

**GOVERNMENT EXPERIENCE AS QUALIFYING EXPERIENCE
FOR THE CPA CERTIFICATE**

Remarks of

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at

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The wide variety in our state accountancy laws has been a matter of considerable interest to me for many years--in fact since I obtained my certificate No. 474 in Illinois. More recently, and this can be measured as the last twenty years, my concern with the problem has been related to the requirements of the securities acts and regulations thereunder for financial statements certified by independent public or certified accountants and the need to recruit competent accountants to make critical examinations of such statements filed with the Securities and Exchange Commission. ^{*/}

To comply with the concept of full disclosure I should add that my interest in the subject is broader than my direct concern with good administration of the securities acts. As one of the founders of the Federal Government Accountants Association in 1950, I have maintained a continuing interest in its efforts to improve the quality of accounting and auditing work in the Federal Government. This year I am serving as chairman of the Association's standing committee on "Cooperation with Other Professional Organizations"; therefore, I am particularly pleased that I was invited to be here to participate in this conference on state legislation.

A very significant and well-timed event occurred last month in Washington when the "District of Columbia Certified Public Accountancy Act of 1966" (Public Law 89-578) was passed by the Congress, and signed by the President on September 16. This is the culmination of much hard work by the appropriate agencies of the District of Columbia government and the D. C. Institute of Certified Public Accountants. Christopher J. Moran,

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who is a member of the AICPA Committee on State Legislation and a member of the D. C. Institute board of governors, and others too numerous to mention played active roles in bringing this legislation to a successful conclusion. The D. C. law was in need of revision on a number of counts, but the one of most concern to accountants in the Federal Government was to obtain recognition of accounting and auditing experience in the government as qualifying for the certificate. This has now been granted.

The new law strengthens the educational and experience requirements by increasing the experience requirements over the prior law but reducing the amount as additional education is offered. A new section was added which, with this brief introduction, I quote for the benefit of those who may not have seen the new Act:

"(c) Commencing with the effective date of this Act, the Commissioners may, upon recommendation of the Board of Accountancy, except /sic, accept/ for any required year of certified public accountant employment as set forth in subsections (b)(1)(C), (b)(2)(C), and (b)(3)(C) of this section, one and one-half years of actual and continuous experience of any person (1) in auditing the books and accounts of other persons in three or more distinct lines of commercial business in accordance with generally accepted auditing standards, or (2) in a combination satisfactory to the Board of the experience described in (1) above together with auditing the books and accounts or activities of three or more governmental agencies or distinct organizational units in accordance with generally accepted auditing standards and reporting on their operations to a third party, to the Congress, or to a State legislature, or (3) in reviewing financial statements and supporting material covering the financial condition and operations of private business entities to determine the reliability and fairness of the financial reporting and compliance with generally accepted accounting principles and applicable Government regulations for the protection of investors and consumers. Nothing in this subsection shall be interpreted as precluding consideration of Government experience for recognition under this subsection."

As you might suspect from this language, representatives of several agencies had a hand in recommending this new provision.

The FGAA committee which I mentioned and its predecessor have included representatives of the major agencies which employ accountants at a professional level engaged in administering laws requiring certification of financial statements or compliance with prescribed accounting regulations by private commercial, industrial, financial and utility companies. Others employ large audit staffs engaged in required audits or examinations of the books of private companies as well as of government corporations, departments and agencies. Those in government believe that all of this work is of professional caliber and requires well-trained personnel. Some of these staffs are recruited from professional ranks but the needs of the larger agencies are such that juniors are required in the same way as in the public profession and private industry. This of course requires the development of well-planned training programs, some of which include specific preparation for the CPA examination.

May I say a word about why accountants in government feel that they should acquire a CPA certificate? Although a few dissents have been voiced by some articulate individual accountants in government, my committee supports the proposition that the CPA certificate is the desired evidence of competence in accounting.

The profession in a hundred years has built up the idea that the work of the public accountant is based upon the concepts of integrity and independence. We may have differences of opinion on many matters and differences in judgment may lead to different conclusions on the same facts, but we would not admit that these differences reflect any breach between us on the grounds of integrity or independence. On these points only one standard can apply whether we are in public practice or serving the public as

government officials. Accountants in the Federal Government believe that the public expects from them the same professional standards that they have been educated to expect from accountants in public practice.

Some practitioners ask why do you in government need a CPA certificate?-- you are not in practice--if you leave government and enter practice, that is the time to take the examination. As for the need of a CPA certificate, it has been my experience and that of others that a government accountant's authority is more readily accepted by practicing certified public accountants, lawyers, and corporation executives if he is known to be a certified public accountant. Government accountants are called upon to prepare and sign affidavits regarding accounting matters, appear as experts before Congressional committees, government boards, commissions, grand juries and the courts. Identification as a certified public accountant is recognized evidence of expertise in accounting and is an added advantage for an otherwise competent accountant.

On the matter of when to take the examination, without quoting statistics, I believe it has been pretty well established that the best time is promptly after completion of the necessary studies and a short period of experience. Both I believe can be gained either in public practice or in government if both classes of employers provide the opportunity for study and supervised on-the-job training. We think both are provided in government agencies.

