

1964

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Recommended Citation

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SPEECH TO ASSOCIATION OF CPA EXAMINERS
by John Lawler, Managing Director
American Institute of Certified Public Accountants
Hotel Americana
Bal Harbour, Florida
October 3, 1964

I.

One of the commandments which appears in almost every text book on public speaking is this: don't begin a speech with an apology.

That injunction has a lot of merit. If an apology is really in order, the audience will not suffer any less because the speaker has conceded in advance his inadequacy for the task assigned to him -- unless, of course, the warning prompts a mass exodus out of the hall. On the other hand, if the apology proves to be unwarranted, the speaker may well be indicted for the immodesty of false modesty.

Nonetheless, I am going to disregard the experts.

I have been asked to talk about the public relations responsibilities of state boards of accountancy -- or, to be honest about it, I asked to be asked to talk about the public relations responsibilities of state boards of accountancy. When I sought an invitation to this platform, I knew less about this subject than I know now -- which means that I know enough now, after some research and consultation with informed people, to know that I still don't know enough about it. However, since the advice

which I have to offer will be free, there is no risk of your being over-charged for it. Moreover, I am consoled by the thought that an outsider's counsel may have some charm -- though its value may be limited -- if only because he is equipped with the perspective of ignorance.

II.

Having abandoned any claim to being an expert, I would like to begin by making some rather obvious observations about the nature of public relations -- and then apply them to the accounting profession in general and to the state boards in particular.

There is, really, nothing mysterious about public relations. The PR man does not possess any arcane knowledge; he is not a fairy godmother who can transform pumpkins into golden coaches; he knows that a press release is not a magic wand. He may enjoy using the esoteric language of his trade, which is often designed more to impress than to enlighten -- a practice, incidentally, which some clients have suggested may not be unknown even among CPAs. But the key to the PR man's bag of tricks is an old bromide. He acts on the assumption -- an assumption validated by experience over and over again -- that actions speak louder than words -- though, out of a natural concern for his own future welfare, he may add that

words are not without value if they are suited to the action and magnify its impact.

In subscribing to this faith in the greater effectiveness of actions over words, the public relations counselor is merely recognizing that the public's confidence in any individual or group is ultimately determined by what that individual does -- what that group does -- to command its respect. The public is rarely, if ever, entranced for long by those who spend so much time in promoting their own status that they have little or no time to earn it with deeds. One of the Institute's PR advisers once underscored this point by noting that a young man seeking to make a good impression only succeeded in giving the impression of a young man seeking to make a good impression. Everyone ought to profit -- but, unhappily, not everyone does -- by the young man's mistake.

III.

This approach to public relations, with its emphasis on achievements rather than claims, has been largely followed by the accounting profession in this country throughout its history.

As all of you know, that history began at the turn of the century with the arrival on these shores of a hardy band of chartered accountants from Great Britain. They were initially

concerned with keeping a sharp watch on British investments in the former colonies; but they also brought with them a fierce pride in their craft -- and a conviction that the full potential of their art would never be realized unless it were practiced at the professional level. Joining forces with a growing number of native-born accountants, they set out to justify a claim to professional stature. They established organizations for the orderly determination of professional policies; they launched magazines for the dissemination of accounting knowledge; they encouraged colleges to devote attention to the new field; they formulated a set of ethical precepts as a guide to professional conduct; they sought opportunities for public service; and, above all, they persuaded the state legislatures, one by one, to enact laws governing the issuance of the CPA certificate.

They did their work well -- and, as a result, the accounting profession has prospered mightily.

It has benefited, of course, from outside forces which have stimulated a growing demand for reliable financial data and expert accounting advice -- such forces as the vast dispersion of stock ownership in American business, the impact of taxes and a multitude of Government programs on the lives of every citizen, the difficulty of business survival in a highly competitive economy. The mounting demand for expert accounting

assistance might eventually have created an accounting profession -- though there can be no certainty about this. The accounting function might well have been assumed by government in the absence of any acceptable alternative. But the fact remains that a profession of accounting did exist -- ready, willing and, above all, able to perform a constantly expanding scope of service.

It hardly needs to be said that the profession's tasks are far from done. In relying upon CPAs, the public is engaged in an act of faith; it seldom has the ability or the opportunity to evaluate their competence and their integrity. Consequently, it proceeds on the assumption that the profession will ensure that its trust is not misplaced by maintaining appropriate standards -- standards for the admission of young recruits to the CPAs' ranks, standards of technical performance, standards of ethical conduct. The public expects, and is entitled to expect, even more. It expects the profession to be constantly modifying these standards in keeping with the changing responsibilities of the profession. And, finally, the public expects the profession to encourage compliance with the standards -- through educational efforts and, if needed, by disciplinary action.

