Practicing CPA, vol. 25 no. 4, May 2001

American Institute of Certified Public Accountants (AICPA)

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news

Part of the Accounting Commons, and the Taxation Commons
MAY 2001

WHAT'S INSIDE
Impact your top line now . . . 1
Investment Advisory Workshop . . . 3
The accounting profession's labor crisis: damage control . . . 3
AICPA's study on reform of the estate and gift tax system . . . 4
Setting up a telecommuting program . . . 5
PCPS Update—the Gramm-Leach-Bliley act, new service lines . . . 7

IMPACT YOUR TOP LINE NOW

The economic slowdown is affecting the top line of many firms across the country as client companies cut back on purchasing noncompliance services and become increasingly concerned about fees. In response, as business slows, firms tend to cut expenses and attempt to become more efficient. Eventually, a serious effort has to be made to improve revenues immediately, as competition for the limited dollars being spent becomes more aggressive than ever before.

Here's an idea that has generated increases of 12 percent to 20 percent in revenues for many of my clients over the years: "It's payback time."

The shoemaker's kids go barefoot
In our sales training programs, we have attracted retail salespeople in addition to professionals. After years of training salespeople, it dawned on me that the most successful salespeople possessed traits that we CPAs take for granted, such as being organized and systematic. Your firm can be much more successful at boosting revenues by being better accountants—when it comes to managing the top line of your business.

It is simply a matter of applying organizational and systemizing skills to tracking referrals. Unfortunately, most firms do not apply their skills in this way, as they have not thought of it or they think it requires too much effort. No one wants additional paperwork; however, business may slip through your fingers, and you may lose future referrals because of this. Because we often do not track the referrals we give out, we lose many in return.

Immediate business now
Gather partners and managers together and hand them a blank piece of paper. Have them title the page, "Who Owes Me?"

Have everyone list the referrals they have given out over the past two years, to the best of their recollection, with the referral sources, the name of the client
or company referred, and the amount of the estimated fees involved in the referred business.

It is especially vital to recognize those referral sources that owe you return referral business but for whatever reason have not paid you back.

We, as CPAs, are often very good referral sources for other professionals and businesses. Typically, we have more contact with the client’s business than do others and the client often sees us as a center of information to the marketplace.

Many CPAs give referrals to—
- Computer consultants.
- Attorneys.
- Bankers.
- Insurance people.
- Securities brokers.
- Financial planners.
- Other CPAs.
- Real estate agents.
- Clients.
- Other business consultants.

But often, due to shyness or weak control over the situation, you do not get your share back.

Putting together a payback list is a good brainstorming exercise in a group setting because you may forget what was given to a referral source, but others may remember. And if non-partners in the exercise are involved, it gives them buy-in to the business development process and drives the message home about how important new business is.

Once this list is constructed, everyone needs to contact those people on their list for a meeting. It’s absolutely amazing, but CPAs all over the country tell me how often it is that when they meet face-to-face with a referral source, a referral to them occurs soon after that—it is almost a direct relationship.

How do you set up such a meeting? I’m a strong believer that referral relationships are a lot like dating—there has to be frequent social contact for the relationship to go anywhere. The place to discuss referrals is never in the referral source or client’s office—this is a personal matter. Of course, many CPAs do not like leaving their offices, and the thought of buying lunch chills their very souls—but it works.

Try this: Call up someone on the list and say: “Joe! Hi! It’s Jane Smith—how are you? I’ve been looking through my calendar and I realized you’re one person I don’t want to lose contact with. We haven’t seen each other in a while. When are you available for lunch?”

