

NORTH CAROLINA ADMINISTRATIVE CODE EXCERPTS

CONTINUING PROFESSIONAL EDUCATION (CPE)

JANUARY 2007

ORAL REQUESTS FOR OPINIONS AND INTERPRETATIONS

Oral requests to Board or staff members for opinions and interpretations of these rules are discouraged. Whenever given, they are non-binding and applicants or licensees who thereafter act in reliance do so at their own risk.

NORTH CAROLINA ACCOUNTANCY RULES

References are to North Carolina Administrative Code, Title 21 – Occupational Licensing Boards, Chapter 08 – Board of Certified Public Accountant Examiners, as amended through January 1, 2007.

SUBCHAPTER 08G - CONTINUING PROFESSIONAL EDUCATION (CPE)

SECTION .0400 - CPE REQUIREMENTS

21 NCAC 08G .0401 CPE REQUIREMENTS FOR CPAs

- (a) In order for a CPA to receive CPE credit for a course:
- (1) the CPA must attend or complete the course;
 - (2) the course must meet the requirements set out in 21 NCAC 08G .0404(a) or (c); and
 - (3) the course must increase the professional competency of the CPA.
- (b) The Board registers sponsors of CPE courses. A CPE course provided by a registered sponsor is presumed to meet the CPE requirements set forth in 21 NCAC 08G .0404(a) if the sponsor has indicated that the course meets those requirements. However, it is up to the individual CPAs attending the course and desiring to claim CPE credit for it to assess whether it increases their professional competency.
- (c) A course that increases the professional competency of a CPA is a course in an area of accounting in which the CPA practices or is planning to practice in the near future, or in the area of professional ethics or an area related to the profession.
- (d) Because of differences in the education and experience of CPAs, a course may contribute to the professional competence of one CPA but not another. Each CPA must therefore exercise judgment in selecting courses for which CPE credit is claimed and choose only those that contribute to that CPA's professional competence.
- (e) Active CPAs must complete 40 CPE hours, computed in accordance with 21 NCAC 08G .0409 by December 31 of each year, except as follows:
- (1) CPAs having certificate applications approved by the Board in April-June must complete 30 CPE hours during the same calendar year.
 - (2) CPAs having certificate applications approved by the Board in July-September must complete 20 CPE hours during the same calendar year.
 - (3) CPAs having certificate applications approved by the Board in October-December must complete 10 CPE hours during the same calendar year.
- (f) There are no CPE requirements for retired or inactive CPAs.
- (g) Any CPE hours completed during the calendar year in which the certificate is approved may be used for that year's requirement even if the hours were completed before the certificate was granted. When a CPA has completed more than the required number of hours of CPE in any one calendar year, the extra hours, not in excess of 20 hours, may be carried forward and treated as hours earned in the following year. A CPA may not claim CPE credit for courses taken in any year prior to the year of certification.
- (h) Any CPE hours used to satisfy the requirements for change of status as set forth in 21 NCAC 08J .0105, for reinstatement as set forth in 21 NCAC 08J .0106, or for application for a new certificate as set forth in 21 NCAC 08I .0104 may also be used to satisfy the annual CPE requirement set forth in Paragraph (e) of this Rule.
- (i) It is the CPA's responsibility to maintain records substantiating the CPE credits claimed for the current year and for each of the four calendar years prior to the current year.
- (j) A non-resident licensee may satisfy the annual CPE requirements including 21 NCAC 08G .0401 in the jurisdiction in which he or she is licensed and currently works or resides. If there is no annual CPE requirement in the jurisdiction in which he or she is licensed and currently works or resides, he or she must comply with (e) of this rule.

21 NCAC 08G .0403 QUALIFICATION OF CPE SPONSORS

- (a) The Board registers sponsors of CPE courses and not courses. The Board will maintain a list of sponsors which have agreed to conduct programs in accordance with the standards for CPE set forth in this Subchapter. Such sponsors shall indicate their agreement by signing a CPE program sponsor agreement form provided by the Board. These sponsors are registered sponsors.

(b) Notwithstanding Paragraph (a) of this Rule, sponsors of continuing education programs which are listed in good standing on the National Registry of CPE Sponsors maintained by NASBA are considered to be registered CPE sponsors with the Board. These sponsors are not required to sign a CPE program sponsor agreement form with this Board.

(c) In the CPE program sponsor agreement with the Board, the registered sponsor shall agree to:

