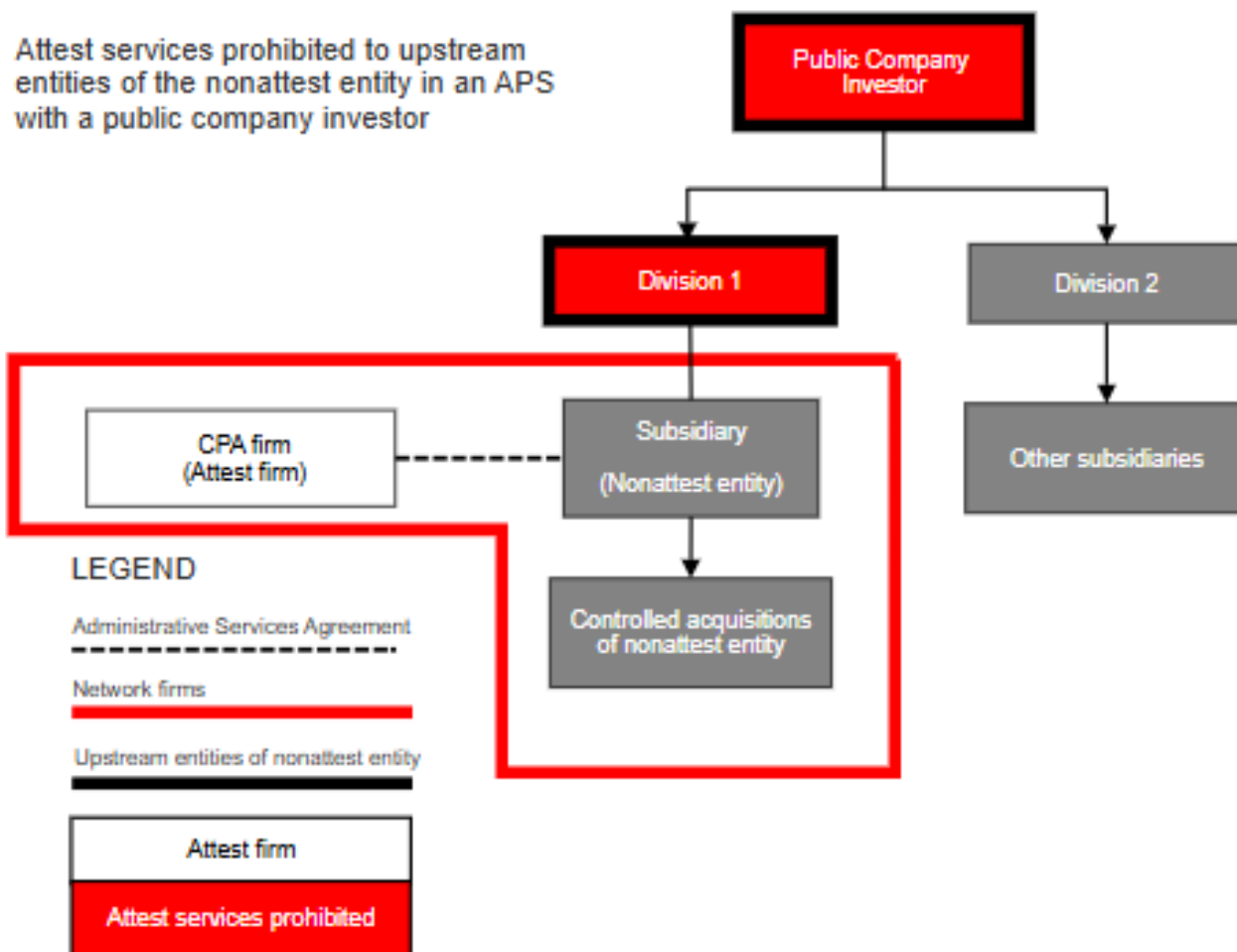
Significant influence or controlling investment by investor

46. In a significant influence investment or controlling investment, when the investor is a network firm, partners and professional employees of the investor would be required to comply with the interpretations of the “Independence Rule” applicable to network firms, including within the “Current Employment or Association with an Attest Client” subtopic.²⁶
47. When the investor is not a network firm, an undue influence threat to independence still exists that is not at an acceptable level and cannot be reduced to an acceptable level with the application of safeguards if an individual who is a member of those charged with governance²⁷ over the nonattest entity is in a key position at an attest client of the attest firm (.18a.). The definition of *those charged with governance* includes both individuals and organizations.
48. In a significant influence investment or controlling investment, the nonattest entity is not considered independent of upstream entities of the nonattest entity through its investor even when such entities are not network firms. Because the nonattest entity is a network firm of the attest firm and is not considered independent of these upstream entities, independence will be impaired if the attest firm provides an attest service to any of those entities (.18b.). In an APS with a public company investor, this prohibition applies to upstream entities of the nonattest entity through the public company investor. The following diagrams depict this when the investor is a PE firm or a public company.

²⁶ ET section 1.275.

²⁷ ET section 0.400.53.





49. In a significant influence investment or controlling investment, independence is impaired if an upstream entity of the nonattest entity is an affiliate²⁸ of a financial statement attest client of the attest firm (.18b.). This restriction is, in part, to align with the client affiliate interpretations²⁹ that require the attest firm and its network firms to be independent of a financial statement attest client and its affiliates. In cases where the nonattest entity is not independent of an affiliate of a financial statement attest client, independence will be impaired.

50. Paragraph .18b. of the interpretation also addresses the possibility of a financial statement

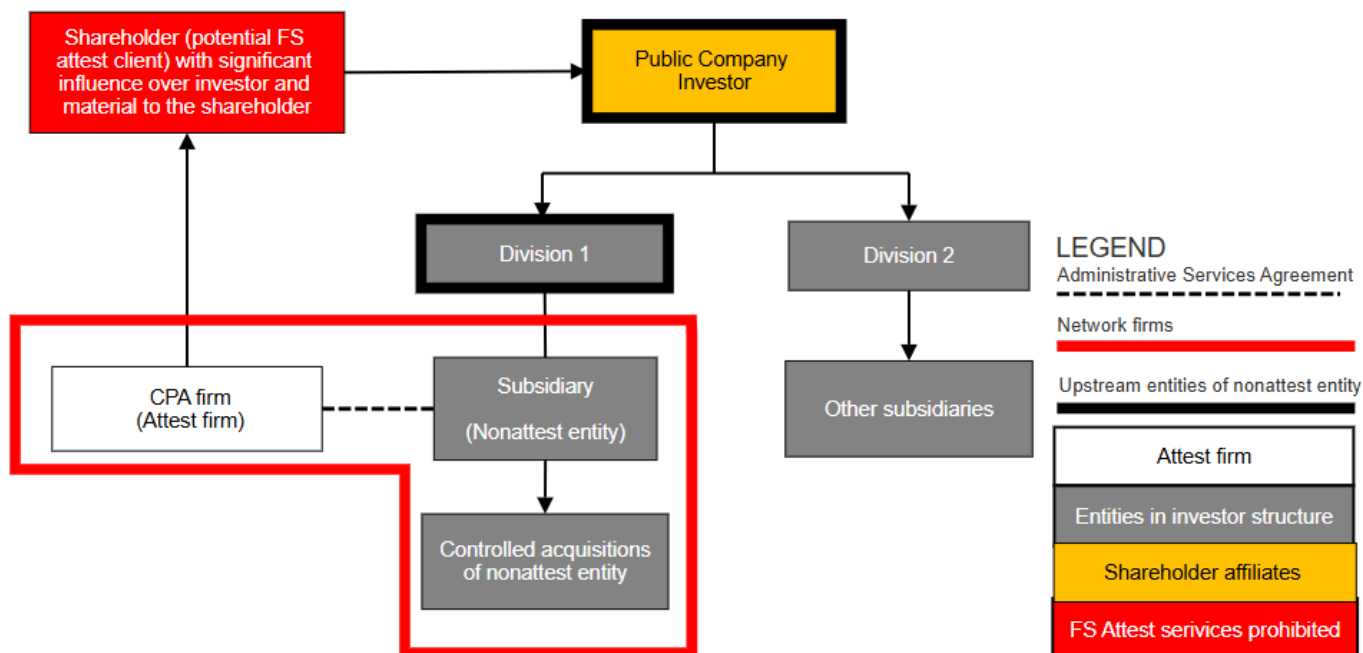
²⁸ ET section 0.400.02.

²⁹ The “Client Affiliates” interpretation (ET sec. 1.224.010) and the “State and Local Government Client Affiliates” interpretation (ET sec.1.224.020).

attest client investing in the same investor that has a financial interest in the nonattest entity or the investment vehicle that holds the investment in the nonattest entity. For example, if the investor is a PE firm, and the attest firm provides a financial statement attest service to a limited partner (LP) of the fund that holds the investment in the nonattest entity, independence is impaired if the LP interest allows the LP to exercise significant influence over the fund and is material to the LP. This is because the fund that holds the investment in the nonattest entity would be an affiliate of the LP,³⁰ the financial statement attest client, and the nonattest entity (a network firm) is not independent of the fund (that is, an upstream entity). The following diagram depicts this relationship in an APS with a public company investor where a potential financial statement attest client is a shareholder of the public company that invests in the nonattest entity. If the shareholder has significant influence over the public company and the investment is material to the shareholder, the public company would be an affiliate of the potential financial statement attest client. The next several paragraphs and diagrams provide additional examples of the conclusion in paragraph .18b. of the interpretation in various configurations.

³⁰ “An entity in which a *financial statement attest client* or an entity controlled by the *financial statement attest client* has a *direct financial interest* that gives the *financial statement attest client* *significant influence* over such entity and that is material to the *financial statement attest client*.” (ET sec. 0.400.02b.).

**Significant influence or controlling investment:
attest client invests in investor**



51. *Fund is client affiliate.* Following is an example of the conclusion described in paragraph 49 of this explanatory material in a significant-influence investment in which the potential financial statement attest client is a portfolio company in the same fund as the nonattest entity:

- Portfolio Company B is a potential financial statement attest client and is in the same fund (Fund 1) as the nonattest entity.
- Fund 1 is an affiliate of Portfolio Company B because Fund 1 has significant influence over Portfolio Company B and Portfolio Company B is material to Fund 1.
- The nonattest entity is not considered to be independent of Fund 1, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to Portfolio Company B since the nonattest entity is not independent of an affiliate (that is, Fund 1) of the financial statement attest client (that is, Portfolio Company B).

Significant influence investment: fund is client affiliate

LEGEND

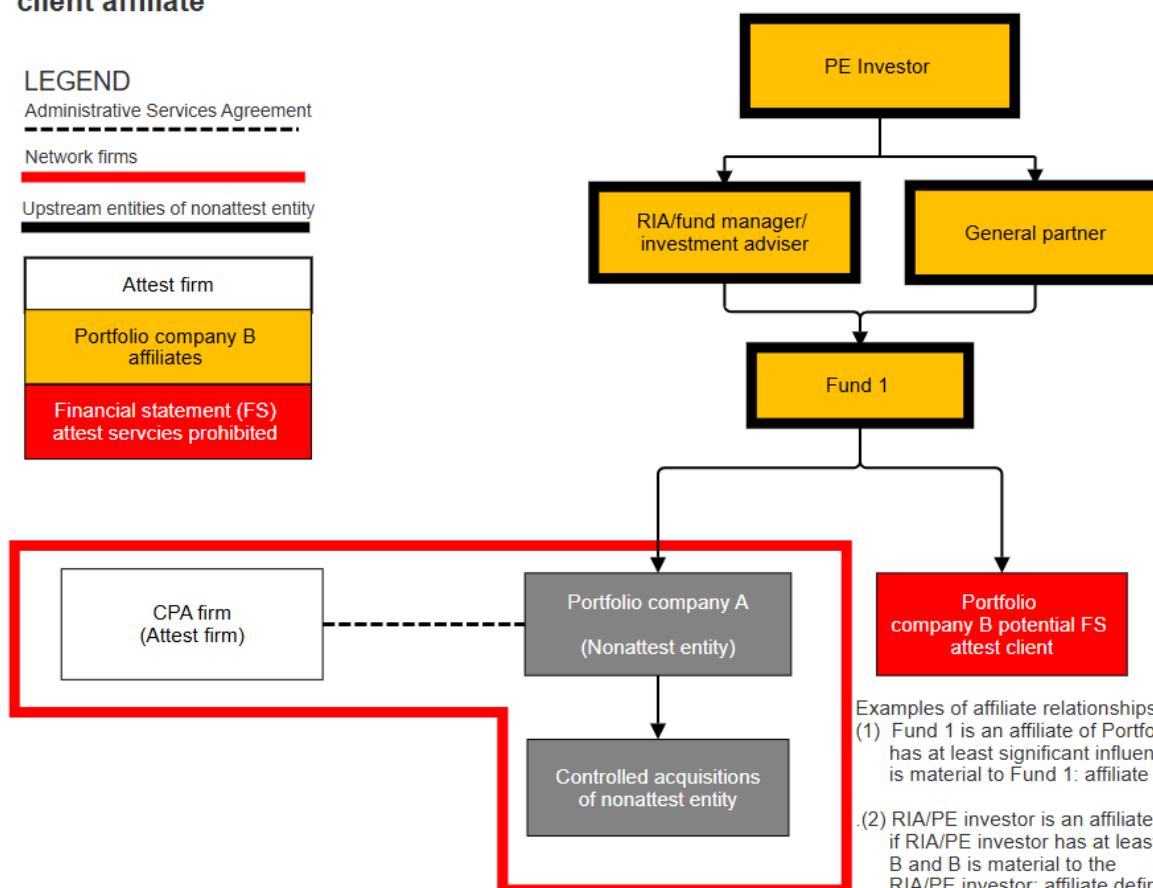
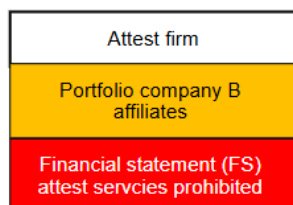
Administrative Services Agreement

