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2013

## AICPA Annual Report 2012-13: Looking Forward. Reaching Out. Giving Back

American Institute of Certified Public Accountants (AICPA)

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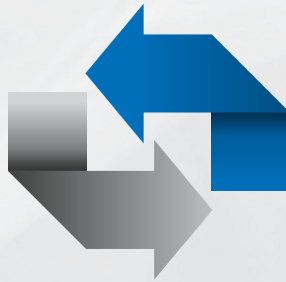
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***LOOKING FORWARD.***



***REACHING OUT.***



***GIVING BACK.***



**2012-13 ANNUAL REPORT**



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“Our profession is proud to celebrate a year of tremendous success, vision and collaboration.”

**Richard J. Caturano**, CPA, CGMA  
Chairman of the Board of Directors

# A MESSAGE FROM THE CHAIRMAN AND PRESIDENT & CEO

**Our profession is proud to celebrate a year of tremendous success, vision and collaboration.** Our theme — Looking Forward, Reaching Out, Giving Back — focuses on our more than 394,000 members who bring insight, integrity and objectivity to everything they do each day. CPAs not only transform today's complex and changing world into opportunities for their clients and employers, they also help their communities through a deep commitment to service and consumer education. This annual report highlights the profession's accomplishments, captures the possibilities of the future and reflects on the vital roles CPAs play in the financial fabric of businesses and families throughout our nation and communities.

## ADVOCACY

**Our legislative and regulatory advocacy continued in earnest throughout the year, spanning tax issues, mandatory audit firm rotation, new government pension standards and protecting the public interest regarding attest services.** Many of these initiatives and others were collaborative efforts with the state CPA societies.

**Members' tax concerns continue to be among our highest priorities.** Our tax team and volunteer task forces have been serving as [tax reform](#) resources to Congress, offering technical expertise and guiding principles as lawmakers draft or refine their proposals. We're also working to drive changes in business filing [due dates](#) to achieve a more chronologically correct flow and enable timely and accurate returns to be filed. In late 2012, the AICPA tracked [fiscal cliff](#) issues and outcomes and provided numerous resources to keep members informed as the filing season approached. The AICPA's [toolkit for firms and dedicated web page](#) will help members make sure their clients or employers are in compliance with the Affordable Care Act.

**[State and local tax issues](#) are in focus, too.** For instance, the AICPA and several state CPA societies are working together to prevent states from imposing a sales and use tax on professional services. Some state

legislatures have targeted the tax as a way to generate new revenue. The profession will continue to make the case that this type of tax would put the state at a competitive disadvantage.

**With regard to the audit profession, the potential for mandatory audit firm rotation in the United States looks less likely.** We welcomed the [House of Representatives' passage](#) of a bipartisan bill to ban the Public Company Accounting Oversight Board from requiring mandatory audit firm rotation for public companies. The legislation sends a strong signal to regulators around the world that a marketplace solution is the preferred approach to addressing auditor independence. The PCAOB in 2011 had issued a concept release proposing mandatory audit firm rotation and 93% of responses were against such a measure.

**As part of our long-held beliefs in financial statement transparency, the AICPA supported two new standards on state and local governments' public pension obligations.** The Governmental Accounting Standards Board's new standards require state and local governments to report unfunded pension liabilities prominently on their balance sheets, providing a clearer view of their obligations. The AICPA has prepared [informative materials](#) explaining the changes to CPAs working for and in state and local government.

**The AICPA, with the National Association of State Boards of Accountancy, proposed a [revised definition of "attest"](#) in the Uniform Accountancy Act.** The new definition would ensure that reports on the AICPA's Statements on Standards for Attestation Engagements may be issued only by licensed CPAs in licensed CPA firms. Consistent with our profession's mission to protect the public, we strongly believe that companies and their stakeholders should be confident that reports on attestation engagements are issued by practitioners subject to appropriate levels of regulatory oversight and who demonstrate appropriate competency, education and experience — CPAs. The revised definition is expected to be incorporated into the profession's model state accountancy law by the end of 2013.



