Have Ethics CPE Made CPAs to Behave More Ethically?

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Abstract

This study examines whether the implementation of mandatory ethics CPE by state boards of accountancies has impacted the number of disciplinary actions administered by the AICPA against CPAs. The study also investigates whether the number of ethics CPEs required and frequency of reporting requirements impact CPA disciplinary actions. To test these issues, disciplinary actions during 2001-2004, the pre-ethics implementation time period, were compared to disciplinary actions during 2015-2018, the post-ethics implementation time period. Information relating to jurisdiction reporting requirements, year of ethics CPE implementation, number of disciplinary actions administered by the AICPA between 2001-2004 and 2015-2018, and descriptive CPA statistics were gathered in an effort to analyze changes. According to our results, there is a statistically significant difference between the implementation of ethics CPE and number of disciplinary actions given by the AICPA within jurisdictions that have implemented mandatory ethics CPE requirements. However, when jurisdictions that did not implement mandatory ethics CPE was used as a control group, the findings indicated neither statistically significant interaction effects nor any differences between the two groups and time periods. Lastly, the number and frequency of ethics CPE requirements as well as types of reporting of ethics CPEs showed no statistically significant differences when comparing disciplinary actions between the two time periods. The findings of this study support findings from other studies suggesting ethics education and ethics CPE requirements need restructuring in order to see a true benefit to CPAs relating to professional ethics.
Introduction

At the beginning of 21st century, massive accounting scandals caused great concern to the public regarding the reliability of the financial statements issued by public companies. These scandals caused trepidation over the financial markets as a whole, especially given that interested parties, such as investors and creditors, must rely solely on the financial statements for decision-making purposes. Specific scandals, such as Enron and WorldCom, even led to the passage of new legislation that completely changed the landscape of the business reporting environment. The Sarbanes Oxley Act of 2002 (SOX) dramatically changed the roles and responsibilities of company management, the board of directors, and in turn, accountants and auditors. For public corporations, some of the most important changes it caused were restructuring audit committees, requiring CEO and CFO personal certification on the accuracy of the financial statements and becoming personally liable for them, and tightening internal controls and requiring the issuance of internal control reports along with the financial statements (Burks, 2010). These changes caused by SOX has had a trickle-down effect on how management is disciplined after the implementation of the new legislation. According to a study conducted by Burks (2010) “disciplinary penalties for CFOs has increased, as the relation between CFO turnover and restatements becomes stronger in the post-SOX period” (Burks, 2010, p.1). As a result, corporations have taken the new legislation seriously, and there have been consequences for executives who are not actively complying with it.

In addition to changes in corporate governance, the Sarbanes Oxley Act of 2002 radically changed the landscape of the accounting and auditing profession. Although there were many changes in corporate governance, there were also changes in how the financial statements are audited. Specifically, the Act “prohibits an auditor from performing specified non-audit services
contemporaneously with an audit and requires preapproval by the audit committee of the issuer of all auditing and non-auditing services provided by the auditor, disclosure of such preapproval in periodic reports to investors, mandates audit partner rotation on a five-year basis, auditor reports to audit committee of the issuer, and requires an auditor to report timely to the audit committee”, among other changes (Sarbanes Oxley Act of 2002). As a result of these changes, auditing standards have changed, and there has been a focus on certified public accountants and auditors to comply with SOX. Many states have implemented new mandatory continuing professional education relating to ethics in order to respond to the changes outlined by SOX.

Accounting, and specifically auditing through its attestation services, requires the trust of the public in which there is a perceived added value obtained from the services provided by accountants and auditors. It is therefore important for accountants and auditors to understand the role they play in this new business environment. Many states have taken this seriously by implementing new rules and regulations relating to disciplinary actions certified public accountants may face when they perform any action that may disrupt this trust. As a result, this study examines whether the steps taken by state accountancy boards has had any real impact on how CPAs conduct themselves after the implementation of mandatory ethics continuing professional education (CPE).

The main goal of this study is to examine if the implementation of ethics CPE for certified public accountants (CPAs) had any impact on disciplinary actions administered by the American Institute of Certified Public Accountants (AICPA). Specifically, the study aims to answer the following two questions:

1. Were there any significant percentage changes in the number of CPA disciplinary actions given by the AICPA after states implemented mandatory ethics CPE?
2. Does the type of ethics CPE reporting requirement impact disciplinary actions given to CPAs practicing in that specific jurisdiction?

To answer these questions, disciplinary actions during the pre-ethics implementation time period (2001-2004) were compared to disciplinary actions during the post-ethics implementation time period (2015-2018). The findings show that there is a statistically significant difference between the implementation of ethics CPE and number of disciplinary actions given by the AICPA before and after implementation of mandatory ethics CPE requirements. However, when states that did not implement mandatory ethics CPE were used as a control group, we found no statistically significant interaction between the groups and timing requirements on percentage of disciplinary actions by the AICPA. In addition, the main effects of timing requirements and group were not statistically significant with regard to differences in disciplinary actions given by the AICPA at the two different time points. Finally, the number and frequency of ethics CPE requirements, as well as type of reporting, showed no statistically significant differences when comparing disciplinary actions between the two time periods.

