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CPA letter, 1996

American Institute of Certified Public Accountants

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The CPA Letter

A News Report to Members

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Securities Litigation Reform Bill Now Law; Veto Overridden

A big victory for the profession The accounting profession, led by AICPA Key Persons and the national firms, won a big victory when the Senate and the House of Representatives voted to override President Clinton's veto of the securities litigation reform bill (H.R. 1058). The legislation is now the law of the land.

Many members of the business community, particularly start-up businesses and high-technology firms whose fluctuating stock prices had made them prime targets for frivolous shareholder class-action lawsuits, pushed Congress hard to pass H.R. 1058. They, as well as CPAs and other professional advisers, believe balance and fairness had to be restored to a legal system clearly broken.

H.R. 1058 implements a system of proportionate liability so that peripheral defendants—like the independent auditor—pay only their fair share of a judgment. Plaintiffs' attorneys will no longer simply be able to tap defendants' "deep pockets"; they will

be forced to focus on the merits of the case. Moreover, the bill ensures that any CPA engaged in knowing fraud is still subject to the full force of joint and several liability. It also guarantees that small investors are entitled to full recovery from every defendant. Another key provision of the bill requires rapid notification to the SEC by auditors of illegal acts that have not been properly addressed by management. A number of provisions will prevent abusive practices—for example, a ban on bounty payments to lead plaintiffs and on the payment of plaintiff referral fees.

The AICPA long supported this bill and believes it will restore sanity and fairness to the legal system. "This victory was possible because of the years of tireless efforts of CPAs around the country fighting for litigation reform," said AICPA President Barry Melancon. "Their belief that the voice of CPAs can be heard and that this profession is a force to be reckoned with deserves our applause and thanks."

Members Will Soon Be Asked to Vote on Several Bylaw Changes

Ballots scheduled to be mailed within a month Around the end of this month, AICPA members will receive ballots asking them to approve several bylaw changes that the governing Council decided at its fall 1995 meeting it wants to make. Members will be asked to vote on how the AICPA President is elected, the composition of the Joint Trial Board, the length of time petitions to amend the bylaws may remain outstanding, and changes in the status of the AICPA Secretary.

As it stands presently in the bylaws, the AICPA President must be elected by a vote among members of Council. The Council thinks it more appropriate for the AICPA Board of Directors, which is elected by Council, to be empowered to elect the President, primarily because of timing. For example, three months went by between the board's approval of Barry Melancon in Feb. and the Council's meeting in May. The Council says that such a delay could jeopardize the availability of candidates and inhibit

the process directed to securing the best person for the job. In addition, since the AICPA Secretary is no longer a board-level position, it is recommended that the AICPA Secretary be elected by the board as well.

Members will also be asked to decide whether membership on the Joint Trial Board should be restricted to present and former members of Council, or open to any member who has been a member of the AICPA for at least five consecutive years prior to appointment to the Joint Trial Board. Expanding eligibility to serve on the Joint Trial Board, the Council says, would allow for a greater pool and diversity of members and would facilitate empaneling a trial board that is representative of the membership on the particular issue presented at the hearing.

The Council also seeks to impose a cap of one year on petitions to amend the bylaws, starting from the date signed by the member, with the exception of petition efforts that were ongoing as of July 13, 1995.

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This issue of The CPA Letter combines the months of Jan. and Feb. The next issue will be published in Mar.

News Briefs

Nominations Sought for Outstanding CPA in Government Award

The AICPA Members in Government Committee invites AICPA members, members of state CPA societies, and federal, state or

local government agencies to nominate candidates for the 1996 Outstanding CPA in Government Award. The award was created to recognize the achievements of individual CPAs employed in government and to promote the CPA designation as the premier professional credential for accounting, auditing and finance professionals in government. In choosing the award's winner, judges will consider the nominee's contributions to the increased efficiency and effectiveness of his or her government organization, as well as the nominee's contributions to the growth and enhancement of the profession.

The award will be presented at the AICPA's 1996 13th Annual National Governmental Accounting and Auditing Update Conference. For nomination instructions, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 310. Questions should be directed to Mary Foelster at 202/434-9259. Nominations must be received by Apr. 1.

Firm's Enrollment in Peer Review Terminated

Effective Aug. 11, 1995, the enrollment of the firm of Douglas T. Nonaka of Aiea, Hawaii, in the AICPA's Peer Review Program was terminated because the firm failed to take actions deemed necessary to complete its review.

Members Alerted to Deductibility of AICPA Dues

Members are reminded that the Omnibus Budget Reconciliation Act of 1993 eliminated the deductibility of the portion of membership dues used for lobbying purposes (IRC Sec. 162 (e)). While AICPA dues may still be deducted as a business expense (not as a charitable contribution), members must reduce their 1995-96 dues payment by 4%, the percentage of dues that the Institute allocated to its lobbying activities, to calculate the allowable deduction (this information also was provided on all 1995-96 dues bills). Therefore, a member who paid \$100 in dues should only deduct \$96 as a business expense on his or her 1995 tax return.

Doctoral Fellowships Available to CPAs

The AICPA Doctoral Fellowship applications for the academic year 1996-97 are now available. Fellowship awards of \$5,000 per year, for a maximum of three years, are granted to CPAs with at least five years' professional practice experience in public accounting, private industry, a

not-for-profit or government organization, to complete full-time study in a Ph.D. program in accounting and become accounting educators. Applicants must be U.S. citizens, fluent in English and either in the process of applying to, or being accepted by, a doctoral program in accounting at a college or university whose business administration programs are accredited by the American Assembly of Collegiate Schools of Business. Applications are due Apr. 1. To obtain the application form, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 651, or look on the Accountants Forum in the "accounting" section of the library. For more information on requirements and application procedures, contact the AICPA at 212/596-6221.

Members Invited to Submit Nominations for Educator Award

All AICPA members are invited to nominate an accounting educator for the 1996 AICPA Lifetime Achievement in Accounting Education Award. The award is designed to recognize accounting educators distinguished for excellence in classroom teaching and for active involvement in the accounting profession.

Nominees must be current full-time, or recently retired (within the last 5 years), accounting educators with a teaching career of at least 20 years. Self-nominations will not be accepted. To make a nomination, members must submit an official nomination form, a statement supporting the nomination and a current résumé or curriculum vitae of the nominee before Apr. 1. To obtain an official nomination form and/or more information on the award, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 249.

