

**California Board of Accountancy**

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November 5, 2024

Nicola Neilon, CPA, Chair, NASBA UAA Committee
National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219

Thomas Neill, CPA, Chair, AICPA UAA Committee
American Institute of CPAs
1345 6th Avenue 27th Floor
New York, NY 10105

RE: [**ICPA and NASBA Exposure Draft on Proposed Revisions to the Uniform Accountancy Act and NASBA-Issued Uniform Accountancy Act Model Rules \(UAA/Model Rules Exposure Draft, collectively\)**](#)

Dear Chairs Neilon and Neill:

On behalf of the California Board of Accountancy (CBA), I am providing comments on the proposed revisions to the *Uniform Accountancy Act (UAA)* Sections 5 and 23, and *UAA Model Rules (Model Rules)* Articles 3 and 6. On behalf of the CBA, I would like to thank your organizations for providing an opportunity to respond to the UAA/Model Rules Exposure Draft.

The CBA recognizes that both the AICPA and NASBA have spent considerable time in evaluating an additional pathway to licensure. As all stakeholders know, attracting individuals to the CPA profession to ensure that consumers have access to qualified CPAs performing work in accordance with applicable professional standards is of paramount concern.

At the CBA's meeting in May 2024, our members had an opportunity to hear from both of your organizations regarding efforts they are undertaking to address this issue. Additionally, the CBA understands that with the present *UAA* model and the coupling of licensure requirements and mobility, your organizations have been working on creating a new definition for substantial equivalency. Finally, both the AICPA and NASBA have been informed about the CBA's ongoing efforts to address both modernizing mobility and creating flexible licensure requirements to create a more evergreen approach to both.

The CBA has reviewed the proposed changes to the licensure and mobility requirements and offers the following comments.

Licensure Policy

The pathways to licensure represented in the model language and CBA-approved licensure legislative proposals have both similarities and differences. All the pathways require the 3 Es (education, experience, and examination) and include a pathway to licensure for those with a bachelor's degree without 150 units.

Total Units

The model language¹ was amended to describe three pathways to meet the educational requirement for initial licensure as a CPA with the first two requiring 150 total units. CBA believes the reliance on a total of 150 units is not an evergreen approach to education when some colleges are looking toward a three-year degree option that would reduce the general education course requirement.²

In 2014, California revised its licensure requirements to include 150 units to align with the *UAA*. At that time, there were both advocates and opponents to the new requirement. Advocates of the change expected an increase in the percentage of CPAs with advanced degrees and thus expertise. Opponents to the change warned of fewer candidates entering the profession and disadvantaged student groups being particularly burdened by the increased unit requirement. Unfortunately, there has not been an increase in students seeking advanced degrees in accounting and the cost of higher education has increased. The CBA is concerned with the CPA pipeline and values diversity. Given the lack of evidence that the 150 units is necessary for the protection of the public, this requirement is particularly problematic and could be an artificial barrier to licensure.

Competency-Based Experience Requirement

At this time, the CBA does not support the use of the specified competencies in a licensure setting because they are not tied to minimum competencies of entry-level safe and effective practice. (Specifics of this concern are noted in the CBA response to the CPA Competency-Based Experience Exposure Draft.) Additionally, CBA notes a lack of evidence to justify why only candidates without 150 units are required to be evaluated on the achievement of competencies.

The CBA is particularly concerned that the model language does not specify the competency-based experience be gained in an accounting setting and relies on the incorporation by reference of the CPA Competency-Based Experience Pathway to establish numerous requirements, including who is to evaluate the competencies. The incorporation by reference of this document would not meet the California standards for rulemaking.

¹ UAA/Model Rules Exposure Draft, Page 4, Section 5(c)(2)

² The CBA-approved licensure legislative proposal does not include total unit requirements.

It is the responsibility of CBA to make licensure decisions in the best interest of California consumers.³ The CBA does not support the delegation to develop the competency framework⁴ to a “national accounting organization,” in essence the AICPA and NASBA. While it is true that the CBA does not have to implement the requirements outlined in the model language, the proposal establishes an undue burden if it does not.