**Keys to referrals**

There are certain ingredients to successfully obtaining referrals. Violate these at your own risk:

- **Location.** Where you ask does make a difference. Of course, getting together in any type of social setting—ball games, theater, golf courses, and at mixers with other professional firms—is also a good idea as it acts as a trigger mechanism for referrals.
- **Specifics.** Telling the referral sources specifically what type of business you are looking for, and where, helps narrow down their thought processes, and aids in their identifying prospects for you.
- **Previous experience.** Obviously, if you have done lousy work in the past, you are not going to get too many referrals.
- **Future reciprocation.** Referrals are a two-way street.
- **Affability.** If they like you as a person, they will go out of their way to help you.
- **Asking.** People cannot read minds. You cannot expect others to help you if you do not let them know what you want.

At lunch—
1. Discuss the referrals you have given the referral source.
2. Tell them how much you appreciate the fine work they have done for the people referred.
3. Indicate that you are looking to welcome new clients and boost your business this time of year.
4. Then tell them what you are looking for.
5. Suggest that if they run across someone with those specifications, you would certainly appreciate it if they would refer the business to you.

---

**The Practicing CPA (ISSN 0885-6931), May 2001, Volume 25, Number 4.** Publication and editorial office: Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Copyright © 2001 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: Laura Inge**

**Editorial Advisors:** August J. Aquila, Ph.D., Minneapolis, MN; J. Mason Andres, Texarkana, AR; Jerrell A. Atkinson, Albuquerque, NM; William E. Balhoff, Baton Rouge, LA; James Castellano, St. Louis, MO; W. Thomas Cooper, Louisville, KY; Rodney M. Harano, Honolulu, HI; Neal Harte, Woburn, MA; Lawrence R. Lucas, Moscow, ID; Harold L. Monk, Jr., Gainesville, FL; Bea L. Nahon, Bellevue, WA; Vinay S. Navani, East Brunswick, NH; Austin G. Robertson, Jr., Shreveport, LA; Abram J. Serotta, August, GA; Gary S. Shamis, Solon, OH.
**Overcoming concerns**

The preparation is done, it is time to act, and now the doubts begin. “Oh—but I am afraid that they will think poorly of me if I come right out and ask. After all, I’m not starving and I’m not going out of business tomorrow.” But there is a lot of business out there going to someone else in the marketplace because you have not asked for it. Change that now!

I’ve found that other professionals and clients respect you more when you ask for business. All of a sudden, you are a real businessperson in their eyes. Many have said to me and other CPAs, “What were you waiting for? I didn’t know you wanted it. Every time I talk to you, you’re so busy.”

If, after spending the time, you see that some people do not help you out with referrals, you have to keep that in mind for the future. Do not invest your referrals in those who will not reciprocate in kind.

**Different kinds of referrals**

There are many ways a referral source can help you build your business now even without the direct referral to a new client:

- They can refer you to another referral source. Your contacts have other contacts and relationships you do not have. Tap into them now and expand your horizons.
- They can hand-carry you into organizations. Most CPAs join the wrong organizations and then wonder why it does not work. There are groups out there you may not even know about! It is best to be introduced into an organization by someone, as you walk into a group of already existing relationships from the referred party.
- They can make contacts for speaking engagements and/or articles. It is harder to do this kind of marketing as a stranger. I tried for six years to get my own state society to sponsor one of my sales training courses as a mere member. It happened overnight, however, when I asked one of my CPA clients to help—he personally knew the CPE director.

Build your practice now by meeting with people who owe you. If nobody owes you, and you owe him or her, it’s a good idea to get together anyway. Remember—you can help them even without the direct client referral. ✓

---

**INVESTMENT ADVISORY WORKSHOP**

Add even more value to your attendance at the AICPA National Investment Planning Conference, created in partnership with the Illinois CPA Society, on June 25–26, 2001, in Chicago. Make plans to attend the How to Set Up and Run an Investment Advisory Practice Pre-Conference Workshop on Sunday, June 24, 2001.

Gain valuable insight from top practitioners and experts on how to set up an Investment Advisory Practice. Plus, find out how to select the right technology and research tools to efficiently run your practice. Do not miss this opportunity to gain practical, revenue-enhancing knowledge and earn an additional seven continuing professional education credits. For further information or to register, please call (888) 777-7077 or visit www.aicpa.org/conferences.