35 Jurisdictions Have Enacted 150-Hour Education Requirement

During 1995, Washington, D.C., New Jersey and Washington state were successful in enacting the 150-hour education requirement for new CPAs. Significant activity is expected during 1996 in states that have yet to enact the requirement. For a complete list of states that have enacted the 150-hour education requirement, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 605.

Public Meeting Notices

For detailed agendas, call 800/862-4272 (dept. #6) three weeks prior to these meetings.

Accounting & Review Services Committee: Feb. 15-16, New York

Accounting Standards Executive Committee: Jan. 23-24, New York

Auditing Standards Board: Jan. 30-Feb. 1, Scottsdale, Ariz.

Professional Ethics Executive Committee: Jan. 19, Ft. Lauderdale

Other Meetings

Peer Review Board: Jan. 22-23, Naples, Fla.

Accounting & Auditing News

FASB Asks for Input on Addressing Recommendations of AICPA Special Committee on Financial Reporting

The Financial Accounting Standards Board has released an invitation to comment that addresses many of the recommendations made by the AICPA's

Special Committee on Financial Reporting in its Dec. 1994 report, *Improving Business Reporting—A Customer Focus*. The FASB is seeking comments from all parties involved in business reporting, including users and preparers of business information for public and nonpublic entities, public practitioners and academics.

After an extensive review of user needs, the special committee made many recommendations categorized under four general headings: (1) improve the types of information in business reporting, (2) improve financial

statements, (3) improve auditor involvement with business reporting, and (4) facilitate change in business reporting. The special committee's recommendations are significant and address the very nature of business reporting.

For a free copy of the invitation to comment (which at press time was scheduled for a late-Dec. 1995 release), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; or call 203/847-0700, ext. 555.

To obtain the committee's comprehensive report (No. 019303CLA1), or its summary report (No. 019305CLA1), contact the AICPA Order Department (see page 10). Or, obtain the report free of charge either through the Internet at <http://www.rutgers.edu/Accounting/raw/aicpa/index.htm> or from the "accounting" section of the library on the Accountants Forum.

SAS Nos. 77-78, SSAE Nos. 5 and 6, New Edition of SOP 92-9, Audit Guide Issued

In Nov. 1995, the AICPA's Auditing Standards Board issued Statement on Auditing Standards No. 77, *Amendments to SAS No. 22, Planning and Supervision, No. 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, and No. 62, Special Reports* (No. 060665CLA1). These amendments, among other things, clarify that a written audit program is required in every audit and preclude the use of conditional language in the auditor's explanatory paragraph to indicate that there is substantial doubt about the entity's ability to continue as a going concern.

In addition, the ASB issued Statement on Standards for Attestation Engagements No. 5, *Amendment to SSAE No. 1, Attestation Standards* (No. 023023CLA1). This amendment provides guidance on the nature and extent of working papers for attestation engagements.

In Dec. 1995, the ASB issued SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55* (No. 060671CLA1). This SAS revises the definition and description of internal control contained in the SASs to recognize the definition and description contained in *Internal Control—Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission, formed to address the National Commission on Fraudulent Reporting report. This statement is effective for audits of financial statements for periods beginning on or after Jan. 1, 1997. Early application is permitted.

In conjunction with SAS No. 78, the ASB issued SSAE No. 6, *Reporting on an Entity's Internal Control over Financial Reporting: An Amendment to SSAE No. 2* (No. 023024CLA1). SSAE No. 6 conforms the description of elements of an entity's internal control to the components of internal control contained in SAS No. 78 and the *Internal Control—Integrated Framework*. SSAE No. 6 is effective for an examination of management's assertion when the assertion is as of or for the period ending on Dec. 15, 1996, or thereafter. Early application is permitted.

Also, a new edition of Statement on Position 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards* (No. 014893CLA1), has been released. This edi-

tion incorporates conforming changes resulting from the issuance of *Government Auditing Standards: 1994 Revision* and SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*. This SOP provides guidance on the auditor's responsibility when conducting an audit in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*.

In early Mar., the revised audit guide, *Consideration of Internal Control in a Financial Statement* (No. 012451CLA1), will be available. This revised audit guide illustrates the effect of SAS No. 78 on practice and includes updated case studies of the auditor's understanding and documentation of internal control in a financial statement audit.

All items are available through the AICPA Order Department (see page 10). Prices: Each SAS and SSAE \$5 member, \$5.50 non-member; SOP \$14 member, \$15.50 non-member; audit guide \$28 member, \$31 non-member.

ASB Eliminates Requirement for Uncertainty Paragraph

Further, the ASB issued SAS No. 79, *Amendment to SAS No. 58, Reports on Audited Financial Statements* (No. 060670CLA1). SAS No. 79 eliminates the requirement that when certain criteria are met, the auditor add an uncertainties explanatory paragraph to the auditor's report. SAS No. 79 also clarifies and reorganizes the guidance in SAS No. 58 concerning emphasis paragraphs, matters involving uncertainties, and disclaimers of opinion. This SAS does not affect SAS No. 59 nor preclude the auditor from adding a paragraph to the auditor's report to emphasize a matter disclosed in the financial statements. This statement is effective for reports issued or reissued on or after Feb. 29, 1996. Earlier application is permitted. Auditors are permitted to delete the uncertainties paragraph in their audit reports for year-end audits.

FASB Issues Statement on Not-for-Profit Investments

The Financial Accounting Standards Board has issued its Statement 124 addressing how not-for-profit organizations should account for certain investments. It is effective for fiscal years beginning after Dec. 15, 1995.

Statement 124 requires not-for-profit organizations to report at fair value investments in equity securities with readily determinable fair values and all debt securi-

ties with gains and losses reflected in a statement of activities. The statement also establishes standards for reporting losses on investments held under a donor's stipulation to invest a gift in perpetuity or for a specified term.

To obtain a copy of Statement 124 (product code S124), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116. Price: \$11.

Professor/Practitioner Case Development Submissions Wanted

To advocate coverage of timely, real-world accounting issues in class, the AICPA is seeking case proposals, jointly developed by practitioners and accounting educators, as part of the 1996 AICPA Professor/Practitioner Case Development Program. The cases must be based on actual incidents encountered in practice. Case proposals will be evaluated by the AICPA Curriculum and Instruction in Accounting Education Subcommittee, and up to 12 cases will be selected for further development, publication and distribution to accounting educators for

classroom use.

