

University of Mississippi

eGrove

---

Newsletters

American Institute of Certified Public  
Accountants (AICPA) Historical Collection

---

2-1998

## Practicing CPA, vol. 22 no. 2, February/March 1998

American Institute of Certified Public Accountants (AICPA)

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_news](https://egrove.olemiss.edu/aicpa_news)



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

### Recommended Citation

American Institute of Certified Public Accountants (AICPA), "Practicing CPA, vol. 22 no. 2, February/March 1998" (1998). *Newsletters*. 1700.

[https://egrove.olemiss.edu/aicpa\\_news/1700](https://egrove.olemiss.edu/aicpa_news/1700)

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).



FEBRUARY/MARCH 1998

**WHAT'S INSIDE**

Highlights of recent pronouncements (A summary of authoritative pronouncements issued during the past twelve months by the AICPA, FASB, and GASB). . . . . 2

Your Voice in Washington (AICPA testifies before Congress on marriage penalty and AMT). . . . . 5

Upcoming AICPA conferences. . . . . 5

PCPS assesses future communication needs of its members. . . . . 5

MAP committees collaborate to help practitioners deal with management issues and capitalize on change. . . . . 8

How to turn voice mail into a valuable business and marketing tool. . . . . 8

A practitioner describes twenty keys to successful personal marketing. . . . . 9

Two new affinity programs announced. . . . . 9

A reminder to help PCPS expand the scope of its member contact database. . . . . 10

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



# The Practicing CPA

## APPROACHES TO THE Y2K PROBLEM

"The Year 2000 (Y2K) Problem" or "Millennium Bug"—the inability of certain computer hardware and software to properly process computations using dates after the year 1999—could result in CPA firms defending themselves against malpractice claims from current or former clients who incur costs or experience business interruptions due to such problems.

### Why is there a problem?

The basic problem originates from the two-digit representation of the calendar year within many computer systems. When a computer operation is required using the "year" field and the field shows two zeros, errors will result because of the equipment's inability to interpret this information as a date after 1999.

Several leading technology organizations have estimated costs to correct the problem to range from \$200 billion to \$600 billion or more for governments and companies worldwide. But, while the costs to fix Y2K problems are high, the potential costs associated with failing to address them on a timely basis will be even greater.

Problems in areas such as accounting, purchasing, inventory management, payroll and employee benefits administration, and telecommunications are likely to develop for businesses that fail to address the situation. Plaintiff attorneys and experts in information technology are already creating strategies for holding system/software developers and service providers, including accounting and consulting professionals, liable for costs and losses incurred as a result of the Y2K problem.

Deferring necessary solutions due to costs may even compound the problems. Other factors impacting organizations are the availability of qualified people to do the work and the relatively limited time to accomplish the tasks required. Each problem must be addressed, with solutions and Y2K-compliant systems tested, installed, and fully operational before January 1, 2000. In certain situations, date-related problems may occur much earlier. Many banks have already ceased to issue credit cards with expiration dates in the year 2000 due to this impediment.

This situation is not like an engagement to prepare a client's tax return—*there aren't any extensions!*



## **The implications for CPA firms rendering financial statement-related services**

CPAs providing services related to financial statement preparation (audits, reviews, and compilations) should acquaint their clients with the Y2K problem and its implications. These include not only the direct effects of potential deficiencies in the clients' internal systems, but also hidden ones caused by deficiencies in the systems of their major suppliers and vendors—even major customers. Following are some ways to inform financial statement clients about the Y2K problem.

- Publish an article about Y2K issues in your client newsletter. This can be an effective means of communication.
- Y2K may be addressed in the engagement letter prepared in connection with all professional services.
- Include information about the problem in a management letter issued in connection with professional services related to the client's financial statement.
- Send a special letter describing the year 2000 problem to every client.

These methods all create *written evidence* that the client was informed of the possible problems and solutions associated with the Y2K problem. In the event of future client disputes or even litigation regarding the problem, the CPA firm will be better equipped to defend its actions by establishing proof not only that the client was informed of the problem, but also *how and when* this communication took place.

Whatever method you use to inform clients of the problem, it is important to maintain meticulous records which document

- The written correspondence provided to each client concerning the issue.
- The method of delivery used to transmit each piece of relevant correspondence to the client.
- The date on which the correspondence was transmitted to the client.

You should maintain copies of letters and documents provided to clients and establish an overall control method to verify that all clients have been informed of the Y2K dilemma appropriately and in a timely manner.

