Members in Medium Public Accounting Firms, May 1997

American Institute of Certified Public Accountants (AICPA)

Members in Medium Public Accounting Firms

May 1997

AICPA

American Institute of Certified Public Accountants

AICPA/Microsoft "Advisor Program" Aimed at Helping CPAs Expand Their Businesses

Highlights

news & notes

CPAs increasingly are developing the technological savvy that clients will be seeking in the next century. That's one of the findings of a recent survey on practitioners' computer expertise. And CPAs looking for help in enhancing their technology capabilities will discover it in a new program to be offered by the AICPA.

At the AICPA Fall meeting of Council last Oct., the Institute and Microsoft announced that they will work together to develop a comprehensive technology and educational program to help CPAs deliver expanded technical and business advice to their clients. The initiative will provide CPAs with the training and tools they need to expand their core competencies to offer technology consulting and position CPAs as information professionals for more than 6 million small businesses nationwide.

The core element of this initiative is what, for now, is being called the Advisor Program. CPAs who participate in the Advisor Program would get an alternative means of building their practices and have the opportunity to use the expertise that many practitioners have acquired in management consulting and technology. CPAs would pay a flat annual fee to participate in the program which offers the following components:

- Microsoft products.
- Technical support.
- Training on Microsoft and other software.
- Continuing professional education credit for training.
- Tools that show how to incorporate skills into a practice and increase revenue.
- A tie-in to the MS Solution Provider Network (an existing support channel for Microsoft products).

One goal of the Advisor Program is to create opportunities for the AICPA to set up similar arrangements with technology partners, including other software manufacturers.

Member Feedback

In Jan. and Feb., research was conducted to discover how AICPA members evaluate the features of the Advisor Program, to learn about their experience with and interest in computer consulting and to determine whether firms would participate in the program. Over 600 managing partners were interviewed by telephone for this study which found that:

- A majority of CPAs are comfortable offering spreadsheet/database and accounting software consulting, as well as systems software consulting. Of particular note is that about half are confident in their skills in network software consulting or Internet/Intranet tools consulting. That finding reinforces the message of the AICPA's current ad campaign, which promotes CPAs as professionals to whom clients can turn for advice about the Web.
- About three-fourths believe their clients would buy computer consulting services from them, and almost 60% already provide these services.
- Two out of five CPAs who do not offer computer consulting services are interested in developing expertise in this area because of perceived client need and the importance of keeping up with technology.
- Among those who offer computer consulting, 78% have a staff member who provides these services, 5% use outside sources and 17% use both staff and outside sources.

continued on page B2

AICPA

continued from page B1—**Advisor Program**

- Managing partners think that the software they will receive and the increased proficiency that training will provide are the most appealing components of the Advisor Program.
- About three out of five managing partners predict that affiliating with Microsoft will enhance their firms' revenue-generating potential from computer consulting services.
- 40% of respondents are very or somewhat likely to take part in the program, a strong showing that could translate into participation by about 20,000 firms.

Using the results of this and other research, the AICPA and Microsoft will now work to refine the details of the Advisor Program, determine how best to reach the target audience and develop an effective marketing strategy. For more information on the program, which is scheduled to be available to members in June, contact J. Louis Matherne, Director–Information Technology, or Vicki Franzese, Manager–Affinity Marketing.

J. Louis Matherne

212/596–6027

jmatherne@aicpa.org

Vicki Franzese

212/596–6136

vfranzese@aicpa.org

Expanding Technology Know-how

On June 2 through 4, Microsoft, in cooperation with the AICPA, will host "The Partners Conference," designed to help managing partners figure out the whys and hows of adding consulting niches—in technology and other areas—-to their firms. CPAs will get the details on how to build a technology consulting practice, with emphasis on how a practitioner with both business knowledge and technical skills can provide small businesses with the advice they need. The conference, which is being held in Phoenix, is directed at sole practitioners and managing partners of small and midsize firms.

The conference is the second offered by the Institute and the software maker. Last Aug., the AICPA and Microsoft hosted the Internet Conference for State CPA Societies '96, a two-day event that provided state CPA societies with the tools and knowledge they need to give their members immediate, low-cost access to valuable accounting profession information on the World Wide Web. At the conference (which was also co-sponsored by Faulkner & Gray, K2 Enterprises, Dell Computer Corp., Netcom Inc., and U.S. Robotics Corp.), attendees learned how to create informative and useful Web sites for their organizations and had the opportunity to sign up for the AICPA/Microsoft "Internet alliance." Participants in this alliance, which includes 34 state societies, receive a Dell server, a U.S. Robotics modem and Microsoft software to enable them to get their Web sites up and running.