If these expectations are not fulfilled, then the

public's faith in the profession will have been betrayed -- and the profession's own future is likely to be rather dismal.

IV.

No one has a more significant role to play in protecting the public interest -- which is really inseparable from the profession's own self-interest -- than the state boards of accountancy.

The Institute once issued a booklet on the uniform CPA examination which described it as "the gateway to a profession." If that's a fair description, then state board members might be called the sentinels at that gateway.

Your responsibilities are many and varied.

You are, first of all, entrusted by the people of your state with the equitable administration of the accountancy statute -- a law enacted not for the gain and glory of CPAs, but for the protection of the public welfare.

Thus the law must be administered in harmony with its fundamental purpose -- which requires a thorough knowledge of the statute, as well as the board's regulations. Moreover, the board must be concerned about applying the law and regulations in a consistent manner, always avoiding the error of allowing the human element of favoritism to becloud its judgment. And a board must exercise utmost diligence in maintaining a tight administrative program operating within established policies.

That calls for accurate records, effective financial controls, prompt and responsive answers to inquiries. Surely, the public has a right to expect CPAs to see to it that these housekeeping chores are properly performed.

A board will not have fully discharged its mission, however, if it merely protects the public by preventing unqualified persons from obtaining the CPA certificate.

That, of course, is no minor achievement; but the public needs an ever increasing number of professional accounting advisers -- and a board has some responsibility for seeing that they are available. This does not mean that it should engage in a campaign to interest young people in accounting as a challenging and rewarding career. That recruiting work is more appropriately handled by the profession's state and national organizations, by the schools and colleges, and by accounting firms and practitioners. But a board can help a good deal in encouraging first-rate candidates to enter the profession by constantly demonstrating a genuine concern for them.

This is largely a matter of attitude. There is an eternal hazard that those endowed by the majesty of law with power over the lives of others will begin to derive too much satisfaction from the mere exercise of that power -- and, in the process, lose their sense of humor, their perspective and even their humanity. I also have a suspicion -- I leave

to you to judge its validity -- that a man may be inclined to forget with the passage of years that the CPA examination is an ordeal for many candidates even under the best of circumstances. It might be helpful if every board developed some mechanism -- perhaps an advisory committee of recent candidates -- as a means of regularly checking on its own performance. But, above all, board members ought to keep in mind that these young men and women, despite all their outward sophistication, are still quite vulnerable. I am not suggesting that they be coddled; but I do believe that they desperately need encouragement -- encouragement in the form of pre-examination conferences, the provision of suitable examination centers (a few leave much to be desired), the opportunity to conduct a post-examination review of their papers to determine areas of weakness. The ways to express a sympathetic interest are countless. None of them would be right for every state; no state could adopt them all. But, as I've already said, a lot would be accomplished if the boards kept their relationship with the candidates under constant scrutiny -- and took such steps as might be necessary to remedy any deficiencies.

The successful candidates should also be welcomed into the profession in a fitting manner -- with suitable publicity on their achievement, and with appropriate ceremonies (preferably in cooperation with the state society).

While a substantial number of boards arrange for the latter event, I have a distinct impression that the publicity opportunities in the uniform CPA examination are sadly neglected. Many boards, I gather, simply issue a list of successful candidates on a statewide basis, and this is probably all that is required or practical in the metropolitan centers where the competition for newspaper space is acute. But special stories on candidates from the smaller communities, complete with biographical data, photos and background information on the examination itself, would be generally welcomed by their home-town papers. Admittedly, this kind of exploitation demands a good deal of effort in planning and execution. It may be beyond the resources of many boards. But the state societies might be able to render some assistance -- or, at modest cost, a senior in one of the state's journalism schools could be engaged to conduct the program.

In addition to all its other duties, a state board occupies a key role in the operation of the profession's disciplinary machinery.

That machinery has worked with reasonable effectiveness in the past; but there is every likelihood, with the continuing growth in the number of CPAs, that it will not be adequate in the future.

A CPA who is a member of both the Institute and his

state society is now subject to challenge on his conduct from three sources: the Institute, his state organization and his state board of accountancy. The rules of each may be slightly different -- though a higher degree of uniformity has been achieved in recent years. But, quite aside from this defect in the setup, the resources of each of these disciplinary bodies in the conduct of investigations and hearings, are extremely limited. The Institute itself, for example, has only three or four members of its staff devoting full-time to this phase of its activities. Yet it is expected to act promptly and decisively on complaints against any of its 50,000 members in all the 50 states. In practice, of course, it relies heavily upon the state societies and state boards; but they are seldom any better equipped to handle the work. I remember one state board member who said wearily, after sitting on a case which stretched over several weeks, that the episode had cost him \$10,000 in lost fees -- and he intimated that there wouldn't be another case like it while he remained on the board. He might be criticized for an irresponsible attitude; but his misery was understandable. And while a board member can never escape a heavy commitment of time, he surely has the right to expect that his time won't be wasted.

