



# Renewing Your CPA License?

## *Failed Applications on the Rise Due to Poor CPE Reporting*

**by Laura Belval, CPA, and John Cotton, CPA**

*Getting a letter from the IRS stating that you are getting audited can cause most people to feel apprehensive, however, we, as licensed CPAs may be subject to a similar letter.*

It could be just as disconcerting when receiving a “Via Certified Mail” and “Timely Response Required” letter from the Arizona State Board of Accountancy (“Board”). The letter announces the registrant has been randomly selected to have their continuing professional education (CPE) verified by a group of individuals who audit the coursework. The audit is performed by the Continuing Professional Education Advisory Committee of the Arizona State Board of Accountancy (“Committee”).

Using data from 2008 to 2012, the Committee has performed audits on 555 registrants’ CPE. Of those 555 audits, 488 or 88 percent of those applications presented sufficient evidence with their original audit submissions that shows the CPE was completed. However, the data shows a disturbing trend. For the period 2008 to 2011, 91 percent of the applicants submitted CPE that was supported by the required documentation. In 2012, this number dropped to 79 percent. In 2012, 31 out of 150 applicants failed to provide adequate proof for their CPE with their original audit submission. Of the 31, 10 registrants had their license suspended by the Board. This compares to six total applicants between 2008 and 2011 that failed.

The purpose of this article is to present the opinions and thoughts of the Committee with regard to the CPE course work submitted with renewal applications every two years. But first let us discuss what those requirements happen to be.

1. The registrant is required to have participated in 80 hours of CPE over a two-year period. Of those 80 hours, 16 hours must be in the field of accounting, audit or taxation. A further 24 hours must be in the fields of business law, management advisory services or additional hours of accounting, auditing or taxation. Another way to describe this is that 50 percent of the CPE must be in core specific subjects.

2. Of those 80 hours, 16 hours must be in a live format. Examples include live classroom, seminar and interactive webinar or webcast formats.

3. Of those 80 hours, four hours must be in the subject of ethics. Of the four hours, one must review the Arizona statutes and administrative rules of the Arizona Board of Accountancy. Another hour must address the practice of accounting including the American Institute of Certified Public Accountants Professional Code of Conduct.

4. When a registrant submits their renewal application, they are stating, under penalty of perjury, that they have completed all of the CPE requirements and are maintaining the appropriate records documenting those hours. The initial statement is a list of hours that includes the a) sponsoring organization, b) location of the program, c) title or description of the program, and d) dates of the program.

5. Once the CPE has been completed, the registrant must retain the record of attendance for at least three years. The records include: a) course outlines, b) proof of attendance or participation, and c) proof of completion. The purpose of retaining these records is to provide the necessary documentation should the registrant's renewal application be selected for audit.

After the letter is received by the registrant from the Board announcing their renewal application has been



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selected for audit, if the registrant is prepared, it should be a snap. The registrant's response should contain one set of documents (course outline, proof of attendance or participation, and written proof of completion) for each course listed in the renewal application. The Committee has seen renewal application work product that is professional and concise. We have also seen work product that is thrown together in a haphazard way. It is distressing to see sloppy audit submissions from registrants. First, it puts an undue burden on the Board's staff that admirably assembles the submissions for the Committee's review. More importantly, the Committee cannot always find the required documentation in the submission, even though it could be there, leading to delays in the completion of the audit process and/or unnecessarily sending registrants to the Board for action. Registrants go to great pains to obtain their license, so why put it at risk by submitting sloppy work product for the audit of their license renewal?

The Arizona statutes and rules provide us specific direction as to the form of the CPE submitted, however the substance is open to interpretation. Two members of the Committee will each re-

view the audit work product and do one of three things: confirm that it meets requirements, conclude that there are deficiencies and revert back to the registrant for further information, or send the registrant's file directly to the Board for action. If the audit work product is complete, the CPE is accepted. If on the other hand, the audit work product does not include the appropriate documentation, the Committee will provide the registrant one more opportunity to submit the documentation in support of the reported CPE. If the requested documentation is not submitted to the Committee, the registrant is referred to the Board for non-compliance with CPE requirements

The Committee will also review the audit work product for proper classification. The course work is reviewed for status as live or self-study as well as categorized properly as audit, accounting, taxation, business, management, ethics or other. The reviewer will make any corrections deemed appropriate for proper classification. These types of corrections may have an impact on the overall determination of acceptance of the submission based on the criteria previously defined.

In conclusion, it is not difficult for a registrant to meet the requirements to retain his or her license. The Committee's responsibility is to ensure that registrants meet their CPE requirements in an effort to fulfill the Board's primary duty which is to protect the public from unlawful, incompetent, unqualified or unprofessional certified public accountants through certification, regulation and rehabilitation.

*Note:* There are a number of other issues and requirements with CPE that are not covered in this article. We suggest you visit the Arizona Board of Accountancy website for further information. Specifics can be found at [http://www.azsos.gov/public\\_services/Title\\_04/4-01.htm#Article\\_4](http://www.azsos.gov/public_services/Title_04/4-01.htm#Article_4). **AZ CPA**

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