

October 2004

GOVERNMENT AUDITING STANDARDS

Guidance on GAGAS Requirements for Continuing Professional Education

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

October 6, 2004

To Audit Officials and Others Interested in
Government Auditing Standards:

GAO invites your comments on the accompanying proposed changes to *Guidance on GAGAS Requirements for Continuing Professional Education*. This proposed guidance document, when finalized, will replace the April 1991 document entitled *Interpretation of Continuing Education and Training Requirements*. This document will provide guidance to auditors and audit organizations in implementing the continuing professional education requirements (CPE), prescribed by the 2003 revision of *Government Auditing Standards*, commonly referred to as the Yellow Book.

The fundamental difference related to CPE in the 2003 Yellow Book from the 1994 Yellow Book is that the 80 hours of CPE to be completed every two years should “directly enhance the auditor’s professional proficiency to perform audits and/or attestation engagements.” The 1994 Yellow Book called for training that “contributes to the auditor’s professional proficiency.”

The new draft guidance expands and modernizes the list of example items and topics that could satisfy CPE requirements under the Yellow Book. The draft guidance does, however, state that training in tax, for purposes of Yellow Book CPE, is generally limited to topics related to an objective of an audit performed under the Yellow Book. For example, auditors who audit tax revenues of a government entity (including income, sales, property, and other tax revenues) may be able to claim CPE hours for related courses in taxation. Likewise, auditors of not-for-profit organizations under the Yellow Book might also be able to claim CPE if knowledge of the relevant tax reporting requirements influences the financial reporting objectives for purposes of the financial statements, such as categories of expenses, prohibited transactions, or unrelated business taxable income.

The changes to the CPE guidance in the area of tax were previewed in a March 2004 notice posted to GAO’s Web site amending parts of paragraph 46 of the 1991 guidance. For taxation as well as all other areas, the notice also clarifies that auditors must use professional judgment in determining whether training qualifies under the Yellow Book. Another change announced in the March notice is that CPE requirements of licensing bodies or professional organizations no longer automatically satisfy the 80-hour requirement. A listing of the areas of major changes to the CPE guidance is included as an attachment.

GAO considers 2004 to be a transition year, and practitioners and peer reviewers should use professional judgment in determining which CPE is acceptable under the Yellow Book, based on the requirements of the 2003 Yellow Book and the related guidance available at the time the CPE was completed.

The draft guidance has been reviewed by the Comptroller General's Advisory Council on Government Auditing Standards and will be posted at GAO's Web site (<http://www.gao.gov/govaud/>) for a 45-day comment period. Your comments are extremely important in the development of this guidance. We encourage you to send your comments, whether you wish to comment on the entire draft document or only a portion of it. It would be helpful to key your comments to the specific paragraph numbers, give your rationale for any proposed changes, and suggest revised language. We will analyze and consider all comments prior to finalizing the guidance. The final guidance document will be available on GAO's site for downloading.

Please send your comments via e-mail to yellowbook@gao.gov by November 30, 2004. If you would prefer to send written comments, please send them via fax to (202) 512-9193.

Thanks you for your assistance on this important document. If you need additional information, please call Michael C. Hrapsky, Project Manager, Financial Management and Assurance, at (202) 512-9535.

Sincerely yours,

A handwritten signature in cursive script that reads "Jeanette M. Franzel".

Jeanette M. Franzel
Director
Financial Management and Assurance

Attachment

Major Changes from the 1991 CPE Interpretation:

1. Changed the title from “Interpretation” to “Guidance” because it really is guidance, rather than an interpretation.
2. Language changed throughout to be consistent with the 2003 revision to the Yellow Book, and language was also “modernized” throughout.
3. Clarified throughout that CPE programs should have learning objectives.
4. Expanded and modernized the list of example items and topics that could satisfy the 80-hour requirement. (paragraph 20)
5. Added a paragraph explaining that generally taxation would not meet the CPE requirements unless it is related to the subject matter of the audit, such as when auditing tax revenues. (paragraphs 20 and 28)
6. Specified that for certification review courses, only the segments related to auditing, attestation, the government environment, or the specific environment of the audited entity counts. (paragraph 21)
7. Allows CPE for participation as a member of a professional committee or task force of an accounting or auditing standard-setting organization for those segments of the group meeting which are devoted to learning about issues impacting audits and attestation engagements AND if that segment of the meeting is specifically designated as CPE and meets the criteria for group CPE programs. (paragraph 22)
8. Allow for preparation time for a group CPE program to be counted as CPE hours if the provider has designated that portion of the CPE program to be individual study and it meets the criteria for individual study. (paragraph 32)
9. Specified that some subjects and topics that are acceptable to state licensing bodies and/or professional organizations may not qualify as CPE under GAGAS. Conversely, some CPE that qualifies for GAGAS may not qualify for state licensing bodies and/or professional organizations. (paragraph 45)
10. Updated various criteria for CPE programs, where appropriate, to be consistent with NASBA standards. (paragraph 26 and others)
11. Allow credit for half-hours, consistent with NASBA standards. (paragraph 31)

