Practicing CPA, vol. 25 no. 5, June 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
CLIENT SERVICE: THE NEGLECTED ART

By Gary S. Shamis, CPA, M.Ac.

One hundred and fifty hours of college education, a difficult CPA exam, annual continuing education, master’s degrees, and where does client service rate? Our formal and continuing education is filled with traditional, technical courses, but how much of any of our education is focused on client service? How important is the servicing of our clients in our overall relationship with them?

I believe that most of our clients assume we have a level of competency because of our CPA credentials. I also believe that the vast majority of our clients could not evaluate our performance due to the highly technical nature of our work. So what makes CPAs and CPA firms different from one another in the public eyes, if the public cannot differentiate our abilities on a technical basis? The answer is client service. How CPA firms treat their clientele is what sets them apart.

I recall a study many years ago that measured the attributes of client service from the perspective of both the practitioner and the client. The practitioner considered the key attributes of client service to be technical in nature. The client considered the key attributes to be related to timeliness, responsiveness, and availability. It is clear from this study that clients assumed the technical competency of the CPA certificate and placed a higher value on how they are treated. It was also clear the CPA did not understand the clients’ needs and expectations.

In my experience, which includes a master’s degree, over 20+ years in public practice, and 10 years of consulting to the CPA profession, the amount of focus on client service is next to none. The servicing of clients is not taught at the university level, not offered in the continuing education curriculum, and not taught at CPA firms, yet there is nothing more important than how we service our clients.

Most firms will acknowledge the importance of client service and often mention client service as an attribute in their mission statement. However, the reality
is most firms do not teach staff at any level how to service their clients and rely on firm culture and on-the-job training. In today's business environment, with the increased focus on client service and the significant level of competition for clients, a strategic initiative of improving your firm's service level is a must.

At our firm, we have focused on client service since the day we were founded, May 1, 1987. Our client service strategic initiative has four elements: we teach client service, we reward client service, we measure client service, and we have embraced client service in our firm's culture.

Teaching client service
When teaching client service we do not rely solely on traditional courses. As you can see by the list below, classes are supplemented by other supporting activities.

- Offering classes. We too have been unable to find educational courses that teach client service, so as part of our professional development process, we have designed internal courses that focus on client service. I teach our course on an annual basis to our new employees and updates for our long-term employees. We have also hired nationally recognized author and educator Hal Becker to teach classes to all of our professionals relating to client service.
- Distributing publications. We have purchased Becker's books and other titles on client service and distributed them to all our staff for their personal development.
- Recognizing exemplary service. We sponsor monthly firm-wide contests recognizing superior client service performed by our professionals and support staff. In each office, individuals in the firm nominate their colleagues who have provided their clients with superior service. The nominations of exemplary service accomplishments are presented to the entire firm as examples for others to follow.
- Conducting a retreat. The fourth Friday in September, for the past 10 years, we have closed our office and conducted an annual client service retreat. The topic of each year's retreat varies, but it always ties into client service.

Rewarding client service
At Saltz, Shamis & Goldfarb (SS&G), superior client service is rewarded in two ways: recognition and reward.
- Recognition. The professionals who are nominated for exemplary service are recognized at firm meetings among their peers.
- Reward. Each employee in the firm establishes goals for client service in his or her annual plan, and accomplishing these goals will be a component of his or her compensation for the coming year.

Measuring client service
We measure client service through surveys. There are two surveys that we rely on: a biannual survey and an engagement survey.
- Biannual survey. We have been conducting biannual client satisfaction surveys for a decade. Our most recent survey was conducted using the firm's Web site. Each client surveyed was provided a password to our survey, which was accessed via an icon on our Web page. The survey took approximately ten minutes to complete and offered clients the ability to provide commentary. The survey measures performance by each individual office, each individual partner, and each individual in charge of engagements.
- Engagement survey. Every tax return and financial statement (individual, corporate, or other) that leaves our office is accompanied by a prepaid postcard that allows the client to grade the service level associated with the completion of the tax return. The returned postcards are sorted by partner and in-charge and distributed to them for their review.

In both cases—the survey and the postcards—any negative results or problem comments are addressed with our staff and the client. In cases where we lose a client, we attempt to interview that client to determine the reasons for leaving. Any related service issues identified in these interviews are addressed.

Embracing client service
At SS&G, the importance of client service is always emphasized in the firm's philosophy. It is one of the
three components to our firm culture: development, positive attitude, and client service. Also, our firm’s mission statement states our commitment to quality service. We believe, however, that through our practice of teaching, rewarding, and measuring client service, client service is engrained in our culture.