Network firms

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Upstream entities of nonattest entity

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Examples of affiliate relationships:

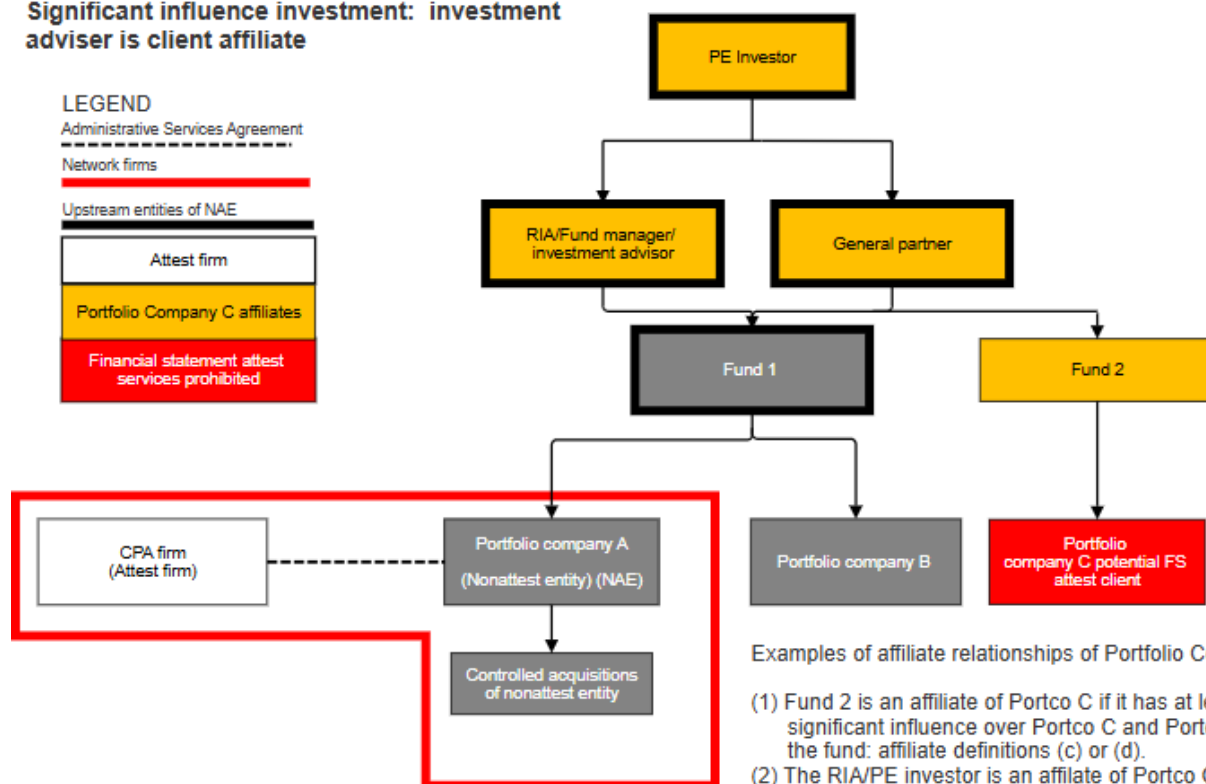
- (1) Fund 1 is an affiliate of Portfolio company B if it has at least significant influence over B and B is material to Fund 1: affiliate definition (c) or (d).
- (2) RIA/PE investor is an affiliate of Portfolio company B if RIA/PE investor has at least significant influence over B and B is material to the RIA/PE investor: affiliate definition (c) or (d).

52. *Investment adviser is client affiliate.* Following is an example of the conclusion in paragraph 49 of this explanatory material of a significant influence investment where the potential financial statement attest client is a portfolio company in a different fund than the nonattest entity:

- Portfolio Company C is a potential financial statement attest client and is in a different fund (Fund 2) than that of the nonattest entity, which is in Fund 1.
- The investment adviser is an affiliate of Portfolio Company C because the investment adviser has significant influence over Portfolio Company C, and Portfolio Company C is material to the investment adviser.
- The investment adviser also advises Fund 1 that holds the investment in the nonattest entity.

- The nonattest entity is not considered to be independent of the investment adviser, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to Portfolio Company C as the nonattest entity is not independent of an affiliate (that is, investment adviser) of the financial statement attest client (that is, Portfolio Company C).

Significant influence investment: investment adviser is client affiliate



Examples of affiliate relationships of Portfolio Company C:

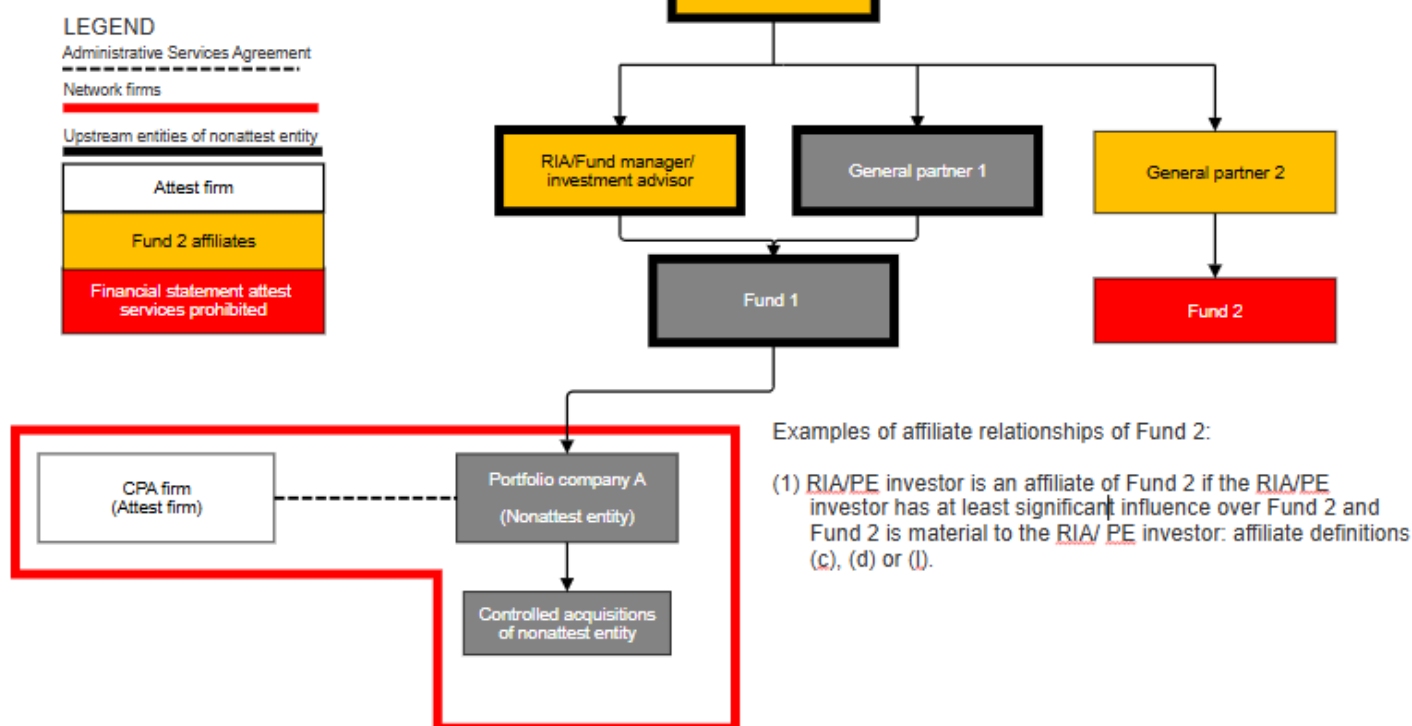
- (1) Fund 2 is an affiliate of Portco C if it has at least significant influence over Portco C and Portco C is material to the fund: affiliate definitions (c) or (d).
- (2) The RIA/PE investor is an affiliate of Portco C if the RIA/PE investor has at least significant influence over Portco C and Portco C is material to the RIA/ PE investor: affiliate definitions (c) or (d).

53. *Investment adviser is client affiliate.* Following is an example of the conclusion in paragraph 49 of this explanatory material in a significant-influence investment where the potential financial statement attest client is a fund other than the fund that invests in nonattest entity:

- Fund 2 is a potential financial statement attest client and is in a different fund than that of the nonattest entity, which is Fund 1.
- The investment adviser has significant influence over Fund 2 and the fund is material to the investment adviser.

- The investment adviser also advises Fund 1, which holds the investment in the nonattest entity.
- The nonattest entity is not considered to be independent of the investment adviser, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to Fund 2 because the nonattest entity is not independent of an affiliate (that is, the investment adviser) of the financial statement attest client (that is, Fund 2).

Significant influence investment: investment adviser is client affiliate



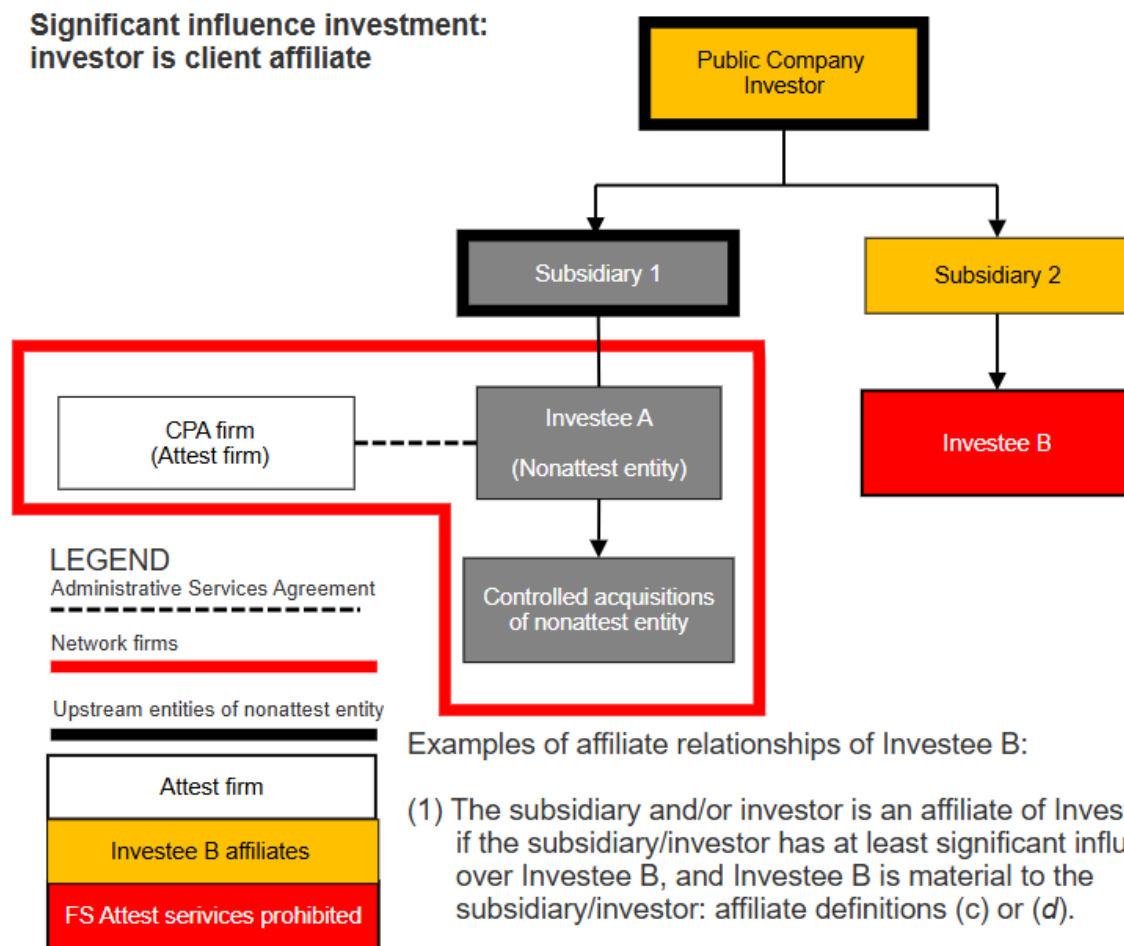
54. *Investor is client affiliate.* Following is an example of the conclusion in paragraph 49 of this explanatory material in a significant influence investment where the potential financial statement attest client is an investee of a public company investor:

- Investee B is a potential financial statement attest client and is under the same public company investor as the nonattest entity (Investee A).
- The public company investor is an affiliate of Investee B because the public company

investor has control over Investee B, and Investee B is material to the public company investor.

- The nonattest entity (Investee A) is not independent of the public company investor, which is an upstream entity of the nonattest entity.
- The attest firm cannot provide financial statement attest services to investee B because the nonattest entity is not independent of an affiliate (that is, public company investor) of the financial statement attest client (that is, Investee B).