Professors and practitioners are invited to submit joint case proposals by Feb. 23. Practitioner co-authors may be in public accounting, private industry, not-for-profit or government sectors. Participation may also qualify for CPE credit. For more information and to receive the application form, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 247. For an index of selected cases and authors since inception of this program in 1992, select document no. 248.

Highlights of Board of Directors' December Meeting

At its meeting on Dec. 7-8, 1995, the AICPA Board of Directors:

- Received an update from the Tax Executive Committee on its efforts to develop a recommended solution to the issue of uncertainty that business faces with respect to the IRS stance on the classification of workers as independent contractors or employees.
- Approved appointments to the Auditing Standards Board for the 1996 calendar year.
- Voted to send to Council for its approval the nomination of William E. Trueheart as a public member of the board for a term ending in 1997.
- Heard a report from the chair of the Investments Committee on quarterly investment results and approved selected revisions to the AICPA Statement of Investment Policy and opening an account with a new investment manager for handling all short-term assets.
- Approved tax compliance, administrative and plan design changes to the AICPA Staff Pension Plan.
- Received reports from the following: CPE Board of Management, Special Committee on Regulation and Structure of the Profession, and the Standards Overload Task Force.
- Discussed a Consumption Task Force draft report, *AICPA Tax Policy Study—Flat Taxes and Consumption*

Taxes: A Guide to the Debate [see article on page 12].

- Received a report from the chair of the Finance Committee on the first quarter results for this fiscal year. Through Oct. 31, 1995, revenue is exceeding expenses by \$2.5 million.
- Provided feedback to the CPE Standards Subcommittee in its development of recommendations on measurement of CPE credit.
- Heard a report from the president and chairman of the National Association of State Boards of Accountancy.
- Received a report on Carlson-Wagonlit's efforts to address member concerns with the air travel program and the development of an AICPA survey of users to measure improvement in service.
- Heard a presentation from Edith Weiner, of Weiner, Edrich, and Brown, on emerging trends and their implications for the accounting profession.
- Received a progress report on the AICPA staff reorganization and the use of teams within the new structure.

The minutes, which will be approved by the board at its Feb. meeting, will be available after Feb. 20 on the Accountants Forum, in the library under AICPA: For Members Only, and by fax by dialing 201/938-3787 from a fax machine, following the voice cues and requesting document no. 123.

Proposed Bylaw Changes (continued from page 1)

Currently, the bylaws are silent about the length of time petitions may remain valid after they are signed.

Also asked is clarification on the address the Joint Trial Board must use to summon members to appear at hearings, which presently stands as the last known address found in the "official records of the Institute." (The "official records" is not defined. Since there are scores of different data bases in the AICPA, it was

decided that this should be clarified and that the address to be used is the one found in the Membership Records group). Additionally, Council decided it was necessary to grant disciplinary powers to the Joint Trial Board consistent with those granted to the Professional Ethics Division. This would be accomplished by granting the Trial Board the power to order disciplinary, remedial or corrective action as the panel deems appropriate.

Special Supplement to *The CPA Letter***Professional Growth Through New Assurance Services**

A Message from the AICPA Special Committee on Assurance Services

The outlook for traditional auditing and attestation services is not good.

- Revenues are flat.
- People need to make decisions fast and need new types of information to make them.
- More and more competitors—undreamed-of a scant decade ago—are creating financial data that are valued in the marketplace.

Firms that provide traditional auditing and attestation services therefore are faced with daunting prospects. Is the audit/attestation function as it exists today passé? Can firms survive?

During the last decade, various AICPA groups have been searching for answers to these problems. The Special Committee on Assurance Services is studying the confluence of these factors to find new opportunities. Its ultimate goal is to help position CPAs at the cutting edge as action takers who are preparing for the future in a potentially threatening new world and who are thoughtfully planning today for the services clients may need in that new world.

The committee has been studying the audit and attestation field and the trends shaping its environment, focusing on the changing needs of users of decision-making information. This message is intended to tell members of its progress and to help them get a head start.

AUDIT REVENUES

Constant-dollar revenues from accounting and auditing services have been flat since 1989 and now account for less than half of firms' total revenues and a declining portion of gross domestic product (GDP) during a time when real GDP has risen 28 percent.

Audited financial statements fill an important need: They reduce information asymmetry between buyers and sellers of capital and lessen uncertainty—and therefore the cost of capital. Hence, they are valuable. The accounting profession continuously re-examines auditing standards and responsibilities, but an

objective look at the audit suggests it is a mature product that needs reinvigoration. This situation results from a variety of factors, many of which are not under the profession's control. But it is clear that unless the profession's products are judged more valuable, the profession will be weaker in the future.

The profession constantly fights the perception that the audit is a commodity, not a value-added service worth a premium price. Whether or not this view reflects the challenges, benefits or value of an audit is irrelevant if users hold that view. For a prosperous future, the value of the CPA's service must be self-evident.

If the profession fails to implement necessary changes, it will inevitably—

- Lose market share in the information business.
- Cease to be attractive to the brightest students choosing careers.
- Become less relevant in business and society.

DECISION MAKERS' NEEDS FOR USEFUL DATA

The financial community is not having its information needs met by financial statements. The final report of the AICPA Special Committee on Financial Reporting (*Improving Business Reporting—A Customer Focus: Meeting the Information Needs of Investors and Creditors*, issued in the fall of 1994) confirmed a growing apprehension that audits may be diminishing in value when it reported that investors and creditors were strongly critical of certain aspects of financial reporting and had unmet information needs.

CPAs therefore must provide their services in a fashion that responds to users' needs, applying new approaches. If CPAs do not meet users' needs, other service providers will. CPAs must focus on the emerging needs of the users of this information; they cannot restrict their services to periodic historical financial information alone.

THE MOVE TO ASSURANCE SERVICES

The audit/attestation function will need to evolve into the assurance function. The Special Committee on Assurance Services ten-

tatively describes such services as follows:

Assurance services are independent professional services that improve the quality of information, or its context, for decision makers.

Assurance services are broader than auditing or attestation services yet encompass them. They are not limited to historical financial statements or conventional reports or even specific sets of data. They might relate to processes or systems. They are, the committee believes, the future of auditing.

