



Advance. Grow. Accelerate.

American Institute of Certified Public Accountants (AICPA)

Transmitted electronically via: practiceanalysis@aicpa.org

Re: AICPA's Exposure Draft on Maintaining Relevance of the Uniform CPA Examination: Aligning the Exam with the CPA Evolution Licensure Model - Issued June 27, 2022

To whom it may concern:

The AGA, supported by its Higher Education Committee and Financial Management Standards Board members, offers these comments in response to the AICPA's Exposure Draft (AICPA ED), Maintaining Relevance of the Uniform CPA Examination: Aligning the Exam with the CPA Evolution Licensure Model, issued on June 27, 2022.

We applaud the efforts of all involved in providing this blueprint for the new CPA exam and recognize the overwhelming volume of work by many volunteers to arrive at the proposed content in this AICPA ED. We clearly understand the challenge of balancing the increasing volume of content with the limited constraints of exam length and time allowed for taking the exam. We have therefore limited our recommendations to a few salient points as noted below. Finally, we appreciate the opportunity to provide comments and will make the appropriate persons available to discuss our comments further should you have any questions or concerns.

While AGA supports the overall CPE Evolution process and the proposed content within the AICPA ED, AGA must reiterate its ongoing concern regarding the amount and location of the proposed governmental accounting content. AGA believes the newly licensed CPA (nICPA) will be exposed to more governmental accounting and auditing work in the first two years of their careers than anticipated by the AICPA.

Therefore, we propose the following recommendations and rationale:

1. RECOMMENDATIONS:

- a. Move the following from the proposed BAR, Area III to the appropriate areas of FAR I, II, and III:
 - i. Basic concepts and principles of the state and local government-wide, governmental funds, proprietary funds, and fiduciary fund terminology and financial statements (including the basic knowledge of the various fund types and the modified accrual basis of accounting). Note: the AICPA needs to ensure the exam is updated based upon any approved changes in the reporting model for governmental funds currently before GASB.

- ii. Accounting for specific types of transactions such as net position, fund balances, capital assets, long-term liabilities, interfund activity, nonexchange revenue, expenditures and expenses, and budgetary accounting within the state and local governmental entity financial statements.

- b. Include basic federal governmental accounting topics in the new FAR Area I as follows: Information on FASAB including its mission, objectives of federal financial reporting, and the federal reporting model and entity.

- c. Maintain content on internal control reporting as recommended in the current AICPA ED (SOC controls for service organizations, COSO, and COSO ERM controls).

- d. Maintain GAO Yellow Book and Single Audit requirements as recommended in the current AICPA ED. Note: GAO has indicated there will be a 2023 update to the Yellow Book; if so, changes will need to be incorporated into the new exam.

- e. Consider adding the following federal governmental content to the BAR, Area III, or a new Area IV:
 - i. Form, content, purposes, and uses of accrual-based federal financial reports, including the balance sheet, statement of net cost, statement of changes in net position, statement of budgetary resources, and budget and accrual reconciliations.
 - ii. Form and content of the consolidated financial report of the U.S. Government, including the reconciliation of net operating cost and budget deficit, statement of long-term fiscal projections, and statement of social insurance.

2. RATIONALE:

- a. There are approximately 93,000 state and local governmental entities across the United States; many of which are multi-billion-dollar entities; and collectively, these 93,000 entities expend over \$2 trillion dollars annually. Further, the federal sector represents a sizable portion of the U.S. economy. For example, FY 2021 gross costs were approximately \$7.3 trillion and net tax and other revenues were \$4.3 trillion.

- b. All, or nearly all, of these local, state, and federal entities require financial staff, including nICPAs, who must be prepared for their careers on day one.



- c. Moreover, the majority of the 93,000 local, state, and federal governmental entities require annual financial audits (and most require periodic compliance, performance, and/or single audits as well). To accomplish this monumental task, thousands of CPA firms, large and small, as well as local, state, and federal audit organizations in all 50 states and territories conduct governmental audits or provide contracted assistance: and, all need staff, including nCPAs, with a broad working knowledge of governmental accounting.

We believe the AICPA’s rationale for limiting state and local content in FAR and excluding federal content altogether is flawed and based on the notion that only a limited number of nCPAs will be engaged with the government sector. We have demonstrated that over 93,000 entities and thousands of public accounting firms across the United States depend upon the knowledge of local, state, and federal accounting and auditing standards and guidelines. Therefore, a significant percentage of financial accountants and auditors must have this relevant basic content as discussed herein at the start of their careers; and we recommend this content be included in the new CPA exam as discussed.

Again, AGA thanks the AICPA for the opportunity to comment on this exposure draft. If you have any questions, please feel free to contact Ann Ebberts at 703-684-6931 or aebberts@agacgfm.org.

Respectfully,

Ann M. Ebberts
AGA, Chief Executive Officer

Melinda M. Miguel
AGA National President 2022-2023

Rachelle Cabading, CGFM, CFE
Chair, AGA Higher Education Committee

Scott DeViney, CPA
Chair, AGA Financial Management Standards Board