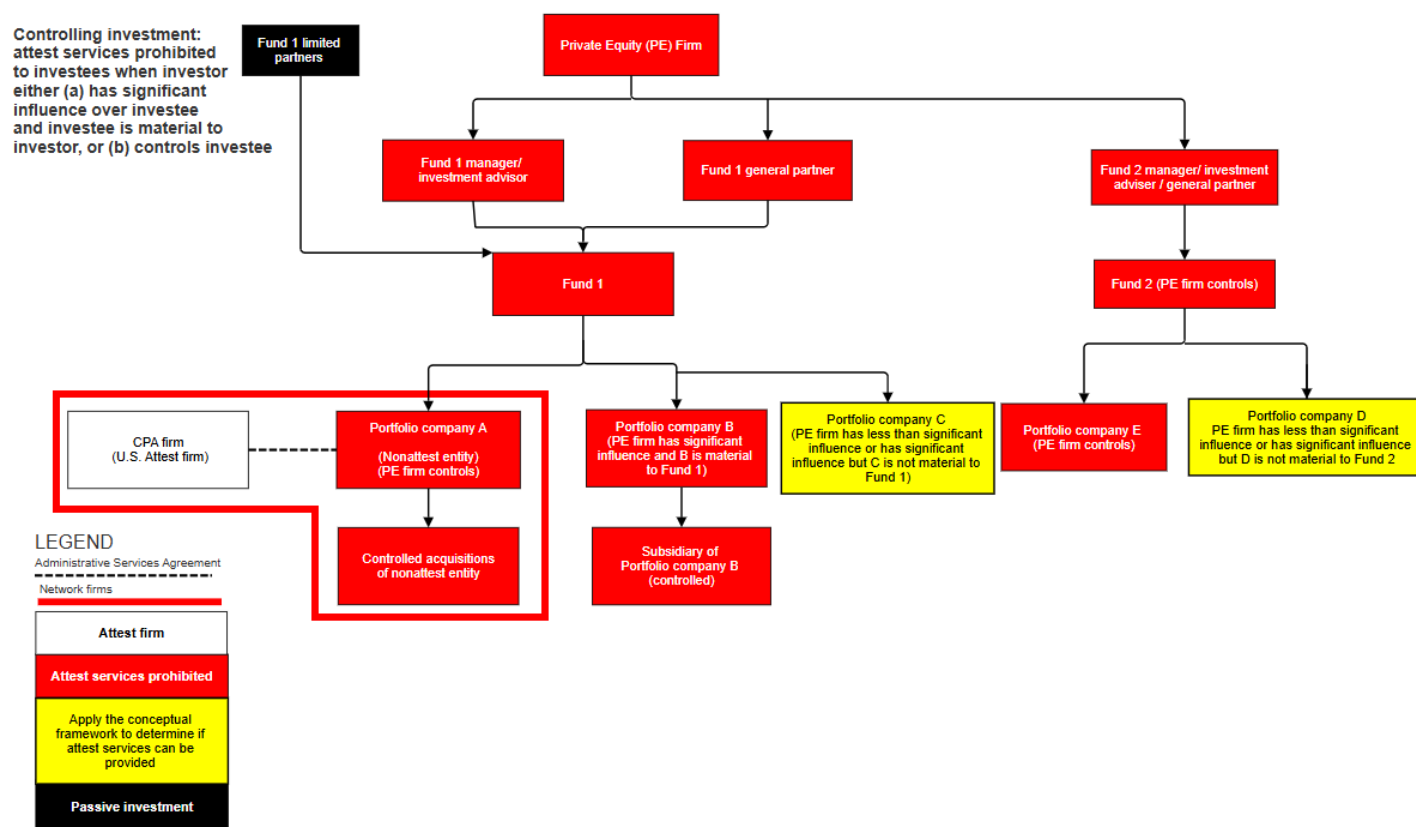
**Significant influence investment:
investor is client affiliate**



Controlling investment by investor

55. Threats to independence when providing attest services to other investees are more significant in a controlling investment. Therefore, the conclusions discussed in paragraph 56 of this explanatory material is more restrictive than what would result from the application of the affiliate rules.

56. In a controlling investment, independence is impaired when the attest firm provides any attest service to an investee of the investor when the investor either (a) has significant influence over the investee and the investee is material to the investor or (b) controls the investee (.18d.). When the investor is PE, this restriction applies to any funds and to portfolio companies in any fund.



Relationships that require application of the conceptual framework

57. Members should apply the “Conceptual Framework for Independence” interpretation for other relationships and circumstances the member knows or has reason to believe exist that may create threats to independence. This includes when determining whether attest services can be provided within the investor’s structure that are not prohibited as described in paragraphs 48–56 of this explanatory material (.18b–d).

58. In evaluating threats, members should consider the level of investment (significant influence or controlling) and other relevant factors. The examples and factors provided in paragraph .20 of the interpretation are meant to be illustrative and non-exhaustive. Members should determine which of these and other factors are relevant to the specific set of facts and circumstances being evaluated.

59. Members are not required to monitor for the existence of these relationships; however, members should apply the conceptual framework when they know or have reason to believe a relationship that may create threats to independence exists. The phrase “knows or has reason to believe” appears in various sections of the code but is not explicitly defined. In practice, it is commonly interpreted as having actual knowledge of a relationship or becoming aware of information that provides sufficient cause to believe the relationship exists. Additional conceptual framework examples will be provided in nonauthoritative guidance for APSs with a public company, private equity, or another investor.
60. Paragraph .20*b*. of the interpretation provides an example of when the attest firm knows or has reason to believe a financial, employment, or business relationship exists between an individual or entity listed (for example, a nonattest entity board member who is not a covered member) and an attest client. PEEC believes the categories listed of “financial, employment (including key positions), and business relationships” sufficiently covers the relationships outlined in the correlating sections of the code.³¹

Relationships that generally do not create threats to independence

61. Relationships with certain individuals and entities that generally do not create threats to independence in an APS are presented in paragraphs .21–.22 of the interpretation. The term “generally” is used here to indicate that typically these relationships do not create threats to independence. However, if additional information indicates a threat to independence exists, members should evaluate the threat to conclude whether threats are not at an acceptable level.
62. Limited partners are included here because their investment is passive in nature and usually does not provide for significant influence over the fund it invests in (.21). However, if an individual who is a limited partner, or who is appointed by an entity that is a limited partner, serves on the nonattest entity board, that individual is subject to the guidance applicable to nonattest entity board members. See paragraph 50 of this explanatory material for a situation in which the limited partner has significant influence over the fund and the investment is material to the limited partner.

³¹ The “Financial Interests” subtopic (ET sec. 1.240), the “Trusts and Estates” subtopic (ET sec. 1.240), the “Participation in Employee Benefit Plans” subtopic (ET sec. 1.250), the “Depository, Brokerage, and Other Accounts” subtopic (ET sec. 1.255), the “Insurance Products” subtopic (ET sec. 1.257), the “Loans, Leases, and Guarantees” subtopic (ET sec. 1.260), the “Business Relationships” subtopic (ET sec. 1.265), and the “Current Employment or Association with an Attest Client” subtopic (ET sec. 1.275).

63. Other investees of the investor (for example, other portfolio companies) that are not determined to be network firms of the attest firm may provide services to attest clients of the attest firm that would impair independence if performed by the attest firm. In addition, other investees could enter into business relationships with attest clients of the attest firm that would impair independence if entered into with the attest firm (.22).

Proposed revision to the “Alternative Practice Structures” interpretation (ET sec. 1.810.050)

64. PEEC is proposing the revision to paragraph .01 to broaden the application of the requirements to APS models.
65. Extant paragraph .03 is being deleted because it is redundant with the financial interest provision of the “Council Resolution Concerning the Form of Organization and Name Rule” (Appendix B). The attest firm must comply with the provisions in the resolution to provide the attest services outlined in paragraph A. of the resolution.
66. The new proposed paragraph .03 is intended to address a potential practice issue. The purpose is to promote transparency in practice, avoid the risk of misleading clients, and ensure accurate representation regarding which entity in the APS is responsible for performing each service.

Proposed revision to the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010) and “Conceptual Framework for Members in Public Practice” interpretation (ET sec. 1.000.010)

67. Among the various types of threats to independence in an APS, the undue influence threat³² tends to arise more frequently. This increased frequency is due to the additional relationships that must be considered in an APS, which can introduce more complex dynamics and potential sources of influence — though the threat itself is not inherently more significant. PEEC is proposing to include additional examples in the conceptual framework interpretations, which will assist members in identifying this threat when practicing in an APS.

Proposed revision to the definition of *network firm* (ET sec. 0.400.36)

68. The first revision to the definition of *network firm* removes the inclusion of entities under common control with a network firm from the definition. Furthermore, PEEC does not believe

³² *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual’s reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member* (ET sec. 1.000.010.16).

entities under common control with a network firm should automatically be scoped into the definition of *network firm* but rather be subject to evaluation as necessary.

69. Additionally, circumstances in which a member owns and controls a separate business will continue to be addressed in the “Ownership of a Separate Business” interpretation (ET sec. 1.810.010). According to this interpretation, a separate business under common control is required to comply with the code.
70. The second revision adds a precondition that an entity that controls a network firm also be cooperating with the network firm for the purpose of enhancing the network firm’s capabilities to provide professional services before the controlling entity is considered a network firm. The revised definition still requires a controlling entity of a network firm to be evaluated for inclusion as a network firm. The code continues to prohibit ownership in a CPA firm by an entity or by individuals who are not actively engaged as members of the firm.³³

Conclusion

71. The proposed new interpretation and revisions presented in this exposure draft are designed to address the evolving landscape of APSs in the accounting profession. The guidance addresses threats to independence in an APS by leveraging other independence interpretations, prohibiting certain relationships unique to an APS when independence would be impaired, and allowing firms to evaluate threats using the conceptual framework in other instances. Including factors to consider when applying the conceptual framework will help ensure consistent compliance with the independence requirements through application of the framework. These changes aim to uphold the integrity of the profession while offering practical guidance for firms operating in alternative practice structures.

Effective date

72. PEEC recommends the proposal be effective one year after adoption, with early implementation permitted for those who implement the new interpretation in its entirety.

Request for comments

73. PEEC welcomes comments on all aspects of the proposed revisions to the code. In addition, PEEC seeks feedback on the following specific aspects (parenthetical references are to paragraphs in the proposed interpretation):

- a. Do you agree that “investor” is defined appropriately (.04c)? If not, please explain.

³³ Appendix B: *Council Resolution Concerning the Form of Organization and Name Rule*.

- b. Do you agree that the definition of “key stakeholders of the investor” is clear in terms of which individuals are included?
- c. Do you agree the three models should be included in the interpretation (.06–.07)? If not, please explain, including whether you believe one or more should be included in nonauthoritative guidance or if there are other models that should be included in nonauthoritative guidance.
- d. Do you agree that the definition of “network firm” should be amended to add the requirement that the cooperation characteristic (as described in paragraph 29 of the explanatory material) in the definition of “network” be met before a controlling investor of a network firm is considered a network firm? If not, please explain.
 - i. Do you agree that if the controlling investor is a network firm based on the definition of “network firm,” then other entities it controls should also be network firms? If not, please explain.
- e. Do you agree that in an APS, the nonattest entity should be subject to the same independence requirements as the attest firm, including the requirements under the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic (ET sec. 1.297 (.14))?
 - i. If you do not agree, do you believe the “Conceptual Framework for Independence” interpretation should be applied to evaluate the significance of threats created by the nonattest entity’s and its controlled entities’ relationships with attest clients subject to the SSAEs?
 - 1. If so, what factors should be considered in evaluating the significance of threats and whether potential safeguards could be implemented?
- f. Do you agree that when an investor does not provide professional services and the investor’s activities are limited to investing in the nonattest entity and advising on the budgetary or strategic direction of the attest firm (described in paragraph 32 of the explanatory material), then the investor is generally not a network firm? If not, please explain.
 - i. If you agree, state whether you believe these factors should be in authoritative or nonauthoritative guidance.

- g. Do you agree with the factors for determining whether cooperation exists for the purpose of enhancing capabilities to provide professional services as described in paragraph 33 of the explanatory material?
 - i. If you agree, state whether you believe these factors should be in authoritative or nonauthoritative guidance.
 - ii. Do you believe any additional factors should be included for determining whether cooperation exists? If so, please provide the additional factors.
- h. Do you agree that the covered member section (.15–.16) should remain in the interpretation?
 - i. If not, should this section be presented as application material on how to apply the *covered member* definition in an APS in nonauthoritative guidance?
- i. Do you agree that the chief executive of the nonattest entity (and other individuals in an attest partner's chain of command in the nonattest entity) should be evaluated under the *covered member* definition rather than be automatically considered covered members (.16)? If not, please explain.
- j. Do you agree that when the investor has significant influence or control over the nonattest entity, the attest firm should not provide a financial statement attest service to an investee of the investor if an upstream entity of the nonattest entity is an affiliate of the investee (.18b.)? If not, please explain.
- k. Do you agree that when an attest client has a financial interest in the nonattest entity, independence is impaired, regardless of whether the attest client has significant influence over the nonattest entity (.18c.)? If not, please explain.
- l. Do you agree that, in an APS with PE when the PE investor controls the nonattest entity, the attest firm should not provide attest services to another portfolio company **in any fund** when the PE investor either a) has significant influence over the portfolio company and the investment is material the fund, or b) controls the portfolio company (.18d.)? If not, please explain.
- m. Do you agree that the prohibitions described in paragraph .18b.–d. of the interpretation regarding the provision of attest services to investees and other entities of the investor (that is not a network firm), along with the use of the conceptual framework for independence for circumstances when the prohibitions

would not apply (.20), are sufficient to address threats to independence in the circumstances described in the respective paragraphs? If not, please explain.

- i. For example, when the investor has significant influence over the nonattest entity, the attest firm would apply the conceptual framework for independence when evaluating whether a controlled portfolio company in the same fund as the nonattest entity could be a financial statement attest client if the controlled portfolio company is not material to the fund (that is, the fund is not an affiliate).
- n. Do you agree with the “Relationships with individuals and entities that generally do not create threats to independence” section (.21–.22)?
 - i. If you agree, should paragraphs .21–22 remain in the interpretation? If not, do you believe the material should be presented in nonauthoritative guidance?
- o. Do you agree that the new paragraph .03 of the revised “Alternative Practice Structures” interpretation of the “Form of Organization and Name Rule” should be in the interpretation? If not, do you believe this is a practice issue as described in paragraph 66 of the explanatory material and, if so, is there another approach that should be considered (for example, in nonauthoritative guidance)?
- p. Do you agree that the proposed guidance is operational? If not, please identify specific sections you do not agree are operational.
- q. Are there any other independence threats related to practicing in an APS, as well as in traditional networks, that we haven’t addressed? If so, please explain.
- r. For what areas do you believe nonauthoritative guidance is needed (other than those already identified)?

