

The Case for Universal Professional Development

[An Analysis of Some Arguments Against Required Continuing Education]

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In this unemotional article the author strips away the emotion that permeates discussion of required (mandatory) continuing education, corrects misconceptions as he sees them, offers a way around obstacles, and proclaims the virtues and the inexorable need for this program.

The Tyranny of Words

Despite the poet's admonition about "a rose by any other name," the words "Mandatory Continuing Education" have become so inflammatory and polarizing that dispassionate analysis is difficult. They seem to call forth angry reactions to the effect that "no one is going to make me go back to school," "they can't take my CPA certificate away", "it's unconstitutional", etc. Elmer Beamer, the prime mover behind the so-called Beamer Report, presented to the Council of the AICPA in May of 1971, reminds us that the proper word is "required" rather than "mandatory." Regulatory authorities would not *compel* anyone to participate in continuing education; they would merely establish criteria for the re-licensing of accountants who wish to engage in public practice. (Some will feel that this is a distinction without a difference but it is important to understand that a CPA does not lose his certificate if he does not comply with a requirement for continuing education.) However, the words do have an emo-

tional impact which seems unfortunate and possibly unnecessary. What we are talking about is professional development on a universal basis (i.e., universal within the public practice segment of the profession). Thus, if we begin with a goal of universal professional development—words which usually evoke a sympathetic response—and consider how easily it might be achieved, we may avoid some of the heat heretofore generated.

To take a somewhat ridiculous example, if a state were to stipulate that no CPA certificate would be re-validated, or a license to practice renewed, unless the applicant answers affirmatively a query as to whether he has a copy of the current income tax law and regulations in his professional library, it wouldn't cause a ripple in professional circles. In many jurisdictions, school teachers are required periodically to take summer school courses if they wish to advance in their profession. Many of us must disclose the details of our insurance coverage in order to renew our automobile registration. Many of us must subject our automobiles to an examination (and possible adjustment) before they are approved for driving. Thus, a minor bureaucrat can prevent us from using our own private property! People accept these things because (1) they are in the public interest, and (2) they are not unreasonably burdensome. Note that they are not necessarily *required* by the public interest (some states do not have them); they are only *in* the public interest.



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This kind of comparative analysis leads to the tentative conclusion that the key question in considering programs for universal professional development is whether or not they are *unreasonably burdensome*. Just how burdensome is a program of universal professional development such as the Beamer Report contemplates?

Is The Program Really a Burden?

The elements of time, cost and convenience.

At the present time, 40 hours of professional development each year seems to have some acceptance as a reasonable goal. This is more or less equivalent to a normal working week. Or, it may be described as approximately 2% of the normal annual working hours of a practitioner. Or it might represent one evening a week for about two months out of the year. In terms of sheer hours, this hardly seems burdensome. So it would appear that time, per se, is not the problem. If the burdensome aspects of universal professional development do not relate to time, they must arise out of concern about cost, convenience, availability, effectiveness, distaste, or more nebulous fears.

The factors of cost, convenience and availability are closely related. The example which has been cited of a local practitioner being forced to drive, say 200 miles, a dozen times a year, and pay a fee to attend a program of dubious value, obviously does not conform to reasonable standards of cost, convenience and availability. Such a situation is not only an extreme example; it would also be an imaginary one in any sophisticated approach to the problem. Experience indicates that acceptable mass education programs always develop to meet new needs. Once there is a need for mass education in a particular area, competitive forces and entrepreneurial ingenuity will cause the generation of an adequate response at reasonable cost to those concerned. Even today, the programs of the Institute, the state societies, and other organizations are being made available in much greater quantity at a larger number of locations. This rapidly advancing educational technology suggests that the past is no longer a reliable guide.

Utilization of equipment in education. The New York Times recently published an announcement of a color video projector system which includes a 40" x 30" screen on which images are projected from TV reception or from a pre-recorded video cassette. We must assume that these devices will be in the homes and offices of most professional men within a very few years. Several accounting firms have similar equipment in use at the present time.

One of the nation's largest retailers is now featuring a standard television receiving set equipped for displaying programs from video cassettes—at a cost well within the means of the average professional CPA. A leading manufacturer has indicated that the use of video cassettes in conjunction with a new and greatly enlarged "flat" display surface is just around the corner.