Don’t delay! Register today and maximize your learning experience!

---

**THE ACCOUNTING PROFESSION’S LABOR CRISIS: DAMAGE CONTROL**

This is the second in a series of four articles dealing with the profession’s most prominent crisis: a current staff shortage and a future bleak in terms of a trend reversal.

The staff shortage that the profession is currently coping with is likely to get worse—possibly much worse. Facing a current 20 percent decline in accounting majors in college, a decline in the number of CPA exam applicants, and a decline in interest among high school students in entering the profession, it stands to reason several things will happen. Expect—

- Significant encroachment by others in the profession, not only of staff, but equity members, too.
- Continued salary and benefit pressures from prospective employers outside of the profession.
- An ongoing challenge by current and future staff members reassessing the decision to embrace public accounting.

To survive, a practice needs to create an environment that makes it difficult for staff (including owners) to leave. A byproduct of this step is the same—positive environment will assist in attracting new staff. Keeping current and attracting future employees is a multidimen-

---

*By Allan Boress, CPA, CFE, a speaker and trainer on the subject of personal marketing, systematic selling, and client retention Phone: (954) 345-4666 E-mail: aboress@aol.com. He is the author of the I Hate Selling tapes, which are available on bis Web site, www.ihateselling.com.*

---

*continued on page 4*
ional challenge. Why students choose—or refuse—public accounting and what is likely to motivate them to stay can be distilled, I believe, into four key categories. Here are the significant issues I believe must be addressed.

**Salary and benefits**

Salary, repeatedly, has surfaced as a major issue for the profession. Potential members of the profession are confronted by a salary differential of $8,000 to $10,000 (and occasionally more) between the starting salaries at CPA firms and those offered by other professions. Coupled with the salary issue is the fact that most CPA firms offer a benefits package that most often lags behind offers that prospects might receive from the non-public accounting sectors. In addition, many face the additional cost of another year of college to meet the 150-hour requirement. Considering the financial impact, it is not surprising they are opting for other fields.

To have a significant chance to retain the better current employees and owners and attract new ones, the profession must be competitive. To offer a competitive salary, the money has to come from three possible sources: increased fees, the owners' current profits, or improved practice efficiency. Most likely, it will be some combination of the three. If you have not already eliminated unprofitable services and clients, and even clients that are difficult for the owner and staff to serve efficiently, now is the time. It is also time to start being selective about new clients and whether you can be optimally cost-effective in providing requested services. If not, refer them to affiliated entities.

**Hours**

Very closely tied to the salary and benefits is the matter of hours. A paradigm within the profession has long been, “Work long, long hours and you’ll be rewarded.” It is, for the most part, generally accepted by many firm owners, simply because that is what they always did. It has not been generally accepted by staff for a number of years, and is very likely being rejected by prospective staff. My recommendation is to base everything—salaries, client services required, budgets, and profitability—on every member in the firm working a standard 2,080 hours per year. If overtime is required, people are paid for it. This is managed by either billing the client for the services or costing it, if it is a firm project. This suggestion will have obvious short-term complications but long-term benefits.

**Nature of the work**

We cannot do much about this one. Simply put, accounting is accounting. It is not glamorous or exciting.

However, conscious decisions by CPAs and firms to enhance the work environment will certainly help. Pay attention to such matters as flex-time, working at home, four-day weeks, facilities (including personal security), personnel issues, and communication. One final point in this area: Never, never "sacrifice" your employee to a demanding client. The client can be replaced—the employee, likely not.