Proposed new interpretation “Alternative Practice Structures” (ET sec. 1.220.020)

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you would like to see the definitions, you can find them in “Definitions” ([ET sec. 0.400](#)).

Because the new interpretation is replacing the existing interpretation in its entirety, the proposal is not marked for changes.

- .01 *Members* who practice in an alternative practice structure should apply this and other applicable *interpretations* to determine their compliance with the “Independence Rule” [1.200.001].
- .02 All such structures must be organized in a form that complies with applicable state and federal laws, rules, and regulations; the “Form of Organization and Name Rule” [1.800.001]; and the related “Alternative Practice Structures” interpretation [1.810.050] of the “Form of Organization and Name Rule.”
- .03 To protect the public interest, the overriding focus of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B] is that CPAs remain responsible for a *firm’s* attest work. In addition to the provisions of the resolution, other requirements of the code and bylaws ensure responsibility for
 - a. compliance with all aspects of applicable law or regulation;
 - b. enrollment in an AICPA-approved practice monitoring program;
 - c. compliance with the “Independence Rule;” and
 - d. compliance with applicable standards promulgated by *Council*-designated bodies (the “Compliance with Standards Rule” [1.310.001]) and all other provisions of the code, including “Structure and Application of the AICPA Code” [0.200].

Terminology

.04 The following terms are defined solely for the purpose of applying this *interpretation*.

- a. An alternative practice structure (APS) is a form of organization in which a *firm* that provides attest services (attest *firm*) is closely aligned with another public or private entity, partly or wholly owned by an investor or investors, that performs *professional services* other than attest services (nonattest entity).
- b. Closely aligned means a substantial amount of the revenues of the attest *firm* are paid to the nonattest entity in return for administrative services and the lease of employees, equipment, office space, and other resources.
- c. An investor is an individual or entity that has a *financial interest* in the nonattest entity. The investor does not meet the characteristics of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B] and could be a private equity (PE) investor, partnership, corporate entity, or other type of investor. There may be one or more investors in the nonattest entity.
- d. A *significant influence* investment exists when an investor has *significant influence* over the nonattest entity but not *control*.
- e. A *controlling* investment exists when an investor has *control* over the nonattest entity.
- f. Key stakeholders of the investor are individuals who represent or act on behalf of the investor and may include owners, managing partners, founders, or principals.
- g. Upstream entities of the nonattest entity are entities that have at least *significant influence* over the nonattest entity through an investor. For example, in an APS with PE, when the investor has at least *significant influence* over the nonattest entity, this includes the fund, investment adviser, general partner, and PE firm.

Characteristics and diagrams of an APS

.05 The following characteristics are not necessarily representative of every APS. *Members* should apply the concepts of the *interpretation* even if one or more of these characteristics vary in the *member's* APS.

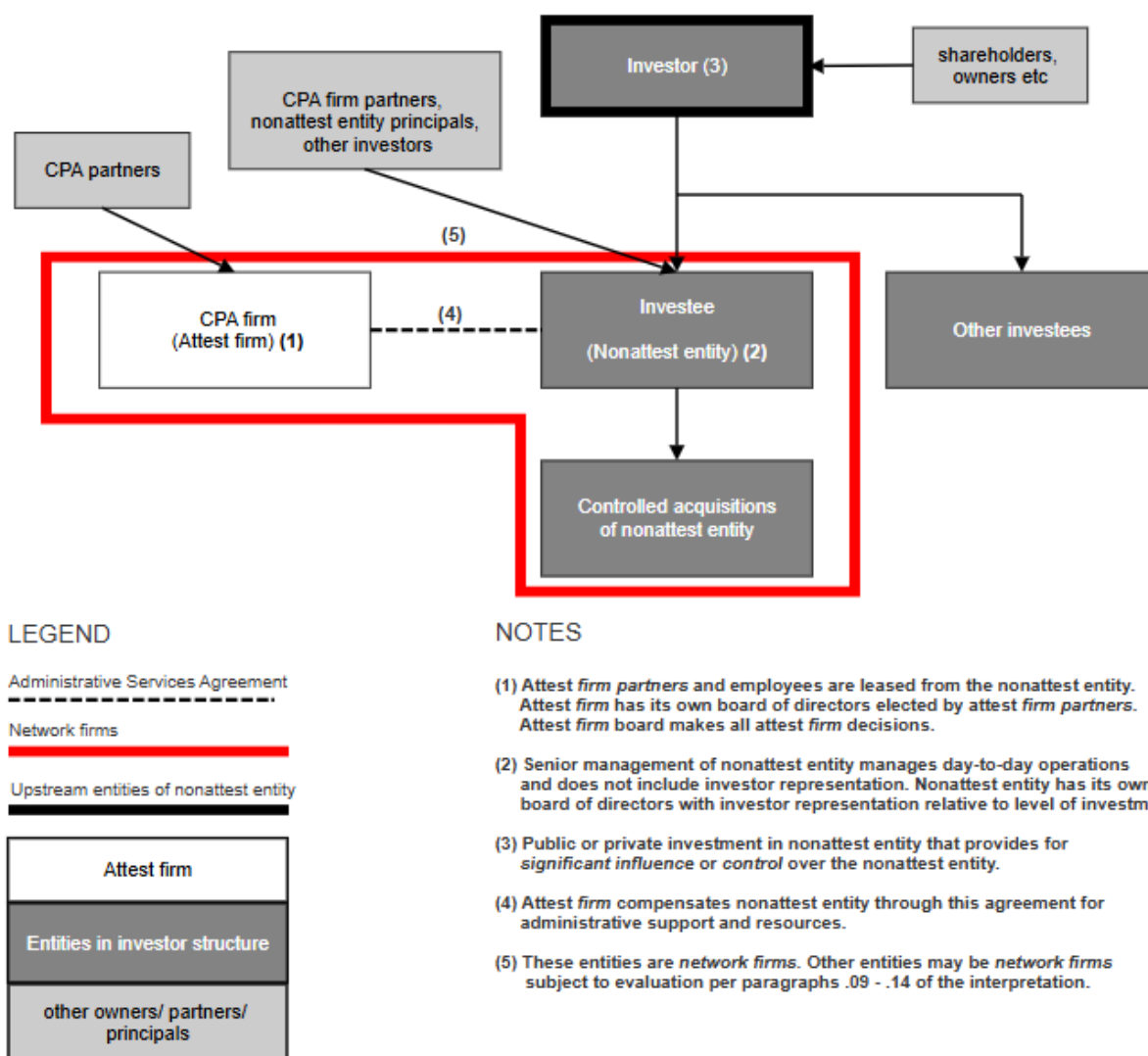
- a. A *firm* separates its attest practice (attest *firm*) and nonattest practice (nonattest entity) and sells a portion of its nonattest practice to an investor or investors. Legacy *partners* of the *firm* may retain an equity interest in the nonattest entity. Alternatively, an attest *firm* may closely align itself with a nonattest entity that has such an investor.

- b. An investor has a *financial interest* that provides the investor with either *significant influence* or *control* over the nonattest entity. There may be other investors with less than *significant influence* in the nonattest entity.
- c. The attest *firm* meets the requirements of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B], including majority ownership by CPAs (attest *firm partners*) and the prohibition against “ownership by investors or commercial enterprises not actively engaged as members of the *firm* or its *affiliates*.” The attest *firm partners* remain responsible for decisions regarding *attest clients*, *attest engagements*, quality management, *independence*, risk management, and attest *firm* personnel. The attest *firm partners* and members of the *attest engagement team* may be employees of the nonattest entity.
- d. The nonattest entity does not meet the characteristics of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B]. The owners of the nonattest entity may include attest *firm partners*, nonattest entity principals, and investors.
- e. The attest *firm* has its own governing body, such as a board of directors (attest *firm* board) that is separate from the nonattest entity’s governing body and is not elected by the nonattest entity’s governing body. The attest *firm* board is involved in budgetary decisions of the attest *firm*.
- f. The nonattest entity has a governing body, such as a board of directors or equivalent body (nonattest entity board) that includes representation from the investor, oftentimes relative to its *financial interest* in the nonattest entity. The nonattest entity board may be the governing body of a parent entity with direct oversight over the nonattest entity. Decisions regarding compensation, finance and budget, resource allocation, and strategic decisions of the nonattest entity are made at the board level; however, the nonattest entity board does not make ordinary-course managerial and operational decisions related to the nonattest entity. Such decisions are made by senior management of the nonattest entity. The nonattest entity board has the authority to approve the budget, including compensation of the attest *firm partners* either on a pooled or individual basis, and may delegate these responsibilities to subcommittees, which may include attest *partner* representation.
- g. The attest *firm* maintains an administrative services agreement (or similar agreement) with the nonattest entity. Under this agreement, the attest *firm* compensates the nonattest entity for administrative support, leased employees, equipment, office space, and other resources. The administrative services agreement is generally structured with

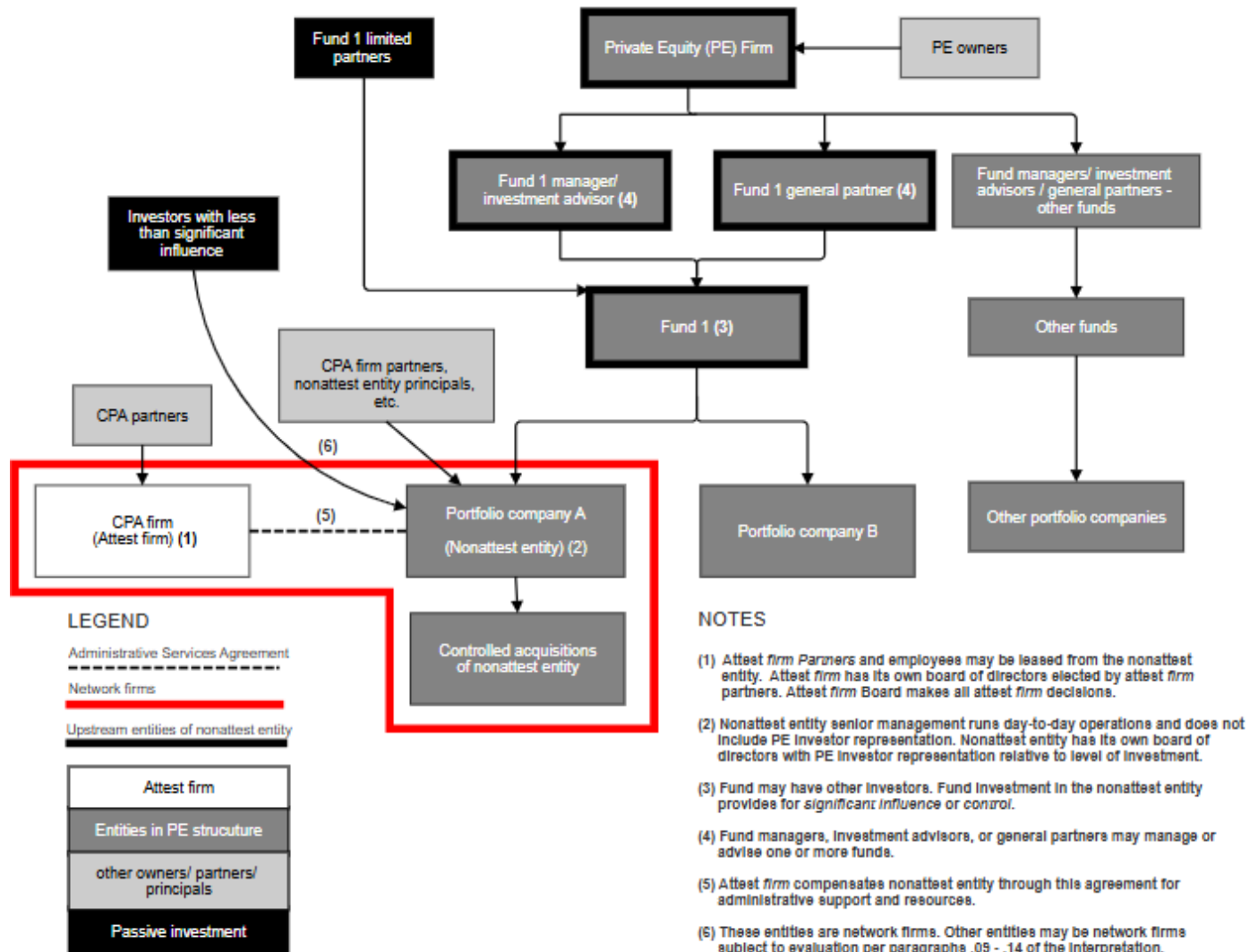
defined terms, renewal provisions, and termination rights, including the right to exit if the relationship is no longer aligned with professional standards.