In addition to providing clients written notice that they need to investigate and address the Y2K problem, you should carefully document all year 2000 discussions with clients in

your workpapers. Comments indicating a need for further follow-up with clients should likewise be addressed, and actions documented. Each note should be dated and signed by the professional who spoke to the client. Consideration should be given to the fact that all workpapers can be subpoenaed in litigation and all comments closely scrutinized.

## **What to tell clients about the Y2K problem**

Items to be covered include a description of the generic problem and an overview of the potential implications both to the client's operations and to the client's financial statements.

The generic problem is the inability of systems to correctly handle date-based operations or processing. Implications to client operations and financial statements are dependent on many variables specific to each individual client. The size and type of business, type of computer hardware and software used, and the extent of computer interfacing with other entities will all affect the client's need to address such operational problems.

Examples of specific operational problems include the inability of financial institutions to process interest calculations based on loan dates, the inability of manufacturers to process shipping orders based on customer reorder date specifications, and the inability of human resources departments to process pension payments based on long-term, date-based calculations.

You should also recommend that the client, using either internal resources or external assistance, initiate a program to

- Review and assess internal systems compliance.
  - Research alternative solutions, along with the applicable cost considerations.
  - Select and test the best solution. Companies may find that developing or purchasing upgrades or whole new systems best meets their needs due to the cost, difficulty, and time required to identify and correct problems in an existing system.
  - Implement and install required system modifications.
- Information technology specialists in analyzing the Y2K problem offer two fundamental recommendations for businesses:
- Designate an employee whose primary responsibility will be to coordinate the steps necessary to analyze and respond to the Y2K problem.

*continued on page 6*

**The Practicing CPA** (ISSN 0885-6931), February/March 1998, Volume 22, Number 2. Publication and editorial office: Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Copyright © 1998 American Institute of Certified Public Accountants, Inc. Printing and mailing paid by PCPS/ the AICPA Alliance for CPA Firms. Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

**Editor:** Graham G. Goddard

**Editorial Advisors:** J. Mason Andres, Texarkana, AR; Jerrell A. Atkinson, Albuquerque, NM; William R. Brown, New York, NY; Lucy R. Carter, Goodlettsville, TN; James Castellano, St. Louis, MO; W. Thomas Cooper, Louisville, KY; Dale L. Gettelfinger, New Albany, IN; Walter G. Goerss, St. Louis, MO; Robert L. Israeloff, Valley Stream, NY; Wanda Lorenz, Dallas, TX; Lawrence R. Lucas, Moscow, ID; Will T. McQueen, Greenville, SC; Bea L. Nahon, Bellevue, WA; Judith H. O'Dell, Wayne, PA; Edward F. Rockman, Pittsburgh, PA; Abram J. Serotta, Augusta, GA; Gary S. Shamis, Solon, OH; Ronald W. Stewart, Monroe, LA; Jimmy J. Williams, McAlester, OK.

## HIGHLIGHTS OF RECENT PRONOUNCEMENTS

### **FASB Statements of the Financial Accounting Standards Board**

No. 131 (June 1997), *Disclosures about Segments of an Enterprise and Related Information*

- Supersedes FASB Statement nos.
  - 1) 14, *Financial Reporting for Segments of a Business Enterprise*, but retains the requirement to report information about major customers;
  - 2) 18, *Financial Reporting for Segments of a Business Enterprise—Interim Financial Statements*;
  - 3) 21, *Suspension of the Reporting of Earnings per Share and Segment Information by Nonpublic Enterprises*;
  - 4) 24, *Reporting Segment Information in Financial Statements That Are Presented in Another Enterprise's Financial Report*;
  - 5) 30, *Disclosure of Information about Major Customers*.
- Supersedes FASB Technical Bulletin no. 79-8, *Applicability of FASB Statements 21 and 33 to Certain Brokers and Dealers in Securities*.
- Amends:
  - 1) FASB Statement no. 94, *Consolidation of All Majority-Owned Subsidiaries*, to remove the special disclosure requirements for previously unconsolidated subsidiaries;
  - 2) APB Opinion no. 28, *Interim Financial Reporting*, to require disclosure of selected information about operating segments in interim financial reports to shareholders;
  - 3) Other existing pronouncements.
- Establishes standards for:
  - 1) The way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders;
  - 2) Related disclosures about products and services, geographic areas, and major customers.
- Requires:
  - 1) That a public business enterprise report financial and descriptive information about its reportable operating segments;
  - 2) That a public business enterprise report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets;
  - 3) Reconciliations of total segment revenues, total segment profit or loss, total segment assets, and other amounts disclosed for segments to corresponding amounts in the enterprise's general-purpose financial statements;
  - 4) That all public business enterprises report informa-

tion about the revenues derived from the enterprise's products or services (or groups of similar products and services), about the countries in which the enterprise earns revenues and holds assets, and about major customers regardless of whether that information is used in making operating decisions;

- 5) That a public business enterprise report descriptive information about the way that the operating segments were determined, the products and services provided by the operating segments, differences between the measurements used in reporting segment information and those used in the enterprise's general-purpose financial statements, and changes in the measurement of segment amounts from period to period.
- Effective for financial statements for periods beginning after December 15, 1997. Earlier application is encouraged.

