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## 97th Annual Meeting and Plenary Session, Monday, October 15, 1984, Atlanta, Georgia

American Institute of Certified Public Accountants (AICPA)

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1 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
2 97TH ANNUAL MEETING

3 and

4 PLENARY SESSION  
5 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

6 Monday, October 15, 1984  
7 Regency Ballroom, Hyatt Regency Hotel  
8 Atlanta, Georgia

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## P R O C E E D I N G S

CHAIRMAN LEE: Good morning, and welcome to the 97th annual meeting of the American Institute of Certified Public Accountants.

I'd like to ask Alan Foole, if he's here, to step forward; Alan is the Chairman of the Annual Meeting Hospitality Committee, and I would ask him to express a word of welcome to -- on behalf of the people of Georgia, and Atlanta; Alan?

MR. POOLE: Good morning; you are officially welcome again to Atlanta and Georgia; we hope, after the opening reception last night, that we can top that and continue to make things to be really nice for you. We realize that we almost out-did ourselves last night, but, we will continue to try to please you while you're here.

We have a committee of, gosh, some 100 people--probably 50 people, and maybe 25 who have worked regularly for the last couple of years to help put this together.

It is our pleasure to have you here in Atlanta, and in Georgia, and if there's anything at all we can do to make your stay pleasant and more comfortable, we'll be glad to do so.

We extend to you our most hospitable

1 Southern hospitality.

2 Thank you very much.

3 CHAIRMAN LEE: Thank you, Alan, and if  
4 last night's function was any indicator of what the  
5 rest of this is going to be like, it will be  
6 absolutely magnificent.

7 Joe Frank Harris is the 78th Governor of  
8 the State of Georgia; at the time of his election, he  
9 was an 18 year veteran of the Georgia House of Repre-  
10 sentatives, and for the last eight years of that term  
11 he served as Chairman of the House Appropriations Com-  
12 mittee which oversees the House version of the State  
13 budget.

14 By virtue of that experience, Governor  
15 Harris is thus acknowledged as the leading expert on  
16 State finances.

17 As Governor, he has implemented a State  
18 program to administer the Federal Job Training  
19 Partnership Act, which won one of two top national  
20 awards from the National Alliance for Business.

21 In his first year in office, Governor  
22 Harris created the Economic Development Council of  
23 State agency and department heads to oversee the  
24 development of the first long-range economic  
25 development plan for the State.

Would you help me to receive, warmly, this morning, Governor Joe Frank Harris.

(Applause.)

GOVERNOR HARRIS: Chairman Lee, distinguished leadership of the American Institute of Certified Public Accountants, ladies and gentlemen; I appreciate the opportunity of being here this morning, and I commented on the way in to my good friend, Don Edwards, who many of you know, that you get started early, and I have an opportunity to welcome many groups to Atlanta, but, I don't remember one, recently, that has had everybody seated and in place, and ready to go at 8:30 or 8:45 in the morning, so, I compliment you and commend your leadership for the discipline that you're exemplifying here this morning.

Recently, I was in Austin, Texas, and many of you have had opportunities, probably, to visit there, but, I visited the L.B.J. Library, and you know, former Presidents of the United States, they all have libraries that are built in their honor, to store their records, and soon we're hoping to have a Jimmy Carter Library here in Atlanta, if we can get a driveway into it, we're having a little controversy about the road precedent.

But, I was visiting that L.B.J. Library.

1 and walking through, and looking at some of the  
2 history that was made during his term of office; it  
3 had a little booth that came in view that had, L.B.J.  
4 Humor, and a button to push, and being human, I had to  
5 push the button and listen to what came out.

6 Well, he was telling a story that was  
7 taken from one of his speeches about a University of  
8 Texas football player, during the term of Darrell  
9 Royal, who was an outstanding coach for many years, as  
10 you know, and this football player was outstanding,  
11 but, did not receive a pro contract, and he went on to  
12 tell the story that this player went to the Washington  
13 Redskins as a walk-on, and the coach was questioning  
14 him, said, well, what are you good at--what can you  
15 do; and, he said, well, coach, I can run 100 yards in  
16 9.2 seconds; he thought, well, that's outstanding,  
17 very few people can do that; he said, what else do you  
18 do well; he said, well, I'm a punter; he said, I can  
19 kick that football 75 years--I've got an average of  
20 almost 75 yards every time I punt; and, he thought,  
21 well, that's great; he said, well, you told me all the  
22 good things about you, he said, do you have any  
23 negatives; he said, well, my friends say that I'm  
24 prone to exaggerate things sometimes.

25 Let me say to you this morning, and I'm

not going to exaggerate it at all, but, we're deeply grateful that you're in Atlanta, Georgia, and in the State of Georgia, and here among us for your convention; we're glad you're in Georgia; we're proud of what's happening in Georgia; we've become globalized, or, internationalized, you might say, over recent years because of our having the busiest airport in the world, here in Atlanta; having the second fastest growing port facility on the Eastern Seaboard at Savannah, Georgia; last year our containerized freight grew over 33 percent; we're building the fifth container berth there, and we're very fortunate in Georgia--we're blessed.

I say to our people here that every day could be a Thanksgiving Day in Georgia, because we have so much to be thankful for; just for an example, the last quarter's collections of revenue in Georgia increased over last year, the same month, 22 percent; we are blessed, and we're having tremendous growth, and increases in our programs without a tax increase in Georgia, which 48 of our 50 States have had in the last three years, and Georgia has not had a major tax increase in over 30 years, so, we've been very fortunate.

And, I know you can see some of the growth

1           that's among you, and around you, as you're traveling  
2           on your arrival here in Atlanta. So, we're very glad.

3                       Last year in Georgia we had 89,000 new  
4           jobs; we had capital investment and expansion in  
5           Georgia of over six billion dollars--unprecedented;  
6           this year we're going to top that, and we're doing  
7           that because of three elements, I think, that are very  
8           important in our State, and I know it's important in  
9           the States that you come from; one, particularly, of  
10          the quality of life that we have in Georgia, the  
11          Sunbelt climate, and the excellent opportunities for  
12          recreational facilities, and the improvement, and the  
13          standards of living that we've had over the past 20  
14          years, in Georgia, which we're extremely proud of.

15                      The second element is the pro-business  
16          attitude that we have exemplified within the citizens  
17          of our State to the business community within our  
18          State, which you're a part of in the over 5,500  
19          accountants in our State, or CPAs that belongs to this  
20          Association, are a part of the economy in our State  
21          very much so. So, we're proud of the pro-business  
22          attitude.

23                      Then, number three, the work ethics of the  
24          people; we still have that old southern hospitality;  
25          we extend the hand to others, and that's something

1 that has been exemplified for years in our State,  
2 which we're extremely proud of. So, we are making  
3 progress in our State. We're committed to the  
4 improvement of our economy; we're totally committed  
5 and an extreme high priority in our administration to  
6 improvement of our educational facilities; we have  
7 over \$180,000,000 of research on-going in our three  
8 major institutions within our State. That's unpre-  
9 cedented for the State of Georgia.

10 Then we have a research consortium that is  
11 partly funded by private sector monies, and partly  
12 matched by State money to fund centers of excellence  
13 within our institutions for research, and we're  
14 continuing to do that and committed to the future of  
15 the research consortium within our State.

16 We've got a lot to be proud of, and the  
17 population in Georgia has grown over a million people  
18 in the last 10 years; two million people in the last  
19 20; we're projected to grow over one million people in  
20 the next 10 years, and certainly, we're going to  
21 continue to work toward the growth and progress that  
22 we feel that -- if we provide the proper leadership  
23 that the State is going to have.

24 Let me say again, that we're extremely  
25 pleased that you would chose Georgia for your

1 convention; you have an excellent program, I was  
2 looking over the program that you have planned, and  
3 the facilities that you're among is some of the best  
4 in the world, and so, we're pleased that you're here,  
5 and we want you to come back to Georgia to visit any  
6 time.

7 "Nobody threatens you better than Georgia",  
8 that's our motto in our State, and we certainly are  
9 working very hard to live up to that.

10 But, we welcome you, not only to come back  
11 as a visitor; with the kind of momentum we have in  
12 Georgia, we feel that if you would look at Georgia,  
13 and invest in Georgia, that you'd find the bottom  
14 line, and return on your investment is probably going  
15 to be greater than you can find in any other State in  
16 the United States.

17 So, we welcome you, and we're glad you're  
18 here, and we appreciate you letting us come by and  
19 visit with you for a few moments this morning..

20 Thank you very much.

21 (Applause.)

22 CHAIRMAN LEE: Thank you, Governor Harris,  
23 for those welcoming words in, what I might add, is the  
24 great tradition of hospitality that Georgia so richly  
25 deserves, particularly, Governor Harris coming on such

1 short notice to be with us this morning.

2 We are pleased, and fortunate in having  
3 with us a number of distinguished visitors from  
4 abroad; our guests come from Australia, Canada,  
5 England, France, Mexico, The Netherlands, The  
6 Philippines, Scotland, and South Africa.

7 It's been my privileged to meet these  
8 people as I represented the Institute in their  
9 countries, and it's a personal pleasure to bid them  
10 welcome on behalf of the Institute this morning.

11 I regret that our schedule does not allow  
12 you to hear, individually, from these gentlemen, but,  
13 I know from my personal experience, that you would be  
14 interested in what you have to say; however, I would  
15 be remiss if I did not, at least, introduce them to  
16 you at this time; please hold your welcome until I  
17 have introduced them all, and gentlemen, would you  
18 please rise as I can your names.

19 First, from Australia, Geoff Kelleher,  
20 Deputy President of the Institute of Chartered  
21 Accountants in Australia.

22 From Canada, Bill Grace, newly elected  
23 President of the Canadian Institute of Chartered  
24 Accountants, and with him is Ken Fincham, the  
25 Executive Director of the Institute.

1           From England, I want you to meet Alan  
2           Hardcastle, President of the Institute of Chartered  
3           Accountants in England and Wales, and John Warne, the  
4           Institute's Secretary.

5           From France we have Edouard Salustro,  
6           Chairman of the Institute's International Affairs  
7           Committee; Edouard came a little late and perhaps  
8           didn't make it quite so early this morning--he arrived  
9           late last night.

10          From our neighbors to the south, in  
11          Mexico, Victor Aguilar, who is the President of the  
12          Mexican Institute.

13          From the Netherlands, and a special  
14          pleasure to introduce to you, my partner, Jan Bosman,  
15          President of the Netherlands Institute.

16          From Scotland, Bill Morrison, President of  
17          the Institute of Chartered Accountants of Scotland.

18          From South Africa, Ken Mockler, the  
19          Executive Director of the South African Institute of  
20          Chartered Accountants.

21          In addition, we have two guests who do not  
22          represent their native countries, but, who, in a  
23          sense, represent the world of accountancy; they are  
24          Washington Sycip of the Philippines, President of the  
25          International Federation of Accountants known as IFAC;

1 and, Bob Sempier, the Executive Director of that  
2 organization.

3 Please, now, if you will, join me in  
4 welcoming our distiguished guests.

5 (Applause.)

6 Thank you, gentlemen, for being with us.

7 There is a special group of members whose  
8 presence I'd like to acknowledge; those who are  
9 attending their first annual meeting; our meetings are  
10 held in various parts of the country to make it  
11 possible for members who are unable to commit to  
12 travel great distances to attend, when the location is  
13 convenient to them.

14 Members attending their first Institute  
15 meeting have been given a red penant for their badges;  
16 we urge you to wear those, and we urge all of the old  
17 timers to make a special effort to make them feel  
18 welcome.

19 If you spot somebody with one of those red  
20 penants, you'll recognize him as a new member, or, at  
21 least, a member attending for the first time; please  
22 say, hello, or, if your disposition suggests, as mine  
23 does, "howdy".

24 Although it's not necessary to outline the  
25 two day annual meeting program, since the printed

1 programs are included in the registration kits, I  
2 should remind the members that all of the sessions  
3 marked, CPE, are recommended for credit under  
4 voluntary, or required CPE programs at the State  
5 level.

6 Those who seek credit should observe the  
7 requirement that they attend the sessions from start  
8 to finish, and complete an attendance form, a copy of  
9 which should be returned to the Institute Division of  
10 CPE at the end of the meeting.

11 I should note that we've introduced a few  
12 changes in our usual program which will have -- we  
13 hope this meeting more meaningful to you. A number of  
14 members have suggested that the update technical  
15 standard sessions be replaced with a deeper  
16 treatment--an indepth treatment for subject matters.

17 You'll see from your program that we've  
18 scheduled mini-conferences for all non-Plenary session  
19 events. This format was endorsed by members last  
20 year, and so we've repeated it again.

21 Also, as we did last year, President Phil  
22 Chenok will conduct a panel of technical committee  
23 chairmen, who will give us the last word on  
24 developments in their areas of responsibility. This  
25 session also received good reviews last year.

1           And, we have a first this year, our first  
2           national accounting exposition, which we've called,  
3           Accountants World. This show responds to requests  
4           from many members who have gone to such shows at State  
5           levels. Exhibitor response to this, our first show,  
6           has been excellent; they've come a long way to see  
7           us, and I hope that each of you will stop by to see  
8           them.

9           As you can see from the material in the  
10          program, the range of exhibits is vast, and all  
11          related to accounting.

12          Our program has been arranged to allow  
13          ample time for you to visit the show; we believe that  
14          you will find there is a tremendous savings in time  
15          when you up-date yourself here, rather than to take  
16          the time from your busy office schedules at home.

17          The success, or failure of the show is  
18          measured by the flow of traffic, or the lack of it;  
19          please be sure to stop by and give us your views on  
20          whether you want us to continue it.

21          We want, as always, to be responsive to  
22          the needs of the membership; in that connection,  
23          you'll find in your registration material, an  
24          evaluation form for this meeting; it's been folded so  
25          that it will fit into your program; please take it

1 with you during the meeting, and note your evaluations  
2 while they are fresh in your mind; please complete it,  
3 and return it to us at the Institute, we want to  
4 respond to your views and will, if we know what they  
5 are.

6 Those of you who have attended annual  
7 meetings previously, will not a later than usual  
8 number of Institute staff present. Many will be  
9 staffing the Institute booths at the Accountants  
10 World. They are here to tell you about the many  
11 facets of the Institute's operation, and it's broad-  
12 range of member services.

13 Not a person here, and I include myself,  
14 can recite all of the services available to us from  
15 the Institute. Stop by that booth, or those booths,  
16 and learn how much more you can get for your dues  
17 dollar, and if you have a chance to visit with our  
18 staff, apart from the AICPA booth, I hope you will  
19 give them the benefit of your thoughts.

20 As I told Council on Saturday, at our  
21 meeting, our staff is a tremendous resource, and I  
22 hope you'll take the opportunity to get to know them  
23 better.

24 We hope that you will like this new  
25 format, and again, invite you to comment on it after

1 the meeting; if we see that further change is  
2 desirable, we will make it.

3 A copy of the Annual Joint Message from  
4 the Chairman, and President Phil Chenok, together with  
5 the audited financial statements for the year just  
6 ended, have been given to each of you as registrants,  
7 and additional copies are available at the  
8 registration desk.

9 These also will be -- will appear in the  
10 Journal of Accountancy, which is mailed to all  
11 members.

12 As was reported in the CPA letter, Council  
13 has adopted a policy in regard to the conduct of its  
14 meeting, and the meetings of membership which provide  
15 as follows:

16 Resolved: Any motion, or amendments to  
17 motions on which actions of the assembly is  
18 desired should be delivered, in writing, to the  
19 Chairman of the meeting. At the very least, it  
20 should be delivered in writing when made.  
21 Preferably, it should be submitted sufficiently  
22 before the meeting so that copies can be made  
23 for distribution prior to the meeting.

