1979

Meeting in Boulder: EDP, ACR and the MAS

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Recommended Citation

DH&S Reports, Vol. 16, (1979 no. 1), p. 16-25
The Meeting in Boulder
A further expansion of the firm's continuing education program for Management Advisory Services personnel took place last fall with two meetings for new consultants at which the participants were given details of a new audit-related service being pilot tested in four offices. The seminars, each lasting five days and held at the College Inn Conference Center on the campus of the University of Colorado in Boulder, represented an additional stage in the firm's direct-entry MAS program initiated several years ago.

The direct-entry effort, which brings MAS consultants into the firm directly from graduate school, supplements the traditional hiring of new consultants who have prior business experience.
According to J. William Stewart, Jr., Executive Office partner in charge of the Client Services Coordination Group, which includes the MAS department, direct entry represents a recognition that the needs of the client, and our ability to provide the highest quality of services to the client, necessitate continual reevaluation of the firm's policies and procedures.

"Until a few years ago, additions to our MAS staff usually came either from the audit staff or from business and industry," Bill said, "because this system best met the needs of our clients and of our overall MAS structure and practice at the time. But times change, and needs change. This has always been true.

Lowell S. Pethley, Chicago

"Our levels-of-service concept, designed to ensure the smooth and efficient transfer of knowledge from DH&S people to client personnel, gives us great flexibility in meeting the individual needs of a client at economical rates. In the same vein, the decision to emphasize direct-entry candidates in our MAS recruiting program gives us a far larger pool of first-class people from which we can select," Bill observed.

"All of the people coming into MAS directly from school hold MBA or other graduate degrees. These men and women have a breadth of education and knowledge that makes them valuable to us and to our clients. We're not saying that a graduate degree is a substitute for on-the-job experience. But we do believe that the MAS team we are building — from the audit staff, from business and industry and from the graduate schools — possesses a versatility and a level of professional ability of top caliber. It is a team that will continue to maintain the high standards of the DH&S Management Advisory Services Department."

Content, format and structure of the two meetings in Boulder — attended by more than forty consultants — were developed largely by Len Pace, EO director in charge of MAS, and Robert E. Thompson, MAS national training director, with the assistance of Saint Louis director Robert J. Thomson, Chicago consultant David Goodman and Miami manager D. George Ronkin. Seven main topics were discussed at the seminars: objective definition and terminology; interview technique; documentation technique; administrative control concepts and formats; purchasing organization, systems and terminology; cost-accounting organization, systems and terminology; and FALCON/FORECAST, one of the most broadly used computer programs developed by DH&S.

According to EO's Bob Thompson, it was decided to limit each session to no more than twenty-five individuals in order to ensure maximum interaction between the instructors and the participants.
"We believe it is important that the consultants become as involved as possible in the sessions," he said. "We definitely did not want to have the seminar turn into a series of lectures. We also wanted to be able to give each of the participants as much individual attention as possible, and that, of course, means limiting their number."

Just how important Deloitte Haskins & Sells considered the seminars was shown clearly in the number — and level — of those who either acted as instructors at the meetings or who traveled to Boulder to meet and talk with the new consultants. In addition to Bob Thompson, who coordinated the meetings and taught several sessions, these included: Robert D. Arnett, partner in charge of the Midwestern Region; San Francisco partner Kenneth C. Cole; Chicago consultant Dave Goodman; Chicago manager Jan M. Grayson; Seattle partner Harold A.
Hopper; Denver director Joseph J. Masi; EO director Len Pace; Chicago partner Lowell S. Pethley; Saint Louis consultant Phil Salchli; EO partner Bill Stewart; Saint Louis director Bob Thomson; Washington National Affairs Office manager George R. Tilbury; and national director of personnel administration Gerard H. Tucker.

"I think the fact that people came from all over the country just to talk to them, to outline their future in MAS and with the firm, truly impressed the new consultants," Bob Thompson said. "I think it also showed just how important the firm considers this continuing education program for the development of our MAS personnel."

The direct-entry program required certain changes in the training provided for new consultants, Bob pointed out. In the past, for example, consultants hired from industry were given the MAS orientation tapes and printed materials as an introduction to the firm. "These people were hired because of their background and experience," Bob said, "and so they needed little in the way of immediate special technical training — that is, training not regularly required by the firm for all its nonmanagement personnel."

Because it is important that all MAS people share a common body of knowledge, the recruitment of men and women directly from the campuses made necessary the development and implementation of new educational guidelines and programs. For example, many MAS consultants hired from industry have a fairly substantial background in electronic data processing. Thus, in the past it was not necessary to provide training courses in the basics of EDP for these people, Bob said.

"We found that these new consultants either had no exposure to EDP or that their background in computers was of an academic nature. One of the regular functions of an MAS consultant has been to conduct EDP internal-control reviews at client locations," he explained. "Because this function requires some background in EDP we developed a two-week training program in electronic data processing for new consultants brought into the firm directly from graduate school so that they can participate in these reviews. This course was given for the first time early in 1978. We were very pleased with the results and expect to repeat the seminar as needed."