The remainder of this chapter is organized into four sections. The next section provides the literature review and related hypotheses, followed by the methods and results sections. The last section presents the conclusions, limitations, and practical implications of the findings.

**Literature Review**

Near the end of 19th century, the accounting profession decided upon the need to create a formal Certified Public Accountant licensure to distinguish the difference between accountants and CPAs. CPAs independently audit the financial statements that companies prepare and publish. This idea of independence allows there to be continued public trust and faith in the capital markets, which is one of the most important duties and responsibilities of CPAs. After licensure, CPAs are primarily governed by state boards of accountancies. CPAs are required to
do certain hours of Continuing Professional Education (CPE) every year which varies between states.

One of the functions of the American Institute of Certified Public Accountants (AICPA) is to set ethical and auditing standards that all CPAs must adhere to and follow. The ethical standards can be found in the AICPA Code of Professional Conduct, and there is a separate Professional Ethics Department within the AICPA that enforces these ethical and auditing standards. If a formal hearing is necessary, the AICPA’s Professional Ethics Executive Committee (PEEC) will oversee the matter. Furthermore, all CPAs must abide by the relevant AICPA bylaws. The AICPA works with state accountancy boards and oversees all ethical inquiries that an individual CPA might be faced with. After the accounting scandal dealing with Enron and highlighted by the passage of the Sarbanes Oxley Act of 2002, professional ethics became an extremely important issue within the accounting field and there has been an increased emphasis on enforcing it (Bolt-Lee and Moody, 2010). As a result, ethics enforcement by the Professional Ethics Department is instrumental in ensuring accounting scandals and fraud are minimized, whether it be on a wide-scale or small-scale basis.

Certified public accountants can face a variety of disciplinary actions when they violate the AICPA’s Code of Professional Conduct and bylaws. There are four main disciplinary actions a CPA can face: expulsion/termination, suspension, admonishment, and corrective action. The most severe punishment is expulsion/termination, which results in an individual CPA losing his or her privilege to associate himself or herself with the AICPA for the indefinite future. The second-most severe punishment is suspension, which results in an individual CPA losing his or her privilege to recognize himself or herself as a member of the AICPA for up to two years. The next possible punishment a CPA can face is admonishment, which results in the CPA being
publicly warned and reprimanded for his or her wrongdoings, but can still be affiliated with and recognize himself or herself as an AICPA member. Finally, the last disciplinary action a CPA can face is corrective action, which results in the recognition that a CPA did violate a rule within the AICPA Code of Professional Conduct or bylaws, but a simple corrective action is needed in order to resolve the issue (AICPA). This is the least severe punishment, and usually does not warrant any other action than simply correcting the mistake.

Depending on the nature of violation, there are multiple ways a certified public accountant is actually disciplined in regards to each disciplinary action received. In addition to just the AICPA membership association punishment, “state boards of accountancy have the ability to levy a wide range of sanctions, ranging from a reprimand, to mandatory CPE, to fines, to suspension or permanent revocation of the license to practice” (Krom, 2016, p.2). Mandatory CPE involves further education and training relating to specific topics and issues relating to a specific provision in the AICPA’s Code of Professional Conduct or bylaws that a CPA might have violated. Although all CPAs must obtain a certain number of CPE credit hours in order to keep their license active, additional CPE credits are sometimes required as a punishment regarding any disciplinary action received. It is also important to note that the AICPA cannot revoke a CPA’s license to practice no matter the disciplinary action a CPA receives by the AICPA, but it is up to the state board of accountancy to deliver any punishments relating to the licensure status of a CPA (Mautz, 1983, p.78). As a result, disciplinary actions a CPA receives from the AICPA primarily deal with the right to recognize himself or herself as an affiliate of the AICPA. Ultimately, only the state board of accountancy holds the authority to invalidate a CPA’s licensure.
In order to help comply with the increased focus on professional ethics after the accounting scandals dealing with Enron, WorldCom, and other companies, many state accountancy boards have changed their continuing professional education requirements. According to a paper written by Fisher, Swanson, and Schmidt (2007), “ethics courses in state CPE programs have grown dramatically” and “state boards of accountancy in the USA have dramatically increased their ethics requirements in continuing professional education (CPE) programs in the wake of high-profile business scandals” (Fisher et. al., 2007, p.1). In a study conducted by Wilson, Strong, and Mooney (2016), they investigated the effectiveness of Minnesota’s Board of Accountancy ethics CPE requirements and how CPAs felt about ethics and ethical situations. Using a survey of MnBOA CPA members, the study found that there was no statistically significant relationship between ethics CPE courses and an increased awareness of ethical standards for CPAs in public practice. However, after the implementation of ethics CPE, CPAs reported they were better prepared to address ethical issues (Wilson, et. al., 2016).