24 However, this general policy will not  
25 preclude the making of any motion at any time

1 (so long as it is in order), and, so long as it  
2 is reduced to writing, and delivered to the  
3 Chairman, when made.

4 The assembly, or the Chairman, can, at any  
5 time, waive that policy favoring the submission  
6 of motions in writing.

7 This meeting will be conducted pursuant to  
8 that policy.

9 I have not received any copies of proposed  
10 motions in connection with this meeting; the Council  
11 intended its policy to foster full consideration of  
12 issues, and to promote reasoned, knowledgeable voting  
13 on any motion made.

14 It is my desire, and it has been, and I  
15 hope the desire of future chairmen as well, to have  
16 before each person, before being asked to vote on a  
17 motion, the actual text of the motion to be voted on.

18 The secretary informs me that we have a  
19 quorum, and I'd like now, to call on John Hessenius,  
20 Partner of Main Hurdman, the Institute's auditors, to  
21 come to the podium and present his report; John?

22 MR. HESSENIUS: Thank you, B.J.

23 On behalf of Main Hurdman, I'm pleased to  
24 report to you on our examination of the Institute's  
25 financial statements for the year just ended.

1           Those financial statements, and our  
2           opinion, are contained in the Annual Report, which, as  
3           you just heard, will be a part of the Journal of  
4           Accountancy in the November issue.

5           Our opinion is unqualified, and our  
6           examination was performed in accordance with generally  
7           accepted auditing standards.

8           No restrictions were placed on the scope  
9           of our examination, and all information was given to  
10          us as requested.

11          We met twice during the year with the  
12          Audit Committee, and reviewed, in depth, with them our  
13          audit scope, and our findings, and recommendations for  
14          improvement in internal accounting control.

15          I'll be pleased to answer any questions  
16          you may have with respect to either our examination,  
17          or the Institute's financial statements.

18          CHAIRMAN LEE: Are there any questions for  
19          John?

20          (Negative response.)

21          Well, John, it looks like there are none,  
22          and that means the report was everything we've come to  
23          expect from Main Hurdman, and we thank you very much.

24          I need a motion to receive the report of  
25          the auditors; I have a motion and a second; all those

1 in favor, please say, aye.

2 (Audience responded.)

3 Opposed?

4 (Negative response.)

5 Motion carries. Thank you very much,  
6 John.

7 I'm pleased to announce too, that at the  
8 Saturday meeting of Council, Main Hurdman was  
9 reelected auditors for the Institute, and the  
10 affiliated entities for the year 1984 and '85.

11 It's now my pleasure and privilege to  
12 introduce winners of several awards for achievement in  
13 the Uniform CPA examination.

14 The award winner have been recognized in  
15 the annual meeting program, and were presented with  
16 their awards at a breakfast this morning.

17 I'd like to call the winners to stand as  
18 their names are mentioned; first, George  
19 Kamperschroer; George is the winner of the Sells Gold  
20 Medal for the highest grade total on the November,  
21 1983, exam.

22 John Allen Fuerst, winner of the Sells  
23 Gold Medal for the May, 1984, exam.

24 Jeffrey Kinrich, winner of the Sells  
25 Silver Medal for the second highest grade total on the

1 November exam.

2 And, Todd J. Sladky, winner of the Sells  
3 Silver Medal for the May, 1984, exam.

4 The Sells Bronze Medal has been awarded to  
5 a candidate achieving the third highest grade total;  
6 the winner for November, 1983, was Judith Ann Barnett,  
7 and for the 1984 exam, Virginia K., Metzger.

8 Congratulations to all of the winners; you  
9 certainly have made a significant start on your pro-  
10 fessional careers, and we wish you the very best in  
11 the years to come.

12 Included in the registration packet is a  
13 booklet entitled, The Public Service Award Program for  
14 Certified Public Accountants. The AICPA Public  
15 Service Committee, established this program four years  
16 ago to give recognition to CPAs who have attained a  
17 high level of public service, and to inform the public  
18 that CPAs participate in, and contribute to their  
19 communities.

20 This year, 34 CPAs were honored by their  
21 respective State Societies for such distinguished  
22 public service. They serve their community in many  
23 ways, from establishing a home for the aged, to being  
24 a volunteer firefighter, to serving on the city  
25 council.

1           The AICPA applauds their accomplishments,  
2           and encourages all members to become active in public  
3           service.

4           The gold medal is the highest honor  
5           bestowed by the American Institute to a member whose  
6           influence on the profession as a whole is  
7           distinguished when compared with other contemporary  
8           leaders. It was in 1944, that the Institute  
9           established the gold metal for distinguished service  
10          to the profession, and several members who have  
11          achieved that honor are present today, and I'd like to  
12          ask them to stand and be recognized by this  
13          assemblage, please.

14                 In 1964, the medal was awarded to Andrew  
15          Barr.

16          (Applause.)

17                 In 1975, to Leroy Layton, and Louis  
18          Kessler.

19          (Applause.)

20                 In 1978, to Sam Derieux.

21          (Applause.)

22                 And, in 1982, to Mike Chetkovich.

23          (Applause.)

24                 Thank you, very much.

25                 And, it is my -- it is with a very special

1 sense of pleasure that I asked Sam Derieux, Chairman  
2 of this year's Awards Committee, to the podium to  
3 present the gold medal award for this year. Sam?

4 MR. DERIEUX: Thank you, B.Z.

5 As B.Z. has pointed out, this gold medal  
6 award was established in 1944; there is no requirement  
7 that any medal be given in a particular year, and,  
8 indeed, in some years none has been given, and other  
9 years, there have been more than one.

10 This year's award is given posthumously to  
11 William R. Gregory, and it's a privilege for me to be  
12 able to present that award to his wife, Virginia, and  
13 his daughters, who are going to join me in just a  
14 minute up here.

15 I would like to read now, from the scroll,  
16 which will be presented:

17 "Bill Gregory rose so fast in the ranks of  
18 the profession's leadership that he eclipsed  
19 many of us in his achievements, and in his  
20 thinking.

21 His service on the State level peaked when  
22 he became president of the Washington Society of  
23 CPAs in 1967, and represented that State on the  
24 AICPA Governing Council; from that time on he  
25 served continuously on AICPA committees.

1           His interest spanned the whole spectrum of  
2           the professional program, from the trial board,  
3           to continuing professional education, whose  
4           executive committee he chaired with distinction.  
5           He was the first chairman of the Accounting and  
6           Review Services Committee, which broke new  
7           ground in establishing standards for reviews and  
8           compilations.

9           His interest in the profession, as a  
10          whole, but, with particular attention to the  
11          needs of local practitioners from which he came.

12          His even-handedness was shown in his  
13          conduct of an unprecedented special meeting of  
14          the membership on July 11, 1980, called at the  
15          petition of a few hundred members. The  
16          proposals at that meeting did not carry, and a  
17          divisiveness which could have existed, was laid  
18          to rest.

19          It was as chairman of the AICPA Board of  
20          Directors that Bill Gregory made his greatest  
21          contribution; he was deeply concerned with the  
22          practicing CPAs, in their zeal from growth and  
23          new business, were losing their prime focus as  
24          independent objective professionals. He  
25          recognized that the relaxation of ethical rules

1 on advertising and solitation were in the public  
2 interest, but, he also recognized that excesses  
3 in these activities could lead to compromises in  
4 the adherence to professional standards.

5 He traveled extensively in office, calling  
6 on every audience to rededicate itself to the  
7 standards of this profession, adherence to  
8 standards, exercise of individual  
9 responsibility, independence of attitude, and  
10 self-restraint. He dramatized that mission  
11 when, in conducting the annual members meeting  
12 in 1980, he challenged the members present to  
13 stand, and physically proclaim their dedication  
14 to these principles.

15 Bill Gregory died a short six months after  
16 leaving office; his work for the profession only  
17 partly completed, but, he left us with a legacy  
18 of solid accomplishments; he challenged CPAs to  
19 rededicate themselves to the highest levels of  
20 professional behavior and service to our public.

21 For his farsightedness, for his hard work  
22 for the profession he loved, and for his  
23 leadership in rededication to professionalism,  
24 AICPA gratefully has granted to William R.  
25 Gregory its highest award, the gold medal for

1 distinguished service."

2 Virginia, if you, Cathy, Joan, Nancy,  
3 Wanda, and son-in-law David, would please come up  
4 so I can present you with these awards.  
5 (Applause.)

6 Virginia, that is the scroll, and this is  
7 the gold medal, which I know you and your family shall  
8 cherish.

9 MRS. GREGORY: Thank you.

10 MR. DERIEUX: As I mentioned, it's a  
11 particular pleasure and privilege for me to present  
12 this because, if I may be permitted a few personal  
13 references, Sarah Francis and I, shared many experi-  
14 ences with Virginia and Bill, from the occasion on  
15 which they had the honor of being presented to the  
16 Queen of England, to a difference experience when Bill  
17 was flying in one of these kites over Acapulco Bay,  
18 and the motor boat pulling that kite conked out, and  
19 Bill was dunked into Acapulco Bay.

20 So, all of these things, Virginia, and to  
21 all of your family, make it a real privilege for me to  
22 be able to present this award.

23 (Applause.)

24 MRS. GREGORY: It is an honor for all of  
25 us to be invited here to accept this medal for Bill,

1 and for those who knew him, you know what this honor  
2 would have meant to him.

3 He truly loved his profession and was  
4 devoted to it, and had the highest respect for the  
5 Institute, and his fellow colleagues; as I was  
6 preparing this, I had gone over some of Bill's old  
7 speeches, and in them there was a recurrence of  
8 professionalism, and with this note, I'd like to leave  
9 you with an excerpt from a speech of 1980, at the  
10 AICPA convention in Boston.

11 "There is a place and a need in our lives  
12 for being professional in the traditional sense,  
13 that is, that it is important to our future to  
14 think and act like true professionals, and if we  
15 do so we then can take pride in ourselves and in  
16 our profession, and that, in itself, is very  
17 important reward."

18 We, the family, thank you.

19 (Applause.)

20 CHAIRMAN LEE: It's hard to follow that.

21 Virginia said to me last night that she  
22 was -- she was pleased that this award was to be given  
23 to her during my term as Chairman, not nearly as  
24 pleased as I, but, pleased nevertheless.

25 Bill and I were close, and if I didn't

1 know about love for this profession before I met him,  
2 he certainly taught me a lot about it, enough so that  
3 I do now.

4 Thank you, Virginia.

5 At its meeting on Saturday, the governing  
6 Council of the Institute took some actions, and I'd  
7 like to report those to you; we decided, for a second  
8 time, not to authorize a membership ballot seeking to  
9 modify Rule 302, the Contingent Fee Rule.

10 We also declined to let instructions to  
11 the Ethics Committee not to issue a proposed interpre-  
12 tation of the Commission's Rule stand, we -- let me be  
13 sure I made that plain; we did not lift the  
14 instruction to ethics with respect to the Commission  
15 rule, so, it will stand as it is now in the material.

16 It left standing the instruction that both  
17 Rules should be enforced in the regular and ordinary  
18 way.

19 Council received a report of progress from  
20 the special committee on Standards for Professional  
21 Conduct; that Committee which has come to be known as  
22 the Anderson Committee, and we are in hopes that that  
23 Committee's final report will be ready for us at this  
24 time next year.

25 Finally, Council received from our

1 consultants, Cresap, McCormick and Paget, a report on  
2 its study of the staff/Institute operations. Our  
3 staff got high marks, as you would expect, for  
4 dedication and effectiveness; we also received, from  
5 them, recommendations for improvements which are being  
6 implemented. This will make for a much more effective  
7 public relations and external affairs, and  
8 communications network, and improve our planning pro-  
9 cedures.

10 It is both traditional and appropriate  
11 that the out-going Chairman make some remarks, a sort  
12 of a validictory, based on the year past, and his  
13 experiences in that year.

14 In the annual joint message, which I've  
15 already mentioned, and which is included in your  
16 package, Phil Chenok and I, covered the Institute's  
17 activities for the year, and I don't intend to repeat  
18 any of that, or, at least, not much of it now.

19 I'd rather talk about another area, some  
20 of my personal impressions based on my year as  
21 Chairman of the Institute.

22 Let me start by telling you that it has  
23 been a wonderful and a most rewarding experience;  
24 Alicia and I expected much and we found more.

25 I started the year with some very strong

1 convictions about our profession, convictions which I  
2 would note for you, are based on more than 30 years of  
3 practice, and 30 years of membership of the Institute.  
4 During that time I've observed both the profession and  
5 the Institute as a local firm staff member, a staff  
6 person at one of the largest firms--largest national  
7 firms, a co-founder of a two-man practice, as a  
8 partner in a national firm, and as a managing partner  
9 of that firm; a rather varied perspective, I think you  
10 would agree.

11 I should note, too, that during that time  
12 I had the advantage of functioning both in my home  
13 State of Texas, and in New York. So, those strong  
14 convictions that I held, come from a rather broad  
15 base, and are largely almost exclusively centered  
16 about the people of this profession, their character,  
17 integrity, and commitment.

18 I needed no affirmation of those views,  
19 and I sought none; indeed, at the start of the year, I  
20 would not have believed it possible to hold this group  
21 in a higher regard. Nevertheless, I received much to  
22 not only support my admiration and respect for my  
23 colleagues, Cohen, Frairs, and Associates, but, enough  
24 to intensify an already deeply held feeling.

25 I could demonstrate that in countless

1       ways, but, let me select only one; during this year I,  
2       as all Chairmen, called on many to serve the  
3       Institute, and the profession one way or another.  
4       Now, one would expect some refusals; the simple  
5       pressure of time would suggest that to us. But, let  
6       me tell you that there were none, and I repeat, none.

7               Every member of this Institute on whom I  
8       called, and who I asked for time for special  
9       assignments, gave it, and eagerly. Every firm for  
10      which these members worked, either as a partner, or  
11      staff, were equally free in their willingness to  
12      contribute. It is to say the least, a powerful  
13      experience; powerful not in the sense that the  
14      Chairman has power, but, powerful in its impact on the  
15      Chairman as an individual. It makes the job one of  
16      the greatest honors that the profession can bestow  
17      even more pleasurable than it might otherwise be.

18             So, on behalf of all of us who have been  
19      privileged to serve as Chairmen, let me express my  
20      sincere admiration to all who have given so generously  
21      in our mutual interest.

22             Let me also express, at this point, my  
23      appreciation to a most dedicated Institute staff; they  
24      are a remarkable bunch of people committed in  
25      unbelievable fashion to this profession, and to the

1 Institute. They make it look relatively easy; they  
2 know, I have expressed it to them more than once at  
3 Council meeting that they have my ever-lasting  
4 gratitude.

5 I would leave the Chairmanship with one  
6 admonition to this profession and to this Institute,  
7 and particularly, and especially to its leadership; to  
8 say that we are functioning in a period of dynamic  
9 change, is obvious; it is to be sure, all about us,  
10 and the rate of that change is rapid. What I will not  
11 accept, and I do not agree with those who suggest that  
12 we are engulfed by it, powerless to do anything about  
13 it; we can, and we must do what is necessary to shape  
14 our future and the future of those who aspire to a  
15 career in this profession.

16 I spent a good deal of time this year, and  
17 most recently, last Thursday and Friday, with the  
18 Special Committee on Standards of Professional Conduct  
19 for CPAs; I'm convinced more than ever of the  
20 significance of their deliberations, and the impact  
21 that their work can have on this profession and its  
22 future.

23 I'm equally convinced that it can, and it  
24 will require courage and intellectual integrity to  
25 implement their conclusions and their recommendations;

1 if that should be correct, if bold action is  
2 suggested, then I charge future Chairmen, and the  
3 leadership of this profession to have the character  
4 necessary to bring it to pass.