Mobility Policy

Unlike when comparing the UAA/Model Rules Exposure Draft with the CBA licensure legislative proposal, which, though different, have similarities, the approaches to mobility found in the UAA/Model Rules Exposure Draft and the CBA mobility legislative proposal vary greatly. Both provide a mechanism for out-of-state licensees to practice across state lines, but how individuals are afforded this privilege differs.

Substantial Equivalency⁵

Under the UAA/Model Rules Exposure Draft, the foundational element is substantial equivalency, with this equivalency focused on how states license individuals or how an individual qualified for licensure.⁶

The model language provides mobility provisions that are overly restrictive, unnecessary, complex, and place an undue burden on state boards of accountancy (SBOAs), especially those that choose not to implement the pathways in the model language. The model language places a burden on SBOAs that implement their own licensure pathways by tracking and reporting requirements. In essence, the model language elevates the *UAA* pathways over any other pathways a SBOA may use by tying mobility to the *UAA* pathways.

Additionally, if substantial equivalency is kept, it is too narrowly focused on licensure requirements. The CBA believes that how, and if, a SBOA actively responds to consumer complaints with appropriate enforcement actions is a critical component when relying on the merits of another SBOA's license to allow for practice rights.

³ The CBA-approved licensure legislative proposal authorizes the CBA to enhance the general experience requirement via regulations to require the “completion of specified job task(s) associated with *minimum competencies of entry-level practice*.” (*emphasis added*)

⁴ UAA/Model Rules Exposure Draft, Page 5 requires competency-based experience be completed in accordance with a “competency framework” and Page 9 specifies this is the completion of the “CPA Competency-Based Experience Pathway.” The use of the terms pathway and framework are confusing because the Pathway Exposure Draft references the framework narrowly as an appendix that is the list of competencies.

⁵ The CBA-approved legislative proposal eliminates the use of substantial equivalency and instead focuses on a CPA equaling a CPA with strong consumer protection safeguards.

⁶ UAA/Model Rules Exposure Draft, Page 6: *UAA* Section 23(a)(1). The model language is unclear and confusing, what is presented in this letter represents the CBA's best guess at the intent of the model language.

NASBA and NQAS

Given that NASBA has no regulatory authority, it does not seem appropriate that any reference to NQAS being an authoritative body akin to a SBOA is appropriate. NASBA provides various services to its members upon request, it is not necessary to list those services in the model language. The removal of the NQAS would not prohibit a SBOA from delegating a function to NQAS. Further, the criteria NQAS would use for making determinations on substantial equivalency is not in the model language which results in too much subjectivity.

Conclusion

The CBA supports the intent of the UAA/Model Rules Exposure Draft to foster uniformity across states, but has concerns that the model language, in places, is overly restrictive, complex, unnecessary, and inconsistent. In general, the CBA believes the model language is not responsive to NASBA members who have voiced frustration with the substantial equivalency process and its use to restrict SBOAs from taking action to modify licensure requirements in ways they believe to be in the best interest of their consumers. The processes described in the model language could be perceived as penalizing SBOAs that elect to implement licensure requirements different from the model language. The restrictive components create an exposure draft that lacks the ability to respond to changes in educational systems and the profession.

The decoupling of the licensing requirements with mobility creates a more robust mobility approach that can withstand changes to licensure requirements and is founded in the protection of the public.

The CBA respectfully requests NASBA and AICPA consider pausing on efforts associated with the licensure requirements and competency-based pathway approach found in the UAA/Model Rules Exposure Draft and focus on creating a more modernized approach to mobility. The model language could serve as a useful resource to SBOAs by the inclusion of model consumer protection safeguards. This narrowing of focus to only mobility will provide much needed time to revisit the competency-based experience requirement when it is decoupled from mobility.