The key to providing such services is a strong knowledge of the needs of and demands on clients. Many CPA firms—large and small—already have this knowledge and an unparalleled access to all aspects of client companies but do not exploit them. Will they seize the opportunity to use these advantages and position themselves in the forefront of information providers?

If information users find value in new services, they will purchase those services. CPAs must, like other enterprises, focus on the needs of specific types of customers and produce services that each type considers relevant for its use.

The 1990s has seen a dramatic shift in power from producers to consumers. For example, newspaper editors once were the ones to decide what stories would be available to readers, whereas today individuals can log onto electronic news services and decide for themselves what news is important. Likewise, current consumers of audit services use them to help make a limited set of decisions, but the potential market for assurance services is much larger, corresponding to a larger set of needs. Customers of assurance services—anyone who makes decisions based on information—include, for example, all employees who need reliable information as decision-making power devolves in modern, flatter organizations and communities in need of data about an organization's compliance with environmental regulations.

INFORMATION TECHNOLOGY

Information technology is probably the single most important factor influencing future information flows and CPA services. It affects

all aspects of the CPA's work—how and when information is created, processed, stored, communicated, acquired, refined and interpreted—as well as how CPAs will both produce and communicate assurance.

Information producers in all organizations will find it competitively necessary to accommodate the needs of information users. Suppliers and customers linked by electronic data interchange (EDI) today enjoy efficiencies—customers reduce inventory holding costs and obsolescence, suppliers more efficiently plan production—and cooperate to achieve it. In the future, investors, creditors and others with valid interests may be allowed access through EDI to a company's data base to achieve similar benefits. (Of course, access will not be unrestricted; data base technology will limit different classes of users to specific types of relevant information.)

As users become dependent on information systems that rely on little or no human intervention, the issues surrounding system integrity and security will become more important.

To cope with the greater quantities of information, users will have to rely on support from two types of resources:

1. Software agents that will search all available data bases for relevant information (such as those that currently search for stock prices or articles that refer to specific subjects) and, as they become more sophisticated, make analyses and recommendations.

2. Human intermediaries who will assist users in selecting or developing appropriate software agents, framing the queries that software agents will research, assessing the quality of data accumulated, interpreting results and determining implications.

As the information and the number of information sources available become greater, decision models will become more complex. Users potentially will need assistance ensuring that each step in the process occurs as intended. They might need help in determining that their problems are defined appropriately, the most useful and reliable data are obtained, the interpretation of the results is reasonable, and the areas of their organizations or decisions to which the information applies are identified. They also might need

assistance in collecting and assessing feedback from the outcome of the decision to further refine the decision models.

There are opportunities for CPA services for each of these aspects of information processing.

TREND SPOTTING

The needs a decade from now will be a function of existing needs and the economic, political and social trends that will affect the need for information and assurance in the future. In its exploration of the social trends likely to affect the need for information over the next 10 years, the committee considered data from a consulting firm with expertise in trend spotting. It then focused on the trends that will affect CPAs, discussed below, and the implications, opportunities and threats suggested by each. Each of the trends suggests new service opportunities for CPAs.

Trends Changing Information Needs

Corporate Structure. New technologies, competition, changes in worker relations, and attempts to control risk have led to the creation of new organization structures. There will be more alliances and joint ventures, temporary organizations, and similar forms of organizations. There will be more reporting relationships created among new partners. New issues will be raised regarding the appropriate financial measures (for example, the lack of arm's-length transactions, the ambiguous definition of an entity in a virtual company, the inappropriateness of going-concern assumptions in a limited-life venture, and difficulties in the valuation of intellectual property rights).

Accountability. Issues of accountability exist in varied settings such as business (for example, the use of capital supplied by others), government (whether public schools are achieving results), and social (the environmental or social costs of entity activities). As technology decreases the cost of providing accountability, there will be greater demand for it.

Investment Capital. As information costs decline, capital providers will bypass some of the intermediaries that used to provide them with information and analysis, suggesting a change in how reliable, relevant information

is imparted to investors.

The Aging of America. The U.S. population is aging. The trend suggests increasing interest in pension fund investments, changes in attitudes about investment (for example, safety might be more important than yield), and possible intergenerational conflict as a higher percentage of the population fills the older age categories.

Globalization. International trading has been made easier by advances in technology, trade agreements such as the North American Free Trade Agreement and the General Agreement on Tariffs and Trade, and the increasing number of market-driven economies. Opportunities might increase to fill the needs for international accountabilities, translation of financial reporting, and other business needs.

WHERE CPAs FIT IN THE PICTURE

CPAs are trusted providers of information and assurance services. Their reputation for independence and integrity and the trust that already exists in the market are powerful advantages. The opportunities for future services are open, but CPAs are not the only professionals who will be able to provide the information needed in the future. New assurance and information services will not be limited to CPAs by regulation; CPAs must offer benefits that other potential providers don't.

There are, however, potential barriers to CPAs trying to capture the new assurance service market:

Marketplace Acceptance. Many potential customers might not think of CPAs as the preferred providers of certain types of information and assurance, because they associate CPAs primarily with financial statements or taxes and would not naturally turn to them to provide other types of useful information.

Professional Standards. The profession has a distinguished history of creating and enforcing standards to ensure its services are consistent and useful. However, the standards will need to be more adaptable to new service situations.

Competencies. CPAs might have to obtain or develop new competencies to be able to deliver some new services.

Capital Requirements. The profession

might lack the capital to fully address technology-related developments. Other commercial enterprises, such as technology, financial service, and information service corporations may have greater abilities. The largest of these enterprises probably has access to more capital than do the combined U.S. accounting firms.

Difficulty in Implementing Change. The relatively slow rate of change in the profession historically has left it without quick-response mechanisms necessary to deal with rapid shifts in the environment.

Litigation. The risk of unwarranted litigation is a powerful, intimidating force. In the current environment, many CPAs might be reluctant to offer innovative services.

THE BOTTOM LINE

To seize future opportunities, CPAs must recognize consumers' information needs and the changes in their demands. New services must be designed to meet decision makers' vital needs.

In the future, CPAs will likely find that—

- The power to decide information content will shift from producers of information (such as preparers and auditors) to consumers (managers, investors, creditors and other decision makers).