5 We must resolve the dilemma that I have  
6 describe all through my year as, commercialism and  
7 professionalism; and, as I said a year ago, I'm  
8 satisfied that we can, and I'm more than ever  
9 satisfied having participated with the Anderson  
10 Committee, that it will come to pass.

11 I've heard their aspirational expectations  
12 for this profession, and that convinces me; but, the  
13 answers are not yet clear; what appears to be clear is  
14 that the resolution may, and probably will require  
15 bold action.

16 So, I charge the leadership to take that  
17 action. I believe it's needed and expected of them;  
18 the profession is looking to them for leadership, and  
19 I charge them to provide it.

20 We ran an article--or, we reran an article  
21 written by Jacques Barzun, Professor Americas of  
22 Columbia University, in the March issue of the Journal  
23 of Accountancy, and I've carried that article with me  
24 even before it was rerun in the Journal, and I have  
25 read to just about every audience I've spoken to in

1 the last year, these final words.

2 In his article, Barzun is speaking about  
3 ethics, and he's not speaking about ethics of this  
4 profession, but, he's speaking about ethics of all of  
5 the learned professions, and he concludes by saying,  
6 that to effect a moral regeneration which can come  
7 about only when the members of a group feel once more  
8 confident that ethical behavior is desirable, widely  
9 practiced, approved, and admired, and after a marked  
10 decline it can only be a slow growth, and only one  
11 force can start it on its way, the force of moral and  
12 intellectual leadership; and, that's the charge that I  
13 would leave to my successors.

14 Now, this is the point in the proceedings  
15 when we will have an open session, and if there is any  
16 other business to come before this assembly, this  
17 would be the time for it, and I understand that my  
18 dear friend Rholand Larson has a piece of business  
19 which I've been waiting for most anxiously.

20 Rholand?

21 MR. LARSON: Thank you, B.Z.

22 There aren't many responsibilities left  
23 for the immediate past Chairman, but, I have to say I  
24 have been looking forward with eager anticipation to  
25 this opportunity to say a few choice words about my

1           successor.

2                   I knew B.Z. before he was nominated as  
3           Vice Chairman of the Institute, but, after that, Ruth  
4           and I came to know B.Z. and Alicia, of course, much  
5           better. We had a lot of great experience in that year  
6           when we served together, a lot of good laughs; I  
7           considered sharing a few of those with you so that you  
8           would appreciate even more, some of B.Z.'s unique  
9           humor. But, I decided that would probably detract a  
10          little bit from the real message that I wanted to  
11          leave in these brief moments.

12                   I really came to appreciate B.Z. during  
13          the year he served with me as Vice Chairman; he was  
14          just great; always supportive; he had just an unusual  
15          and incisive grasp of the issues of this profession;  
16          it was obvious, during that time, as well as in my  
17          experience with him before; you all know that he  
18          serves with a real commitment, and of course, all that  
19          adds up to a tremendously effective person.

20                   This past year I continued to serve on the  
21          Board of Directors, and I had a chance to see him  
22          function as Chairman of that group, and my admiration  
23          for him only increased. He really demonstrated superb  
24          leadership during this last year.

25                   There really are no words that can

1 express, I think, my feelings about B.Z., and about  
2 the job he has done, but, I do want to leave you,  
3 B.Z., with just two; one is, respect; a great amount  
4 of respect for the job you have done, but, maybe even  
5 more importantly, respect for B.Z. as a person, and I  
6 know all of you who know him, share that.

7 The second one, which is probably even  
8 more important is, gratitude, and I want to express my  
9 personal gratitude for the opportunity to work with  
10 you, B.Z., it was a great experience, and I'm the  
11 richer for it, as I said to the Board the other  
12 evening.

13 But, I want to express the gratitude of  
14 the membership for the really fine, superb, and  
15 excellent job you have done; and, of course --  
16 (Applause.)

17 -- what I'm really here to do is to  
18 present B.Z. with his Past Chairman's Pin, and I do  
19 that with real enthusiasm, and, B.Z., I know you will  
20 wear it proudly.

21 CHAIRMAN LEE: Thank you very much,  
22 Rholand. I will, indeed, wear this pin with a great  
23 sense of pride, and with the same sort of pride that I  
24 observed those who were honored to receive it before  
25 me have, when they wear it.

1           Thank you, Rholan, for those kind words,  
2           and thank you all very much.

3           Now, we are in the open session, and I  
4           understand there are at least two who would address  
5           this assembly; I see one approaching the microphone.

6           MS. YOUNG: Mr. Chairman, I am Maxine  
7           Young, a member of the AICPA from Fort Wayne, Indiana.

8           I thought the entire system of reporting  
9           is independence, without independence, there's no  
10          objectivity, and there's no integrity. As a member of  
11          this Institute, I received the CPA letter of April 9,  
12          1984; the CPA letter of April 9, 1984, contained a  
13          supplement, which I hold in my hand, entitled: Report  
14          of the Nominations Committee. To my surprise, I read  
15          in the report that four members of the Nominations  
16          Committee were nominated to high office in the AICPA.

17          Mr. Chairman, it's inconceivable to me  
18          that the Nominations Committee would nominate members  
19          of its own Committee. It does not matter whether  
20          those four individuals left the room during the  
21          meeting--during the vote taking, if they participated  
22          in their own nominations, or whatever, events such as  
23          these certainly detract from the membership confidence  
24          in official proceedings.

25          Undoubtedly, members of the public, and

1 the financial press as well, read the CPA letter; what  
2 can be their perception of our profession when they  
3 read such things as these.

4 For the reasons which I just cited, I  
5 hereby move the following motion:

6 "Whereas independence and objectivity are  
7 fundamental to the public accounting profession,  
8 and

9 Whereas the public perception of the  
10 accounting profession must enhance and not  
11 detract from our appearance of independence, and

12 Whereas the Nominations Committee of the  
13 AICPA must be independent and objective in their  
14 deliberations and recommendations, and,

15 Whereas it is inappropriate for members of  
16 the Nominations Committee to be nominated as an  
17 officer, director, member of Council, or  
18 national trial board,

19 Therefore, be it resolved that it is the  
20 sense of this annual -- this meeting of the  
21 AICPA, that members of the Nominations Committee  
22 not be nominated to hold office as an officer,  
23 director, member of Council, or member of  
24 national trial board, and be it further

25 Resolved that the Board of Directors,

1 and/or the Council of the AICPA submit to the  
2 membership an amendment to the by-laws which  
3 would prohibit such practice in the future."

4 Mr. Chairman, I move this motion.

5 AUDIENCE MEMBER: Seconded.

6 CHAIRMAN LEE: We have a motion and a  
7 second. Yes?

8 MR. SERT: My name is John Sert from New  
9 Orleans, Louisiana, and I would just like to add my  
10 second to this resolution of Ms. Young. I believe her  
11 explanation and the contents of the resolution are  
12 clear.

13 I just want to make one statement to make  
14 it understood that this certainly is no reflection on  
15 the members of the Committee when they nominated him;  
16 they're all very fine gentlemen, and eminently  
17 qualified for the position, but, I think for the  
18 future, the American Institute should just not put  
19 itself in such a position that would subject it to  
20 criticism; therefore, I urge support for this  
21 resolution.

22 CHAIRMAN LEE: Thank you. Is there  
23 anybody else who would speak to the resolution?

24 I'd like to tell this body that I, as  
25 Chairman of the Institute, received a letter earlier

1 in the year addressing this very subject matter, and I  
2 have been elected by Council on Saturday of last week  
3 to Chair the Nominating Committee for the ensuing  
4 year, and it is my intention to make that Nominating  
5 Committee aware of those sentiments; I would not tell  
6 you that I do not share those sentiments; we have  
7 215,000 members of the Institute, many, if not most of  
8 whom are eminently qualified to serve, and it had been  
9 my intention, absent such a motion, to urge the  
10 Committee to conduct itself in conformity.

11 Now, I advise this body of that in the  
12 hopes that it may be -- they may see it appropriate to  
13 defer any action on a motion which, in my judgment,  
14 needs their time and consideration, and perhaps even  
15 needs response from those who might feel to the  
16 contrary, I, for one, not being one of them. I just  
17 thought that I would exercise the privilege of the  
18 Chair so that this body in acting, would understand  
19 where we, as a group, are.

20 I see John Meinert.

21 MR. MEINERT: John Meinert from Illinois.

22 This question was discussed at great  
23 length when I was Chairman of the By-laws Committee; I  
24 happen to be from industry so I hope that even though  
25 I'm not independent, I do have integrity.

1 I would like to say that I share some of  
2 the sentiments, and I'm glad to hear what you said,  
3 B.Z., because what we did at that, in great length, we  
4 spent more time on the Nominating Committee than any  
5 other change in the by-laws, and we decided that we  
6 wanted more candidates and greater representation, and  
7 we felt that we should consider at least 22 candidates  
8 and only 11, then, from that 22, would be selected for  
9 election to the Nominations Committee, so, the first  
10 thing we wanted was a very broad based Nominating  
11 Committee.

12 It has developed somewhat that way,  
13 perhaps not as fully as we all would appreciate;  
14 people in industry and education are still under-  
15 represented, and sometimes some of the newer members--  
16 younger members are underrepresented; it still tends  
17 to be some of the old-timers that get on the  
18 Nominating Committee and I think we have to watch that  
19 as we select new members for the Nominating Committee;  
20 however, we did put in this, and it was narrowly  
21 passed, as those who were at the Council meeting may  
22 remember, there was a good deal of concern that we  
23 were going to get inexperienced members, but, we  
24 managed to get this through by a narrow vote, and that  
25 was that no more than three candidates to the

1 Nominating Committee itself shall be members of the  
2 Council, and no more than one of such three Council  
3 members shall be a member of the Board of Directors,  
4 and then, of course, they select them new, B.Z.,  
5 because we did feel that the out-going Chairman should  
6 have experience in the people, and the selection of  
7 the people.

8 I would like to see us -- I would voice my  
9 opinion that the motion is not needed at this time,  
10 but, I also would voice my opinion that we do need  
11 broad representation on the Nominating Committee, and  
12 when the Nominating Committee selects officers and  
13 directors, that they bear in mind that we should have  
14 a broad base representation.

15 However, I do not feel that anyone should  
16 be deliberately not selected just because he has  
17 experience, or just because he's served before; I  
18 think we need a mix of experience, and if you may say,  
19 inexperience, or people who are learning; I think we  
20 need a fresh point of view; I think we need fresh  
21 perspectives; new blood, at it will, young members and  
22 so on, and people that have not been -- have not seen  
23 prior service. But, I would like to see that happen  
24 within the framework that we've already established.

25 CHAIRMAN LEE: John, thank you very much

1 for those explanatory words.

2 Is there anybody else who would speak to  
3 the motion? I see somebody rising in the back.

4 MR. CLEAVMAN: Mr. Chairman, I'm Ed  
5 Cleavman, Long Island.

6 I don't think that the previous speaker  
7 addressed the issue; it's not a matter of having new--  
8 fresh people serve on the Nominations Committee; the  
9 issue is that those who do serve on the Nominating  
10 Committee not be nominated for office; that, I think  
11 is the issue, and I would support the motion because I  
12 think it is eminently fair.

13 Thank you.

14 CHAIRMAN LEE: Thank you. Is there  
15 anybody else who would speak to the motion, or against  
16 it? Yes, thank you.

17 MR. FALLS: I'm Tom Falls from Washington,  
18 D. C.

19 You inferred that if this motion were  
20 defeated there is machinery to consider it, and I  
21 don't know what that machinery is.

22 CHAIRMAN LEE: I can't speak about  
23 machinery; I can tell you what my intent is. It is my  
24 intent, and I should note, I think, my limited  
25 experience, which is as an observative issues

1 committee, had the Chairman of the Current Year's  
2 suggest that nomination of the Committee Members  
3 themselves to high station should be resisted; I mean  
4 to express that to the Committee; I mean to urge it on  
5 them with all of the strength that I can muster; I can  
6 tell you that insofar as I am able, as the Chairman of  
7 the Current Year's Committee, that such a motion would  
8 be unnecessary, and I'd already decided to suggest  
9 similar action to future chairmen.

10 That does not suggest machinery, that  
11 just suggests my personal frame of mind, perhaps. I  
12 hope that helps.

13 Yes, sir?

14 MR. COX: Mr. Chairman, I'm Bill Cox from  
15 Houston, a member of the Nominating Committee of the  
16 Texas Society, and as you know we do have this rule in  
17 Texas, and it has served us very well to eliminate  
18 criticism of self-perpetuation, and I think it would  
19 serve the American Institute well, and I rise to  
20 second the motion.

21 CHAIRMAN LEE: Thank you, Bill.

22 John?

23 MR. McMULLEN: Mr. Chairman, I'm John  
24 McMullen from Atlanta, Georgia.

25 I must speak in favor of the motion, and

1 wanted to be sure the members understand the basis  
2 behind this; there are 11 members of the Nominating  
3 Committee; four members were nominated. I don't think  
4 anyone is questioning the integrity of the nominating  
5 process; we'd simply like to have the process changed  
6 so that there is no question about that in the future;  
7 but, to have 36 percent of the members of the Nominat-  
8 ing Committee nominated, does not appear to lend  
9 objectivity.

10 CHAIRMAN LEE: Thank you, John.

11 Francis Humphries.

12 MR. HUMPHRIES: B.Z., I'm Francis  
13 Humphries from Charleston, South Carolina.

14 I agree that it is a tragedy that four  
15 members of the Nominating Committee were nominated to  
16 high office, but, I also think it was a mistake, and I  
17 think possibly the one thing worse that we could do  
18 than nominating those four members to high office, is  
19 to take precipitous action on amending the by-law; we  
20 had the study group, which I happened to be a member  
21 of, that spent long hours trying to determine just  
22 what the by-laws of this Institute should be.

23 I'd like to see the integrity of this body  
24 given a chance to overcome a mistake like that, rather  
25 than to make another rule that we all had to live by.

1 Thank you.

2 CHAIRMAN LEE: Thank you, Francis.

3 I hear a call for the question, and is  
4 there a second? I'll read the motion, if I may,  
5 without all the Whereas':

6 "Now, therefore, be it resolved that is  
7 the sense of this annual business meeting of the  
8 American Institute of Certified Public  
9 Accountants, that members of the Nominations  
10 Committee not be nominated to hold office as an  
11 officer, director, member of council, or member  
12 of the national trial board, and

13 Be it further resolved that the Board of  
14 Directors and/or the Council of the Institute,  
15 submit to the membership, an amendment to the  
16 by-laws which would permit such practice in the  
17 future."

18 Is the question clear? All those in  
19 favor, please say, aye.

20 (Audience responds.)

21 All those opposed?

22 (Audience responds.)

23 I would say the, ayes, have it; motion  
24 passed.

25 Is there any other business to come before

1 this assembly, or anybody -- yes?

2 MR. KNIGHT: B.Z., I'm Pat Knight from  
3 Florida.

4 Ladies and gentlemen, it's been two years  
5 since we reported at an annual meeting on the  
6 implementation of the 150 hour accounting education  
7 requirements which is sometimes referred to as, fifth  
8 year, and the Florida delegation believes that maybe  
9 a brief up-date is in order.

10 As you may know, effective in August,  
11 1983, all first time Florida applicants who applied to  
12 sit for the CPA exam must have complied with the new  
13 150 hour law.

14 The fifth year is working well in Florida;  
15 we received excellent feed-back from students and  
16 professors alike; the program is settling into place,  
17 and all the elements are very much on track.

18 And, importantly, those involved in the  
19 implementation are both enthusiastic and optimistic,  
20 they believe that the idea is sound and timely.