AICPA and U.S. Department of Labor Develop Employee Benefit Plan Audit Video

The AICPA and the U.S. Department of Labor (DOL) have produced jointly a video on audits of employee benefit plans subject to the Employee Retirement Income Security Act (ERISA). The video discusses the role and importance of plan audits in the private sector pension system, recent peer review and DOL quality review findings and unique aspects of employee benefit plan audits. Copies of the video have been sent to state CPA societies. For more information, contact Joy B. Rothwell at the AICPA.

202/434–9213

jbiscoe@aicpa.org

Members should also be aware that included with this month's *CPA Letter* is a practice alert on ERISA audits. The alert covers the deficiencies noted by the AICPA self-regulatory teams and by the DOL in employee benefit plan audits and describes how to find guidance to avoid such deficiencies and how to obtain information on best practices in ERISA audits.

Obtaining Other Supplements

To obtain any of the other *CPA Letter* supplements, or to get copies of Apr. supplements, members can either look for them on the AICPA Web site after May 16 or use the AICPA faxback system.

www.aicpa.org/pubs/cpaltr/index.htm

201/938–3787; key in these numbers at the prompt (documents remain on faxback for two months after publication):

May issue	Apr. issue
Large Firms: 1550	Large Firms: 1558
Medium Firms: 1551	Medium Firms: 1559
Small Firms: 1552	Small Firms: 1560
Business & Industry: 1553	Business & Industry: 1561
Finance & Accounting: 1554	Finance & Accounting: 1562
Internal Audit: 1555	Internal Audit: 1563
Government: 1556	Government: 1564
Education: 1557	Education: 1565

Practice Alert on ERISA audits: 1566

Published for AICPA members in medium firms. Opinions expressed in this supplement do not necessarily reflect policy of the AICPA.
Anita Dennis, supplement editor
201/763–2608; fax 201/763–7036; e-mail: adennis20@aol.com
Ellen J. Goldstein, *CPA Letter* editor
212/596–6112; egoldstein@aicpa.org

Major Changes Drawing Near for Single Audits of Federal Awards

The year 1997 will likely be remembered as the time when single audit policy underwent a massive overhaul. Several important changes have already taken place and others continue to be finalized. This article summarizes the changes as of the date of this supplement. Auditors of state and local governments and not-for-profit organizations that receive federal awards should continue to follow developments in this area.

Here's the status of four key pieces of guidance that have been or are being revised for single audits of federal awards:

news update

1. *Single Audit Act Amendments of 1996 (1996 Amendments).* Last July, President Clinton signed into law legislation amending the Single Audit Act of 1984 (Public Law 104-156), which is effective for fiscal years beginning after June 30, 1996 (see Sep. 1996 *CPA Letter*). Even though federal regulations, regulatory agreements, contracts or grants may not yet have been revised to incorporate the 1996 Amendments, auditors should be aware that the 1996 Amendments are effective for audits of fiscal years ending June 30, 1997, and thereafter. Therefore, auditors should follow the 1996 Amendments and be aware of any changes to the compliance requirements applicable to federal programs that are to be included in a single audit.

2. *OMB Circular A-133.* A revised U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* applicable only to not-for-profit organizations, was issued on Apr. 22, 1996 (see the June 1996 *CPA Letter*). Once the 1996 Amendments were passed, it became necessary for OMB to propose another revision to Circular A-133 to add states and local governments to the scope of the circular and to comply with certain other aspects of the 1996 Amendments. This proposed revision was issued Nov. 5, 1996, and a final document is expected to be issued this month and to be effective for fiscal years beginning after June 30, 1996. OMB intends to rescind Circular A-128, *Audits of State and Local Governments,* the existing regulation governing audits of federal awards for states and local governments, once Circular A-133 is issued in final form. See the Mar. *CPA Letter* for instructions on how to obtain a copy of the AICPA's comment letter on the proposed revisions.

3. *Compliance Supplement.* The OMB Compliance Supplement sets forth the material compliance requirements that are to be included in an audit in accordance with Circular A-133. OMB is expected to issue a Provisional Compliance Supplement this month to replace the existing Compliance Supplements, *Compliance Supplement for Single Audits of State and Local Governments,* and *Compliance Supplement for Institutions of Higher Learning and Other Non-Profit Institutions,* which are no longer current. It will cover states, local governments and not-for-profit organizations. A notice will be provided in the *Federal Register* of the Provisional Supplement's availability along with a request for public comment this month. Once issued, more detailed guidance on how to obtain copies of the Provisional Supplement will be included in *The CPA Letter.* Auditors should use the Provisional Supplement until the public comment process is completed and OMB issues a Final Supplement, which is expected in 1998. OMB has made a commitment to include additional programs in the final Supplement.