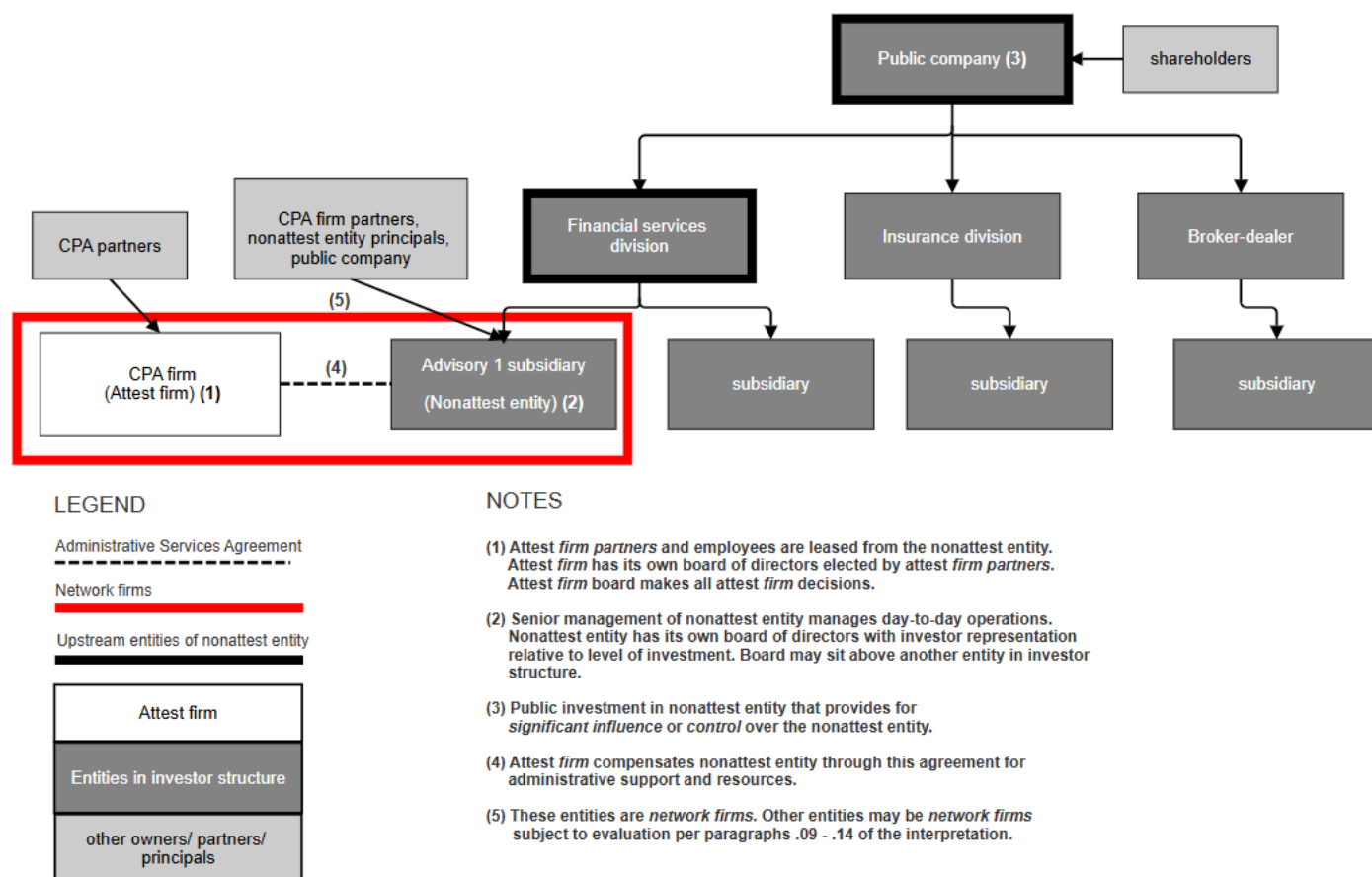
- h. The chief executives or equivalents of the attest *firm* and nonattest entity are usually not the same individual. The chief executive or equivalent of the attest *firm* reports to the attest *firm* board, while the chief executive or equivalent of the nonattest entity reports to the nonattest entity board.

.06 The following diagram depicts an example of an APS with a public or private investor that has either a *significant influence* or *controlling* investment in the nonattest entity.



.07 The following diagrams depict an APS with a PE investor, followed by an APS with a public company investor, that has either *significant influence* or a *controlling* investment in the nonattest entity.





Interpretation

.08 *Members* operating in an APS should perform the following steps when identifying and evaluating relationships to comply with the “Independence Rule” [1.200.001] and its *interpretations*.

- Determine which entities are *network firms* of the attest firm by (i) applying the *network* definition and then (ii) applying the *network firm* definition (paragraphs .09–.14).
- Determine which individuals are *covered members* (paragraphs .15–.16).
- Identify relationships and circumstances that create *threats* to *independence*.
 - Determine whether the relationships and circumstances described in paragraph .18a.–d. exist. When these relationships and circumstances exist, *threats* are not at an *acceptable level* and cannot be reduced to an *acceptable level* by the application of *safeguards*, and *independence* is *impaired*.

- ii. Apply the “Conceptual Framework for Independence” interpretation [1.210.010] to relationships and circumstances not prohibited by .18a.–d. that the *member* knows or has reason to believe exist, such as those identified in paragraph .20.

Network firms

- .09 The attest *firm* and nonattest entity are *network firms* because they cooperate to enhance the *firms’* capabilities to provide *professional services* and share one or more of the characteristics described in the definition of *network* [0.400.35].
- .10 The attest *firm* should consider whether an investor with *significant influence* or *control* over the nonattest entity is part of the attest *firm’s network*. This determination should be based on whether the investor cooperates with the attest *firm* to enhance its capabilities to provide *professional services* and meets one or more of the characteristics described in the definition of *network* [0.400.35].
- .11 When evaluating whether an entity is part of the attest *firm’s network*, the determination should be based on the relationship between the attest *firm* and the entity that is being evaluated except as outlined in paragraphs .12 and .13.
- .12 The attest *firm* should then consider if additional entities are part of the *network* through application of the definition of *network firm* [0.400.36]. For example, entities that the nonattest entity *controls* meet the definition of *network firm* and are therefore part of the attest *firm’s network*.
- .13 The attest *firm* should consider whether an investor that *controls* the nonattest entity but does not meet the characteristics of a *network* as described in paragraph .10 would meet the definition of a *network firm*. This determination should be based on whether the investor cooperates with the nonattest entity to enhance its capabilities to provide *professional services* as described in the definition of *network firm*.
- .14 Due to the close alignment of the attest *firm* and nonattest entity, the exceptions applicable to *network firms* within *interpretations* under the “Independence Rule” [1.200.001] do not apply to the nonattest entity and entities it *controls*. Therefore, the following requirements apply:
 - a. The nonattest entity, and entities it controls, should comply with the “Independence Rule” [1.200.001] and its *interpretations* with respect to all *attest clients*, which includes complying with the “Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements” subtopic [1.297].
 - b. Nonattest entity *partners*, *partner equivalents*, principals and professional employees are subject to the *interpretations* of the “Independence Rule” [1.200.001] that apply to individuals within the attest *firm*.

- c. The attest *firm* and nonattest entity, and entities it *controls*, should take specific steps to identify conflicts of interest that may arise due to their respective relationships with or between *clients* as set forth under the “Conflicts of Interest for Members in Public Practice” interpretation [1.110.010].

Covered members

- .15 Individuals outside the attest *firm* may be *covered members*. For example, nonattest entity board members who have the authority, whether exercised or not, to recommend or approve the compensation of the attest *firm partners* at the individual level are *covered members* because they are *individuals in a position to influence the attest engagement*.
- .16 Other individuals may need to be evaluated to determine if they meet the definition of a *covered member*, including the following:
 - a. Board members of the nonattest entity who do not have the authority to recommend or approve the compensation of the attest *firm partners* at the individual level
 - b. Individuals in the nonattest entity who directly supervise or manage the *attest engagement partner*, including all successively senior levels through the chief executive or equivalent of the nonattest entity (for example, executive committee members)

Relationships and circumstances with individuals and entities that may create threats to independence

- .17 *Threats* to compliance with the “Independence Rule” [1.200.001] may exist due to additional relationships involving individuals and entities that are not *network firms* or *covered members*.
- .18 *Threats* to compliance with the “Independence Rule” [1.200.001] are not at an *acceptable level* and cannot be reduced to an *acceptable level* through the application of *safeguards* and therefore, *independence* is *impaired* in the following circumstances:
 - a. In a *significant influence* investment or *controlling* investment, when an individual who is a member of *those charged with governance* over the nonattest entity serves in a *key position* at an *attest client* during the *period of the professional engagement* or the *period covered by the financial statements*
 - b. In a *significant influence* investment or *controlling* investment, when an *attest client* or an *affiliate* of a *financial statement attest client* is an upstream entity of the nonattest entity

- c. When an *attest client* has or the *attest client's* officers or directors have a *direct financial interest* in the nonattest entity or a *beneficial ownership interest* in more than 5 percent of the equity securities of the nonattest entity *Independence* is *impaired* regardless of whether the *attest client* has *significant influence* over the nonattest entity.
- d. In a *controlling* investment, when the investor either (i) has *significant influence* over an *attest client* and the *attest client* is material to the investor or (ii) *controls* the *attest client*

.19 To determine whether an *attest engagement* in paragraph .18 can be completed when a *financial statement attest client* is being acquired by the investor or when the attest *firm* acquires another *firm* that is providing an attest service to an investee of the investor, refer to the acquisition guidance in the “Client Affiliates” interpretation [1.224.010] and the “Firm Mergers and Acquisitions” interpretation [1.220.040], respectively.

.20 In both a *significant influence* investment and *controlling* investment, *members* should evaluate whether a relationship that is not prohibited by application of the “Independence Rule” [1.200.001] and its *interpretations* to *covered members*, *network firms*, or the additional requirements of this *interpretation*, create *threats* that require the *member* to apply *safeguards* to reduce those *threats* to an *acceptable level*. When *threats* cannot be eliminated or reduced to an *acceptable level*, *independence* is *impaired*. The following are examples of circumstances in which such relationships should be evaluated:

- a. The attest *firm* is determining whether it can provide an attest service to an investee or other entity of an investor that is not prohibited by paragraph .18b.–d. Examples of factors to consider when evaluating whether *threats* exist and are at an *acceptable level* include the following:
 - i. Whether the investor *controls* the nonattest entity
 - ii. Nature of the attest service
 - iii. Whether the investor has *significant influence* over or *controls* the investee or other entity of the investor
 - iv. Whether the investee or other entity of the investor is material to the investor or another upstream entity of the nonattest entity
 - v. Whether the *financial statements* of the investee or of another entity of the investor are consolidated with the investor
 - vi. Whether the investee or other entity of the investor has separate governance and separate management from the nonattest entity

- vii. Whether the investee or other entity of the investor is an existing *attest client* that the investor is targeting as an acquisition
 - viii. Whether the *attest engagement* arose from a referral, introduction, or recommendation by a representative of the investor
 - ix. Whether a key stakeholder of the investor is on the board of the investee or other entity of the investor
 - x. Whether the investment in the investee or other entity of the investor is managed by the same individual or entity as the nonattest entity (for example, the fund, general partner, or investment adviser)
- b. The attest *firm* knows or has reason to believe that a financial, employment (including *key positions*), or business relationship not prohibited by paragraph .18a exists between an *attest client* and any of the following individuals or entities that are not *covered members* or *network firms*:
- i. Nonattest entity board members who are appointed by an investor with at least *significant influence* over the nonattest entity
 - ii. Key stakeholders of the investor with at least *significant influence* over the nonattest entity
 - iii. Upstream entities of the nonattest entity including individuals in *key positions* at those entities
 - iv. Investors with less than *significant influence* over the nonattest entity
- c. The attest *firm* knows or has reason to believe that an *attest client* has a *financial interest* in an investor with at least *significant influence* over the nonattest entity that is not prohibited by paragraph .18b. Examples of factors to consider when evaluating whether *threats* exist and are at an *acceptable level* include the following:
- i. The nature of the attest service
 - ii. Whether the *attest client* has *significant influence* over the investor
 - iii. Whether the investment is material to the *attest client*
 - iv. Whether the investment is a *direct* or *indirect financial interest* in the investor

Relationships with individuals and entities that generally do not create threats to independence

.21 Relationships with the following individuals and entities generally do not create *threats* to *independence*. Therefore, these individuals and entities are generally not subject to the “Independence Rule” [1.200.001] and its *interpretations*.

- a. Limited partners with a *financial interest* in the investor, or the investment vehicle that holds the investment in the nonattest entity, when the limited partner has less than *significant influence* over the investor or investment vehicle.
- b. Investees of an investor with less than *significant influence over the nonattest entity*, unless the investees meet the definition of *network firms*.
- c. *Immediate family* members of the individuals listed in paragraph .20b.

.22 An investee of an investor, that is not a *network firm*, may provide nonattest services to, or enter into a business relationship with, an *attest client* of the attest *firm* that would *impair independence* if performed by, or entered into with, the attest *firm*.

Proposed revisions to definition and interpretations (redline)

Additions appear in ***boldface italic***. Deletions appear in ~~strikethrough~~.

Terms defined in the AICPA Code of Professional Conduct are italicized in this document. If you'd like to see the definitions, you can find them in "Definitions" ([ET sec. 0.400](#))

0.400.36 Definition of *network firm*

ET sec. 0.400.36 Network firm. A *firm* or other entity that belongs to a *network*. This includes any entity that, ~~the network~~ by itself or through one or more of its owners, ~~controls~~ or is ~~controlled~~ by, or is under common control with

- a. ***the network firm controls, or***
- b. ***controls the network firm and cooperates with the network firm for the purpose of enhancing that network firm's capabilities to provide professional services.***

1.810.050 Alternative Practice Structures

.01 The "[Form of Organization and Name Rule](#)" [1.800.001] states, "A *member* may practice public accounting only in a form of organization permitted by law or regulation whose characteristics conform to resolutions of *Council*." The *Council* resolution ([appendix B](#)) requires, among other things, that CPAs own a majority of the *financial interests* in a *firm* engaged to provide attest services (as defined therein) to the public. This interpretation explains the application of this rule to an alternative practice structure (APS) ~~in which (a) the majority of the financial interests in the attest firm is owned by CPAs and (b) all or substantially all of the revenues are paid to another entity in return for services and the lease of employees, equipment, and office space.~~ ***as described in the "Alternative Practice Structures" interpretation (ET sec. 1.220.020).***

.02 To protect the public interest, the overriding focus of the [resolution](#) is that CPAs remain responsible, financially and otherwise, for a firm's attest work. In addition to the provisions of the [resolution](#), other requirements of the code and bylaws ensure responsibility for

- a. compliance with all aspects of applicable law or regulation,
- b. enrollment in an AICPA-approved practice monitoring program,

- c. compliance with the “[Independence Rule](#)” [1.200.001], and
- d. compliance with applicable standards promulgated by Council-designated bodies (“[Compliance With Standards Rule](#)” [1.310.001]) and all other provisions of the code, including “[Structure and Application of the AICPA Code](#)” [0.200].