21 We applaud the AICPA, notably through the  
22 efforts of the Commission on Professional Accounting  
23 Education for stepping up their involvement and  
24 activity in support of increased education. Since the  
25 work of this Commission has now been completed, the

1 AICPA recently appointed a special committee on  
2 implementation of a post-baccalaureate education  
3 requirement.

4 This Committee, chaired by Bob Ellison of  
5 Florida, is available to meet with State Society  
6 representatives, and any other groups interested in  
7 discussing the implementation of a legislative  
8 requirement for the fifth year.

9 We understand that to date, seven States  
10 have heard a presentation from Bob, and his Committee,  
11 and that four others have been scheduled.

12 Once again, we encourage all of you to  
13 consider the 150 hour education requirement in your  
14 own State, and if our experience in Florida can be of  
15 any help to you, please let us know; we'll be glad to  
16 help you in anyway that we can.

17 Thank you.

18 CHAIRMAN LEE: Pat, thank you very much.

19 Are there any others who would address  
20 this assemblage?

21 Well, seeing none, I would ask for a  
22 motion for adjournment; we will then take a coffee  
23 break and come back for the President's Panel; do I  
24 have a motion?

25 (Motion made.)

1 All in favor?

2 (Audience responds.)

3 We are adjourned, and would you be good  
4 enough to come back at 11:15; thank you.

5 (Short recess.)

6 PRESIDENT CHENOK: I'd like to welcome you  
7 all to this panel session. We have with us this  
8 morning a group of AICPA Committee representatives who  
9 are involved with all the areas of the profession, and  
10 I'd like to take this opportunity to introduce them,  
11 and to thank them in advance for participating.

12 On my far left is Roger Cason who is  
13 Chairman of the Accounting Standards Executive  
14 Committee.

15 Next to him is Phil Crawford, a member of  
16 the Accounting and Review Services Committee.

17 On my immediate left is Al Ellentuck, who  
18 is Chairman of the Federal Tax Executive Committee.

19 On my immediate right is Merle Elliott,  
20 Chairman of the MAS Executive Committee.

21 Next to him is David Landsittel, Chairman  
22 of the Auditing Standards Board.

23 And, on my far right, Monday Lowe,  
24 Chairman of the Professional Ethics Executive  
25 Committee.

1           Our objective this morning will be to try  
2           to bring you up to date on the activities of the  
3           Senior Technical Committees; the format for this  
4           session is a panel; I will be directing a number of  
5           questions to each of the individuals here.

6           Also, at the end of the aisle are some  
7           question cards, and time permitting, we will try to  
8           respond to questions that you may have as a result of  
9           the presentation.

10           Now, let's get started, and let me begin  
11           with the tax area, Al; that's one that certainly has  
12           received an awful lot of attention this year.

13           Now, I know there are some technical  
14           developments, but, before we get into that, perhaps  
15           you can tell us a little bit about the newly created  
16           membership tax division; how many Institute members  
17           have joined, what activities have been developed, and  
18           what are your plans for the future, Al?

19           MR. ELLENTUCK: Well, Phil, I'm pleased to  
20           say that the Tax Division is coming along very nicely,  
21           possibly better than we had anticipated.

22           At the time Council approved the  
23           establishment of the Tax Division, which was just  
24           about a year ago, we had some 250 appointed members;  
25           by April of '84, we had our organization pretty well

1 set up, and we sent out invitations to the entire  
2 AICIPA membership; at present count, we have over  
3 12,000 members, and those applications are still  
4 coming in.

5 We set the dues at \$70 a year with a short  
6 grace period for those joining before August 1st;  
7 benefits include a subscription to the Tax Advisor,  
8 which is, as you know, an outstanding publication, and  
9 this gives a big boost to the Tax Advisor; invitations  
10 to our semi-annual meetings; members will receive the  
11 newsletter, position papers, agendas, a whole flow of  
12 information--reports on our activities of the sub-  
13 committees' task forces, and the Executive Committee;  
14 and, to encourage participation, each member will have  
15 the ability to monitor the activities of one of our  
16 subcommittees--we have 17 subcommittees covering the  
17 gamut in taxes, a whole wide-range of subject areas.

18 One of the most important benefits is, as  
19 I said, our semi-annual meetings, and we have one  
20 coming up in December in Orlando; we are expecting  
21 somewhere between 500 and 1,000 people attending,  
22 which could be as much as -- it could be as many as  
23 four times what we normally have in attendance.

24 At this point, I think we've overcome our  
25 first hurdle which is to put together a package of

1 dues and benefits which would be attractive to as many  
2 members of the AICPA as possible.

3 The next hurdle, as I see it, is to  
4 involve these new members in the activities of the  
5 Division, but, at the same time to move ahead the work  
6 that we're doing, and to move ahead effectively even  
7 with the involvement of so many more members.

8 Our objectives were to give a significant  
9 portion of the AICPA membership the opportunity to  
10 become involved in the activities--the professional  
11 activities that we're engaged in, in a meaningful way.  
12 We think this will result in CPAs being better informed  
13 on taxes, and, as a whole, up-grading the level of  
14 practice. We think we'll have a greater pool of tax  
15 talent to assist in the works of the Tax Division;  
16 and, perhaps the most important, we think the new  
17 Division will, and possibly already has, underscored  
18 the preeminent role of the CPA in tax practice, and  
19 strengthen the impacts of the positions that we're  
20 taking on various issues.

21 We noticed that already when we testified  
22 before Congress, and when we speak with the  
23 Commissioner, we seem to be getting a better  
24 reception.

25 So, I must say that at this point, so

1 early in our genesis, we seemed to have moved pretty  
2 far along that road to achieving our goals.

3 PRESIDENT CHENOK: Thanks, Al. What about  
4 tax legislation; what can we look forward to this  
5 year; there's a lot of talk about tax simplification,  
6 a flat tax, substitutions of other kinds for the  
7 existing income tax; what is the status of these  
8 proposals, and what -- what has the Tax Division done  
9 by way of response?

10 MR. ELLENTUCK: Well, Phil, the most  
11 likely legislation that we can expect next year is  
12 something that I regret to say, will be similar to  
13 what we had this year, and the Tax Reform Act of 1984;  
14 we're expecting a bill with many minor changes, loop-  
15 hole closers, revenue raisers, which is going to add  
16 more--even more complexity to our tax law, and which  
17 we -- we deplore and have some recommendations to deal  
18 with.

19 The flat tax, of course, has attracted the  
20 most interest; there's a lot of talk about it, and a  
21 lot of talk in Congress about the flat tax. The dis-  
22 cussions now are actually focusing on what we call, a  
23 modified flat tax, that one -- one of those is the,  
24 fair tax, which will give you some rate progressivity,  
25 and some deductions, a little different than the pure

1 flat tax.

2 The Senate Finance Committee held some  
3 hearings, at which I testified on behalf of the AICPA,  
4 and it essentially said that we had serious doubts as  
5 to whether the flat tax would achieve equity and  
6 simplicity, that they were hoping for and expecting,  
7 and that the present system, which we've been working  
8 under for 71 years would really require a lot more  
9 thought and contemplation before attempting to change  
10 that system, a lot like genetic engineering, you  
11 better think carefully before you start tampering with  
12 it.

13 What's happening, interestingly enough, is  
14 that the interest in the flat tax seems to be wanning  
15 as more and more Congressmen start understanding  
16 what's really involved in it, and how it would really  
17 work.

18 So, we will continue to testify and be  
19 active as the debates on flat tax go on, but, we think  
20 that may well die out in favor of some other major  
21 reform that Congress is considering.

22 PRESIDENT CHENOK: Al, what about  
23 particular areas, what do you see as the specific  
24 targets for change this year--or, what's the Govern-  
25 ment going to do to try to raise additional revenue

1 next year?

2 MR. ELLENTUCK: Phil, the basic areas of  
3 tax form that the Congress and Treasury are looking  
4 at, as you may now, Treasury is now involved in a  
5 major study of alternative tax systems, which they're  
6 expecting to deliver--to make public by December,  
7 conveniently, right after the election; they are  
8 looking at a consumption base tax which is essentially  
9 -- it give you a deduction for savings; an example of  
10 consumption base provision that we have in our tax law  
11 now is the IRA, for example.

12 They're looking at VAT, which is a value  
13 added tax, or a national sales tax, and maybe looking  
14 at some base broadening, which is the flat tax without  
15 the flat rate.

16 Each has its own problems; possibly we  
17 will see some features of each of these major alter-  
18 native tax systems cropping up and seeping into our  
19 system. We believe, however, that Congress really  
20 needs to take a different tact, and we've testified to  
21 that effect. The tax laws become much too complex if  
22 they pass this -- another similar provision; in '85 it  
23 will be even more complex.

24 The public and practitioners are really  
25 losing confidence in the system, and we've recommended

1 a national -- the formation of a national commission  
2 on tax simplification to really start examining the  
3 tax law, simplifying it, and attempting to make it  
4 work without a drastic change.

5 Incidentally, the Tax Division has already  
6 in-place, two task forces, one on simplification, and  
7 one on studying the alternative tax system, so, we're  
8 kind of somewhat ahead of Congress and Treasury in  
9 this regard.

10 Revenue -- there's only one thing that  
11 everybody agrees on, and that is that Congress will  
12 have to raise revenue next year, there's no question  
13 about that. One thing we may see are some minor  
14 revenue raisers--minor provisions that raise revenue,  
15 similar to what we had in the Tax Reform Act of '84.

16 Congress also might simply face up to it  
17 and raise our rates; we'll have to see about that.

18 And, the third possibility is a valuated  
19 tax, or a national sales tax, possibly added on to our  
20 present system, not as a substitute. That may not  
21 happen next year, but, it could well happen within the  
22 next two or three years.

23 PRESIDENT CHENOK: Thanks very much, Al.

24 Let's turn to another area where taxes are  
25 a matter of concern, and that is in the accounting

1 area; the Financial Accounting Standards Board has a  
2 project on its agenda relating to income taxes, and  
3 Roger Cason, I wonder if you can tell us how that is  
4 developing, and how you see the effort moving forward.

5 MR. CASON: Thanks, Phil. It's kind of a  
6 dubious distinction to go from talking about paying  
7 taxes to talking about how to account for them.

8 The FASB held a public hearing on this  
9 topic this year; they also, in response to concerns  
10 about the timely guidance standards overload pressure,  
11 held three hearings with smaller companies and their  
12 auditors, to get an idea of how income taxes should be  
13 accounted for.

14 I guess they're a bit perplexed, because  
15 after being told that they should deal with taxes,  
16 make it a major agenda item, if there is a consensus  
17 it is that perhaps what we have is not too bad. A lot  
18 of the responses they're getting is similar to where  
19 we now stand.

20 Some of the issues--I guess the key issue  
21 is whether you're in favor of interperiod allocation,  
22 like you now have, or whether you're in favor of some  
23 kind of flow-through, or income tax method; I know a  
24 lot of the Institute's constituency favors that; the  
25 Technical Issues Committee is supportive of that; if

1       you go to some kind of allocation method, should you  
2       have comprehensive, pretty much like we now have, or  
3       some sort of partial as some countries have; I think  
4       if there is a consensus, probably about where we now  
5       stand would be that consensus.

6               And, then there's the question of if you  
7       have comprehensive you discount it; those who are  
8       concerned about standards overload that this kind of  
9       just really brings fire in their eyes; and, even those  
10      who favor it are worried about its practicality of  
11      being able to do it.

12             Another issue is net operating losses, and  
13      the present rules on tax credits; the question on net  
14      operating losses is, should you ease the rules  
15      somewhat, right now, as you know, our standard is that  
16      you cannot recognize an NOL unless it's assured beyond  
17      any reasonable doubt, and there's some people who work  
18      in Washington, D. C., who define that as, never, at  
19      least, never such as they have seen, and then some  
20      would like that ease, or at least made it clear that  
21      you could recognize them earlier.

22             Their present agenda is to get out an  
23      exposure draft of a standard this year, and a final in  
24      1985.

25             And, I guess in concluding, I have to

1 mention a comment that one of the major companies made  
2 when they were talking about their deferred taxes  
3 where they referred to them as, an unidentified  
4 growing objects.

5 Phil?

6 PRESIDENT CHENOK: Thanks, Roger. You  
7 mentioned a couple of things in the course of giving  
8 the answer, and that relates to the issues of  
9 standards overload and timely guidance. We have seen  
10 activity by the FASB in that area, and this year they  
11 are aggressively dealing with the matter. At the same  
12 time, as you suggested, there's a need to be  
13 responsive to pressing practice problems on a timely  
14 basis.

15 Now, it -- it is a problem to reconcile  
16 these needs, and what I think we'd like to know is  
17 what actions is the Institute taking to deal with the  
18 matter; what's the FASB doing, and do you see any role  
19 for the conceptual frame-work in this question of  
20 giving guidance on more difficult problems?

21 MR. CASON: I guess, Phil, the answer --  
22 probably the easiest one first, on the conceptual  
23 frame-work, one of my partners has point out that on a  
24 recent standard, the board issue, and it had a four to  
25 three vote, those four in favor pointed to certain

1 paragraphs and concept statement three, and supporting  
2 the position, and the three dissenters pointed to some  
3 other paragraphs in concept statement three in support  
4 of their position.

5 So, I would be surprised if the conceptual  
6 framework is helpful in resolving this conflict.

7 And, so what the Institute is doing, as  
8 you know, that there is a special committee of  
9 Standards Overload, chaired by Rholan Larson; one  
10 indication of overload is that at each meeting we had  
11 you get a packet of reading matter, like this, which  
12 takes several evenings to work your way through; that  
13 group has worked hard on trying to get the concept of  
14 differential measurement before the FASB, and to  
15 encourage them to give it due consideration. Last  
16 year, at Council, Don Kirk reported on their view on  
17 that which was somewhat hesitant, at best, and I'd  
18 say, during the year that they've convinced us they  
19 mean it. They were approached on Statement 34,  
20 capitalization of interest; they declined to view that  
21 as a candidate for differential measurement, so, I'm  
22 not too optimistic that that's going to be successful,  
23 although there's still the effort to generate support.  
24 We've also tried to rewrite a standard and  
25 make it in what we would call, simple English, easy to

1 read, and shorter, and on a trial basis we picked up  
2 ASB 34, again, on interest capitalization.

3 We've got a document which we passed  
4 around to the TIC, to the Overload Committee, and to  
5 certain other interested parties, and maybe we picked  
6 them carefully, but, they believe it is simpler to  
7 read.

8 We've had a meeting with the FASB on that,  
9 and some of those people would agree to this--agree it  
10 is easier to read, and we're working forward, on a  
11 cooperative effort, to try and get some change on  
12 those standards.

13 So, I guess I'd say that we're cautiously  
14 optimistic on that.

15 We're also working with them to keep them  
16 sensitized better; even a complex area, perhaps you  
17 can write a less complex standard, although their most  
18 recent ED on computer software--accounting for  
19 computer software, I'm pleased to report that I've  
20 given that, for a cold read, to one of our staff, and  
21 to one of the Institute's staff, and they both have  
22 passed the test by giving the wrong answer as to what  
23 the accounting is in that document. So, we've had  
24 a selective part to that to our rewrite, much to the  
25 horror of the staff who now has to do it.

1           As to what the FASB is doing, they have  
2           formed their timely guidance task force; it has 15  
3           members, most of them are practicing CPAs, although  
4           there are several representatives from industry;  
5           they're meeting monthly to identify new issues, and to  
6           hopefully reach a consensus.

7           Right now, their meeting agenda looks kind  
8           of like the, who's who of financial institution  
9           problems, and you almost have to have a special  
10          dictionary to understand the topics. I believe the  
11          staff and the board is encouraged by those early  
12          meetings.

13          I think, also, that the group itself is  
14          enthusiastic about it, and the idea being that it may  
15          result in less need for new standards.