In addition to the above paper and study, there have been numerous papers and studies relating to the concept of ethics education and ethical behavior in a business context. A study conducted by Brian Mayhew and Pamela Murphy (2009) attempted to ascertain if accounting students who were required to complete an ethics course behaved more ethically compared to accounting students who were not required to complete an ethics course in a controlled environment. According to the results, “ethics education does not necessarily result in internalized ethical values, but it can impact ethical behavior” (Mayhew & Murphy, 2009, p.397). This conclusion was reached based upon the response rates of accounting students in both groups when an opportunity and motivation to misreport for more money was presented to the students in both groups.
Another notable study was conducted by Nonna Martinov-Bennie and Rosina Mladenovic (2015). The goal of the study was to determine how providing a framework on its own and providing a framework as part of a comprehensive integrated ethics education component affects an accounting student’s ethical sensitivity and judgment. The findings of the study showed that “providing students with a framework does not increase students’ ethical sensitivity but does support their ethical judgment…[and] the integrated ethics component does increase their ethical sensitivity” (Martinov-Bennie and Mladenovic, 2015, p.189). The results of this study indicate how accounting students still had difficulty identifying ethical issues when there was only a framework to work from compared to when the ethical framework was integrated into ethics education.

Another relevant study relating to the topic of business ethics education and its impact on ethical values relates to a study conducted by Ethan A. Waples, Alison L. Antes, Stephen T. Murphy, Shane Connelly, and Michael D. Mumford (2008). The purpose of the study was to ascertain whether ethics educational programs impact ethical behaviors, perceptions, and awareness. According to the study, “results indicate that business ethics instructional programs have a minimal impact on increasing outcomes related to ethical perceptions, behavior, or awareness” (Waples et. al., 2008, p.133). Based on the findings of these prior researches, this study’s first hypothesis to be tested, stated in null form, is:

H1: The implementation of mandatory ethics CPE by state boards of accountancies has no effect on the percentage of disciplinary actions administered by the AICPA.

Since the number of ethics CPE varies among states, it is relevant to see if higher CPE-hour requirements lead to fewer disciplinary actions by the AICPA. The related hypothesis, stated in null form, is:
H2: The number of ethics CPEs required by states board of accountancies has no effect on disciplinary actions administered by the AICPA.

A related issue to H2 is that states that require more frequent ethics CPEs should have fewer disciplinary actions administered by the AICPA against CPAs compared to states that do not require more frequent ethics CPEs. The third hypothesis, stated in null form, is:

H3: The frequency of ethics CPE requirements by state board of accountancies has no impact on disciplinary actions administered by the AICPA.

CPAs must report their ethics CPE requirements to states board of accountancies when they want to renew their licenses. Many states require self-report of the ethics CPE, while a few states require CPAs to document and report details of the ethics CPE course they took. A study by Mayhew & Murphy (2009), using accounting students who were required to complete an ethics course, reported that:

When participants are anonymous, misreporting rates are nearly the same regardless of ethics program participation. However, when their reporting behavior is made public to the cohort, participants who completed the ethics program misreported at significantly lower rates than those who did not receive the ethics program. (Mayhew & Murphy, 2009, p.397)

Since it is possible that CPAs do not complete an ethics CPE course when states only require self-reporting of ethics CPE, this study examines if there will be fewer disciplinary action against CPAs in states where they have to report details of ethics CPE compare to states that only require self-reporting of ethics CPE. This leads to the last hypothesis of the study, stated in null form:

H4: There is no difference in disciplinary action administered by the AICPA between states that require detail of ethics CPE course and states that only require self-report of ethics CPE course.
Methods

There were several methods used in order to obtain data for this study. We first obtained information related to ethics continuing professional education requirements and the year of implementation for the ethics CPE requirements. Out of 50 states, only 5 states, Alabama, Georgia, North Dakota, South Dakota, and Wisconsin have not implemented any sort of mandatory ethics CPE requirement as of December 2019. Out of the 45 states that did have mandatory ethics CPE requirements, three states were not included in the analysis because either we could not obtain the date of ethics CPE implementation or the date of ethics CPE implementation was 2001-2002. Out of the 42 remaining states which implemented ethics CPE reporting requirement and were included in analyses, 35 states did not require proof of ethics CPE completion during the CPA license renewal, and only required the certified public accountant to “self-report” that an ethics CPE course was completed. CPAs in these states only required to document ethics CPE if they get audited by the state board of accountancy. Seven states required a CPA to self-report that an ethics CPE course was completed with some additional details, such as program details about the course that was completed. Of these seven states, three states (Idaho, Kansas, and Texas) have self-report with details reported, two states (Rhode Island and South Carolina) require proof of completion in the form of completion certificates indicating whether the ethics CPE course was conducted through “self-study”, and two states (Vermont and Washington) require documentation for ethics CPE to be submitted for CPA license renewal. Table 1 presents the details of ethics CPE requirements by each state.

[insert Table 1 about here]

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1 These states were New York, Oregon, and Utah.
As shown in Table 1, relating to states that do have mandatory ethics CPE requirements, the implementation years ranged from 2001-2014, with Oregon being the first and California being the last states to enact mandatory CPE ethics requirements. The most common years of implementation ranged from 2005-2014, with 33 jurisdictions implementing mandatory CPE ethics requirement within that 9-year range. Due to unavailability of information relating to the year of ethics CPE implementation, Utah and New York were excluded from analyses. In addition, Oregon was not included in the analyses since its implementation of ethics CPE seems to be in 2001, which will confound the analyses. All information came directly from either the website of respective state boards of accountancy as well as National Association of State Board of Accountancy (NASBA) or through direct phone or email contact with state board of accountancies.