12. Added the flexibility for the audit organization to delegate responsibility for certain documentation to employees, including the following: (1) location of the CPE program, (2) description of the program, and (3) evidence of completion of the program. If the audit organization elects to delegate the responsibility to the employee for maintaining the above information, the audit organization should have adequate procedures in place to ensure that its records of CPE hours taken by the employee are supported by the documentation maintained by employees. (paragraph 40)
13. Added the following reasons why an audit organization can grant exceptions to the CPE requirements: extended family leave and natural disaster. Also specified that exceptions to the CPE requirements should not be made for reasons such as workload, budget, or travel constraints. (paragraph 10)
14. Specified that auditors are responsible for determining the CPE requirements of other entities to which they report their CPE (paragraph 46)
15. Changed the calculation for “pro rata” number of hours for periods other than 2-year periods (e.g. transition periods and new hires) to result in a more true reflection of “pro rata” based on calendar quarters. (paragraphs 13 and 14).
16. Specified that auditors are responsible for maintaining evidence of their attendance or completion of external CPE programs. Previous requirement was for the audit organization to maintain this. (paragraph 41)

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GUIDANCE ON GAGAS REQUIREMENTS FOR CONTINUING PROFESSIONAL EDUCATION

INTRODUCTION

1. The 2003 revision of the *Government Auditing Standards*, often referred to as the “Yellow Book” or generally accepted government auditing standards (GAGAS), was issued by the Comptroller General of the United States in June 2003.¹ Auditors and audit organizations are to follow the standards when required by law, regulation, contract, agreement or policy for audits of government entities, programs, activities, and functions, and of government assistance administered by contractors, nonprofit entities, and other nongovernmental entities. {Modified from paragraph 2 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

2. The GAGAS general standard related to “Competence” is: “The staff assigned to perform the audit or attestation engagement should collectively possess adequate professional competence for the task required.” The competence standard places responsibility on audit organizations to ensure that each audit or attestation engagement is performed by a team that, taken as a whole, possesses the technical knowledge, skills, and experience necessary to be competent for the type of work being performed.² The success of an audit organization

¹ See GAO’s *Government Auditing Standards* Web page (<http://www.gao.gov/govaud/ybk01.htm>).

² See GAGAS for the discussion of the general standard related to competence.

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in carrying out its mission depends on having a competent, well-trained staff. {Modified from paragraphs 1, 3, and 4 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

3. The standard also establishes continuing professional education (CPE) requirements for auditors performing work under GAGAS on an audit or attestation engagement. In an environment of increasingly complex audit and attestation work and accelerating change, CPE is an integral part of the lifelong learning that is necessary for auditors to maintain their professional competence. {Modified from paragraph 3 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

4. Complying with the CPE requirements and selecting suitable CPE require auditors to exercise professional judgment. This guidance should be followed by auditors and audit organizations in carrying out these responsibilities.³ {Modified from paragraph 6 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

5. GAGAS set the CPE requirements as follows:

Auditors performing work under GAGAS, including planning, directing, performing field work, or reporting on an audit or attestation engagement under GAGAS, need to maintain their professional competence through a variety of activities, including, continuing professional education (CPE).

³ This guidance supersedes the *Interpretation of Continuing Education and Training Requirements* issued by GAO in 1991.

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Therefore, each auditor performing work under GAGAS should complete, every 2 years, at least 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits or attestation engagements. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any 1-year of the 2-year period.

The audit organization is responsible for ensuring that auditors meet the continuing education requirements and should maintain documentation of the CPE completed.

{Modified from paragraph 5 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

WHO IS SUBJECT TO CPE REQUIREMENTS?

