

**MODIFYING THE CERTIFIED PUBLIC ACCOUNTANT
APPLICATION PROCESS FOR ACADEMIC
MISCONDUCT**

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Abstract

This article addresses the trend in academic misconduct in college courses and likelihood of its negative impacts on the CPA profession by future CPA Applicants. The article raises the question *If a CPA Applicant committed academic misconduct in college coursework, is that Applicant as a CPA more likely to commit a violation of the CPA code of conduct?* The article discusses the need of each jurisdiction to incorporate questions regarding academic misconduct in college courses into their respective jurisdiction's CPA application process, how to verify the Applicant response without overburdening an already overburden CPA licensing board, and how to address questionable behavior prior to the Applicant being admitted as a CPA.

TIME TO DISCUSS THE CPA APPLICATION PROCESS

While most people may actually know the CPA acronym stands for Certified Public Accountant, too many lack a clear understanding of the roles CPAs play in modern business society nor grasp what is encompassed in a CPAs' job duties and responsibilities. The public's perception of CPAs' "trust factor" over the last 15 years has taken repeated hits with every corporate accounting or tax fraud scandal making the news. In 2001, the *Journal of Accountancy* published an article advocating why CPAs need to care about the public's perception of the CPA and the roles CPAs play within society, specifically auditing, so that CPAs were still able to self-govern their own profession.¹

It is well documented the accounting profession lost unconditional public trust and respect after the collapse of Enron in late 2001.² Studies in 2008 suggest the banking and financial crisis was a result of inaccurate accounting and effects of diminished moral reasoning not controlled by independent regulatory systems.³ In almost every major corporate accounting or tax fraud scandal during the last 15 years, a CPA was involved, was complacent or negligent in letting it happen (Arthur Andersen with Enron, David Friehling with Madoff Investment Securities, etc.). Therefore, when I see an article with the words *CPA* and *arrested* in the same sentence, I grimace because I know how easy it is for the general public perception to lump all CPAs in the same category based on the negative press.

How do the major CPA societies, organizations and boards increase public perception of a CPA's "trust factor"? Lobbying Congress to enact legislation to prohibit the reporting of corporate accounting / tax scandals is moot since Congress is barred from

¹ Independence and Public Perception: Why We Need to Care. Elizabeth Dreike Almer and Morales Olazabel, April 2001 *Journal of Accountancy*

² Unaccountable: How the accounting profession forfeited public trust. Mike Brewster, April 2003, John Wiley & Sons.

³ Bucciarelli, Khemlani, & Johnson-Laird, 2008; Financial Crisis Inquiry Commission, 2011; Sinn, 2008

enacting such legislation by the United States Constitution under the First Amendment Freedom of Press. While there may not be one finite solution to stop accounting or tax fraud, there may be a way to reduce misconduct by CPAs involved in such matters. My professional background led me to research the following question: *If a CPA applicant committed academic misconduct in college coursework, is that applicant as a CPA more likely to commit a violation of the CPA code of conduct?*

Background & Preliminary Research

As a CPA and attorney, I routinely teach continuing professional education ethics to existing CPAs. During the corresponding question and answer sessions, I routinely discover misconduct / ethics violations. Over the course of my career as a practicing CPA, attorney and educator, I have assisted several state CPA oversight boards and associations with complaints of potential misconduct / ethics violations by CPAs as well as been retained by individual CPAs to assist the CPA with potential misconduct / ethics violations. This allowed me to see both sides of the coin so to speak regarding potential ethics violations (the accuser and the accused). With over 15 years' experience as a college faculty member, I have noticed an uptick in academic misconduct being committed by accounting students. Recent academic misconduct research studies indicate an increase in overall misconduct. One study completed at Ohio State University showed an increase of 85% in academic misconduct over an 11-year period.⁴

I began to wonder if a correlation between CPAs that committed academic misconduct in their collegiate coursework had a higher propensity to commit misconduct / ethics violations as a CPA. Unfortunately, an in-depth study / article on the subject has never been completed correlating the matter. I assume this is

⁴ Committee on Academic Misconduct: 2000-2001 to 2011-2012, Ohio State University (2013).

due to an inability to gather corresponding data. Good luck to any researcher in getting responses to questions asking existing CPAs if the CPA committed academic misconduct in college courses. Unable to find any research correlating the two, I began to monitor trends in academic misconduct; ask questions of existing CPAs that I had come across in my professional career who were facing potential misconduct / ethics violations and researched historical misconduct charges from various jurisdictions. Over time I began to notice a pattern, over 90% of violations from the various jurisdictions were either “deemed” common among CPAs (think top 10 CPA violations annually) or were violations that arose from CPAs that had a history of questionable academic behavior even before becoming a CPA.