- Information technology advances will both enable and drive change in decision-makers' needs and the services CPAs provide.

- There will be many providers of information for decision making. CPAs will have to compete to furnish many new services in a non-regulated, market-driven environment very different from the current market.

To ensure a brighter economic future, CPAs must—

- Capitalize on their strengths to expand their service offerings.

- Design services that are based on what users need.

THE NEXT STEPS

After completing its research, the committee will determine how its findings translate into new services. It will identify new service opportunities and involve the profession in considering new action plans. It will open discussions with groups of information users and providers to test its hypotheses. Finally, after

services have been identified, the committee will turn its attention to determining what barriers stand in the way of providing those services and to developing recommendations. The committee's charge calls for it to issue its final recommendations to the AICPA Council at the October 1996 meeting.

The committee has no authority for standard setting or other implementation; its recommendations will need to be acted on by others if they are to take effect.

THE NEED FOR FEEDBACK

The committee wants the insights of members about the relevant issues and its observations. Any member with suggestions or concerns about the direction the committee has taken should send them to—

Don M. Pallais
14 Dahlgren Road
Richmond, Virginia 23233
fax: (804) 784-0885
e-mail: 75471.162@compuserve.com

Some of the committee's background papers are available on CompuServe in the Accountants Forum (GO AICPA). The documents are located in the auditing library.

Special Committee on Assurance Services

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The committee gratefully acknowledges the contributions made by Joe Bolton, Barry Brownlow, Paul Curth, David Haeckel, Peter Jacobson, Everett Johnson, David Landsittel, J. Louis Matherne, Patrick McNamee, Sylvia Smith, Glenn Stastny and Robert Zeibig.

**Member to
Member...
Chair's Corner**

*By Ron Cohen
Chair, AICPA Board of Directors*
Perhaps Don Quixote is real, alive and well—and a CPA! After years of the AICPA jousting at the windmills of litigation reform, Congress has passed legislation to curb abusive lawsuits [see page 1

story]. This momentous legislation, hopefully, is but the first step in long needed reforms of our legal/judicial system, and will encourage states to take similar actions.

Senator Chris Dodd of Conn. called this “a major victory for America’s investors, our nation’s businesses, and our overall economy.” He went on to say that this is a “bill that restores fairness and integrity to our securities litigation system by protecting both innocent companies and the rights of legitimately defrauded investors. In short, we’ve protected investors while allowing emerging companies to grow and create jobs—free of the financial burden of abusive litigation.”

For us CPAs, among other things, the measure implements a system of proportionate liability so that firms pay only their fair share of a settlement, but retains full joint and several liability for small investors and for all defendants who knowingly engage in securities fraud.

The bill also creates a “safe harbor” for predictive statements, which should encourage companies to voluntarily disclose forward-looking information to investors. As we in the profession contemplate the future of historical financial reporting and how we will

continue to provide value to the users of our services, this provision could be of great significance.

The AICPA and its Key Persons, among many other organizations and constituencies, lobbied vigorously for passage of this legislation. We should be extremely proud of our members and staff for persevering in achieving these successful results. It is a strong indication that we CPAs can design and influence our future in many ways, and that we must be the architects of that future.

On another issue, about which you will be hearing more in the future, the CPE Standards Subcommittee recently reported on its preliminary findings to the AICPA Board of Directors regarding how to make continuing professional education more meaningful and relevant for all of our members. Under consideration are expanding the definition of CPE and changing the ways that CPE is measured. The subcommittee’s findings indicate that informal learning is often more valuable than sitting in a classroom, because it involves the actual application of knowledge. It also indicates that use of standardized credits rather than hours and the measurement of outcomes against desired competencies would be a more accurate measurement of learning.

Here once again, the AICPA is taking the initiative and exercising leadership in designing our own future. Technology is rapidly changing the way we learn. By providing learning support systems that enable CPAs to assess their educational needs based on competency levels for services they perform, CPE would become more meaningful and relevant for all of our members.

To contact Ron Cohen, fax 219/236-8692.

Court Rules Against Florida Board of Accountancy in IDS Case

The Trial Court in Florida on Dec. 13 ruled against the Florida Board of Accountancy in a case brought by IDS Financial Services (now named American Express Tax and Business Services), allowing IDS to have its CPA employees “hold out” as CPAs when performing non-attest services (*The CPA Letter*, May 1995). The initial effect of the decision would appear to be that in the context of such services, the board cannot enforce a firm CPA-ownership or firm-licensure requirement on any of its CPA registrants.

The ruling was a disappointment to the AICPA, which backed Florida’s position in the lawsuit, believing that it denies the right of the Florida Board of

Accountancy to protect the public interest through restricting the type of firms in which CPAs practice in connection with non-attest services. However, the court left open the possibility that the Florida Board could require, as part of its regulation, a disclaimer regarding the unlicensed nature of American Express. The court also stated that it *was not holding that states cannot lawfully restrict unlicensed firms from using professional designations or performing the attest function.*

Florida is the only state affected by the court’s ruling (the court’s decision has no impact on the AICPA’s rules). The state board is considering whether to appeal.

Schedule of Print, Television Ads Through Campaign’s First Year

<u>Print</u>	<u>Issue Date</u>	<u>Television</u>	<u>Frequency, Week of</u>
<i>Wall Street Journal</i>	Jan. 17 or Jan. 18 Jan. 24 or Jan. 25 Feb. 7 or Feb. 8	CBS Sunday Morning with Charles Osgood	2x, 1/21; 2x, 1/28; 2x, 2/11; 2x, 2/18
<i>USA Today</i>	Jan. 17 or Jan. 18 Feb. 7 or Feb. 8	CNN News, Crossfire, Larry King Live, etc.	7x, 1/21; 7x, 1/28; 7x, 2/11; 7x, 2/18
<i>Barron’s</i>	Feb. 5	CNN Headline News	6x, 1/21; 6x, 1/28; 6x, 2/11; 6x, 2/18
<i>Fortune</i>	Mar. 6		
<i>INC.</i>	Feb. Mar.		

Quarterly List of Items Available on AICPA 24-Hour Fax Hotline

To retrieve any document(s) listed below, dial 201/938-3787 from a fax machine, follow the voice cues, and, when prompted, provide the number(s) of the document(s) desired. There is no charge for this service. Items noted with an asterisk are also available on the Accountants Forum.

