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HB 442 TO AMEND SECTIONS 4701.06 AND 4701.17 OF THE REVISED CODE TO MODIFY THE REQUIREMENTS TO OBTAIN A CERTIFIED PUBLIC ACCOUNTANT CERTIFICATE AN EXPRESSION OF CONCERN

**To:** Representative Gayle Manning, Chair, Representative Bill Dean, Vice Chair, Representative Michele Lapore-Hagan, Ranking Member and Members of the Ohio House of Representatives Commerce and Labor Committee.

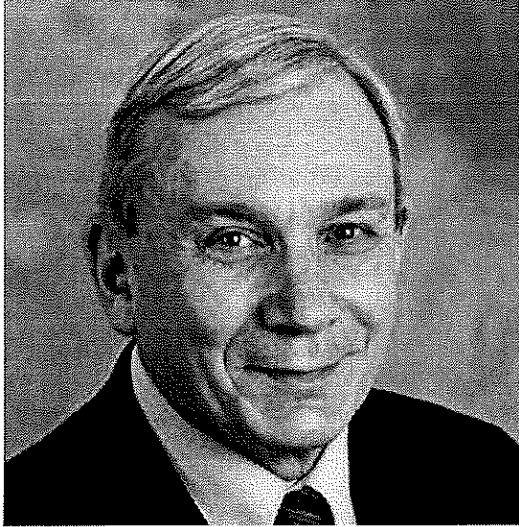
**From:** Gary J. Previts

Dear Committee Members. I am writing as an individual, not an institutional representative, to express my concerns over the legislation proposed in HB 442. Since last November I have been following the discussions related to this proposed legislation. However, with the COVID-19 pandemic the matter was delayed for three months, and only last Friday did I learn of the proposed hearings for May 20th. Due to short notice and a conflict of schedule I am submitting this communication. I have read the two attached statements previously supplied to the Committee by a group of similarly concerned individuals sent to the Chair of the Committee on November 22, 2019 and February 4, 2020. The statements identify a series of background and contemporary issues that align with my sentiments and are supported by opposition testimony anticipated at the May 20<sup>th</sup> hearing. In the interest of not repeating what has been clearly indicated in those two communications I will limit my commentary. The second page of this communication contains a summary of my professional and education activities that form the basis of my concerns.

Since the formation of the U.S. Treasury's Advisory Committee on the Auditing Profession (ACAP), the matters related to meeting the challenges of preparation for the CPA profession have been extensively studied and evaluated. Following upon ACAP's report in 2008, a multiyear study of the needs of the accounting profession, broadly defined, were further detailed in the reports of the Pathways Commission, dating from 2009-12. Given these careful in-depth efforts, it is surprising and disappointing that the sponsors of this bill seek to turn back the clock in Ohio to when educational capacity was insufficient.

The State as well as institutions and members of the accounting profession who seek to supply the needs of the evolving CPA profession have invested heavily in programs that have achieved high quality while meeting the needs of society and the expanding CPA community. Also, recently a State Board of Accountancy rule allows exam access in anticipation of completion of 150 hours. Further revisions beginning June 1st will provide access to test centers on a continuous, on-demand basis, substantially improving access time in relationship to educational program study periods.

Overall, there is little evidence that this proposal to amend the State's law would improve upon the current administration and educational requirements which provide a distinct advantage to the State and ensure competency to protect the public interest.



Gary Previts, PhD, CPA, CGMA, Professor of Accountancy

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Previts is coauthor of the widely referenced *A HISTORY OF ACCOUNTANCY IN THE UNITED STATES* and served as editor of *RESEARCH IN ACCOUNTING REGULATION* (Elsevier) for thirty years. His numerous publications investigate the development of accounting thought and the regulation of accounting, as well as events, policy-setting entities and educational policies and practices. He received the American Institute of Certified Public Accountants (AICPA) Gold Medal in 2007. In 2018, he was awarded the Lifetime Achievement Award from the American Accounting Association (AAA). He has served as president of both the Ohio Society of Certified Public Accountants (OSCPA) and the AAA, and as a member of the AICPA Board of Directors. In 2007-8 he chaired the human capital subcommittee of the Advisory Committee on the Auditing Profession convened by the U.S. Department of Treasury.

