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Members in Large Public Accounting Firms, April 2001

American Institute of Certified Public Accountants (AICPA)

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April 2001

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Highlights

New IRS Taxpayer Advocate

taxation

Nina E. Olson, the founder of the nation's first independent low-income taxpayer clinic, has been named the National Taxpayer Advocate, according to Internal Revenue Service Commissioner Charles O. Rossotti.

"Nina is a distinguished member of the tax community and has established a strong record as an advocate for taxpayer rights," Rossotti said. "I am confident she will give a powerful voice to taxpayers who have unresolved matters with the IRS."

Under Olson, the office's authority has been expanded. The Taxpayer Advocate Service (TAS) can now resolve more issues without sending them to other IRS divisions. TAS employees will have authority to make decisions on "adjustments and other account-related interactions that the IRS has with taxpayers" in qualifying cases, the service said.

In addition, the IRS clarified that the Taxpayer Advocate Service can use Taxpayer Assistance Orders to direct other IRS units to take actions that will prevent a significant hardship for a taxpayer or to reconsider a determination.

For more than 20 years, beginning with the establishment of the Taxpayer Ombudsman Office in 1979, the IRS has provided a means of resolving problems with the agency. The National Taxpayer Advocate is appointed by the Treasury Secretary following consultations with the IRS commissioner and the IRS Oversight Board. The advocate—an independent voice inside the IRS—reports directly to the IRS commissioner.

Olson will oversee a nationwide system of local taxpayer advocates, ensuring that tax problems that have not been resolved through normal channels are handled promptly and fairly, the service says.

Before joining the IRS, Olson was an attorney specializing in tax controversy work. She also founded and served as executive director of the Richmond, Va.-based Community Tax Law project, the first independent 501(c)(3) low-income taxpayer clinic in the United States.

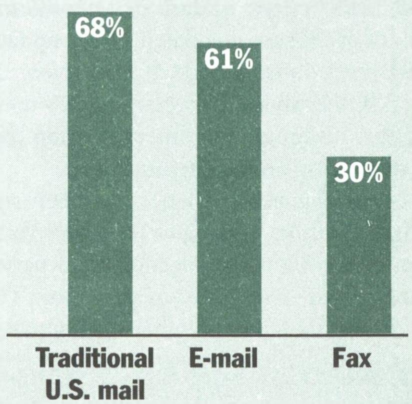
The Taxpayer Advocate Service can be reached toll-free at:

877/777–4778

Don't Call Us

How do CPAs like to receive information? The results of this PCPS survey question are below.

Note: Choices don't add up to 100% because respondents were allowed to choose more than one answer.



Source: PCPS 2000 Member Survey.

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IRS Warns About Tax Scams

According to the IRS, these are some of the most common tax scams:

- *Don't withhold.* Some employers have been told it's okay not to withhold federal income tax or employment taxes from employee wages. According to the IRS, these schemes are based on an incorrect interpretation of tax law and have been refuted in court. The IRS directs questions on this issue to:

  800/829–1040

- *Boasting con artists.* Some con artists charge people a fee to learn useless information on how to avoid filing or paying taxes.
- *Special refund for African-Americans.* The IRS says that thousands of African-Americans have been misled by people asking for a fee to file for tax credits or refunds related to reparations for slavery, but there is no such provision in the tax law.
- *Tax now, prize later.* In some cases, a caller will say the taxpayer has won a prize but must pay the income tax due before receiving it. In reality, prize winners receive a Form 1099 showing the total prize value, which is reported on the tax return, and any taxes due are paid directly to the IRS.
- *"Untax" packages.* "This one's as old as snake oil, but people continue to be taken in," the service says, "and now it's on the Internet." Claiming that paying taxes is "voluntary," ads offer packages that give advice that supposedly will exempt them from taxes, but could actually subject them to civil and/or criminal penalties.
- *Social Security scheme.* Scams offer taxpayers a refund of the Social Security taxes they have paid during their lifetimes—for a "paperwork" fee of $100, plus a percentage of any refund received. The law does not allow such a refund of Social Security taxes paid.
- *Phony refunds.* Con artists claim they can use phony documentation to get a big refund and ask for a cut of the refund.
- *IRS agents making house calls.* IRS special agents, field auditors, and collection officers carry picture IDs and normally try to contact a taxpayer before a visit, the service warns. IRS impostors should be reported to the Treasury Inspector General's Hotline:

  800/366–4484

  To report other scams:

  800/829–0433

WebTrust News

Here are some of the latest *WebTrust* developments:

WebTrust *Consumer Protection Seal.* To address online shoppers' concerns about privacy and failed delivery promises, the AICPA has developed a new defined service offering: *WebTrust*—Consumer Protection. The *WebTrust* Seal for Consumer Protection attests to the fact that a site offers the kind of protection and reliability that online shoppers are now demanding.

To display the *WebTrust* Seal for Consumer Protection, the entity must meet both the *WebTrust* Privacy Principle and the WebTrust Business Practices/Transaction Integrity Principle. The WebTrust Seal for Consumer Protection is a symbol that the site has met these two principles. Both principles may be found at:

www.aicpa.org/webtrust/index.htm.