**Future with the firm**

In a survey I conducted of more than 80 accounting department chairs at universities throughout the country, I was taken aback by the fact that students who are considering entering public accounting do not envision it as a long-term career choice. The training and experience

---

**AICPA’s Study on Reform of the Estate and Gift Tax System**

After a year-long effort, the AICPA Tax Division has completed a Study on the Reform of the Estate and Gift Tax System. The study, developed by the Trust, Estate, and Gift Tax Technical Resource Panel’s Estate Tax Repeal Task Force, provides an overview of the arguments others have made both for and against the current transfer tax, a summary of the current system, and a description of possible modifications and alternatives, including outright repeal. For each modification or alternative, there is an analysis of its impact on taxpayer behavior, complexity and compliance, liquidity, redistribution of wealth, tax and succession planning, revenue, and transition issues, as well as a discussion of advantages, concerns, suggestions, and conclusions for each modification and alternative.

This study, whose purpose is to educate and enlighten, confirms that significant reform of the U.S. transfer tax system is appropriate and should be undertaken as quickly as possible. The AICPA has identified a number of significant issues, and its study makes substantive suggestions that the AICPA hopes will be considered in crafting any legislative proposal. The study offers suggestions on each of the alternatives not as a matter of ideology or social policy, but as a result of the task force members' collective judgment about the best way to achieve simplicity, reduce taxpayer compliance burdens, improve ease of administration, and address revenue considerations with respect to the overall tax system.

The study, including an executive summary, is available at the AICPA Web page at www.aicpa.org/members/div/tax/index.htm.
SETTING UP A TELECOMMUTING PROGRAM

Largely because of the introduction of such technologies as personal computers, faxes, and modems, telecommuting is being used by an increasing number of accounting firms. It’s an option that is changing many managers’ attitudes about where work can be performed most efficiently.

Although employers who have formalized the use of work-at-home arrangements report many benefits, there are also a number of challenges that must be resolved before telecommuting can be used effectively. Issues to consider include the following policy decisions:

● Reversibility: Most people do not want to telecommute permanently. A process for changing or discontinuing the off-site schedule and for resuming office-based work must be designed and agreed upon.

● Privacy issues. You should ensure that company and customer data are kept private and confidential. Whether at home or in the office, all personnel must comply with the company’s operating procedures for the privacy of information.

● Insurance coverage. Whose policy covers an accident if an employee is working at home? Since telecommuting simply means flexibility concerning the place of work, personnel working at home have the same insurance benefits as they would have if they were working on the organization’s premises.

● Provision of furniture, equipment, and office supplies for the home office. Some organizations provide all technical tools, including a dedicated phone line and message-forwarding telephone systems. Others expect personnel to use their own phones, furniture, and equipment, and will pick up some of the expenses (for example, the phone bill and computer paper).

If a flexplace or telecommuting arrangement is being considered, there are several aspects of working off-site that need to be weighed: The suitability of telecommuting to the particular job must be assessed, the employee’s potential as a telecommuter must be evaluated, and various aspects of the off-site environment must be looked at.

Characteristics of the job

When reviewing the characteristics of the job, whoever will make the decision whether an employee can telecommute should consider whether the job:

● Has tasks that are discrete and measurable.
● Requires daily interaction with the work group.
● Requires daily face-to-face contact with clients.
● Has tasks (such as writing, data entry, and phone contact) that can be performed as well or better off-site.

● Is a management position. If so, does that manager really have to be on-site all the time or is there already a lot of long-distance management because of travel or off-site meetings?

● Requires the use of electronic equipment. If so, what kind of equipment is required?

Potential of employee

When one evaluates the potential of the employee to work off-site, the following are important points to consider:

● Is the person self-motivated, self-disciplined, and highly skilled and experienced in his or her job?

● Has he or she been with the organization long enough to be familiar with its culture and its policies and procedures? A minimum of one year’s tenure is suggested.

● Is the person aware of his or her own operating style and own strengths and weaknesses?

● Does his or her job require some time for creative thinking?

● Is he or she able to work without much social interaction?

● Has the employee scheduled enough days to be in the office to ensure that he or she will not feel isolated or separated from the organization?

