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DIVISION BUSINESS MEETING

The Division for Management Advisory Services held its first annual business meeting on Oct. 13, following the Oct. 12 meeting of the MAS Executive Committee and its subcommittee chairmen. AICPA President Philip B. Chenok opened the meeting by discussing general Institute activities, including the agreement with the FTC to allow commissions and contingent fees under certain defined conditions, and the SEC's announcement of a new study on CPA audit independence.

The MAS Executive Committee and subcommittee chairmen reported on division matters. They covered potential revisions to the MAS standards (see the story on this page), specialization accreditation (the Executive Committee does not support it) and Institute affiliation for non-CPAs (the committee supports a limited affiliation within the MAS Division). Representatives from state societies described the evolution of many MAS committees into groups focusing on particular topics, such as computers, valuation and litigation support.

This new meeting format, which replaces both the members' forum and the dinner for state society MAS representatives, proved successful and will be repeated next October. Minutes of the meeting are available on request.

REVIEW OF MAS STANDARDS

The MAS Practice Standards and Administration Subcommittee is reviewing the three Statements on Standards for Management Advisory Services (SSMASs) issued in 1981 and 1982. It has undertaken the review at the direction of the MAS Executive Committee, which sees a need for new standards because of significant changes in the consulting profession and MAS practice.

Among the changes cited are an expanded scope of practice (including nonadvisory services), the litigious environment, overlapping MAS and attest services, the revised Code of Professional Conduct and the Institute's anticipated agreement with the FTC on commissions and contingent fees. The review will determine whether the standards should more explicitly reflect the changed scope of MAS, and will likely result in recommendations for significant revisions to the SSMASs.

EXPANDED SCOPE OF SERVICE

The SSMASs were developed when MAS was almost exclusively advisory in nature. Today, however, practitioners often get involved in implementing systems rather than just giving advice on which system to implement and how to do it. CPAs are also valuing businesses and providing litigation consulting, both of which go beyond purely advisory services. The standards for advisory services may not be appropriate for these expanded services.

Currently the SSMASs define and set standards for MAS practice as an advisory service, and explain how to apply the standards in MAS engagements and consultations. They are the first binding standards for MAS ever issued by the AICPA, although they are based on nonbinding standards issued in 1974 and on the first general standards for the profession (rule 201), which were issued in 1978.

MAS AND ATTEST SERVICES

Separating the CPA's role as a consultant from that of an attestor is another driving force behind a review of the standards. The MAS Executive Committee believes revised standards could help clarify the difference by explaining how an MAS practitioner focuses on the client's needs, while an attestor prepares reports that third parties will use. Such a revision would reinforce *Attestation Standards*, which describes the CPA's role as an attestor for forecasts, projections and non-financial matters, and the MAS Special Report entitled *Comparing MAS and Attest Services: A Guide for the Practitioner*, which first distinguished between the two services.

FUTURE DEVELOPMENTS

If, as expected, the Practice Administration and Standards Subcommittee recommends revisions to the SSMASs, the proposed new documents must gain approval from the MAS Executive Committee. They will then be exposed to the members.

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SYSTEM IMPLEMENTATION ENGAGEMENTS

Systems selection is just a foot in the door: The consultant should be involved throughout the implementation.

MICHAEL W. HARNISH AND BRENT L. VAN NORMAN

It's been a good project. The client hired you to select a computer system. To do this, you determined the client's business needs and matched those needs with suitable hardware and applications. This meant analyzing storage and processing requirements, obtaining vendor commitments on support and pricing, and helping the client make the best choices. You are happy with the selections made, and the client is looking forward to seeing the system operational.

NOW WHAT?

Many practitioners believe that the next step is simply to sit back, let the vendor install the system, and watch what happens. They're wrong. This approach flies in the face of all the care you took in making the selection and ignores other possible consulting work the client might need.

Management advisory services (MAS) should extend beyond systems design and selection; the consultant's knowledge about the client's industry, the flow of transactions in the business, and hardware and software solutions are indispensable during implementation as well. Besides, this much is certain: If the system is not implemented correctly, the client won't be happy.