16          And, finally on the technical bulletin,  
17          just maybe an alert; technical bulletins now can be  
18          issued on wider range of subjects; they can change a  
19          gap; they can change FASB standards; and, they also  
20          have an effective date; so, I believe they are more of  
21          a force to be reckoned with than they use to be.  
22          Also, they are harder to respond to, because I believe  
23          the last two had a 30 day exposure period, and it's  
24          pretty hard to get up an running in 30 days, although  
25          when you first get it, it seems like forever.

1 Phil, I think that pretty well covers how  
2 we are there.

3 PRESIDENT CHENOK: Very good. We talked  
4 about income taxes, and accounting for income taxes;  
5 early, about a year ago, I guess, we had another  
6 development that created concern in the tax area, and  
7 that was the Supreme Court decision granting IRS  
8 access to tax accrual workpapers. At that time there  
9 was some concern about what impact that might have on  
10 the audit process, and I'd like to ask Dave Landsittel  
11 to tell us about how that decision was viewed by the  
12 Auditing Standards Board, and what we might be looking  
13 at in the future.

14 MR. LANDSITTEL: Phil, the quick bottom  
15 line to your question is that we, on the Auditing  
16 Standards Board, do not believe that the Arthur Young  
17 decision should have a significant impact on the audit  
18 process, and our information, to date, indicates that  
19 there is minimal, or no impact on practice at this  
20 point in time.

21 Now, let me give you a little bit of a  
22 background on the decision; as I'm sure almost all of  
23 you are aware, the Arthur Young decision was one where  
24 the Supreme Court ruled that an accountant's tax  
25 accrual working papers are, indeed, relevant to an

1 examiner's examination of the client's tax returns.  
2 Not only did the decision rule that the working papers  
3 are relevant, but, also that the IRS could subpoena  
4 those papers, that there was not a privilege in the  
5 same way that, let's say, the attorneys have  
6 privilege, there's no accountant/client privilege that  
7 would prevent access to those working papers to an IRS  
8 agent.

9 After the Supreme Court decision, the IRS  
10 accounced a reinforcement of a policy that they have  
11 that was helpful to the profession, in that that  
12 reinforcement clearly stated that the IRS will only  
13 seek accountant's working papers on a very restrictive  
14 basis after certain limiting conditions are met, and  
15 that -- that policy has resulted in very few, in fact,  
16 to my knowledge, with respect to our firm, no IRS  
17 requests for auditor working papers in this area since  
18 the Supreme Court decision.

19 With those developments, the Auditing  
20 Standards Board took a look at what the implications  
21 of the decision are; there were fears that the  
22 decision would have a negative impact on our audit  
23 process, notwithstanding the IRS policy statement,  
24 but, after examination, we concluded, on the Board,  
25 that there was no need for any standards setting

1 action on our part in response to the decision.

2 Now, there already is an audit inter-  
3 pretation that's presently outstanding that we believe  
4 that is very relevant to some areas that relate to the  
5 Supreme Court decision; that interpretation was issued  
6 in 1981, and really has three questions and answers  
7 that relate to problems that could come up in this  
8 area.

9 The first deals with what happens if a  
10 client attempts to limit the amount of work that the  
11 auditor perform in the tax area, or, limit the  
12 information that the auditor would have access to in  
13 conducting the audit, and the obvious response to that  
14 is, that for significant areas of the audit, the  
15 auditor is responsible for accumulating a significant  
16 evidential matter, and that any limitations in this  
17 regard would require scope limitation in the auditor's  
18 report.

19 The second area in this interpretation,  
20 deals with audit workpaper documentation in response  
21 to a question of how much documentation does the  
22 auditor need to retain in the tax accrual area in  
23 support of its audit conclusions. The answer in this  
24 interpretation is not a specific one, because in the  
25 final analysis the amount of documentation depends on

1 professional judgment in the particular circumstances  
2 and cannot be specifically articulated.

3 But, the interpretation does caution that  
4 that working paper documentation should be sufficient  
5 to show--to support the auditor's conclusion in the  
6 significant audit areas, such as, presumably, income  
7 taxes in the normal audit.

8 And, finally, the interpretation deals  
9 with the matter of whether the auditor can rely solely  
10 on a legal counsel's opinion in the tax area to  
11 support his work on the adequacy of the income tax  
12 accrual account. And, the interpretation suggests  
13 that this would not be appropriate, primarily, because  
14 the auditor, in the rest of his audit process, gathers  
15 a lot of information with respect to matters that have  
16 an impact, or, potentially, have an impact on the tax  
17 accrual areas, and it's this close inner-action  
18 between income taxes and all the other areas that  
19 require the auditor's involvement that would really be  
20 separable from any procedure that would allow the  
21 auditor to solely rely upon response from legal  
22 counsel in this area.

23 In view of that interpretation that was  
24 issued in 1981, the Auditing Standards Board  
25 concluded, after close examination, that the inter-

1       pretation remains relevant, remained appropriate; we  
2       did put out a notice to practitioners that was  
3       published in the CPA letter that confirmed that inter-  
4       pretation, and also had a closing comment that really  
5       is in direct response to your question, it said, the  
6       Supreme Court decision should not change the auditor's  
7       approach to the audit of income tax accruals.

8               PRESIDENT CHENOK: What about the tax  
9       area, Al, any problems there as a result of the  
10      Supreme Court decision?

11             MR. ELLENTUCK: I would say that we really  
12      haven't had any problems in the tax area. What -- the  
13      most important development was the Commissioner's  
14      reaffirmation of the manual provision that David  
15      mentioned -- or, allowing access to workpapers only in  
16      very unusual circumstances; the Commissioner very  
17      properly came out with a statement that that manual  
18      provision was still in effect.

19             There was a brief flurry of Revenue agents  
20      requesting working papers, and as soon as they were  
21      cited to the manual provision they withdrew their  
22      requests and backed away, and we really have seen  
23      almost no reappearance of that problem of Revenue  
24      agents requesting working papers.

25             There was also isolated situations of

1 attorneys taking the position that the privilege  
2 protected them in working on tax accrual working  
3 papers--or, working on the tax accrual, and I think  
4 that the -- the fact is that the attorney's privilege  
5 in this area is no greater than the CPA's privilege,  
6 and also the ASB's interpretation, back in '81, really  
7 put the matter to rest. So, as we see it, nothing is  
8 happening, and we don't really expect very much to  
9 happen in the near future, or in the long-term future.

10 PRESIDENT CHENOK: That's good.

11 Another hot topic that's hit us during the  
12 year has been issues that relate to banks, savings and  
13 loan associations, finance companies, financial  
14 institutions; I wonder if I could ask Roger Cason and  
15 Dave Landsittel, if they would comment on those  
16 developments; Roger, from an accounting perspective,  
17 and Dave, from an auditing perspective.

18 Roger, do you want to lead off?

19 MR. CASON: I thought for awhile that Dave  
20 was going to let me talk about auditing, but, I see  
21 he's taken care of that.

22 There is a whole series of questions  
23 involving financial institutions; I think lately,  
24 about 80 percent of our agenda has been taken up with  
25 these matters.

1           One question that the Banking Committee is  
2           considering is whether there should be some additional  
3           footnote disclosures for banks; the point being that  
4           all the nice things you like to read about to analyze  
5           the bank are not in the footnotes, they're in supple-  
6           mental information, or in the fore-part for a public  
7           company.

8           Another burning issue is accounting for  
9           loan fees, basically, whether you can bring the fees  
10          in up front as income, or spread them over the loan.  
11          The FASB has added one of our issues paper to its  
12          agenda, and is coming out with an ED on that, or an  
13          invitation to comment, shortly.

14          Another question on loan fees is for  
15          S&L's, whether you can go to, I think, two percent of  
16          the loan amount, or whether you have to cost base it  
17          on a commitment fee; in the days when a typical  
18          mortgage might be less than \$100,000, that percentage  
19          wasn't too bad, but, now when you get 10 and 15, or 20'  
20          million dollar commitments, one, and two percent is a  
21          pretty big number.

22          We have issued a notice to practitioners  
23          on that topic.

24          There's a new--or, at least, a vehicle new  
25          to us which we call, ADC loans, that's acquisition,

1 development, and construction; in its simple form the  
2 S&L loans, to a developer, all of the funds for the  
3 project, including the land costs, the development  
4 costs, and the fees--loan fees, and the interest over  
5 the life of the loan, and the life of the loan is the  
6 life of the construction project, some of them, since  
7 they're, in effect, loaning to themselves--they loan a  
8 lot to themselves, recognize lots of fee income,  
9 that's troublesome to us; we did issue a notice that  
10 was in the CPA letter, and in the Journal of  
11 Accountancy.

12 I also understand that the Home Loan Bank  
13 Board is in the process of considering regulations in  
14 this area.

15 We've issued another notice on ADC loans  
16 dealing with guarantees; the issue is, should you rely  
17 on the guarantee of the developer, and the general  
18 presumption is, no, or, if so, with great care because  
19 of such questions as legal enforceability, and the  
20 practicality of going after a guarantee as opposed to  
21 property.

22 There's an issue of deposit float on  
23 banks, which is, essentially, whether they should  
24 record a liability to the depositor, and a receiveable  
25 from another bank, even though they have not given

1 withdrawal credit to the depositor; our answer to that  
2 is, they should continue present accounting which is  
3 to show the liability, and to show the asset; we  
4 understand the regulators are supportive of that  
5 answer; it's also safe to say it's not a popular  
6 answer in the banking circles, they're opposed to  
7 that.

8           There's an issue called, JENNEMAE dollar  
9 rolls, which is not a new donut, or raisin donut, or  
10 whatever. JENNEMAE dollar rolls are essentially  
11 where you buy JENNEMAE's and sell them on the same  
12 day, so you part with no money to speak of, and then  
13 when the buy back date occurs you roll that forward,  
14 you exercise another repo transaction, essentially --  
15 you need a new dictionary for these; a repo  
16 transaction is where you sell and promise to buy back.  
17 That was of issue with -- we got it in the newspapers  
18 a lot where the thrift organization in California;  
19 it's also been the subject of several meetings with  
20 regulators in Washington.

21           And, to top all this off, we have an  
22 issues paper on accounting for loan loss reserves; the  
23 question is whether you have to estimate in advance,  
24 and record the expense in advance. Our tentative  
25 answer is, generally, no, that presenting accounting

1 for low losses is about right.

2 And, also, both the S&L Committee, and the  
3 Banking Committees, have pretty well concluded they  
4 need to rewrite those audit guides, even though it  
5 seems like just yesterday we passed the banking audit  
6 guide.

7 And, the Finance Companies Committee is  
8 working on a new audit guide for finance companies,  
9 so, this is an active area, and those of you have the  
10 privilege to audit it, it's a new world for you  
11 compared to, let's say, 10 years ago.

12 PRESIDENT CHENOK: Sounds, Roger, like  
13 your Committee should be renamed, the Bank Accounting  
14 Committee.

15 Dave, what about the auditing side?

16 MR. LANDSITTEL: Well, the auditing side  
17 presents a challenge to us as well. Not only does the  
18 auditor have to have the new dictionary in order to  
19 understand the new accounting terms of the accounting  
20 transactions, but, the changing economic and  
21 deregulatory environment that relates to banks and  
22 other financial institutions, really presents, in my  
23 mind, a significant challenge from the audit process.

24 Roger mentioned that presently underway  
25 are contemplated revisions of the bank audit guide,

1 and the development of the new finance company audit  
2 guide; the bank audit guide was issued in a revised  
3 form only a couple of years ago, but, the Banking  
4 Committee monitors, regularly, and very closely, audit  
5 implications in this very fast changing environment,  
6 and as a result of that, there's a pretty clear need,  
7 at this point in time, to redo it again.

8 On the other hand, that process is by  
9 definition one that's slow in terms of a quick  
10 responsiveness to the practitioner for areas to --  
11 that do come up; as a result, the auditing standards  
12 board has worked closely with the banking committee,  
13 and the banking committee has done a significant job  
14 in publishing, from time to time, in the CPA Letter,  
15 notices to practitioners that call attention to parti-  
16 cular audit problems that relate to bank audit area,  
17 for example, dealing with the adequacy of disclosure  
18 about foreign loans, dealing with the auditor's  
19 responsibilities for evaluation of loan loss reserves,  
20 dealing with the audit of loan participations  
21 purchased and sold. So, there are areas that we're  
22 trying to take steps on a timely basis through the  
23 mechanism of providing information in the CPA Letter,  
24 and on the other hand, we recognize that, on a longer  
25 term basis, there is a need to incorporate that

1 information on an integrated basis in the audit guides  
2 that we're developing, and resources are dedicated to  
3 that area.

4 I think that in summary, it's important  
5 for those of us that are involved in bank audits to  
6 recognize the changing environment that the auditors  
7 are faced with, and be aware of the impact of the  
8 changes on the audit risk that we have to evaluate in  
9 our audits of these kinds of institutions.

10 PRESIDENT CHENOK: Dave, I understand that  
11 the Auditing Standards Board has on its agenda a  
12 project that, at least, has some concern for some of  
13 your fellow panel members, and that has to do with how  
14 a CPA's report on information other than historical  
15 financial statements, when third parties are going to  
16 receive that report; obviously, this may have an  
17 impact on all areas of practice; can you give us some  
18 background, Dave, as to what caused this project to be  
19 taken up, and -- or, what some of the varying  
20 attitudes are about it.

21 MR. LANDSITTEL: The Auditing Standards  
22 Board became concerned, really, now, it's been almost  
23 two years, with the fact that over a long period of  
24 time there's been an increasing auditor and accountant  
25 association with the kinds of services--the attest

1 related kinds of services, but aren't audits of  
2 financial statements.

3 There's an overall framework that deals  
4 with audits of financial statements that is  
5 articulated in the 10 GAS Standards, but, at least,  
6 literally read, that framework only deals with audits  
7 of financial statements, and not with these other  
8 related attest services that the accountant is asked  
9 to provide.

10 Overtime in the SASES, and also in the  
11 pronouncements of the Accounting Review Service  
12 Committee, there's been a proliferation of different  
13 kinds of assurances; different levels of assurance  
14 below the standard auditor's report opinion, and  
15 addressing different kinds of services upon which  
16 those assurances are provided, and the project is an  
17 attempt to develop an overall foundation for us to  
18 look to when we are asked to be associated with these  
19 different kinds of services.

20 So, the benefits of this are, hopefully,  
21 the development -- well, let me just back up; at this  
22 point in time the project has developed into one where  
23 we have developed a draft of 11 standards that would  
24 parallel, but not replace the 10 GAS standards--we  
25 still have in place the 10 GAS standards as they

1 relate to audits of historical cost financial  
2 statements.

3 But, we have this foundation of 11  
4 standards, which in many respects are very similar,  
5 which are general standards that we would hope would  
6 provide the foundation for us to look to when the  
7 auditor is involved in these other kinds of attest  
8 services, and other levels of assurance below the  
9 standard auditor's report.

10 So, the benefits of this kind of project  
11 in the eyes of the auditing standards board are,  
12 number one, that it would help the board in providing  
13 a foundation, or a framework that the board could look  
14 to, to perhaps respond on a more cohesive basis with  
15 -- with -- and, not in an ad hoc way when questions  
16 come up on pro forma reporting, reporting on condensed  
17 information, reporting on internal accounting  
18 controls, and other kinds of reporting that deals with  
19 different kinds of assurances the auditor provides.

20 And, it would also provide a benefit to  
21 practitioners in this regard in that it would, at  
22 least, provide general standards the practitioner  
23 could look to when there are no specific standards for  
24 a particular kind of situation that comes up outside  
25 the audit of financial statements.