● Does the employee understand the importance of regular interaction with the office or work group? Does he or she have communication skills effective enough to sustain this interaction?

● Does he or she have a strong desire to make the telecommuting arrangement work?

Suitability of the off-site environment

Although many people think they could perform certain job functions better by working at home, or have other family reasons for wanting to work there, the actual process of trying to mix work with the home environment may prove to be complicated. When considering the suitability of the off-site environment one should consider:

● Does the employee have a safe, dedicated work space? Can it be inspected, if necessary?

● Are there small children in the household? Who will be supervising them while the employee works?

● Does the employee have the necessary equipment to do the job? If not, what arrangements need to be made to obtain them?

A sample checklist for evaluating a home office follows on page 6.

Adapted from Flexible Work Arrangements in CPA Firms.

Copyright © 1997 by American Institute of Certified Public Accountants; all rights reserved. To order copies of Flexible Work Arrangements (product number 090425) call (888) 777-7077.
# CHECKLIST FOR AN OFFICE AT HOME

Employee: __________________________ Position: __________________________

Home address: __________________________________________________________

Supervisor: _____________________________________________________________

1. Does the space seem adequately ventilated? YES NO
2. Is the space reasonably quiet? YES NO
3. Are all stairs with four or more steps equipped with handrails? YES NO
4. Are all circuit breakers or fuses in the electrical panel labeled for their intended use? YES NO
5. Do circuit breakers clearly indicate if they are in the open or closed position? YES NO
6. Is all the electrical equipment free of any recognized hazard that would cause physical harm (frayed wires, bare conductors, loose wires, flexible wires running through walls, or exposed wires fixed to the ceiling)? YES NO
7. Are electrical outlets three-pronged (grounded)? YES NO
8. Are aisles, doorways, and corners free of obstructions, to permit visibility and movement? YES NO
9. Are file cabinets and storage closets arranged so drawers and doors do not open onto walkways? YES NO
10. Do the chairs appear sturdy? YES NO
11. Is the work space comfortable and not crowded with furniture? YES NO
12. Are the phone lines, electrical cords, and extension wires secured under a desk or alongside a baseboard? YES NO
13. Are the floor surfaces clean, dry, level, and free of worn or frayed seams? YES NO
14. Are the carpets well secured to the floor and free of worn or frayed seams? YES NO
15. Is there a fire extinguisher in the home, and is it easily accessible from the office space? YES NO
16. Is there a working smoke detector within hearing distance of the work space? Tested _________ . Tested _______.

17. **We agree that in our opinion this is an acceptable home office space that allows the employee reasonable opportunity to meet his or her job requirements as a telecommuter.** YES NO

Supervisor Signature __________________________ Date __________

Employee Signature __________________________ Date __________

**NOTE:** **EMPLOYEES ARE RESPONSIBLE FOR INFORMING THEIR SUPERVISOR OF ANY SIGNIFICANT CHANGES THAT OCCUR AFTER THE INSPECTION.**
In place of our usual update of PCPS activities, Bill Balhoff, chair of the PCPS Executive Committee, suggested that we point out the significance of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 for our members in delivering services to their clients and alerting members to potential new service lines.

The Gramm-Leach-Bliley Act
Many of us have heard about this new federal law, but do we really know what it is or what it is all about? When it goes into effect on July 1, 2001, the GLB, as it is affectionately known, will overturn the Glass-Steagall Act, a Depression-era law that prevented financial institutions from cross-selling. In other words, banks will be able to sell insurance and insurance companies will be allowed to offer banking services.

How does this affect the accounting industry? The most important part of this act for our purposes is Title V, Privacy. This privacy provision outlines the requirements that the GLB imposes on “financial institutions.”

As set forth in the privacy guidelines of the new law, financial institutions are—
1. Prohibited from disclosing nonpublic information without authorization.
2. Required to furnish a financial disclosure policy to prospective and current customers.
3. Forbidden to obtain nonpublic information under false premises.