6. The CPE requirements apply to external auditors and internal auditors, both government and nongovernment (e.g., public accountants, both certified and noncertified), who perform audits or attestation engagements that are conducted in accordance with GAGAS. The CPE requirements set forth the minimum number of CPE hours that auditors, whether employed full- or part-time by a government audit or internal audit organization, public accounting or

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professional services firm, or self-employed, should complete. {Modified from paragraph 8 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

7. GAGAS cover a broad array of engagements including financial audits, attestation engagements, and performance audits. Accordingly, the focus of GAGAS is not on the wide variety of titles that are used by individuals conducting and reporting on this work, but instead the nature of the work that is being performed. The term “auditor” throughout GAGAS and this document includes individuals who may be titled auditor, analyst, evaluator, inspector, or who may have a similar position. {Modified from 2003 Revision of the *Government Auditing Standards*, footnote 1.}

8. All auditors assigned to planning, directing, performing field work, and reporting on GAGAS audits or attestation engagements should meet the 80-hour CPE requirement. Auditors involved in planning, directing, or reporting on a GAGAS engagement should also meet the 24-hour CPE requirement regardless of the amount of time spent performing such functions. Auditors who are only involved in field work (i.e., not involved in planning, directing, or reporting) on the audit or attestation engagement, and who charge less than 20 percent annually of their time to audits and attestations following GAGAS, do not have to comply with the 24-hour CPE requirement but are still subject to the 80-hour requirement. {Modified from paragraph 9 of the *Interpretation of Continuing Education and Training Requirements*, April 1991 and 2003 Revision of *Government Auditing Standards*, footnote 36.}

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Exemptions and Exceptions

9. The following individuals should be qualified to perform their assigned tasks and should maintain their professional competence in their areas of specialization, but are not required to meet the GAGAS CPE requirements.

a. External consultants and internal specialists such as actuaries, appraisers, attorneys, engineers, geologists, information technology specialists, medical doctors, and statisticians who are assigned to the job in the role of a specialist. Auditors who use their work should take appropriate steps to determine whether such specialists are qualified in their areas of specialization and should document their conclusions.

b. Staff performing support services within the audit organization, such as individuals assigned to staff positions in budgeting, personnel, training, and administrative functions and do not conduct audit and attestation activities.

c. Employees who assist in the audit or attestation engagement by performing support services, such as performing background research or report writing/editing , production, and distribution.

d. College and university students employed on a temporary basis for a limited period of time (for example, an internship of limited duration) or enrolled in a formal program sponsored by the college or university for a specific period of employment, such as a term or semester.

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{Modified from paragraph 19 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

10. The audit organization, at its discretion, may grant exceptions from a portion of the CPE requirements in the event of extended absences or other extenuating circumstances if situations such as the following prevent an auditor from fulfilling those requirements:

- a.** ill health,
- b.** maternity leave,
- c.** extended family leave,
- d.** sabbaticals,
- e.** leave without pay absences,
- f.** foreign residency,
- g.** military service, or
- h.** natural disaster.

The audit organization should document its policies and the reasons for any exceptions granted and retain that documentation for an appropriate period of time. (See paragraph 43.) The audit organization should not grant exceptions for reasons such as workload, budget, or travel constraints.

{Modified from paragraph 21 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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Definition of Planning, Directing, Performing Field Work, and Reporting

11. The terms “planning,” “directing,” “performing field work,” and “reporting” are defined as follows:

a. Planning: Determining audit objectives, scope, and methodology; establishing criteria to evaluate matters subject to audit; or coordinating the work of other audit organizations. This excludes individuals whose role is limited solely to gathering information used in planning the audit.

b. Directing: Supervising the efforts of others who are involved in accomplishing the objectives of the audit or reviewing audit work to determine whether those objectives have been accomplished.

c. Performing Field Work: Conducting audit tests and procedures necessary to accomplish the audit objectives in accordance with GAGAS.

d. Reporting: Determining the report contents and substance or reviewing reports to determine whether the audit objectives have been accomplished and the evidence supports the report’s technical content and substance prior to issuance. This includes those who review engagement quality prior to issuing the report and those signing the report.

{ Modified from paragraph 11 of the *Interpretation of Continuing Education and Training Requirements*, April 1991. }

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HOW SHOULD COMPLIANCE WITH CPE

REQUIREMENTS BE MEASURED?

12. The GAGAS CPE requirements must be satisfied every 2 years. To simplify administration of the CPE requirements, an audit organization may establish a standard 2-year period for all its auditors.

