

November 15, 2024

Mrs. Carla McCall, Chair of the Board of Directors
AICPA
1345 6th Avenue, 27th floor
New York, NY 10105

Ms. Maria Caldwell, Chair of the Board of Directors
NASBA
150 Fourth Avenue North, Suite 700
Nashville, TN 37219

RE: CPA Competency-Based Experience Pathway Comments

Dear Chair McCall, Chair Caldwell and members of the Boards of Directors,

The Texas Society of Certified Public Accountants (TXCPA) is the largest association of accounting and finance professionals in Texas representing more than 28,000 members. TXCPA appreciates the opportunity to comment on the proposed “CPA Competency-Based Experience Pathway” (Pathway) jointly developed by AICPA and NASBA.

TXCPA has been at the forefront of workforce development and CPA pipeline discussions for many years and developed a comprehensive pipeline strategy several years ago. The strategy realigned our priorities and resources to address the changing landscape and the need to be responsive to current and future stakeholders and market demands. TXCPA recognizes that a fractured approach to addressing these challenges has not been in the best interest of the profession and the public and it is a necessity that we work in concert with other constituencies to address the CPA pipeline.

TXCPA supports an additional pathway to CPA licensure. An additional pathway, or pathways, to the profession that maintains rigor and continues to protect the public interest is needed. The current pathway and education requirement can create a substantial financial, time and familial burden to some candidates, preventing many from obtaining their CPA license. The time and cost of education is a well-documented barrier to the profession.

An additional pathway to licensure addresses these challenges and is one of several critical components to addressing workforce development. The licensing journey, salaries, work culture, work-life balance, and education will also all have to be addressed in the battle to attract more students into the CPA profession.

The Exposure Draft adds a new proposed pathway to licensure that requires the attainment of a bachelor’s degree, competency-based experience, general experience and passage of the Uniform CPA Exam for licensure. The Exposure Draft specifically outlines one year of general experience and one year of competency-based work experience based on a “framework

developed by a national accounting organization and administered in accordance with Board Rule.” (See Exposure Draft Section 5(f)(2)(A))

TXCPA is supportive of an additional year of related professional work experience as part of a new pathway to licensure. However, as outlined in the Exposure Draft, the delineation in the types of work experience required is confusing and may cause unintended consequences. While we agree that competency-based experience is value added, the way it is defined and its implementation will be difficult to achieve compared to two years of relevant professional experience as currently defined.

Specific feedback and concerns with the current proposed pathway

Complexity

While the Exposure Draft relies on implementation by Board Rule at the state level, there is a lack of guidance or standards that directs or advises state boards of accountancy on how to implement and assess the suggested competencies. The additional one year of competency-based work experience does not appear to be appreciably different than the one year of work experience that is currently in place across jurisdictions.

Currently, there is a wide variety of detail, specificity, competencies required, review, and oversight of the one year of work experience required across jurisdictions. The current one year of work experience is more than mere “general work experience.” The work experience requirement outlines related professional experience set out specifically in state laws and state rules.

Adding a competency-based additional year of experience to a patchwork of existing one-year experience programs will cause confusion and will add significant complexity to a candidate’s licensing experience. In a time when the profession, state CPA societies and boards of accountancy are attempting to streamline and improve the candidate's experience, the proposed pathway unnecessarily complicates the path to licensure.

TXCPA believes that a competency-based approach can be a sound and valuable tool for candidates and employers, but more work, research, testing, and analysis needs to be done in this area before it can be adopted as part of the regulatory framework.

The competency-based framework adds an additional layer of complexity for employers. The added burden of assessing, reviewing, judging, and determining if competencies are met will be burdensome to employers. The competency-based experience as set out in the Exposure Draft might be achievable to large employers that have the resources and infrastructure to implement such a system, but smaller employers (from CPA firms to individual practitioners to industry) will find it difficult to implement with limited staff or time to devote to evaluating competencies.

The draft pathway framework (appendix A) may provide some guidance to employers and candidates to consider competencies; however, the pathway certification form (appendix B) does not provide any guidance for the assessment of competencies. The complexity of the competency-based framework leaves out many details on the implementation of such a system.

