

June 23, 2017

Ms. Louise Dratler Haberman  
Vice President of Information & Research  
NASBA  
150 Fourth Avenue North, Suite 700  
Nashville, Tennessee 37219

By e-mail: [lhaberman@nasba.org](mailto:lhaberman@nasba.org)

**Re: Exposure Draft, Draft Model Rules for Continuing Professional Education (CPE)**

Dear Ms. Haberman:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

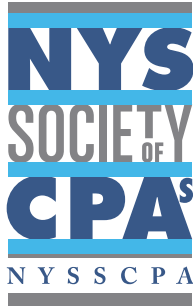
The NYSSCPA's Foundation for Accounting Education (FAE) Exposure Draft Task Force deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Steven S. Mezzio, president of FAE at (212) 719-8300, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink that reads "Harold Deiters III". The signature is written in a cursive style and is positioned over a faint, light blue watermark of the NYSSCPA logo.

Harold L. Deiters III  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**EXPOSURE DRAFT: DRAFT MODEL RULES FOR CONTINUING PROFESSIONAL  
EDUCATION (CPE)**

**June 23, 2017**

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James P. Hannon  
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# New York State Society of Certified Public Accountants

## Comments on

### Exposure Draft: Exposure Draft, Draft Model Rules for Continuing Professional Education (CPE)

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to comment on the exposure draft, Draft Model Rules for Continuing Professional Education (CPE) issued by the National Association of State Boards of Accountancy (NASBA). Our comments are presented in two categories, those we consider Higher Priority Comments and Other Comments.

#### **Higher Priority Comments**

##### **Rule 6-4 (a) (1) and (2)**

We understand that statutory rules associated with CPE may differ across the country. In this context, how each state complies with selected rules may differ. For example, the CPE requirements of Rule 6-4(a)(1) do not agree with New York (NY) State CPE requirements for ethics and the requirements of (a)(2) do not agree with NY State requirements that allow 24 contact hours concentrated in one of the recognized subject areas.

In NY State, the CPE requirements call for the completion of four contact hours of acceptable professional ethics during every three calendar years; and the completion of 24 contact hours concentrated in one of the recognized subject areas of taxation, accounting, auditing, and attestation, or 40 contact hours in a combination of any of the recognized subject areas. For example, one may complete 24 hours in a taxation concentration only, or 10 hours in each of taxation, accounting, auditing, and attestation for a total of 40 hours.

##### **Rule 6-5 (a)(4)**

This section could be restructured in a manner such that the qualifying activity is being presented by a qualified CPE program sponsor and therefore recognized under Rule 6-5 (b)(4), in which case there would be no need for a reference in Rule 6-5(a)(4) to “other than a qualifying learning program sponsor as defined in Rule 6-5 (b) below.” Rule 6-5 (a)(4) could be rewritten as “*A group learning activity generally related to topics of the specialized knowledge field of study that is coordinated and presented by a person, firm, association, corporation or group with expertise in these specialized industries.*”

##### **Rule 6-6 (a)(1)(I)**

If the above modification to Rule 6-5 (a)(4) is accepted as capturing the intent and agreement of the NASBA CPE Committee, there would be no apparent reason for a 25% limitation of CPE credits as expressed in Rule 6-6 (1)(I) as it relates to the qualifying activities in Rule 6-5 (a)(4).

The 25% limitation (or some agreed upon percentage) would relate only to technical committees and therefore Rule 6-6 (1)(I) would only make reference to Rule 6-5 (a)(5).

### **Rule 6-6 (a)(1)**

We suggest adding the rule references to the header for Rule 6-6(a)(1) and modifying it as follows: “*Computation of CPE credits for qualifying CPE programs shall be as follows as indicated in Rules 6-5 (a) (1-5).*” The individual rule references under Rules 6-5(c) (1-4) can be deleted. This will ensure consistency in the referencing standard.

### **Rule 6-6 (b)**

The duration in which the CPE records need to be retained is not clear. We suggest deleting the phrase “*the longer of a period of five years or...*” and simply setting the document retention period to two reporting periods.

