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## Members in Small Local Public Accounting Firms, November 1999

American Institute of Certified Public Accountants (AICPA)

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# Members in Small·Local Accounting Firms

November 1999

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## The Electronic Business Strategic Initiative

By Wayne Harding, CPA, MBA,  
and John Woodburn, CPA

technology

The AICPA Board of Directors has adopted this Electronic Business Strategic Initiative:

“Establish CPAs as the premier knowledge professionals who leverage electronic business and information to solve business issues and capitalize on opportunities.”

### Birth of the Initiative

The idea is that the AICPA needs to build a bridge for its members from a paper-based economy to an electronic/digital economy.

In June, Federal Reserve Board Chairman Alan Greenspan told Congress' Joint Economic Committee, “Something special has happened to the American economy in recent years. An economy that 20 years ago seemed to have seen its better days is displaying a remarkable run of economic growth that appears to have its roots in ongoing advances in technology.

“I have hypothesized on a number of occasions that the synergies that have developed, especially among the microprocessor, the laser, fiber-optics, and satellite technologies, have dramatically raised the potential rates of return on all types of equipment that embody or utilize these newer technologies. But beyond that, innovations in information technology—so called IT—have begun to alter the manner in which we do business and create value, often in ways that were not readily foreseeable even five years ago.

“As this century comes to an end, the defining characteristic of the current wave of technology is the role of information. Prior to this IT revolution, most of twentieth century business decision making had been hampered by limited information. Owing to the paucity of timely knowledge of customers' needs and of the location of inventories and materials

flows throughout complex production systems, businesses required substantial programmed redundancies to function effectively....”

The AICPA Special Committee on Assurance Services (the Elliott Committee) was cited in the *Fordham Law Review* (V. LXV, N. 5, April 1997; page 1991), as follows: “In discussing the future of CPA assurance services, the [Elliott Committee] report posits the development, in the not-too-distant future, of a financial reporting system in which the principal vehicle for the transmission of financial information may be a computer network accessible on a ‘real time’ basis by the reporting entity and its investors, creditors, suppliers, customers, and analysts.”

To remain on the leading edge, the AICPA needs to act in a responsible but timely manner. The evolution of technology has increased the pace of change to unprecedented levels. The AICPA needs to develop a leadership position.

### Information Value Chain

By focusing on knowledge in the information value chain, our members will have greater input and impact on the success of business.

The information value chain can be represented as:

Transactions -> Data -> Information ->  
Knowledge -> Decisions

### The Electronic Business Task Force

To assist in supporting this electronic business initiative, a cross-functional task force is being formed and called the Electronic Business Task Force (EBTF).

This task force is headed by John Woodburn of the Woodburn Group and will serve as an incubator for electronic business

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ideas and will advocate and facilitate electronic business initiatives throughout the AICPA and its membership.

To prevent duplication of efforts and maximize synergies, the EBTF will work with other AICPA Teams, including Assurance, Audit, Tax and Consulting Services.

The task force will initially consider the following potential projects to support this strategic initiative.

- Financial Reporting for the Web—XML (XFRML). Work has already begun on XFRML (see [www.xfrml.org](http://www.xfrml.org) and the Sept. issue of this supplement). The results of this project will provide more timely and greater information access. By setting an XML definition for financial reporting, the profession can have an impact on the U. S. economy and likely the world economy.

“The Internet shortens the cycle time for investors to get information. It lowers the risk because there is better communication,” Mike Rushmore, Bank of America, told *CFO Magazine* (June 1999 p.87).

- A three-day Electronic Business Conference planned for Dec. 3–6 2000 in Las Vegas.
- Identify and promote best practices in electronic business.
- Promote the development of authoritative knowledge bases to educate and support the CPA.
- Support regulatory and legal efforts that enhance electronic business.
- Support Internet-based training programs.
- Support and promote *CPA WebTrust<sup>SM</sup>*.
- Sponsor nontraditional conferences and events (e.g. Electronic Commerce World, E-Business Security Conference, etc.).
- Coordinate and support the development of authoritative literature to educate our members. Target traditional (*Journal of Accountancy*) and nontraditional (e.g., *The Journal of Electronic Commerce*) magazines for article publication.

### CPA Vision Impact

The Electronic Business Strategic Initiative supports the CPA Vision Process.

### Global Forces

- Economic forces. Electronic business can establish a “brutally” efficient worldwide economy through electronic movement of capital and the use of electronic data interchange for business transactions. The timely access to accurate, reliable information and services leads to better-informed investors and buyers—resulting in better decision making and more efficient markets.
- Technological forces. Technological advances have created new business models, new opportunities and new threats. Electronic agents are creating legally binding transactions between entities eliminating human intervention. These advances create new business issues that need a knowledgeable workforce that understands information system controls and security risks. CPAs are uniquely qualified to fill this role.