Our firm has experienced tremendous growth, from 15 employees in one office in 1987 to over 250 employees in four offices throughout Ohio. We believe much of our growth is based on our ability to retain a very high percentage of our existing clients. Without a real commitment to client service, you are compromising your most valued relationships. ✔

—By Gary S. Shamis, CPA, M.Ac., Saltz, Shamis & Goldfarb, Solon, Ohio; phone: (440) 248-8787; e-mail: gshamis@sandg.com. He is the past chair of the PCPS Management of an Accounting Practice Committee.

5 STEPS TO NETWORKING SUCCESS

The following article was adapted from Troy A. Waugh’s Power Up Your Profits and is reprinted with permission.

There are five key ingredients to building a powerful network for your accounting practice.

1. Set a target of obtaining 1,000 names in your personal prospect database. This can be done over a 10-year period. In fact, if you are beginning your accounting career with a firm, you may set a target of only 25 during your first year. Then you may wish to expand the number each year. If you are beginning your accounting practice from scratch, you might want to gather between 200 and 250 prospect names right away. Terry Orr teaches younger CPAs to sell. Before he will invest any time with them, he requires each of them to obtain 100 business cards to show that he or she is serious.

2. Use a system to manage your names so that you can maintain the necessary information on them. Certainly, name, address, phone and fax numbers, and business affiliations are vital. As you improve your management of the system, you will accumulate additional relevant information on file.

3. Develop a sound communication plan for your prospects. If you obtain 100 business cards and do not stay in touch, over half of them will be useless within a year. They will have changed businesses, moved, or will have forgotten who you are.

4. Practice patience in developing and harvesting your network. Over 90% of the business people you meet will not have an awareness of any need for your services at the time you meet them. But, rest assured, almost all of them will have a need for accounting or tax services within the next 10 years.

5. Plan to allocate one to two hours per week to your network. You work your network by meeting new people and adding new names. You work it by updating the information. You work it by communicating with your prospects.

The main thing to keep in mind is that marketing is a numbers game. For the numbers to work, you should keep prospects in the marketing pipeline at all times. One of the best ways to obtain a continuous flow of prospects is through networking. Even when economic times are soft, a good network will provide you a steady flow of new business. ✔

—By Troy A. Waugh, CPA, MBA, Waugh & Co., Brentwood, Tennessee; phone: (800) 231-2424; e-mail: troy@waughco.com. Waugh & Co. is a marketing, consulting, and training firm that owns and operates The Rainmaker Academy. To order Power Up Your Profits, go to www.waughco.com.

NOW AVAILABLE!

NEW! XBRL Essentials (Product No. 093017) is the first nontechnical step-by-step guide to understanding eXtensible Business Reporting Language (XBRL). As the new “digital language of business,” XBRL is rapidly changing how financial and business reporting is prepared and exchanged. Every financial and business professional that engages in the exchange of business information can benefit from understanding this groundbreaking technology. XBRL Essentials is a one-of-a-kind publication featuring a comprehensive XBRL demo and covering XBRL basics, why you need XBRL in your professional skill set, and how XBRL can be a cost-effective business solution for you. Price: $31.95 for members; $39.95 for nonmembers. IT Section members save 20% on the member price: $26.00. To order, call (888) 777–7077.
The Gramm-Leach-Bliley Act of 1999 requires "financial institutions," including income tax return preparers or personal financial planners, to make certain disclosures to individual, nonbusiness clients. Information on the background of the new requirements of the Act has been provided in the February-March CPA Letter and on page 8 of the April 2001 issue of the Journal of Accountancy.

It appears that compliance will be fairly simple, requiring a disclosure paragraph stating that the firm keeps records related to the engagement but does not disclose any client information to anyone without permission. This paragraph would be included in client engagement letters or as an attachment to client billings. There may need to be additional disclosures with respect to software providers or other services used by the CPA, and with respect to safeguarding of records.

Also, on or before July 1, 2001, providers of personal financial services, including CPAs, must send their individual nonbusiness clients information on their policies for protecting the privacy of personal financial information. The Tax Division of the AICPA has prepared a practice guide, including a sample notice, and this is available at http://ftp.aicpa.org/public/download/news/ftc.doc.

Enforcement will be minimal in almost all cases, with no fines or other administrative penalties provided in the legislation. The Federal Trade Commission's (FTC's) only recourse would require court action, which could order a CPA to make disclosures. This would be resorted to only where there was a disclosure abuse.