## FINANCIAL REPORTING

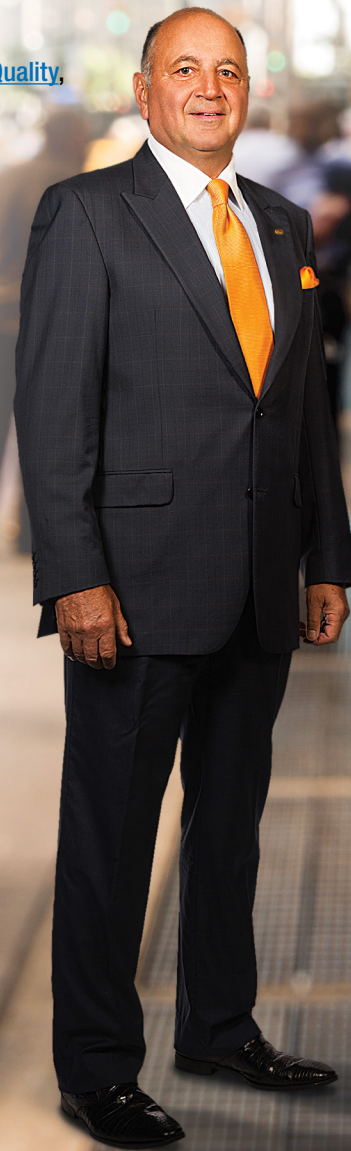
**After decades of calling for change, private company stakeholders can now benefit from significant improvements in financial reporting.** In June 2013, the [AICPA](#) released its [Financial Reporting Framework for Small- and Medium-Sized Entities](#), expanding members' opportunities to better serve their clients and employers and meeting the information needs of Main Street America's financial statement users. An additional non-GAAP reporting option, the FRF for SMEs™ framework, offers millions of private businesses the ability to prepare robust, meaningful, consistent financial statements in a simplified, cost-beneficial way when the users of the financial statements do not require US GAAP. Extensive free toolkits, segmented by firm size, provide members with educational resources, implementation tools and marketing support. Small businesses and financial statement users have tailored resources to help them learn about the framework as well. For entities that prepare GAAP financial statements, the AICPA has continued to strongly support the work of the Financial Accounting Foundation's [Private Company Council](#), which has proposed alternatives within GAAP for several standards that are particularly complex and costly for private companies.

**Members will receive implementation support on upcoming major changes in key accounting standards.** As the Financial Accounting Standards Board and the International Accounting Standards Board's convergence projects come to a close, the [AICPA is developing a host of resources](#) to help members understand and comply with the new standards. The AICPA also has represented members' interests throughout the process to help ensure the final standards are effective and can be reasonably implemented.

**The AICPA has taken an active role in evolving the financial reporting model.** [Integrated reporting](#) offers a fuller picture of a business by mapping how an organization's strategy, governance, risks, performance and prospects lead to value. The AICPA took the lead in

producing the Materiality Paper, which contributed to the development of the International Integrated Reporting Council's [Consultation Draft of the International <IR> Framework](#). To help CPAs establish a leadership role in [sustainability reporting and assurance](#), the AICPA offers members resources to address the environmental, social and governance factors that consumers and investors are using to make purchase and business decisions.

**In the audit area, the [Center for Audit Quality](#), which is affiliated with the AICPA, continues its efforts to enhance auditor skepticism, professional judgment and objectivity to improve audit quality.** A recent CAQ report shows audit quality remains high, and additional resources have been added to the CAQ's antifraud and investor education programs.



## CPA PIPELINE

Success prevails in our pipeline of new CPAs. The 2013 edition of [Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits](#) showed all-time highs for new enrollments, degrees awarded and hiring of graduates by public accounting firms. These students and graduates are essential when we consider the number of CPAs who will be needed to replace retiring Baby Boomers.

**However, our research makes us keenly aware of the need to more aggressively recruit, retain and advance underrepresented minorities.** Last year,

the AICPA launched the [National Commission on Diversity and Inclusion](#), which is working with advocacy groups and employers to improve recruitment and advancement strategies. The initial phase of the commission's work focuses on ethnicity and race due to the declining number of minorities progressing in the accounting profession. Key initiatives include the development of a diversity maturity model for organizations to use in mapping their journey in diversity and inclusion. Additionally, the AICPA is leading the way on diversity efforts in practice. For the first time in history, a majority of the AICPA's Board of Directors will be women and minorities. The AICPA has inspired many state CPA societies and firms to take on diversity and inclusion as an initiative.



## FIRM ISSUES

**Finding and maintaining qualified talent and grappling with tax laws emerged as chief concerns in the AICPA Private Companies Practice Section's [2013 CPA Top Firm Issues Survey](#).**

Not surprisingly, firm size yielded different responses on some issues, with small firms and sole practitioners wrestling with tax complexity and standards, while large firms struggled with human capital concerns and partner issues. The AICPA continues to understand differences in firms and the Top Issues survey highlights these differences. One common theme in all size firms is finding new clients and growing the firm.

**CPA2Biz, an AICPA subsidiary, strengthened its leadership in the technology space, providing innovative solutions to CPA firms seeking to enhance client services.** Cloud computing is transforming the delivery of accounting services, and we are facilitating firms' success by helping them embrace this change. In addition to the partnerships available under the AICPA Trusted Business Advisor<sup>SM</sup> Solutions program, CPA2Biz this year launched a new annual conference for firms to maximize growth with innovative services delivered through the cloud. The first [Digital CPA: CPA2Biz Cloud User Conference](#) offered broad appeal to all sizes of firms and drew more than 400 accounting professionals.