No. 130 (June 1997), *Reporting Comprehensive Income*

- Amends various existing pronouncements.
- Requires that:
  - 1) All items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements;
  - 2) An enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position.
- Effective for fiscal years beginning after December 15, 1997. Earlier application is permitted.

### **GASB Statement of the Governmental Accounting Standards Board**

No. 32 (October 1997), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

- Rescinds GASB Statement no. 2, *Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457*.
- Amends the investment guidance for Internal Revenue Code (IRC) Section 457 plans in GASB Statement no. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Establishes accounting and financial reporting standards for IRC Section 457 deferred compensation plans of state and local governmental employers.
- Effective for financial statements for periods beginning after December 31, 1998, or when plan assets are held in trust under the requirements of IRC Section 457, subsection (g), if sooner.



## **GASB Technical Bulletin**

No. 97-1 (November 1997), *Classification of Deposits and Investments into Custodial Credit Risk Categories for Certain Bank Holding Company Transactions*

- Provides guidance regarding the classification of deposits and investments into custodial credit risk categories for certain bank holding company transactions in the form of questions and answers.
- Explains how, depending on certain sets of circumstances, deposits and investments with bank holding companies should be classified under the custodial risk categories in GASB Statement no. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*.
- Applies to all state and local governments that report property tax transactions in governmental funds.
- Effective for financial statements for periods beginning after December 15, 1997. Earlier application is encouraged.

## **GASB Interpretation**

No. 5 (November 1997), *Property Tax Revenue Recognition in Governmental Funds*

- Interpretation of National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles*.
- Amends NCGA Interpretation 3, *Revenue Recognition—Property Taxes*, by modifying the definition of *available* as the term relates to property tax revenue recognition using the modified accrual basis of accounting.
- Applies to all state and local governments that report property tax transactions in governmental funds.
- Effective for financial statements for periods beginning after June 15, 2000. Earlier application is encouraged.

## **Statement on Auditing Standards**

No. 85 (November 1997), *Management Representations*

- Supersedes:
  - 1) SAS no. 19, *Client Representations*;
  - 2) Auditing Interpretation no. 2 of SAS no. 19, entitled "Management Representations When Current Management Was Not Present During the Period Under Audit."
- Amends SAS no. 58, *Reports on Audited Financial Statements*, by expanding the procedures a predecessor auditor should perform when asked by a former client to reissue his or her report on the financial statements of a prior period.
- Establishes a requirement that the independent auditor obtain written representations from management as part of an audit of financial statements performed in accordance with generally accepted auditing standards.
- Provides guidance concerning the representations to be obtained.
- Includes an illustrative management representation letter

and an appendix containing additional representations that may be appropriate to be included in a management representation letter in certain situations.

- Effective for audits of financial statements for periods ending on or after June 30, 1998. Earlier application is permitted.

## **Statement on Standards for Attestation**

### **Engagements**

No. 7 (October 1997), *Establishing an Understanding With the Client*

- Amends SSAE no. 1, *Attestation Standards*, "Attestation Standards," to incorporate guidance about practitioners establishing an understanding with the client regarding the services to be performed.
- Effective for engagements for periods ending on or after June 15, 1998. Earlier application is permitted.

### **Statements of Position**

97-3 (December 1997), *Accounting by Insurance and Other Enterprises for Insurance-Related Assessments*

- Provides:
  - 1) Guidance on accounting by insurance and other enterprises for assessments related to insurance activities;
  - 2) Guidance for determining when an entity should recognize a liability for guaranty-fund and other insurance-related assessments;
  - 3) Guidance on how to measure the liability.
- Allows for the discounting of the liability if the amount and timing of the cash payments are fixed or reliably determinable.
- Provides:
  - 1) Guidance on when an asset may be recognized for a portion or all of the assessment liability or paid assessment that can be recovered through premium tax offsets or policy surcharges;
  - 2) Requirements for disclosure of certain information.
- Effective for financial statements for fiscal years beginning after December 15, 1998. Earlier adoption is encouraged.

