

REGULATIONS

OF THE

RHODE ISLAND BOARD OF ACCOUNTANCY

FOR THE FULFILLMENT OF THE

PUBLIC ACCOUNTING EXPERIENCE

REQUIREMENT

May, 2002

REGULATIONS
OF THE
RHODE ISLAND BOARD OF ACCOUNTANCY
FOR THE
FULFILLMENT OF THE
PUBLIC ACCOUNTING EXPERIENCE REQUIREMENT

ARTICLE I

1.0 INTRODUCTION, PURPOSE, FINDING

1.1 Introduction

Rhode Island General Laws, §5-3.1-5(a) provides that the certificate of "certified public accountant" shall be issued to any person meeting stated statutory requirements. Section 5-3.1-5(a)(5) establishes as part of the requirements one (1) year's accounting experience. The Board, by these regulations, establishes the criteria for meeting the requirement of "accounting experience."

1.2 Purpose

The purpose of these regulations is to establish a reasonable, fair and standardized set of rules in order for applicants for the certificate of "certified public accountant" to be able to plan and fulfill the accounting experience requirement and to enable persons supervising and verifying such experience requirement to be aware of the nature, quality and quantity of the experience which must be completed.

1.3 Finding

In considering the adoption of these regulations, the Board of Accountancy finds that such action would not have a significant adverse impact on small business as defined in Chapter 35 of Title 42 of the Rhode Island General Laws.

ARTICLE II

2.0 RULES

2.1 Guidelines and Definitions

- 2.1.1 The experience requirement shall consist of one year (minimum of 1,820 hours), as specified in R.I.G.L. §5-3.1-5(a)(5).
- 2.1.2 A candidate who has passed the CPA examination in a jurisdiction other than Rhode Island must comply with the experience requirement of that other jurisdiction if it exceeds the Rhode Island experience requirement.
- 2.1.3 Requisite experience must be provided under the direct supervision of a CPA or a PA with a permit to practice.

2.2 Experience required for the issuance of a certificate of certified public accountant

- 2.2.1 The experience in the practice of accountancy required to be demonstrated for issuance of a certificate of certified public accountant, pursuant to Title 5, Chapter 3.1 of the Rhode Island General Laws, shall meet with the requirements of this Regulation.
- 2.2.2 The applicant shall demonstrate to the Board that he or she has obtained a portfolio of experience consisting of providing any type of service or advice involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills all of which was verified and supervised by a licensee, meeting the requirements of these regulations. Such portfolio of experience obtained in the following categories, or in any combination thereof, shall be acceptable:
 - 2.2.2.1 Public practice. Experience may be gained through employment as a staff accountant of a firm of certified public accountants or a firm of public accountants where such experience is of a non-routine accounting nature that continually requires independent thought and judgment on important accounting matters. The work must involve application of appropriate technical and behavioral

standards such as the standards contained in the Code of Professional Conduct, Generally Accepted Auditing Standards, Statements on Standards for Attestation Engagements, Statements on Standards for Accounting and Review Services, the Statement on Standards for Tax Services, or the Statements on Standards for Management Consulting Services (the "Professional Standards").

2.2.2.2 Government. Experience may be gained through employment with accounting agencies or groups within federal, state or municipal government where such experience is of a non-routine accounting nature that continually requires independent thought and judgment on important accounting matters. The applicant shall obtain experience in assessing the adequacy of the accounting agency or group's internal controls by developing an understanding of the accounting agency or group's transaction streams and information systems. Such experience will include obtaining an understanding of the areas and/or industries with which the applicant's agency operates, including the operations of similar service providers. The Board will review on a case-by-case basis experience that does not clearly meet the criteria identified in Sections 2.2.2.2.1 - 5 below. Acceptable government work experience includes:

- 2.2.2.2. 1 Employment in state government as an accountant or auditor;
- 2.2.2.2.2 Employment in federal government as an accountant or auditor at a GS-7 level or above;
- 2.2.2.2.3 Employment as a special agent accountant with the Federal Bureau of Investigations;
- 2.2.2.2.4 Military service, as an accountant or auditor; and
- 2.2.2.2.5 Employment with other governmental entities as an accountant or auditor.