The following sources are available for additional information:

- The AICPA has a Gramm-Leach-Bliley Act hotline: (202) 434-9216.

Appendix A to the FTC rule contains sample clauses for the required disclosure. A copy of a standard disclosure statement that is specific to CPA firms has been developed by an AICPA task force. This sample disclosure statement follows; it is available on the Web at http://ftp.aicpa.org/public/download/news/ftc.doc.

---

SAMPLE DISCLOSURE NOTICE

(Insert Your Firm Name) Privacy Policy

CPAs, like all providers of personal financial services, are now required by law to inform their clients of their policies regarding privacy of client information. CPAs have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. Therefore, we have always protected your right to privacy.

Types of Nonpublic Personal Information We Collect

We collect nonpublic personal information about you that is provided to us by you or obtained by us with your authorization.

Parties to Whom We Disclose Information

For current and former clients, we do not disclose any nonpublic personal information obtained in the course of our practice except as required or permitted by law. Permitted disclosures include, for instance, providing information to our employees, and in limited situations, to unrelated third parties who need to know that information to assist us in providing services to you. In all such situations, we stress the confidential nature of information being shared.

Protecting the Confidentiality and Security of Current and Former Clients' Information

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

***************

Please call if you have any questions, because your privacy, our professional ethics, and the ability to provide you with quality financial services are very important to us.

---

THE PRACTICING CPA, JUNE 2001
LIABILITY FOR COMPUTER SOFTWARE DESIGN, MODIFICATION, AND SALES

For years, many CPA firms have provided information technology services to clients by recommending and installing computer software, from basic off-the-shelf bookkeeping programs to highly sophisticated inventory control packages. Often CPA firms have been called upon to redesign and add features specific to their clients’ needs to products purchased, leased, and licensed by their clients from software manufacturers. Since many clients have similar computer software needs, particularly for accounting functions, some firms also develop, market, and sell their own software products.

When a CPA firm transitions from providing professional services to designing and marketing a product, the firm may unknowingly assume some unique liability exposures, namely copyright infringement and product liability. Firms that help clients redesign the operation of off-the-shelf or “shrink-wrap” software products developed by others need to have a clear understanding of the legal issues and liability risks created when offering these services.

While computer consulting services by CPA firms for individual client needs and purposes is usually covered under today’s accountants professional liability insurance policy, the design and manufacture of software products for sale to clients or the general public generally is not. CPA firms providing a broad range of information technology consulting and products may want to discuss the liability exposures and insurance coverage for those risks with their insurance agent or broker. Firms may also want to follow the lead of larger software manufacturers and incorporate liability-limiting contract language into their software licensing agreements.

Copyright infringement

The main purpose of a copyright is to assure an author of his or her rights to an original and tangibly produced work without compromising the rights of others to build upon the ideas set forth in the work.

To be copyrighted material, all the following must be true:
1. The work must be original.
2. The work must be a work of authorship as defined by statute.
3. The work must be fixed in a tangible medium, such as musical works, dramatic works, pictorial, graphic or sculptural works, motion pictures, architectural drawings, or books.

A copyright cannot be granted for ideas alone, and others can provide their own opinions on given ideas or theories, but they cannot prepare derivative works that are the same as or substantially similar to the copyrighted materials. Only the original author can reproduce copyrighted work; prepare additional works that are based on or derived from the original copyrighted materials; distribute copies to the public for sale, rent, or lease; or perform and display his or her work publicly.

Copyright law is applicable to computer programs and allows for adaptations of computer programs to make changes or add features that did not exist at the time of rightful acquisition. There is an assumption in copyright law that users will modify their software copies to suit their own needs. The privilege to make adaptations to computer programs applies solely to the owner-user of a computer who lawfully owns a copy of a copyrighted program.

Therefore, while copyrighted work may be adapted for specific uses by the owner who purchased, leased, or is licensed to use the material, the owner may not “resell” such material with the adaptations without the copyright owner’s permission. Under copyright law, when significant changes are made to an item, the new item may be deemed a “derivative work.” A derivative computer program is one that is based on or incorporates material from a previously published or registered program.

When there is a dispute over copyright infringement, a court determines whether an adapted program is considered a “derivative work” based on the number and significance of the modifications. If the underlying work is copyrighted, the exclusive right to prepare derivative works belongs to the copyright owner and not to the party who developed the derivative work.