Document No.	Item		
1	AICPA Fax Hotline Catalog	415	Enactment of FDIC assessment
107	CPA logo promotional items order form	455	AcSEC actions, 8/29–30
120*	Board of Directors' meeting minutes, 7/13–14	477	Notice to Practitioners: "Examination Engagements to Report on Investment Performance"
121*	Board of Directors' meeting minutes, 9/14–15	520	Publications standing order form
122*	Board of Directors' meeting minutes, 10/22	702	AICPA 1040 Tax Clinic and AICPA Corporate Tax Clinic course and registration information
281	<i>The Financial Manager's Report</i> , Nov. 1995	711	Sidney Kess Income Tax Returns Workshops course and registration information
256	<i>Accounting Educators: FYI</i> , Nov. 1995	900	Tax fax index (documents from Tax Division only)
412	Illustrative HUD Audit Reports—Yellow Book Revisions	964	Sec. 1258 capital gains conversion letter to IRS
413	Mortgage Bankers Association commercial loan USAP	965	Financial status audits, IRS memo to compliance officers
		967	Section 1377 regulation comments
		968	Draft revenue ruling on proper treatment of insurance premiums paid by an S corp

New Products & Publications

Two **NEW Auditing Procedure Studies** will be available as of Feb. 1. **Implementing SAS No. 70, Reports on the Processing of Transactions by Service Organizations** (No. 021056CLA1) provides guidance to service audi-

tors engaged to issue a report on the control structure policies and procedures of a service organization. It also provides guidance to user auditors engaged to audit the financial statements of an entity that uses a service organization. Price: \$28.50 member, \$31.50 non-member.

Audit Implications of EDI (No. 021060CLA1) focuses on the impact of Electronic Data Interchange, the exchange of business transactions between entities and the elimination of documents such as purchase orders and invoices. This study addresses the opportunities and challenges that EDI presents. The appendix includes EDI control considerations and a general audit program. Price: \$19.50 member, \$21.50 non-member.

ATB Write-Up 2.0 (No. 016418CLA1) provides user-requested features that enhance members' ability to provide accurate, efficient write-up services. When used in conjunction with the optional Conversion module to import and export trial balance information from other sources, CPAs can drastically cut the time spent keying data and increase billable hours. Write-up data can easily be entered and financial statements and payroll forms can be prepared.

ATB Write-Up 2.0 offers the ability to change account format, period code, and year-end date in an existing company; trial balance format with subtotals by classes; improved format for after-the-fact payroll register; flexible allocation of annual budget amounts; finan-

cial statements, departmental reporting and enhanced print options. Price: \$1,100 member, \$1,200 non-member. Upgrade from ATB Write-Up 1.0 (No. 016419CLA1), \$295 member, \$325 non-member. Special price for users of ATB (No. 016427CLA1): \$510 member, \$560 non-member. ATB Write-Up Conversion 2.0 (No. 016434CLA1), \$280 member, \$305 non-member. Upgrade from ATB Write-Up Conversion 1.0 or higher or ATB Conversion 1.0 (No. 016435CLA1) or higher, \$105.55 member, \$125 non-member.

With tax season just around the corner, the AICPA now has available **tax season marketing materials** members may find helpful.

Taming Your Taxes: 1995 Filing Tips from CPAs (No. 889537CLA1) is an eight-panel brochure providing information on eligible deductions, adjustments and exemptions individuals should take when preparing their tax returns. Price: \$24 per 100 copies member, \$26 non-member.

Making Your 1995 Filing Less Taxing: Be Aware and Be Prepared (No. 890686CLA1) is a 20- to 25-minute speech for CPAs to deliver to general audiences. The speech furnishes tips to help individuals at tax-filing time. Included is an interviewer's guide with questions CPAs may receive during media interviews. Price: \$5.50 member, \$6 non-member.

To order, write: AICPA Order Department, CLA1, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272 (dept. #1). Ask for Operator CLA1. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Prices do not include shipping and handling. Have membership number ready.

CPE
News**Courses on the New Revenue Reconciliation Act to Be Available**

This year's tax legislation may well include capital gains tax cuts for individuals and corporations, vastly liberalized IRAs with tax-free pay-

outs not just on retirement but also for first-time home purchases and college expenses, IRA-type medical savings accounts with deductible contributions, relief for two-income married couples, new tax breaks (and some crackdowns) for retirement plans, an overdue hike in the estate/gift tax credit, and a special reduction in estate taxes for farms and other family-owned businesses. These courses will alert members to new tax saving opportunities, steer them away from pitfalls and provide down-to-earth examples and other practice aids.

The Revenue Reconciliation Act self-study course will be available within 15 days of enactment. Order by Feb. 16 and save up to 25%. Author: Editorial Resource Group. Recommended CPE credit: 8 hours. Format: 2 audiocassettes/workbook (No. 751915CLW), \$89 (special early-reservation price for orders placed before Feb. 16). Also to be available, 30 days after enactment, will be the **Revenue Reconciliation Act Videocourse**.

Moderator/Author: Sidney Kess, CPA, JD, LL.M. Recommended CPE credit: 8 hours group study and self study. Format: 1 VHS tape/manual (No. 113234CLW), \$129; additional manual (No. 113235CLW), \$30. Save 20%-30% on volume purchases of additional manuals (orders of 10 or more).

Both courses include the Research Institute of America's 700-page paperback, *RIA New Law Key Provisions Plus Code*—a \$30 value.

For more information, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 636. These courses are available from the AICPA Order Department (see page 10) as well as from the state CPA societies.

Tax Update Available on CD-ROM

Kess' 1995 Individual Taxation Update, the first in a series of interactive CD-ROM products jointly developed by the AICPA and Evoke, a leading developer of multi-

media tools for CPE, combines the convenience of traditional self-study programs with the immediacy of live presentation. Textual materials developed by noted tax authority Sidney Kess include ready-to-use practice aids and a wealth of primary source material, and feature on-point coverage of recent developments delivered in a state-of-the-art multimedia package featuring video, sound and animated graphics. Price: \$139 for single users, with sliding-scale discounts for multiple users in the same firm. To order, call 800/250-5888.