Of equal importance is the use of closed circuit television. A professional organization recently held a meeting in a metropolitan hotel in which twenty small individual discussion groups and a leadership panel were all connected by closed circuit television. Certain New York banks conduct a management meeting each business day by closed circuit television between their uptown and downtown executive offices. There is no reason why we should not contemplate simultaneous closed circuit television programs in every major city in the state. Actually, this suggestion is already under consideration for a major event of the New York State Society of CPA's.

The home study course. The most inexpensive, most convenient, and most available means of achieving universal professional development is the home study course. These courses are in being, although much development will be required to provide a sufficiently broad range of course material. On a mass production basis, the cost of home study work books is extremely reasonable. They can be made readily available and can be utilized completely at the convenience of the practitioner. Required hours range from a few hours to 36 hours for a one basic staff training course now in use.

A frequent objection to these courses is that they cannot be monitored without incorporating some kind of unwieldy examination procedure. This has been largely overcome by the

The Many Alternatives Available

For a professional accountant in public practice the alternative ways to meet a requirement for continuing education might include the following activities:

Activity	Range of Suggested Credits
Basic course in current developments (live, video or work book)	8 hours
Attendance at general meetings (society or chapter)	2-8 hours
Attendance at one or more of the following: Annual Conference) Annual Tax Conference) AICPA Annual Meeting) AAA Annual Meeting)	10-20 hours
Membership on Society or Institute Technical Committee, or service as officer or Board member	2- 8 hours
"In-house" firm training programs (participant or instructor)	2-20 hours
Professional development courses of State Society, AICPA, PLI, AMA, FEI, colleges and universities, etc. (participant or instructor)	2-40 hours
Home study with monitoring (work books or cassettes)	2-20 hours
Authorship of relevant books or articles	2-20 hours
Passage of Theory and Auditing Sections of the current CPA examination (at 5 year intervals)	Waiver

This range of alternatives seems to offer sufficient opportunities for any situation, whether the practitioner is in a large or small firm and whether he is in a metropolitan area or a small town. The option of partial re-examination at reasonable intervals could be provided for those practitioners who choose to demonstrate their continuing education in this manner.

Problems of Implementation and Compliance

The monitoring of compliance with any reasonable program of continuing education does not appear to present any serious problems. The applicant, of course would affirm the truth of the details submitted, and a statistical sampling of individual records would be made. The fact that such information could be verified at any time should be sufficient to deter inaccurate reporting. Further, the administrative regula-

development of simple multiple choice questionnaires for each course. These questionnaires are not designed to test the participant's knowledge and do not have to be graded in the usual sense. They can be mark-sensed and computer-processed to give a reasonable indication as to whether or not the participant has in fact undertaken the program outlined.

Another monitoring device utilized by one State Board calls for the submission to the Board of a brief synopsis for each home study course completed. Incidentally, the same State Board permits no more than one-half of total required hours to be in self-study programs.

It is not suggested that the various types of home study courses are the best route to effective professional development, or that 100% credit should be given for such study. However, such courses can be an effective solution where considerations of cost, convenience, or availability are real barriers to universal professional development.

What Kind of Continuing Education?

Considerable thought has been given to the nature of the continuing education programs which might be required, or which might be selected. Many practitioners feel that this is relatively unimportant because the optimum choice would tend to be automatic. After all, would not each individual choose to spend his time and money on those courses from which he feels he would derive the greatest benefit?

One can argue that continuing education for professional accountants should be no less broad in scope than the CPA examination, and there is some merit to this proposition. One can also argue that the CPA examination provides for entrance into all areas of practice, whereas continuing education should be oriented to the de facto situation, i.e., the area of practice in which the individual is actually engaged. A possible compromise would be to allow complete freedom of choice as to the subject matter of continuing education *except* for a single course of study in current matters of significance in all areas of public practice. Such a course would be more conceptual than technical but would insure that the practitioner would be exposed to major developments in the profession.

tions should provide substantial penalties for false or inaccurate applications. The records of the state societies, foundations, individual firms, and other participating organizations would be available for such tests as were deemed desirable. Thus the administrative burden of verification would be largely shifted to the applicant. If occasional checks with underlying records indicated any substantial discrepancies, appropriate

counter measures could be devised.