### Core Values

- Continuing education and life-long learning. Authoritative education materials will assist members in developing the skill sets and the knowledge to master the world of electronic business.
- Competence. Through education and experience, CPAs’ knowledge of electronic business will lead to high quality work.
- Integrity. CPAs have the opportunity to bring their integrity to the information generated by the digital business infrastructure.

### Core Services

Electronic business provides a tremendous opportunity for assurance services and value-added consulting services. CPAs knowledgeable in technology and electronic business will assist organizations in adapting and thriving on a digital infrastructure.

### Core Competencies

Customers and markets are driving toward doing business through a digital infrastructure. The Electronic Business Strategic Initiative will elevate the importance of electronic business among our members. This will help drive strategic and critical thinking skills.

Although technology is just an enabler of electronic business, if members focus on the importance of electronic business, more members will become technology adept in consulting and working within the digital business infrastructure.

### Economic Value Chain

This Electronic Business Strategic Initiative will help our profession determine the rules of the game at an international level.

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## CPA Performance View: The Measure of Success

Transferring strategies into action, identifying critical success factors, developing measures to track over time, assessing progress in achieving specific targets—all comprise a significant new value-added service in business performance measures to clients looking for ways to better navigate their business.

Using “leading” measures that are primarily non-financial, managers can make decisions that affect the value of the organization. CPAs are in the best position to understand and assist their clients—and to profit from a potentially lucrative new service opportunity.

To help in performing successful CPA Performance View engagements, the AICPA has formed alliances with key partners and developed quality training tools and resources. The tools described below are designed to take you step-by-step through the process for delivering consistent business performance measurement consulting services to clients. Practitioners can become more valued business advisers to clients by offering this dynamic new service.

- CPA Performance View Plus is a comprehensive three-day training program—plus a system for developing and delivering CPA Performance View. This innovative program provides technical instruc-

now available

tion on how to develop and deliver performance measures consulting services, including in-depth case study work to build your understanding of performance measures.

Participants can expect to walk away with training plus a systems-oriented approach and accompanying tools for delivering performance measures consulting services.

- CPA Views (No. 016622HSCLD11) is a powerful software tool integral to the success of a CPA Performance View initiative. Discover dynamic new ways to view your organization’s performance with the leading proactive business measurement solution—CPA Views. This easy-to-use software tool is designed for progressive companies that seek to understand, measure and communicate their operational performance in the context of their strategic objectives. It is available exclusively to CPAs and their clients through the AICPA.
 

CPA Views, based on the technology of the world’s leading performance measurement software, encourages and facilitates proactive analysis, increased organizational efficiency, and improved alignment and focus. As a special introductory offer, you can save 20% on this software.
- *CPA Performance View...A Practice Guide* (No. 006606CLD11). An easy-to-use practice guide to walk you through

an engagement. Step-by-step guidance for performing a successful CPA Performance View engagement is available in this easy-to-use guide. Each chapter corresponds to a step in the process for delivering consistent business performance measurement services. Valuable practice aids support each step and range from questionnaires and checklists to engagement letters and thought-provoking tools. Practice-proven techniques and procedures developed by leading practitioners provide a clear road map to follow in this potentially lucrative new practice area. Loose-leaf format (annual updates sent automatically upon approval). Expected availability: Dec. 1. Those who order early save 20%. Members pay \$149; pre-publication price \$119.25. Non-members pay \$186; pre-publication price \$148.75.

*CPA Performance View...A Practice Guide* is included in the registration fee for the three-day training program. If you purchase the guide and later sign up for the training program, you may apply the price of the guide to the training program registration fee.

For detailed information on the three-day training program, software and guide—and to register or order—check the AICPA Web site at:



[www.aicpa.org](http://www.aicpa.org)

## On the Alert

The AICPA’s audit risk alerts are valuable, nonauthoritative practice aids designed to be used as engagement planning tools. The alerts are fail-safe resources for checking vital audit considerations that might otherwise be overlooked. The risk alert series consists of the General Audit Risk Alert 1999/2000 (No. 022250CLD11), Compilation and Review Alert 1999/2000 (No. 022240CLD11) and 12 industry-specific risk alerts. The General and Compilation and Review Alerts are \$14 each for members and \$20 for non-members. The Industry Alerts, which complement the guidance provided in many of the AICPA Audit and Accounting Guides, are \$12.95 each for members and \$18.50 for non-members.

They will be available as of Nov. 30.

The industry-specific alerts are:

- Automobile Dealerships Industry Developments (No. 022233CLD11).
- Common Interest Realty Associations Industry Developments (No. 022234CLD11).