~~.03 Given all the previously mentioned safeguards that protect the public interest, if the CPAs who own the attest firm remain financially responsible, under applicable law or regulation, for the firm’s attest work, the member is considered to be in compliance with the financial interests provision of the resolution. [Prior reference: paragraph .04 of ET section 505]~~

.03 The member should disclose to the client which professional services are provided by the firm engaged to provide attest services and which are provided by the closely aligned entity that performs professional services other than attest services (nonattest entity). See paragraph .05d. of the “Alternative Practice Structures” interpretation (1.220.020) for description of nonattest entity.

1.210.010 Conceptual Framework for Independence

[Paragraphs .01–.17 are unchanged.]

.18 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual’s reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. Management threatens to replace the *member* or *member’s firm* over a disagreement on the application of an accounting principle.
- b. Management pressures the *member* to reduce necessary audit procedures in order to reduce audit fees.
- c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]
- d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.
- e. ***In an alternative practice structure, the investor pressures the attest firm and/or nonattest entity to meet internal or external targets.***

- f. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest firm, such as independence, quality management, or compensation decisions of attest partners.***

[Paragraphs .19–.23 are unchanged.]

1.000.010 Conceptual Framework for Members in Public Practice

[Paragraphs .01–.15 are unchanged.]

.16 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. The *firm* is threatened with dismissal from a *client* engagement.
- b. The *client* indicates that it will not award additional engagements to the *firm* if the *firm* continues to disagree with the *client* on an accounting or tax matter.
- c. An individual associated with the *client* or any relevant third party threatens to withdraw or terminate a *professional service* unless the *member* reaches certain judgments or conclusions.
- d. ***In an alternative practice structure, the investor pressures the attest firm and/or nonattest entity to meet internal or external targets.***
- e. ***In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest firm, such as independence, quality management, or compensation decisions of attest partners.***

[Paragraphs .17–.24 are unchanged.]

Proposed revisions to definition and interpretations (clean)

0.400.36 Definition of *network firm*

ET sec. 0.400.36 Network firm. A *firm* or other entity that belongs to a *network*. This includes an entity that, by itself or through one or more of its owners,

- a. the *network firm* controls, or
- b. controls the *network firm* and cooperates with the *network firm* for the purpose of enhancing that *network firm*'s capabilities to provide *professional services*.

1.810.050 Alternative Practice Structures

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- c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]
- d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.
- e. In an alternative practice structure, the investor pressures the attest *firm* and/or nonattest entity to meet internal or external targets.
- f. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest *firm*, such as *independence*, quality management, or compensation decisions of attest *partners*.

[Paragraphs .19–.23 are unchanged.]

1.000.010 Conceptual Framework for Members in Public Practice

[Paragraphs .01–.15 are unchanged.]

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- a. The *firm* is threatened with dismissal from a *client* engagement.

- b. The *client* indicates that it will not award additional engagements to the *firm* if the *firm* continues to disagree with the *client* on an accounting or tax matter.
- c. An individual associated with the *client* or any relevant third party threatens to withdraw or terminate a *professional service* unless the *member* reaches certain judgments or conclusions.
- d. In an alternative practice structure, the investor pressures the attest *firm* and/or nonattest entity to meet internal or external targets.
- e. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest *firm*, such as *independence*, quality management, or compensation decisions of attest *partners*.

[Paragraphs .17–.24 are unchanged.]

Acknowledgments

Alternative Practice Structures Task Force

Anna Dourdourekas, Co-chair

Lisa Snyder, Co-chair

Cathy Allen

Peter Bible

Andreea Danel

Jennifer Elder

Jason Evans

Kelly Hnatt

Paul Meyer

Randy Milligan

Rashi Ray

Al Tanju

Bisi Tairu

Joe Turkewitz

Paula Young

Observers

Katy Al-Khalidi

Marcus Aron

Michele Craig

Aron Dunn

Jill Hutchison

Steven Platau

Mark Sotichack

AICPA staff

Toni Lee-Andrews, Director — Professional Ethics

Ellen Gorla, Associate Director — Professional Ethics

Joan Farris, Senior Manager — Professional Ethics

Summer Young, Manager – Professional Ethics

The committee wishes to acknowledge the contributions of Bob Denham, who passed away during the course of this work. His dedication and expertise were invaluable to the committee's efforts, and his presence will be greatly missed.



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White Paper

**National Association of State Boards of Accountancy
Private Equity Task Force**

**Alternative Practice Structures & Private Equity:
Considerations and Questions for Boards of Accountancy**

October 24, 2025

**Comments are requested by January 31, 2026
Submit all comments to petaskforce@nasba.org**

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National Association of State Boards of Accountancy Private Equity Task Force

Alternative Practice Structures & Private Equity: Considerations and Questions for Boards of Accountancy

Executive Summary

Private equity (PE) investment in the accounting profession is an emerging trend that offers opportunities for growth, modernization, and succession. Yet it also raises questions related to how Boards of Accountancy regulate this issue to ensure public protection.

In response to these questions, National Association of State Boards of Accountancy (NASBA) Chair Maria Caldwell appointed the NASBA Private Equity Task Force (PE Task Force) to evaluate the implications of PE investment in the accounting profession and identify ways to support state boards in their oversight responsibilities. The PE Task Force is also charged with exploring how PE ownership may impact the public interest, firm independence, governance structures, and audit quality.

The members of the Private Equity Task Force are:

- Dan Vuckovich, CPA, Chair—NASBA Board of Directors' Member; NASBA Mountain Regional Director; Member, Montana Board of Public Accountants
- Barry Berkowitz, CPA—NASBA Board of Directors' Directors-at-Large Member
- Boyd Busby, CPA—Executive Director, Alabama State Board of Public Accountancy
- Dominic Franzella—Executive Officer, California Board of Accountancy
- Dale Mullen, Esq.—Member, Virginia Board of Accountancy
- David Nance, CPA—Executive Director, North Carolina Board of CPA Examiners
- Steve Platau, CPA—Member, Florida Board of Accountancy
- Melissa Ruff, CPA—NASBA Board of Directors' Member; NASBA Central Regional Director; Chair, Nebraska Board of Public Accountancy

The purpose of this paper is for the PE Task Force to educate Boards of Accountancy and policymakers about both the benefits and challenges of PE investment and raise questions

about how best to protect investors and the public interest. While identifying key questions, this paper is not intended to provide guidance on how Boards of Accountancy should modify their oversight practices or statutory frameworks.

The paper includes:

- Background on Board of Accountancy regulation of certified public accountants (CPAs) and CPA firms
- An introduction to CPA firms operating in Alternative Practice Structure (APS) models that have PE investment
- Three key topics and questions for Boards of Accountancy on regulating PE investment in CPA firms

NASBA's Private Equity Task Force seeks feedback from Boards of Accountancy and other key stakeholders regarding the content of this white paper, and in particular regarding the key topics and questions. Please submit any comments and questions to petaskforce@nasba.org by January 31, 2026.

Background on Board of Accountancy Regulation of CPAs and CPA Firms

State legislatures charge Boards of Accountancy with regulating CPAs and CPA firms¹ to protect the public interest. Boards of Accountancy accomplish this by enforcing standards of competence, ethical conduct, and independence in the performance of public accounting services.

Generally, CPAs and CPA firms must be licensed to perform attest engagements. These engagements produce an examination, opinion, agreed-upon procedures report, or assurance regarding information provided by a third party. Financial statement users (including investors and banks) rely on attest work to make key investment decisions. Therefore, Board of Accountancy regulation of attest work is critical to the functioning of the U.S. economy.

Additionally, Boards of Accountancy require CPAs and CPA firms to comply with various professional standards, such as generally accepted auditing standards and the American

¹ The Uniform Accountancy Act defines "CPA Firm" in §3 of the Ninth Edition (2025):

"Firm" means a sole proprietorship, a corporation, a partnership or any other entity that is practicing public accountancy as defined by the Act and has been duly registered with the appropriate State Board of Accountancy." Uniform Accountancy Act, §3(f), 2025. For purposes of this paper, we distinguish between firms registered and licensed to practice public accountancy ("CPA firms") and all other entities, which are regarded as "non-CPA firms" under the regulatory framework. See *also* Fn. 5.

Institute of CPAs (AICPA) Code of Professional Conduct.² Due to the evolving nature of the accounting profession, Boards of Accountancy also require CPAs to complete continuing professional education to maintain or enhance their knowledge.

Boards of Accountancy require CPA firms that provide attest services to participate in an approved peer review program. The primary objective of peer review is to monitor and enhance the quality of accounting, auditing, and attestation services provided by CPA firms. Peer review evaluates a firm's system of quality control/management as it relates to its accounting and auditing practice for non-issuer (privately held) clients (when a system review is required or elected) or through an evaluation of select engagements (when eligible for an engagement review). In contrast, audits of issuers (public companies) fall under the oversight of the Public Company Accounting Oversight Board. Peer review gives the public, regulators, and other financial statement users greater confidence in the reliability of the information they receive.

An Introduction to CPA firms operating in APS models that have PE investment

Non-CPA minority ownership has long been permitted within CPA firm structures. However, regulatory requirements governing firm ownership impose important limitations. Most states' laws mandate that a majority of a CPA firm's ownership—both in terms of equity and voting rights—be held by licensed CPAs.³ In addition, at least 44 jurisdictions require that non-CPA firm owners be individual persons who are actively engaged in the firm's business.⁴ These legal provisions restrict the extent to which non-licensees and passive investors can hold an ownership interest in a CPA firm. As a result, PE investors often structure their involvement in CPA firms through APSs which allow for investment in the non-attest side of the firm's business while ensuring that attest services remain under the control and oversight of licensed CPAs, in compliance with professional and regulatory requirements.

The AICPA Code of Professional Conduct defines an APS as “a form of organization in which a CPA firm that provides attest services is closely aligned with another public or

² The American Institute of CPAs (AICPA) Code of Professional Conduct is widely adopted throughout the U.S. At least 37 Boards of Accountancy have adopted the AICPA Code of Professional Conduct by reference in whole or in part. A further 8 Boards of Accountancy have their own state code of professional conduct, containing references to, or largely based on, the AICPA Code of Professional Conduct. Thus, any existing or new AICPA Code of Professional Conduct requirements will flow down to most states' laws and rules.

³ Two jurisdictions (Hawaii and the Commonwealth of the Northern Mariana Islands) require 100% CPA ownership of firms. All other jurisdictions require majority licensee ownership.

⁴ The Ninth Edition of the Uniform Accountancy Act (2025) at §7(c)(2) also includes this requirement: “Any CPA or PA firm as defined in this Act may include non-licensee owners provided that ... [a]ll non-licensee owners are of good moral character and active individual participants in the CPA or PA firm or affiliated entities.” The terms “active individual participant” and “affiliated entities” are not defined in the Uniform Accountancy Act or Model Rules.

private organization [non-attest entity]⁵ that performs other professional services.”⁶ This non-attest entity may receive PE investment, provide non-attest services, and perform key administrative functions for both entities. See Appendix 2, Table 1 for a diagram of a simplified ownership structure of an APS structured CPA firm.

Generally, APS, as it pertains to PE in CPA firms, operates in a business structure whereby the CPA firm providing attest/assurance services (often referred to as the “attest firm”) is closely aligned with the non-attest entity. See Appendix 2, Table 2 for a diagram of a simplified ownership structure of a CPA firm operating in an APS model that has PE investment.

During the 1990s, many CPA firms sought to expand beyond traditional audit and tax services into consulting, technology, and financial advisory work. However, as mentioned previously, state laws and professional regulations limit non-CPA ownership and investment in CPA firms. These restrictions made it difficult for firms to access external capital or form partnerships with non-CPA professionals, such as management consultants and IT specialists. To overcome these barriers, firms began developing APSs which allowed investors and non-CPAs to participate financially in the broader business while keeping the attest function under the control of licensed CPAs, as required by law.

Following the proliferation of this new investment model, the AICPA and Boards of Accountancy clarified rules and standards on ownership and independence, reinforcing that only CPA-owned entities could issue attest reports. APSs provided a way to separate the attest entity (CPA-owned) from the non-attest entity (which could be owned and/or funded by non-CPAs). This model preserved compliance with state accountancy laws while enabling firms to remain competitive and attract non-CPA expertise and investment.

The APS framework remains relevant today, as PE investment in APS firm structures has recently increased significantly. The APS model allows firms to balance the profession’s regulatory requirements with market flexibility and growth opportunities. This increased PE investment has occurred across the country in larger and smaller markets, and has impacted small, medium, and large firms.⁷ PE investment in CPA firms follows several

⁵ The Ninth Edition of the Uniform Accountancy Act (2025) does not include a definition for “non-CPA firm” or “non-attest entity.” Rather, a non-CPA firm or non-attest entity is understood contextually as any entity providing accounting-related services that is not licensed by its Board of Accountancy. That is, a firm which does not hold a permit to practice public accountancy. Uniform Accountancy Act, §3(f).

⁶ Alternative Practice Structures interpretation (*ET* sec. 1.220.020) of the Independence Rule.