## MANAGEMENT ACCOUNTING

**On the business and industry side, the [Chartered Global Management Accountant](#)<sup>®</sup> designation advances our profession's role as trusted advisers within companies.** The CGMA<sup>®</sup> designation, offered since January 2012 through a joint venture with the Chartered Institute of Management Accountants (CIMA), recognizes the strategic role of management accountants in organizations around the world. More than 40,000 U.S. CPAs hold the CGMA designation, contributing to the largest global network of more than 150,000 CGMA management accountants.





*“ CPAs have a proud and deep tradition of giving back to their communities and to the country as a whole. ”*

**Barry C. Melancon**, CPA, CGMA  
President & CEO

## EXPANDED SERVICES

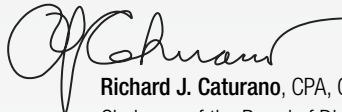
For CPAs who provide niche services, the AICPA continues to identify ways for businesses and the public to recognize those CPAs' expertise. Several significant developments occurred this year for the record 47,000 members of the AICPA technical sections and credential holders. The [Personal Financial Planning](#) Executive Committee was elevated to a standard-setting committee and proposed authoritative standards to help ensure high-quality services. The Information Technology Section was renamed the [Information Management and Technology Assurance Division](#) to better align with the roles and responsibilities of CPAs serving in this area. In May, the AICPA governing [Council approved a pilot program](#) that would allow qualified members of recognized non-CPA accounting bodies to earn AICPA specialty credentials. The pilot program will launch in 2014 with the Chartered Professional Accountants of Canada and CIMA.

## PUBLIC INTEREST

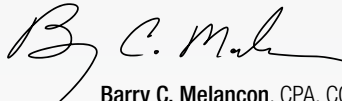
CPAs have a proud and deep tradition of giving back to their communities and to the country as a whole. As the nation's most trusted financial advisers, CPAs stepped up to their civic responsibility and urged the federal government to restore prudent fiscal policies. The AICPA continued its advocacy effort on federal financial responsibility, releasing a video on the federal government's 2012 financial statements. [What's at Stake?: The CPA Profession on Federal Fiscal Responsibility](#) offers guidance for policymakers and the public on how to understand the U.S. government's financial statements. The CPA profession has called upon both policymakers and the public to engage in a national dialogue to improve our country's fiscal health. To further support nonpartisan voices encouraging the government to reduce the national debt, in November 2012, the [AICPA Board of Directors passed a resolution](#) endorsing the Campaign to Fix the Debt and the Comeback America Initiative.

The general public is in need of CPAs' financial expertise, too. [Save Wisely, Spend Happily](#), the AICPA's first consumer education book, combines insights from 125 CPAs nationwide with 1,000 years of collective experience. These efforts, among others, underscore our profession's larger commitment to ensuring that Americans have the information they need to make learned decisions that contribute to their financial well-being.

**We're excited about all our profession's accomplishments this past year and the possibilities to come.** The breadth and depth of our profession's services, paired with members' core values and passion for what they do each and every day, sets their firms, businesses and communities on the course for success. Through an unwavering commitment to Looking Forward, Reaching Out and Giving Back, today's CPAs have built a profession for the future.



**Richard J. Caturano**, CPA, CGMA  
Chairman of the Board of Directors



**Barry C. Melancon**, CPA, CGMA  
President & CEO

# FINANCIAL REPORTING EVOLVES

**From small business financial reporting to international standards, the AICPA has had a positive and meaningful influence on issues that affect members and their employers or clients.**

- ▶ In the past year, the AICPA advanced private company financial reporting, addressing the unique needs of millions of Main Street businesses and the CPAs who serve them. The AICPA launched the [Financial Reporting Framework for Small- and Medium-Sized Entities](#), an accounting framework that enables CPAs to prepare streamlined, relevant financial statements for privately held owner-managed businesses in which the users of the financial statements do not require US GAAP. It delivers efficient, meaningful information without needless complexity or cost. Developed by a working group of experts from the CPA profession with a solid understanding of what users of private company financial statements need, the framework underwent public comment and professional scrutiny before being issued. A series of free toolkits also was produced to help members understand and implement the framework, as well as educate small businesses and their financial statement users.
- ▶ The AICPA reaffirmed its support for the work of the Financial Accounting Foundation's [Private Company Council](#), which was formed in May 2012 to consider alternatives within GAAP for U.S. private companies. The AICPA commended the expeditious release of exposure drafts on several particularly burdensome standards in the private company environment.
- ▶ To better identify key data needed for audits and provide a standardized data file format, the AICPA issued voluntary, uniform [Audit Data Standards](#). These standards will improve the efficiency and effectiveness of the audit process by helping auditors better understand data and assess its completeness and integrity. The standards, the first three of which are base standard, general ledger standard and accounts receivable subledger standard, are available in flat file format and XBRL GL format.