Further, as California has the largest population of CPAs at over 115,000, the CBA respectfully request that NASBA and AICPA include California in future development on proposals surrounding the licensure requirements and mobility. The CBA is currently working on proposed legislative changes pertaining to licensure and mobility and will continue to monitor the proposed revisions to the *UAA* and *Model Rules* as we continue this process.

Chairs Neilon and Neill

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Sincerely,

A handwritten signature in blue ink, appearing to read 'Joe Rosenbaum', with a long horizontal flourish extending to the right.

Joseph Rosenbaum, CPA
President

c: Members, California Board of Accountancy
Dominic Franzella, Executive Officer
Michelle Center, Chief, Licensing Division



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150 Fourth Avenue North, Suite 700
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Thomas Neill, CPA, Chair, AICPA UAA Committee
American Institute of CPAs
1345 6th Avenue 27th Floor
New York, NY 10105

RE: [AICPA and NASBA Exposure Draft on CPA Competency-Based Experience Pathway](#)

Dear Chairs Neilon and Neill:

On behalf of the California Board of Accountancy (CBA), I am providing comments on the American Institute of Certified Public Accountants' (AICPA) and National Association of State Boards of Accountancy's (NASBA) Exposure Draft on the CPA Competency-Based Experience Pathway (Pathway Exposure Draft). On behalf of the CBA, I would like to thank your organizations for providing an opportunity to respond to the Pathway Exposure Draft.

The CBA recognizes that both the AICPA and NASBA have spent considerable time in evaluating an additional pathway to licensure. As all stakeholders know, attracting individuals to the CPA profession to ensure that consumers have access to qualified CPAs performing work in accordance with applicable professional standards is of paramount concern.

At the CBA's meeting in May 2024, our members had an opportunity to hear from both of your organizations regarding efforts they are undertaking to address this issue. Additionally, both the AICPA and NASBA have been informed about the CBA's ongoing efforts to address both modernizing mobility and creating flexible licensure requirements to create a more evergreen approach to both.

While the CBA, again, wishes to express its appreciation for work done so far, as a regulator of the accounting profession tasked with ensuring licensure requirements focus on minimum competencies for entry and not creating entry requirements that are unduly burdensome, the CBA must, respectfully, express concerns with the Pathway Exposure Draft. These concerns extend to the Pathway Exposure Draft technical quality

and the undue burden it would place on candidates, firms, and state boards of accountancy (SBOAs).

The CBA has engaged in multiple information-gathering activities and the Pathway Exposure Draft is not responsive to the following input it has received:

- Licensure requirements should be clear and minimize complexity.
- A bachelor's degree and two years of general accounting experience provides a sufficient foundation for newly licensed CPAs (nICPAs).
- The cost/benefit evaluation of getting a license is a contributing factor to the CPA Pipeline decline.

Answers to the questions from the response form follow.

Question 1: Is the Proposed Pathway Understandable? Please provide additional feedback for your response to question 1.

No. The Pathway describes confusing and overly complex procedures and requirements for the certification of competency-based experience, including additional paperwork (i.e., CPA Competency-Based Experience Certification Form). In 2015, the White House produced a report, [Occupational Licensing: A Framework for Policymakers](#), that included best practices for licensure. One of those best practices was to “minimize procedural burdens of acquiring a license, in terms of fees, complexity of requirements, processing time, and paperwork.” It is the opinion of the CBA that the Pathway Exposure Draft is contrary to this best practice.

Question 2: Is the proposed framework relevant and applicable to the work of candidates applying for licensure? Please provide additional feedback for your response to question 2.

No. Candidates applying for licensure in California are held to the standard of what is minimally needed for a nICPA to perform safely and effectively. The AICPA and NASBA did not provide any evidence in the Pathway Exposure Draft to support the competencies in the Framework are suitable for this purpose.

Question 3: Does the Framework sufficiently describe the competencies, performance indicators, and tasks you would expect? Please provide additional feedback for your responses in question 3.