By keeping you on the job throughout implementation of the system, the client gains the following advantages:
■ The system becomes operational in less time.
■ The client understands the system better and gains better control of it.
■ The client can use the system more effectively and efficiently.

THE IMPLEMENTATION PLAN

One of the first steps in any imple-

mentation engagement is to reach an understanding about the scope of the engagement. This becomes even more critical when you consider the fact that an implementation engagement usually involves more than two parties; the client, the practitioner, and also the vendors of the equipment and the software. Therefore, before starting an implementation engagement, all the parties involved should prepare a detailed written understanding of the expectations and responsibilities of all the parties.

One tool that facilitates reaching such an understanding is an implementation plan. Although an implementation plan may take various forms, the following elements are fairly common:
■ A detailed listing of all the tasks or operations that must be accomplished.
■ Who is responsible for each task.
■ Estimated completion dates for each task.

Other topics the plan should cover include any likely problems and the overall approach to the engagement. All parties involved should understand and accept the responsibilities assigned to each team member.

MONITORING THE IMPLEMENTATION PLAN

Throughout the implementation of the new system, the MAS practitioner should monitor progress. Progress meetings should be held periodically, and a representative of each team should be in attendance. In these meetings, each implementation team updates the other parties on progress made and on any problems encountered or foreseen. In this way, coordination problems can be alleviated and resources can be shifted as needed. If certain tasks are not completed on schedule, the implementation plan should be modified so that unreasonable expectations are not maintained.

IMPLEMENTATION CONSIDERATIONS

Shortly before the client's hardware arrives and immediately after, several tasks must be performed to prevent inefficiencies down the road. These tasks are detailed in the following discussions.

Physical Site Planning. Although physical site planning is not as important today as it used to be, it should not be overlooked. Over the years, the major emphasis of site planning has shifted.

> *This much is certain : If the system is not implemented correctly, the client won't be happy.*

Major advances in technology have made computer systems far less dependent on the environment. However, it is still wise to check the client's electrical supply to ensure a clean source of power. Other important aspects of the physical environment include:
■ Temperature—heat generated by the system can cause discomfort, and extreme increases in temperature can create hardware problems.
■ Noise—the noise generated by some system devices (especially printers) might not be appropriate in the intended settings.

Ordering Initial Supplies. Another task often taken for granted is ordering supplies. Long lead times and the new relationships that have to be established with vendors often cause unexpected delays. Without proper supplies, however, the system might not be usable.

Supplies to consider include:
- Removable storage media (for example, diskettes and cartridge tapes).
- Cleaning supplies (for example, a kit for clearing tape-drive heads).
- Computer paper.
- Special forms (for example, check stock, invoices, and purchase orders).

Operating System Loading and Configuration. After the hardware arrives, one of the first things to do is to load the operating system (for example, loading MS-DOS onto the hard disk drive). The consultant should also tailor start-up procedures to suit the client. This might include setting such options as path designations and programming automatic responses to various buffer and spooler sizings. Although this might seem quite technical, not setting these parameters can impair the system's performance. In addition, some operating systems require changes (or patches) if they are used in a networked environment. These changes should also be made when the operating system is loaded and configured.

Many systems also require that terminals and printers be configured into the system. This might simply mean informing the system about the type of terminal, transmission speeds, and the basic protocol from the central processing unit (CPU) to the terminal or printer.

Application Software Loading and Configuration. All application software to be used must also be installed and configured. The effort involved in doing this varies from one software application to another.

Configuration changes are often needed due to the equipment or operating system used. For example, when microcomputer applications are used in a network, changes in record locking and in high-level input/output (I/O) calls might be needed. This might involve changing the characteristics of data files once they are initialized.

Finally, after loading the application

software, certain operating characteristics often need to be configured. This tailors the system to operate in accordance with accounting issues and procedural requirements unique to the client. The MAS practitioner has to understand not only how the client's business operates but also the impact the various configuration alternatives have on the functioning of the software.