In the second—and most important—point mentioned above, financial institutions must provide all current and prospective clients with a personal disclosure policy. As you have undoubtedly guessed, for the purpose of this law, the term financial institutions includes accountants, other tax-planning services, and investment advisers. The term also appears broad enough to cover an accountant who performs accounting services that result in providing client information to a bank.

If your firm falls under the financial institutions category, you should provide a prospective client with a “clear and conspicuous” nondisclosure policy either at the time the prospect signs an application for service or when the prospect otherwise signs an agreement for services. You must also provide a copy of the disclosure policy to your existing clients once a year. Keep in mind that you will not need to provide your existing clients with a new disclosure policy each time they ask for a new financial product or service.

New service lines
Finally, consider calling on your clients to help establish company operating procedures and “best practices” to protect their customers’ private information. CPAs can conduct valuable technology audits with such tools as SysTrustSM and WebTrustSM to verify clients’ systems and Internet operations independently, making sure customer data is safe and secure and that it complies with GLB provisions.

Although the mandatory compliance date is not until July 1, 2001, field examiners from the various federal agencies intend to treat privacy the same way they dealt with Y2K efforts: Financial services entities will be required to report steps taken to comply with GLB. In addition, initial notices to existing customers must be sent before the July 1 effective date. By beginning the process to comply with the law now—by developing a sound privacy policy—you will be able to assist your financial institution clients to help them fine-tune their documents as they approach the July 1 mandatory effective date, bringing them into compliance on schedule.

As far as delivery of the privacy policy is concerned, you may deliver the notice to your clients by hand, mail, fax, or e-mail. If you have a Web site, you can post the disclosure policy on the site, but make sure to include a function that allows the client to acknowledge that he or she has read and understood the agreement. Most accountants will want to send the required policy to their clients with their engagement letters and will implement a system of sending clients annual engagement letters.

If you are interested in more information on GLB, please call the AICPA’s GLB hotline at (202) 434-9216. Also, the Federal Trade Commission’s regulations are available at their Web site at www.ftc.gov/os/2000/05/65fr33645.pdf, and the Securities and Exchange Commission’s regulations are available at www.sec.gov/rules/final/34-43974.htm. For information on SysTrust and WebTrust contact Sheryl Martin at ssmartin@aicpa.org.

LETTERS TO THE EDITOR
The Practicing CPA encourages its readers to write letters on practice management issues and on published articles. Please remember to include your name and your telephone and fax numbers. Send your letters by e-mail to pcpa@aicpa.org.
continued from page 4 — Labor Crisis: Damage Control
received as an accountant is viewed as extremely valuable. However, it is seen, and fairly frequently valued, as a pathway to something better.

I believe this probably stems from the path to ownership in public firms, as relayed to the students by others in the profession. That pathway is: You work long, hard hours, frequently for less money than elsewhere; then you can buy into equity; and then you help fund senior members’ retirement. Today’s students, in great part, are signing up for the “ride.” They’re willing to work for a while, gain experience, then either start their own practice or work elsewhere.

My recommendation: Very simply, create a plan of action for a career path for aspiring, qualified staff. The test is: would you sign up for it yourself, if you were in their shoes?

Conclusion
The four areas mentioned here, salary and benefits, hours, nature of the work, and future opportunities, are all daunting issues individually. Collectively, they present a significant task. However, hoping the issues will go away, or waiting for someone else to offer a ready solution, is not going to solve the problem. Think of the solution as if you were advising your own, very best client about what they should do when confronted with the same issues. You’ll have an answer! ✓

—By Albert S. Williams, CPA, Denver, CO. Phone: (303) 985-1174. Williams has presented at past conferences for the AICPA/PCPS and will be speaking at the Practitioners Symposium in Orlando. He has also authored articles, seminars, and publications for the AICPA and others.