No. The competencies were developed by subject matter experts for the purpose of guiding instructional programs to help students gain the competencies that will “lead them to *personal success* in the accounting profession”¹ (*emphasis added*). There is no evidence they are appropriate for determining minimum competency for licensure.

¹ [Foundational Competencies Framework for Aspiring CPAs](#)

Question 4: Does the framework include sufficient example performance indicators and tasks to ensure adequate certification of the required competencies?

The CBA concern with the accuracy of the certification of the required competencies cannot be addressed by the addition of more example performance indicators and tasks. The CPA Evaluator is asked to rate if the candidate “exhibited” the competency. The standard of “exhibited” and the non-exhaustive list of performance indicators results in a vague performance standard for what is needed for a candidate to achieve a “yes” rating.

The Pathway Exposure Draft describes the professional and technical competencies as being “blended in practice”² and the technical competencies being “exhibited in tandem with the professional competencies”³ but it is unclear what this means from the perspective of a CPA Evaluator. For example, could the performance of a single task be used to show attainment of both technical and professional competencies? Could a single job task show attainment of multiple competencies within the same category (e.g., professional competencies of ethical behavior and critical thinking and professional skepticism)?

Additionally, there is concern that individual example performance indicators lack clarity and therefore will not be applied consistently.

Lastly, the CBA has a concern the Pathway does not result in work products/evidence that could be reviewed by a third party to resolve disagreements between a CPA Evaluator and a candidate.

Question 5(a): Is it clear that the performance indicators and tasks are examples of what a candidate may do to exhibit the competencies?

Yes.

Question 5(b): Is it clear that candidates may use different performance indicators or tasks to adequately exhibit the competencies?

Yes.

Question 6: Component 1 (Defined Competencies) discusses how the professional and technical competencies are related. Is it clear that the professional and the technical competencies must work in tandem?

No. The Pathway describes the professional and technical competencies as being “blended in practice”⁴ and the technical competencies being “exhibited in tandem with

² Pathway Exposure Draft, Page 7

³ Pathway Exposure Draft, Page 8

⁴ Pathway Exposure Draft, Page 7

the professional competencies”⁵ but it is unclear what this means from the perspective of a CPA Evaluator and the separate requirements for competency-based and general accounting experience.

Question 7: Component 2 (Process for Evaluating and Certifying Competencies) outlines the requirements for a CPA evaluator to certify candidate experience. Are these requirements sufficiently rigorous?

Not applicable. The process outlined in Component 2 is unclear; therefore, it is not possible to respond to a question about the “rigor” of the requirement. Additionally, the question asks about rigor without putting it in the context of what is minimally needed for a nICPA to perform safely and effectively.

Question 8: Component 2(e) outlines a three-year certification requirement for CPA evaluators. Do you agree with this requirement? If not, why?

No. The Pathway suggests a requirement of three years of experience to be eligible to be a CPA Evaluator.⁶ The Uniform Accountancy Act (UAA) does not have a similar requirement for licensees that verify general accounting experience. The discrepancy between requirements for the CPA Evaluator and the licensee who certifies general accounting experience adds complexity without a justification for doing so.

Question 9: Component 2(f) outlines a board of accountancy possible request when a CPA evaluator refuses to certify a qualified candidate’s competency to the board of accountancy. What does your board of accountancy require of licensees who refuse to certify a candidate’s work experience for general experience?

If the licensee supervised an applicant’s general accounting experience, they are required to certify that experience. When an applicant indicates that their supervisor is refusing to sign an accounting experience form, staff will contact the licensee to inform them of their responsibility to fulfill this request under California Code of Regulations section 69. If the licensee continues to refuse, or fails to submit an accounting experience form, they may be referred to the Qualifications Committee to show the applicant’s work papers and explain their basis for refusal. Ultimately, the refusal to sign an accounting experience form may lead to enforcement action.

Question 10: Component 3 (Timing and Transition Provisions) proposes a maximum of five years to complete the pathway. Should there be a maximum time frame?