- (1) allow the Board to audit courses offered by the sponsor in order to determine if the sponsor is complying with the terms of the agreement and shall refund the registration fee to the auditor if requested by the auditor;
- (2) have an individual who did not prepare the course review each course to be sure it meets the standards for CPE;
- (3) state the following in every brochure or other publication or announcement concerning a course:
 - (A) the general content of the course and the specific knowledge or skill taught in the course;
 - (B) any prerequisites for the course and any advance preparation required for the course and if none, that should be stated;
 - (C) the level of the course, such as basic, intermediate, or advanced;
 - (D) the teaching methods to be used in the course;
 - (E) the amount of sponsor recommended CPE credit a CPA who takes the course could claim; and
 - (F) the date the course is offered, if the course is offered only on a certain date, and, if applicable, the location;
- (4) ensure that the instructors or presenters of the course are qualified to teach the subject matter of the course and to apply the instructional techniques used in the course;
- (5) evaluate the performance of an instructor or presenter of a course to determine whether the instructor or presenter is suited to serve as an instructor or presenter in the future;
- (6) encourage participation in a course only by those who have the appropriate education and experience;
- (7) distribute course materials to participants in a timely manner;
- (8) use physical facilities for conducting the course that are consistent with the instructional techniques used;
- (9) assign accurately the number of CPE credits each participant may be eligible to receive by either:
 - (A) monitoring attendance at a group course; or
 - (B) testing in order to determine if the participant has learned the material presented;
- (10) provide, before the course's conclusion, an opportunity for the attendees to evaluate the quality of the course by questionnaires, oral feedback, or other means, in order to determine whether the course's objectives have been met, its prerequisites were necessary or desirable, the facilities used were satisfactory, and the course content was appropriate for the level of the course;
- (11) inform instructors and presenters of the results of the evaluation of their performance;
- (12) systematically review the evaluation process to ensure its effectiveness;
- (13) retain for five years from the date of the course presentation or completion:
 - (A) a record of participants completing course credit requirements;
 - (B) an outline of the course (or equivalent);
 - (C) the date and location of presentation;
 - (D) the participant evaluations or summaries of evaluations;
 - (E) the documentation of the instructor's qualifications; and
 - (F) the number of contact hours recommended for each participant;
- (14) have a visible, continuous and identifiable contact person who is charged with the administration of the sponsor's CPE programs and has the responsibility and is accountable for assuring and demonstrating compliance with these rules by the sponsor or by any other organization working with the sponsor for the development, distribution or presentation of CPE courses;

- (15) develop and promulgate policies and procedures for the management of grievances including, but not limited to, tuition and fee refunds;
 - (16) possess a budget and resources that are adequate for the activities undertaken and their continued improvement; and
 - (17) provide persons completing course requirements with written proof of completion indicating the participant's name, the name of the course, the date the course was held or completed, the sponsor's name and address, and the number of CPE hours calculated and recommended in accordance with 21 NCAC 08G .0409.
- (d) Failure of a registered sponsor to comply with the terms of the CPE program sponsor agreement shall be grounds for the Board to terminate the agreement, to remove the registered sponsor's name from the list of registered sponsors and to notify the public of this action.
- (e) Failure of a National Registry of CPE Sponsor to comply with the terms of this rule shall be grounds for the Board to disqualify the sponsor to be registered as a CPE sponsor with this Board and to notify NASBA and the public of this action.

21 NCAC 08G .0404 REQUIREMENTS FOR CPE CREDIT

- (a) A CPA shall not be granted CPE credit for a course unless the course:
- (1) is in one of the seven fields of study recognized by the Board and set forth in Paragraph (b) of this Rule;
 - (2) is developed by an individual who has education and work experience in the subject matter of the course; and
 - (3) uses instructional techniques and materials that are current and accurate.
- (b) The seven fields of study recognized by the Board are:
- (1) Accounting and Auditing
 - (A) Accountancy
 - (B) Accounting - Governmental
 - (C) Auditing
 - (D) Auditing - Governmental
 - (2) Consulting Services
 - (A) Administrative Practice
 - (B) Social Environment of Business
 - (3) Ethics
 - (A) Behavioral Ethics
 - (B) Regulatory Ethics
 - (4) Management
 - (A) Business Law
 - (B) Business Management and Organization
 - (C) Finance
 - (D) Management Advisory Services
 - (E) Marketing
 - (5) Personal Development
 - (A) Communications
 - (B) Personal Development
 - (C) Personnel/HR
 - (6) Special Knowledge and Applications
 - (A) Computer Science
 - (B) Economics
 - (C) Mathematics
 - (D) Production
 - (E) Specialized Knowledge and Applications
 - (F) Statistics
 - (7) Tax
- (c) The following may qualify as acceptable types of continuing education programs, provided the programs comply with the requirements set forth in Paragraph (a) of this Rule:
- (1) professional development programs of national and state accounting organizations;

- (2) technical sessions at meetings of national and state accounting organizations and their chapters;
 - (3) courses taken at regionally accredited colleges and universities;
 - (4) educational programs that are designed and intended for continuing professional education activity conducted within an association of accounting firms; and
 - (5) correspondence courses that are designed and intended for continuing professional education activity.
- (d) CPE credit may be granted for teaching a CPE course or authoring a publication as long as the preparation to teach or write increased the CPA's professional competency and was in one of the seven fields of study recognized by the Board and set forth in Paragraph (b) of this Rule.
- (e) CPE credit shall not be granted for a self-study course if the material that the CPA must study to take the examination is not designed for CPE purposes. This includes periodicals, guides, magazines, subscription services, books, reference manuals and supplements which contain an examination to test the comprehension of the material read.
- (f) A CPA may claim credit for a course offered by a non-registered sponsor provided that the course meets the requirements of 21 NCAC 08G .0403(c), 21 NCAC 08G .0404, and 21 NCAC 08G .0409. The CPA shall maintain documentation proving that the course met these standards.