1           In addition, I think it's important,  
2           because as presently drafted, the -- the standards  
3           provide, in a general sense, boundaries for the attest  
4           function, and these are general, consistent with the  
5           notion that these are general standards, but, it --  
6           for example, articulates that the accountant, in order  
7           to provide an attest service must be competent in the  
8           subject matter upon which he's asked to provide the  
9           assurances, and that there must be some sort of an  
10          objective measurable target upon which the auditor  
11          provides his assurance on, and that would be in the  
12          case of financial information in audits, generally  
13          accepted accounting principles.

14                 In other areas it could be authoritative  
15          principles, or, it could be other kinds of disclosures  
16          in the representations of management that the auditor  
17          is attempting to provide assurances on, that provide  
18          an objective basis for the auditor, so the request is  
19          not merely one that can be responded to with a value  
20          judgment, but rather one that properly applied pro-  
21          cedures would lead to competent auditors to the same  
22          conclusions with respect to that kind of information.

23                 Now, Phil asked what the impact on other  
24          areas of our profession is, and we've had a good deal  
25          of conversation with the MAS Executive Committee and

1 Merle, and with others, and there is, obviously, an  
2 overlap, and I think it's consistent with the fact  
3 that our accountant services these days are not so  
4 clearly divided into three areas of audit, tax, and  
5 MAS, as perhaps they use to be; notwithstanding that  
6 -- I don't want to overstate the impact, because what  
7 we're talking about here is attest, and I kind of  
8 think of that as not being audit, because the word,  
9 audit, has a particular meaning of audit of financial  
10 statements, but, certainly like an audit, and we  
11 define attest in this project to incorporate, number  
12 one, the fact that the accountant is providing  
13 assurances that would go to third parties.

14 Number two, that these assurances that the  
15 accountant is providing, are on assertions that are  
16 management's assertions, so, it's adding credibility  
17 to management's assertions rather than an advocacy  
18 role, or developing expert testimony, which is  
19 something different, and --

20 Third, the result of this would,  
21 presumably, be an accountant's independence, so, we  
22 have a fence around attest that we're dealing with  
23 that I like to characterize as being like an audit  
24 that's a little bit more narrow than sometimes is  
25 perceived, and certainly doesn't mean to encompass

1 traditional MAS and tax services that don't really  
2 have these three elements of attest, the third party  
3 reliance adding credibility to assertions of others,  
4 and independence that we're dealing with.

5 PRESIDENT CHENOK: Dave, reporting on  
6 a perspective financial statement seems to fall some-  
7 where in between audit and attest, I guess; in any  
8 event, the Auditing Standards Board has been dealing  
9 with some projects in that area; do you want to tell  
10 us a little about that?

11 MR. LANDSITTEL: Yeah. Well, it's an  
12 illustration, and probably the best one outside of  
13 historical financial information of attest service  
14 that really isn't an audit service, and -- in 1980, an  
15 AICPA audit guide was published that dealt with the  
16 forecasting area; what that guide provides is guidance  
17 on one particular level of service, and that was  
18 defined as a review level of service, and one parti-  
19 cular kind of presentation, which was defined as a  
20 forecast of the most likely results of the client in  
21 the future.

22 Since that time, and even prior to that  
23 time, there's been a lot of, I would say, increasing  
24 accountant's involvement in the perspective financial  
25 information area. The increase isn't really so much

1 with the Fortune 500 company publishing information of  
2 a perspective nature, and asking the accountants to be  
3 associated with it, but it does come in a number of  
4 different areas; in the financial feasibility area; in  
5 presentations that are encompassed in tax shelter  
6 offerings; and, in private company relationships  
7 between the accountant and the client where, for  
8 example, electronic worksheet type of presentations  
9 are requested by the client for the purpose of being  
10 taken down to the bank as a basis for financing, and  
11 there's been a lot of questions in this area that  
12 continually come up.

13 As a result of that, the Board has  
14 assisted in the development, along with input from  
15 others, in a revised audit guide, which is, presently,  
16 and exposure; that revised guide deals not only with  
17 the review level of service, but defines a compilation  
18 level of service as well, and not only with a  
19 presentation of a forecast, as defined as the most  
20 likely prediction about the future, but, other kinds  
21 of presentations that are comprehensive presentations  
22 of perspective information, a projection, which might  
23 be a, what if--what if I build a plant, notwithstand-  
24 ing whether or not that would be the most likely cir-  
25 cumstance of the future.

1           So, we have this draft guide that's  
2           presently out for comment that does try to expand upon  
3           the guidance within the presently existing 1980 guide.

4           We also, at the same time, have issued a  
5           draft of an authoritative statement in this area.  
6           After a great deal of consideration, the Board  
7           concluded that it would be appropriate seek comment  
8           from practitioners on a more authoritative statement  
9           for two reasons; one, is that when problems have come  
10          up sometimes there needs to be strength of  
11          indorsibility more than that that comes from a guide;  
12          and, secondly, in almost all cases that we have today  
13          in other areas, where there are guides outstanding,  
14          those guides are predicated upon higher level  
15          accounting gap guidance, or, higher level SAS kinds of  
16          guidance, and are really extrapolations of that higher  
17          level of -- in an application in a particular  
18          industry, or area.

19          In the forecasting area, that's not the  
20          case; there is no higher level authoritative umbrella  
21          upon which the guides can be predicated; so, the Board  
22          has chosen to release for comment from practitioners,  
23          and others, a draft of an authoritative statement that  
24          would be authoritative under Rule 201, dealing with  
25          perspective financial information.

1           Now, that document draws out the  
2           significant standard setting aspects that would  
3           ultimately be in sync with the more detailed, how to  
4           do it, guidance that would remain in the guide; the  
5           guide draft, I think, is 120--some odd pages, single  
6           spaced; the standard is like other standards, oh,  
7           certainly, double spaced, 30 pages or so, so consider-  
8           ably less in length in this area.

9           The present status is that the comment  
10          period ends October 26th; we're very anxious to  
11          recieve comments from interested parties in all areas;  
12          it is important that we receive your in-put, and then  
13          the Board, in its deliberations in December, January,  
14          and early spring, will consider the comments very  
15          closely, and determine whether it's appropriate, and  
16          how it's appropriate to go forward.

17          PRESIDENT CHENOK: Dave, you used the  
18          term, authoritative, and then, enforceable, and, of  
19          course, I -- when you used that term, I guess you're  
20          talking about, enforcable under the Institute's Code  
21          of Ethics; now, that process--the enforcement process,  
22          generally involves the use of a program that's known  
23          as the Joint Ethics Enforcement Program, or JEEP; I  
24          know that that is a matter that the Ethics Executive  
25          Committee has been looking at for some time, and I

1 wonder if Monday Lowe, if you can tell us a little bit  
2 about how you see that going, and what kind of legacy  
3 you're going to leave us as you leave the Chairmanship  
4 of the Ethics Division.

5 MR. LOWE: All right, Phil. The JEEP  
6 program is really live and doing well; should -- for  
7 the sake of some of you, let me just give you a  
8 brief background on the Joint Ethics Enforcement  
9 Program.

10 It's really, as you recall, a program  
11 that's a joint effort between the American Institute,  
12 and the State Societies, and those four other juris-  
13 dications--those States and jurisdictions that chose  
14 to become part of a program. We, at the present time,  
15 have 50 of our -- 54 States and jurisdictions that are  
16 a part of that program.

17 Through contract, or arrangement, the  
18 American Institute becomes an agency of the State--or  
19 the jurisdiction, and vice-versa, the State, or juris-  
20 diction becomes an agency of the Institute all for the  
21 purpose of enhancing the administration and  
22 enforcement of our standards.

23 Some of the major objectives that were to  
24 be accomplished as this program was set in place, was  
25 to promote uniformity in the application and interpre-

1           tation of the ethical standards.

2           Also, to promote enforcement in a manner  
3           that could be characterized as being done with an even  
4           hand; those members that were dealt with, say, in  
5           Louisiana as compared to those that were dealt with in  
6           Arizona and New York, would hopefully bring about the  
7           same treatment through Societies operating in the same  
8           manner.

9           One of the big things that the program was  
10          designed for was to eliminate duplication of effort.  
11          Often a member goes through court, and after going  
12          through court has to deal with the State Board, and  
13          after going to the State Board, has to deal with the  
14          State Society, and after going through the State  
15          Society, has to deal with the American Institute. So,  
16          any effort that we could put forth that would  
17          eliminate that process of duplication is certainly  
18          worthwhile, and the JEEP program has been able to  
19          accomplish that.

20          The JEEP process has just been subjected  
21          to an extensive study, and brought about some major  
22          changes in the JEEP program, and the contract that the  
23          Institute and the State Societies and other  
24          jurisdictions operate under; the revised JEEP manual  
25          underwent exposure during the last year and a half;

1 comments were received from the Societies and juris-  
2 dictions, those comments were put into the process;  
3 after making changes in an original draft, that manual  
4 has now been--and, contract, which is part of the  
5 manual, has been considered by those 50 jurisdictions  
6 and the other four jurisdictions that are not a member  
7 of JEEP.

8 I'm happy to report that at the present  
9 time, 44 of the States have adopted that revised JEEP  
10 manual; seven State Societies, at the present time,  
11 were meeting in September and October to consider the  
12 manual, and every indication we have is that those  
13 seven States will also approve the new revised manual  
14 that we have placed in effect.

15 I think the adoption of that manual, as  
16 revised, and then as extensively revised, as far as  
17 the operating procedures for JEEP is concerned, speaks  
18 well for the program, that everyone has had a chance  
19 to see how JEEP is working as an effort between the  
20 Institute and the State Societies, and the effect has  
21 been that I believe that the feed-back has been  
22 through the Societies that JEEP has worked well.

23 I wouldn't to lead you to believe that  
24 there's no problems with JEEP, but, with something  
25 that massive has to continue to be worked with; but, I

1 believe the JEEP program is much improved from where  
2 it was a couple of years ago before the -- this  
3 massive study was undertaken.

4 It provides examples, for instance, on  
5 various correspondence; it's a, how to do it on  
6 investigations; how to do it on moving forward with  
7 cases that a State would be investigating, and so  
8 forth.

9 Phil asked me to tell you what kind of  
10 legacy I would leave as I left the Ethics Division;  
11 Leonard Dobkins of Buffalo, New York, will be taking  
12 over as Chairman effective as of this meeting, and  
13 having a Chairman such as Leonard Dobkins, there's no  
14 need to leave any great, great legacy, because this  
15 guy is so great that the Ethics Division is in good  
16 hands.

17 But, one thing that has been a problem to  
18 the JEEP program is, since it is so massive, and so  
19 many people involved--so many volunteers, all of the  
20 Ethics Committees of the various States and  
21 jurisdictions, all of that staff support that comes  
22 from the staff of those Societies that lend support to  
23 the volunteers in those areas, means that there's a  
24 tremendous problem of communication, of keeping every-  
25 one up to speed on interpretations of the Code, how

1 those interpretations apply, so that we are in every  
2 area of our profession throughout the 54 jurisdictions  
3 apply that even-hand.

4 So, the major emphasis at the present time  
5 is on communications, of bringing about -- we're  
6 exploring, at the present time, those of you that are  
7 familiar with the publication that goes out on State  
8 legislation; we're exploring that side of communica-  
9 tion that would go out periodically to the Ethics  
10 Divisions throughout the 54 jurisdictions, and other  
11 ways to make sure that everyone understands what the  
12 left hand is doing, so that the right hand is in step;  
13 and, in that effort, with a program that has been so  
14 well received, that is so well structured, I feel,  
15 at the present moment, that the only thing that that  
16 program needs is to increase the emphasis on communi-  
17 cation, and Leonard Dobkins has pledged that he's  
18 going to move forward with that, Phil.

19 PRESIDENT CHENOK: That sounds very good.  
20 Let me ask you, if you would, to comment on something  
21 that B.Z., or a report on earlier, that is, the  
22 Council discussion relating to two of the specific  
23 rules, the one relating to Contingent Fees, and the  
24 other one relating to the Commissions; I think that  
25 those members who were here at the annual meeting who

1 weren't at the Council meeting, might like to know a  
2 little more about the discussion; and, also, what the  
3 impact of that will be on the Ethics Division.

4 MR. LOWE: Very good. To those Council  
5 members that might get a bit anxious about me starting  
6 to talk about Commission and Contingent Fee, relax,  
7 because there's not going to be an extensive  
8 discussion.

9 What I would like to do though, for those  
10 members that have not been part of the Council  
11 process, and maybe not exposed to some of the things  
12 that Council has been exposed to, give you just a  
13 brief update on what has happened since May, and you  
14 will recall that at the May, 1984 meeting, Council  
15 rejected a recommendation to ballot the membership on  
16 changes that were being proposed dealing with Commis-  
17 sions and Contingent Fees.

18 You will recall that that ballot was  
19 defeated by a close margin at the May Council meeting  
20 dealing with Contingent Fee; you'll recall that the  
21 present Code has a prohibition on Contingent Fee  
22 engagements, except in very narrow areas where they're  
23 fixed by courts, or where they're determined based  
24 upon results of judicial proceeding, and Council saw  
25 fit, in May, to leave that Rule just as it is.

1           At that same time we were proposing that  
2           some changes be made with interpretations of the Code  
3           dealing with Commissions, and I won't go into what  
4           those changes are, but, the changes were to have the  
5           Commission Rule apply in a less restrictive manner so  
6           that if a member did not have special skill and know-  
7           ledge as a result of his education and experience in a  
8           product of service, well, then the Commission Rule  
9           would not apply to that particular activity.

10           Council rejected that by quite a large  
11           margin of any changes, and we ended up being left in  
12           the same position there with Commissions.

13           There was one other item, and that one  
14           other item was an interpretation that the Institute  
15           had that if you did, in fact, receive a Commission,  
16           disclose that fact to your client, and immediately  
17           pass that condition through to your client, then you  
18           were not in violation of the Commission prohibition  
19           rule.

20           New York, incidentally, also ended up --  
21           before we had that rule, the New York State Society  
22           had that rule.

23           In accordance with the Council it made,  
24           and subsequent action by the Board of Directors, the  
25           Ethics Division moved forward in a normal course of

1 business with enforcing the rule and moving forward  
2 with the cases that we had before us.

3 After that May Council Meeting, the --  
4 letters were received on July the 27th, and September  
5 the 14th, imposing a resolution that came from the  
6 Colorado Society, and just to sum it up briefly, the  
7 Colorado Society was saying to the Board of Directors,  
8 we don't believe that the atmosphere and so forth,  
9 that the debate was carried on in the May meeting was  
10 what we would like to have seen the climate be at that  
11 particular time, and as a result, we're asking you,  
12 the Board of Directors, to place on the October agenda  
13 for the Council meeting, a reconsideration of the vote  
14 on the Contingent Fee rule.

15 At the same time--or, nearly at the same  
16 time, the New York State Society, on July the 11th,  
17 sent a letter, and a subsequent letter in September,  
18 the 18th, I believe it was, enclosing a resolution  
19 urging the Board of Directors to place on the Council  
20 agenda for October, a reconsideration of the pass  
21 through provision, that if, in fact, you did receive  
22 a commission, you disclose it to a client, and  
23 immediately pass that commission through to the  
24 client, that would not be a violation of the rules  
25 covering commission.

1           Now, although the Board did not initiate  
2           either of those requests for consideration--the  
3           Contingent Fee, and the Commission rule, that was  
4           killed in the May meeting, is the obligation of the  
5           Board of Directors to structure the agenda for the  
6           Council meetings, and as you heard this morning, in  
7           order to have any matter considered at Council  
8           meetings is just a matter of presenting a resolution  
9           to the Board of Directors to have that done.