97-2 (October 1997), *Software Revenue Recognition*

- Supersedes SOP 91-1, *Software Revenue Recognition*.
- Provides guidance on when revenue should be recognized and in what amounts for licensing, selling, leasing, or otherwise marketing computer software. It should be applied to those activities by all entities that earn such revenue. It does not apply, however, to revenue earned on products or services containing software that is incidental to the products or services as a whole.
- Effective for transactions entered into in fiscal years beginning after December 15, 1997. Earlier application is encouraged as of the beginning of fiscal years or interim periods for which financial statements or information have not been issued.

## YOUR VOICE IN WASHINGTON

### ***AICPA testifies before Congress on marriage penalty and AMT***

The AICPA told Congress recently that the marriage penalty should be repealed or—at a minimum—reduced, and that millions of taxpayers face having to calculate the alternative minimum tax (AMT) over the next ten years, if Congress does not act.

The AICPA offered the House Ways and Means Committee several recommendations for approaching the marriage penalty problem at a January 28, 1998, hearing. They include

- Providing on one return a separate calculation of each spouse's taxable income and using a single tax-rate schedule that would apply to all individuals.
- Providing a deduction to reduce the marriage penalty, such as the two-earner deduction.
- Providing a tax credit to alleviate some of the marriage penalty.
- Adjusting/broadening the current rate/bracket schedules applicable to married individuals.
- Adopting standard phase-outs for three income levels—low-, middle-, and high-income taxpayers—and adopting one standard phase-out method.

The Institute followed up its testimony by hosting a roundtable on Capitol Hill in mid-February, which gave members of Congress and their staffs a chance to meet with AICPA members about pending marriage-penalty relief legislation and to discuss likely solutions.

The AICPA also recommended changes to the AMT to the House Ways and Means Committee at a February 4, 1998, hearing. Acknowledging that there is no "simple solution" to the AMT because it means a loss of revenue to the government, the Institute said Congress should consider

- Indexing the AMT brackets and exemption amounts.
- Eliminating itemized deductions and personal exemptions as adjustments to regular taxable income in arriving at AMT income.
- Eliminating many of the AMT preferences by reducing for all taxpayers the regular tax benefits of AMT preferences.
- Allowing certain regular tax credits against AMT.
- Providing an exemption from AMT for low- and middle-income taxpayers with regular tax-adjusted gross income of less than \$100,000.
- Considering AMT impact in all future tax legislation.

Eliminating the individual AMT is also an alternative for Congress to consider, the AICPA pointed out, particularly because of its complexity.

Copies of the AICPA's testimony on the marriage penalty and AMT are available on the AICPA's Web site: <http://www.aicpa.org/members/div/tax/index.htm> ✓

## AICPA CONFERENCE CALENDAR

Tax Strategies for the High Income Individual

**May 6–8**—The Fairmont, New Orleans, LA

Recommended CPE credit: 16 hours

(Optional session on **May 6**: 7 additional CPE hours)

Professional Practices

**May 18–19**—Bally's, Las Vegas, NV

Recommended CPE credit: 16 hours

Employee Benefit Plans

**May 18–20**—Fountainbleau Hilton, Miami Beach, FL

Recommended CPE credit: 24 hours

Practitioners Symposium

**May 31–June 3**—Caesars Palace, Las Vegas, NV

Recommended CPE credit: 32 hours

Assurance Services

**June 4–5**—Caesars Palace, Las Vegas, NV

Recommended CPE credit: 16 hours

Spring Tax Division Meeting

**June 8–10**—Caesars Palace, Las Vegas, NV

Recommended CPE credit: 8 hours

Investment Planning

**June 11–12**—JW Marriott, Washington, DC

Recommended CPE credit: 16 hours

Tech '98 Computer & Technology

**June 14–17**—Hilton, New Orleans, LA

Recommended CPE credit: 24 hours

Not-for-Profit

**June 18–19**—Grand Hyatt, Washington, DC

Recommended CPE credit: 16 hours

(Pre-conference optional program on **June 17**.)

Recommended CPE credit: 4 hours

---

To register or for more information, contact AICPA Conference Registration, tel. (800) 862-4272.

## TO OUR READERS

Since August 1991, PCPS has financially sponsored the *Practicing CPA* in order to maintain its mailing list of 62,000 CPAs, including those in non-PCPS firms, and other individuals, as well as CPAs in the 7,100 PCPS firms. Currently, PCPS is assessing the future communication needs of its members and expects that the next several *Practicing CPAs* will be combined monthly issues.