- ▶ In its first update since the original 1992 issuance, the Committee of Sponsoring Organizations of the Treadway Commission, of which the AICPA is a member, revised the *Internal Control — Integrated Framework*. This revision recognizes the need to codify existing principles and to provide expanded guidance on non-financial reporting. To help members understand this significant new release and recognize related service opportunities, the AICPA issued a [comprehensive toolkit](#), which provides education and implementation resources.
- ▶ Members could get an understanding of the upcoming major changes to accounting standards under the Financial Accounting Standards Board and the International Accounting Standards Board convergence project from the AICPA's [Financial Reporting Center](#). This site includes links to the standard setters' most recent work plans, progress reports and FAQs on exposure drafts to assist members in their implementation of these new standards.
- ▶ To ensure the CPA profession continues to play a lead role in the formation of Integrated Reporting standards, the AICPA worked closely with the International Integrated Reporting Council and was instrumental in the release of its [Consultation Draft of the International <IR> Framework](#). The framework will help CPAs and their clients present a more complete and transparent picture of performance, use of resources and ability to create value over the short-, medium- and long-term.
- ▶ Through a new offering with XBRL US, CPAs can advance their expertise and their careers with the [XBRL US GAAP Certificate Program](#), which is earned by completing an intensive training process focused on applying eXtensible Business Reporting Language to US GAAP financial reporting.



# AUDITING AND ASSURANCE SERVICES **MOVE FORWARD**

**This year, the AICPA brought greater clarity and transparency to the auditing and assurance arena, facilitating compliance with the standards and enhancing services to clients and employers.**

- ▶ Members are finding AICPA auditing standards easier to read, understand and apply as a result of three landmark clarity projects. They include the newly [Clarified Auditing Standards](#), which became effective for calendar-year-end 2012 audits. The AICPA Auditing Standards Board is now clarifying the [Statements on Standards for Attestation Engagements](#). The AICPA Accounting and Review Services Committee is building on the success of those two projects to [clarify](#) the Statements on Standards for Accounting and Review Services.
- ▶ To protect the public interest amid growing demands for attestation in a wide variety of areas, the AICPA governing Council approved a resolution to change the definition of attest that would maintain quality and reliability by preventing non-CPAs from providing attest services using AICPA standards. The AICPA, in partnership with the National Association of State Boards of Accountancy, wants to amend the definition in the Uniform Accountancy Act to make clear that only CPAs operating in a CPA firm could perform services using the AICPA's attestation standards. [An exposure draft was released for public comment in July.](#)
- ▶ AICPA [SERVICE ORGANIZATION CONTROL<sup>SM</sup> Reports](#) were endorsed by the [Cloud Security Alliance](#), a not-for-profit organization and industry leader that promotes the use of best security practices by cloud computing providers. CSA's endorsement underscores the rigorous examinations under the AICPA's attestation standards for a series of three SOC reports. In a [position paper](#), the CSA said that for most cloud providers, a SOC 2<sup>SM</sup> report "is likely to meet the assurance and reporting needs of the majority of users of cloud services." This is one example among many of increasing adoption of SOC 2 services by service organizations that need to demonstrate the effectiveness of their controls over security, privacy and other system reliability criteria.
- ▶ The Assurance Services Executive Committee Emerging Assurance Technologies Task Force is developing a conceptual framework and guidance to help members capitalize on emerging technologies affecting the business information supply chain, covering both internal and external reporting. They have developed two white papers discussing the theory of continuous audit. "[The Current State of Continuous Auditing and Continuous Monitoring](#)" examined current developments, while "[Evolution of Auditing: From the Traditional Approach to the Future Audit](#)" reported on how advances in technology have brought auditing to a critical juncture.
- ▶ Financial statement preparation, cash-to-accrual conversions and reconciliations are now considered nonattest services and are subject to Interpretation No. 101-3. The AICPA Professional Ethics Division made this revision and an additional important one to [Ethics Interpretation 101-3](#), "Nonattest Services." Another provision states that members should use judgment in determining whether otherwise permitted internal audit services performed may result in a significant management participation threat to independence.

# COMMITMENT TO MANAGEMENT ACCOUNTING

This was a banner year for the [Chartered Global Management Accountant](#) designation, which establishes high standards for and offers greater visibility to a critical discipline at the intersection of finance and strategy.

- ▶ In just more than a year, CGMA has become the most prominent management accounting designation in the United States. More than 40,000 AICPA members have earned the CGMA designation, created through a joint venture with the Chartered Institute of Management Accountants. The designation establishes rigorous requirements and provides resources that help tackle the challenges in a constantly changing global business environment. The collaborative efforts of state CPA societies and the AICPA have helped grow the number of CGMA designation holders and elevate management accounting.
- ▶ The AICPA and CIMA, under the CGMA designation, were awarded the top sponsorship for the [2014 World Congress of Accountants](#), which is among the most prestigious events in the profession. WCOA, which will bring together 5,000 global delegates in Rome, will provide an opportunity to showcase on an international level the unique perspective that the CGMA designation brings to business.
- ▶ A Twitter chat with Luke Williams, Executive Director, Berkley Center for Innovation & Entrepreneurship, NYU Stern School of Business, reached more than 57,000 people in real time. It increased traffic to [CGMA.org](#), raised awareness of the designation and further established the CGMA designation's relevance to management accountants and employers.
- ▶ CGMA designation holders continued to benefit from exclusive online resources designed to improve business acumen and support lifelong learning. The AICPA and CIMA published a series of research-based reports and tools to help designation holders manage risk and innovation, analyze business models and manage performance. Harvard ManageMentor®, an online learning and performance support resource available to CGMA professionals through CGMA.org, serves up critical management skills on demand for management accountants at all levels.