While the research question may seem relevant, gathering data to determine if a correlation exists would be difficult. Very few colleges or state university systems track academic misconduct and denote it on the student’s official transcript. An example of one of the few is the Tennessee Board of Regents (“TBR”) which maintains a database of all confirmed student academic misconduct activities at public higher education institutions within the TBR system. The database tracks students from all TBR institutions to insure students with confirmed academic misconduct do not transfer to another TBR institution to avoid fallout from the confirmed academic misconduct. The TBR database is rare and only encompasses TBR institutions. The reality is there is no universal standard on how colleges and universities report academic misconduct on transcripts.

Why and How CPAs get Licensed

At present there are over 55 jurisdictions within the United States and its territories that provide oversight of CPAs. These agencies are mandated by legislation to regulate the accounting profession within their jurisdiction for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession, primarily through its

authority to license. These licensing boards vary by jurisdiction but most are either an independent agency or an agency working within the confines of a larger governmental agency. The stated mission of the various licensing boards is almost universal, *to protect the general public and consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards*. Their goal is to insure that consumers are well informed and receive quality accounting services from licensees they can **TRUST**. Most state licensing boards have the authority to:

- Qualify applicants for the Uniform CPA Examination;
- Certify, license, and renew licenses of CPAs;
- Register CPA partnerships, and corporations;
- Receive and investigate complaints against existing CPA license holders;
- Takes enforcement action against a licensee for violation of statutes and regulations;
- Monitor compliance with continuing education requirements; and
- Review the work products of CPAs and CPA firms to ensure adherence to professional standards.

Typically, the licensing board grants new as well as renewal CPA certificates to those individuals that meet the respective state's statutory requirements for being designated a CPA. For new applicants, this includes but limited to the evaluation of an applicant's education and character to determine if an applicant is eligible to sit for the CPA exam, subsequent confirmation of the applicant's successful passing of the CPA exam, verification of the applicant's appropriate supervised work experience and the final granting of the CPA license. For existing CPAs, the licensing board verifies applicants meet the statutory requirements of continuing professional education as well as fitness of character to continue to maintain the CPA license. Both

new applicants and renewal applicants must meet minimum standards of conduct and behavior.

Application Process across Jurisdictions

Most CPA boards and associations do a fantastic job of educating existing CPA members of the common pitfalls facing most CPAs and how to avoid potential ethical violations. While member education regarding pitfalls of potential ethics violations can help eliminate the “I did not know that was an ethics violation” defense, I’ve always believed it has little to no value in eradicating ethics violations from members who may have a predisposition to cut corners and/or not think twice about committing an ethics violation.

The CPA profession is one of the most conscientious in existence, however, more than one CPA has mentioned the ever increasing push to increase the number of licensed CPAs nationwide may lead to concerns of “quantity over quality”. Consequently, would the profession see an increase in applicants being licensed with questionable behavior? My concern led me to review the initial CPA application (first time applicant) associated for each jurisdiction to determine if a way existed to reduce the number of future ethics violations by screening out those applicants with a history of questionable behavior of academic misconduct. Review of each jurisdiction’s application for initial CPA licensure has generic questions regarding felony convictions as well as questions regarding moral turpitude. Whereas these questions allow each licensing board the ability to screen out potential ineligible applicants, are the questions specific enough to ascertain if the applicant has a history of questionable behavior of academic misconduct. Would an applicant for initial licensure know that moral turpitude questions could encompass questionable behavior of academic misconduct during their collegiate coursework?

At present, only one jurisdiction, Alabama, has a question related to academic misconduct in college courses. Were

jurisdictions not concerned with an applicant's history of academic misconduct in collegiate coursework? If a licensing board became aware of academic misconduct, how would the licensing board handle the matter? Contacting random licensing boards (think dart and a large map of the United States) were made to determine how each licensing board resolved those questions. Responses fell into two categories; the question had never been raised before (therefore it had not been considered to be included as a specific question) or the belief that the generic moral turpitude question (if one was included) was all encompassing to the point it covered academic misconduct in collegiate coursework.