⁷ Press accounts from 2023 and 2024 cite examples of small, medium, and large sized attest firms being approached by PE investors. See, e.g., *Journal of Accounting*, *Private Equity Eyes CPA firms Large and Small*, Feb. 1, 2023 (noting that more than half of the largest attest firms are involved in, or contemplating, PE-backed APS structures); see also CFO Brew, *Private Equity is Reshaping the Accounting Profession*, Sept. 17, 2024 (Reportedly, “you have midsized PE firms partnering with midsized accounting firms, and now you even

other recent trends, including PE investment in other licensed professions, such as medical and engineering professions.⁸ This trend has also coincided with the increased adoption of artificial intelligence within the CPA profession; the need for access to increased capital to supply attest firms with improved information technology resources; and recent waves of firm consolidation and restructuring associated with retirements at small firms.⁹

Reportedly, PE investors find CPA firms to be an attractive investment vehicle for several reasons, including the fact that they “often have stable, recurring revenue streams,” and given that “the fragmented nature of the accounting industry presents opportunities for consolidation and economies of scale.”¹⁰

Under the APS model, attest firms provide audit and assurance services, as required by law. The attest firm’s ownership structure must continue to adhere to requirements that maintain CPA ownership and control of the attest firm. The non-attest entity provides non-attest services including tax, consulting, management, and advisory services. The ownership structure for the non-attest firm varies, and may include a combination of CPAs, CPA partners in the attest firm, PE investors, and potentially other individuals and/or entity owners.

The attest firm and non-attest entity operate under a wide-ranging administrative services agreement. The non-attest entity provides centralized administrative functions to the attest firm including human resources, staffing, information technology, marketing, and general office administration. The attest firm and non-attest entity generally share branding, websites, and some operational leadership.

have small PE firms partnering with small CPA firms”); see also CFO Brew, *Private Equity Now Has a Stake in 20 of the Top 30 CPA Firms*, Nov. 20, 2024.

⁸ Some CPAs have asked questions about news and periodical coverage critical of private equity investment in medical professions. See, e.g., Bloomberg Tax, *Private Equity-Fueled Shakeup Coming for Accounting Industry*, April 30, 2025 (“Some studies have shown a deterioration in patient care after private equity targeted the health care industry, for instance, while others reported slightly improved care”); see also Wall Street Journal, *Doctors Warn Accountants of Private-Equity Drain on Quality: You Could be Next*, May 7, 2025 (“many doctors have decried private-equity firms’ push into healthcare, saying patient care has eroded under their ownership”).

⁹ See Thomson Reuters, *Some Tax, Audit & CPA firms are Rejecting Private Equity in Favor of Independence*, May 30, 2025 (“Private equity has flooded the profession with capital for firms to pay retiring partners, acquire smaller firms, improve technology, and expand client services.”)

¹⁰ See Thomson Reuters, *The Rise of Private Equity in Accounting: Not Just for Large Firms Anymore*, Aug. 20, 2024.

Three Key Topics and Questions for Boards of Accountancy on Regulating PE Investment in CPA Firms

The PE Task Force has identified three key topics for consideration by Boards of Accountancy: independence and professional standards; disclosure and public understanding; and regulatory oversight and enforcement. Under each of these three categories below, this white paper poses questions for Boards of Accountancy regarding responsible regulation of the accounting profession and protection of the public interest.

1. Independence and Professional Standards

Summary:

Independence remains the cornerstone of public trust in the accounting profession. When PE investors become closely aligned with CPA firms through APSs, complex relationships emerge that can threaten both actual and perceived independence.¹¹ The fundamental challenge lies in ensuring that attest firms maintain the requisite professional judgment, technical competence, and ethical standards while operating within increasingly sophisticated ownership and management structures.¹² Boards of Accountancy should evaluate whether existing independence frameworks adequately address the unique risks posed by PE involvement, including potential conflicts arising from shared management, compensation structures, and client relationships across attest firms and non-attest entities.

To ensure compliance with professional standards, non-attest entities' involvement in management, compensation, and performance evaluation decisions regarding CPAs at attest firms must not affect audit quality and auditor independence. The current version of the AICPA Code of Professional Conduct (AICPA Code) includes independence rules;¹³ requirements for organizational structures and names;¹⁴ guidance regarding organizational structures and names,¹⁵ including defining whether a firm is part of a "network" and determining what name requirements would apply to connected and related attest firms and related non-attest organizations.¹⁶

¹¹ Wall Street Journal, *Private Equity Has Closer Ties to Companies' Auditors Than Ever Before*, Oct. 30, 2024.

¹² Accounting Today, *Capital vs. Control: PE's Impact on CPA Firms*, Dec. 5, 2024.

¹³ AICPA Code of Professional Conduct, last updated March 1, 2025, at Secs. 1.200.001; 1.220.020; and Sec. 1.800.001.

¹⁴ *Id.* at Sec. 1.800.001.

¹⁵ *Id.* at Sec. 1.810.050.

¹⁶ *Id.* at Sec. .400.35.

In response to the proliferation of PE investment in attest firms, AICPA's Professional Ethics Executive Committee (PEEC) recently issued a memorandum flagging potential gaps in this guidance as it pertains to attest firms operating in an APS model with PE investment.¹⁷ PEEC's review and revision process should result in an exposure draft of the standard changes later in 2025, followed by the roll-out of new AICPA Code language aimed specifically at PE investment practices.¹⁸

Core Questions:

- How should attest firms operating in an APS model with PE investment maintain audit quality and avoid undue influence and pressure to perform, if non-attest entities influence the attest firm's management, compensation, and performance evaluations?
- What restrictions should apply to PE investors and their portfolio companies becoming attest clients of an attest firm within their same shared APS structure?
- How should peer review processes address the complexity of independence considerations introduced by APS structures with PE investment?
- Are there adequate safeguards to ensure that attest firms maintain the necessary internal knowledge and frameworks for compliance with the AICPA Code, and federal/state laws and rules, specifically around the protection of confidential client information?
- How can Boards of Accountancy and other standard setting bodies address independence concerns based on the size and scale of attest firms' relationships?
- Are there positions taken within PEEC's memorandum *Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures* that you believe should impose more restrictive requirements regarding attest firm independence? If so, which provisions, how would you modify them, and why?
- Would your Board of Accountancy consider adopting stricter laws or rules associated with independence than those in the AICPA Code, to enhance public protection?

¹⁷ See AICPA Professional Ethics Division, *Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures*, March 10, 2025.

¹⁸ See *id.* NASBA has responded to the PEEC request for comments with a June 13, 2025 response letter, available on NASBA's website: <https://nasba.org/wp-content/uploads/2025/06/June-13-2025-NASBA-Response-Letter-PEEC-APS-DM-FINAL.pdf>.

2. Disclosure and Public Understanding

Summary:

Commentators have noted that "an auditor's objectivity, both real and perceived, is critical to the business of [CPA] firms, which typically also have consulting and tax operations."¹⁹ Thus, "experts stress the importance of a clear distinction between which parts of a firm are owned by CPAs and which are not, both from a legal standpoint and a client relationship perspective."²⁰

The public's ability to make informed decisions about professional services depends on clear, accessible information about firm ownership, service boundaries, and regulatory oversight. When APS structures with PE investment blur traditional firm boundaries, enhanced disclosure requirements become essential to maintain transparency and consumer protection.

Core Questions:

- Should Boards of Accountancy require more prominent and standardized disclosures on websites and marketing materials, distinguishing attest and non-attest entities under common control?
- How can Boards of Accountancy better educate consumers about the distinction between attest and non-attest services in APS structures?
- What clarity is needed regarding Uniform Accountancy Act and Model Rules' wording on the use of the CPA title²¹ by individuals not associated with attest firms?
- How should advertising practices be regulated to provide transparency regarding the relationship between attest firms and non-attest entities?

¹⁹ Wall Street Journal, *Private Equity Has Closer Ties to Companies' Auditors Than Ever Before*, Oct. 30, 2024.

²⁰ Accounting Today, *Capital vs. Control: PE's Impact on CPA Firms*, Dec. 5, 2024.

²¹ When individuals who have earned the CPA license are allowed to display the designation, consumers are afforded a greater understanding regarding these individuals' background. Consumers can review Board of Accountancy websites to understand the regulatory framework, including how individuals obtained licensure; consumers can review online licensing records, including prior enforcement information; and consumers have a place to file a complaint, should the need arise.

3. Regulatory Oversight and Enforcement

Summary:

The emergence of APS models that have PE investment creates challenges for Board of Accountancy oversight and enforcement capabilities. Traditional regulatory frameworks were designed for simpler firm structures operating within clear jurisdictional boundaries. Firms operating in an APS structure with PE investment often operate across multiple states with complex ownership structures, exposing regulatory gaps or inconsistencies between jurisdictions.

Boards of Accountancy should adapt their oversight mechanisms to ensure effective regulation of these sophisticated structures while maintaining their core mission of public protection. This includes developing new approaches to licensing, monitoring, and enforcement that account for the interstate and multi-entity nature of modern attest firms.

Core Questions:

- What are the implications of differing state definitions of “the practice of public accountancy” for attest firms operating nationally under APS models?
- Would Boards of Accountancy find it helpful for the UAA to include definitions of “active individual participant” or “affiliated entities” within its requirements for non-CPA firm owners?²²
- How should Boards of Accountancy coordinate oversight when CPA firms operating under an APS model with PE investments conduct business across multiple jurisdictions?
- Regarding CPA firm registration requirements, do Boards of Accountancy need details on an attest firm’s principal place of business and physical presence in the jurisdiction, to ensure compliance with relevant laws and rules?

Conclusion

The PE Task Force encourages responses from Boards of Accountancy and other key stakeholders regarding the questions and topics included in the white paper. Please submit any comments and questions to petaskforce@nasba.org by January 31, 2026.

Responses received will guide NASBA and the PE Task Force’s next steps on this issue, including potentially suggesting revisions to the Uniform Accountancy Act and Model Rules

²² Uniform Accountancy Act § 7(c)(2)(B): “Any CPA or PA firm as defined in this Act may include non-licensee owners provided that ... All non-licensee owners are of good moral character and active individual participants in the CPA or PA firm or affiliated entities.”

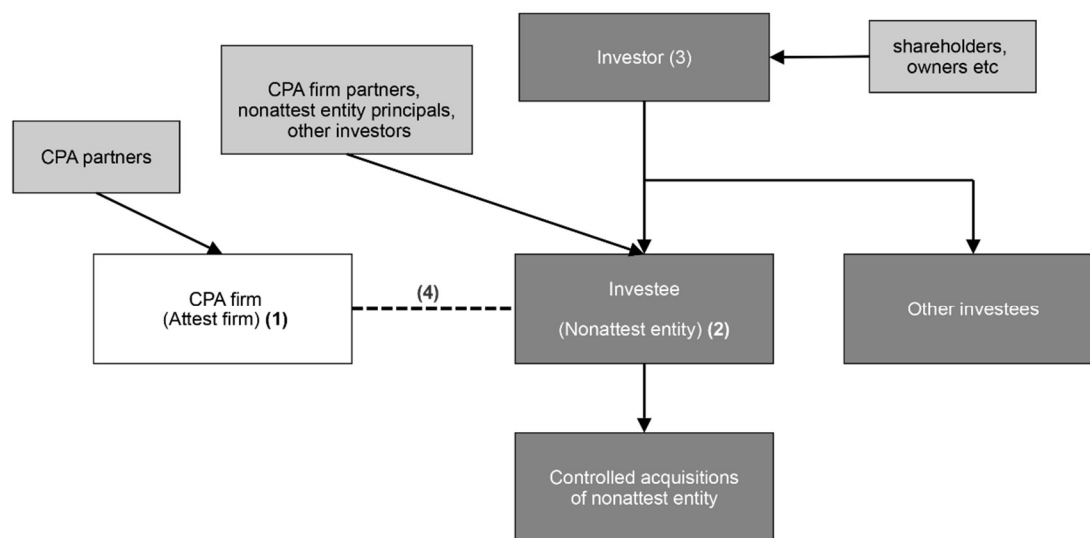
for consideration by the AICPA/NASBA Uniform Accountancy Act Committee; a PE Task Force report highlighting key questions and concerns; and future webinars and presentations educating stakeholders on this topic.

Appendix 1: Sources

- Journal of Accountancy, *Private Equity Eyes CPA firms Large and Small*, Feb. 1, 2023.
- Thomson Reuters, *The Rise of Private Equity in Accounting: Not Just for Large Firms Anymore*, Aug. 20, 2024.
- CFO Brew, *Private Equity is Reshaping the Accounting Profession*, Sept. 17, 2024.
- Wall Street Journal, *Private Equity's Ties to Companies' Auditors Have Never Been Closer. That Worries Some Regulators*, Oct. 30, 2024.
- CFO Brew, *Private Equity Now Has a Stake in 20 of the Top 30 CPA Firms*, Nov. 20, 2024.
- Accounting Today, *Capital vs. Control: PE's Impact on CPA Firms*, Dec. 5, 2024.
- Bloomberg Tax, *Private Equity-Fueled Shakeup Coming for Accounting Industry*, April 30, 2025.
- Wall Street Journal, *Doctors Warn Accountants of Private-Equity Drain on Quality: You Could be Next*, May 7, 2025.
- Thomson Reuters, *Some Tax, Audit & CPA firms are Rejecting Private Equity in Favor of Independence*, May 30, 2025.