- ▶ Together, the AICPA and CIMA produce tools, research, videos, reports and more, designed to help CGMA designation holders build and maintain their financial and non-financial skills and knowledge. Reports include case studies on how management accountants can help build business model resilience into strategic planning, promoting innovation while balancing risk, the importance of business ethics, ethical performance and ethical management within organizations and more.
- ▶ The AICPA and CIMA have formed a not-for-profit joint venture, the Association of International Certified Professional Accountants, which represents the efforts to deliver the CGMA designation. The joint venture is responsible for managing and supporting the CGMA designation and advocating on behalf of the public and management accountancy on a global scale. Representing 550,000 members in public practice, business and government, the joint venture expands the global presence of the U.S. CPA and the global reach of CIMA.



# A FOUNDATION FOR MORE DIVERSITY AND INCLUSION

**AICPA initiatives widened the pool of potential CPAs, opened up new paths for advancement and provided critical information about hiring trends.**

- ▶ The [AICPA National Commission on Diversity and Inclusion](#) forged plans to increase the number and advancement of underrepresented groups in the accounting profession. Formed in September 2012, the Commission is investigating barriers to the long-term success of minorities and closely monitoring the population trends and their impact on both the profession and the clients CPAs serve. The Commission will develop resources to help firms and companies improve their diversity programs.

- ▶ A record 40,350 accounting graduates were hired in 2012 and 89% of CPA firms forecast the same or increased hiring of graduates this year, according to the [2013 AICPA Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits](#). The report also found a record number of accounting graduates and record enrollment in accounting programs.

# THOUGHT LEADERSHIP MAKES A DIFFERENCE ON FEDERAL AND STATE ISSUES

**The AICPA's tireless efforts to monitor issues on the state and federal levels ushered in important advocacy efforts on behalf of CPAs and in the public interest. Many state CPA societies worked jointly with the AICPA on legislative and regulatory issues.**

- ▶ Leading up to the fiscal cliff in 2012, the AICPA provided members with a [one-stop shop](#) of resources, tools and information, which helped them demonstrate their value to employers and clients. After the fiscal fix, the resource center provided guidance on the new law and extensions.
- ▶ The AICPA hailed a bipartisan bill that passed the U.S. House of Representatives and would prohibit the Public Company Accounting Oversight Board from requiring mandatory audit firm rotation for public companies. In an earlier [AICPA comment letter](#) on the PCAOB's concept release on mandatory audit firm rotation, the AICPA noted that requiring changes in audit firms would involve significant costs and may have unintended consequences that could hinder audit quality. Research has shown that mandatory rotation does not necessarily improve audit quality.

- ▶ The AICPA supported the bipartisan Mobile Workforce State Income Tax Simplification Act of 2013, which would establish a uniform national standard and eliminate a significant regulatory burden for small businesses that [operate interstate](#). The AICPA believes the bill strikes a balance between state taxation interests and the needs of businesses to operate efficiently.
- ▶ An AICPA [letter](#) to Securities and Exchange Commission Chairman Mary Jo White emphasized the importance of putting the public interest at the forefront when considering a uniform fiduciary standard of conduct for investment advisers. Another [letter](#) from the AICPA and organizations with similar positions called for establishing a standard that is at least as strong as the existing one.