21 NCAC 08G .0405 ADMINISTRATION OF REQUIREMENT

Forms for reporting CPE hours will be furnished by the Board. The Board may audit on a test basis information submitted by licensees who may apply for a renewal license.

21 NCAC 08G .0406 COMPLIANCE WITH CPE REQUIREMENTS

- (a) All active CPAs shall file with the Board a completed CPE reporting form by the July 1 renewal date of each year.
- (b) If a CPA fails to complete the CPE requirements prior to the end of the previous calendar year but has completed them by June 30, the Board may:
- (1) issue a letter of warning for the first such failure within a five calendar year period; and
 - (2) deny the renewal of the CPA's certificate for a period of not less than 30 days and until the CPA meets the reinstatement requirements set forth in 21 NCAC 08J .0106 for the second such failure within a five calendar year period.

21 NCAC 08G .0409 COMPUTATION OF CPE CREDITS

- (a) Group Courses: Non-College. CPE credit for a group course that is not part of a college curriculum shall be given based on contact hours. A contact hour shall be 50 minutes of instruction. One-half credits shall be equal to 25 minutes after the first credit hour has been earned in a formal learning activity. For example, a group course lasting 100 minutes shall be two contact hours and thus two CPE credits. A group course lasting 75 minutes shall be only one and one-half contact hours and thus one and one-half CPE credits. When individual segments of a group course shall be less than 50 minutes, the sum of the individual segments shall be added to determine the number of contact hours. For example, five 30-minute presentations shall be 150 minutes, which shall be three contact hours and three CPE credits. No credit shall be allowed for a segment unless the participant completes the entire segment.
- (b) Completing a College Course. CPE credit for completing a college course in the college curriculum shall be granted based on the number of credit hours the college gives the CPA for completing the course. One semester hour of college credit shall be 15 CPE credits; one quarter hour of college credit shall be 10 CPE credits; and one continuing education unit (CEU) shall be 10 CPE credits. However, under no circumstances shall CPE credit be given to a CPA who audits a college course.
- (c) Self Study. CPE credit for a self-study course shall be given based on the average number of contact hours needed to complete the course. The average completion time shall be allowed for CPE credit. A sponsor must determine, on the basis of pre-tests, the average number of contact hours it takes to complete a course. CPE credit for self-study courses shall be limited so that a CPA completes at least eight hours of non-self study each year.
- (d) Instructing a CPE Course. CPE credit for teaching or presenting a CPE course for CPAs shall be given based on the number of contact hours spent in preparing and presenting the course. No more than 50 percent of the CPE credits required for a year shall be credits for preparing for and presenting CPE

courses. CPE credit for preparing for and presenting a course shall be allowed only once a year for a course presented more than once in the same year by the same CPA.

(e) Authoring a Publication. CPE credit for published articles and books shall be given based on the number of contact hours the CPA spent writing the article or book. No more than 25 percent of a CPA's required CPE credits for a year shall be credits for published articles or books. An article written for a CPA's client or business newsletter is not applicable for this CPE credit.

(f) Instructing a College Course. CPE credit for instructing a graduate level college course shall be given based on the number of credit hours the college gives a student for successfully completing the course, using the calculation set forth in Paragraph (b) of this Rule. Credit shall not be given for instructing an undergraduate level course. In addition, no more than 50 percent of the CPE credits required for a year shall be credits for instructing a college course and, if CPE credit shall also be claimed under Paragraph (d) of this Rule, no more than 50 percent of the CPE credits required for a year shall be credits claimed under Paragraph (d) and this Paragraph. CPE credit for instructing a college course shall be allowed only once for a course presented more than once in the same year by the same CPA.

21 NCAC 08G .0410 PROFESSIONAL ETHICS AND CONDUCT CPE

(a) As part of the annual CPE requirement, all active CPAs shall complete CPE on professional ethics and conduct as set out in 21 NCAC 08N. They shall complete either two hours in a group study format or four hours in a self-study format. These courses shall be approved by the Board pursuant to 21 NCAC 08G .0400. This CPE shall be offered by a CPE sponsor registered with the Board pursuant to 21 NCAC 08G .0403(a) or (b).

(b) A non-resident licensee whose primary office is in North Carolina must comply with Paragraph (a) of this Rule. All other non-resident licensees may satisfy Paragraph (a) of this Rule by completing the ethics requirements in the jurisdiction in which he or she is licensed as a CPA and works or resides. If there is no ethics CPE requirement in the jurisdiction where he or she is licensed and currently works or resides, he or she must comply with Paragraph (a) of this Rule.

North Carolina State Board of CPA Examiners

1101 Oberlin Road, Suite 104
Post Office Box 12827
Raleigh, North Carolina 27605
Web Site: www.nccpaboard.gov

Cammie S. Emery, Licensing Assistant
Telephone: (919) 733-1423
Fax: (919) 733-4209
E-Mail: cemery@nccpaboard.gov