WebTrust *client update examinations revised.* Previous versions of *WebTrust* mandated client update examinations and refreshed practitioner reports at least every three months. Under Version 3.0, the timing between updates now should not exceed six months, although this interval often may be considerably shorter depending on the circumstances.

Once an engagement letter has been signed reflecting that the company will be moving to *WebTrust* Version 3.0, at that time the practitioner may wait six months to perform the next update examination and issue a new audit report. (It is assumed in this discussion that there are no other substantive changes to the site.) If this engagement letter is issued before the company has actually had an engagement performed under the *WebTrust* 3.0 Principles and Criteria, the engagement letter should also reflect the client's commitment to comply with the current principles/criteria until the report is updated.

For example, if a *WebTrust* report is issued as of 10/31/00 and the client is currently under Version 2.0, the report/seal would normally need to be refreshed 1/31/01. If a new engagement letter is signed prior to Jan. 31, 2001, noting they will move to Version 3.0 at the next engagement, and the company agrees in the engagement letter to stay in compliance with the 2.0 principles until they receive a report under WebTrust Version 3.0 Principles and Criteria, then the practitioner may wait until six months to update and refresh the report. If the client has not signed an updated engagement letter, three-month updates are still required.

***Argentina and Italy join* WebTrust.** At a recent meeting of 15 national accountancy institutes from Europe, North America and Asia in San Francisco, the institutes from Argentina and Italy joined the rapidly growing consortium of *WebTrust* providers around the world. *WebTrust* has already been available in Hong Kong, Australia, Germany, England and Wales, Scotland and Ireland, France, the Netherlands, Denmark and Spain, as well as the United States and Canada.

If you have any questions about *WebTrust*, contact Sheryl Martin, *WebTrust* team leader:

201/938–3751 smartin@aicpa.org

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GASB Issues User Guide Series

GASB update

The Governmental Accounting Standards Board (GASB) has published a series of guides to help the public understand the financial statements that state and local governments prepare. The User Guide Series consists of the GASB's first publications written specifically for citizens, taxpayers, legislators, researchers, analysts and other people who use government financial information. The guides are intended not only for financial statement users, but also as resources for auditors and government finance officers who need to explain financial statements to elected officials, citizens and clients.

There are six guides in the series:

- *What You Should Know about Your Local Government's Finances: A Guide to Financial Statements* (No. GUG01), $9.95.
- *What You Should Know about Your School District's Finances: A Guide to Financial Statements* (No. GUG02), $9.95.
- *An Analyst's Guide to Government Financial Statements* (No. GUG03), $19.95.
- *The Quick Guide to Local Government Financial Statements* (No. GUG04), $4.95.
- *The Quick Guide to School District Financial Statements* (No. GUG05), $4.95.
- *The Quick Guide to State Government Financial Statements* (No. GUG06), $4.95.

The guides are presented in an easy-to-read format and written in nontechnical language. They focus on the value of the information found in the statements and discuss how the information may be used to inform decision making.

The user guide series is available through the GASB Order Department.

800/748–0659

AICPA Offers Interactive Online Access to Its Professional Literature

AICPA's reSOURCE Online: Accounting & Auditing Literature, a collection of AICPA's professional literature, now offers access for the entire firm. The reSOURCE Online Library consists of Professional Standards (codified standards and interpretations issued by the AICPA), Technical Practice Aids (statements of position of both accounting and auditing and a nonauthoritative section of questions and answers), all AICPA *Audit and Accounting Guides* and *Audit Risk Alerts,* and *Accounting Trends & Techniques*.

The entire firm can use this resource at an affordable subscription price, which means that now all firm members can enjoy convenient personal access. Your low-cost firm subscription provides for easy administration and will enhance the research efficiency of your firm's users.

How much value is there in a firm subscription? If your firm, for example, has 425 professionals (includes partners, CPA and non–CPA staff, consultants) you pay $11,980 for access for your entire firm. Compare this firm subscription price to the $150 individual subscription price for AICPA members.

The reSOURCE Online Library provides easy access to and navigation through all of the online professional literature titles. With frequent updates and cross-referencing links within the Library, the AICPA has developed the CPA's most useful resource—online. A one-year individual access subscription to reSOURCE Online Library is $150 for AICPA members and $1,195 for nonmembers.

To subscribe to the reSOURCE Online Library, log on to www.CPAWeb.org, register (if you haven't already done so), click on AICPA Professional Literature, and complete the purchase request form. Contact the Member Satisfaction Center for more information.

memsat@aicpa.org

conferences

Conference Addresses Staffing Concerns

The 2001 AICPA Forum on Staffing Issues, which will take place in Denver on May 21–22, will give practical advice and support for managing through the staffing crisis currently facing the profession. During the two-day forum and optional pre-session, there will be a variety of lectures to introduce and examine top priority issues for CPA firm managers. Participants will also be able to choose from smaller, more individualized sessions with interactive, hands-on elements.

This year's topics include:

- Findings from the PCPS "Top Talent" Survey.
- How to recruit, hire, manage, retain and motivate Generation X employees (optional session).
- Identifying and developing future partners.
- Retaining and motivating through non-monetary rewards.
- Best practices for interviewing, hiring and firing.
- How to survive today's labor crisis.