{ Modified from paragraphs 20, 24, 27, and 28 of the *Interpretation of Continuing Education and Training Requirements*, April 1991. }

Measurement of Compliance in

Other than a 2-Year Period

13. Auditors hired or assigned to a GAGAS audit or attestation engagement after the beginning of a 2-year CPE period should complete a pro rata number of CPE. An audit organization may define a “pro rata number of hours” based on the number of full calendar-year quarters remaining in the CPE period. For example, an audit organization has a 2-year CPE period running from January 1, 2005, through December 31, 2006. The audit organization assigns a new staff member to a GAGAS audit in August 2005. Audit

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organizations should calculate the pro rated CPE requirement for the staff member as follows:

1. Number of full calendar year quarters remaining in the CPE period: 5 quarters
2. Number of calendar-year quarters in full 2-year period: 8 quarters
3. Newly assigned staff member's CPE requirement: $5/8 \times 80 \text{ hours} = 50 \text{ hours}$.

Similarly, for newly assigned staff members who are subject to the 24-hour requirement, the number of hours is calculated in a similar manner: $5/8 \times 24 \text{ hours} = 15 \text{ hours}$.

{ Modified from paragraphs 28, 29, and 30 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

14. An audit organization may use a measurement date other than the date it started its first GAGAS audit or attestation engagement or the audit organization may choose to change its measurement date to coincide with a fiscal year or another reporting requirement (e.g., state licensing body). However, during the transition period to another measurement date, auditors should complete at least a pro rata number of the required 20 hours of CPE per year. For example, if an audit organization changes the end date of the measurement period from December 31 to June 30, during the audit organization's transition period (January 1 to June 30), its auditors should complete at least a pro rata number of CPE hours for the 6-month transition period in this example. Calculation of the number of pro rata hours required should be done based on calendar quarters, as illustrated in the previous paragraph.

{ Modified from paragraph 28 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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CPE Carryover

15. The 80- and 24- hour requirements are the minimum number of CPE hours that auditors should complete for each 2-year measurement period. Auditors may not carry over CPE hours earned in excess of the 80- and 24-hour requirements from one period to the next.

{Modified from paragraphs 31 and 32 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

Need for Compliance If No Longer

Doing GAGAS Audits or Attestation

Engagements

16. If an audit organization discontinues conducting GAGAS audits or attestation engagements before its auditors complete the CPE requirements, the auditors are not required to complete the number of hours to satisfy the CPE requirements. However, the audit organization may wish to have its auditors complete those requirements if it is reasonably possible that it will perform GAGAS audits or attestation engagements in the future. {Modified from paragraphs 33 and 34 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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Deficiency Make-up

17. At its discretion, audit organizations may give auditors who have not completed the required number of CPE hours for any 2-year period up to 2 months immediately following the 2-year period to make up the deficiency. Any CPE hours completed toward a deficiency in one period should be documented in the CPE records and may not be counted toward the requirements for the next 2-year period, including the 20-hour annual minimum requirement. Audit organizations that grant the 2-month grace period should not allow auditors who have not satisfied the CPE requirements after the grace period to participate in GAGAS audits or attestation engagements until those requirements are satisfied. {Modified from paragraphs 35 and 36 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

WHAT QUALIFIES AS ACCEPTABLE CPE?

18. CPE programs are structured educational activities with learning objectives designed to maintain or enhance participants' knowledge and skills in areas applicable to performing audits or attestation engagements, including subjects directly applicable to government auditing, the government environment, or the specific or unique environment in which the entity operates. {Modified from paragraph 39 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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Programs and Activities that Qualify

19. The following programs and activities qualify for CPE hours, provided they are in acceptable subjects and topics, have clearly defined learning objectives, and follow the subject-matter and program criteria presented in paragraphs 20-28.

a. group programs such as those described in paragraphs 26a and 26b, including:

- 1.** internal training programs (e.g., courses, seminars, workshops);
- 2.** education and development programs presented at conferences, conventions, meetings, seminars, and workshops of professional organizations;
- 3.** training programs presented by other audit organizations, educational organizations, foundations, and associations;
- 4.** accredited university and college courses (credit and noncredit);
- 5.** audit organization staff meetings when a structured educational program with learning objectives is presented (e.g., that portion of the meeting where a structured educational program is used to teach auditors about how auditing standard apply to their work);

b. individual study programs such as those described in paragraphs 26a and 26c, including

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1. Web-based courses;
 2. correspondence courses, individual-study guides, and workbooks;
 3. courses given through audio cassette tapes, videotapes, and computers;
- c. other professional activities, subject to the limitations discussed in paragraphs 36 and 37:
1. serving as a speaker, instructor, or discussion leader at group programs that qualify for CPE hours; and
 2. publishing articles and books or developing CPE courses on subjects and topics that qualify for CPE hours and that contribute directly to the author's professional proficiency to perform audits or attestation engagements.

