

FAQs ON RECENT CHANGES TO KY CPE REQUIREMENTS

- *What are the specific changes?*
 - ▶ Amendments to 201 KAR 1:100. Continuing professional education requirements.
 - All became effective January 1, 2021
 - Portions of the changes affect all licensed CPAs.
 - Other portions only affect a subset of licensees.
 - ▶ Discussion of Specific Changes (First)
 - 50% of the CPE hours required of all licensed CPAs must be comprised of “technical standards” courses, which include those with the subject matters of:
 - ▶ accounting
 - ▶ auditing
 - ▶ business law
 - ▶ economics
 - ▶ finance
 - ▶ information technology
 - ▶ management services
 - ▶ professional ethics
 - ▶ statistics
 - ▶ securities
 - ▶ tax, or
 - ▶ specialized areas of industry that contribute directly to the professional competence of a licensee.
 - ▶ Discussion of Specific Changes (Second)
 - CPAs in public accounting firms who perform (a) attest services, as defined in KRS 325.220; or (b) compilation or preparation of financial statement engagements subject to SSARS, must:
 - Complete 8 hours of CPE in the subject matter of **accounting or auditing** each year, for a total of 16 hours over the two-year reporting period.

- ▶ Discussion of Specific Changes (Third)
 - CPAs -- required to complete **80 hours** of CPE per every two-year reporting period -- may include up to **8 hours** of personal development courses toward their requirement.
 - CPAs -- required to complete **60 hours** of CPE per every two-year reporting period -- may include up to **12 hours** of personal development courses.
 - An acceptable personal development course improves time management, leadership, team building, goal setting and similar soft skills related to working in an office or professional setting.
- *When do CPAs become subject to the new rules?*
 - ▶ Timing of Implementation and Enforcement
 - CPAs who renew their licenses in **2023** (with a reporting period of January 1, 2021 to December 31, 2022) will be the first group required to comply with these new CPE provisions.
 - CPAs renewing in **2021** or **2022** will **not** be subject to these changes, but instead will proceed according to the standards in place prior to amendments to the CPE regulation.
- *Does this timing vary among the three changes?*
 - No, the applicability timeframes are consistent for the recently enacted technical standards obligations, accounting and auditing (“A&A”) requirements, and personal development courses.
- *To what extent will newly-licensed CPAs be subject to the new rules?*
 - The recently enacted amendments to 201 KAR 1:100 **will not** apply to newly licensed CPAs until they enter their first full two-year reporting window. Instead, such licensees will continue to be required to satisfy the pre-existing requirements of Section 3 of 201 KAR 1:100 (i.e., 2 CPE hours per month), and will not be subject any of the new regulations addressing courses in (a) technical standards; (b) auditing or accounting; or (c) personal development, while in the “ramp up” time period discussed in Section 3.

- ***Is a CPA who “just performs preparation of financial statements” subject to the new “A&A” requirement?***

- It depends.

- ▶ The full language of the regulation, that was recently modified to provide more clarity, states:

“(b) Beginning January 1, 2021, licensees who worked in a public accounting firm licensed with the board during the two (2) calendar years prior to the renewal date of his or her license and **who perform attest services, as defined in KRS 325.220, or compilation or preparation of financial statement engagements subject to the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Review Services (SSARS)** shall complete eight (8) hours of CPE in the subject matter area of auditing or accounting each calendar year for a total of sixteen (16) hours per reporting period.”

See 201 KAR 1:100 Section 2 (1)(b) (emphasis added).

- ▶ A key determination to the applicability of this provision is, therefore, whether the CPA: (1) performs “attest services” as defined in the statute; or (2) performs “compilation or preparation of financial statement engagements subject to . . . SSARS.” Accordingly, the applicability of the new A&A requirements will directly relate to the nature of services provided (if defined as “attest”) or, otherwise, to the nature of the engagement performed. To the second point in particular, if a CPA provides any services in connection with a “compilation or preparation of financial statement engagement subject to SSARS,” he or she will be subject to the new provisions and be required to complete the A&A courses. So, if, in the course of a compilation or preparation engagement subject to SSARS, a CPA (only) prepares a financial statement, he or she will need to do the additional A&A. The actual key determinant in this context is not the specific service performed, but rather the nature of the engagement for which it’s being performed.
- ▶ Notably, the mere preparation of a financial statement in contexts outside a SSARS-governed engagement, such as in connection with tax work or related to forensic or valuation projects, would not subject a CPA to the additional A&A requirements.

- ***So, if a CPA is only creating financial statements to organize the data for tax preparation purposes, does the A&A requirement apply?***

- No.

- ***If a CPA is engaged to prepare financial statements, not compile, but rather the lesser service “Preparation of Financial Statements,” does the A&A requirement apply?***

- Yes.

- ***I'm inquiring about the new CPE requirement that CPAs who perform (a) attest services, as defined in KRS 325.220; or (b) compilation or preparation of financial statement engagements subject to SSARS, must complete 8 hours of CPE in the subject matter of accounting or auditing each year, for a total of 16 hours over the two-year reporting period. I occasionally work on a component of an Audit - I prepare/review the income tax provision calculation and review the FIN 48 work papers. Am I now required to have 8 hours of accounting & auditing CPE each year, even though I specialize in income taxes and therefore only work on the income tax component of audits?***
 - Yes, under the standards of the new regulations, your work on the engagements described in your email would put you within the group of CPAs required to complete the targeted A&A CPE hours outlined in the regulation. The requirement will apply to any CPA playing any role in an attest service engagement, regardless of the scope of that role or the number of such engagements.

- ***Do the A&A requirements apply to CPAs working in industry?***
 - No. They attach only to CPAs, meeting the other criteria, who have worked in a public accounting firm licensed with the board during the two calendar years prior to the renewal date of his or her license.

- ***Do Software Application classes (e.g., Excel, Powerpoint or Word) meet the technical standards requirements as "information technology?"***
 - Yes. Please also note the importance that the respective completion documents designate "information technology" as the courses' field of study.