- ▶ The AICPA supported a bill in Congress that would prevent CPAs who perform “customary and usual” accounting services from being defined as “[municipal advisers](#)” under a broad definition of the term proposed by the SEC. The proposal would have placed several limitations on the work of “municipal advisers” who are not registered with the SEC and could hinder CPAs’ ability to provide useful advice to governments without facing added costs or compliance burdens. The SEC recognized the issues raised by Congress in the legislation, and by numerous commentators, including the AICPA, on their proposed rule. In a final rule, the SEC determined that CPAs would not have to register as a municipal adviser if they are providing audit or other attest services, preparation of financial statements or the issuance of letters for underwriters.
- ▶ Recognizing the potential for enhanced accuracy and transparency of financial and performance information, the AICPA [voiced its support](#) for the DATA Act, which would establish government-wide financial data standards for federal funds. The data standard, XBRL, has long been used by some federal and state entities to reduce the burden of compliance reporting and improve the usability and transparency of reported information.
- ▶ To discourage state and local governments from considering efforts to circumvent the new Governmental Accounting Standards Board’s pension standard project, the AICPA worked to [support](#) GASB’s improvements to standards for pension accounting and financial reporting for state and local employers, as well as for governmental pension plans. The AICPA believes the new GASB standards provide transparency and accountability to stakeholders. The AICPA developed an informational video for state lawmakers.
- ▶ The AICPA worked with state CPA societies to oppose state [sales and use taxes on professional services](#), pointing out that they discriminate against small businesses. The AICPA believes these types of taxes are regressive and complicated to administer and put the states that have them at a competitive disadvantage.
- ▶ When Colorado and Washington passed laws legalizing the sale of marijuana for recreational use, it created a challenge for CPAs who might have a dispensary as a client. The AICPA, along with the Colorado and Washington state CPA societies, developed “[An Issue Brief on State Marijuana Laws and the CPA Profession](#),” which offers perspective to CPAs considering providing services to businesses that operate in this sphere, including a list of questions for CPAs to ask themselves.
- ▶ In the wake of successful efforts to improve interstate [mobility](#) options for CPAs, the AICPA worked with state CPA societies to anticipate and address related issues. The AICPA met with the Department of Defense State Liaison Office to discuss the department’s efforts to streamline the occupational licensing process across state lines for military families. The AICPA also supported the Colorado Society of CPAs’ advocacy against a proposal that would have required out-of-state film companies receiving state tax incentives to have an audit performed by a CPA licensed in the state. Both the AICPA and Colorado Society of CPAs opposed such proposals. In addition, the AICPA developed a white paper explaining how proposed state tax tribunals can account for mobility, including model language for state CPA societies to use in advocacy efforts.
- ▶ The AICPA supported, but also [expressed significant concerns](#), regarding the effective date, federal capacity and coordination issues, as well as a lack of clarity around certain changes to the cost principles, indirect cost rules, and time and effort requirements of the U.S. Office of Management and Budget’s proposed changes to Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



▶ **Jeffrey A. Porter, CPA, Chair, AICPA Tax Executive Committee, testifying at a Senate Finance Committee hearing.**

# TAX CONCERNS TACKLED

**In the last year, the AICPA maintained its prominent role as a voice for fairness, simplification and improved regulatory oversight in tax issues.**

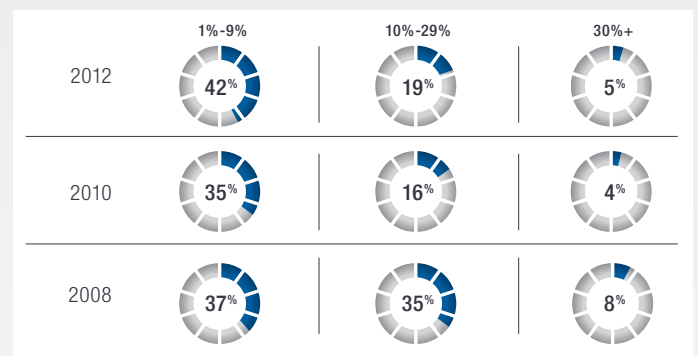
- ▶ Playing a key role in a critical debate, the AICPA has worked closely with congressional tax committees to present recommendations for tax simplification and address tax administration concerns (including penalty reform) so that tax reform proposals reflect principles of good tax policy. Members can find specialized information related to individual and small business issues at the [AICPA Tax Reform Center](#).
- ▶ Spearheading an effort to address member concerns about the growing problem of corrected Form 1099s, the [AICPA recommended](#) to the Senate Finance Committee that taxpayers be allowed to report *de minimis* changes in their income on their next return. This suggestion would allow CPAs to forgo amending tax returns for some of their clients who receive an amended Form 1099 or amended Schedule K-1.
- ▶ In light of the landmark U.S. Supreme Court decision in *United States v. Windsor*, in which sections of the Defense of Marriage Act were ruled unconstitutional, the AICPA provided members with [resources to guide their same-sex couple clients](#) through the multitude of financial decisions they will have to make.
- ▶ In the midst of a compressed and confusing tax season, the AICPA successfully advocated on behalf of taxpayers. In a [letter to the Internal Revenue Service, the AICPA called](#) for reasonable cause relief from failure to file, failure to pay and estimated tax penalties due to the uncertainty and delays that came about as a result of the fiscal cliff negotiations. The IRS responded to the AICPA's requests for the release of certain delayed tax forms related to those issues.
- ▶ AICPA actions helped end uncertainty about the IRS preparer tax identification number program after a district court decision struck down the program. The IRS reopened the PTIN system after an AICPA [letter](#) pointed out that AICPA members had been unable to comply with the requirement to affix a valid PTIN to the returns they were preparing and were facing further delays in an already tight busy season.
- ▶ To help protect tax practitioners and taxpayers from tax identity theft, the AICPA sent [comments](#) about the proposed Identity Theft and Tax Fraud Prevention Act of 2013 to the U.S. Senate Finance Committee. While supporting the majority of the bill's provisions, the AICPA strongly objected to one proposed penalty on improper disclosure or use of information by preparers of returns that it believed would not deter identity theft.
- ▶ To help members and their clients plan for the new 3.8% surtax on net investment income, the AICPA developed a [wealth of resources](#) on estate and trust planning affected by the surtax.
- ▶ The AICPA [aggregated resources](#) on the Foreign Account Tax Compliance Act to assist members with its new requirements. Heightened enforcement of the requirement for annual reports of foreign bank and financial accounts to the U.S. government and for payment of U.S. tax on income of those foreign accounts created complexity during an already troubling busy season.
- ▶ To [eliminate problems](#) for taxpayers and preparers due to inefficient timelines on business due date returns, the AICPA is working with Congress on legislation that would improve the accuracy of tax and information returns, better facilitate the flow of information between taxpayers and reduce the need for extended and amended business and individual tax returns. The AICPA supported the bipartisan Tax Return Due Dates Simplification and Modernization Act of 2013, which would establish a logical set of due dates focused on promoting a chronologically correct flow of information between pass-through entities and their owners.