{ Modified from paragraph 43 of the *Interpretation of Continuing Education and Training Requirements*, April 1991. }

Subjects and Topics That Qualify

20. CPE that would satisfy the 80-hour requirement under GAGAS should be in subjects and topics that directly enhance the auditors' professional proficiency to perform audits or attestation engagements. The interpretation of this can be broad based on individuals' roles, responsibilities, and professional and technical development, and the subject matter of audits or attestation engagements. The audit organization is ultimately responsible for determining

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whether a subject or topic qualifies as acceptable CPE for its auditors. Examples of such subjects and topics include but are not limited to the following:

- accounting principles and standards
- acquisitions management
- actuarial techniques and analysis
- appropriation law and accounting
- assessment of internal controls
- asset management
- audit methodologies, including those developed by audit organizations
- audit risk and materiality
- audit standards
- budgeting
- cash management
- compliance with laws and regulations
- computer security
- contracting and procurement
- cost accounting
- data analysis
- economics
- ethics
- evaluation design
- finance

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- financial analysis
- financial management
- financial reporting
- financial statement analysis
- forecasts and projections
- forensic auditing
- fraud
- government environment
- government program management
- grant management
- human capital management
- information systems management
- information technology
- interviewing techniques
- management and leadership
- operations research
- oral and written communications
- organizational change management
- pension and other employee benefits accounting
- performance results, measurement, and management
- preparation of audit documentation
- principles of management and supervision
- program evaluation

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- project management
- public administration
- public finance
- public policy and administration
- quality control
- research methods
- sampling
- social and political sciences
- software applications
- statistical techniques and analysis
- supervision
- taxation, but only when applicable to the subject matter of a government audit

{Modified from paragraphs 45 and 46 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

21. Auditors who complete a professional certification review course(s) should receive CPE hours only for those segments of the review course that are relevant to performing audits or attestation engagements, or are directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.

{New clarification added.}

22. Auditors who participate as a member of a committee or a task force of an accounting or auditing standard-setting organization can receive CPE hours for those segments of group

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meetings which are devoted toward learning about issues impacting audits and attestation engagements, the government environment, or the unique environment in which the audited entity operates if that segment of the meeting is specifically designated as CPE and meets the criteria in paragraphs 26a and 26b.

23. The 24-hour requirement calls for auditors to obtain 24 hours of CPE in subjects and topics directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates.⁴ The following guidelines are presented to help auditors determine what subjects and topics would qualify for the 24-hour requirement:

a. Subjects and topics directly related to the government environment may include

- economic conditions, fiscal trends, and pressures facing the government entity;
- appropriations, accounting, budgeting, accounting, financial management, procurement, contracting, and financial reporting in government;
- partnerships between governments, businesses, and citizens;
- legislative policies and procedures;
- relevant laws, regulations affecting government programs;
- evolving issues of homeland security and safety of citizens;
- measuring and reporting the results of government programs;
- assessing trends among the population of citizens receiving government services;

⁴ The 24 hours may be taken at any time during the 2-year measurement period.

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- global trends impacting the government environment;
- opportunities and challenges presented to the government by advances in science and technology;
- information technology developments and applications that impact or could impact the government entity or program; or
- government transformation issues dealing with evaluating the role of government programs in the future and related to techniques for restructuring government entities, including streamlining operations, enhancing organizational efficiencies, outsourcing or privatizing certain functions or activities.

b. Subjects and topics directly related to standards used in government auditing, which may include *Government Auditing Standards* and, because they are incorporated by reference in *Government Auditing Standards*, AICPA statements on auditing standards for field work and reporting and statements on standards for attestation engagements. In addition, GAGAS may be used in conjunction with professional standards used by other authoritative bodies.

Therefore, training in professional standards issued by other audit standard-setting bodies, such as Institute of Internal Auditors, the Public Company Accounting Oversight Board, the International Auditing and Assurance Standards Board, and others would be relevant. Other topics include special government audit requirements established by law or regulation, such as the Single Audit Act of 1984 and the 1996 Amendments, as well as other laws and regulations covering audit requirements at the federal, state, or local level, or for recipients of federal contracts or grants.