The PCPS executive committee welcomes your comments as to the types of information and communication vehicles you believe would benefit PCPS member firms. Send your ideas via tel. (800) CPA-FIRM or FAX (800) FAX-1112.

## **Y2K Problem—continued from page 2**

- Create an implementation schedule and emphasize the importance of all personnel's adhering to every established deadline.

It is imperative that clients communicate to their employees the critical nature of the Y2K problem. Absent such a directive, there is a natural tendency for people to procrastinate, addressing business issues which do not presently impact the business, but which may result in future problems.

### **What else should you tell clients?**

Even though a client's internal systems may be compliant, serious financial and operating difficulties could be encountered if major suppliers and others cannot meet the client's production requirements, delivery schedules, payment terms, or other operational requirements due to their failure to correct date-related system problems. CPAs should therefore recommend clients verify that the systems of major business partners are Y2K compliant as well. If clients initiate these discussions with their suppliers and major customers now, they can eliminate confusion and serious business problems in the future.

### **What about the financial statement implications?**

Clients should also consider the impact of the year 2000 problem on their financial statements. Under existing generally accepted accounting principles, companies are required to expense as incurred, both the external and internal costs specifically associated with modifying internal-use software to be Y2K compliant. (See Financial Accounting Standards Board (FASB) Emerging Issues Task Force Issue no. 96-14.)

If the solution involves developing or purchasing and installing completely new internal use systems, capitalization and amortization of costs may be appropriate. (See, for example, FASB Statement of Financial Accounting Concepts no. 6, *Elements of Financial Statements* (par. 25-34); FASB Statement no. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*; and proposed AICPA Statement of Position (SOP), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. This proposed AICPA SOP is expected to be finalized the first quarter of 1998. CPA firms and their clients are encouraged to watch for its publication.

Companies also need to consider whether or not their financial statement disclosures are appropriate based on their individual situations and the requirements of generally accepted accounting principles. For example, SOP no. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, and FASB Statement no. 5, *Accounting for Contingencies*, should be consulted. If the Y2K problem poses significant contingencies with respect to future sales, future production, or other operating functions or results, financial statement disclosures may be necessary.

For public companies, the required disclosures may be even more extensive. For example, disclosures may be required in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Business" sections of annual reports and SEC filings. For further

guidance, consult the SEC's Divisions of Corporation Finance and Investment Management *Staff Legal Bulletin no. 5*, issued October 8, 1997, and revised January 12, 1998.

### **What are the audit/review/compilation implications for CPAs?**

You need to be prepared to discuss the system implications as described above with clients and evaluate the clients' accounting and disclosure decisions when performing audits, reviews and compilations.

You also need to be technically competent in the systems issues to be able to critically and independently evaluate managements' representations and assertions of the impact of the Y2K problem and the plans and actions being taken by clients to address these issues before the deadline. Client representations that "all is well" or "we've got it under control" will not be sufficient.

CPA firms will find themselves in one of three positions:

- The CPA firm's auditing personnel are fully qualified from a systems/software perspective to address year 2000 issues and to evaluate specific client situations.
- The CPA firm has qualified personnel in its information systems consulting practice area and these personnel are available to assist auditors in their evaluations of client systems/software.
- The CPA firm does not have the requisite in-house technical skills and must utilize the services of outside information systems/software specialists to help address specific client situations and assist in the evaluation of client efforts to address and fix problem applications.

In addition to the accounting and disclosure matters, you need to be alert for data contained in clients' financial statements for years prior to 2000 that may be based, in whole or in part, on computer-generated date-based calculations. If the Y2K problem exists in a client's system, such data may be incorrect and in need of adjustment. For example, financial statements may include information on debt maturities, and this information may be based on computer-generated listings or summaries. If the Y2K problem exists and the summaries are not properly calculated, financial statement classifications and disclosures could be in error.

### **What are the implications for firms rendering information systems consulting services?**

CPA firms that have *previously* provided computer hardware or software or other information systems consulting services to clients should acquaint these companies with the Y2K problem and the systems implications. In the event the CPA firm recommended or sold computer hardware or software to a client in the past, it is important to alert the client to the problem. Do not make independent representations about whether or not the client's software is millennium compliant, however.

While it is helpful to make the client aware of the software manufacturer's representations regarding the performance of the product, these representations may or may not prove to be true for the individual client's situation. Research performed

by Greenwich Mean Time, a year 2000 consulting firm, indicates that 93 percent of personal computers shipped before 1997 had BIOS software (software built into the hard drive of the computer which is used to start up the system) installed that exhibited date-related problems associated with the new millennium.

