Thank you for letter of January 5, 2018 requesting clarification of rules set forth in the Board’s most recent rulemaking, effective January 1, 2018, relating to the new CPE requirements for those participating in attest activity (§11.63(a)(1)). The Board is unable to give an advisory opinion or examples on the specific levels of participation that would trigger the CPE requirements of §11.63(a)(1); we anticipate the information set forth below will provide guidance for your members.

The preamble to the proposed rulemaking, published in the Pennsylvania Bulletin at Volume 45, Number 24, on June 13, 2015, in conjunction with the Act, is instructive. As you are aware, Act 15 removed the requirement that each licensure candidate demonstrate 400 hours of attest experience. In the preamble, the Board stated, “[b]ecause licensees must be able to develop competency, the Board concluded that those licensees merely participating in attest activity need not be required to demonstrate a minimum level of competency; supervision by a competent licensee is sufficient.”

“Howver, it [the Board] believes that those who do provide these services -- even under the supervision of another licensee -- shall maintain competence by completing a minimum amount of CPE.” Therefore, not every participant in attest activity needs to meet the competency standards in §11.23a, which is applicable to a licensee supervising attest services and signing or authorizing another to sign an accountant’s report for attest services.

It follows that we would look to the definition of attest activity found in section 2 of the Act, which states:

The provision of any of the following services together with the issuance of a report expressing or disclaiming an opinion or other assurance on the information:

(a) An audit or other engagement performed in accordance with the Statements of Auditing Standards (SAS);
(b) A review or compilation of a financial statement performed in accordance with Statements of Standards for Accounting and Review Services (SSARS);

(c) An engagement performed in accordance with Statements on Standards for Attestation Engagements (SSAE);

(d) An audit or other engagement performed in accordance with government auditing standards issued by the Comptroller General of the United States;

(e) Any other engagement performed in accordance with attestation standards established by an organization granted authority by statute or regulation to establish attestation standards, such as the American Institute of Certified Public Accountants (AICPA) or the Public Company Accounting Oversight Board (PCAOB).

Thus, a licensee participating in attest activity when such participation culminates in the issuance of a report expressing or disclaiming an opinion or other assurance on the information, the licensee must comply with §11.63(a)(1).

By definition, attest activity does include the internal audit industry when the work results in an assurance on the information. Thus, a licensee providing any of the services listed above, together with the issuance of a report or disclaiming an opinion or other assurance on the information above, is required to meet the CPE requirements set forth in §11.63(a)(1).

Finally, the regulations provide a minimum number of CPE hours. Firms and individual licensees structure their CPE hours to best match assignments and foster professional growth and development. As stated in the preamble to the proposed regulations, licensees know best what types of CPE would be most useful.

Sincerely,

Chandra Lalvani, CPA, Chairperson
State Board of Accountancy