As the client's business needs change, enhancements to the system might be required.

TAILORING SOFTWARE

Usually, software delivers less than 100 percent of what a client needs. Consequently, many clients request that application software be tailored to their needs. This often requires creating "bridges" to transport the required data into a generic software package (for example, a database, spreadsheet or communication package) so that the software can perform further data operations. In other cases, modification of the application code might be needed.

The MAS practitioner should work with the client to identify features that are important to the client's business but absent from the application software. Once these factors have been determined, the practitioner must work in conjunction with the vendor to determine whether existing alternatives in the system could provide the required information. If not, the practitioner might have to design the necessary changes.

MANUAL SYSTEMS INTERFACE

For each accounting function to be converted, a plan should be drawn up so that data from the new system can be verified and reconciled with data from the existing system. Typically, this

means that forms and interim procedures must be developed. Even though these procedures are needed only during the conversion to the automated system, they are critical in building confidence and reliance in the new system. Some of the more important elements of such forms are described in the following discussion.

Information Acquisition and Collection Techniques. Identify the type and nature of information required by the new system. This might include such information as customers' names, addresses, telephone numbers and payment terms. Forms should then be designed to maintain all the required information. Alternatively, automated techniques might be used to take advantage of information that already exists in magnetic form (for example, a customer master file might be created from an existing system).

Information might have to be collected from various sources to fulfill the requirements of the new system. Consequently, as the data is collected, many conversions of coding sequences or schemes might be required. The form should be designed to accommodate the restructuring of information to satisfy the coding schemes of the automated system.

PARALLEL PROCESSING

Many implementations fail because control over vital business information is lost during the conversion to the new system. When the old system is maintained as a check and fail-safe, the same information has to be processed twice, which doubles the client's work load. However, if interim parallel processing is ignored, the results can be disastrous.

Due to rounding discrepancies, information between the two systems might be inconsistent. Therefore, reconciliation procedures must be in place to identify and correct discrepancies. In addition, during parallel processing, various control points should be established, which can be more difficult than might first be supposed. The following factors can complicate the establishment of control points:
- The data might come from various sources in the original system.
- There might be timing differences

between the old and new systems.

■ There might be differences between how the systems handle and categorize information.

OPERATIONS PROCEDURE DEVELOPMENT

Once all the necessary applications have been installed, internal control over the operations of the new system should be established. Although these depend on the situation and the system installed, common elements include:

■ Data control and security considerations.

■ Backup and recovery procedures for both data and preprinted forms (that is, a disaster recovery plan).

■ Operations scheduling and standards (for example, daily posting and print routines).

■ Programming standards and conventions.

AUDIT TEAM COORDINATION

Another often overlooked element of implementing computer systems pertains to coordination for the audit. Since the flow of transactions and resulting internal controls are likely to change dramatically, the audit team should certainly be informed of the changes. Input into control procedure and assistance with reconciliations are both logical areas for participation by audit personnel. A final review of the new system by the MAS practitioner, the client and the audit partner should be scheduled to discuss the impact of the system on the audit or review.

ONGOING SUPPORT

Once the system is fully implemented, an understanding should be reached with the client about ongoing support. As the client's business needs change, enhancements to the system might be required.

The practitioner should be ready to provide assistance whenever needed to ensure that new features are properly incorporated into the system. Compensation for ongoing support can be handled in several ways (for example, by a retainer or based on time and materials).

Time and materials is generally the fairest method, because the client pays only for actual services received, although this leaves the risk of high fees with the client. Therefore, if the client is to agree to use this method, the MAS practitioner must gain the client's trust.

SUMMARY

The benefits to be gained from the MAS practitioner's involvement in system implementations are too great to be overlooked. In particular, there is no reason not to stay involved simply because you helped with the system selection.

