

# POLICY STATEMENT

## NEW YORK STATE EDUCATION DEPARTMENT STATE BOARD FOR PUBLIC ACCOUNTANCY

### RE: NONPUBLIC AUDITING EXPERIENCE

The following is a statement of policy with regard to the acceptability of governmental, industrial, or commercial experience as being equivalent to diversified audit experience involving the application of generally accepted accounting principles and generally accepted auditing standards in the practice of public accountancy (in accordance with Section 70.2 (c) of the Regulations of the Commissioner):

- The practice of public accountancy encompasses a wide range of financial and accounting services offered to clients by professionals holding out as licensees. Licensees are subject to regulation in a wide range of activities, some of which are not limited to license holders. For example, unlicensed individuals may prepare tax returns, develop personal and corporate financial plans, and engage in similar activities. Therefore, the critical factors for determination of equivalency of experience focus on (a) the evidence of the exercise of independence examining financial presentations and (b) the issuance of reports indicating the degree of reliance a reader can place on the accuracy and probability of certainty of the data and/or recommendations presented.
- For experience to be deemed as satisfactory equivalent experience as provided in section 70.2 of the regulations, such experience must be equivalent in nature and scope to that obtained by independent accountants engaged in public practice and must be devoted principally to the comprehensive application of generally accepted accounting principles and generally accepted auditing standards to diversified field examinations, which examinations shall culminate in the submission of an independent report on the reliability of the completeness and accuracy of financial data presented.
- All experience in governmental, industrial, or commercial activities to be considered as equivalent to the practice of public accountancy in New York must be deemed by the State Board for Public Accountancy to meet the following guidelines:

#### 1. SUPERVISION OF EXPERIENCE

The experience must be attested to by a CPA licensed in the United States or a public accountant licensed in New York State who at the time the experience was acquired acted in a direct supervisory capacity to the applicant in the organization where the experience was acquired.

#### 2. SCOPE AND TIMING OF EXPERIENCE

The Department and the Board are charged with the responsibility, in the interest of the public, to recommend for certification persons who are qualified to plan and conduct a full scope audit and generally provide the services of a public accountant in a competent and professional manner.

The independent examination of financial statements prepared by management, the systematic testing of the underlying and supporting documentation, and the expression of an opinion on the fairness and reliability of presentation constitute the attest function. Performance of an audit represents the activity upon which the highest degree of reliability of fairness of presentation is placed. The audit of financial statements must cover the balance sheet, income statement, statement of cash flows and footnotes.

#### 3. ATTEST FUNCTION

The Board requires that the preponderant experience be earned in the fulfillment of audit engagements, either as an employee of a public accounting firm, or as an employee in government or industry which results in actions that may be determined by the Board to be the exercise of the attest function.

The Board applies uniform criteria to the evaluation of experience irrespective of whether a person is or has been employed by government, industry, or public accounting firms.

#### 4. INDEPENDENCE AND REPORTING

The experience to be considered acceptable should show evidence of independence. A report should comment upon the financial condition and operating results of the agency or organization audited and should be prepared for an executive function which does not have operating responsibility or control for the organization, department, division, etc., being reported upon.

Obviously, experience obtained in government, commerce, or industry cannot be as independent as that obtained by working for an independent public accountant, but the Board, in its discretion, should satisfy itself that independence was present. Evidences of independence are working relationships and/or organization structure, emphasis on disclosure in reporting, and approach to engagements.

#### 5. DIVERSIFIED EXAMINATIONS

For experience to be considered as equivalent to that in public accounting, it must cover exposure to substantially all balance sheet and operating accounts found in most organizations. Limited operational auditing activities and "in-house" employment in controllership, systems design, cost accounting, budgeting, or tax accounting activities of a firm shall not be accepted as equivalent audit experience. In some instances this experience may qualify as non-audit accounting experience.

#### 6. INDIVIDUAL REVIEW BY THE BOARD

Each application will be considered on its individual merits. Governmental, industrial, or commercial experience as a class or as performed by an organization or staff will merely serve as supporting or background information.

#### 7. DOCUMENTATION OF APPLICATION

The responsibility that the experience presented is equivalent to the practice of public accountancy rests with the applicant. The Certification of Employer Form 4B must be supported by a detailed chronological listing of audit engagements setting forth (preferably in paragraph form) the name of organization audited or type of business, if the name cannot be disclosed, date and place of the audit, nature of audit performed and a comprehensive description of the actual audit procedures performed by the applicant. A sample of an independent audit report on financial records and statements must be included.

Auditing activities, whether public accounting, governmental, industrial, or commercial, not meeting the above guidelines shall be considered to be limited in nature and scope, and shall not be considered as acceptable experience.