Next, we gathered disciplinary actions taken by the AICPA for years 2001 through 2004 as the pre-implementation period of ethics CPE requirements from the AICPA website. We used years 2015 through 2018 disciplinary actions taken by the AICPA as the post-implementation period to include as many state as possible in our analyses. We included states which first passed the ethics CPE requirement into law in 2003 or 2004 in our analyses because CPAs in these states had two or three years to complete the ethics CPE requirement, which would be in 2005 through 2007. Information relating to certified public accountant disciplinary actions was gathered from the American Institute of Certified Public Accountants website for the years ranging from 2001-2004 and 2015-2018, including the CPA’s name, gender, state of licensure, type of disciplinary action, and type of violation.

Averages of total number of CPAs for each state from 2001-2004 were obtained from the AICPA, and the same information for years 2015-2018 were compiled using a combination of
information obtained from the state boards of accountancy and the NASBA through the use of its CPA Verify service. Table 2 presents averages of total CPAs for each state during these time periods.

[insert Table 2 about here]

To test hypotheses of the study, we calculated percentage of disciplinary actions taken by the AICPA for each period by each state. This was done by dividing total number of disciplinary actions in each period by the average of total CPAs in the state for each period.

Results

To test hypotheses of this study, we first checked for assumptions related to outliers and normality of pre- and post-ethics CPA disciplinary action percentages (dependent variables). There was one extreme outlier for both pre- (Wyoming) and post- (Nevada) ethics CPA disciplinary action percentages. These two states were removed from further analyses. Pre-ethics CPA disciplinary action percentage was normally distributed, as assessed by Shapiro-Wilk's test (p > .05). Post-ethics CPA disciplinary action percentage was not normally distributed, as assessed by Shapiro-Wilk's test (p < .05). However, since ANOVAs are considered to be fairly "robust" to deviations from normality (Laerd Statistics, 2015), we did not transform the data because some states would be eliminated from analyses with transformation.

A paired-samples t-test was used to determine whether there was a statistically significant mean difference between the pre-ethics CPA disciplinary actions compared to post-ethics CPA disciplinary actions by the AICPA for states that implemented ethics CPE requirements. Data are mean ± standard deviation, unless otherwise stated. Two extreme outliers were detected and were removed from analyses. The assumption of normality was violated for post-ethics CPA disciplinary action percentage, as assessed by Shapiro-Wilk's test (p<.05). However, the paired-
samples t-test is robust to violations of normality with respect to Type I error (Fradette et al., 2003; Posten, 1979; Rasch & Guiard, 2004; Wiedermann & von Eye, 2013). The results show that there were fewer disciplinary actions given by the AICPA post-ethics CPE implementation (0.000427 ± 0.000377) compared to pre-ethics CPE implementation (0.000721 ± 0.000527), a statistically significant decrease of 0.000294 (95% CI, 0.000096 to 0.000491), \( t(39) = 3.013, p < .01 \). The effect size of \( d=0.48 \) would be considered medium. Therefore, we can reject H1 and conclude that the implementation of mandatory ethics CPE by state boards of accountancies has had a negative impact on the percentage of disciplinary actions administered by the AICPA.

A paired-samples \( t\)-test was also used to determine whether there was a statistically significant mean difference between the pre-ethics CPA disciplinary actions compared to post-ethics CPA disciplinary actions by the AICPA for states that did not implement ethics CPE requirements. Data are mean ± standard deviation, unless otherwise stated. The assumption of normality was not violated for both pre- and post-ethics CPE disciplinary action percentage, as assessed by Shapiro-Wilk's test (\( p>.05 \)). The results indicate that there were no difference between disciplinary actions by the AICPA during 2001-2004 (0.000465 ± 0.000446) compared to 2015-2018 (0.000344 ± 0.000347), an insignificant decrease of 0.000122 (95% CI, -0.000259 to 0.000502), \( t(4) = 0.888, p > .05 \). The effect size of \( d=0.40 \) would be considered medium and therefore, the insignificant findings could be due to sample size. These results suggest that the average percentage of disciplinary actions taken by the AICPA declined from 2001-2004 to 2015-2018 for both states that implemented ethics CPE requiremenst and those states that did not implement them.

To better understand the impact of implementing ethics CPE, we ran a two-way mixed ANOVA with five states that did not implement ethics CPE as the control group. There was
homogeneity of variances ($p > .05$) and covariances ($p > .05$), as assessed by Levene's test of homogeneity of variances and Box's M test, respectively. There was no statistically significant interaction between the groups and time on percentage of disciplinary actions by the AICPA, $F(1, 43) = 0.372, p > 0.10$, partial $\eta^2 = .009$. The main effect of time did not also show a statistically significant difference in disciplinary action by the AICPA at the different time points, $F(1, 43) = 2.170, p > 0.10$, partial $\eta^2 = .048$. The main effect of group also did not show that there was a statistically significant difference in mean disciplinary actions taken by the AICPA between the two groups $F(1, 43) = 1.090, p > .10$, partial $\eta^2 = .025$. Therefore, we cannot reject H1 and can conclude that the implementation of mandatory ethics CPE by state boards of accountancies has had no effect on the percentage of disciplinary actions administered by the AICPA. Figure 1 depicts this situation.