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c. Subjects and topics directly related to the specific or unique environment of the entity under audit may include relevant accounting standards and principles (such as those issued by the Federal Accounting Standards Advisory Board, Governmental Accounting Standards Board, and the Financial Accounting Standards Board); economic, operating, or regulatory developments in the specialized area in which the audited entity operates; current industry risks or major changes affecting the industry; current fiscal trends and other developments affecting the entity; and relevant laws and regulations.

{Modified from paragraph 47 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

24. Determining what subjects are appropriate for individual auditors to satisfy both the 80-hour and the 24-hour requirements is a matter of professional judgment to be exercised by auditors in consultation with appropriate officials within their audit organizations. Among the considerations in exercising that judgment are the auditors' experience, the responsibilities they assume in performing GAGAS audits or attestation engagements, and the operating environment of the audited entity.

{Modified from paragraph 48 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

25. If auditors are presently not performing audits in a certain area, but are planning to expand into that area, CPE in topics relevant to the new area is also acceptable for the 24-hour requirement as long as the CPE subjects and topics are directly related to government auditing, the government environment, or the specific or unique environment of the new audit area. Before beginning work in accordance with GAGAS, audit organizations should

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ensure that the audit team collectively possesses the technical knowledge, skills, and experience necessary to competently perform the GAGAS assignment. {modified from 2003 Revision of *Government Auditing Standards*, footnote 35.}

Criteria for CPE Programs

26. The following criteria apply to providers of CPE programs.

a. For both group and individual-study programs:

1. An agenda or outline is prepared in advance and retained that indicates the name(s) of the instructor(s); the subject(s) or topic(s) covered; the date(s) and length of the program(s); and, learning objectives, and any prerequisites or advance preparation.

2. The program is developed by individuals qualified or experienced in the subject matter.

3. Program materials are technically accurate, current, and sufficient to meet the program's learning objectives.

4. The program is reviewed, as appropriate, by qualified or experienced individuals other than those who prepared them. The nature and extent of any review may vary depending on characteristics of the program.

b. For group programs:

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1. Attendance records are maintained.
 2. The program is presented by a qualified instructor or discussion leader who is qualified or experienced with respect to the program content.
 3. CPE provider provides a certificate or other evidence of completion that includes the date of completion, course subject matter or field of study, and number of CPE hours earned.
- c. For individual-study programs:
1. Participants register for the program.
 2. The program is based on materials specifically developed for instructional use and contain specific learning objectives.
 3. The CPE provider reviews the program prior to its use to evaluate and to determine a reasonable completion time for CPE hours.
 4. The CPE provider provides a certificate or other record of completion that includes the date of completion, course subject matter or field of study, and number of CPE hours earned.

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{Modified from paragraph 41 of the *Interpretation of Continuing Education and Training Requirements*, April 1991 and revisions to National Association of State Boards of Accountancy's (NASBA) CPE requirements.}

Programs and Activities or Subjects and

Topics That Do Not Qualify

27. Examples of programs and activities or subjects and topics that do not qualify for CPE hours include, but are not limited to, the following:

- a.** on-the-job training;
- b.** basic or elementary courses in subjects and topics in which the auditor already has the knowledge and skills being taught;
- c.** programs that do not maintain or enhance auditors' professional proficiency, but are designed for general personal development, such as resume writing, improving parent-child relations, personal investments and money management, and retirement planning;
- d.** programs that demonstrate internal office equipment or software that are not used in conducting audits or attestation engagements under GAGAS;
- e.** programs that provide training on the audit organization's administrative operations;

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- f. business sessions at professional organization conferences, conventions, and meetings;
- g. participation as a member of a committee of a professional organization, except for specific portions of auditing and accounting standard-setting meetings devoted to learning about issues impacting audits and attestation engagements, which have been designated as CPE (see paragraph 22);
- h. preparation and presentation time for repeated presentations on the same subject matter within the 2-year period;
- i. conducting external quality control reviews; and
- j. sitting for professional certification examinations.

{Modified from paragraph 50 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

28. Some tax services are not related to the subject matter of audits performed under GAGAS, and, accordingly CPE related to those unrelated tax services generally would not qualify as CPE for purposes of satisfying GAGAS requirements. Therefore, certain tax training that would qualify as CPE training for state licensing would not qualify as CPE under the 2003 revision of GAGAS unless it directly enhances the auditor's professional proficiency to perform audits or attestation engagements. However, if taxation topics relate to an objective of an audit conducted under GAGAS, training in those related tax topics could qualify as CPE under GAGAS. For example, auditors who audit tax revenues of a

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governmental entity (including revenues from income, sales, property. And other types of taxes) may be able to claim GAGAS CPE hours for related courses in taxation. Likewise, auditors auditing the financial statements of not-for-profit organizations under GAGAS might also be able to claim GAGAS CPE if knowledge of the relevant tax requirements relates to an important financial reporting objective that influences reporting for purposes of the financial statements, such as categorization of expenses, prohibited transactions, or unrelated business taxable income.