10           So, under those guidelines, on Saturday,  
11           these two items were reconsidered; I could say they  
12           were reconsidered and put to rest, at least for the  
13           time being. So, we do -- if you picked up your  
14           present Code, and if any reason you think it's out-  
15           dated, it's not; it's right where it was two or three  
16           years ago, since 1974 almost, with some new rulings,  
17           and some new interpretation; but, the 13 rules that  
18           were put there in 1974, are the same rules that we're  
19           living under today.

20           And, to tell you how it affects the Ethics  
21           Division, Phil, the message is that the Ethics  
22           Division should enforce those 13 rules as they are  
23           written, with particular emphasis, I believe, on the  
24           Commission and Contingent Fee rule, being read  
25           literally, and enforced that way.

1 I mentioned to you before that the Ethics  
2 Division, after Council's May action, and after the  
3 Board lifted the matter of suspension of enforcement  
4 until Council acted, we did move forward in the Ethics  
5 Division in the normal course of business to enforce  
6 the code as it was written, and to move forward with  
7 those cases that we had under investigation at the  
8 time of the suspension, waiting for Council action.

9 So, our activity from this point on, is  
10 going to be the same activity that we've had for the  
11 last two, or three, and four months, we're moving  
12 forward in the normal course of business to enforce  
13 the code and to move those cases that we have before  
14 us, as we should under the rules that we have.

15 PRESIDENT CHENOK: Monday, that's just an  
16 excellent summary of what took place at two meetings,  
17 and also of the work of the Ethics Committee in that  
18 area, and I thank you.

19 Let me turn to another aspect, if I may,  
20 of the work of our senior committees, and that is,  
21 trying to develop responses to the needs of the  
22 membership. The Accounting and Review Services  
23 Committee undertook a survey of membership attitudes  
24 in that regard, and I'd like to ask Phil Crawford to  
25 tell us about the responses, and tell us what those

1 responses indicate, and what that will mean to the  
2 work of the Accounting and Review Services Committee.

3 MR. CRAWFORD: Just a little bit of back-  
4 ground as to how this project got underway is the fact  
5 that you're well aware that the SAARI, is a relatively  
6 new aspect of our profession, but yet it affects so  
7 many of the practices out there, is that we wanted to  
8 wait a certain period of time to get a feeling as to  
9 how the practice is actually operating, and we've kind  
10 of had this project in the background for the last two  
11 or three years.

12 Earlier this spring, we did develop it; we  
13 sent out approximately, 5,000 questionnaires; the  
14 experts tell us that if we would have gotten 400-500,  
15 it would have been a great response, we, in fact,  
16 ended up in excess of 1,800, or about 36 percent. So,  
17 we find that there's a tremendous amount of interest  
18 in the project, and certainly in accounting review,  
19 and compilation services.

20 One of our major concerns also, is the  
21 fact, that as we, again, toured the country at  
22 speaking engagements, whatever, that there are various  
23 interpretations, or, should I say, reliance upon what  
24 we would utilize as we review our compilation. Numer-  
25 ous times that people were doing exactly the same

1 things between practices, yet, one would issue a  
2 review report, the other would issue a compilation  
3 report.

4 This gave us some concern because our  
5 legal counsel advise us that if a practitioner, in  
6 fact, gets sued, he may be held to the higher standard  
7 of the professional standards as written, or what the  
8 practice standards are in the field.

9 We are still tabulating these responses;  
10 they're down at, in fact, Monday's territory, they're  
11 being tabulated at Louisiana State University; there  
12 are 26 questions with many sub-type questions; we hope  
13 to have these out and finally summarized sometime in  
14 the spring.

15 It may very well be that we're going to  
16 come down to the fact that some of the standards, as  
17 written in SSAR1, may be revised, or changed; at a  
18 minimum, I think, that we will probably be coming out  
19 with some type of practice aids to the practitioners  
20 as to try to more clearly delineate the write-up,  
21 accomplish, and a review. There's just been a wide  
22 diversion of actual practice.

23 One of the things which we've heard quite  
24 frequently, is the fact of, that of engagement letter;  
25 people have indicated that they are requiring them

1 absolutely on compilations, but not on reviews,  
2 whereas within our -- in the actual -- they are not  
3 required at all, and this has created quite a bit of  
4 concern.

5 And, our suspicions have been somewhat  
6 substantiated based upon a preliminary evaluation that  
7 the practice is wide-spread; people are doing things--  
8 you could follow a pattern on a certain bunch of  
9 questions, and you come out with one result; the same  
10 pattern comes down, and you come out with another  
11 result; so, we feel fairly strongly that we probably  
12 will have to have some type of practice aid, or some  
13 type of clarification.

14 I think also that what is happening is the  
15 fact that we've had -- most of us know what an audit  
16 is, and that's when you go in and you just bang it  
17 out, and we come up with an examination. People also  
18 say, well, we know what a compilation is, that's what  
19 I'm going to do that I'm going to put my name on; it  
20 may not be what we interpret as a pure vanilla  
21 compilation, you just take the client's data, perform  
22 the minimal standards required for a compilation, and  
23 put it out. We find a lot of people do not feel that  
24 that is enough in their own personal situation to put  
25 a compilation on, so, they're going to do a little bit

1 more, and often times get very close to the review, if  
2 not a review.

3 Now, they're a little bit perplexed as to  
4 what is the review, and so they're tending to modify  
5 it as an audit--almost as an audit, but, not quite  
6 either, they'll back off.

7 It's very interesting that, like I say, on  
8 some of their preliminary things that every question  
9 seems to be inter-related with the other, and we hope  
10 to generate some very good data; certainly will be  
11 responding in the JofA, or in some type of other  
12 document, the results.

13 PRESIDENT CHENOK: Phil, I understand that  
14 one of the things that came out of the surveys is a  
15 belief on the part of practitioners that we need to  
16 give more guidance in the analytical review area; is  
17 the Committee doing anything about that?

18 MR. CRAWFORD: We are progressing on that;  
19 we found some confusion among practitioners as to what  
20 is an analytical review as envisioned by SSAR1; there  
21 is some little reading of SSAR1 that perhaps no  
22 analytical review is necessary, however, in the review  
23 statement we say that a review does consist of inquiry  
24 and analytical review.

25 We found, also, at least conversational-

1 wise, that there are many practices who, in fact, take  
2 the Appendix A, to SSAR1 as far as develop a list of  
3 inquires, so they have some documentation in the  
4 inquiry; but, we also find that there may not be that  
5 much documentation on the actual analytical review,  
6 the appropriateness or whatever.

7 The Od Board is developing a task force  
8 and has been moving right along on an analytical  
9 review guide, or a cookbook, I don't think it's quite  
10 been defined exactly how it's going to do, Dave, but,  
11 we are going to be writing a chapter, or certainly be  
12 very deeply involved with how it's going to apply to  
13 the review report.

14 PRESIDENT CHENOK: Ladies and gentlemen, I  
15 have to tell you that we have set some kind of a  
16 record this morning; this group has been up here  
17 talking for more than an hour, and the fellow on my  
18 right, Merle Elliott, hasn't said anything, and those  
19 of you that know Merle know that that's quite  
20 uncharacteristic, so, I think I'd better give him an  
21 opportunity to say a few words.

22 Merle, the MAS Committee is doing, and has  
23 done a great deal by way of developing guidance  
24 information for practitioners as well as having set a  
25 couple of standards that were put out several years

1       ago, and I think -- I think the group here would like  
2       to know what you have on the agenda, and what your  
3       plans are for the future.

4               MR. ELLIOTT: Well, I'd like to just  
5       preface this by saying, I've had plenty of opportunity  
6       to have input with Dave Landsittel, and the Auditing  
7       Standards Board, and discussions about the levels  
8       of assurance, and prospective financial statements,  
9       so, I didn't really have to say anything too much  
10      today, and I think when those documents finally come  
11      out, they will be documents that will pretty much  
12      satisfy the profession.

13             We've not addressed ourselves in the past  
14      couple of years to the development of any more  
15      standards; several years ago we developed statements  
16      on standards for management advisory services, numbers  
17      One, Two, and Three, that defined management advisory  
18      services, made the standards binding for the first  
19      time, and also incorporated what had formerly been  
20      called, informal advise, into the binding standards.

21             Having done that, and eliminating 50 pages  
22      of previous non-binding standards out of the profes-  
23      sional standards literature, we decided that our role  
24      ought to be to develop helpful guidance to the profes-  
25      sion rather than developing any more standards in that

1 area.

2 Our approach to that has been, in addition  
3 to various seminars, and annual meetings that have  
4 been largely directed to the interests of the smaller  
5 client and the smaller practitioner, we've undertaken  
6 a program of development and publishing non-binding,  
7 non-authoritative practice aids.

8 Thus far, we've issued, in the past three  
9 years, nine of those; we have over 20 additional  
10 titles under preparation; they have been well received  
11 in the profession; we're not a profit center, but, I  
12 think we probably make some contribution from that  
13 standpoint.

14 Well, we've issued a practice aid on  
15 assisting small clients in securing funds; assisting  
16 clients in maximizing profits; we have a practice aid  
17 on ratio analysis; several EDP related practice aids,  
18 and that, pretty much, is the emphasis that we've been  
19 taking, and we plan to take, and we don't plan to  
20 address any standards unless a pressing need should  
21 develop.

22 And, additionally, we monitor the  
23 activities of the other Divisions, and try to be  
24 helpful and make sure that our voice is heard when we  
25 don't think they're being helpful.

1           PRESIDENT CHENOK: Merle, the discussion  
2 earlier today, in his message to the members present,  
3 B.Z. Lee talked a little bit about the profes-  
4 sionalism, commercialism area, expansion of scope of  
5 services, and the like, and, of course, the manage-  
6 ment consulting area is an area that has seen growth  
7 in recent years in view of segments of the profession,  
8 I wonder if you can tell us, Merle, whether you see  
9 this as a fact, and if so, what basic and fundamental  
10 changes do you think that might make in the profession  
11 itself.

12           MR. ELLIOTT: Well, first, I think it's a  
13 fact, although I believe that business advise, manage-  
14 ment advise, assistance to clients, has been offered  
15 by accountants as long as there has been accountants  
16 around. The preeminence of audit and tax service has  
17 been a relatively recent development in the  
18 profession, so, that MAS is not a new thing, but, MAS  
19 in a structured sense, that is, what we've defined as,  
20 MAS engagements, is becoming more and more an  
21 opportunity for practice expansion in the smaller  
22 practice areas, and MAS consultations, I believe, by  
23 the definition, and by the binding standards, is being  
24 more widely recognized as being a service of value to  
25 clients, one that clients appreciate, will pay for,

1 and properly done is of great value to them.

2 So, I think we're seeing--I know from  
3 talking to practitioners throughout the country at  
4 various meetings that there's a tremendous amount of  
5 increased awareness in the opportunity for advice to  
6 management; sometimes it's called, business advisory  
7 services; and this is the consultation type of MAS,  
8 and with the advent of the micro-computer, the ability  
9 of technology to be made available to the smaller  
10 clients; there's a massive growth and opportunity for  
11 all of us to provide those kinds of services to more  
12 and more clients.

13 PRESIDENT CHENOK: Very good. One of the  
14 things I've learned this year, and it's an opportunity  
15 you have as a new Chairman comes in each year, is a  
16 message from B.Z. Lee, and B.Z. carries around with  
17 him in his wallet a little card with 10 key questions  
18 that audit committees ought to ask their auditors, and  
19 one of those questions is, "is there anything else we  
20 need to know", and I would like to put that question  
21 to our panel, and I'd -- I'd like to do something a  
22 little different in putting that question to the  
23 panel, and that is, I'd like to ask them to respond in  
24 reverse alphabetical order; so, Monday Lowe, would you  
25 take off.

1 MR. LOWE: Well, by golly, it's nice to  
2 head up the list, and it is nice to head up the list  
3 to respond to something that I've been responding to  
4 B.Z. all of this year, as he's talked to -- in the  
5 Ethics Division about ethics, and one thing about your  
6 leader for this past year, he's stayed informed, and  
7 he's known where every committee was, and there's a  
8 great number of things that we need to respect him  
9 for, and that's just one of them.

10 I guess, if I had to, Phil, at this point  
11 say, is anything that the membership of this profes-  
12 sion needs to know, I think I'd remind you of a few  
13 things; I think I'd remind you that as you look at  
14 these leaders here, and the great work that -- this  
15 Institute has some of the finest professional staff  
16 that there is that helps us to move forward with the  
17 projects we have.

18 And, secondly, remind you, I guess, that  
19 -- I believe, personally, that the process works; I've  
20 been involved in this process with the Commissions,  
21 Contingent Fees, and the Ethics area now for a number  
22 of years, and we made recommendations, we have exposed  
23 those recommendations to the membership and to  
24 Council; we've had Council consider them, give us  
25 input, go back to the drawing board, then finally,

1 bring it to a final debate and a vote, and a process  
2 that allows reconsideration for those members that  
3 feel like things have not come out exactly as they had  
4 wished; and, then a vote on the reconsideration.

5 So, I feel very good about where we are,  
6 particularly, at a time when there are imperfections  
7 in our standards of conduct, and it's that process  
8 that I'm talking about also provided the opportunity  
9 to have those imperfections surface, and to provide  
10 for a blue ribbon committee in the name of George  
11 Anderson's committee, the Special Committee on  
12 Standards of the Profession, to take those  
13 imperfections and deal with them, and as we move  
14 forward, with the combination of that process, the  
15 outstanding staff that we have with the Institute, and  
16 the dedicated volunteers, I'll remind you that I feel  
17 very comfortable, Phil.

18 PRESIDENT CHENOK: Dave, do you want to --

19 MR. LANDSITTEL: Phil, I don't want to  
20 comment on specific other projects of our Auditing  
21 Standards Board, we do have a number of other projects  
22 on our agenda, but, I do have a couple of general  
23 observations about our Board that I think are  
24 important.

25 First, I get asked questions a number of

1 times about standards overload, and Roger commented  
2 about accounting standards overload; we're sensitive  
3 to that problem as well. When I first assumed the  
4 Chairmanship responsibilities for the Board a couple  
5 of years ago, more than one individual cautioned me  
6 that my contributions should not be measured in terms  
7 of number of SAS' that are released during my Chair-  
8 manship, so, we do try, as a Board, to be sensitive to  
9 this issue; we've put out at a rate of about three  
10 SAS' a year, and some of those are really up-dates of  
11 prior standards to reflect just changes in our  
12 environment.

13 On the other hand, the Board is -- does  
14 seek a balance, and does feel a responsibility to add  
15 to the support of our practice when we do have  
16 problems that do require standards, and we're not  
17 intimidated by the standards overload issue when we  
18 believe that standards are, in fact, needed to cover  
19 the audit process.

20 Saying that, brings me to a point that I  
21 want to emphasize that I eluded to earlier, and that  
22 is that it really is important for us to get as much  
23 in-put as we can from our membership, and Merle, I do  
24 appreciate your in-put, but, we need in-put from  
25 others in addition to Merle, and we do get valuable

1 in-put from the comment letters that we receive; we  
2 take each comment letter, circulate it to all the  
3 Board, and also the staff takes all the comment  
4 letters and correlates those comments by subject, by  
5 paragraph, in the document, and we look at them  
6 closely, and it is important for you as practicing  
7 members of our profession, and those that interact  
8 with the audit process to give us in-put, because it  
9 is needed.

10 I'd like to close just to comment that  
11 we're in an environment today that's challenging to  
12 our Board, and I think challenging to practitioners;  
13 obviously, we're aware, and I think somewhat  
14 frustrated as a profession by business failures, and  
15 the alleged audit failures that relate to that.

16 The micro-computer has a significant  
17 impact--potential impact on our practice; the audit  
18 process is also impacted by the competitive  
19 environment, and I would say that increasingly  
20 competitive environment that we're involved in today,  
21 and uncomfortable that as a profession we're continu-  
22 ing to deal with that effectively, and I have a  
23 comfort like Monday does in this regard from an audit  
24 perspective.