In addressing the Y2K problem with either current or former clients, bear in mind that each client situation is different. Some companies may have qualified internal resources to address and correct the problem, while others must depend on consultants and other external service providers for assistance. The message, however, should be the same as discussed above.

Along with providing clients with problem awareness, recommendations should be made that companies review and assess compliance, research alternative solutions, select and test the best solution, and complete the system modifications before the year 2000. *The CPA should maintain documentation of when and how such information was communicated to the client. Whenever possible, a letter should be directed to the client evidencing the communication of this information.*

In situations where CPA firms are engaged to assist clients in addressing the year 2000 problem, engagement letters should be carefully prepared to clearly define the scope and limitations of the engagement and the responsibilities of each party, and should be signed by the client prior to the initiation of services. Clients are likely to require assurance that systems developed or installed by the CPA are in compliance with year 2000 requirements.

If the CPA firm is engaged to provide and install pre-packaged computer software for a client in order to solve the problem, the firm will typically test to verify that the software operates in the client's environment. While the CPA firm is responsible for its own work, the firm should identify the performance warranties provided by the software developer/manufacturer and explicitly state that the firm does not provide any additional warranties regarding the software itself.

If the CPA firm develops or modifies existing software to meet the client's needs and the client wants assurance about year 2000 compliance, caution is highly recommended. Both oral and written representations made regarding the performance of computer software developed or modified by the firm can potentially be used against the firm in litigation if the software fails to perform as expected by the client.

Any form of written warranty provided by the CPA, whether in a proposal, an engagement letter, or some other communication should be reviewed by legal counsel. As in many other situations, the use of boilerplate language is generally not desirable. Language tailored to fit the circumstances of the specific client engagement and situation will provide the best result for both the CPA and the client.

### **What are the implications for firms rendering other services?**

CPA firms providing other professional services (for example, tax, personal financial planning, litigation support services,

### **Information sources**

The year 2000 task force of the AICPA has published guidance on the applicable accounting, disclosure, and auditing standards pertinent to the Y2K matter on its internet site (<http://www.aicpa.org>). Also, the AICPA's *Compilation and Review Alert 1997/98* addresses this matter as it relates to those services.

Additional information about the Y2K problem can be found at other internet sites. Approximately 10,000 pages of information on this problem are available. Many sites are updated frequently, providing current information regarding the problem and available resources. In addition to the AICPA site, also consider those of the various state societies, as well as the following:

- <http://www.year2000.com>
- <http://www.auditserve.com/yr2000>
- <http://www.comlinks.com>
- <http://www.compinfo.co.uk/y2k.htm>
- <http://www.gao.gov>

etc.) to clients also need to be alert to the Y2K problem. CPA firms should use *all* client service engagements as opportunities to acquaint clients with the generic Y2K problem and should suggest that clients thoroughly study and assess the potential effects on their specific situations. Although the CPA generally does not have a professional responsibility to do so, bringing this matter to clients' attention can improve and expand business relationships. As recommended above, maintaining thorough documentation of all communications and recommendations to clients relating to this subject is important.

The nature of potential Y2K-related system problems and the possible solutions for them are continually evolving. Staying vigilant in maintaining current information on this issue and following through both in addressing the problem within the CPA firm and in keeping clients informed is good business practice and can help CPA firms avoid unnecessarily exposing their practice to malpractice claims related to the Y2K problem. ✓

*This article should not be construed as legal advice or a legal opinion on any factual situation. Its contents are intended only for general information.*

—by **John McFadden, CPA, CFE** and **Joseph Wolfe, Risk Management, CNA Pro, CNA Plaza, 36 South, Chicago Illinois, 60685, tel. (800) CNA-8060 (option 4)**

*Editor's note: Continental Casualty Company, one of the CNA insurance companies, is the underwriter of the AICPA Professional Liability Insurance Program. CNA is a registered service mark and trade name of CNA Financial Corporation.*



## MAP COMMITTEES COLLABORATE TO HELP PRACTITIONERS

For over twenty years, now, the management of an accounting practice (MAP) committee at the Institute has sponsored meetings with state society MAP committees with a view to exchanging information on the development and implementation of practice management programs and encouraging collaborative activities on practice management topics.

State societies are encouraged to send both staff and committee representatives to these annual one-day meetings which, typically, include discussions of ongoing state society and national MAP programs, critical issues facing associations and MAP committees, and ways to work together to enhance the delivery of practice management products and services to local practitioners.

Agenda topics last year, for example, included an update on major AICPA activities such as the Vision Project, a new benchmarking program for CPA firms, and five practice management issues that had been identified as the pre-eminent ones during the year.