A substantial amount of time at the Boulder seminars was spent discussing certain areas of the ACR, or administrative control review work program. The ACR, which can be viewed as a...
new stage in the evolution of our constructive service philosophy, is a technique that the firm's top management is convinced will become one of the audit-related services most useful to and frequently requested by our clients in the future. The administrative control review work program is currently being field tested in selected offices. At the Boulder seminars, the participants were exposed to two general sections and two technical functions of the ACR — client information and functional management sections, and cost accounting and purchasing functions — with emphasis on the preliminary data-gathering and documentation techniques that are vital to the value of the ACR.

George R. Tilbury,
Washington National Affairs

In a talk on ACRs at the partners meeting last year, Len Pace defined administrative controls as "controls, other than accounting controls, that help to ensure that both the quality of direction provided to employees and the reactions of employees to that direction are generally predictable and that this direction and response will aid in achieving the organization's objectives effectively and economically. In other words, are the mechanisms of direction and response sufficiently effective to result in proper actions at all levels and ultimately in the achievement of organizational objectives?"
According to Len, administrative controls consist, essentially, of:

- The assignment of responsibilities, as expressed in the organization structure, that provide for unified direction from the top down through all levels and for appraisal of results up through all levels.
- The policies, as written or understood, that provide guiding limits for management's decisions and actions at all levels.
- The systems and procedures, as written or understood, that facilitate routine coordination by the timely transfer of information among elements of the organization.

- The plans, as written or understood, that ensure that current actions are compatible with and will foster the achievement of future goals.

In an actual administrative control review of a specific area of a client organization, emphasis would be on these four areas to determine their status at that time. In the area of organization structure, for example, the review would determine if all hierarchical relationships within the unit (division, department or other subdivision of the client operation) are clearly defined and observed, and whether responsibilities covering all needed functions within the unit are appropriately assigned and staffed. In the area of policies, those conducting the ACR would have to determine if all necessary policies that limit decisions and actions within the unit are clearly defined, and whether there is compliance with policy limitations.
In his talk, Len pointed out that the ACR should not be confused with an operational audit. "It is not truly of the scope of an operational audit," he said, "because such an audit attempts to measure and analyze the efficiency and effectiveness of operations to a degree not intended here.... An administrative control review would simply examine the adequacy of certain nonaccounting but internal controls in a department and their effectiveness in mitigating or preventing serious problems currently or in the future. For example, in the area of accounting controls, the auditor would study and evaluate accounting controls over the determination of inventory quantities and pricing, including appropriate considerations of market value and obsolescence. An administrative control review would comprehend the controls intended to prevent future accumulation of excessive inventory.

The ACR, Len continued, can be broad and involve several departments, or narrowed down to only one department. Also, the degree of depth of investigation is flexible, depending on a particular client's requirements. Much consideration, he emphasized, has been given to making the program economically feasible.

The evaluations of the seminars by the consultants who attended were highly favorable, Len said, confirming the expectations of those in the firm who had been instrumental in developing the program. "We now have some experience with direct-entry hiring of MAS consultants and their training needs," he said, "and can evaluate the Boulder seminars objectively in the light of this experience. We plan to offer the program, perhaps with some modifications based on our evaluations of the 1978 meetings, twice during 1979.

"Of course, all policies and procedures and programs must be reevaluated regularly. We live in a changing world, and have to change ourselves if we are to continue providing our clients with the high level of service they are receiving and have a right to expect from a leader in the public accounting profession."

The firm, Len added, is always interested in holding down client costs as much as possible. "We're as aware of inflation and spiraling costs as anyone," he said. "One of the advantages of the direct-entry MAS recruiting effort should be to help control our charges to clients for services by matching the tasks on our engagements to the level of skills required. A simple example would be the data-gathering tasks associated with EDP and ACR reviews."

Len also said that the direct-entry hiring program has already resulted in
some restructuring of the firm's training effort. "In the past we used the term consultant for anyone in MAS under the rank of manager," he pointed out. "Now, because we do feel it is important to differentiate between consultants with industry experience and those brought into the firm directly from school — primarily to avoid confusion in training requirements and work assignments — we have established the additional classification of staff consultant. Persons with three or more years of industry experience will continue to be called consultants; all others will be called staff consultants."

Consultants, then, will continue to attend those firm training meetings they have attended in the past. These programs have long been structured to accommodate senior accountants and MAS consultants.

"We have been developing a continuing education program for our MAS people that we expect will accelerate their integration into practice office operations and make them valuable members of the office team sooner," Len said. He pointed to the MAS orientation materials, the entry-level EDP seminar and the new MAS consultants seminar as parts of a broad training program that are already in use. At the present time, he added, the MAS group, under the coordination of Bob Thompson operating within the EO Continuing Education Department, is working on the preparation of training materials and new courses in technical writing, technical presentations, systems design, and financial planning and control.

"This educational program recognizes what might be called the duality represented by the MAS presence in the overall practice of Deloitte Haskins & Sells," Len observed. "As a consequence, the training effort has to recognize that differences do exist between a large part of the MAS group — those who do not have the traditional accounting and auditing back-
Kenneth C. Cole, San Francisco

grounds — and the rest of the firm. This duality must be recognized, because it adds to the strength and flexibility of the firm when the MAS effort is effectively coordinated with the other areas of the firm's practice.

"We believe the direct-entry program is an important step in the right direction," Len said. "We believe the training programs we have developed and are developing will be important to these people who have joined us directly from graduate school and to those who will do so in the future. And, we're convinced, the benefits will be shared by the firm and the clients of the firm to an increasing degree as the program gains momentum in the coming years."