Group Study

Members in industry can turn spring vacation into a CPE getaway by attending one of two **AICPA Spring Industry Clusters**. Held Mar. 18-20 at the historic Mills House Hotel in Charleston, S.C., and Apr. 22-24 at the Sheraton San Marcos Resort in Chandler, Ariz., the three-day events feature teams of top AICPA discussion leaders leading special six-hour sessions on topics in controllership, management accounting, the Internet and more. There is a choice of sessions each day; recommended CPE credit for the cluster ranges from 6-18 hours. Scheduled instructors include John Purtill, Tom Klammer, Bill Reeb and John Graves. Registration: \$179 for one day, \$319 for two days, and \$439 for three days. Early hotel reservations are recommended. To receive a brochure and be put on a mailing list for future programs, call 800/862-4272 (dept. #3) and request the Spring Industry Clusters brochure; or write: Pernell Brown, LLCC, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. All requests should mention ADV 107.

Interactive Broadcasts

Three live **CPE Interactive Distance Training Programs**, part of a cooperative venture involving the CPE Division, 21 state CPA societies and Westcott Communications of Dallas, will be broadcast through the Accounting Television Satellite Network through Mar. Topics include the *Changing World of Health Care* (to be broadcast Jan. 24), *Preparing Your Company for the 21st Century: Tools for Survival and Prosperity* (to be broadcast Feb. 21), and *Managing Business Regulation*, (scheduled for Mar. 20). The programs feature one-touch keypads that allow interactive contact between participants and instructors. For information, contact the state societies.

First Annual Practitioners' Symposium to Be Held in June

Combining the best information and features of the AICPA PCPS, Small Firm, and National Practice Management conferences is the AICPA's first Practitioners' Symposium, an entirely new, high-powered, information-packed conference. Besides offering CPAs up to a total of 40 hours of CPE, this mega-conference provides a forum in which CPA firm owners and other professionals can learn from each other and from expert presenters how to respond to emerging accounting and auditing, tax, technology and management issues affecting their practice.

Participants can design their own curriculum from a

rich selection of more than 100 different topics, through eight special-interest tracks: small firm management, larger local/regional firm management, accounting and auditing, governmental and not-for-profit accounting and auditing, tax, consulting services/personal financial planning, technology, and personal development. Partners, shareholders, firm administrators, marketing directors and senior professional staff will all benefit from the wide array of educational offerings available.

The conference will be held in Las Vegas on June 8-12. Registration: \$595 for five days. For more information, contact the CPE Division at 800/862-4272 (dept. #3).

Washington At A Glance

AICPA Has Major Plans for Tax Policy Study

The AICPA has released a comprehensive analysis of the major alternative proposals to the current federal income tax system. Prepared by the Tax Division, *Flat Taxes and Consumption Taxes: A Guide to the*

Debate analyzes the "big picture" economic issues that could profoundly reshape the way American businesses invest and raise capital, how individuals plan and save for retirement, and the means by which the federal government collects and allocates revenue. The main tax alternatives considered in the study focus on a retail sales tax and value-added tax proposals, including a flat tax.

At a press conference in Washington, D.C., on Jan. 4, AICPA President Barry Melancon released the study guide and executive summary to the media, members of Congress and key government officials, while a news release was distributed simultaneously to national and trade media. After the press conference, AICPA representatives plan to visit many of the larger states to explain the analysis further and to offer a "local" perspective on the tax proposals. A video news release will be used to highlight the AICPA's study.

State CPA societies will be instrumental in helping the profession play a significant role in this important tax policy initiative. Members will be kept apprised of the rollout and subsequent events as they unfold.

The study guide (No. 061045CLA1; \$25.50 AICPA

member, \$29.95 non-member) and executive summary (No. 024018CLA1; \$5 including S & H) are available through the AICPA Order Department (see page 10). The full study is available to Tax section members (No. 061045CLATD) for \$23.95.

Fight for Work Load Relief Continues

During negotiations that produced the budget package Congress had sent to the President, the AICPA's work load compression relief bill (H.R. 1661) was dropped. The Joint Tax Committee had scored the bill as a revenue loser, even though the private revenue estimate the Institute had done showed the bill to be revenue positive over the seven-year budget period. The disparate estimates are the result of different economic assumptions. The AICPA's efforts are now aimed at the Joint Tax Committee.

CPAs Warned About IRS Form for Electronic Refunds

A new IRS form (Form 8888, *Direct Deposit of Refund*) to enable taxpayers to have their refunds deposited directly into their bank accounts may give rise to another type of problem this tax season. While the form is simple in nature, it asks taxpayers for information they may not know or be able to find, such as a bank's routing transit number. Members who wish to take advantage of this service for their clients should request a canceled check or deposit slip from which members can gather the proper numbers. Members may also want to consider alerting local banks of potential calls from customers.



The CPA Letter

A News Report to Members

Highlights of What's Inside

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AcSEC Announces Updates to SOPs, Practice Bulletins

The Accounting Standards Executive Committee has updated its technical guidance in certain statements of position and practice bulletins. CPAs involved with financial accounting and reporting should obtain these changes.

AcSEC made these changes mainly to conform its SOPs and practice bulletins with pronouncements issued recently by the Financial Accounting Standards Board. These changes generally apply to current year-end reporting.

AcSEC made conforming changes to many SOPs and practice bulletins, including SOP 75-2 and the related SOP 78-2, *Accounting Practices of Real Estate Investment Trusts*; SOP 78-9, *Accounting for Investments in Real Estate Ventures*; SOP 90-11, *Disclosure of Certain Information by Financial*

Institutions About Debt Securities Held as Assets; SOP 92-3, *Accounting for Foreclosed Assets*; SOP 93-6, *Employers' Accounting for Employee Stock Ownership Plans*; Practice Bulletin 1-Exhibit F, *Accounting and Disclosure for Reinsurance Transactions*; Practice Bulletin 5, *Income Recognition to Financially Troubled Countries*; and Practice Bulletin 9, *Disclosures of Fronting Arrangements by Fronting Companies*.

To obtain AcSEC's conforming changes (in late Feb.), members can use the AICPA's 24-hour fax hotline (dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 460), access the "accounting" section of the library on the Accountants Forum, or write/fax the AICPA Order Department (see page 9; request No. G00114CLA3).