Any observer of the government scene must have noticed that migration of accountants is in both directions. There seems to be a tendency for some people to think that the grass is greener on the other side of the fence. I would agree that we need some infiltration from professional

practice--particularly in my own agency where the number of accountants is small and there is a limited opportunity for employment of juniors. I think you will agree with me that the profession finds special skills among government-trained accountants. This is becoming increasingly apparent as public accountants are performing audits for government agencies with a corresponding increase necessary in specialized skills. Would not progress of these migrants be better if they moved to public practice with the CPA examination behind them?

Government accountants in the various agencies and departments concerned with this problem of recognition of accounting experience gained in government work have analyzed their accounting and auditing work in light of recognized professional standards and believe that these are met in full measure. In fact we believe that any impartial observer would conclude that great strides have been made in the last twenty years. I draw upon these studies for the following comments.

One of these comprehensive studies was summarized for eleven departments and agencies in terms of the attest function, use of generally accepted accounting principles, and use of generally accepted auditing standards.

Atomic Energy Commission auditors issue certificates with respect to examinations of AEC contractors and their own field offices, and the agency's Annual Financial Report, a public document, is addressed to AEC Commissioners, Bureau of the Budget and Congress. The work involves an evaluation of systems of internal control, the accounting and reporting system, cost distribution and product cost accounting, and other matters.

The Civil Aeronautics Board auditors attest to adherence of the carriers to economic regulations in addition to those of a financial or accounting nature and the reliability of financial presentations. This is based upon analysis of financial statements, evaluation of financial management policies, procedures and practices, internal controls and review of accounts, records and reports, and special investigations. The work involves tests of transactions and development of audit evidence through analysis, inspection, observation, interview and confirmations and documentary evidence, all in compliance with written audit guidelines.

The work of the military contract audit agencies now combined under the Defense Contract Audit Agency must be well known to the profession. The Director of this agency has summed up its work in a recent publication of FGAA in two brief paragraphs (see The Federal Accountant, Spring, 1966):

"Audits are performed by DCAA in many of the largest industrial corporations, educational institutions and research and development organizations in the United States. Our auditors examine and report on costs incurred or estimated by contractors in the performance of defense contracts.

"We use a variety of training, counseling and development media and methods in indoctrinating new auditors, keeping staff members informed of new developments in the accounting profession, and preparing them for positions of higher responsibility."

Audits of contracts and financial records by both the Bureau of Public Roads and the Maritime Administration involve the application of generally accepted accounting principles and generally accepted auditing standards. The auditors function independently of the procurement and negotiation functions and the audit reports are used by third parties in determining amounts to be paid.

It hardly seems necessary to continue this inventory, but I can include other important agencies by another reference to the FGAA's booklet "Opportunities for Accountants in Federal Financial Management." This is an updating of material first published under the same title ten years ago. The material was prepared for the benefit of college and university students and has the hearty support of John W. Macy, Jr., Chairman of the U. S. Civil Service Commission. Two paragraphs cover important agencies not previously mentioned:

"The Internal Revenue Service audits the tax returns and the books and records of individuals and firms engaged in all types of business. Special investigations of many kinds are conducted by the Federal Bureau of Investigation, the General Accounting Office, the Post Office Department, and the inspection and internal audit staffs of most other agencies. The General Accounting Office reviews the operations of agencies throughout the Government.

"In still other fields of accounting endeavor, regulatory commissions prescribe the accounts, review the financial reports and conduct investigations of public utilities. The Comptroller of the Currency in the Treasury Department examines all national banks. The Securities and Exchange Commission and the Federal Trade Commission review the financial reports of and conduct inquiries into individual corporations and entire industries."

These brief remarks are intended to encourage discussion of an aspect of CPA legislation the importance of which is well expressed in a letter from the president of FGAA to the president of AICPA in October 1964. The exchange of correspondence and editorial comment about it may be found in The Federal Accountant, Winter, 1964. I quote two paragraphs from James L. Thompson, Jr.'s letter to Thomas D. Flynn:

"We believe the public will be better served if there is a corps of well trained accountants in Government who have demonstrated their fitness for advancement in accounting by attaining the CPA certificate. This is evidence recognized by the public as well as the profession. As the attest function is extended

to reports required by the agencies of Government, the results should be reviewed and judged by Government employees who can command the confidence of those whose work is subject to review.

"Many Government agencies employ staffs of a size comparable or exceeding the larger public accounting firms. Training can begin at the junior level which should include an opportunity to take the CPA examination. We have heard that some accountants oppose this in the belief that this will result in competition for good men. We agree that this possibility exists and admit that some good prospects are lost to the Government when the candidate learns that his work in the Government may not be accepted as qualifying for the CPA certificate. We believe that maintaining this barrier is short-sighted policy. Well-trained Government employees migrate to private employment. In the field of accounting, possession of the CPA certificate would facilitate this movement, which is in the best interests of the individual and ultimately of the profession. Equity requires that this be made possible."

It should be clear from this brief survey that much of the accounting and auditing work in the Federal Government is in conjunction with the work performed by members of the profession in private practice. This work is being extended as new agencies by law or regulation prescribe that material submitted to them be examined by independent accountants. Mr. Lyman Bryan, AICPA's Director of its Washington Division in remarks at a seminar conducted last month by the Maryland Association of CPA's, stated that in 1966 "more than 40,000 institutions of one kind or another are independently audited in over 50 programs of about 25 Federal agencies. This compares with about 12,000 such audits just five years ago." The government accountants who review the results of this work and who do work of similar quality should have their training and experience recognized by all states as qualifying experience for the CPA certificate.