

1983

## Summary of conclusions and report

American Institute of Certified Public Accountants. Special Committee on Member Services

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Special Committee on mem-  
ber Services.

Summary of conclusions and  
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**Special Committee**

**on**

**Member Services**

**Summary of Conclusions**

**and**

**Report**



## Summary of Conclusions

- o There is need for added services to AICPA members, and those needs should be filled by AICPA.
- o Member needs can be met by providing a new organizational structure within AICPA.
- o AICPA should establish divisions to respond to needs of members with special interests.
- o Divisions would operate within AICPA, and their programs, activities and budgets would be under the control of the AICPA Board of Directors.
- o Membership in divisions should be open to all AICPA members; add on dues or fees should be charged for these additional services offered to members of the division.
- o The only qualifications for membership should be those required to become a member of AICPA -- there should be no examination or experience requirements.
- o Membership in divisions should not be open to non-members.
- o The committee endorses the proposal to permit voluntary membership in the Federal Tax Division consistent with the guidelines set forth above, and recommend its expeditious authorization.
- o The Division for CPA Firms would be unaffected by these conclusions, since its membership is on a firm, and not on individual, basis.

o No change should be made in the authority of senior technical committees to establish standards of practice.

## Report of the Special Committee on Member Services

### Introduction and Background

Early in 1982, while the AICPA Board of Directors was completing implementation of various recommendations of the Special Committee on Small and Medium Size Firms, the Federal Tax Division Executive Committee submitted a proposal that would permit members of the Institute to join the Division and thus become "Members of the Federal Tax Division." The proposal would have required members to pay dues and meet minimal experience and examination requirements, and would entitle participants to greater involvement with tax matters through attendance at divisional meetings, receipt of special publications and other programs. The program also contemplated that at some future time, accreditation of some sort might be offered to members who could demonstrate substantial experience and expertise through examination.

The proposal was discussed at several meetings of the Board of Directors, regional meetings of members of Council, the spring 1982 meeting of Council and a number of committee

meetings. It was modified over the year in response to comment, but retained throughout one identifying characteristic -- it offered a specialized program to meet the special interests and needs of AICPA members.

Also during 1982, the AICPA Industry Committee developed a strategic plan for AICPA to use in relating to industry members. Like the tax division proposal, the industry committee proposal was premised on a feeling that some members (in this case, members in industry) had needs that AICPA should address. It called, not for separate programs designed only for members not in practice, but for greater awareness of the needs of industry members and greater integration of a response to those needs in an overall AICPA program. Underlying the committee's concern was an awareness that the nonpractitioner segment of the Institute had been growing larger as a percentage of total membership each year over the past decade and could eclipse the members in practice by the end of this decade.

These developments followed on the aforementioned work of the Committee on Small and Medium Size Firms which responded to a call that the Institute do more for that segment of members in practice.

In view of these many and varying calls for added ser-

vices from different segments of the membership, George Anderson, then Chairman of the AICPA Board of Directors, appointed this committee to consider whether services to members could be improved by a restructuring of the Institute. We were specifically asked to consider the tax division proposal and make a recommendation on it to the Board. Many felt that if it was an idea which should be implemented for taxation, members engaged in other functional disciplines could well benefit from a similar program serving their particular interests.

The common characteristic of Institute membership is each AICPA member's having earned a CPA certificate. But beyond that, members have chosen career paths so diverse as almost to defy cataloging. Those in public practice do so as employees, proprietors, partners or shareholders in partnerships or professional corporations that range in size from small local entities serving largely individuals and non-public companies to international firms whose size, organizational complexity and scope of available services could probably not even be imagined a generation ago.

Other CPA members have chosen not to practice public accountancy, and they are found in every imaginable level of accounting and finance-related activity in commerce, industry, education; and in similar activities in government on local,



state and Federal levels.

Each of these constituencies have particular needs and expectations. Each wants its "fair share" of attention and resources. And in a society in which special interest groups have become increasingly able to foster programs beneficial to their constituents on governmental and institutional levels, it is quite natural for AICPA members having common interests to demand from their organization a response to those interests.