# FIRM PRACTICE MANAGEMENT CHALLENGES ADDRESSED

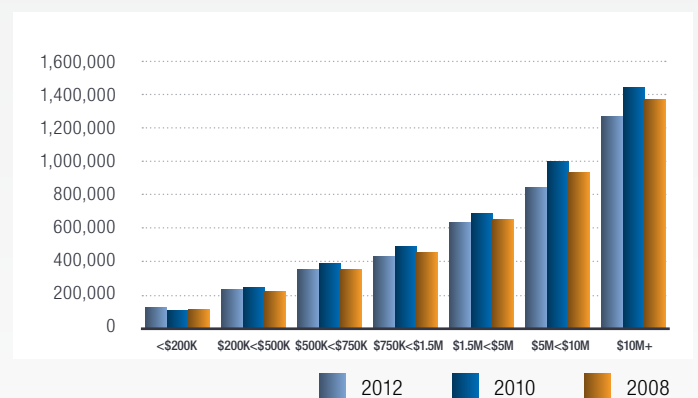
AICPA tools enabled members to overcome their most pressing challenges and better position their firms for success. Resources included surveys that spotlight key trends and best practices, cloud computing tools and enhanced email solutions.

- ▶ Members gained [online access](#) to cutting-edge cloud computing resources — including case studies, sample policies and a glossary — and CPA-oriented [cloud-based solutions](#) in accounting, bill management, workflow, audit confirmations, payroll and HR. More than 1,000 firms are using at least one of these services.
- ▶ To further expand CPAs' capabilities, [The Digital CPA: CPA2Biz Cloud User Conference](#) featured a dynamic and robust agenda covering strategic technology, practice development and hands-on-training sessions. The new event, which drew more than 400 people, served as a barometer of the profession's growing embrace of emerging technologies.
- ▶ CPA2Biz commissioned research on accounting services and the cloud by noted technology strategist Geoffrey Moore, who traced the shift to paperless processes, the importance of digital presence for firms and new business opportunities in specialization. A thought leader in the transformation of accounting services due to technology, CPA2Biz also launched two mobile applications that help CPA firms and their clients find the best way forward with technology adoption.
- ▶ The award-winning [CPA.com email solutions were expanded to include](#) additional storage space and access to message and chat functions. This tool provides CPAs with a personalized email address that conveys a more professional image than consumer services.
- ▶ The [2013 North America Top Technology Initiatives](#), a joint effort between the AICPA and the Chartered Professional Accountants of Canada, offered a profound and comprehensive view of CPAs' core concerns and priorities regarding information management and technology. The 2013 U.S. Top Technology Initiatives Master Toolkit helped members address the issues identified. The No. 1 issue for this year was managing and retaining data.

## INCREASES IN NET FEES — 2008–12



## FEES BY PARTNER



- ▶ CPAs gained access to critical benchmarking and strategic planning data in the [2012 PCPS/TSCPA National Management of an Accounting Practice Survey](#), which provides a unique and comprehensive snapshot of the financial health of firms and the current state of practice management. Most U.S. public accounting firms reported that revenue and net client fees per professional remained flat since 2010, while net client fees per partner fell among larger firms. However, smaller firms, those with annual revenue of less than \$200,000, reported growth of 30% or more along with a double-digit revenue increase.



- ▶ The [2013 PCPS CPA Firm Top Issues Survey](#) offered practitioners insights into the challenges facing CPA firms and on the trends that should be on every firm's radar. Results in this survey and the National MAP Survey are reported based on firm size, so that CPAs can track the findings that are most meaningful to them. Keeping up with changes and complexity of tax laws, succession planning and bringing in new clients topped this year's lists.
- ▶ The PCPS CPA Firm 2013 Top Issues Diagnostic Report and the PCPS Succession Survey provide key insights into how the firm environment is evolving. This research influenced the AICPA's development of the Succession Summit, Emerging Partner Training and resources in the Succession Planning Resource Center. Additionally, the [Accounting Services: Harness the Power of the Cloud](#) report illustrates how cloud computing is removing the barriers for entry into the market, allowing smaller and medium-sized firms to establish, expand, deepen and re-engineer their practices into high growth, high profitability lines of business.