- Construction Contractors Industry Developments (No. 022235CLD11).
- Depository Institutions and Lending Industry Developments (No. 022236CLD11).
- Health Care Industry Developments (No. 022237CLD11).
- High-Technology Industry Developments (No. 022238CLD11).
- Insurance Industry Developments (No. 022239CLD11).
- Investment Companies Industry Developments (No. 022241CLD11).
- Real Estate Industry Developments (No. 022242CLD11).
- Retail Industry Developments (No. 022243CLD11).
- Securities Industry Developments (No. 022244CLD11).

A new addition this year:

- Hospitality: Lodging and Restaurants (No. 022252CLD11)

To order, contact the Member Satisfaction Center:



888/777-7077



[memsat@aicpa.org](mailto:memsat@aicpa.org)

## assurance services

### CPA WebTrust<sup>SM</sup> Model for Certificates of Authority Under Development

The AICPA is developing a CPA WebTrust<sup>SM</sup> model for Certification Authority Trust Principles and Criteria for Electronic Commerce. An exposure draft is expected to be released soon for public comment and then finalized in early 2000. The planned ED, being created by the Electronic Commerce Task Force, will provide the standard for performing and reporting upon the results of an audit of a certification authority.

What is a certification authority? It is a trusted third party that provides a level of assurance that a public key contained in a public key certificate actually belongs to the entity named in that certificate—an entity that certifies proper encryption of Web site data.

Public key certificates are then used to validate the identity of the signer of a digital signature.

The model's principles and criteria are substantially based on the control objectives and procedures included in the American National Standards Institute's X9.79 PKI Practices and Policy Framework standard. These standards have been considered by the American Bar Association's Information Security Committee, a group developing guidelines that address the legal and technical requirements for certification authorities. The ANSI working group will be submitting the draft X9.79 standard to the International Organization for Standardization (ISO) for consideration as a new ISO standard. The result of this ground-breaking coordination among these groups will be promulgation of a series of standards that when applied will create a "community of trust" to facilitate secure electronic commerce by providing for confidentiality, (strong) authentication, integrity and non-repudiation.

## year 2000

### OMB Clarification of Y2K Issue

In a memorandum to federal inspectors general and chief financial officers, the Office of Management and Budget has explained the effect of any Y2K opinion qualifications on an entity's low-risk auditee status.

Among other issues addressed in the memorandum, OMB has determined that an opinion qualification resulting solely from Y2K disclosures, or the omission of such disclosures, required by GASB Technical Bulletin (TB) 98-1, *Disclosures About Year 2000 Issues*, would not preclude an entity from qualifying as a low-risk auditee under OMB Circular A-133 Circular A-133, *Audits of States, Local Governments, and*

*Non-Profit Organizations*. If an entity chooses to revise its financial statements as a result of GASB TB 99-1, *Disclosures About Year 2000 Issues—An Amendment of Technical Bulletin 98-1*, and elects to submit its revised financial statements to the federal government, the entity should follow the procedures presented in an attachment to the memorandum. Also, as with any other issue affecting an auditee's ability to comply with federal program requirements, auditors must consider the effect of the Y2K issue when conducting OMB Circular A-133 audits, including applying the risk-based approach to selecting major federal programs to audit. However, the auditor is not expected to plan and perform procedures to determine whether an auditee is Y2K compliant.

The memorandum also clarifies:

- The impact of opinion qualifications resulting from Y2K disclosures required by GASB TB 98-1.
- Procedures to be followed if an auditee elects to submit revised financial statements to the federal government resulting from GASB TB 99-1.
- An auditor's responsibility to consider the Y2K issue when conducting audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133.

A copy of the memorandum is available at OMB Web site:

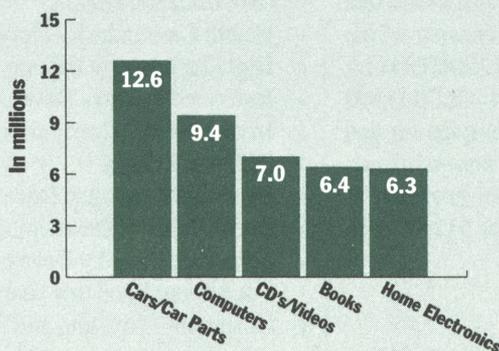


[www.whitehouse/WH/EOP/OMB/Grants](http://www.whitehouse/WH/EOP/OMB/Grants)

### Buying Online?

The number of Internet users in North America has reached 92 million, according to CommerceNet and Nielsen Media Research's Internet Demographic Survey. The survey found that 55 million people shop online—including browsers and comparison shoppers as well as actual purchasers.

#### Top Internet Shopping Categories for Men



#### Top Internet Shopping Categories for Women