Accordingly, firms modifying copyrighted software for use by individual clients need to recognize that leasing or selling the software modification to others in a different product could constitute copyright infringement, exposing the firm...
to possible civil and criminal liability. Additionally, claims alleging infringement of a copyrighted computer program design may not be covered by professional liability insurance.

Product liability

Many CPA firms develop custom software packages for clients in certain industries and market them to other clients in the same industry. These firms are no longer performing professional services for clients; they are designing computer products for sale. Designing products for sale creates exposure to product liability claims. Additionally, claims arising from product liability are generally not covered under professional and may not be covered by general liability insurance policies.

Professional liability insurance policies provide coverage for claims arising from the performance of professional services. Generally, the sale of products is not considered by professional liability insurers to be a professional service. General liability policies typically provide liability coverage for operations, including liability arising out of the use of products. However, these policies provide coverage for claims of bodily injury or physical damage to tangible property. While it is possible that the failure of computer software designed and sold to others could result in bodily injury or property damage, the primary risk of computer software failure is that it will result in financial loss to the user. General liability policies therefore may not provide coverage for these types of claims.

Limiting liability exposure

How can CPAs protect themselves from liability exposures not covered by their insurance policies? For years major software manufacturers have used risk transfer methods other than insurance. CPAs may want to consider following their lead.

Because the potential liability of software manufacturers for claims arising from design defects remains unclear, many software companies limit their liability through contract language. Major software licensing deals are memorialized through negotiated contracts. Since both parties are generally sophisticated and retain competent attorneys and consultants, courts have generally upheld these agreements as binding upon the parties. Problems arise only when the ability of one party to control the terms of the agreement is viewed as significantly impaired in comparison to the other party. The most common example of this is in software licensing agreements between manufacturers and consumers. Licensing agreements on "shrink-wrap" software have been successfully challenged in situations where the penalties for violating the agreement are not disclosed before purchase and no return rights are provided.

Risk-shifting contract terms

Following the lead of major software manufacturers, some standard risk-shifting contract terms for firms marketing firm-designed computer software might include:

- The seller warrants only that the product is free from defects in workmanship or materials.
- The seller disclaims any warranties of merchantability or fitness for a particular purpose.
- The buyer’s remedy is limited to repair or replacement of the product, at the seller’s option, with the buyer paying shipping costs.
- The buyer cannot recover incidental or consequential damages.
- The buyer agrees to indemnify the seller/licensor for claims arising from the buyer’s use or misuse of the product.
- The buyer warrants against patent and copyright infringement or use by unlicensed individuals.
- The buyers waive their right to litigate claims in court and agree to settle all disputes by binding arbitration in the seller’s home jurisdiction under specified private arbitration procedural rules.

Liability-limiting clauses in software licensing agreements are generally enforceable under existing statutes and common law. Although the buyer is deprived of certain legal remedies by such clauses, so far the courts have upheld these agreements. However, this is an unsettled area of the law in most jurisdictions. Firms should always consult with an attorney with expertise in contract law when drafting contract language.

Modifying computer software and designing custom software applications for clients have been a natural outgrowth of information technology consulting services for many CPA firms. While these areas offer growth opportunities, firms entering these areas are wise to consider the relevant legal liability issues and consult with competent legal counsel and their insurance agent or broker prior to proceeding.

— By Sherry Anderson, CPCU, Senior Vice President of Claims, Accountants Professional Liability, CNA Pro, CNA Plaza, Chicago, IL 60685.
CASE IN POINT: AN IT ENGAGEMENT MELTDOWN

A CPA firm was engaged by a firm specializing in billboard design to design and implement an accounting system and train and supervise its accounting staff in using the system. At the time, the client had an outdated mainframe computer system that used computer software that was incompatible with the personal computers used by employees. The system would be costly to redesign, so the client opted to purchase a new software package that was designed for its industry but was not designed for the operating system used on the personal computers.

For many reasons, the computer system did not client meet needs or operate as expected. The client sued the CPA firm, alleging that their business was interrupted and revenue was lost because the accounting system could not generate reports tracking job costs and profits.

They sought recovery of more than $1.5 million in lost profits, $175,000 in costs to correct the system problems and to manually perform certain functions, and over $200,000 in interest and penalties assessed by taxing authorities, which allegedly were incurred due to the system’s inability to track tax liabilities.

While CPA firm staff had experience working with the accounting software being installed, they had no experience in configuring and installing custom software applications. They therefore hired a relative of one of the firm partners, an unemployed computer programmer, to perform this work.