## MEMBER VALUE IN THE FOREFRONT

**The AICPA member sections, which provide advocacy, education, resources and information in forensics, valuation, financial planning and information management and technology assurance, offer a dynamic array of tools that members can use to expand their service offerings.**

- ▶ A new name for the Information Technology Section helped highlight the vital role CPAs fill for their clients and within their organizations, including IT assurance and risk management, privacy and security and managing data. The Information Technology Section is now named the [Information Management and Technology Assurance Division](#).
- ▶ Adding rigor and competitiveness to the practice of financial planning services, the AICPA Personal Financial Planning Executive Committee was granted standard-setting authority by the AICPA governing Council. The executive committee can now provide enforceable practice and competency guidelines, including the [proposed](#) Statement on Standards in PFP Services, to AICPA members who offer planning services. Services included under the PFP proposed statement on standards include tax, estate, retirement, risk management and investment.
- ▶ The AICPA celebrated the 15th anniversary of the [Accredited in Business Valuation™ credential](#) by raising awareness among the profession of this fast-growing practice area, culminating at the AICPA [Forensic & Valuation Services Conference](#).
- ▶ The AICPA will offer its specialty credentials globally in response to the credentials' growing worldwide reputation for excellence, further enhancing the visibility of members' professional designations. Through this new initiative, the Certified in Financial Forensics®, Accredited in Business Valuation, Personal Financial Specialist™ and Certified Information Technology Professional® credentials will be available to qualified members of certain accounting organizations outside the United States. CPA Canada and CIMA will participate in a pilot program launching in 2014.
- ▶ The newly introduced [Forensic Accounting Certificate](#) enables CPAs to enhance their competency in this fast-growing area and expand their financial forensics practices. CPAs come away from the certificate program with general knowledge that can be applied in bankruptcy and insolvency, computer forensic analysis, family law, economic damages, valuations and fraud prevention.

## HIGH STANDARDS FOR HIGH QUALITY

**Various AICPA efforts are designed to preserve the profession's reputation for excellence, from expanding the CPA's international reach to upholding rigorous ethics and quality standards.**

Chairman of the AICPA Board of Directors **Richard J. Caturano, CPA, CGMA**, speaking at Doing Business in the U.S. conference in Brazil.



- ▶ In response to burgeoning demand for the highly regarded CPA license, the AICPA and NASBA began offering the U.S. Uniform CPA Examination in Brazil to qualified citizens and permanent residents of South America. In addition to Brazil, the [exam](#) is given at Prometric testing centers in Bahrain, Kuwait, Japan, Lebanon and the United Arab Emirates. Licensure requirements for international candidates are the same as for U.S. CPA candidates. This fiscal year, more than 11,000 international sections were delivered.

- ▶ The AICPA's proposed restructured ethics standards will enable members and others to apply the AICPA *Code of Professional Conduct* more easily and intuitively. The proposed revisions are organized by topic using consistent drafting and style conventions and incorporating a conceptual framework for members in public practice and in business. An [Ethics Codification video](#) helped members understand how to navigate the proposed new code.
- ▶ After substantial testing, the AICPA rolled out [new online](#) Matter for Further Consideration and Disposition of Matter for Further Consideration forms to be used in the peer review process with valuable input from state CPA societies and peer review administrators. Analysis of the extensive data gathered from the forms will enable the AICPA to understand the challenges CPAs are facing in their audit and accounting practices and quickly develop tools and resources to help them.

## CPAs' UNWAVERING PUBLIC SERVICE COMMITMENT

**AICPA campaigns designed to broaden financial literacy and spotlight critical financial issues on a personal and national level continue to inspire discussions about sound money management.**

- ▶ Expressing concern about the growing federal debt and its impact on the nation's long-term fiscal health, the AICPA Board of Directors adopted a resolution supporting two non-partisan efforts, the [Campaign to Fix the Debt](#) and the [Comeback America Initiative](#).
- ▶ AICPA members delivered an updated *What's at Stake: The CPA Profession on Federal Fiscal Responsibility* video to members of Congress from their districts. The [video](#) was updated for FY 2012 and offers a non-partisan analysis of the importance of understanding the U.S. government's financial statements and what they mean to the country.
- ▶ To remind the public that CPAs are their best resource for navigating tough financial questions, the AICPA published *Save Wisely, Spend Happily: Real Stories About Money & How to Thrive from Trusted Advisors*. The AICPA's first consumer [publication](#), it was released in honor of the AICPA's 125th anniversary in Fall 2012.
- ▶ Numerous state CPA societies have also expanded their work in [educating the public about financial literacy](#), and their efforts have raised the profile of CPAs across the country.



**LOOKING FORWARD. REACHING OUT. GIVING BACK.**

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