{New CPE notice posted to GAO's internet site in March 2004.}

HOW ARE CPE REQUIREMENTS

TO BE ADMINISTERED?

29. GAGAS require that audit organizations ensure that auditors meet the CPE requirements.

{Modified from paragraph 51 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

Policies and Procedures

30. The audit organization's policies and procedures for CPE should address the following:

a. Identifying all auditors required to meet the CPE requirements. (See paragraphs 6 through 11.)

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b. Assisting auditors to determine which programs, activities, subjects, and topics qualify for CPE. (See paragraphs 18 through 28.)

c. Making information on CPE programs available to auditors.

d. Providing auditors with the opportunity to attend internal or external CPE programs.

e. Assigning the number of CPE hours for each CPE program the audit organization presents and whether the hours meet the criteria for the 24-hour requirement related to government auditing and the government environment. (See paragraphs 31, 32, and 35.)

f. Identifying the number of CPE hours for external programs and other professional activities. (See paragraphs 31 through 37.)

g. Documenting the number of CPE hours completed by each auditor. (See paragraphs 38 through 42.)

h. Monitoring auditor compliance with the CPE requirements. (See paragraphs 44 and 47.)

{Modified from paragraph 53 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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Measuring CPE Hours

31. A CPE hour may be granted for each 50 minutes of participation in programs and activities that qualify. One-half CPE hour increments (equal to 25 minutes) may also be granted after the first CPE hour has been earned in a given program or activity. At conferences and conventions where individual presentations are less than or more than 50 minutes, the sum of the presentations should be considered as one total program. For example, two 90-minute, two 50-minute, and three 40-minute presentations equal 400 minutes or 8 CPE hours. When the total minutes of a presentation are more than 50, but not equally divisible by 50, the CPE hours should be rounded down to the nearest one-half hour.

{Modified from paragraph 55 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

32. Providers of CPE programs should monitor their programs to accurately assign the appropriate number of hours. Participants should receive CPE hours only for the actual time they attend the program. Preparation time for students participating in a CPE program should only be counted if the CPE provider has designated that a portion of the CPE program to be individual study and it meets the requirements for individual study programs in paragraph 26. {Modified from paragraph 56 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

33. For university or college credit courses, each unit of college credit under a semester system equals 15 CPE hours, and each unit of college credit under a quarter system equals 10

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CPE hours. {Modified from paragraph 57 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

34. For university or college noncredit courses CPE hours may be granted only for the actual classroom time. {Modified from NASBA CPE requirements.}

35. Participants in individual-study programs should be granted CPE hours when they satisfactorily complete the programs. These programs should be pretested by the vendor or provider to determine the average completion time, and CPE hours should be granted in an amount equal to the average completion time. For example, an individual-study course that takes an average of 600 minutes to complete should be granted 12 CPE hours. {Modified from paragraph 58 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

36. Speakers, instructors, and discussion leaders at programs that qualify for CPE should receive CPE hours for preparation and presentation time to the extent the subject matter contributes directly to their professional proficiency to perform audits or attestation engagements, including subjects directly applicable to government auditing, the government environment, or the specific or unique environment in which audited entities operate. One CPE hour should be granted for each 50 minutes of presentation time. Up to 2 CPE hours may be granted for advance preparation for each 50 minutes of their presentation. For example, a discussion leader could receive up to 21 CPE hours for a presentation of 350 minutes (7 hours for presentation and 14 hours for preparation). An individual should not receive CPE hours for either preparation or presentation time for repeated presentations that

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they make within the 2-year period, unless the subject matter involved was changed significantly. The maximum number of CPE hours that may be granted to an individual as a speaker, instructor, or discussion leader should not exceed 40 hours for any 2-year period.