A two-way mixed ANOVA was ran to test if the number of ethics CPEs required by states board of accountancies has any effect on disciplinary actions administered by the AICPA (H2). To test this hypothesis, we divided the total of number of ethics CPE by the frequency of reporting to get number of CPEs per year. Two states (Indiana and Montana) had 2 ethics CPE requirements for every three years which resulted to 0.67. Because of the small sample size, we added this to the group with one ethics CPE requirement per year. One state (Minnesota) had 8 ethics CPE requirements for every three years which resulted to 2.67. Because of the small sample size, we added this to the group with two ethics CPE requirements per year. After these adjustments, seven states had one (Group A), 11 states had 1.33 (Group B), and 22 states (Group C) had 2 ethics CPE requirements per year.
There was homogeneity of variances \((p > .05)\) and covariances \((p > .05)\), as assessed by Levene's test of homogeneity of variances and Box's M test, respectively. There was no statistically significant interaction between the groups and time on percentage of disciplinary actions by the AICPA, \(F(2, 37) = 2.157, p > 0.10\), partial \(\eta^2 = .104\). The main effect of time also did not show a statistically significant difference in disciplinary action by the AICPA at the different time points, \(F(1, 37) = 3.504, p > 0.05\), partial \(\eta^2 = .087\). The main effect of group also did not show that there was a statistically significant difference in mean disciplinary action taken by the AICPA between the two groups \(F(2, 37) = 0.643, p > .10\), partial \(\eta^2 = .034\). Therefore, we cannot reject H2 and can conclude that the number of ethics CPEs required by state board of accountancies has no effect on disciplinary actions administered by the AICPA. Figure 2 shows average percentage of disciplinary actions by the AICPA for states requiring different number of ethics CPEs per year.

A two-way mixed ANOVA was used to test H3, which states that the frequency of ethics CPE requirements by state board of accountancies has no impact on disciplinary actions administered by the AICPA. Two states (Missouri and North Carolina) had a one year frequency requirement to report ethics CPE. Because of the small sample size, we removed these two states from analyses. There were 20 states that required ethics CPE to be reported every two years and 18 states that required three-year reporting. There was homogeneity of variances \((p > .05)\) and covariances \((p > .05)\), as assessed by Levene's test of homogeneity of variances and Box's M test, respectively. There was no statistically significant interaction between the groups and time on percentage of disciplinary actions by the AICPA, \(F(1, 36) = 0.361, p > 0.10\), partial \(\eta^2 = .017\).

\(^2\) We also removed these three states which were recoded and reran the analysis and the found the same results.
The main effect of time showed a statistically significant difference in disciplinary actions by the AICPA at the different time points, $F(1, 36) = 8.173, p<.01$, partial $\eta^2 = .185$. The main effect of group (frequency of reporting) did not show that there was a statistically significant difference in mean disciplinary action taken by the AICPA between the two groups $F(1, 36) = 1.331, p>.10$, partial $\eta^2 = .036$. Therefore, we cannot reject H3 and can conclude that the frequency of ethics CPE requirements by state board of accountancies has any effect on disciplinary actions administered by the AICPA. Figure 3 shows average percentage of disciplinary actions by the AICPA for states requiring different number of ethics CPEs per year.

[insert Figure 3 about here]

To test H4, states that required self-report of ethics CPE were coded 0 (33 states) and the seven states that required self-report of ethics CPE with additional details were coded 1. A two-way mixed ANOVA was used to test H4, which states there is no difference in disciplinary action administered by the AICPA between states that require details of ethics CPE courses and states that only require a self-report of ethics CPE courses. There was homogeneity of variances ($p > .05$) and covariances ($p > .05$), as assessed by Levene's test of homogeneity of variances and Box's M test, respectively. There was no statistically significant interaction between the groups and time on percentage of disciplinary actions by the AICPA, $F(1, 38) = 0.226, p>.10$, partial $\eta^2 = .006$. The main effect of time showed a statistically significant difference in disciplinary actions by the AICPA at the different time points, $F(1, 38) = 6.633, p<.05$, partial $\eta^2 = .149$. The main effect of group (type of reporting) did not show that there was a statistically significant difference in mean disciplinary action taken by the AICPA between the two groups $F(1, 38) = 0.069, p>.10$, partial $\eta^2 = .002$. Therefore, we cannot reject H4 and can conclude that the type of reporting ethics CPE requirements to state board of accountancies has any effect on disciplinary
actions administered by the AICPA. Figure 4 shows average percentage of disciplinary actions by the AICPA for states requiring different types of ethics CPE reporting.