Other presentations, panel discussions, and roundtables dealt with capitalizing on change, finding and keeping good staff, the latest developments in hardware and software, and MAP committee operations and communication. Because *change* sometimes seems to be the only constant in the accounting profession these days, here is a brief report on the presentation given by Gary S. Shamis, a Solon, Ohio, practitioner, and chair of the PCPS MAP committee.

### Capitalizing on change

Mr. Shamis said that given the changes buffeting the CPA profession, there is little doubt that the CPA firm of the future will be considerably different from the firm of today. Already, competitive factors and technological developments have changed the services firms offer and the way they are delivered to clients.

At some firms, for example, the core business has changed. The firms are shifting from accounting, auditing, and tax services to offering financial services—in effect, becoming financial services organizations in which technology is replacing people.

In other instances, CPA firms are offering services such as human resources and automation consulting. Some firms are developing niches in retirement administration, payroll, insurance, loan and mortgage procurement, and services to the legal profession. Mr. Shamis said that Saltz, Shamis and Goldfarb, Inc., has developed a niche in money management.

It is expensive to change core competencies. You need to develop or hire people with the necessary skills and learn how to motivate a changing workforce. Some of the methods Mr. Shamis mentioned included alternative career tracks, flexible time schedules, and the Employee Stock Ownership Program that Saltz, Shamis, and Goldfarb, Inc., established in January 1995. Mr. Shamis said such programs enable the firm to continue attracting talented people to its ranks. (See the

September 1995 and May 1996 issues of the *Practicing CPA*.)

Looking ahead, Mr. Shamis predicts that continued developments in communication technology will change the way firms conduct business. More use will be made of video conferencing, Internet connections and online services for research, news, and information, and for communicating with clients. In fact, he says, with portable computers, cellular phones, and pagers, CPAs can network anywhere at any time. With fewer face-to-face meetings, he believes business will become increasingly impersonal.

Nevertheless, Mr. Shamis thinks it is an open marketplace and there are opportunities for local firms. He says CPAs should educate themselves to change, develop the tools to succeed, and plan their course.

This year's meeting will be held on May 8 at Caesars Palace in Las Vegas, Nevada. To broaden the exchange of information on developing and implementing practice management programs, meeting invitations will also be sent to CPA firm associations. Further details will be announced in coming months. ✓



## DON'T LET VOICE MAIL HURT MARKETING

Surveys show that many people find voice mail systems annoying or difficult to use. Voice mail can be a valuable business and marketing tool if used correctly, however. Here are some ideas.

- Give callers an option of talking to another knowledgeable person or leaving a voice mail message for the person they really want to reach.
- Make sure the receptionist is exceptionally courteous and helpful to any caller who is annoyed by the system. Then have a key person contact the caller to apologize for any inconvenience.
- Train all staff to record concise, informative messages about their availability and when they will call back.
- Implement a firm policy to ensure everyone checks his or her voice mail regularly and returns calls promptly. Monitor the policy periodically and counsel violators.
- Require firm personnel to accept calls when at their desks and to not use voice mail as a screening device.
- Print people's voice mail direct numbers on their business cards and correspondence so callers can bypass the switchboard.

With established procedures, such as the above, voice mail can aid your marketing efforts, not hinder them. Clients and prospects will be encouraged to leave detailed messages for the person they are trying to reach at any time, on any day of the week. In turn, callers will hear your voice and obtain the information they want concerning your availability. ✓

—by **Troy A. Waugh, CPA**, *Waugh & Co., P.O. Box 1208, Brentwood, Tennessee 37024-1208, tel. (615) 373-9880, FAX (615) 373-9885*

## TWENTY KEYS TO SUCCESSFUL PERSONAL MARKETING

In my article, "How to Be a Rainmaker," in the November 1997 *Practicing CPA*, I stated that I believe business is generated through the collective efforts of everyone on the staff, rather than just one person's, and that the real role of the rainmaker is to be the leader—the teacher and trainer—in the firm's sales efforts. As the rainmaker, you need to be visible. Following are some ideas.

### Your positioning

- Package yourself like a product. You need to know your best features and the benefits you can offer.
- Understand your market and what you are really selling.
- Determine your marketing objectives and develop a personal marketing program. If you consistently strive toward well-defined goals, you are more likely to attain them.
- Choose one industry and immerse yourself in its study. It is better to make an impact in only one industry than to risk making no impact in several.
- Choose a special area beyond your bread-and-butter services and develop high proficiency in it. Then, consistently pursue opportunities in that special area.
- Determine your standards—the type of clients you want and what sets you apart from others.
- Develop outside interests and get other people involved in them. Celebrate your approach to life and enrich the experiences of those around you.