{Modified from paragraph 59 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

37. Articles, books, or CPE courses written by auditors on subjects and topics related to their expertise or work that contribute directly to professional proficiency to perform audits or attestation engagements or that deal with government auditing, the government environment, or the specific or unique environment of audited entities qualify for CPE hours in the year they are published. One CPE hour should be granted for each hour devoted to writing articles, books, or course materials that are published. However, CPE hours for published writings should not exceed 20 hours for any 2-year period. {Modified from paragraph 60 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

Maintaining Documentation

38. The audit organization is responsible for maintaining documentation of the CPE hours completed by each auditor subject to the CPE requirements. {Modified from paragraph 62 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

39. The audit organization's records should include the following information for each CPE program or activity attended or completed by an auditor:

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- a. the name of the organization providing the CPE,
- b. the title of the program,
- c. the dates attended for group programs or dates completed for individual study programs,
and
- d. the number of CPE hours earned toward the 80-hour and 24-hour requirements. {Modified from paragraph 63 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

40. The audit organization or the employee should also maintain the following information:

- a. the location at which the training was given,
- b. a brief description of the training contents, including subject matter or field of study, and
- c. evidence of completion of the training from the CPE provider if provided.

If the audit organization elects to delegate the responsibility to the employee for maintaining the above documentation, then the audit organization should have adequate procedures in place to ensure that its records of CPE hours taken by employees are supported by the

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documentation maintained by employees. Examples of such procedures could include periodic distribution of CPE reports to auditors for verification against their records, periodic review of records for a random sample of auditors, etc. {Added flexibility for record-keeping.}

41. For external CPE programs and other professional activities attended or completed, auditors should maintain evidence of their attendance or completion, which could include the following:

- a.** record or transcript of the grade received for a university or college credit course;
- b.** certificate of attendance for university or college non-credit course;
- c.** certificate or other verification of having been an instructor or discussion leader from the CPE provider;
- d.** certificate or other evidence of completion from the CPE provider for group and individual-study programs; or
- e.** copy of the published book, article, or course that names the writer as author or contributor, a statement from the writer supporting the number of CPE hours claimed, and the name and contact information of the publisher. {Modified from paragraph 64 of the *Interpretation of Continuing Education and Training Requirements*, April 1991 and NASBA CPE requirements.}

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42. The audit organization should also maintain documentation of the following information for each CPE program that it presents:

- a.** a record of attendance or completion;
- b.** number of CPE hours earned by each participant;
- c.** An agenda or outline of the program that shows the name(s) of the instructor(s), the subjects and topics covered, the dates and length of the program, and the learning objective(s);
- d.** location where the program was given; and
- e.** the review of individual-study programs conducted prior to use. {Modified from paragraph 65 of the *Interpretation of Continuing Education and Training Requirements*, April 1991 and NASBA CPE requirements.}

Retaining Records

43. All CPE records should be maintained for an appropriate period of time to satisfy any legal and administrative requirements, including peer review. {Modified from paragraph 67 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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Preparing Reports

44. Audit organizations are not required to prepare reports on CPE. However, audit organizations may consider preparing a periodic CPE report or accessing training data online to monitor their staffs' progress towards meeting the CPE requirements. {Modified from paragraphs 68 and 69 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

OTHER CPE ISSUES

Relationship Between GAGAS

and Other CPE Requirements

45. Individual auditors who are members of professional organizations or who are licensed professionals, such as certified public accountants or lawyers, are cautioned that the GAGAS CPE requirements, while similar in many respects to those of professional organizations and of licensing bodies, may not be identical. Some subjects and topics may be acceptable to state licensing bodies or professional organizations, but may not qualify as CPE under GAGAS. Conversely, some CPE that qualifies for GAGAS may not qualify for state licensing bodies or professional organizations. Individuals should carefully consider the relevant professional organizations or licensing body requirements. {Modified from paragraph 73 of the *Interpretation of Continuing Education and Training Requirements*, April 1991 and March 2004 internet notice.}

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Individual Auditors' Responsibilities

46. Individual auditors are responsible, in conjunction with the audit organization, for seeking opportunities for CPE, for successful completion of CPE programs and activities, and for providing documentation of the CPE hours completed. In addition, individual auditors are responsible for monitoring their own progress towards meeting the CPE requirements and maintaining evidence of their attendance or completion of external CPE programs. Auditors should also contact each appropriate entity to which they report their CPE (e.g., state licensing bodies, professional organizations) to determine the entity's specific CPE requirements. {Modified from paragraph 71 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

Monitoring Compliance

47. Compliance with the CPE requirements should be evaluated during the performance of a peer review, an internal inspection, and/or other quality assurance monitoring activity. {Modified from paragraph 75 of the *Interpretation of Continuing Education and Training Requirements*, April 1991.}

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