No. The CBA questions the use of a maximum time frame to complete the competency-based experience. The CBA currently requires continuing education (CE) to be completed if accounting experience and exam scores for CPA licensure are older than

⁵ Pathway Exposure Draft, Page 8

⁶ Pathway Exposure Draft, Page 9

five years as a means of refreshing a candidate's knowledge and skills. The CBA's policy of requiring CE is less punitive than a maximum time frame.

Question 11: Component 3 proposes credit for prior work experience. Should there be a maximum time frame for this look-back period?

The guidelines are unclear for what constitutes "sufficient evidence"⁷ for a CPA Evaluator to certify prior competency-based experience. Thus, the CBA is concerned that this component may extend broad authority to CPA Evaluators to certify competency-based experience with little knowledge of whether that competency-based experience would be considered qualifying.

Question 12: What type of legislative support and time would state boards of accountancy need to implement the Framework?

None. The CBA is not in support of implementing the Framework as described in the Pathway Exposure Draft. The CBA has developed its own legislative proposal regarding adding flexibility to the licensure requirements. It continues to be built on the foundation of general accounting experience but provides the CBA the ability to enhance the general accounting experience for all candidates by requiring the completion of job-based tasks tied to minimum competency.

Question 13: What other types of support, administratively, would boards of accountancy, employers, and candidates need to implement the Framework?

None. Please reference Question 12.

Question 14: If the pathway is adopted, should NASBA create an electronic tracking system to automatically report completion of the CPA Competency-Based Experience Pathway to the boards of accountancy?

Not applicable. It would appear this question is focused on mobility and the possible impact of states not adopting the Pathway. A response to this is best served when commenting on the proposed changes found in the other exposure draft regarding updates to the UAA and UAA Model Rules.

Question 15(a): Would your board utilize a NASBA electronic tracking system if developed?

Please reference Question 14.

Question 15(b): If not, would your board create its own reporting mechanism?

⁷ Pathway Exposure Draft, page 10

Please Reference Question 14.

Question 16: Provide any other comments that you may have.

The Pathway Exposure Draft creates an undue burden on candidates, firms, and SBOAs. The CBA believes the requirements and process outlined for the competency-based experience will lead to candidate confusion and may even result in some candidates leaving the CPA Pipeline.

The Pathway Exposure Draft requires firms to modify their internal processes for how they monitor candidates. For example, firms would need to separate the time candidates are using to gain competency-based experience from general accounting experience. Firms would also need to track which staff are eligible to be a CPA Evaluator compared to a supervisor for purposes of documenting general accounting experience. Given the insufficient performance standards, it is unclear if firms would take on the task of training CPA Evaluators and setting benchmarks for what constitutes “exhibiting” a competency. Given the complexities of the Pathway, the CBA is concerned it may not be scalable to smaller firms and if there is a reluctance of firms to implement the Pathway, that would impact candidates seeking employment.

The Pathway Exposure Draft places a significant administrative burden on SBOAs and attempts to place requirements on SBOAs to provide data for use in a national database to be managed by NASBA. SBOAs are expected to report on how each licensee met the licensure requirements against the standard outlined in the Pathway Exposure Draft. This is overreaching and a burden which the CBA is not willing to take on.

The CBA is concerned the Pathway Exposure Draft does not lend itself to evergreen practices as the profession evolves. It is still reliant on a traditional 120 semester unit degree even though there is evidence this may be changing to be more like other countries that offer college degrees with approximately 90 semester units by reducing general education.

The CBA requests the AICPA and NASBA UAA Committees reconsider the approach outlined in the Pathway Exposure Draft and delay the release of any future exposure drafts related to this topic until such time as CBA’s concerns with the Pathway can be addressed. The CBA will continue working on its proposed legislative changes pertaining to the education and accounting experience requirements for California licensure.

Chairs Neilon and Neill

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Sincerely,

A handwritten signature in blue ink, appearing to read 'Joe', with a long horizontal flourish extending to the right.

Joseph Rosenbaum, CPA
President

c: Members, California Board of Accountancy
Dominic Franzella, Executive Officer
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