



## Preparing for a CPE Audit

by Fred Bedoya, CPA

*The primary duty of the Arizona State Board of Accountancy (Board) is to protect the public from unlawful, incompetent, unqualified or unprofessional certified public accountants through certification, regulation and rehabilitation. As part of this mission, the Board randomly selects registrants to participate in Continuing Professional Education (CPE) audits each month. The Continuing Professional Education Advisory Committee (Committee), a body that reports to the Board, then reviews supporting Certificates of Completion and communicates to the Board as to whether a registrant is compliant with all CPE requirements.*

R4-1-453(F) requires that CPAs maintain detailed records of the CPE courses taken for a three-year period from the date of the renewal submittal. Once chosen for audit, the selected CPA has 30 days to respond to the Board's request to supply the required Certificates of Completion. If needed, the Committee



may also request course outlines to help support the registrant's classification of CPE.

It is the Committee's responsibility to verify the following, between what is reported on required Board CPE forms, in comparison with CPE Certificates of Completion that include the following elements:

- Registrant's Name
- Course Provider or Sponsor
- Course Title
- Credit Hours
- Date of Completion

### Primary Reasons for CPE

#### Non-Compliance:

The Committee has aggregated primary reasons for CPE non-compliance:

1. Missing certificates of completion.
2. Certificates of completion that, while provided, do not offer sufficient evidence of the reported CPE in terms of subject, method, hours, or the appropriate CPE reporting period.
3. Instructional delivery method is reported incorrectly. Required CPE hours in the method of Classroom or Live/Interactive Webinar (CW) are not met as the CPE is considered self-study and is therefore reclassified as Correspondence Program (CP).
4. Required CPE hours in the area of ethics (E) does not equal at least 4 total hours and/or does not include a minimum of **one hour each** in the following two areas: a. Ethics related to the practice of accounting including the American Institute of Certified Public Accountants Professional Code of Conduct, and b. Arizona State Board of Accountancy statutes and administrative rules.
5. Required CPE hours in the subject areas of accounting, auditing, taxation, business law, or consulting services (A/T/B/C) do not meet the minimum 50% of the total required CPE. (If 80 total CPE hours are required, then

a minimum of 40 CPE hours in A/T/B/C is also required.)

6. Required CPE hours in the subject areas of accounting, auditing, and taxation (A/T) do not meet the minimum 20% of the total required CPE. (If 80 total CPE hours are required, then a minimum of 16 CPE hours in A/T is also required.)
7. CPE hours in Lecture or Discussion Leader (LL), Publishing (P), or Introductory Computer (IC) exceed the maximum allowable hours. (If 80 total CPE hours are required, then a *maximum* of CPE hours are credited as follows:  $LL \leq 40$ ;  $P \leq 20$ ; combination of LL and P  $\leq 40$ ; and  $IC \leq 20$ .) *Example:* 100 hours of CPE are reported, but LL is reported as 65 hours, which exceeds the maximum allowable by 25 hours. The total reported CPE will be reduced by the number of hours that exceed the maximum allowed. In this example, total CPE hours are now reduced to 75, making the registrant 5 hours short in meeting requirements.
8. Repeated CPE courses are reported as having been taken, or offered as LL credit hours, during the same CPE reporting period.
9. LL preparation time exceeds the total course credit hours (e.g., the course takes 4 hours to teach, but reported preparation hours exceeds the 4 hours).
10. LL preparation time exceeds *actual* preparation hours (e.g., the preparation takes 2 hours, but 10 hours of preparation are reported).

#### Cautions

- CPE taken in one CPE reporting period cannot be credited toward part of another CPE reporting period.
- CPE taken to satisfy a suspension of a CPA certificate may not be credited toward requirements

of the subsequent registration period.

- Receipts for the purchase of CPE and other such ancillary documents are not accepted as evidence of CPE attendance.
  - CPAs who work for employers that provide CPE are urged to maintain their own copies of Certificates of Completion on a regular basis. While larger employers typically maintain CPE records and then issue an annual CPE report, it is possible that an employee who has separated employment may not be able to obtain the CPE evidence after having left their employ. Such circumstances may put the CPA at risk for non-compliance with CPE requirements.
  - College coursework that is reported as CPE requires a college transcript to be submitted in lieu of Certificates of Completion.
  - Evidence of Lecture (LL) hours requires a letter from the college or course sponsor that can independently verify the hours spent in lecture, to include: Lecturer's Name, College Name/Course Sponsor, Course Title, Teaching hours by lecturer, Range of dates that the course was taught (e.g., 8/17/2018 through 12/12/2018)
- If this range crosses CPE reporting periods, then two letters are required to specify how many hours were taught in each period

#### Changes to CPE Rules (Effective 2/4/2019)

**CPE Reciprocity:** Non-resident CPAs renewing their Arizona CPA certificate shall be determined to have met the CPE requirements of Arizona if they meet CPE requirements in the jurisdiction where the non-resident CPA's principal place of business is located.

**Nano-Learning CPE:** CPAs may earn a maximum of four hours of CPE each renewal period by completing nano-learning courses. A nano-learning program is a tutorial program designed to permit a participant to learn a given

subject in a 10-minute time frame, through the use of electronic media and without interaction with a real-time instructor.

**CPE Credit Increments:** Apart from nano-learning, CPE will be credited in one-fifth and one-half hour increments for periods of not less than one class hour.

**Reporting CPE for Renewal:** CPAs will be required to report, at a minimum, only the statutorily-required hours of CPE for the registration period rather than the total CPE hours taken during the registration period. There is a continued benefit, however, to report total CPE hours taken. If CPE hours are not credited for a course during a review or audit of the CPE, then other CPE hours reported above the statutorily-required hours will be reviewed to determine if a different course can be credited prior to taking any action regarding non-compliance with CPE requirements.

**CPE Record Retention:** CPAs shall maintain CPE records (transcripts, course outlines, and certificates of completion that include the registrant's name, course provider or sponsor, course title, credit hours and date of completion) for three years from the date the registration was dated as received by the Board for all CPE completed during the registration period, even if the only CPE reported on the registration was for the statutorily-required hours. Maintaining all CPE records help protect CPAs if a CPE deficiency is found. ■

*This article was written by Fred Bedoya, CPA, with help from the CPE Advisory Committee. If any CPE requirements are unclear or may possibly lead to a CPA's subjective interpretation, please contact Board staff members for clarification. The Board's website also offers additional guidance at [www.azaccountancy.gov/Renewals/CPE.aspx](http://www.azaccountancy.gov/Renewals/CPE.aspx), and link to the Board's CPE Substantive Policy Statement—that can be found at <https://www.azaccountancy.gov/AboutUs/SubstantivePolicy.aspx>. The Substantive Policy Statement includes: #2017-002 - CPE Method Classification of Rebroadcasted Live Webinars.*