25 PRESIDENT CHENOK: Merle.

1 MR. ELLIOTT: Okay, Phil, thank you.

2 First of all, I'd like to say that  
3 finishing nine years in the MAS Division, and working  
4 with all of the other Divisions, and if -- if there's  
5 any suggestion that there's any animosity between Dave  
6 Landsittel and I, and the MAS Executive Committee, and  
7 the Auditing Standards Board, that is not true; we  
8 have disagreed frequently, but, I don't believe we've  
9 ever had a disagreeable meeting, so I'd have to echo  
10 Monday's comments that with the quality of profes-  
11 sionalism of the volunteers who work in the  
12 Institute's activities that you have little to fear,  
13 but, if they don't hear from you--if we don't hear  
14 from you in the MAS Division about the guidance that  
15 would be useful, we miss an awful lot, so, I think if  
16 I close with anything that I think the group needs to  
17 know, is the leadership of the Institute is dedicated  
18 and committed to doing the best they can to improving  
19 practice, and most -- most of the volunteers are  
20 involved in practice. Many of the volunteers are from  
21 government and industry, and in connection with those  
22 that are in industry, one of the things that the MAS  
23 Division is, at least, contemplating is providing some  
24 helpful guidance in the management area as opposed to  
25 management advisory, so, this would be something that

1       once we feel we have gotten pretty well along on our,  
2       how to consult library, that's comprised of our  
3       practice aids, we may address that, how to manage  
4       area.

5               PRESIDENT CHENOK:   A1?

6               MR. ELLENTUCK:   Thanks, Phil.

7               You know, there's been so much attention  
8       focused on the flat rate tax that there's been another  
9       trend, very insidious, that's been developing, and I'd  
10      just like to mention it.

11              In the Tax Reform Act of 1984, Congress  
12      had proposed a provision that would require the  
13      preparer to not only examine the records wherever  
14      travel and entertainment was involved, or, wherever  
15      the mixed use of business and personal property, such  
16      as automobiles, or computers was involved, would it  
17      require us to go in and examine those records, and  
18      verify that they were correct; that disturbed us very  
19      much, not only because of what we thought it would do  
20      to the cost of income tax returns, but, because of  
21      what we thought it would do to the relationship  
22      between us and the taxpayer, and the client.

23              We fought very hard against it; we  
24      testified, and made a major effort against this  
25      provision, and ultimately we were successful; Congress

1 eliminated the examination and verification  
2 requirement, and we're very pleased; what we're doing  
3 now is attempting to monitor the situation when the  
4 next time Congress gets together to legislate again,  
5 to make sure that, or, at least to be aware in the  
6 event that this type of approach rears its ugly head  
7 again.

8 To me, this is a perfect example of what  
9 the Tax Division, and the Institute can do for members  
10 and practitioners, and for the tax system itself, and  
11 we plan to do a lot more of this.

12 PRESIDENT CHENOK: Phil, would you like to  
13 comment?

14 MR. CRAWFORD: I echo the other members up  
15 here about the responses. I'd also like to indicate  
16 that one of the things that would be very helpful as  
17 you respond to exposure drafts, that even though you  
18 have no negative comments about aspects of it, that if  
19 you were in favor, that that is very helpful also.

20 One of the other projects which we've  
21 undertaken is getting back to the interim financial  
22 statements, you're all pretty aware of the computer  
23 prepared exposure draft we put out a number of years  
24 ago, and had in excess of 800 responses; we found  
25 that there are many people who were, in fact, in favor

1 of it who didn't respond because they thought things  
2 always come out the way it's exposed; we're watching  
3 with great interest the deliberations of the OD Board  
4 and the perspective financial statements as to how  
5 they come down with internal use, and as to what the  
6 aspects of that may be on historical financial state-  
7 ments.

8 PRESIDENT CHENOK: Roger, we end up with  
9 you.

10 MR. CASON: Some of those responses on  
11 those quick tear-outs are interesting. I particularly  
12 like the ones along the lines of, please give me the  
13 name and address of the person responsible for  
14 paragraph six.

15 Probably, every overload committee the  
16 Institute has ever had has said, please do something  
17 about the leasing standards, statement 13, and this  
18 latest committee is no exception; we've had several  
19 meetings with the FASB; I'd say the staff is  
20 sympathetic, but, they've just gone to the Board for  
21 the second time to add leasing to the agenda, and for  
22 the second time the Board has declined, and the one  
23 reason I believe is that if you're going to simplify  
24 the leasing standard, you have, basically, two  
25 choices, one, you capitalize no leases and disclose,

1 or, you capitalize virtually all leases, and there's a  
2 significant objections to both of those stands, and  
3 that's kind of the horns of the dilemma, so, I'm not  
4 optimistic that we're going to see a revised standard,  
5 although the staff of the FASB is working on a  
6 simplified written version of the existing, I don't  
7 know, 10 or 15 standards we have.

8 Another item that EXCEC has just cleared  
9 is our LICAL (sic) Issues Paper, which is starting to  
10 attract some flak from industry on the grounds that it  
11 does not have due process; I guess in response to that  
12 I would say that it has received rather broad distri-  
13 bution; we have received letters from FEI and others;  
14 we believe we've addressed those letters; we've also  
15 had staff of the SEC and FASB, attend all of our task  
16 force meetings; we think it can be a useful issues  
17 paper; the troublesome feature is that the FASB  
18 probably will not deal with it, although with the  
19 current building concern about it, they may, and if  
20 they don't, the SEC is making initial noises to the  
21 effect that, well, it's the only thing around, so,  
22 we'll follow it.

23 It should come out by the end of the year;  
24 I'm told that the Institute has 1,000 back orders for  
25 it right now; it hasn't yet gone to the printing

1 press, so, again, we may have a profit center here,  
2 Phil; but, we do think it's helpful; we passed it by  
3 the Tax Executive Committee, and they've advised us  
4 that the conclusions--advisory conclusions in the  
5 paper, they feel would not cause a conformity problem.  
6 We were pleased to hear that.

7 PRESIDENT CHENOK: Ladies and gentlemen,  
8 you've been very, very attentive, and very patient  
9 with the panel; I'd like to give you an opportunity  
10 now to raise any questions that you have of any of us;  
11 there are a few mikes around the room, if anybody  
12 would like to address a question to the panel, please  
13 do so.

14 MR. HERTZ: I'm Ron Hertz of New York; I  
15 made some comments at the Council meeting, and I'd  
16 like to refer those comments again here in regard to  
17 the question of the AICPA getting involved in contro-  
18 versial, political, and economic issues.

19 I'd like to agree with Mr. Ellentuck's  
20 position that the points being made on the question of  
21 administrative penalties and so forth, are an  
22 excellent function of the AICPA Tax Division, but, in  
23 contrast, I would like to say that the Institute  
24 position on a progressive income tax is not, that's a  
25 very, very large philosophical question.

1           The major early proponents of the  
2           progressive income tax were Marx and Engel in the  
3           Communist manifesto; as a matter of fact, the income  
4           tax has been and always probably will be seen as a  
5           system of redistribution of income, and certainly not  
6           a great American tradition, in fact, it violates due  
7           process among other amendments to -- among other  
8           sections of the Bill of Rights, and, therefore,  
9           required a Constitutional amendment 71 years ago, the  
10          16th Amendment, which certainly was a different kind  
11          of amendment from others which tended to advance the  
12          Bill of Rights, and not contradict it. It certainly  
13          is not a benchmark of fairness from any point of view  
14          as far as tax systems are concerned.

15                 More, the Instituted should not be taking  
16          positions on alternative tax methods, or any other  
17          national economic, or political issue. In the  
18          particular case of the tax system, one, the Tax Divi-  
19          sion may be the least qualified to comment on such a  
20          broad economic question as alternative tax systems,  
21          because the Tax Division is not -- does not consist of  
22          economists; two, we jeopardize our credibility if we  
23          take such a position when we, obviously, have such a  
24          clear vested interest in the present system.

25                 Three, we should be actively protecting

1 our clients, as I indicated before, and the  
2 profession, from totalitarian implications of enforce-  
3 ment methods, and other nightmarish aspects of the  
4 present system.

5 But, essentially, the -- the point is,  
6 that the issue of alternative tax systems is highly  
7 controversial, and not one where the Institute has a  
8 proper role, except, perhaps, to present analytical  
9 data without conclude its philosophic conclusions with  
10 a pro, or anti, socialist.

11 Thank you.

12 PRESIDENT CHENOK: Al, I think that the  
13 question is, why did the Tax Division take the  
14 position it took; the speaker argues a point of view  
15 which is that the Institute shouldn't necessarily  
16 speak out on national social, and economic issues.  
17 That is debatable; I think that other of our members  
18 might have a different view; but, I'm not prepared to  
19 address that as a concept, directly; however, Al,  
20 would you want to address the question, specifically,  
21 of the background here?

22 MR. ELLENTUCK: Thank you, Phil. As I  
23 said in Council, I'm certainly not going to defend  
24 Marx and Engel, someone thought they were a firm out  
25 in California.

1           In all seriousness, and I think the ques-  
2           tion raised is serious, I don't mean to diminish it;  
3           the issue of the flat tax is an issue that is being  
4           actively considered at the Congressional level; it's  
5           being actively talked about in the press, and I'm sure  
6           that your clients have asked you about the flat tax,  
7           it's of great interest.

8           I felt that we would be abandoning our  
9           duty to the profession if we didn't speak out; the  
10          comments that we made were extremely well thought  
11          out--very carefully done, and I must say that when you  
12          take a stand like this, you expect a great deal of  
13          flak, in fact, the comment that we received was almost  
14          100 percent favorable, including in the press, and it  
15          seems to me that the Division, and the Institute  
16          should speak out on interests of importance for the  
17          profession, and to the tax system, and that's what we  
18          did.

19                PRESIDENT CHENOK: Thank you. Yes, sir?

20                MR. BROWNER: My name is Paul Browner from  
21                Rockville, Maryland.

22                Al, I have, perhaps a, stop beating your  
23                wife, question for you as well; I consider it a hollow  
24                victory that you won before Congress in reducing the  
25                CPAs from auditing clients' travel and automobile,

1       etc., records for IRS, to monitoring them with a  
2       statement from the clients. As you said, I believe  
3       that this is a primary step in destroying the  
4       relationship between the client and the CPA. It seems  
5       to me that if IRS needed such information they could  
6       have easily gotten it with questions on the tax  
7       returns so that the client has to attest to it as  
8       they've done in the past.

9               I guess my question is, why couldn't you  
10       have done better for us in standing up to IRS?

11              MR. ELLENTUCK: Well, I wish we could have  
12       done better. We -- the original proposal was a  
13       horrendous proposal, as I explained; it would have  
14       required us going in and actually auditing these  
15       numbers. Congress, from what I can see, has a  
16       definite interest in putting the CPA to work for them.  
17       What we ended up with, and as you know, the  
18       legislative process is a process of compromise; we,  
19       essentially, got them to back off the whole ball of  
20       wax, and what they did was, basically, a face-saving  
21       device on their part to make them feel that they were  
22       getting some form of compromise.

23              The -- all that's required at this point,  
24       is a statement signed by the tax payer, just another  
25       form--we're use to those forms, and just a little

1 administrative difficulty; but, I would say that it  
2 was not a hollow victory, that it was a major victory,  
3 and I -- I think the real concern is that they may try  
4 to do it again, and that we would do as well the next  
5 time they bring it up.

6 PRESIDENT CHENOK: I have a couple of  
7 questions that were submitted on cards, and they're  
8 both in the Ethics area, and I'd like to address them,  
9 concurrently, to Monday Lowe, because they, in raising  
10 a question, present a couple of different points of  
11 view.

12 The first says, "is it anticipated that  
13 the Ethics Committee, and the Special Anderson  
14 Committee will heed the voice of Council and  
15 membership, or, may we expect continued foreriders on  
16 the professionalism contained in the Ethics Code".

17 The second question is: "What measures  
18 are being taken to reinforce, and revise, if  
19 necessary, the Code of Ethics, as it pertains to  
20 members, and industry".

21 Monday, do you want to take a shot at  
22 that?

23 MR. LOWE: You bet, Phil.

24 First of all, won't you let me answer the  
25 latter part of that question first; there's been a

1 great deal of concern over the Code of Ethics as it  
2 relates to members and industry, government, and  
3 education, and prior to the Anderson Committee coming  
4 along, there was a great deal of work done in the  
5 Ethics Division; number one, to make certain that any  
6 recommendations that we make, would move toward --  
7 move to Council, and to the membership for action,  
8 would bring about a code that would apply to all  
9 members of this Institute; I think there are ways to  
10 do that, and now is not the time to discuss them.

11 But, the question is good; it's one that you  
12 should be aware is never -- we never lose sight of the  
13 fact that there's a great deal of work to be done in  
14 that particular area, because we have a present code,  
15 in my opinion, that's deficient in that area, and  
16 the question is one that everyone should leave here  
17 realizing, as the Anderson Committee also deals with  
18 that issue--it deals with it with the full knowledge  
19 that we are deficient in the present code, and that  
20 much attention needs to be given to that.

21 As to the second part of that question;  
22 I'm not aware of a single instance when the Ethics  
23 Division, or, anyone working with the Ethics Division  
24 has not been completely sensitive to maintaining the  
25 highest levels of professionalism, and that issue has

1       been debated so often by so many of us, we realize  
2       that there is a debate over eroding professionalism in  
3       our profession in favor of what many term as, commer-  
4       cialism.

5               Personally, I can stand here and say to  
6       you that as we dealt with that issue, we held that  
7       particular item of professionalism as sacred as any-  
8       thing that anyone could have in the Division; there  
9       are probably some recommendations that came to you  
10      that prompted that question, and in the Ethics  
11      Division, as we move forward with recommendations, we  
12      move those recommendations, based upon all the  
13      pertinent facts and situations that exist at the  
14      present time.

15             But, you can be assured that as far as  
16      professionalism for this profession, I don't believe  
17      there's a single person that I've worked with, does  
18      not have one mind about making sure that through  
19      integrity, and objectivity, and competence, and all  
20      those other things, that we continue to move this pro-  
21      fession forward so that the publics we serve, and  
22      those bodies that regulate us, will have no doubt in  
23      their minds that we have one mind as far as profes-  
24      sionalism is concerned.

25             PRESIDENT CHENOK: Thank you very much,

1 Monday.

2 Are there any other questions?

3 (Negative response.)

4 If not, I'd like to, on behalf of the  
5 group here today, thank the panel for a splendid dis-  
6 cussion. I think that they will agree that the  
7 leadership of the senior committees of the Institute  
8 is in good hands, and will continue to be in good  
9 hands, and I would like, on behalf of the group here,  
10 to thank all of you who are on the panel, for our --  
11 our session today.

12 Thank you, very much.

13 (Whereupon, at 12:05 o'clock, p.m., the above-entitled  
14 matter was concluded.)

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16 C E R T I F I C A T E

17 G E O R G I A )

18 COBB COUNTY )

19 I, Floyd D. Salas, being a Certified Court  
20 Reporter, do hereby certify that the above and foregoing,  
21 consisting of pages 1 through 71, inclusive, is a true and  
22 complete transcription of my stenographic notes taken at the  
23 said proceedings, and was reduced to typewriting by me,  
24 personally.

25 I further certify that I am neither of

1 kin, nor counsel to any of the parties hereto; nor  
2 financially interested in the event of these causes.

3 WITNESS my hand and official seal at  
4 Marietta, Cobb County, Georgia, this, the 25th day of  
5 October 1984.

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8 FLOYD D. SALAS, C.C.R.  
B-435

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