On the other hand, the AICPA is an organization with finite resources. Without budget adjustment, a positive response to the current expressed needs of a membership group within the existing dues structure and budget process would have to be accomplished by a reduction in an established program meeting the needs of another group. While a reordering to meet some needs of all groups might serve the goal of equity, the overall blurring of a central AICPA program could reduce the effectiveness of the AICPA.

The committee was faced, therefore, with finding how better to offer and finance, services for a large and diverse membership, currently about half of which is in the practice of public accounting and about half of which is engaged in other pursuits. And within each half, the committee recognized vast differences in the methods and affiliations by which

the members earn their livelihood.

To gain membership in the AICPA, the bylaws require only passage of an acceptable examination and possession of a valid CPA certificate. Having thus invited all qualified CPAs to membership, it becomes the obligation of the AICPA to offer comprehensive programs which meet, to the extent of available resources, the needs of all its members. To fail to do this over a period of time could be to permit, or cause, the creation of competing bodies outside the AICPA ready to meet one or another narrow or specialized perceived need of CPAs. We believe a way can be found to better serve all the members' needs.

#### A Look At Other Professional Bodies

Our consideration of the operation of sections in the American Bar Association was instructive. The ABA, with approximately 300,000 members, sponsors about 65 committees and has 24 sections. About half of the membership belongs to one or more sections. The sections are politically and financially autonomous and the sections set their own dues. Some sections have achieved significant reserves while others experience greater financial constraint.

The autonomy of the sections tends to attract members to section activity to the exclusion of activity in the ABA itself, and those who become active in ABA committees do not generally assume leadership positions in the sections. Thus, activity and loyalty are on parallel but largely nonintersecting courses.

Sections can take positions without clearance so long as they are not contrary to established ABA policy and adequate notice is given to the other sections. Sections develop and offer over 50% of the issues on which the House of Delegates must take action.

Sections meet in connection with the ABA Annual Meeting, which attracts almost 25,000 members and guests. Sections supply virtually all of the educational program at the ABA Annual Meeting, and most of the attendees. The tax section, for example, produces about 1,000 members for the meeting. Sections also produce the vast majority of ABA publications.

The American Accounting Association, with about 6,000 - 7,000 members has offered sections since 1974. They have proved very popular with the membership as a point of identification. While they have substantial independence, dues are limited to 50% of AAA dues. This has caused the more active sections to engage in outside fund raising to augment program,

and resultant competition between sections for funds.

Committee Recommendations - Tax Division

The committee studied in detail the proposal of the Federal Tax Executive Committee to permit voluntary membership in the Division. Like many who have reviewed it, we believe it has considerable merit. We believe there is a need for greater recognition within AICPA of tax practitioners; we believe members, both in practice and those not in practice, deserve greater access to information in the tax field and those needs can be met by the tax division proposal.

The Division's proposal has been modified substantially since it was first put forth. We are not prepared at this time to suggest what the final proposal of the Tax Executive Committee should be, but we believe it should meet several criteria.

First, it should be supported through the assessment of a separate membership dues which, however, would be administered by the Institute Planning and Finance Committee and Board of Directors.

Second, it should be open to all AICPA members having interest in the tax field. Therefore, we do not believe it should have practice or examination requirements for membership. To impose significant entry requirements would restrict benefits of the program to relatively few, depending on the stringency of the standards established.

On the other hand, to have an examination or practice requirement that any member could meet would give an unwarranted implication of expertise or specialty to those who might call themselves "Member of the Federal Tax Division."

We believe the focus of the program should be on service to members, with the expectation that such added service will make them more valued in whatever their employment pursuits. Since we do not endorse special membership requirements, it becomes an obligation of the AICPA and the Division to emphasize to its members and publics that divisional membership is an expression of interest and not a qualification of expertise, competence or specialty.

It is possible that members benefitting from an expanded divisional program will in time press to have their added competence evaluated and recognized in some form of accreditation process. So long as basic membership is open to any who choose to join, we believe consideration should be given to any proposal for meaningful accreditation. In the absence of such a program within AICPA, it can be expected that bodies outside AICPA will be offering possibly less meaningful titles.