The reporting procedures under a program of required continuing education would involve an expansion of the usual renewal form to include a simple tabulation of the courses or other participations making up the 40 hour requirement. Such a tabulation might be along the following lines:

Date attended or completed	Nature of the Course, Meeting or Function	Sponsoring Organization or Firm	Hours Claimed
[details]			
Total			

Under penalty of perjury, I declare that I attended or completed the meetings, courses or other activities listed above, and that the sponsoring organization has records in support thereof, including satisfactory quiz results for home study or video cassette programs.

Signature of Applicant

Recognition of illness and other mitigating circumstances. Discretionary power in the case of illness, hardship or other extenuating circumstances would be vested in the appropriate authorities. Any reasonably supported request for exemption should be granted, at least for one renewal period. Alternatively, a grace period might be extended, during which the practitioner would have a provisional license, to be confirmed upon completion, within a limited period of time, of the deficiency in the required number of hours.

Age exemption. It would also seem appropriate to consider exempting from continuing education requirements all individuals who have reached age 65, or even 60. Such a provision is contained in the regulations of at least two states. In many instances, these individuals will be working in administrative or consulting ca-

pacities where their experience and judgment are of prime importance, rather than technical ability. Further, from a long-range point of view, when an individual has complied with requirements for continuing education over most of his professional career, the public interest would seem to be served.

Credit for educational efforts in other states. The question of reciprocity becomes important as a significant number of states adopt a requirement for continuing education. The proposed California regulations, for example, deal with the problem by providing that the 40 hour requirement must be met either (1) by retroactive credit for education completed in the two years prior to application for reciprocity, or (2) within a six-month period after such application is filed (during which period the applicant may engage in public practice). While

reasonable answers probably will evolve in different states as to the grace periods to be permitted, the nature of evidence of continuing education to be submitted, etc., the reciprocity question will be a matter of increasing interest to CPAs who, for one reason or another, need to be licensed in a number of states.

Activity information reports. One State Board has adopted a requirement that each application for license renewal state the amount of continuing education completed by the applicant during the preceding year—*merely as information* and not as a requirement for license renewal. Presumably, there is little question but that such *information* could be required to be shown in the application under normal administrative procedures without any enabling legislation. This would provide official statistical data which would be useful in evaluating the extent of voluntary action.

Reasonableness in the initial stages. For required continuing education, legislation (if necessary) probably would authorize the regulatory bodies to establish appropriate standards. Under these circumstances, there would be no reason why requirements could not be set initially at a rather modest level with one or more progressive steps to arrive at the desired level within two to four years.

State Boards are knowledgeable and responsible, and their determinations in the area of required continuing education are not likely to be capricious, unreasonable, or detrimental to the profession or to the public interest. It is submitted that the desirable posture for the profession is one of whole-hearted support for the concept of required continuing education, followed by consultation and advice during the deliberation of regulatory bodies with respect to the timing and extent of detailed implementation.

What the state society should do. The challenges to the professional society and its professional development effort include:

1. Expansion of course material to cover a sufficiently broad range of professional development.
2. Differentiation of course material to fit various levels of professional experience.
3. Translation of course material into work book and cassette (video or sound).
4. Refinement of administrative procedures to deal

with the need to document attendance, record quiz grades, etc.

5. Dissemination of programs through the Society chapter network and other available facilities such as community colleges, state university campuses, etc.

This kind of an expanded professional development program is well within the capabilities of the profession. Such an effort should be self-supporting and, by reason of higher activity, should enable the profession to attract and hold educational and research competence of the highest calibre. If such a program is a desirable goal, the state societies should be providing the facility in any event—whether continuing education is required or voluntary.

Dispelling Misconceptions

Continuing education no guarantee of competence. The notion that continuing education, required or otherwise, cannot be relied upon to guarantee professional competence is a truism, but it misses the point. Of course, one person may improve his competence through a given course of instruction, whereas another person may get almost no benefit from the same course (although he may be in greater need of improvement). Individuals have varying degrees of retention, varying degrees of examination proficiency, as well as varying needs for additional knowledge.

Few can deny, however, that required continuing education is one more logical step toward maintenance of competence—no less perfect than the academic preparation and the CPA examination required for entry to the profession. The objective of required continuing education, from a public interest point of view, is not to *insure* a definable level of competence among practitioners but to demonstrate to the public that the profession is *making available* programs for maintaining and improving professional competence, and is sufficiently concerned to *require exposure* to such programs by all CPAs who wish to continue in public practice. The old adage about leading the horse to water still applies in this, as in all other, aspects of professional competence.