Previts has conducted research for the AICPA Special Committee on Financial Reporting and the Business Reporting Research Project of the Financial Accounting Standards Board (FASB). He served as a member of the Advisory Council of the Public Company Accounting Oversight Board (PCAOB) from 2007 to 2017. In addition, he has served as a technical advisor to the International Accounting Education Standards Board (IAESB) and as a sponsor's representative to the "Pathways" Commission, a national body formed to study educational needs for accountants (2009-14). In recent years, he has presented seminars at the Said Business School, Oxford University, UK, the School of Business at Edinburgh University, Scotland, and at Columbia University.

Gary and his wife Fran have four adult children, and eleven grandchildren.

**Statement in Opposition to HB 442 --To amend sections 4701.06 and 4701.17 of the Revised Code to modify the requirements to obtain a certified public accountant certificate.**

**February 4, 2020**

TO: Representative Gayle Manning, Chair, Commerce and Labor Committee  
Representative Bill Dean, Vice-Chair  
Representative Michele Lapore-Hagan, Ranking Member  
The Ohio House of Representatives, 133<sup>rd</sup> General Assembly

FROM: A Community of Ohio Accounting Educators as undersigned at the end of this Statement

The undersigned, each a senior accounting faculty member at an Ohio public or private institution, offer the following comments, as private citizens, in opposition to HB 442.

We firmly believe that this proposal fails to address concerns essential to the proper technical competence and education of Certified Public Accountants by assuring knowledgeable entrants to the CPA Profession in order to protect the public interest. Supporters of HB 442 have failed to provide a persuasive justification for the changed requirement. It may have been asserted by proponents that this issue has been afforded due process to a wide range of stakeholders. However, as a part of that stakeholder community we respectfully and strongly disagree. This bill has arisen with virtually no outreach to Ohio's professionally licensed or academic accounting community.

The State of Ohio has been a pioneer in advancing the educational qualifications of CPAs since at least the 1960s when the first steps toward major advancements in educational competencies were undertaken nationally. The State's existing requirement to sit for the examination with 150 semester hours took effect in 2000, following lengthy Statewide presentations and due process during the 1990s. That change was motivated by a broad-based national awareness, in reports and studies, including The Beamer Report, led by Ohioan Elmer G. Beamer, and an in-depth study, *Horizons for a Profession* [1,2]. These monographs laid the plan for generations to come, noting the need for more knowledge to advance the CPA's capabilities, and a postgraduate education requirement. As late as the 1960s the only requirement to sit for the CPA exam in the vast majority of States was a high school education [3]. Ohio law changed in the early 1960s requiring 120 hours or a bachelor's degree level requirement. In the 1970s, the movement toward fully addressing the recommendation for increased education gained momentum. By 2000, when Ohio's requirement was lifted to 150 hours there was anticipation that it would serve to further the profession's aspirations to become a learned one. Passage of HB 442 would not support this objective.

Financial resources for fifth-year accounting students, in the form of scholarships provided by the Accountancy Board of Ohio (ABO) and the Ohio Society of CPAs (OSCPA) have added to the assurance that individuals will have financial support to acquire the additional education. More importantly Ohio's colleges and universities have provided an abundance of alumni and other supported scholarships, graduate assistantships and similar forms of assistance that have

provided the dominant form of financial support to aspiring CPAs. Aspirants decide to invest in their education, as is often the case in professions, accepting the cost in return for the prospect of career long compensation to provide a satisfactory return.

The process of educational evolution has gradually demonstrated itself, with increasing numbers of institutions of higher education now offering advanced and graduate accounting education coursework and degrees around the country. The concept that Ohio changing to a 120-credit hour requirement will put it in conformity with other jurisdictions is not correct. Many jurisdictions do not allow taking the examination after just 120 credit hours. Even those that may be labeled as 120-credit hour jurisdictions have unique qualifications within the statute or rule that would distinguish them from other jurisdictions. Conformity exists among all States for licensure at 150 credit hours. It does not exist for taking the examination at 120 hours.

The increasing number of graduate educated accountants entering the workforce is consistently evidenced in the regular supply and demand studies of the American Institute of CPAs (AICPA). As noted below, Ohio has over a dozen graduate accounting programs meeting this need and the supply is known to be adequate. Evidence shows that in recent times the number of newly admitted partners with graduate degrees in major accounting firms increased to 43% - an increasing trend in educational achievement [4]. Education will continue to be equally important to peer level positions throughout the CPA profession.

