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## Members in Small Local Public Accounting Firms, October 2001

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### Recommended Citation

American Institute of Certified Public Accountants (AICPA), "Members in Small Local Public Accounting Firms, October 2001" (2001). *Newsletters*. 2293.

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# Members in Small·Local Accounting Firms

October 2001

AICPA

## Knowledge Management: Determining What It Means in Your Firm

By Roman H. Kepczyk

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Knowledge management is garnering acceptance within CPA firms, but the term means something completely different to every firm, as well as every person within the firm. How, then, can firms learn to define what knowledge management is for them and then determine the systems that will store this information?

### A Starting Point

A general definition of knowledge management systems could be an infrastructure that provides the right information to the appropriate people when they need it, regardless of their location, so they can make informed decisions. One difficulty is determining what is the right information. The examples and case studies InfoTech Partners North America, Inc. has reviewed point towards identifying the knowledge the firm has, deciding which has the highest value and then determining how to maximize the use of this information. Only then should firms look to the technology tools and infrastructure that would be used to share the information.

### Four Questions

These questions can help firm leaders begin to determine what their knowledge management system should capture:

**1. What unique knowledge or skills do we have as an organization that can provide a competitive advantage in our location or region?** Firms must first identify their strengths or areas in which they would like to develop competent knowledge. Most begin by looking at their profitable business services and niche practices where they have unique experience already garnering higher fees when utilized. An example would be a person

who thoroughly understands the mechanics of a difficult calculation, such as the LIFO calculations that are performed within the automotive industry.

**2. In what ways can we package and expand this information, so that its value can be maximized?** At the completion of every project, firm personnel should be allocated time to analyze what they learned from the engagement, discuss how they could have improved upon it and how this information could be applied to other engagements or future opportunities. The results of these meetings should be documented, including supporting schedules and processes, and other potential benefactors of the information should be identified. Continuing the automotive example above, a spreadsheet or database application could be developed so the calculations could be quantified and used on multiple clients. A listing of clients and prospects will also help determine the potential value of this information if it were reused.

**3. How can we capture the best way of using this knowledge, standardize it and deliver it to our people with training, so they can effectively implement it in the shortest amount of time?** Once the information can be procedurally captured in writing (also consider audio or video capture), it must be thoroughly tested on other clients' engagements to ensure that the use of the information or process leads users to the appropriate results. This information should then be directed to the firm's training coordinator so training can be immediately scheduled. For example, in the case of the automotive calculation, firm personnel would be shown how to use the database and directed when to use it. Any information that might be made available to personnel outside the firm's workgroup should be "sani-

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tized” by removing specific client references and data to maintain confidentiality. If appropriate, the findings or process could also be turned into an article that can be used to publicize the firm’s expertise. Additionally, the firm could look for other non-competing firms that would benefit from this knowledge and might want either to purchase a “franchise” or participate in the development of the knowledge tool.

**4. What tools do we have available or can we acquire that can deliver the**

**information to our end users the most effectively?** In many cases, the analysis done at the completion of an engagement can be turned into a white paper, procedural outline or tool that can be used in training other personnel. This information and the supporting schedules should then be placed on a network directory, intranet or the firm’s groupware application to be re-used by firm personnel. Again, we want to stress that the information should always be captured first and the appropriate tools decided last.

### **Harnessing Resources**

As firms move more towards a digital environment, the amount of knowledge that we have to maintain will increase dramatically. A firm’s ability to effectively “farm” and “harvest” this information will determine its future profitability.

*Roman H. Kepczyk, CPA, CITP, is President and Chief Technology Strategist for InfoTech Partners North America, Inc., a consulting firm that works exclusively with CPA firms on their internal utilization and departmental processes.*

## **AICPA Issues First Guide in Series of Publications on Improving Government and Not-for-Profit Performance**

The AICPA has issued a new guide, *Using Competition for Performance Improvement: A Resource for Practitioners Advising Governments and Not-for-Profits* (No. 056507CPA10). It is the first guide in an expected series of publications that are designed to assist CPAs in advising governments and not-for-profit organizations on opportunities for performance improvement. Both CPAs in public practice and CPAs employed by governments or not-for-profit organizations should find this publication useful.