2.2.2.3 Industry. Experience may be gained in industry where such experience is of a non-routine accounting nature that continually requires independent thought and judgment on important accounting matters. The applicant shall obtain experience in assessing the adequacy of the employer's internal controls by developing an understanding of the employer's transaction streams and information systems. The applicant shall also obtain experience in tax return preparation and research, preparation and analysis of financial statements, cost accounting, budgeting and the application of accounting principles. Such experience will include obtaining an understanding of the industry in which the applicant's employer operates, including the employer's competition and key competitiveness factors that affect the industry. Professional services performed under this category include any services offered in the course of the practice of public accountancy, even though such services are not offered to the public.

2.2.2.4 Education. Experience may be gained as an instructor at a college or university which has gained accreditation from an accrediting agency which is recognized by the United States Secretary of Education where evidence is presented showing independent thought and judgment was used on non-routine accounting matters. Only the teaching of upper division courses as approved by the Board will be considered.

2.2.3 The applicant shall also show to the satisfaction of the Board that experience obtained has included all of the following:

2.2.3.1 Understanding of the Code of Professional Conduct promulgated and adopted by the Board of Accountancy;

2.2.3.2 Ability to assess the achievement of an entity's objectives by demonstrating knowledge of various business organizations, understanding of the objectives and goals of business entities, ability to develop and analyze performance measures and critical success factors, and understanding of the economic and regulatory trends that

affect an entity's environment;

- 2.2.3.3 Experience in preparing work papers that include sufficient relevant data to support the analysis and conclusions required by the applicant's work;
- 2.2.3.4 Experience in the preparation and analysis of financial statements together with explanations and notes thereon;
- 2.2.3.5 Understanding transaction streams and information systems, including the ability to understand how individual transactions aggregate at the organizational level, to infer how transactions impact the organization as a whole, and to evaluate the integrity and reliability of various client information systems, including relevant computer aspects;

2.2.4 An applicant who has not achieved experience of the variety and diversity set forth above shall bear the burden that the experience submitted is of sufficient quality and diversity that it fulfills the entry requirement objective as set forth in R.I.G.L. §5-3.1-5(a)(5).

2.2.5 The experience required under R.I.G.L. §5-3.1-5(a)(5) shall consist solely of experience within activities generally performed by a licensee.

2.3 Additional requirements for licensees who perform or supervise attest or compilation services and who sign or authorize another to sign reports on financial statements.

2.3.1. Any individual licensee who performs or is responsible for supervising attest or compilation services and who signs or authorizes another person on behalf of the firm to sign reports on financial statements shall meet the following requirements:

2.3.1.1 CPA certificate. The individual must hold a currently valid permit issued by the Board or shall be in compliance with the substantial equivalency requirements set forth in R.I.G.L. § 5-3.1-7(g).

2.3.1.2 Experience. The individual shall meet the competency

requirements set forth in QC Section 40 – “The Personnel Management Element of a Firm’s System of Quality Control Competencies Required by a Practitioner-in-Charge of an Attest Engagement” of the Statements on Quality Control Standards contained in the Professional Standards issued by the American Institute of Certified Public Accountants.

2.4 Evidence of applicant's experience.

- 2.4.1 Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request of the Board, explain in writing or in person the basis for such refusal.
- 2.4.2 Any licensee who has furnished evidence of an applicant's experience to the Board shall, upon request by the Board, document the information in writing, by exhibit, in person, or by combination of any of the above.
- 2.4.3 Any applicant may be required to appear before the Board or its representative to respond to questions or to supplement or verify evidence of experience in writing, by exhibit, in person, or by a combination of any of the above.
- 2.4.4 The Board may require inspection of any and all documentation relating to an applicant's claimed experience, including, but not limited to, any underlying tax returns, financial statements or work papers. The inspection may, at the option of the Board, be made at the Board's offices or such other places as the Board may designate. A licensee or practice unit which has custody of the requested documentation shall produce such documentation upon request.

ARTICLE III

3.0 ADOPTION

- 3.1 These regulations shall be promulgated and adopted in accordance with the requirements of R.I.G.L. §§5-3.1-4(g), 5-3.1-4(f)(3) and 42-35-4(b).
- 3.2 These regulations shall take effect twenty (20) days after filing with the Secretary of State in accordance with R.I.G.L. §42-35-4(b)
- 3.3 These regulations supersede all prior regulations of the Board on same subject including, but not limited to, those regulations filed with the Secretary of State on or about October 17, 2000 entitled Regulations of the Board of Accountancy for the Fulfillment of the Public Accounting Experience Requirement.

1701-9/170088