Ohio's accounting programs are among the most highly regarded in the nation. They have invested in developing curriculum, acquiring highly sought-after faculty and resources to support the current statutory and rule requirements. What will be the implications for a change of this magnitude – not only for the prior investments made – but also for future investments? The international business and accounting accrediting agency, the Association for the Advancement of Collegiate Schools of Business (AACSB), offers separate accreditation for accounting programs to assure continuous improvement is accomplished as to the quality, content, and resources applied. The AACSB has granted separate accounting accreditation to only 188 schools worldwide and twelve (over 6%) are in Ohio. Four other Ohio schools have business-only accreditation from AACSB. Under AACSB guidelines, curricula are reviewed and content is developed on a continual basis to respond to the rapidly changing needs of the practicing professional community. These existing educational assets provide Ohio with a critical strategic advantage over neighboring or competing States. Placing a lower level of educational achievement (120 hours to sit) in legislation undermines the advancement of recent decades since the 1990s when the existing law was initially proposed setting forth the 150-hour requirement.

A new ABO rule allowing candidates to begin the examination process within 90 days of completion of the currently required 150 credit hours became effective in September 2019. This accommodation was implemented within the ruling authority of the Board and was vetted by a wide range of outside stakeholders prior to enactment. Since this change was only recently implemented, the impact is not yet known. *Would it not be more prudent to understand the impact of this change before making a significant statutory change to 120 credit hours?* This would be a judicious step before taking a major and disruptive step that is untested and not appropriately vetted.

The knowledge expected of a new CPA (and tested on the CPA exam) has expanded significantly over the past decade and continues to expand. Presentations in October 2019, at the AICPA Council meeting and the national meeting of NASBA, provide evidence of major forthcoming changes in the CPA's areas of competency. This recent concept proposal, which is becoming widely accepted, would advance needed competencies of CPAs and suggests the need for further entry-level education not less. For Ohio to step back from a well-developed educational base now is counterproductive to serving the needs of the public. Emerging areas in the evolving CPA exam include scenarios to test higher order skills, to align employer-expected competencies and increase real-time the ability of CPAs to conduct predictive and prescriptive services in information systems, data analytics, financial reporting, and advanced tax planning and compliance.

Several actions regarding educational preparation of accountants have recently been extensively examined or are now being reviewed in a national effort [5,6]. The AICPA usually conducts rigorous practice analysis every seven years, to assure that material tested on the CPA exam is current and relevant. The AICPA recently announced a new practice analysis exercise only *three years* after the completion of the last one. The rapid pace of change in capital market activity, business, and accounting processes are the reason for this acceleration. It is not just that there are new taxation rules and significant new accounting standards; rather it is a recognition that new CPAs are expected to have the knowledge related to these issues and also apply technologies involving digital analysis, data visualization, and cybersecurity.

Relatedly, the proposed legislation is silent as to the fact that under current Ohio law the final 30 hours of the 150-hour requirement remains unspecified. With licensure occurring at 150 hours, students who sit at 120 have been able to minimize educational opportunities. It is clearly now, more than ever, in the public interest that such education develop a better CPA candidate by focusing on "soft and higher order skills" (critical thinking, writing/communication, cases or scenarios regarding duty to others and professional judgement, as well as emerging means of analysis, artificial intelligence and auditing complex digital systems). Such skill development and learning may not be completely addressed by those with 120 hours of education. If this means that 120-hour candidates are less well prepared when taking the examination this could lead to higher initial failure rates, and then lead to fewer candidates becoming CPAs. Only so much can be taught within 120 credits as to the expanding expectations for knowledge.

This significant proposal for change comes as accounting programs across Ohio are investing time and resources to address the perceived needs identified in the recent professional literature as previously noted in Reference 6. High-level analytical and technology competencies often come to academe with assistance from practice. Schools and accounting faculty acquire them in order to add value to students' experiences. The limited capacity of 120 hours will seriously diminish the prospects to expand curriculum to provide such competencies.

As accounting educators, we are disappointed that this legislation supported by the OSCPA leadership was not more openly communicated on a timely basis. Established and informal networks of accounting program administrators and educators exist in Ohio and are well known to the OSCPA. As a community, educators have limited resources, experience in legislative

proposals, and are at disadvantage in addressing the management of such matters. Therefore, we felt it our responsibility to oppose HB 442 for the reasons noted above.