This new step-by-step guide is designed to walk through the entire competitive process and provides valuable guidance on opportunities for introducing competition, outsourcing or divestiture. Guidance is also included on how to determine whether to privatize, retain or reengineer targeted functions or activities. Numerous tools, exhibits, spreadsheets and comprehensive case studies help ensure successful performance improvements.

Other topics include development of a competitive proposal, transition issues, performing the cost analysis and monitoring performance.

The price is \$68 for dual AICPA/state CPA society member; \$72.25 for AICPA member; \$76.50 for state CPA society member; \$85 for non-member. To order publications, write: CPA2Biz Customer Service Center, CPA09, P.O. Box 2209, Jersey City, N.J. 07303-2209, or:



800/362-5066



service@cpa2biz.com

888/777-7077 (8:00 a.m. to 8:00 p.m., ET)

CPA members should have their membership numbers ready when they call. Non-members should have their credit card number ready when they call. Prices do not include shipping and handling.



## **CPA Community Launches Online Tax Resource Center**

The new [www.cpa2biz.com](http://www.cpa2biz.com) Tax Resource Center is up and running and promises to provide CPAs, tax professionals and the general public with the most extensive, up-to-date content of any tax-related resource center online. The Tax Resource Center provides a variety of new information and products to the tax professional and CPA, including:

- All AICPA-related tax information and resources.
- A variety of tax-related CPE credit courses, both online and downloadable.
- Constantly updated information and products relating to new tax act information.
- A large range of tax-related third-party products and programs.
- Discussion forums based on any and all tax related subjects, especially proposed tax laws and regulations that could directly affect the community.
- A feedback forum for members to provide viewpoints and feedback for CPA lobbying efforts.
- A special section for CPA tax section members.

This extensive new tax resource center is a research-based site created especially for tax professionals and CPAs. Its structure is similar to the other resource centers available on CPA2Biz to ensure an easy, user-friendly experience. The Tax Resource Center is categorized according to the type of tax information you need.

Published for AICPA members in small firms. Opinions expressed in this supplement do not necessarily reflect policy of the AICPA.

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## Morningstar Reports, Due Diligence and Editorial Content Now Available on CPA2Biz

Morningstar Reports, Due Diligence information and editorial content about investing and the latest trends in financial planning are now available online at the CPA2Biz Business Services hub at [www.cpa2biz.com](http://www.cpa2biz.com).

“CPAs are expanding their services to include financial planning, and there is a tremendous need for trusted, independent investment information,” said Chris Boruff, President of Morningstar’s Advisor business unit. “We are excited to work with CPA2Biz and look forward to providing its users with Morningstar information and content.”

“Financial planners have relied on Morningstar for more than 15 years as their primary source for investment information,” said Doug Wright, Vice-President of Financial Services Offerings for CPA2Biz and President of Capital Professional Advisors, Inc., a CPA2Biz company. “Morningstar was the obvious choice for value-

added and highly-relevant investment information and editorial content for the Investment Advisory Services and Personal Financial Planning Resource Centers on CPA2Biz. Experience has shown that approximately every \$1 million of revenue for a CPA practice potentially represents about \$100 million of investable client assets, and Morningstar will continue to be an invaluable tool for CPAs to help their clients with those assets.”

According to the AICPA, 90,000 of its members report that they do financial planning on some level for their clients. In addition, according to a recent study conducted by the Taylor Research Group, 56% of CPAs in public practice now either offer investment planning or plan to do so. At its Investment Advisory Services and Personal Financial Planning Resource Centers, CPA2Biz offers CPAs a vast array of tools and resources, including those from Morningstar, with which they can grow their investment advisory and planning practices. Chicago-based Morningstar Inc. is a leading, independent provider of investment information and analytical tools.