### Your communications

- Become a great storyteller. This is a good way to showcase your abilities and entertain others without bragging.
- Present yourself at your best. People often don't have the technical expertise to judge you by the quality of your work, so they assess you by your oral skills and appearance.
- Make every relationship count. Create quality relationships with clients, referral sources, prospects, employees, colleagues, vendors, and others.
- Information is power. Use every opportunity to share it. When you offer good advice in one area, people assume you can help them in other areas of business.
- Discover and exploit your marketing tools: publicity, public speaking, article writing, and so on. Use the right communications media to draw attention to your great ideas.
- Package your services to meet the needs of your market. The way you describe yourself and your services has a major impact on how clients and prospects perceive your value.

### Your approach

- Be creative. Be different. Don't follow the lead of others. Stand out. Develop your own positive creative energy, and others will follow.

## TWO NEW AFFINITY PROGRAMS

**AICPA credit card.** The AICPA has contracted with First USA Bank to be its only authorized affinity credit card provider (replacing Marine Midland Bank). The AICPA/First USA program offers a Visa Gold or Platinum card with a six-month introductory rate of 4.9 percent, followed by a low annual rate of 13.99 percent, plus "Value Miles," a free airline miles program.

Members will receive an application for the AICPA/First USA credit card direct from First USA Bank. For further information, call the AICPA, tel. (800) 862-4274.

**IBM discounts.** AICPA members can save 7 percent on the cost of the IBM Aptiva System Units, retail models of IBM ThinkPad 365 and 385 notebook computers, consumer monitors, printers, options, and software lines.

To purchase these products, call IBM, tel. (800) 426-7354, and refer to key code 5245 and PIN AIC98.

- Constantly grow, both professionally and personally, and encourage and enable your staff to grow as well.
- Think big. Don't limit yourself to orderly and consistent progress in the growth of your practice. Look at the big picture but don't disappoint on the details.
- Learn to delegate. If you're already swamped, you are not likely to make time for marketing.
- Be passionate. Persuasion is based on emotion, not logic.

### Your opportunities

- Stay close to clients, trend-setters, referral sources, prospects, and others. Conduct formal and informal surveys. Understand the attitudes and needs of all your influences.
- Involve, empower, and challenge your staff. Without excellent services to follow up your promises, you have nothing. Surround yourself with the brightest, most creative people possible and involve them in the marketing of your firm.

### Measuring and monitoring

Evaluate your progress quarterly. You need to review what works and what doesn't, and to revise your plan as needed.

You should determine whether you obtained new clients or additional work from present clients, and whether further skills are needed in areas such as computer training, time management, presentation, and writing. The final step is to communicate the progress made toward achieving your goals. ✓

—by **Stephen G. Roberts, CPA**, *Roberts, Cherry and Company, P.O. Box 4278 (71134), 650 Olive Street, Shreveport, Louisiana 71104-2298, tel. (318) 222-2222, FAX (318) 226-7150*

# PCPS MEMBER INFORMATION UPDATE REMINDER

PCPS/Partnering for CPA Practice Success, the AICPA Alliance for CPA firms, provides a wide range of tools and resources that enable CPA firms to succeed in today's marketplace. To help serve its members more effectively, PCPS is expanding the scope of its member contact database. This will enable PCPS to put valuable information directly in the hands of the professionals within your firm who can make most use of it.

All PCPS members are being asked to provide any of the contact information listed below (if it applies to your practice). Kindly fill out the following information form and FAX to (800) 329-1112.

Name of firm \_\_\_\_\_

Primary address \_\_\_\_\_

Phone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_ Website \_\_\_\_\_

Name of contact concerning PCPS membership \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

Name of A & A partner \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

Name of Tax partner \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

Person in charge of firm administration \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

Person in charge of firm marketing \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

Person in charge of human resources \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

Name of technology manager \_\_\_\_\_

Telephone \_\_\_\_\_ FAX \_\_\_\_\_ E-MAIL \_\_\_\_\_

If any professionals listed above are not located at the firm's primary address, please attach address information to this form. If you would like information on how your firm can join PCPS, call (800) CPA-FIRM.

ADDRESS SERVICE REQUESTED

Harborside Financial Center  
201 Plaza Three  
Jersey City, N.J. 07311-3881  
(201) 938-3005  
Fax (201) 938-3404

**PCPS/ the AICPA Alliance for CPA Firms**

Non-Profit Organization  
ZIP + 4 BARCODED  
U.S. POSTAGE  
PAID  
American Institute of  
Certified Public Accountants