[insert Figure 4 about here]

Conclusions, Limitations, and Implementations

The purpose of this study was to investigate if implementation of ethics CPE after the financial crises of the early 21st century had any impact on ethical behavior of Certified Public Accountants (CPA). Data was gathered for pre-implementation (years 2001-2004) and post-implementation (years 2015-2018) of ethics CPEs by state board of accountancies. According to our study findings, despite the overall decline in percentage of disciplinary actions from pre- to post-implementation of ethics CPE, there does not seem to have been a significant impact of implementing mandatory ethics CPE by state board of accountancies. As shown in Figure 1, there has been an overall decline in percentage of disciplinary action from pre- to post-implementation of ethics CPE for both states that implemented ethics CPE requirements and states that did not. In addition, our results also showed that the yearly number of ethics CPE requirements, the frequency of reporting ethics CPE, and types of reporting ethics CPE to state board of accountancies had no impact on percentages of disciplinary actions taken by the AICPA pre- and post-implementation of ethics CPE requirements.

Although our study revealed that there have been no significant differences in certified public accountant disciplinary actions administered by the American Institute of Certified Public Accountants between pre-ethics implementation and post ethics-implementation, a topic for further research relates to the difference in ethics CPE reporting requirements for CPAs in jurisdictions that do require mandatory ethics CPE reporting. Throughout our research, we discovered that many jurisdictions do not require CPAs to document their ethics CPE credits on
their renewal form. As a result, this creates the possibility that some CPAs may not actually be doing their ethics CPEs, but still report that they have been accumulating them. If states were to require a documenting of ethics CPEs, when CPAs want to renew their licenses, it may shed more light as to whether the implementation of mandatory ethics CPE actually impacted the number of disciplinary actions CPAs are receiving by the AICPA. Additionally, it is possible that some states require administrators of ethics CPE courses to report who has attended their presentations. This study did not examine this issue and future studies could investigate whether such states have lower disciplinary actions against CPAs after implementation of ethics CPE and requiring course administrators to report ethics CPEs to the state board of accountancies.

A paper written by Rockness and Rockness (2010) provides insight into how complicated the reporting process of ethics continuing professional education truly is for jurisdictions that require them and how changes are needed in order to see a true benefit from ethics CPE. According to the paper, “the profession’s attempt to require ethics education of practicing CPAs has created an inordinately cumbersome set of requirements that are often difficult to satisfy,” (Rockness & Rockness, 2010, p.101). The paper also goes into detail on how the authors believe ethics CPE would be enhanced if there were standardized courses that satisfy requirements across all states, since ethics in the profession consist of a standard set of ideals that do not stop at state boundaries. Finally, the paper also provides reasoning why further research is needed relating to why states do not adopt a standardized “self-audit” approach concerning ethics CPE compliance.

Another article by Barry (2017) also explains how the rules and requirements for ethics continuing professional education are not beneficial to what ethics CPE was implemented to accomplish. According to Barry, “a New York State Board for Public Accountancy audit found
that 50 percent of CPAs failed to meet their ethics CPE requirements…[and] it boiled down to confusion about the requirement” (Barry, 2017, p.5). This further supports that the lack of impact of mandatory ethics CPE to disciplinary actions administered by the American Institute of Certified Public Accountants may have to deal with state reporting requirements. This may also explain why all of our null hypotheses were confirmed, in which there were no statistically significant differences between pre-ethics implementation and post-ethics implementation.

There are several limitations of the study. While we attempted to gather related data to the best of our abilities, a lack of data or of reliable data may have limited the scope of our analyses, the size of our sample, or it could have been a significant obstacle in finding a trend and a meaningful relationship. Future studies with the help of NASBA, AICPA, and state board of accountancies can help shed more light on the effectiveness of ethics CPE implementations. We also eliminated a few states from our analyses because we could not obtain adequate information for including them in our analyses.

Notwithstanding these limitations, this study provides insight about the effectiveness of implementation of ethics CPE for CPAs by state board of accountancies. Although ethics CPE requirements are on the rise, there is a lag for accounting programs to follow suit and change their curriculums to include an emphasis on the importance of ethical behavior. According to paper by Fisher, Swanson, and Schmidt (2007), “This creates a problem of bad pedagogy in that these new CPE ethics courses, focused on rote delivery of professional codes of conduct, are not grounded in conceptual frameworks which should be provided by university accounting programs” (Fisher et. al., 2007, p.1.) As a result, although there have been new ethics CPE requirements for most states, this study suggests that in order to see a real change in how
certified public accountants behave more ethically, there needs to be ethics education integrated into the accounting coursework that is done prior to obtaining a CPA license.