Nor can the Institute and the state societies neglect their own responsibilities in these ethical matters. They must find some means to improve their procedures -- perhaps through a formal arrangement for a division of the labor in terms of the nature of the offense under consideration. But the professional

societies can only expel, suspend or reprimand a member. No one, naturally, takes it lightly when a jury of his professional peers finds him guilty of violation of the rules of professional ethics. Yet even though he has been found wanting by his colleagues, the former member can continue to practice as a certified public accountant. Only the state boards can deprive him of his title -- and only the loss of his title, if the offense was of sufficient importance to justify such action, will afford the public a full measure of protection.

The state boards must be strengthened to permit them to meet this growing problem. That entails a considerable increase in the funds available to many, if not all, of them. If the state governments will not finance these efforts to police the profession in recognition of the public service rendered by the boards, then perhaps those who are licensed under the law must do so through substantial annual registration fees. Nothing would be worse than to allow the present situation to continue indefinitely. I don't pretend to have a satisfactory answer to the problem; I only know that one is urgently needed.

There is one other aspect of a state board's responsibility which I would like to mention briefly: its obligations to ensure that the law and its own regulations are in tune with the times -- are meeting the evolving needs of the state's citizenry -- are advancing the profession's objectives and

not retarding them -- are in harmony with the nation-wide and, indeed, the world-wide interests of American business.

I am not proposing that state boards should become involved in the political scrambles which occur over accountancy legislation; on the contrary, I think that this kind of involvement in the rough-and-tumble of politics might well jeopardize a board's ability to discharge its basic obligations. Nor am I suggesting that the board should be subservient to the professional societies; they owe their primary loyalty to the public -- though, as I have said before, I doubt if there will be many occasions (there ought to be none) when the profession's interests will collide with the public interest.

However, I do think that a board can function properly only if it becomes and remains well informed about the environment -- the eternally changing environment -- in which CPAs operate. The acquisition of that knowledge may be on a modest scale; or it may involve imposing projects of sociological and economic research like the one financed recently by the State of California. At a minimum, I would assume that any board would feel compelled to participate in any promising research effort -- for example, in the use of the new uniform statistical questionnaire for candidates which has been developed by the Association in collaboration with the Institute. That research device ought to provide in time highly useful

insights into the relationship between a candidate's background and his success on the CPA examination and later in practice.

More inquiries of this nature are imperative, for we know precious little about the profession, its members, its services, its present and potential market -- and even less about those who, under various other titles, provide book-keeping and related services to the public. Most of these research projects, in one way or another, will require the assistance of the state boards -- and, hopefully, they will be eager to participate in them. In doing so, they will be helping to accumulate the information necessary for sound decisions in the best interest of all concerned -- including those who look to the boards to safeguard their welfare.

V.

I am painfully conscious of the fact that I have said nothing new here. Indeed, what I have said has largely been said better in the manual for state boards issued by the Association in the fall of 1963. That document ought to be read -- preferably several times a year -- by every member of every state board.

But what has all this to do with public relations?

I submit that it has everything to do with public

relations.

When a state board administers an accounting law with absolute fairness -- with a due regard for the rights of individuals but with an overriding concern for the public interest, that is sound public relations.

When a state board devotes as much time and energy to encouraging qualified young people to make a conscientious effort to become CPAs as it expends on preventing the incompetent from acquiring that badge of honor, that is sound public relations.

When a state board seeks through legitimate publicity and other means to acquaint the public with its efforts to discharge the duties assigned to it, that is sound public relations.

When a state board participates in a profession-wide effort to improve its enforcement procedures, that is sound public relations.

And when a state board helps to collect the data needed for sensible decisions in regard to the profession's future, that, too, is sound public relations.

All I have said, in other words, is consistent with what I said in the beginning: that -- to quote an old definition -- effective public relations is merely doing good and getting credit for it.

I'd only add that no one should be overly concerned about getting credit. That will come in due course -- even without efforts to stimulate it -- if the first test of effective public relations has been satisfactorily met.

In meeting that test, the accounting profession greatly needs you -- both those of you who are presently serving on state boards and those of you who have already done a tour of duty on them. It needs your support when it is right -- and needs perhaps even more your constructive opposition when it is wrong. With that creative assistance, it will have a future worthy of its past.

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