Quick back and forth discussing the merits of the generic moral turpitude question alerted more than one official that a separate question on academic misconduct deserved consideration to be included on future applications. As the old saying goes, "no good deed goes unpunished", universal kickback for advocating the inclusion of a separate academic misconduct question was "how would the licensing board be able to verify the applicant's response without placing additional workload upon the licensing board in the current fiscal environment of cutbacks?". Raising the issue wasn't enough; I had to devise a potential method to resolve it that could be replicated across each jurisdiction.

Incorporating Academic Misconduct Questions into CPA Applications

Some readers will believe "cheating is cheating" regardless of the magnitude or frequency (letting someone casually glance over your homework versus collusion between students to work in unison to cheat on an exam). Some readers will believe not all types of cheating are the same (misdemeanor versus felony type analogy). To address these various perspectives and viewpoints, the resolution had to allow each licensing board a certain amount of leeway and common sense review to the facts and circumstances presented for each applicant. It is the belief of the author that a universal standard could be too overly harsh or be too

lenient providing an end around for applicants.

Before outlining the potential resolution and how to implement it, it is important to address the basic definitions of terms so readers have the same assumptions. The 11th edition of Merriam-Webster defines *Fraud* as: 1) the crime of using dishonest methods to take something valuable from another person; 2) a person who pretends to be what he or she is not in order to trick people; 3) a copy of something that is meant to look like the real thing in order to trick people. The American Institute of Certified Public Accountants defines Fraud via AU Section 316 as an “intentional act that results in a material misstatement in financial statements that are the subject of an audit”. Merriam-Webster defines *Cheating* as 1) to break a rule or law usually to gain an advantage at something; 2) to take something from (someone) by lying or breaking a rule; 3) to prevent (someone) from having something that he or she deserves or was expecting to get.

Most universities and colleges have published academic honor codes and behavior which the University or College defines as academic misconduct. These typically include plagiarism, fabrication / falsification of data, deception in providing information, cheating in any format to obtain unfair advantage, bribery, sabotage of others work, and impersonation of another with intent to provide advantage for that student.

While some readers may believe they never committed such acts and/or do not believe any of their classmates ever did as well, more than one study has been conducted regarding the percentage of students cheating in elementary, middle and high school as well as college classes. The results are eye opening. A study published by Ann Bushway and William Nash, “School Cheating Behavior” in the Review of Educational Research Journal indicated 20% of students started cheating in first grade. A study by Wilfried Decoo, “Crisis on Campus: Confronting Academic Misconduct”, published by MIT Press in 2002 indicated over 50% of middle school and over 70% of high school students

had cheated. It is highly unlikely a student with a history of cheating in primary school would all of sudden resist the urge to do so at the collegiate level. Therefore, the assumption is academic misconduct is being committed by accounting students of which some will apply to be CPAs in the future.

Based on feedback from discussions with the various licensing boards, any methodology of incorporating questions regarding academic misconduct during collegiate coursework into the CPA Application would have to satisfy three major requirements:

1. How to collect accurate and relevant information on an applicant's history of academic misconduct in collegiate coursework,
2. Collection / reporting on the applicant academic misconduct history should have minimal workload impact on the various state boards, and
3. Avoid unnecessary litigation issues for potential parties involved with the reporting (the licensing board, the applicant and the College).

I began to research the application process of other professional licensing agencies (Doctors, Lawyers, Architects, Stock Brokers, Nursing, Pharmacists, Dentists, Optometrists, Morticians, Cosmetology, Engineers, and Law Enforcement) including if academic misconduct was questioned and if it did, how the licensing agency addressed the matter. Not every state licensing board requires applicants to answer questions regarding academic dishonesty, but those that do, typically are associated with a graduate level degree and may only inquire about academic misconduct during graduate coursework.

I began to contact those licensing agencies that required applicants to answer academic misconduct questions to determine how the licensing board verified if an applicant was truthful and subsequent follow up of how the licensing board handled disclosures of academic misconduct (directly from the applicant or another source). In many instances the information was ascertained

from a 3rd party source, not from the applicant. While those licensing agencies that asked applicants about academic misconduct handled the matter in various formats, I believe the best model may be that utilized by several State Bars for the admission of attorneys to practice law. I believe that model can be implemented with a little tweaking without significant impact on CPA licensing boards and avoid potential litigation issues from applicants who are denied a CPA license.

So how does their application process work? Several Bars require applicants to respond yes or no if the applicant committed academic misconduct during law school. Most but not all law schools denote on law school transcripts if the student had an academic misconduct matter. Therefore, in some jurisdictions, the applicant must submit a form letter to the registrar of each law school attended asking the registrar to confirm the applicant's yes or no answer to the Bar.