How will the competencies be demonstrated? What evidence does a candidate need to provide for the evaluator to evaluate the work properly and professionally?

Need for comprehensive practice analysis

TXCPA and its members are not opposed to the evaluation and consideration of a competency-based approach. However, there is significant concern that the competencies described in the Exposure Draft are not based on a thorough practice analysis or substantive firm or employer input. Some employers have expressed concern that, as described, these competencies align with mastery level skills rather than skills demonstrated by entry level professionals.

As the profession evaluates changes that are necessary to address the current and future needs of the profession and the marketplace, TXCPA highly recommends that the profession and our national associations develop a process for a comprehensive practice analysis and ensure that the analysis is updated on a regular schedule. Historically, the practice analysis has been limited to the CPA Exam. A comprehensive practice analysis that studies all aspects of the profession including the education, work experience, and the exam, would be beneficial to addressing and updating all aspects of what is required of candidates for licensure.

As a comprehensive practice analysis is designed, we should look to the models in place by other licensed professions to understand and incorporate best practices to meet our objectives as discussed in the National Pipeline Advisory Group (NPAG) report and recommendations.

Requirements and qualifications of CPA evaluators

The Exposure Draft contemplates that the evaluators signing off on the competencies themselves be CPAs licensed for at least three years. Newly licensed CPAs, those with a minimum of three years of experience, are just learning the practice and their role with their employer and may not have the capacity or experience needed to evaluate work competencies properly and professionally. Newly licensed CPAs are still learning the competencies themselves and asking them to be evaluators is contradictory to their new professional role. The current requirement for work experience certification is a CPA serving in an oversight role.

Potential personal or firm liability

There is also concern about the personal or firm liability and exposure that might be attendant to signing an evaluation. If competencies are not fully explained and if evidence is not shown that demonstrates the completion of a competency, evaluators and employers may be at risk if they sign an evaluation, and the candidate later faces professional liability issues. Evaluators, employers and candidates need to be fully aware and apprised of all the risks associated with inaccurate, incomplete, false, or misleading evaluations. Furthermore, firms that hire a candidate where another firm completed the evaluation could be impacted if it is later discovered that the evaluation was not complete or was inaccurate or did not adequately review certain competencies.

Flexibility and support for implementation

TXCPA is very appreciative of the opportunity for flexibility in adopting the Exposure Draft and implementing an additional pathway. Many states have the capability and infrastructure at the board level to be flexible in adopting an additional pathway, but many jurisdictions rely heavily upon AICPA and NASBA for guidance in rulemaking and implementation. TXCPA would support some additional flexibility in the Exposure Draft to aid or guide states in adopting an additional pathway that is more adaptable and less strict.

Consideration of a competency-based approach

NPAG proposed a long-term competency-based approach to CPA licensure focused on measuring outputs and competencies attained rather than the methods to obtaining those competencies. The NPAG proposal, while competency-based, would be a significant change to the approach to licensure, which would require extensive development work. The additional pathway as set out in the Exposure Draft adds consideration of competencies on top of the licensure requirements already in place.

It is our understanding that NASBA's current position is that they would not support consideration and exploration of a more extensive competency-based model beyond what has been proposed in the Exposure Draft. The significant work accomplished by NPAG could serve as a basis for a more extensive analysis of a competency-based model. TXCPA fully supports further study and analysis of a competency-based approach.

Conclusion

TXCPA supports an additional pathway based on the 3Es of licensure including education, experience and exam that includes a greater emphasis on the experience requirement. We are working towards an additional pathway in Texas that provides the state board the flexibility to evaluate and determine the specific requirement related to work experience as the national conversation regarding competencies in relation to work experience unfolds. Additionally, TXCPA urges AICPA and NASBA to set the vision and provide greater context for a broader approach to competency-based experience for all stakeholders.

Sincerely,



Mohan Kuruvilla, PhD, CPA, ACA
Chair of the Board of Directors



Jodi Ann Ray, CAE
President and CEO