Participants earn 16 CPE credits. The cost of the conference is $695 for PCPS members, $795 for AICPA members and $995 for non-members. For more information about the conference, to request a brochure (No. G50093CPA04) or to register:

888/777–7077

www.aicpa.org/conferences

More Companies Using Stock Options and Perks to Attract and Retain Employees

The war for executive and skilled professional talent in a tight labor market has led growing numbers of companies to offer options to their newest employees, according to proprietary marketplace research conducted by the management consulting firm Towers Perrin.

Special option grants were awarded to newly hired senior managers in nearly 75% of close to 200 participating U.S. companies with nonfinancial company median revenues of $3 billion, and financial company median assets of $24 billion. Almost two-fifths of the companies making up-front grants do so as a part of routine granting policy, with the remainder making awards on a case-by-case basis.

human resources

"What's most interesting and relevant about these findings is that we discovered companies across a broad spectrum of industries use recruitment grants to attract top talent," said Ted Jarvis, a Towers Perrin consultant and an executive compensation specialist. "This counters conventional wisdom that the practice is heavily concentrated in technology and Internet companies.

"The expectation that the lion's share of recruitment grants is going to top senior managers also wasn't the case, particularly in industries where the competition for those with specialized skills is fierce, such as in the info tech industry," added Jarvis.

The data show 44% of companies made special stock-based grants to professionals in high demand. Unlike senior manager recruitment grants, most grants to this group were made on a case-by-case basis.

Companies using options to lure employees away from current jobs also are increasingly likely to use so-called "retention grants" to prevent their own employees from moving. Almost half of the companies surveyed have made stock-based retention grants above normal levels to one or more people during the past three years.

Ninety-three percent of these companies furnished retention grants to executives, frequently as a result of mergers or acquisitions, or sometimes to match competing job offers. Fourteen percent made special stock grants to one or more executives in connection with a corporate relocation.

Sixty-six percent of companies that made stock-based retention awards reported grants to non-executives, with nearly half of those to meet a competing job offer. Thirty-six percent cited a merger or acquisition, while 7% cited corporate relocation.

What Do Employees Really Want?

But while some companies rely on stock offerings, others are hoping that money isn't everything. According to a new survey, companies are emphasizing non-monetary rewards much more than they did just a year ago. The three most common alternatives to cash are advancement opportunities (76%, up from 60% in 1999), flexible work schedules (73%, up from 64%) and opportunities to learn new skills (68%, up from 62%), according to the fifth annual Watson Wyatt Strategic Rewards® survey.

"Top-performing employees report that they want greater opportunities to advance and hone their skills, and employers appear to be listening," says Paul Platten, practice leader for strategic rewards consulting at Watson Wyatt, a global human capital consulting firm.

"Not surprisingly, people in different demographic groups have different preferences," he says. "But having the opportunity to develop skills was rated as a top-five factor across the board, sending a clear message to employers that they need to place greater emphasis on non-monetary rewards."

Employers participating in the survey were asked to identify their top performers and invite them to measure and rank their opinions about the effectiveness of various reward programs. Among workers under 30, the five highest-scoring items were:

1. Opportunity to develop skills.
2. Chance for promotion.
3. Compensation.
4. Vacation/paid time off.
5. Type of people/culture.

A growing number of employers are also implementing performance-based monetary reward programs, including group and project incentives and stock options, according to the survey.

Nearly half (48%) of the employers surveyed offer stock options and stock grants to employees, while 35% offer group incentives and 29% offer project incentives. The prevalence of these rewards increased from 1999. In the meantime, many employers shifted away from the non-performance-based reward initiatives that increased in prevalence during the Y2K transition, including paying employees above market and offering technical pay premiums.

Prevalence of Monetary and Related Rewards

	2000	1999
Sign-on bonus	70%	70%
Stock grants/options	48%	40%
Group incentives	35%	31%
Project incentives	29%	24%
Paying above the market	25%	43%
Technical pay premiums	19%	31%

Source: Watson Wyatt Strategic Rewards® survey

Rewards and Strategy

"Some employers are clearly getting the message that performance-based monetary rewards are an important part of a total reward package," says Rick Beal, a senior strategic rewards consultant with Watson Wyatt in San Francisco. "Unfortunately, our research also reveals that many employers are taking a somewhat casual approach to rewards and strategy."

Indeed, only one-fourth (24%) of the respondents regard rewards as a means of engaging workers to improve performance. Rewards are generally not seen as a source of competitive advantage, nor do most employers regularly measure the effectiveness of their plans, the survey noted. Between 1997 and this year, the percentage of companies that clearly articulate their compensation strategy to employees declined from 69% to 63%, while the percentage of companies whose employees understand the reward program fell from 64% to 58%.

"Notwithstanding the current slowdown, the tight labor market demands that employers be more aggressive and creative with their rewards programs if they want to win the war for talent," says Beal. "Companies that have the ability and commitment to reward employee performance at all levels will be the ones that gain the competitive advantage they need for continued success."