

**January 24, 2023**

**TO:** Interested Parties at the AICPA and NASBA  
**RE:** DRAFT 8-POINT PLAN TO ADDRESS THE CPA PIPELINE

We appreciate the opportunity for our board members to review the DRAFT 8-POINT PLAN TO ADDRESS THE CPA PIPELINE, EXECUTIVE SUMMARY you provided to Chris Jenkins, our CEO, on the week of January 1st, 2023. This letter represents our official response to your draft document.

We agree that the pipeline to becoming a CPA is at a critical point and that the pipeline volume must be increased quickly. We also agree that changes made to increase the pipeline must be well thought through and well-measured to determine if the changes are impactful. Lastly, they must be long-term changes.

**Integrated Education and Experience Program**

While this initiative could ultimately lower the candidate cost for the remaining 30 hours, we feel strongly that it will not adequately address pipeline compression. We do not believe this approach removes barriers to entry, but instead places additional strain on those seeking to join the profession. As such, we have no confidence in this proposed solution.

When we extrapolate the communicated implementation timeline, this solution would require three years or more to realize and measure success and more than a decade for full implementation. A solution must be implemented more quickly and provide much faster measurements to address the current pipeline problems.

Furthermore, this initiative, as described, does not provide a pathway for licensure for candidates working through smaller CPA firms, industry organizations, governmental entities, or not-for-profits. Smaller CPA firms do not typically have the capital (monetary or human) necessary to implement this type of initiative. Yet, these same small firms are more than adequate in providing the experience necessary for today's licensure path.

The AICPA, NASBA, and CAQ have indicated that the additional 30 hours are a barrier to licensure, and there is significant support for that statement. We also believe that mobility and reciprocity are critical to the sustainability of the profession. We recommend that the AICPA collaborate with all states to establish a dual path to licensure that accomplishes faster implementation and measurement of success. We also suggest that NASBA consider revising the definition of substantial equivalency, which would accomplish both goals.

Three criteria, education, experience, and the exam, are used for licensure qualification, with none regarded more than the others. Education and experience build a candidate's knowledge of practice, and the CPA Exam tests those skills. Experience is the bridge between educational learning and becoming a trusted advisor. Increasing experience to offset a reduction in required education hours does not roll the profession back. Instead, it is a necessary evolution with the changes in how CPAs work. Supporting a balance of experience and ongoing education are continuing trends in many finance and technology roles. Based on the draft plan, we agree that a second path to licensure is imperative, however, we disagree on the method. We believe that for the CPA profession to be competitive with other verticals, the second path should consist of reducing the educational requirement to 120 hours and extending the experience requirement. We believe this addresses the pipeline issues more directly.

The pace of change challenges any curriculum to remain relevant to business needs, much less one designed for the diversity of skills required of today's and future CPAs. Offering two options (150 hours with one year of experience and 120 hours with additional experience) as substantially equivalent paths (1) addresses current pipeline needs, (2) removes a known barrier to first-generation students, (3) reduces the cost of licensure and (4) aligns with the workforce directives of the South Carolina legislature. In fact, we believe the latter path immediately qualifies a large population of potential candidates for licensure (pending passage of the CPA Exam). This has a powerful, immediate, and measurable impact on the pipeline. This should not be seen as a regression in qualifications but as affirming that existing CPAs with 120 hours of education and additional experience are equally as competent as the 150 hour CPAs.

For these reasons, we cannot support the Integrated Education and Experience Program as drafted. We welcome an opportunity to work with all stakeholders, consider all ideas, and find the best solution both nationally and for South Carolina. Additionally, we adamantly support updating the UAA definition of substantial equivalency to include the dual-path model detailed above.

### **30-hour Communication Campaign**

Currently, the path to CPA needs clarification. We appreciate the AICPA's efforts to offer students a roadmap to guide their journey. However, we are concerned about the difficulty of capturing various jurisdictional differences. Again, engaging state associations in this process would lead to a more successful solution.

Overall, we support this initiative even though we believe the IEEP initiative requires modification first.

### **Extending the 18-month Exam Window for Candidates**

As a board, we agree with extending the CPA Exam window for candidates. We believe the next generation engages in lifestyles that would benefit from an extended period to pass the exam, which would result in some additional CPAs contributing positively to the pipeline.

Further, post-collegiate candidates could benefit from additional time given their varied levels of work-life integration. We will consider our decision based on the best interests of South Carolinians and work within our statutes to make those adjustments at the appropriate time, along with any other necessary statute adjustments for licensure.

### **Consider and Address Jurisdictional Barriers to Initial Licensure**

SCACPA completed this effort during our state's 2022 legislative session. Changes in our comprehensive Accounting Practice Act update (Senate Bill 812, signed into law on May 16, 2022) aligned our state requirements with the Uniform Accountancy Act (UAA). Having completed this exercise, we understand the difficulties and the work required to update each state's practice act.

Additionally, this presents another reason a flexible, agreed-upon path to CPA licensure is crucial. As states update their statutes for alignment, updating the substantial equivalency definition could be effortlessly accomplished in the same legislation.

Overall, we support this initiative.

#### **High School and College Strategies**

We support these initiatives and look forward to activities that will complement our continued local efforts.

#### **STEM Recognition**

We support these initiatives and believe this solution is long overdue.

#### **Endowment / The AICPA Foundation**

We support this initiative.

#### **Stakeholder Calls to Action**

We support your efforts and recommend that you include State Associations in your list of stakeholders. State associations have a history of positive impact and support for pipeline initiatives at the state and local levels.

We look forward to collaborating with the AICPA to improve the pipeline and finding a workable solution for removing barriers to licensure nationwide. Balancing education and experience requirements through dual-path opportunities meets the goal of ensuring a sustainable pipeline for the near and distant future.

Signed by the Executive Committee of the South Carolina Association of CPAs, on behalf of the Board of Directors.

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