Required continuing education obviously is not the only means of upgrading professional competence. It is merely complementary to

such things as on-the-job training, reading, technical discussion, research by firms and professional bodies, practice review, grievance procedures, etc.

Publicized lapses in practice do not demean continuing education. It would also be a great mistake to downgrade the effectiveness of existing continuing education programs by reference to recent well publicized court cases. The fact that accountants may commit errors of judgment, or that there may be faulty administration of an engagement, really has little to do with the need for continuing education. We would be appalled at the idea of flying in a modern jet with a pilot whose technical competence had not been upgraded since the days of the DC-3. Yet, the most modern technical training available will not prevent a pilot from making an erroneous judgment. We should not confuse basic knowledge with the hazards of performance. We should not downgrade the desirability of continuing education merely because it is not a guarantee against lapses in judgment or sub-standard administration. After all, the whole routine of academic preparation, experience requirement and professional examination provides no guarantee against lapses in performance. If required continuing education is going to raise the level of professional competence in the public interest, it must be effective, for the most part, in improving the performance of the thousands of practitioners whose work is never challenged by anyone.

In relating the need for higher levels of competence and performance to the few highly publicized cases, usually involving large companies and major accounting firms, it may be pertinent to point out that liability insurance premiums for firms of 50 staff members or less were increased by 100% in 1970 and by another 40% in 1972. This is directly attributable to the case record of this category of firms. Practice review procedures offered by the Institute and state societies are designed principally to aid the smaller firm in coping with the problem of sub-standard work. Discussions with bankers and others indicate that the problem of sub-standard work is not limited to any particular size firm.

It is equally naive to take the position that "in-house" training programs of the larger firms should be rejected because of a few highly

publicized law suits. This is like rejecting the medical training in a hospital because patients die there—sometimes unnecessarily. For every such "cause celebre" (which, more often than not, has nothing to do with training deficiencies) the quality control mechanisms of the large firms will be functioning quietly and effectively in dozens of areas where a need for additional training is indicated. Even in the case of the well publicized suits, the particular firm at interest will be in the best position to provide whatever corrective training is needed. After all, that firm will have both the facts and the motivation.

In-house training programs of large accounting firms. Some members of the profession have expressed a more general reservation as to the acceptance of "in-house" training programs of the large accounting firms. This seems curious in view of the rather obvious advantages of such programs. In the first place, no group is in a better position to evaluate and respond to the needs of professional staff than those in the quality control apparatus of a large firm. They have an intimate knowledge, through their internal procedures, of the weaknesses and deficiencies of their own organization. Secondly, they have the ability to enforce attendance and participation and to measure the practical results, in a manner which no educational institution or professional society can match. Finally, it seems unlikely that the larger firms, spending an aggregate of more than \$100 million annually on "in-house" mandatory training programs, would not be directing their efforts to solve a demonstrated problem in an optimum manner. Further, as a practical matter, it is almost impossible to draw a line of demarcation. We have instances in which exceptionally good programs are developed by an accounting firm and are then acquired and sponsored by a professional society or institute. Conversely, society or institute programs have been utilized by individual firms in their own in-house training programs.

Where We Stand

Since the Council of the AICPA approved the Beamer Report in May of 1971, significant developments have occurred in a representative number of states. At this point, eleven states have regulations or legislation requiring continuing education. The California and Nebras-

ka Boards have adopted detailed rules which conform substantially to the AICPA guidelines.

The Alabama State Board of Public Accountancy, at the request of the Alabama State Society, has adopted a continuing education requirement similar to the AICPA guideline, *without legislative action*.

The Montana State Board of Public Accountancy has *requested* all licensees to begin a program of continuing education, in accordance with AICPA guidelines, on a voluntary basis. Legislative action necessary for a required program is not contemplated at this time.

The Iowa Board of Accountancy adopted continuing education requirements in 1968 but has extended the initial three-year period for compliance.

The National Association of State Boards of Accountancy (NASBA) has adopted a resolution urging each of the several states to institute requirements for continuing education and to adopt the guidelines recommended by the Committee on Continuing Education of the AICPA.