## WebTrust for Certification Authorities Standards Endorsed by PKI Forum

PKI Forum, Inc., a multi-vendor and end-user industry consortium created to accelerate the adoption of public-key infrastructure (PKI) technologies, has endorsed the standards of the *WebTrust for Certification Authorities* program along with the American National Standards Institute’s (ANSI) X9.79 technical standard for Certification Authorities (CAs). The auditable standards of the *WebTrust* program were harmonized with the X9.79 standard.

The PKI Forum’s Best Practices Working Group “initiated a review of existing material several months ago and felt both the X9.79 and *WebTrust* work completed by the other organizations represented exactly what was needed in this space—instead of duplicating efforts, the PKI Forum is formally endorsing the standards already available.”

A new PKI Note, entitled “CA Trust” (which includes information on *WebTrust for Certification Authorities*), is available on the PKI Forum Web site:



[www.pkiforum.org/resources.html](http://www.pkiforum.org/resources.html)

## Ariba Receives WebTrust Certification

Ariba, Inc., a leading business-to-business e-commerce solutions provider, has met the *WebTrust* e-business standards for security,

availability and business practices/transaction integrity and been certified with a *WebTrust* Seal of Assurance after an independent examination of its business by KPMG LLP.

Ariba’s open, end-to-end, interoperable software solutions and hosted Web-based commerce services enable efficient online trade, integration and collaboration between B2B marketplaces, buyers, suppliers and commerce service providers ([www.ariba.com](http://www.ariba.com)).

“A network that is open, scalable and feature-rich is powerful—but only if it is certifiably secure,” said Shannon Lynch, Ariba Vice-President, Network Solutions. “Customers demand it.”

## Blue Cross & Blue Shield of Wisconsin Meet WebTrust Standards for Online Privacy Protection

Blue Cross & Blue Shield of Wisconsin, a wholly owned subsidiary of Cobalt Corporation, has met the *WebTrust* standards for online privacy protection for the “Buy Online/Get a Quote” and “Need Customer Service?” areas on its site, [www.bluecrosswisconsin.com](http://www.bluecrosswisconsin.com). Ernst & Young LLP awarded the first Seal issued to a U.S. health insurance provider under the *WebTrust Program for Online Privacy*.

“We know how sensitive our Blue Cross & Blue Shield of Wisconsin customers and potential customers are about



their private information, particularly in an online environment,” said Cathy Harvey, Senior Vice-President of Marketing for Cobalt Corporation. “We wanted to

show them that we take their concerns very seriously. The rigorous standards of the *WebTrust Online Privacy Program* help us set the benchmark in the health insurance industry for protection of private information.”

## First Career Site Receives WebTrust Seal

A job search and career development Web site for the real estate industry—[www.realestatejobs.com](http://www.realestatejobs.com)—has met the *WebTrust* standards for online privacy protection. Grant Thornton LLP awarded the first Seal issued to an online career site under the *WebTrust Program for Online Privacy*.

“When looking through our database of available real estate industry jobs and submitting résumés to specific employers, potential candidates want to know that their sensitive personal information is secure and that we do what we say we do in terms of information privacy,” said Rick Gillham, Principal of [realestatejobs.com](http://realestatejobs.com). “We are very pleased to be the first online career site to have met the standards of the *WebTrust Online Privacy Program*, and in so doing, set the benchmark for our industry.”

## Survey Offers Insights on Handling Workplace E-Mail

Almost 10% (9.4%) of U.S. companies have been ordered by courts to produce employee e-mail, and 8.3% have battled sexual harassment and/or sexual discrimination claims stemming from employee e-mail or Internet use.