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MISSISSIPPI MASTERS BUSINESS

"Lots of experience and a little gray hair" make you a good bet for the Mississippi CPA society's Program for Management Development, according to its MAS Committee chairman, Roger Muns. In other words, your years as a chief financial officer, controller, CPA manager or partner give you the background to participate in this two-day seminar.

Modeled on the methods used by "the finest business schools in the country," the case-oriented program guides students in finding solutions to problems faced by real companies, Muns explained. A total of about 35 people gather to hear the basics from the program leader, and then break down into smaller groups of about six each to brainstorm ideas before coming together again to compare notes. Muns, a partner in Grantham, Randall, Muns & Co. in Jackson, said this course is the only case-study program the Mississippi society offers. Its active participation approach contrasts sharply with other lecture presentations and makes it an "excellent learning process," Muns noted proudly.

The premier 1989 course presented several different cases, devoting its first day to financing and valuing small businesses, and splitting its second day into a morning focused on personal financial planning and an afternoon featuring power and organizational politics. The upcoming 1990 program, scheduled for May 17 and 18, will spend two full days on one case, but will examine it from four different perspectives. Consecutive half-day sessions will concentrate on operational auditing, strategic planning (short- and long-term goals), financing and mergers and acquisitions.

Jointly sponsored by the MAS and Industry committees of the Mississippi Society of CPAs, this program offers 16 hours of CPE credit. Jack Coppenbarger of the society's CPE division gave it a resounding endorsement when he said, "Don't change anything." Millsaps College in Jackson hosts the course on its campus, providing an appropriate atmosphere of academic excellence. The 1990 course instructors, who hold MBAs from much-admired business schools, will contribute to that atmosphere by using the same teaching methods that led them to success.

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If you would like to know more about the Program for Management Development sponsored by the Mississippi Society of CPAs, contact Roger Muns, MAS Committee chairman, at (601) 948-7979.

MISSION STATEMENT OF THE MAS DIVISION

The Management Advisory Services Division is the component of the American Institute of Certified Public Accountants representing Institute members who serve as business advisors and management consultants. The division acts in accordance with the AICPA mission statement on behalf of AICPA members in general and those affiliated with the membership Division for Management Advisory Services in particular.

The division's purpose is to provide AICPA members with the support necessary to enable them to serve the public interest by providing quality management advisory and related services with integrity and objectivity and in accordance with MAS standards. This purpose is accomplished by activities that enhance the ability of AICPA members and their associates to assist businesses, governmental units, and not-for-profit organizations to more effectively and efficiently respond to the public's needs for goods and services.

In fulfilling its mission, the division gives priority to all aspects of those CPA services that involve a two-party relationship while recognizing the impact that such services may have on other areas in which there is significant public reliance on CPA skills.

To achieve its mission, the division engages in activities that are intended to accomplish the following:

1. Assist in developing and refining provisions of uniform certification and licensing standards that relate to management advice and consultation. (AICPA objective no. 1)
2. Provide standards of professional conduct and performance for MAS engagements and consultations. (AICPA objectives no. 2 and no. 4)
3. Improve technical skills of those providing management advisory services. (AICPA objective no. 3)
4. Instruct the profession concerning the nature and value of management advisory services and their relationship to other aspects and activities of the profession. (AICPA objective no. 3)
5. Expand the practitioner's understanding of clients and their needs. (AICPA objective no. 3)
6. Foster the blending of tax, accounting and financial consulting into business advice. (AICPA objective no. 3)
7. Enhance the performance of audit and accounting services by expanding functional, industry and technical business knowledge. (AICPA objective no. 3)
8. Assist industry and government accountants to be more effective members of their organizations. (AICPA objective no. 3)
9. Support the Institute's activities in monitoring and enforcing the professional standards of performance for MAS practice. (AICPA objective no. 5)
10. Inform the public of the advantages of using accounting firm–based consultants. (AICPA objective no. 6)
11. Enhance public confidence in the integrity, objectivity, due care, skills, knowledge and public interest that accounting firm–based consultants apply to the conduct of MAS consultations and engagements. (AICPA objective no. 6)
12. Motivate highly qualified individuals to become MAS practitioners and promote the availability of educational programs to this end. (AICPA objective no. 7)
13. Encourage involvement in the MAS Division by public practitioners and members in industry, education and government in order to unite them in their efforts to serve the public interest. (AICPA objective no. 8)
14. Establish the AICPA MAS Division as a primary resource on matters concerning two-party consulting activities. (AICPA objective no. 9)
15. Assist members in dealing with new developments in technology and management and with changes in the economic, business and social environments. (AICPA objective no. 10)
16. Identify new service opportunities in response to changing client and employer needs. (AICPA objective no. 10)