Initially, the Provisional Supplement will include approximately 25 federal programs. This is far less than what was included in the Compliance Supplements that are being replaced. However, the OMB has made a commitment to continue working on the Provisional Supplements and to include additional programs in the Final Supplements.

The AICPA was recently asked to comment and testify on a draft of the Provisional Supplement. Among other comments, the AICPA asked OMB to recognize the Compliance Supplement as a "safe harbor" for auditors, encouraged OMB to include more federal programs in the Compliance Supplement, and encouraged OMB to keep the Compliance Supplement up-to-date for new program requirements. A copy of the AICPA comment letter on the draft Provisional Supplement can be obtained from the AICPA fax hotline; dial 201/938–3787, document no. 326.

4. *AICPA Statement of Position (SOP).* With the changes described in paragraphs 1-3 above, SOP 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards,* and certain sections of the Audit and Accounting Guide, *Audits of State and Local Governmental Units* (the Guide) have become outdated. In response the AICPA is developing a new SOP that will supersede SOP 92-9 and the sections of the Guide that are outdated. The new SOP is expected to be issued in late summer (assuming that the above described OMB guidance is issued on the dates planned) and will provide auditors with guidance on the work performed and reports issued for audits under the 1996 Amendments and Circular A-133. It also will include revised simplified illustrative audit reports.

As noted, some of these documents have not yet been completed. Information on their ongoing status will be published in *The CPA Letter.*

The ABV Program: An Update

Would you like to help shape fundamental elements of the AICPA's newest accreditation program—ABV, Accredited in Business Valuation? (See *The CPA Letter* Medium Firm Supplement, Jan./Feb. 1997). As part of ABV's launch, the Institute is seeking input from among its members. Here's an introduction to the committees involved in the program and information on how Institute members can learn more about it.

Two New Committees

In conjunction with the new program, two committees have been created. The charter of the ABV Credential Committee is to oversee the administration of the ABV accreditation by:

- Developing qualifying criteria in accordance with guidelines and policies established by AICPA Council.
- Creating an evaluation process both for candidates applying for the examination and for credential holders applying for recertification.
- Establishing criteria to meet the experience requirement and evaluating applicants' experience against those criteria.
- Creating guidelines to determine acceptable continuing professional education to maintain the credential.

The committee comprises representatives from various areas of practice, including management consulting services, tax, personal financial planning and business and industry, to reflect the multi-disciplinary appeal of the practice area.

The second committee is the ABV Examination Committee, which is responsible for developing future ABV examinations in accordance with guidelines and policies established by AICPA Council.

This committee will:

- Establish a content-specific outline representative of the business valuation body of knowledge.
- Participate in the development of an online exam.
- Create appropriate questions for each examination in cooperation with the AICPA Examinations Team.
- Assist in exam grading.
- Serve as arbitrators or seek outside independent assistance in resolving examination grading issues.

A core group of five to six professionals will work with the Examinations Team to create questions for the initial examination targeted to be given this Nov. and to build an inventory of questions for subsequent exams. For members who are qualified in this discipline, there is an open invitation to submit exam questions for consideration.

Get on the List

As a reminder, a mailing list has been developed for those interested in participating in the exam. For information about the program, members can access the AICPA's 24-hour fax retrieval system by using a fax machine to dial 201/938–3787, following the voice cues and selecting document no. 491. Callers will receive a form to complete and fax back. Final information about the program along with instructions and applications will be included in a candidates' program packet sent to those on the mailing list. The MCS Business Valuations and Appraisals Subcommittee is developing a two-day review course for the exam to be available in early Sept. in eight cities.

Members who would like to submit exam questions for consideration by the ABV Examination Committee may write: Steven E. Sacks, CPA, Senior Technical Manager, AICPA MCS Team, 1211 Avenue of the Americas, New York, NY 10036–8775, or contact him via fax or e-mail.

201/596–6025

ssacks@aicpa.org

The ABV Credential Committee

Here are the members of the committee that will oversee administration of the ABV accreditation.

Larry R. Cook, committee chair, Abercrombie, Cook, Revia & Company, PLLC

John Connell, Causey Demgen & Moore, Inc.

Rudolph L. Hertlein, Viacom, Inc.

William Kennedy, Reilly Consulting Group, Inc.

Robert E. Kleeman Jr., Clifton Gunderson & Co.

Theodore R. Mandigo, Landauer Associates, Inc.

Robert M. Pielech, Pielech & Pielech, CPAs, PC

The ABV Examination Committee

The members of this group will develop future ABV examinations.

Terry H. Korn, committee chair, David Berdon & Co.

Arthur F. Brueggeman, Brueggeman & Johnson, PC

Wayne Jankowske, Business Appraisal Consultants, Inc.

James G. Martin, Horne CPA Group

James Rigby, The Financial Valuation Group