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| State                  | Year of Implementation | # of Ethics CPEs | Frequency of Reporting (Year) | Reporting Requirements                                      |
|-----------------------|------------------------|-----------------|-------------------------------|------------------------------------------------------------|
| Alaska                | 1/1/06                 | 4               | 2                             | Self-Report                                                |
| Arizona               | 1/1/05                 | 4               | 2                             | Self-Report                                                |
| Arkansas              | 1/1/05                 | 4               | 3                             | Self-Report                                                |
| California            | 1/1/14                 | 4               | 2                             | Self-Report                                                |
| Colorado              | 4/1/03                 | 4               | 2                             | Self-Report                                                |
| Connecticut           | 7/1/05                 | 4               | 3                             | Self-Report                                                |
| Delaware              | 6/30/07                | 4               | 2                             | Self-Report                                                |
| District of Columbia  | 1/1/05                 | 4               | 2                             | Self-Report                                                |
| Florida               | 6/30/06                | 4               | 2                             | Self-Report-Honor System                                   |
| Hawaii                | 2010/2011              | 4               | 2                             | Self-Report-Attest to Completion                           |
| Idaho                 | 7/1/08                 | 4               | 2                             | Self-Report with Program Details                          |
| Illinois              | 1/1/06                 | 4               | 3                             | Self-Report- Proof of Attendance Must also be Submitted, if Requested |
| Indiana               | 10/7/04                | 2               | 3                             | Self-Report                                                |
| Iowa                  | 7/2/06                 | 2               | 2                             | Self-Report with Program Details                          |
| Kansas                | 12/31/07               | 4               | 2                             | Self-Report                                                |
| Kentucky              | 7/1/11                 | 2               | 2                             | Self-Report                                                |
| Louisiana             | 1/1/04                 | 2               | 2                             | Self-Report                                                |
| Maine                 | 9/30/04                | 4               | 3                             | Self-Report                                                |
| Maryland              | 10/1/06                | 4               | 2                             | Self-Report                                                |
| Massachusetts         | 6/30/07                | 4               | 2                             | Self-Report                                                |
| Michigan              | 7/28/07                | 4               | 2                             | Self-Report                                                |
| Minnesota             | 6/30/06                | 8               | 3                             | Self-Report                                                |
| Mississipi            | 7/1/07                 | 4               | 3                             | Self-Report                                                |
| Missori               | 1/1/04                 | 2               | 1                             | Self-Report                                                |
| Montana               | 6/30/06                | 2               | 3                             | Self-Report                                                |
| Nebraska              | 1/1/04                 | 4               | 2                             | Self-Report                                                |
| Nevada                | 1/1/07                 | 4               | 2                             | Self-Report                                                |
| New Hampshire         | 2006/2007              | 4               | 3                             | Self-Report                                                |
| New Jersey            | 1/1/06                 | 4               | 3                             | Self-Report                                                |
| New Mexico            | 1/1/10                 | 4               | 3                             | Self-Report                                                |
| New York              | N/A                    | 4               | 3                             | Self-Report                                                |
| North Carolina        | 1/1/05                 | 2               | 1                             | Self-Report                                                |
| Ohio                  | 12/31/04               | 3               | 3                             | Self-Report                                                |
| Oklahoma              | 7/1/05                 | 4               | 3                             | Self-Report                                                |
| Oregon                | 7/1/01                 | 4               | 2                             | Self-Report with Program Details                          |
| State          | Year          | Hours | Ethics | Reporting Requirements                                      |
|---------------|---------------|-------|--------|------------------------------------------------------------|
| Pennsylvania  | 2014/2015     | 4     | 2      | Self-Report                                                |
| Rhode Island  | 12/31/07      | 6     | 3      | Self-Report, but for Self-Study should Submit Certificates |
| South Carolina| 1/1/13        | 6     | 3      | Self-Report, but for Self-Study should Submit Certificates |
| Tennessee     | 1/1/06        | 2     | 2      | Self-Report                                                |
| Texas         | 1/1/05        | 4     | 2      | Self-Report throughout the Year with Program Details       |
| Utah          | N/A           | 4     | 2      | Self-Report                                                |
| Vermont       | 1/1/08        | 4     | 2      | Should Submit Proof of Completion of CPE                   |
| Virginia      | 12/31/05      | 6     | 3      | Self-Report                                                |
| Washington    | 1/1/03        | 4     | 3      | Should Submit Proof of Completion of CPE                   |
| West Virginia | 1/1/10        | 4     | 3      | Self-Report- File CPE hours by Logging into Online CPE Reporting Form |
| Wyoming       | 12/31/07      | 4     | 3      | Self-Report                                                |
| Alabama       | No Ethics Implemented | None | No Ethics Requirements | No Reporting Requirements                                 |
| Georgia       | No Ethics Implemented | None | No Ethics Requirements | No Reporting Requirements                                 |
| North Dakota  | No Ethics Implemented | None | No Ethics Requirements | No Reporting Requirements                                 |
| South Dakota  | No Ethics Implemented | None | No Ethics Requirements | No Reporting Requirements                                 |
| Wisconsin     | No Ethics Implemented | None | No Ethics Requirements | No Reporting Requirements                                 |
Table 2: Descriptive Statistics for each State Disciplinary Actions between 2001-2004 and 2015-2018 periods