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INDEXES FOR MAS

The MAS Division has issued the first-ever *Indexes for the MAS Publications.* A single document includes three separate sections: a title index, a subject index and an exhibit index. The indexes provide ready reference to the 32 MAS practice aids and special reports and the three Statements on Standards for MAS (SSMASs), issued between 1981 and 1988. All division members will receive the indexes, which will be updated periodically.

NEW PRACTICE AIDS

Two new MAS practice aids were published in October and distributed to division members. Small Business Consulting Practice Aid No. 14, *Assisting Professional Clients in Pricing Services Using Budgeting Techniques,* describes the analysis and evaluation of costs to develop a pricing method. Technical Consulting Practice Aid No. 11, *Conversion to a Microcomputer-Based Accounting System,* is divided into two parts. The first explains how to evaluate the system and then select software and hardware, and the second describes the steps in implementing the automated system.

DIVISION MISSION STATEMENT

For the benefit of new members and as a reminder to all members, we have reprinted the *Mission Statement of the MAS Division* on this page. We will print the statement in this newsletter annually.

MANAGEMENT CONSULTANTS CONFERENCE

The world conference for management consultants will, for the first time, take place in the United States from October 9–12, 1990, at New York City's Waldorf-Astoria Hotel. The conference features 16 workshops led by CEOs of major international management consulting firms. Topics include "Consulting in the USSR and Eastern Europe," "Strategies for Geographic Expansion," "Effective Marketing Techniques" and "Cross-Cultural Challenges."

For further information, write to Management Consultants, 1990 World Conference, c/o Dolci Conference and Show Management, Inc., 322 Eighth Avenue, 12th Floor, New York, New York 10001.

PUBLICATIONS REVIEW

Operational Auditing: A Tool for Positive Improvements by Harry R. Reider, CPA, PH.D., An AICPA Self-Study Course, with workbook and three audio cassettes, 1989, $99.00.

This course is easy to use and crammed full of information to help practitioners perform operational audits, whether or not they have any direct experience with this type of engagement. Its clear instructions aid readers in understanding and achieving engagement objectives, which generally focus on improving an organization's economy, efficiency and effectiveness.

Operational auditing skills and techniques can provide a foundation to perform almost any kind of MAS engagement or internal study that requires fact-finding and problem definition. Using a service-engagement approach, practitioners can apply these skills and techniques to all or part of a client's operations, and can easily narrow the scope of the engagement to fit the client's budget. Operational auditing can lead to repeat engagements over the life of a client relationship, and since such engagements have no deadlines, practitioners can utilize staff based on availability.

The course workbook divides operational auditing into five phases—planning, developing a work program, conducting fieldwork, developing findings and reporting—and then devotes a chapter to each phase. These chapters describe the phases and also include case studies and exercises.

The workbook offers other useful materials, such as checklists and samples of proposal letters and reports, work programs and engagement budgets, a survey form, flowcharts and diagrams.

One aspect is given less attention than it deserves: How do you convince management of the need for an operational audit? It is not a fishing expedition; it is more akin to a periodic servicing and tune-up for a car. Rather than addressing immediate problems, an operational audit pays for itself in the long run, just as a tune-up keeps a car from breaking down.

Operational auditing, which the U.S. General Accounting Office currently prefers to call *performance auditing*, is a key management advisory service. This self-study course should be useful to every MAS practitioner.

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