The defense expert opined that the CPA firm’s services complied with applicable professional standards. However, the defense was complicated by the lack of engagement letters and documentation.

The CPA firm could provide no proof regarding the understanding established with the client about the limitations of the scope of the engagement. There also was no documentation of the many conversations the CPA firm partner claimed to have had with the plaintiff, during which he noted that plaintiff’s employees disregarded important financial matters and failed to input necessary data into the system. Additionally, the independent computer programmer maintained no professional liability insurance.

This claim was settled before trial.

Lessons to be learned from this case study include:

- Do not accept engagements requiring services that the CPA firm does not have the requisite training or experience to perform. Additionally, if the firm has obtained the necessary training but has no prior experience performing a service, this should be discussed with the client before the inception of services and documented in both the engagement letter and the workpaper file.

- Do not subcontract information technology consulting, installation or maintenance services. An inability to supervise subcontracted services can lead to significant client service problems. Have the client hire these vendors directly.

- Obtain signed engagement letters before commencing consulting services engagements and document all client communications in the workpaper file.

- Use written project plans to document the progress of consulting projects that require the client’s ongoing participation. Review and document the status of the plan with the client regularly.

- Clients that fail to follow through in fulfilling their responsibilities in consulting projects present heightened risk. Bring these problems to the client’s attention immediately, and consider withdrawing from the engagement if the client does not promptly correct the problem.

— By Joseph Wolfe, Director of Risk Management, Accountants Professional Liability, CNA Pro, CNA Plaza, 36 South, Chicago, IL 60685.
CREATING A WRITTEN PROJECT PLAN IN A SHARED RESPONSIBILITIES IT ENGAGEMENT

Project-based information technology (IT) engagements typically require a client and sometimes other professionals to perform certain tasks necessary for the completion of an engagement. Written project plans can be incorporated as a supplement to an engagement letter signed by the client, and can serve to clearly identify the nature and timing of the activities expected to be performed during an engagement.

Documenting the responsibilities of the client and other professionals in a project plan and requiring client review and sign-off on project activities as they are performed provide a contemporaneous written record of the progress of the engagement and help explain conditions that may have changed during the engagement. For instance, if the client reduces the time its staff devotes to the project or asks that services be deferred due to budget considerations, this can be documented in the project plan.

While most IT projects consist solely of consulting services, direct services and attest services may also be part of the engagement. Defining both the level of service being provided and the responsibilities of the parties participating in a project are key to avoiding misunderstandings and miscommunications during the engagement.

A written project plan that supplements an engagement letter should include:

- General description of CPA firm’s engagement objectives, including any engagement deliverables.
- Categorization of each service to be provided by the CPA firm as an attest, consulting, or direct service.
- A listing of all parties (both entities and individuals) responsible for providing services or information to either the client or the CPA firm in connection with the engagement, such as hardware vendors and Web site designers.
- A listing of the specific services or information these parties are responsible for providing, noting in each case to whom they owe the duty to provide the service or information. For example, a descriptive list of preliminary data to be provided to the CPA firm by a client’s chief information officer could be included.
- A timeline that denotes the order in which the responsibilities of the CPA firm, the client, and other professionals are to be fulfilled, and that provides estimated time frames for completion of these tasks.
- A schedule for in-person review and sign-off by the client on the status of the project plan.
- A section for the client and the CPA to make comments, and to date and sign the project plan status at each client meeting.

Any changes or addendum to the project plan should be documented as a dated attachment to the plan signed by both the client and the principal in charge of the engagement and should reference the engagement letter with respect to billing terms and other related matters. If significant changes are made to the original project plan, consider issuing a new engagement letter.

— By Joseph Wolfe, Director of Risk Management, Accountants Professional Liability, CNA Pro, CNA Plaza, 36 South, Chicago, IL 60685.

2001 AICPA PROFESSIONAL LIABILITY INSURANCE PROGRAM RISK MANAGEMENT SEMINAR SCHEDULE

“The CPA Evolution: Managing Risk in the Real World” is designed for all size CPA firms interested in gaining a better understanding of how to reduce professional liability risk. Attendees earn four hours of CPE credit for this half-day seminar plus up to 7.5% premium savings per year, for three consecutive years on their AICPA Professional Liability Insurance.

Register now by visiting www.cpail.com.