| State | # of Disciplinary Actions | Average # of CPAs | % of Disciplinary Actions | # of Disciplinary Actions | Average # of CPAs | % of Disciplinary Actions | % Difference |
|-------|---------------------------|-------------------|---------------------------|---------------------------|-------------------|---------------------------|--------------|
| AK    | 604                       | 0.165562914       |                           | 0                         | 1,130             |                           | 0.1656       |
| AL    | 4,666                     | 0.064294899       |                           | 5                         | 6,836             |                           | 0.0088       |
| AZ    | 5,190                     | 0.173410405       |                           | 7                         | 10,009            |                           | 0.1034       |
| AR    | 2,494                     | 0.080192462       |                           | 0                         | 3,605             |                           | 0.0801       |
| CA    | 28,844                    | 0.069338511       |                           | 42                        | 59,457            |                           | 0.0013       |
| CO    | 7,224                     | 0.041528239       |                           | 6                         | 16,134            |                           | 0.0044       |
| CT    | 6,302                     | 0.095207871       |                           | 7                         | 7,261             |                           | 0.0012       |
| DE    | 1                         | 0.114810563       |                           | 1                         | 2,267             |                           | 0.0707       |
| FL    | 18,195                    | 0.098928277       |                           | 43                        | 31,344            |                           | 0.0383       |
| GA    | 10,107                    | 0.099830289       |                           | 7                         | 20,900            |                           | 0.0663       |
| HI    | 1                         | 1,291             |                           | 1                         | 1,211             |                           | 0.0285       |
| ID    | 1                         | 1,357             |                           | 2                         | 2,802             |                           | 0.0023       |
| IL    | 18,950                    | 0.089709763       |                           | 13                        | 21,659            |                           | 0.0297       |
| IN    | 6,233                     | 0.032087277       |                           | 11                        | 10,384            |                           | 0.0378       |
| IA    | 3                         | 3,728             |                           | 0                         | 4,668             |                           | 0.0000       |
| KS    | 3,319                     | 0.030129557       |                           | 6                         | 5,970             |                           | 0.0707       |
| KY    | 4,385                     | 0.104302477       |                           | 8                         | 16,459            |                           | 0.0922       |
| LA    | 4,947                     | 0.080857085       |                           | 8                         | 7,371             |                           | 0.0276       |
| ME    | 1                         | 1,063             |                           | 0                         | 2,033             |                           | 0.0000       |
| MD    | 2                         | 8,587             |                           | 6                         | 15,071            |                           | 0.0165       |
| MA    | 4                         | 8,298             |                           | 4                         | 18,934            |                           | 0.0270       |
| MI    | 10                        | 10,299            |                           | 8                         | 12,742            |                           | 0.0343       |
| MN    | 6                         | 6,741             |                           | 11                        | 9,744             |                           | 0.1631       |
| MS    | 0                         | 2,274             |                           | 0                         | 3,882             |                           | 0.0000       |
| MO    | 11                        | 5,508             |                           | 7                         | 11,676            |                           | 0.1398       |
| MT    | 0                         | 1,085             |                           | 0                         | 1,873             |                           | 0.0000       |
| ND    | 7                         | 713               |                           | 0                         | 1,767             |                           | 0.0000       |
| NE    | 1                         | 1,895             |                           | 1                         | 2,869             |                           | 0.0179       |
| NV    | 0                         | 1,864             |                           | 6                         | 3,245             |                           | 0.1849       |
| NH    | 0                         | 1,231             |                           | 1                         | 4,970             |                           | 0.0201       |
| NJ    | 23                        | 17,429            |                           | 13                        | 19,095            |                           | 0.0638       |
| NM    | 1                         | 1,421             |                           | 0                         | 2,835             |                           | 0.0707       |
| NC    | 5                         | 9,890             |                           | 14                        | 20,955            |                           | 0.0163       |
| OH    | 9                         | 12,824            |                           | 5                         | 32,390            |                           | 0.0547       |
| OK    | 1                         | 3,661             |                           | 5                         | 10,758            |                           | 0.0196       |
| PA    | 11                        | 15,277            |                           | 9                         | 25,726            |                           | 0.0370       |
| RI    | 1                         | 1,277             |                           | 0                         | 1,842             |                           | 0.0783       |
| SC    | 3                         | 3,303             |                           | 1                         | 5,862             |                           | 0.1705       |
| SD    | 0                         | 670               |                           | 0                         | 1,221             |                           | 0.0000       |
| TN    | 2                         | 6,253             |                           | 4                         | 5,862             |                           | 0.0682       |
| TX    | 37                        | 24,839            |                           | 19                        | 74,086            |                           | 0.1233       |
| VT    | 0                         | 670               |                           | 0                         | 1,294             |                           | 0.0000       |
| VA    | 11                        | 10,527            |                           | 4                         | 26,219            |                           | 0.0892       |
| WA    | 6                         | 6,229             |                           | 5                         | 18,427            |                           | 0.0691       |
| WI    | 4                         | 5,841             |                           | 8                         | 12,279            |                           | 0.0033       |
| WV    | 1                         | 1,335             |                           | 2                         | 2,276             |                           | 0.0129       |
| WY    | 2                         | 459               |                           | 1                         | 778               |                           | 0.3072       |
Figure 1: Average Percentage of Disciplinary Actions for States With and Without Ethics CPE Requirement

1 Year 2001-2004, 2 Years 2015-2018

1= Years 2001-2004, 2= Years 2015-2018
Figure 2: Average Percentage of Disciplinary Actions for States Requiring Different Number of Ethics CPE per Year

Estimated Marginal Means of MEASURE_1

Number of Ethics CPE by Year

- 1:00
- 1.33
- 2:00

1= Years 2001-2004, 2= Years 2015-2018
Figure 3: Average Percentage of Disciplinary Actions by Frequency of Reporting Ethics CPE

1 = Years 2001-2004, 2 = Years 2015-2018
Figure 4: Average Percentage of Disciplinary Actions by Type of Reporting Ethics CPE

1= Years 2001-2004, 2= Years 2015-2018