In summary, HB 442 puts at risk the advances made through accreditation improvements, curriculum investments and cross supporting arrangements since the establishment of the 150-hour rule in 2000. It may have substantial unintended consequences and a chilling effect on the educational momentum dedicated to prompt responses to providing the necessary accounting talent needed in Ohio.

The CPA examination content practice reviews are now being accelerated in the face of recent changes in technology and knowledge, all of which are occurring rapidly. A substantially modified CPA examination is foreseen. These modifications support the need for the educational entry-level capacity that provides Ohio, with its many educational sources, a strategic competitive advantage.

Reducing decades long educational CPA norms does not advance the educational achievement of CPAs in Ohio and would have a chilling, if not a negative effect on efforts to adapt to the increasing demands of changing examination structure and content.

Ohioans at all levels have a greater need than ever for professional, competent financial preparation and assurance regarding business reports and information. Financial literacy levels on average are insufficient and require the services of a future ready CPA. This will not be achieved by lowering the entry level of educational attainment.

The ABO's recent rule to accommodate earlier examination access deserves ample time to be implemented and weighed by that body, which is responsible for such measures. Legislation such as HB 442 would be preemptive and possibly harmful.

In closing, it is important to recall that accounting is the language of business. Information provided by this language is the lifeblood of our market-based economy. The public is increasingly dependent upon timely and relevant financial information. The CPA holds a position of special importance, as a trusted professional, in the preparation and review of such information. CPAs must be both technically competent and well educated to meet the rapidly changing and increasing complex demands of the marketplace and of Ohioans.

**Below are the names and institutional affiliations of the individuals who have electronically indicated their support for the communication of this Statement.**

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## References

1. "Report of the Committee to Examine the 1969 Report of the AICPA Committee on Education & Experience Requirements for CPAs—The Beamer Report," *The Accounting Review*, Vol. 47, Committee Reports: Supplement to Vol XLVII of *The Accounting Review* (1972), pp. 237-257.
2. Robert H. Roy and James H. MacNeill, *Horizons for a Profession*, New York: American Institute of Certified Public Accountants, 1967, 354pp.
3. Robert Trueblood, "Education for a Changing Profession," *Journal of Accounting Research*, Vol 1, No. 1 (Spring, 1963), pp. 86-94.
4. Center for Audit Quality. Report of the Major Public Company Audit Firms to the Department of Treasury Advisory Committee on the Auditing Profession, January 23, 2008, p.2.
5. *Pathways Commission: Charting a National Strategy for the Next Generation of Accountants*, Cosponsored and Published by the American Institute of CPAs and the American Accounting Association, July 2012, 135 pp. [www.pathwayscommission.org](http://www.pathwayscommission.org)
6. Ken Tysiac, "CPA EXAM topic undergoing change for digital age," *Journal of Accountancy*, Vol 228, Number 5, November 2019, pp. 17-20.

November 22, 2019

TO: The Office of the Governor, State of Ohio,  
Key legislative representatives  
Members of the Executive Board of the Ohio Society of CPAs

**A statement responding to a draft proposal of legislation from the Ohio Society of CPAs.**

The undersigned, each an accounting faculty member at an Ohio public or private institution, offer the following comments, as private citizens, on the current proposal to change the number of semester hours of education required to sit for the CPA exam in Ohio from 150 to 120 (while leaving intact the rule that 150 hours must be earned to be licensed). We believe that the currently proposed initiative, which was not previously exposed to Ohio's professional accounting community (practice or academe) or the members of the Accountancy Board of Ohio, does not serve to provide the level of education and competence for CPA exam candidates, and therefore is not in the public interest.

Ohio's accounting programs are among the most highly regarded in the nation. The international business and accounting accrediting agency, the Association for the Advancement of Collegiate Schools of Business (AACSB), offers separate accreditation of accounting programs to assure continuous improvement is accomplished as to the quality, content, and resources applied. The AACSB has granted separate accounting accreditation, along with business accreditation, to twelve Ohio schools, out of only 188 which are accredited worldwide. Four other Ohio schools have business-only accreditation from AACSB. In these and many other business schools around Ohio, curricula are reviewed and content is developed to relate to the rapidly changing needs of the practicing professional community.