Appendix 2: Tables

Table 1: The following is a diagram of a typical APS structure, applicable to any investor.²³



LEGEND

Administrative Services Agreement

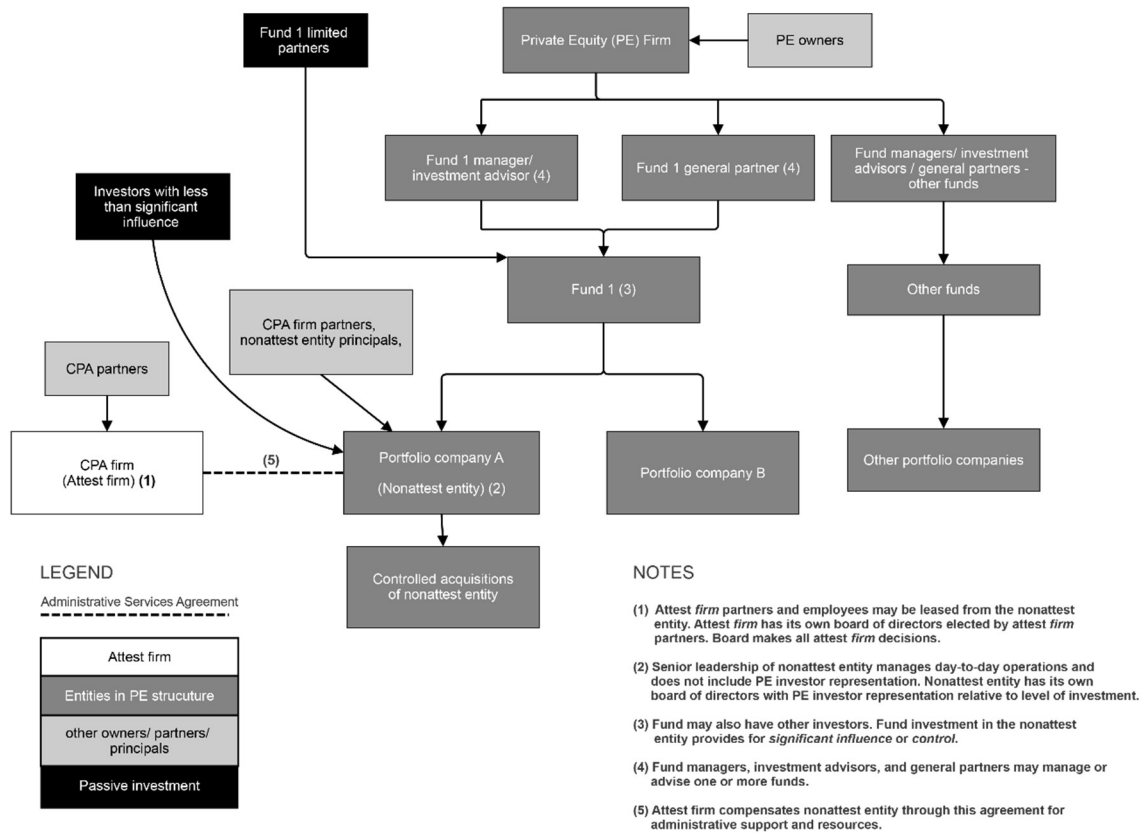
Attest firm
Entities in investor structure
other owners/ partners/ principals

NOTES

- (1) Attest firm partners and employees are leased from the nonattest entity. Attest firm has its own board of directors elected by attest firm partners. Attest firm board makes all attest firm decisions.
- (2) Senior leadership of nonattest entity manages day-to-day operations and does not include investor representation. Nonattest entity has its own board of directors with investor representation relative to level of investment.
- (3) Public or private investment in nonattest entity that provides for significant influence or control over the nonattest entity.
- (4) Attest firm compensates nonattest entity through this agreement for administrative support and resources.

²³ See AICPA Professional Ethics Division, *Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structures*, March 10, 2025.

Table 2: The following is a diagram of a typical ownership structure of a CPA firm operating in an APS model that has PE investment.²⁴



²⁴ See *id.*

Scope of Practice Review for Firm Registration

Sub-committee members: Timothy Hammond, Charles Pezzino (chair), Elizabeth Bush

The sub-committee members reviewed the firm issue.

This would be a determination of offering restricted services that triggers a firm registration.

The owner of this entity, [Entity A, Inc.], is operating in NY. The owner's CPA license application is pending as they are unable to get their experience self-certified. The review of this entity came to our attention based on the applicant's response with an email signature block of the questionable firm with a NY address for their CPA licensure application.

The Board Office made contact with this person and discovered that they were "holding" out their firm as a CPA firm with the CPA in the name of the entity. With this [Entity A, CPA Inc.] is an incorporated entity (i.e. Inc.) and it is not a professional corporation (PC). The owner was notified it is not allowed to have CPA in the name of the firm. The firm owner complied, and the CPA title was removed in the entity name.

However, when the Board Office staff reviewed the services being offered, there were questionable services. Also it was questionable if the firm would be triggered to be a professional corporation that requires a firm registration. The areas were title "Audit Preparation Services" and "Audit Readiness".

The firm owner responded. "Audit preparation services do not constitute CPA-firm-only work. While performing audits or reviews requires a CPA firm licensed in New York, assisting clients with audit readiness—including improving internal controls, documentation, and compliance processes—does not. My work has been limited to audit preparation and advisory support; I have never represented that I perform audits or attest engagements requiring New York State licensure."

The sub-committee reviewed the firm's website, the response from the firm owner to determine if the circumstances required a firm registration based on the restricted services (attestation and compilation). They considered providing modifications if there was a potentially misleading audit services being offered.

This same firm owner also had their sole proprietorship [First Name Last Name, CPA] operating in NY as well and was separately instructed that it needed to be removed due to the use of CPA in the firm name. That was discovered through public search of [Entity A, CPA Inc.] from public sources as it would trigger firm registration.

The sub-committee noted that this entity needed to remove CPA references from website and all their correspondences. They concurred that the entity was not providing auditing or compilation services and it would not need to be registered. However, on their website under audit preparation services was found to be misleading. The suggestion was to modify audit consulting services or audit support services

and then bullet point the details, so the public is not mistaken to think they are receiving traditional audit services.

The firm complied and removed the information on its website that was questionable.

"I am writing in response to your letter regarding the registration status of my firm. Please be advised that my practice has never provided any attest, audit, or compilation services as defined under Education Law §7401-a. My work has been limited to tax preparation, tax strategy, bookkeeping, and related consulting services.

I acknowledge that the inclusion of "CPAs" in the firm's name created the appearance that the firm was a registered public accounting firm. To eliminate any confusion, I will immediately discontinue the use of "Entity A CPAs" in all marketing and public references, and will operate solely under "Entity A Inc." going forward.

Please confirm that this corrective action resolves the Department's compliance concerns. I am committed to ensuring my practice fully complies with New York State law and regulations."

TOGETHER

Strong Foundations Brighter Futures

118TH ANNUAL MEETING

CHICAGO, IL | OCTOBER 26-29, 2025

Sunday, October 26, 2025

3:00 - 5:00 pm	Registration	CHICAGO BALLROOM FOYER (4 th)
3:30 - 5:30 pm	CPT Ethics Workshop Sedrik Newbern President, NASBA Center for the Public Trust Chief Ethics Officer, NASBA	MICHIGAN AB (2-FL)
6:00 - 8:00 pm	Welcome Reception & Dinner	CHICAGO 8-10 (4-FL)

Monday, October 27, 2025

7:50 - 8:50 am	Breakfast (All Welcome)	CHICAGO 8-10 (4-FL)
9:00 - 10:45 AM	OPENING PLENARY SESSION	CHICAGO 6 & 7 (4-FL)
9:00 - 9:20 am	Call to Order and Introductions Maria E. Caldwell, CPA 2024-2025 Chair, NASBA	
9:20 - 9:30 am	Welcome to Chicago	
9:30 - 10:30 am	Linking our Foundations to Our Future: The Power of Passion, Patience, and Partnership Derek Young - Keynote	
10:30 - 10:45 am	A Year in Review: Report from NASBA Chair Maria E. Caldwell, CPA 2024-2025 Chair, NASBA	
10:45 - 11:00 AM	BREAK	CHICAGO BALLROOM FOYER (4-FL)
11:00 - 11:15 am	The Latest Developments from the AICPA: A Report from the AICPA Chair Lexy Kessler, CPA, CGMA 2025-2026 Chair, AICPA	CHICAGO 6 & 7 (4-FL)

Monday, October 27, 2025 continued

11:15 am - 12: 15 pm	The NASBA Diagnostic: Findings and Directions Brendan Tapley Consultant	
12:30 - 1:30 PM	ATTENDEE LUNCHEON	CHICAGO 8-10 (4-FL)
1:40 – 4:45 PM	AFTERNOON PLENARY SESSION	CHICAGO 6 & 7 (4-FL)
1:40 - 2:40 pm	Private Equity Task Force Panel Moderator: Wendy S. Garvin Executive Vice President, NASBA Dan Vuckovich, CPA-Retired Chair, NASBA Private Equity Task Force Dominic Franzella Executive Director, California Board of Accountancy Dale G. Mullen, JD, Esq. Member, Virginia Board of Accountancy	
2:40 - 3:10 pm	Legislative and Regulatory Update Katrina Salazar, CPA Chair, NASBA Legislative Support Committee John W. Johnson Vice President, Legislative and Government Affairs, NASBA	
3:10 – 3:40 PM	BREAK	CHICAGO BALLROOM FOYER (4-FL)
3:40 - 4:10 pm	CPE Statement on Standards Laurie A. Warwick, CPA Chair, NASBA CPE Committee	
4:10 - 4:45 pm	Growth in Ethics: A Report from the NASBA Center for the Public Trust Sedrik Newbern President, NASBA Center for the Public Trust Chief Ethics Officer, NASBA	
4:45 - 5:45 pm	CPT Fundraiser Event	FOUNTAINVIEW (3-FL)

Tuesday, October 28, 2025

7:45 - 8:15 am	Great Lakes Regional Breakout Breakfast	COLORADO
	Central Regional Breakout Breakfast	OHIO
	Southwest Regional Breakout Breakfast	GRANT PARK
	Mountain Regional Breakout Breakfast	ARKANSAS
	Pacific Regional Breakout Breakfast	MISSISSIPPI
	Southeast Regional Breakout Breakfast	MILLENNIUM PARK
	Middle Atlantic Regional Breakout Breakfast	MISSOURI
	Northeast Regional Breakout Breakfast	JACKSON PARK
8:15 - 9:45 am	Regional Breakout Meetings	SAME AS ABOVE
8:15 - 9:45 am	Breakfast for Other Attendees	CHICAGO 8-10 (4-FL)
10:00 AM – 1:15 PM	MORNING PLENARY SESSION	CHICAGO 6 & 7 (4-FL)
10:00 - 11:25 am	Annual Business Meeting	
	Minutes of the 117th Annual Meeting	
	Katrina Salazar, CPA Secretary	
	NASBA Awards	
	Richard N. Reisig, CPA Chair, NASBA Awards Committee	
	Election of NASBA Board Members	
	Stephanie M. Saunders, CPA Chair, NASBA Nominating Committee	
	Bylaws Committee Report	
	Jason D. Peery, CPA Chair, NASBA Bylaws Committee	
	Administration & Finance Committee Report	
11: 25 am - 12:00 pm	J. Andy Bonner, Jr., CPA, CGMA Treasurer	
	Audit Committee Report	
	Wilhelmus J. Schaffers, CPA Chair, NASBA Audit Committee	
	The State of NASBA	
	Daniel J. Dustin, CPA President and CEO, NASBA	
	First Meeting of 2025-2026 NASBA Board of Directors	
	ATTENDEE LUNCHEON	CHICAGO 8-10 (4-FL)
12:00 - 12:30 pm		
12:15 - 1:15 PM		

Tuesday, October 28, 2025 continued

1:30 - 4:45 PM	AFTERNOON PLENARY SESSION	CHICAGO 6 & 7 (4-FL)
1:30 - 2:30 pm	Inaugural Presentations Acknowledgements & Gratitude Maria E. Caldwell, CPA 2024-2025 Chair, NASBA Inaugural Address Nicola Neilon, CPA 2025-2026 Chair, NASBA	
2:30 - 3:15 pm	Artificial Intelligence "The Proactive Steward: How State Boards Can Guide an AI-Enabled Profession" Markus Bernhardt, PhD	
3:15 - 3:45 PM	BREAK	CHICAGO BALLROOM FOYER (4-FL)
3:45 - 4:15 pm	The CPA Exam: A Report on Progress William A. Emmer, CPA Chief Operations Officer, NASBA Michael A. Decker Vice President, CPA Examination and Pipeline-Public Accounting, AICPA	
4:15 - 4:45 pm	Legal Update Brenner Allen, Esq. Chief Legal Officer, NASBA	
4:45 pm	RECESS	
6:30 pm	Closing Celebration	

Wednesday, October 29, 2025

7:45 - 9:00 am	State Board President & Chair Breakfast Meeting Moderator: Nicola Neilon, CPA 2025-2026 Chair, NASBA	MAYFAIR (2-FL)
7:45 - 9:00 am	Executive Director & State Board Staff Breakfast Meeting Moderator: Martin Pittioni Executive Director, Oregon Board of Accountancy 2025-2026 Chair, NASBA Executive Directors Committee	FOUNTAINVIEW (3-FL)
8:00 - 9:00 am	Breakfast (All Welcome)	

Wednesday, October 29, 2025 continued

9:15 – 11:45 AM	MORNING PLENARY SESSION	CHICAGO 6 & 7 (4-FL)
9:15 - 9:45 am	International Qualifications Appraisal Board (IQAB) Sharon A. Jensen, CPA Chair, IQAB	
9:45 - 10:45 am	NASBA Accounting Education Research Grant Recipients: A Report of Their Findings Kris Hoang, PhD, CPA, CA Professor, Culverhouse School of Accountancy – University of Alabama JT Thazhathel Assistant Clinical Professor, Accounting, LeBow College of Business – Drexel University	
10:45 – 11:15 am	UAA Update Kent A. Absec Vice President, State Board Relations, NASBA	
11:15 - 11:30 am	Relying on the CPA Exam: A Report from the CPA Examination Review Board Faye D. Miller, CPA Chair, CPA Examination Review Board	
11:30 - 11:40 am	Questions for NASBA Leadership Nicola Neilon, CPA 2025-2026 Chair, NASBA Daniel J. Dustin, CPA President and CEO, NASBA	
11:40 - 11:45 am	2025 Annual Meeting Closing Remarks Invitation to 2026 Annual Nicola Neilon, CPA 2025-2026 Chair, NASBA	
11:45 am	Final Recap	
12:00 pm	ADJOURN	