<table>
<thead>
<tr>
<th>Date</th>
<th>State</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>August</td>
<td>8/6</td>
<td>TN Nashville</td>
</tr>
<tr>
<td></td>
<td>8/14</td>
<td>TX Austin</td>
</tr>
<tr>
<td></td>
<td>8/15</td>
<td>TX Houston</td>
</tr>
<tr>
<td></td>
<td>8/16</td>
<td>TX Dallas</td>
</tr>
<tr>
<td></td>
<td>8/22</td>
<td>CA Woodland Hills</td>
</tr>
<tr>
<td></td>
<td>8/23</td>
<td>CA Anaheim</td>
</tr>
<tr>
<td>September</td>
<td>9/19</td>
<td>MA Boston Suburbs</td>
</tr>
<tr>
<td></td>
<td>9/28</td>
<td>NJ Cherry Hill</td>
</tr>
<tr>
<td>October</td>
<td>10/1</td>
<td>PA Philadelphia</td>
</tr>
<tr>
<td>November</td>
<td>11/9</td>
<td>MI Novi</td>
</tr>
</tbody>
</table>

The Professional and Personal Liability Insurance Programs Committee objective is to assure the availability of liability insurance at reasonable rates for local firms and to assist them in controlling risk through education. For information about the AICPA Program, call the national administrator, Aon Insurance Services, at (800) 221-3023, write Aon at Aon Insurance Services, 159 East County Line Road, Hatboro, PA 19040-1218, or visit the AICPA Insurance Programs Web site at www.cpai.com.
WHAT IS MAP?

An Interview With Nancy Myers

For many years, Nancy Myers was the AICPA director responsible for the MAP Committee. During her tenure, which began in the committee's formative years and continued until her retirement in the mid-1990s, the MAP Committee's Management of an Accounting Practice Handbook, MAP and Small Firm Conferences, MAP publications, and other programs became increasingly utilized and highly regarded by members. Although there is no doubt that the MAP Committee's continued success is due in large part to the contributions of many excellent committee members and AICPA staff over the years, the importance of its foundation established years ago should not be overlooked. Nancy Myers recently shared her thoughts regarding MAP and its importance in today's environment.

Q: Why is MAP important to firms?

NM: Sound management greatly enhances a firm's ability to provide quality service and to be profitable. Indeed, the purpose of management is to provide quality service to clients. Firms that effectively manage staff, client relationships, and financial resources are more likely to succeed in today's increasingly competitive and changing environment. While firms can get management advice from a number of sources, MAP guidance provided by the AICPA addresses issues that are particular to CPA firms.

Q: Why is MAP important to the profession?

NM: CPAs who advise clients on how to operate their businesses should surely follow their own advice in managing their firms. The public's perception of the way a given firm operates affects the public's perception of all firms. When the MAP Committee helps individual firms improve their management practices, it benefits the profession as a whole.

Q: What is the MAP Committee's responsibility?

NM: I would think it would be what it has always been. The committee has two goals: to help firms provide the highest quality professional services by improving their management practices, and to be financially successful. The two goals go hand-in-hand. AICPA should expect all firms represented in its membership to abide by standards of management excellence—or "to be well managed." It also has an obligation to help them do so. Members and their firms have a right to expect assistance from their professional association in achieving financial success.

Q: Bottom line—what is MAP?

NM: Certainly, it includes formal training in new management tools, philosophies, and processes, but for me, the essence of MAP is one practitioner saying to another, "Here is something I have tried in my firm. You might want to try it in your firm. Let me tell you about it." This sharing of ideas among firms is at the heart of the MAP experience. The MAP Committee fosters and guides the nature of this sharing through publications, conferences, firm consultations, electronic media, meetings at the state and chapter level—and probably a slew of other programs that have been developed since I left the AICPA.

PRACTICE MANAGEMENT RESOURCES

Just updated! The Management of an Accounting Practice Handbook (Product No. 090407). The AICPA's best-selling MAP Handbook has just been updated for 2001 with extensive new material. Included is a new CD-ROM containing more than 140 of the Handbook's updated checklists, sample letters, forms, and agreements in Microsoft Word for easy customization. As the profession's leading resource for comprehensive practice management guidance, the MAP Handbook is the first place to turn for best ways to boost your firm's productivity and profitability. Looseleaf; 3 volumes. Price: $138 for members; $172.50 for nonmembers.

