



April 28, 2020

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

To Whom it May Concern:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the American Institute of Certified Public Accountant's Exposure Draft and Invitation to Comment – Maintaining the Relevance of the Uniform CPA Examination.

Below are our responses to the specific questions posed in the exposure draft and invitation to comment.

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

Overall, we do not believe that the findings align with the nICPA practice, given that there are many nICPAs who are not in public accounting. There does not appear to have been significant input from non-Public Accounting Firms when looking at Phase 1 of the exposure draft that dealt with Firm Meetings and Focus Groups. Specifically, as noted in the exposure draft, only one of eight focus groups (12.5%) included business, industry and government. Thus, since government is a sub-group of this focus group, government had very little representation.

Licensed CPAs serve the public interest by working directly for and auditing government entities, as well as participating as engaged citizens in their local communities. The magnitude of the sector requires appropriately educated accountants, auditors and engaged citizens to ensure the public interest. As the public demand for accountability in their government increases, along with the overall growth in business and governmental partnerships, it does not seem logical to remove the incentive for CPA professionals and the CPA profession in general to gain an adequate level of technical knowledge in the governmental sector.

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

2. *Do you agree with the proposed Exam changes? If not, please explain your rationale.*

Overall, we do not believe that parts of the exam related to governmental accounting and auditing should be removed, implemented or changed in scope. Our specific comments based on change numbers are –



1 – We recommend maintaining the content that tests knowledge of the independence rules and ethical requirements of the U.S. Government Accountability Office. To protect the public interest, it is important that the skills necessary to apply the candidate's knowledge of independence and ethics rules be tested for all types of assignments, not just those for which they may already have experience. The majority of governmental audits must be conducted in accordance with Generally Accepted Government Auditing Standards and many of those audits are conducted by private CPA firms. Since governments are a broad category of non-SEC filers that must adhere to AICPA audit standards, we consider this information as essential for future CPAs.

21 – Single Audit work is not only common for newly licensed CPAs, but is also an area of focus for the AICPA's Enhancing Audit Quality initiative and was identified (along with governmental GAAP financial reporting) as an emerging risk area for peer reviews. Therefore, we believe the Board should retain this content.

37, 38 & 39 – Given that there are over 90,000 governmental entities, the ability to understand and apply how the government-wide financial statements work is an area nICPAs need. We believe a comprehensive exam that includes aspects of governmental accounting is necessary to maintain a competent governmental accounting workforce. If state and local government content is removed from the CPA Exam, fewer universities will teach governmental accounting. This will impact the comprehensive education of accounting majors, making them less prepared for a career in the public sector.

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

We are in favor of expanded use of task-based simulations to take advantage of software capabilities.

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

No additional content has been identified that should be considered for removal.

BEC Invitation to comment

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

We agree with the AICPA's recommendation to remove the written communication question format from the CPA Exam. As stated, the current exam tested grammatical ability of the candidate not technical accuracy; as such, the written communication question provides no additional assurance of the competency of the candidate. In the event the essay question remains, we recommend the focus be on the technical accuracy of the subject matter.



FAR Invitation to comment

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

We strongly believe governmental accounting should continue to be assessed on the CPA exam. The document states that “a large majority of nICPAs are required to have very limited or no knowledge of financial accounting and reporting requirements for state and local governments”; however, the same can be said for many different areas of study within the exam. A large percentage of CPAs, CPA candidates, and accountants are involved in state and local government accounting, either through direct employment with those entities or through audit, compilation and consulting work done through public accounting firms. It’s unclear to us whether the AICPA consulted with any governmental entities that audit statewide CAFRs, which we find concerning, despite their significance to the United States economy, financial markets and its citizenry.

We disagree with the statement on page 32 that indicates that state and local governmental accounting and financial reporting is specialized. We believe it is no more specialized than other topics in the FASB arena that are addressed in the content of the CPA exam. GASB standards are not incidental or subordinate to FASB standards; they are stand-alone GAAP, affecting thousands of entities in the United States. GASB is an equal standard setter to FASB and should not be relegated to second-class.

A reduction in, and especially the elimination of, governmental accounting in the CPA Exam would likely reduce the resources allocated by colleges and universities to governmental accounting education. Not only would this limit the exposure to important concepts in governmental accounting for future accounting professionals, it would severely impair the recruiting efforts of government organizations.

A significant risk to the profession of removing the state and local government content would be that the CPA exam and license will have far less credibility for the government sector and will become viewed as a “private sector” license. It would be a detriment to the profession to exclude this large category of professional accountants and auditors. It would further be a detriment to the CPA brand and to a CPA’s job opportunities to be viewed as only relevant or applicable to certain accountants working in the private sector rather than the premier certification for any and all accountants.

In addition to the practical consequences of this decision, contemplating the removal of governmental accounting from the CPA Exam conflicts with one of the core objectives of the CPA Exam itself: supporting the profession’s commitment to protecting the public interest. Thousands of Single Audits are conducted each year covering billions in taxpayer funds, much of which are expended by governmental entities. Promoting awareness of how these governments account for taxpayer funds is very much in the public interest and retaining governmental accounting on the CPA exam is a means to this end.

Finally, the current health and financial crisis has greatly increased the importance of a working knowledge of government accounting and reporting at all levels of government. With the unprecedented amounts of federal money being provided to the states, and in turn to many

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local governments, as a result of the CARES Act, we believe it is now more important than ever that CPAs be knowledgeable of state and local government accounting.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (802) 828-3322.

Sincerely,

A handwritten signature in black ink that reads "Beth Pearce". The signature is written in a cursive style with a large, looped "P" and a long, sweeping underline.

Beth Pearce
President, NASACT
State Treasurer, Vermont