In addition to fraudulent reporting, careless disregard for compliance should also be considered for disciplinary action. We suggest inserting additional language into the last sentence of 6-6(b) such that it reads as “*Fraudulent reporting and careless disregard for compliance would be among the considerations for disciplinary action.*”

## **Other Comments**

### **Article 3 – Definitions**

In addition to the terms already defined in Article 3, there are a number of other terms that are used throughout the exposure draft that we believe should be specifically defined to ensure that they are clearly understood and consistently interpreted. We suggest adding the following terms, along with definitions, to Article 3 (we have noted where the terms first appear):

- Model Rules – Document title
- Certificates – Rule 6-4
- Registrations – Rule 6-4
- License – Rule 6-4 (a)
- Competency requirement – Rule 6-4 (d)
- Board – Rule 6-4 (e)
- Qualifying college/university – Rule 6-5 (a)(2)
- Independent Party – Rule 6-6 (a)(1)(G)

Additionally, there are terms utilized in the Article 3 definitions themselves for which some additional clarification as to their meaning might be helpful:

- Production – Rule 3-9(g)
- Regulatory Ethics – Rule 3-8(j)
- Behavioral Ethics – Rule 3-9(a)

**Rule 3-6**

Subject matter experts may play a range of roles in the CPE process. We suggest supplementing the Rule 3-6 description of a subject matter expert with the following: “...and may be involved in the technical review, assessment, or delivery of CPE.”

**Rule 3-8**

Emerging technological trends are having a significant impact on the practices engaged in by CPAs and will play a major role in future CPE offerings. We believe those trends and impacts are not fully reflected in the Technical Fields of Study of Rule 3-8 as proposed. We suggest adding to the listing of Rule 3-8 emerging fields such as data analytics and emerging technologies (e.g., blockchain technology, artificial intelligence applications in finance, cloud solutions, etc.).

Additionally, Not-for-Profits are a very significant practice area for CPAs and in our view warrant inclusion as a distinct item in the listing of Rule 3-8.

**Rule 6-4 (a), (b), (c), (f)**

The title for Article 6 refers to certificates and registrations, while parts (a), (b), (c) and (f) of Rule 6-4 introduce references to a “license” in addition to the terms “certificate” and “registration.” This could lead to some confusion. If “license” and “certificate” are considered interchangeable, we suggest either amending the Article 6 title to include the term “license” or removing that term from parts (a), (b), (c) and (f) of Rule 6-4. If “license” is meant to have a distinct meaning within Rule 6-4 then we suggest providing some clarifying language to that effect.

**Rule 6-4 (a) (1)**

We believe that there is a potential for confusion in this proposed rule. The rule states that an average of two credits of qualifying ethics CPE for each annual period is required. That raises the question if six credits in ethics are then required over the three-year CPE reporting period. We suggest revising the language to provide greater clarity in defining the ethics requirement in terms of the number of credits required and the type of ethics CPE (professional/regulatory vs. behavioral) required.

**Rule 6-4 (b)**

The use of the phrase “first full annual period” should be clarified, perhaps by including an example. An example such as the following from the NY State CPE requirements may prove helpful: *Newly licensed CPAs must adhere to the CPE requirements beginning the January 1 following their initial three year registration period. Requirements for CPE apply to your first full calendar year in your second registration period. For example, if you earned your CPA license on June 1, 2012, your initial registration period ends on May 31, 2015. You must begin to meet your CPE requirements for the calendar year beginning January 1, 2016.*

**Rule 6-4 (c)**

The rule states that qualifying CPE to reinstate lapsed or suspended licensure shall complete qualifying CPE “not to exceed a total of one hundred twenty (120) credits” preceding the date of

reapplication. We suggest changing “not to exceed” to “*a minimum of one hundred twenty (120) credits*” preceding the date of reapplication.

**Rule 6-4 (d)**

The use of the phrase “granted an exception from the competency requirement by the Board” is potentially confusing. It is unclear how the term “competency” is being used and its intended meaning and we suggest some clarification be added as to the intent.

**Rule 6-5 (a)(2)**

We suggest providing an example of what would be considered a distinction between a basic course and an advanced course to clarify the requirement.

**Rule 6-5 (a)(5)**

The use of the phrase “unique and specific knowledge in accounting or tax compliance” appears incomplete. We suggest modifying the phrase to “*specific knowledge in accounting, auditing, consulting or tax compliance.*”

**Rule 6-6 (a)(1)(H)**

Consideration should be given to elaborating on the requirements for instructors and participants to add clarity to this rule.

**Rule 6-7**

We believe the wording of this rule is potentially confusing, particularly in regard to the use of the words “this state” and “the state.” We suggest using the terms “*current state*” and “*new state*” may help to clarify this rule.