MAP Handbook now online! Experience easy desktop access to extensive material on all aspects of running a practice with e-MAP: AICPA's Management of an Accounting Practice Handbook Online. Featuring monthly updating, quick search and find capabilities, and interactive worksheets, spreadsheets, and checklists, e-MAP is a powerhouse toolkit for a successful practice. Price (one-year access): $150 for members; $250 for nonmembers. Low-cost firm subscriptions are available. To subscribe, go to www.cpaweb.org, click on AICPA MAP Handbook, and fill out the Subscription Request Form.

Selected Readings 2001—Management of a Practice (Product No. 090471). An invaluable research reference for on-target practice guidance, the new 2001 edition is a perfect companion to MAP Handbook. This annual collection of valuable, profit-making practice management ideas puts 130 articles from 35 professional publications at your fingertips. Price: $35.95 for members; $44.95 for nonmembers. To order, call (888) 777-7077.
THE ACCOUNTING PROFESSION'S LABOR CRISIS: ALTERNATIVE STAFFING SOURCES

By Albert S. Williams, CPA

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

Food for thought
Think about this: before the era of Big Macs, you walked into a restaurant, sat down, and ordered a cheeseburger, fries, and a drink from the waitperson. He or she hand-wrote the order and gave it to a fry cook, who prepared each meal one at a time from food that had been prepped by someone else. After a bit, you tipped the waitperson, paid the cashier, and left. A busperson cleaned your table, and another person washed the dishes. Even discounting the dollar back a number of years, your meal, including tip, could have come reasonably close to what you pay for a Big Mac combo today, when they’re on sale. In essence, the product and the cost then are similar to now. The real difference is the process employed then and today. Thanks to detailed processes and close supervision, a teenager working in McDonald’s can fulfill all the roles outlined in the scenario.

A second point to ponder is the number of services offered in a CPA firm, the processes used in offering those services, and the qualifications needed by personnel to provide the services. In most cases, the CPA credential is required only for the financial attestation role in most jurisdictions. You don’t really have to be a CPA to prepare a tax return, perform data entry, prepare various tax reports, close uncomplicated sets of books (with proper written guidance and procedures), or in many cases, perform audit and advisory functions that are supervised.

A firm cannot delegate complex tax advice or preparation, specialized management advisory services or critical audit supervision and decisions. It must maintain responsibility for all end products or services provided. It can, however, employ competent staff of its choosing, and they do not all have to be licensed CPAs.

Using non-CPAs effectively
Before embarking on the process of considering, or expanding, the use of non-CPA employees, the following should be in place in your firm:

1. A core of competent, well-compensated mid- to upper-level CPAs, willing to oversee and take supervisory responsibility for staff and their resulting work product.

2. Separate and apart from the qualifications noted immediately above, significant people skills are required. Those attributes include communication capabilities, patience and understanding, ability to delegate, and if possible, motivational skills. These attributes haven’t always been present in many supervising members of the profession but have become increasingly important in recent years.

3. An extremely well-defined and documented set of procedures encompassing the work to be delegated. The parameters should be designed in such a way that the obvious negative or “red flag” will automatically be noted.

Possible sources for non-CPAs
With the above in mind, let’s explore some options:

Retirees, including baby boomers on the threshold of retirement: New tax laws allowing those drawing Social Security to earn unlimited amounts without penalty should be a fertile ground for prospects. A suggestion: They might not need the money and they certainly don’t want to work long hours. Be flexible on hours and creative with compensation—perhaps offer an incentive such as a cruise or a new computer in lieu of dollars. Also, make sure they’re up to speed with technology, tax laws, and your systems.

Second-career individuals: Having one job all your life is no longer a given. Many change careers. Certain fields are similar to accounting, such as teaching, engineering, insurance, and law.

Homebound individuals: Accounting requirements are quite readily transportable. For the most part, the duties can be performed either in or out of the office. Some practitioners might have felt in the past that a firm couldn’t let the clients’ work leave the office. I believe that this is generally ill-founded. Clients usually have a single objective when they give the practitioner work: to get it completed in a timely, competent manner and at the agreed-upon price.

Part-time, second-job, and contract employees: These people typically want only part-time work, possibly as a supplement to a full-time position; in some cases, they are career contract staff, which may include beginning practitioners or former employees.

Non-U.S.-trained sources and staff sharing. There is some downside risk to entering arrangements with these sources, as with the previously mentioned options. However, that risk may not be any greater than what is currently faced by practitioners.