According to the 2001 Electronic Policies and Practices Survey, a new study from the American Management Association, The ePolicy Institute and *US News & World Report*, employers have become increasingly aware of the dangers in workplace computer use and are taking steps to reduce their liabilities. Of the 435 employers surveyed, 61.6% exercise their legal right to monitor employees' e-mail and Internet connections. Among employers who monitor, 68.3% cite legal liability as the primary reason to keep an eye on employees' online activity.

"To reduce liabilities, protect corporate assets, and stay out of court, employers must manage employees' online behavior," says Nancy Flynn, author of *The ePolicy Handbook* (AMACOM Books 2001) and executive director of The ePolicy Institute ([www.ePolicyInstitute.com](http://www.ePolicyInstitute.com)), the survey's co-sponsor. "Written e-policies and monitoring software are indispensable business tools for employers operating in the age of e-mail and the Internet."

Monitoring is an effective e-risk management tool, but it cannot eliminate all workplace liabilities, according to the AMA. While the federal Electronic Communications Privacy Act (ECPA) allows employers to monitor all e-mail traffic and Internet activity on the company system, it does not always prevent outraged employees from filing invasion of privacy claims. Flynn advises employers to use written e-mail, Internet and software policies to give explicit notice that:

- Employees do not have a reasonable expectation of privacy.
- The company has the right to monitor anything transmitted or stored on its computer system.
- Management intends to exercise that right.

### Staff Acknowledgement

Business is apparently doing a good job of notifying employees of monitoring activity, privacy rights and electronic ground rules. Nearly 84% of survey respondents notify employees of the organization's legal right to monitor online activity. Among those monitoring, 86.9% have a written e-mail policy, 83.1% have an Internet policy and 67.5% have a software policy.

However, barely half (50.6%) of employers require staff to acknowledge e-policies in writing. "Stave off invasion of privacy and wrongful termination lawsuits by securing employees' written consent to have their electronic messages read," says Flynn, who advises employers to have employees sign and date e-policies to demonstrate they understand them and accept personal responsibility for compliance.

Only 35.4% of employers have a document retention and deletion policy. "An employer who retains e-mail on a yearly basis, rather than the recommended 30-day period, could spend six-to-seven figures searching backup tapes in the event of a lawsuit. That's money spent before ever stepping foot in the courtroom," Flynn says. Because it's illegal to begin a document destruction campaign if pending litigation would be affected by it, employers should establish e-mail retention and deletion policies before trouble strikes.

### Personal Use

Survey results on personal use of company e-mail and Internet systems reveal that 39.3% allow employees full and unrestricted use of office e-mail, while only 11.7% grant staff the same unrestricted access to the Internet. Among companies that allow personal Internet use, 65.3% restrict access to Web sites, with 76.6% of employers most concerned about keeping explicit sexual content off employees' screens.

While employers' worries about keeping sexual content off employees' screens are commendable, Flynn suggests employers exercise equal control over other recreational surfing as well. "Hours lost to shopping, chatting and gambling online have the same impact on productivity as time spent downloading pornography," she says. "Reduce liabilities by taking a comprehensive look at—and restricting access to—all non-business sites visited by employees."

In spite of employers' efforts to monitor online behavior, only 23.9% of companies have training programs designed to educate employees about e-liabilities and e-policy compliance. According to Flynn, effective e-risk management combines three equally important activities:

- Development of written e-mail, Internet and software policies.
- Establishment of a continuing education program for all employees, from the CEO to student interns.
- Installation of software that monitors, filters or logs employees' online activity.

"Employers cannot expect employees to recognize electronic risks or comply with e-policies on their own. Ongoing training is critical to the success of an e-policy program," she says.

### Set Standards

Finally, employers should know that one of the best ways to control risk is to control content. "Settle for nothing less than good clean content, free from harassing, menacing, threatening, obscene, discriminatory or otherwise offensive language, and you'll be on your way toward a safe and secure electronic workplace," Flynn says.

A copy of the survey and a review copy of *The ePolicy Handbook* are available at:



[www.amanet.org/research/summ.htm](http://www.amanet.org/research/summ.htm)