Placing a lower level of educational achievement (120 hours to sit) in legislation undermines the past two decades since the law set forth the 150-hour requirement. The State Board of Accountancy has from time to time considered a rule to adjust the sitting requirement, and very recently enacted a rule to permit students to sit for the exam before completing 150 hours, during their final semester of study. This rule was widely discussed in its proposed stage and was seen as providing an earlier window to permit exam taking, while not undermining the established national goal of 150 hours of education. Such a rule change provided a meaningful alternative to opening up legislation.

Several aspects of educational preparation for CPAs are now being reviewed in a national effort by the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) to address the rapid changes occurring in the public practice of CPAs. The knowledge expected of a new CPA has expanded significantly over time and continues to expand. Two presentations in October 2019, at the AICPA Council meeting and the National meeting of NASBA, provide evidence of major forthcoming changes in the CPA areas of competency. This recent concept proposal would create options beyond core areas of CPA activity, and may guide the need for specification of additional content. This suggests the need for more education, not less. Reverting to a 120 hour requirement to sit ignores progress in recent



years, for example, to include examination scenarios to test higher order skills, to align employer-expected competencies.

The AICPA has historically conducted rigorous practice analyses every seven years to assure that material tested on the CPA exam is current and relevant. However, AICPA recently announced a new practice analysis exercise only three years after the completion of the last one. The rapid pace of change in capital market activity, business and accounting processes are the reason for this acceleration. It is not just that there are new taxation rules and new accounting standards; rather it is a recognition that new CPAs are expected to have the knowledge related to these issues and also apply technologies involving digital analysis, data visualization, and cybersecurity.

The law was amended to 150 hours in Ohio in the 1990s, to take effect in 2000. It was motivated by a broad based national awareness, which had its origins in Ohio, in a study (The Beamer Report) that noted the need for more knowledge to qualify for licensure. Prior to 2000, CPAs suffered in comparison to fields such as law and medicine which were recognized as important and known to require education beyond the undergraduate degree. Financial resources for fifth-year accounting students, in the form of scholarships provided by the Accountancy Board of Ohio and the OSCPA have added to the assurance that individuals will have financial support to acquire the additional education.

The proposed legislation also fails to address the fact that under current Ohio law the final 30 hours of the 150 remains unspecified. Evidence from NASBA on candidate performance in 2018 indicates that, in general, Ohio candidates with advanced degrees have a higher CPA exam passing rate than those with just a bachelor's degree. With licensure occurring at 150 hours, students who sit at 120 are likely to identify educational coursework which does not complete a rigorous program of study or evolving skill sets. The legislative proposal does nothing to address the unstructured non-directional 30 hours. Ideally, such education would aid in developing a better professional accountant by focusing on both 'soft skills' and "higher order skills" (critical thinking, writing/communication, cases or scenarios regarding duty to others and professional judgement, as well as emerging means of analysis, artificial intelligence and auditing complex digital systems).

The change comes as accounting programs across the state are investing time and resources to address the perceived needs of data analysis and visualization competencies that entry-level individuals will be expected to demonstrate. These high-level analytical technology competencies often come to academe with assistance from the world of practice. Schools must obtain and accounting faculty must learn the technology in order to teach the students. It seems likely that the limited capacity of 120 hours will seriously diminish the prospects to expand curriculum to provide such competencies.

As accounting educators, we are disappointed that this legislation, which will have an immediate and long-term impact on preparing qualified individuals to serve the public's need, was not openly communicated on a timely basis, not only to academics but also to the practicing CPA community. The OSCPA has powerful marketing tools but there has been no indication throughout 2019 that this idea was being considered. An established group of accounting

program administrators is organized, meets regularly, and is capable of disseminating proposals for comment to faculty across the state. This group is well-known to the OSCPA and the fact that it was not contacted until legislative drafting was undertaken, is regrettable and damages what heretofore has been a mutually trusting relationship.

It is our responsibility to object strenuously to this proposed legislative action to reduce the sitting requirement to 120 hours. It risks the advances made through accreditation improvements and investments since the establishment of 150 hours in 2000 to improve the competencies of the CPA profession to serve the public and will have a chilling effect on the educational processes dedicated to providing the necessary accounting talent which the state will need.

Below are the names and institutional affiliations of the individuals who have electronically indicated their support for the communication of this statement.

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