Third, programs, activities and budgets should be under the control of the AICPA Board of Directors.

### Prior Rejection of Sections Within AICPA

In endorsing the concept of voluntary membership in the tax division, we are conscious that the issue of sections within AICPA was breached 25 years ago and, while the membership survey at that time appeared to indicate grass roots support, the section proposal was defeated in Council. We are uncertain why the proposal lost, but believe that the time has come for this change. Other national professional organizations such as the American Bar Association and the American Accounting Association not only have sections, but rely on them as a basic vehicle for delivery of specific services to members and for member identification and loyalty. We see no reason why AICPA members should not be able to join an AICPA Tax Division.

### Other Possible Divisions

We have identified four major disciplines or functions in which all CPAs, regardless of their occupation or employment, would have an interest in. They are:

- 1) Audit
- 2) Financial accounting and reporting
- 3) Management
- 4) Taxation



We believe that voluntary divisions for each of these disciplines can be formed. They would provide an appropriate vehicle for offering added services to members.

It has been suggested that divisions along functional lines such as we propose would be divisive. To the contrary, we believe that our recommendation of divisions operating under the oversight of the Board of Directors and permitting the senior standard setting committees to operate independently of the divisions will advance cohesiveness. They would bring together members with common interests, common problems and common needs, whether they are in public practice or not, and regardless of the firm or employer from which they earn their livelihood. The AICPA can better meet the needs of all its members by creating a vehicle by which members from all employments (public practice, industry, government) can be brought together by their interest in a specific accounting-related function.

We have invited to our meetings, representatives of the various AICPA executive committees, committees and Boards which we believed might want to pattern a structure after the tax division proposal if that proposal were approved for implementation. We found no burning desire to do so in the near future, and it may be that the tax division's expressed need

for greater identification is singular to that discipline. Yet there seemed to be a concern among all of our visitors that AICPA members in all occupations needed additional services in dealing with application of standards. We believe our proposal for permitting membership in divisions of the four disciplines -- audit, financial accounting and reporting, management and taxation -- would meet that need while providing opportunity to enhance identification with AICPA and cohesiveness among our 200,000 members. Our membership is not a homogenous group but expects the AICPA to be a premier organization in audit, financial reporting, management and tax matters, and to serve its diverse needs in each of these areas. We expect that in time, interest groups in each of the other disciplines besides taxation will apply for permission to form voluntary divisions.

#### Financing

The new organization we propose will offer added services and should be funded by application of a philosophy of "added charges for added services." As mentioned previously, under the AICPA's existing budget and dues structure implementation of a new program such as we propose would require dropping or modifying portions of the Institute's existing programs or find-

ing new revenue sources. We believe the intensive analytical and cost cutting project of the planning and finance committee over the past few years has resulted in an appropriate and cost effective AICPA program. Therefore, we recommend that the added services which the augmented division will make available should be funded through "add on charges" paid by those who use the services.

We believe that Board of Directors should evaluate the existing dues structure if the new structure is authorized, since many services now available through existing dues would probably become "add on services" carrying their own cost. After determination of the cost of basic services to all members, and establishing dues to reflect that level, all special services would be "add ons." This would have the advantage that members would receive only what they need and would pay for what they use, with obvious cost benefit results.

#### Division for CPA Firms

The Division for CPA Firms was formed in 1977 to meet demands from Congress and the SEC that the profession exert every effort to self-regulate and improve the quality of practice offered to clients and the public. The two sections of the division have adopted stringent requirements for member firms,

including peer review, CPE and other reporting requirements. We believe the Division for CPA Firms will not be impacted by the organizational changes being proposed. Its structure and mission are different from the structure and missions of the proposed four divisions which are discipline oriented and designed for individual membership.

Senior Standard Setting Committees

We do not see any change to the existing senior committee standard setting structure. But we believe that substantial input can be provided to them by enlarged divisions and their subgroups to the process of

- a) standard setting
- b) education
- c) technical assistance
- d) "how to" techniques

all for the benefit of all members.

Conclusion

We believe, in summary, that some sort of membership in groups within AICPA with specialized programs is necessary to staisfy the needs of our diverse membership.

Respectfully submitted,

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