When managing employees who work at home, keep in mind these critical issues:

- Be precise when establishing communication and agreement on what the firm will pay for the work required. Avoid open-ended hourly assignments.
- Set deadlines, agree to them, and enforce them.

continued on page 8
Top Talent Survey Finds Staffing Top Concern: Tips for Recruiting and Retaining Top Employees

What can CPA firms do to keep their people happy? The first place to look may be the benefits package, according to a survey released at the AICPA Staffing Forum in Broomfield, Colorado. The study found that bonus programs and comp time rank among the most valued benefits among highly valued employees, yet only 58% of firms currently offer them.

Conducted by the PCPS Staffing Task Force in November and December 2000, the study surveyed 558 nonpartner employees of PCPS Member firms from all 50 states and Puerto Rico to ascertain the components of employee job satisfaction among highly valued staff members. The primary goal was to determine what motivates top professionals to join a firm and what benefits incite them to remain with their current firm.

"Because staffing is the number one practice management concern among our members, PCPS decided to provide them with the research they need to make effective decisions," said Bill Balhoff, chairman of the PCPS Executive Committee and partner at Postlethwaite & Netterville. "Even with the softer economy in 2001, we see the shortage of talented people as a challenge that will face local and regional firms for some time."

Among the study's key findings:

● While respondents cited comp time and bonuses as the top reasons for joining or staying at a firm, only 58% of firms offer these benefits. This indicates that by and large, firms are not offering benefits employees actually desire. Dependent medical and disability also rank high on the wish list.

● Of the employees polled, 88% ranked "respect for work/life balance issues" as critical for remaining with a firm. Today's employees have different priorities and want to believe their employer understands the importance they place on balance in their professional and personal lives.

● Although 75% agree that management encourages career growth and possible owner status and fully two-thirds believe they are being groomed for a senior position in the firm, only 37% are very interested in becoming an owner. In other words, only roughly one-third of those employees being groomed for ownership even seriously plan to pursue the opportunity.

Current firm owners should be aware of this and plan for the future accordingly, perhaps by adopting an alternative succession plan.

● Of those who are not interested in becoming an owner, 75% say it does not hinder their professional success, but only 31% say their firm has identified alternative career paths.

● Performance reviews of the respondents are typically both verbal and written; 62% agree that a review at their firm entails a productive, give-and-take dialogue between management and the employee where both can express their thoughts and concerns comfortably. Only 45% of respondents have a "mentor" within the firm.

● Of the respondents, 92% are happy being a part of an accounting firm, but only 69% would make the choice again. Popular alternative careers include teaching, law, computer technology, medicine and engineering.

Key motivators

What can you do to recruit and retain top talent? An overwhelming number of respondents identified feedback, access, and recognition as key motivators. When asked, "If you could tell management at your firm one thing, what would it be?" respondents replied:

● More staff meetings! Let us know what is going on.
● Listen to your employees.
● Look for new ways that the firm can succeed.
● Improve the management skills of the partners.
● Hire more confident staff.

And when asked what would motivate them to work smarter and/or harder, respondents ranked the following in order:
1. Bonus or incentive pay
2. Recognition for a job well done
3. Annual salary increases

"The good news is that the majority of all PCPS member firms have started making changes in recruiting and retention practices to battle the current people shortage," said Ellen Feaver, chair of the PCPS Staffing Task Force that conducted the study. "This survey underscores the value of our best employees and reminds us of the steps we can take not only to recruit the best, but also to retain them. As managers, we need to be more attuned to what our employees value most."

For more information about PCPS or the Top Talent Staffing Survey, please call (800)CPA-FIRM or visit the PCPS Web site at www.aicpa.org/pcps.
continued from page 6 — Labor Crisis: Staffing

- Keep a “short-string” strategy until a comfort level is established.
- Maintain communication and agreement on sharing of all technological facets of the relationship. It is imperative to satisfy all legal issues regarding shared use of technology outside of the office.

**Conclusion**

To efficiently use non-CPAs in an accounting practice, you might have to start thinking like a McDonald’s franchise owner. Very simply, there are procedures, written instructions, and competent supervisors. The clients come to you knowing what services they want and what you can provide. There might also be times when they want “something extra,” or “in a rush,” or after “normal business hours,” and they should be willing to pay for it.

I do not advocate that non-CPA staff replace the role of licensed employees. I do, however, feel there are many functions that can be performed by them, when adequately documented, and properly supervised.

---

**By Albert S. Williams, CPA, Denver, Colorado.**

Phone: (303) 985-1174. He will be speaking at the AICPA Practitioners' Symposium in Orlando, Florida. He has written articles, seminars, and publications for the AICPA and others.