The form is presented to the registrar and mailed directly back to the respective Bar. When an applicant has an incident of academic misconduct, the applicant has the ability to provide additional information on the matter as well as why the applicant believes the academic misconduct matter should not negatively impact their ability to sit for the exam and be licensed as an attorney (this is where you as the reader subconsciously inserted a lawyer joke). If the matter is one the Bar believes deserves further consideration, several states require the applicant to provide additional information.

The model and methodology utilized by the North Carolina State Bar appears to be the most efficient in gathering relevant data without being overly burdensome on all parties. If an applicant transcript or the applicant informs the North Carolina State Bar of academic misconduct, the Bar requests additional information from the applicant and/or institution. The additional information is provided to a panel of three licensed attorneys (all volunteers) who meet with the applicant to discuss the information provided. At the meeting the applicant answers questions from the panel and

pleads their case as to why the matter should not negatively impact their Application. After meeting with the applicant, the panel provides recommendations to the Bar regarding the applicant with recommendations varying from allowing the applicant to sit for the bar exam, delaying access to the bar exam for a set period of time or deny the applicant access to the bar exam. Does every applicant have issues with academic dishonesty in law school (this is the point that as the reader you just inserted at least your second lawyer joke) – the answer is no. Therefore, the number of applicants having to discuss academic dishonesty with a panel is relatively small.

How would the model work for CPA applicants? Since CPA applicants come from various universities and colleges, the likelihood of every academic transcript denoting the applicant's academic misconduct is nil. CPA licensing board would have to require all CPA applicants to submit an academic misconduct request to the registrar of each college or university where the applicant earned college credits. A slight modification to the North Carolina State Bar process, my resolution would have CPA licensing boards require all applicants to submit the same academic misconduct form letter to the accounting department of each college or university where the applicant earned required accounting courses.

Who else would know better if the applicant had issues of academic misconduct then the accounting department where the necessary accounting hours had been earned? Students talk between themselves about how hard or easy each accounting faculty member is as a professor, accounting faculty talk between themselves about students with known academic misconduct behavior.

Why would a college or university submit the form for fear of potential unnecessary litigation with the former student? To avoid this mishap, the form letter the applicant would submit to the registrar as well as the accounting department would include two copies of a standardized legal waiver signed and notarized by

the applicant to those parties indicating the applicant waives all rights to sue for the accurate reporting of academic misconduct. Each party that received the request could retain one copy of the signed and notarized document while the other would be mailed back with the completed form to the state licensing board.

If this process was implemented, how would licensing boards respond to the academic misconduct packet data and application:

1. Application and academic misconduct packet show no history of academic misconduct thereby allowing the applicant access to the CPA exam.
2. Application was submitted but academic misconduct packet request was returned without the attached signed and notarized waiver, the state licensing board could reject the packet as incomplete.
3. If the applicant answered the Application's academic misconduct question as "NO" and the academic misconduct packet was returned with documentation disclosing the academic misconduct did in fact occur, the licensing board has grounds to deny the applicant access to the exam.
4. If the applicant voluntarily discloses academic misconduct in the Application, the licensing board could request additional information and schedule an informal panel hearing between the applicant and three volunteer CPAs based on the North Carolina State Bar model. Each state licensing agency would have to create a list of regional volunteers (making each applicant travel to the state capital is too much). The state licensing board would have to provide some form of minimal training for the volunteers about procedures but allow the volunteers leeway and common sense as it relates to the facts and circumstances of each

applicant. We self-police and report as a profession as it is, who else is better to make that judgment call?

Could this process be implemented? Yes. Would hiccups occur in implementing? Yes. Is it worth the trouble? YES.

Conclusion

Readers may be wondering if this is a lot of hub bub about something that may not be an issue. Do we need to talk Enron, Tyco, Worldcom, etc.? The negative impacts to our profession are too much to risk for minimal amount of work for the licensing boards and existing CPAs. Some will say this is too much to be placed on to the applicants; my response is very simple – seriously? If the applicant wants to be a CPA, this step is not unduly burdensome or cost prohibitive. The positive public perception of this requirement would benefit CPAs overall. One would think an indirect benefit this would reduce academic misconduct by accounting students. If accounting students knew that any matter of academic misconduct in collegiate coursework could potentially block their ability to become a CPA, it would more than likely make those students perform academically within their respective institution honor code or change majors (if it forces cheaters to change majors – that is a good thing).