No requirement has been adopted in New York. An Ad Hoc Committee of the State Society has recommended a voluntary program at this time.

In several other states, notably Texas and Pennsylvania, the organized profession has elected to support voluntary rather than required continuing education.

From all of this diverse activity, it seems clear that continuing education is "an idea whose time has come." The question of whether it evolves as required or voluntary may well turn on the degree to which professional societies and foundations are able to present broad-based programs, utilizing techniques which make them readily available, economical and effective. The resistance to a required program (which is controllable and affords uniform treatment for all) may fade away in direct proportion to the speed with which these criteria are met.

The Florida solution. One of the most interesting current developments is the adoption of

a re-licensing statute in Florida which permits the option of complying with continuing education requirements or of passing an "open book" examination. This would seem to say that a practitioner who engages in prescribed minimum professional development activities is assumed to be maintaining his competence. If he does not, the burden of proof shifts, and he is required to demonstrate his competence by periodic re-examination.

A modification of this optional approach might be to require continuing education, or the passage, once in each five-year period, of the regular Accounting Theory and Auditing parts of the Uniform CPA Examination. The examination is available, it is given twice a year, grading procedures are established and incremental costs for supplies, space, monitoring and grading could be covered by an appropriate fee. If a practitioner is convinced that the available professional development programs are inadequate, or that he does not need them, he should be willing to demonstrate that he has "kept up" by other means. The current entrance requirements in Accounting Theory and Auditing would seem to be reasonable tests of his position.

The fact that a CPA may specialize in taxes or management services should not affect this option. It must be remembered that the State does not license a tax expert or a computer expert—the State licenses a CPA, and the public interest must be concerned with a certain minimum level of competence as a CPA—for all who are licensed to practice as such.

A final observation. Those who oppose required continuing education are usually strong supporters of voluntary programs, which programs are sometimes identical with the AICPA guidelines. Thus, Texas recommends a structured program of 40 hours and each member of the Society is expected to provide a signed statement annually of his continuing education. The opponents also tend to be confident that voluntary programs will involve all but a small minority of practitioners. Thus, the New York Committee report expresses the belief that no compulsion will be necessary when the quality of available programs is adequate. If these positions are really valid—and a jurisdiction in fact adopts the voluntary route to salvation—it

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of her husband's support. Lt. and Mr. Frontiero then brought the suit, alleging a violation of due process in that the applicable statute unreasonably discriminated on the basis of sex.

A three-judge district court, one judge dissenting, sustained the constitutionality of the statute. The U.S. Supreme Court overruled the court below and found the statute unconstitutional on the ground that classifications based

upon sex, like classifications based upon race, alienage and national origin are inherently suspect and must therefore be subjected to close judicial scrutiny. Applying that close judicial scrutiny, the sole basis of that statutory classification was the sex of the individual. The distinction served no purpose other than mere administrative convenience. This violated the principle of due process of law. Justice Rehnquist dissented from the determination of the court. ■

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would seem that only this small minority of practitioners should have any serious concern with the prospects of a re-licensing requirement. Presumably, a jurisdiction that has reached the happy state of almost complete voluntary compliance would quickly legislate requirements for the small minority. The only

difference would be that the Florida and California approach deals with the problem summarily, under forced draft, while the voluntary approach takes it in slower stages. This is the essence of the choice, and it is a choice which has been inherent in nearly all programs for greater social responsibility. ■

LOCAL TAXATION

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arranged to have vault charge lists available for inspection at borough offices of The City Collector, together with other tax lien records, thereby expediting searches. Absence of a property from the listing, however, is not to be taken as evidence that it has no vault.

New York City—Recent Administrative Rulings

A tenant-shareholder in a co-

operative building occupying space for commercial space is subject to the Commercial Rent tax. The taxable base rent includes his share of normal operating expenses but not payments made for mortgage principal and interest, real estate taxes and capital expenditures. A unit owner of condominium, on the other hand, is not subject to tax.

A corporation whose only current activity is the receipt of in-

terest on a purchase money mortgage taken back on the sale of its only asset, a real estate parcel, is not subject to the General Corporation tax.

The above rulings were reported in the July 1973 Finance Administration Bulletin. This and later issues can be secured by writing to the Finance Administration Office of Legal Affairs, 225 Broadway, New York, N.Y. 10007. ■