Members Invited to Present Views on Proposed Bylaw Changes

Members will soon be asked to vote on several bylaw changes approved by the governing Council at its fall 1995 meeting (*The CPA Letter*, Jan./Feb.). Those amendments include proposals to: provide for election of the AICPA President and the Secretary by the board of directors; expand eligibility to serve on the Joint Trial Board to any AICPA member of five consecutive years' standing; provide that members' signatures on petitions for amendments to the bylaws shall be good for one year after signing (except for petitions ongoing as of July 13, 1995); and recognize that the secretary is no longer a board-level position.

Members wishing to express views on these proposals are invited to submit letters of 100 words or less in length (please type or print) to: Donna Wolf, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775. Letters must be received by Mar. 19, 1996, and must include the member's name and state. A representative sampling of the letters received will be published (along with member name and state) in the Apr. issue of *The CPA Letter*.

For a copy of the article that appeared in the previous issue of this newsletter, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 1055.

List of Top 15 Technologies for 1996 Compiled

Image processing, the process of converting paper documents (e.g., charge slips, mail and other original source documents) into electronic documents (i.e., digital images) by scanning was deemed the technology that would most impact CPAs in the upcoming year. It moved ahead of electronic data interchange, the technology chosen last year.

The annual list is compiled by two

AICPA groups, the Information Technology Practices Subcommittee and the Information Technology Research Subcommittee. A list of 56 defined technologies/concepts and practices is evaluated to determine the level of impact each item will have in accounting and auditing, taxation, consulting, and finance and operations. How implementation of each technology in

continued on page 2

News Briefs

The CPA Letter Survey Results Are In

Results from *The CPA Letter's* third readership survey are now in. Questionnaires were mailed to 4,000 randomly selected members in all membership groups. Following are some of the key results.

Fully 87% of the members surveyed gave the newsletter a rating of "excellent" or "good" overall, an equal rating was given to timeliness, 88% said "excellent" or "good" to both quality of writing and quality of content, and 51% of the respondents said they read the newsletter within one or two days of receiving it. In addition, 28% of respondents said the newsletter is more useful to them now than it was two years ago, and 23% report spending more time with it.

A new question in the survey asked members about their interest in reading about specific AICPA activities. At the top of the list was "incorporating information technology into the profession," which drew interest from 87% of the members. A close second was benchmarking and financial management, at 83%, and fraud detection, at 80%.

The responses and suggestions received from the survey are under review. Thank you for your comments and continued interest in *The CPA Letter*.

IRS Tells of Errors in Package X, Vol. 1, Pub. 1579-Kit 1

Members are advised that the IRS has informed the AICPA of errors on reproducible forms contained in the 1995 editions of "Package X, Vol. 1" and Publication 1579-Kit 1. Tax practitioners therefore should use only the 1040-V, Payment Voucher form and mailing instructions from Package X, Vol. 2 (which was mailed Jan. 12) and "Tax Practitioner Reproducibles" from Publication 1579-Kit 2.

The IRS has reiterated that "despite the fact that individual taxpayers will get differing instructions in different tax packages, we are asking tax practitioners to ignore those instructions and mail any balance-due return, along with the check and Form 1040-V, Payment Voucher, to the appropriate lockbox address. If no payment is due, the practitioner should direct the return to the appropriate service center."

CPAs Needed to Write Questions for CPA Exam

The Examinations Division will be training CPA volunteers to develop questions for the Uniform CPA Examination in Washington, D.C., on June 6-7 for the Tax section and in the New Jersey office on Aug. 8-9 for the Business Law & Professional Responsibilities section. Application deadlines are Mar. 29 and May 29, respectively.

Volunteers should have at least five years' experience in practice or education for the tax workshop, or in the practice of law or a J.D. for the business law workshop. Participants will receive AICPA CPE credit, be acknowledged in the annual edition of *Selected Questions & Unofficial Answers* and receive a small honorarium for each accepted question. Expenses to attend workshops are not reimbursed.

For applications, fax 201/938-3443 or write: AICPA Examinations Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Names for future workshops will be accepted as well; call Fran DiPietro at 201/938-3435 for the tax workshop or Joel Koppelman at 201/938-3426 for business law.

Top 15 Technologies—continued from page 1

those functional areas might impact revenue potential, organizational productivity and effectiveness, personal productivity and effectiveness, as well as the affect each item might have on the risks and exposures existing in the CPA's professional environment, is considered. Finally, each item is evaluated to determine its stage of development/acceptance and use in practice.

The result is a list of technologies CPAs need to be aware of in order to "just keep up," or even be on the "leading edge." The underlying belief is that technologically savvy CPAs will be able to provide better service, whether it is to their clients or the organizations in which they work.

The top 15 technologies for 1996 are: image processing, electronic data interchange, security (e.g., encryption, etc.), electronic commerce, communications technologies, workflow technology, area networks, collaborative computing and groupware, cooperative and client/server computing, intelligent agents, business process re-engineering, mail technology (voice mail, e-mail, etc.), expert systems (rule-based and case-based reasoning), quick response (e.g., vendor managed inventories), and telecommuting.

Members wishing more information about this list and/or membership in the Information Technology technical section should call Andrew Gioseffi at 212/596-6020 or send an e-mail to him at 102532.404@compuserve.com.

Public Meeting Notices

For detailed agendas, call 800/862-4272 (dept. #6) three weeks prior to these meetings.

Accounting Standards Executive Committee:

Mar. 4-6, San Diego; Apr. 23-24, New York

Auditing Standards Board: Apr. 2-4, New York;

May 7-9, New York

Professional Ethics Executive Committee: May 31, New Orleans

Other Meetings

Council: May 20-22, San Diego

Accounting & Auditing News

FASB Issues Two Proposals and Two Special Reports

The Financial Accounting Standards Board has issued a proposal that would simplify the current standards for computing and presenting earnings per share data and make them substantially the same as those recently proposed by the International Accounting Standards Committee. It proposes to eliminate the presentation of primary earnings per share and require presentation of basic EPS. Disclosures about an entity's capital structure also would be required. If adopted as a final statement, the proposal would become effective at the end of 1997. Comments are due May 31.

The FASB also issued a proposed statement that would change the way public companies report information about segments of their business in their annual financial statements and would require them to report selected information in their interim reports to shareholders. The proposal would require that a company determine segments based on its organizational structure and measure the reported information in the same way as it is measured internally. If adopted as a final statement, the proposal would become effective in 1997. Comments are requested by June 30.

In other actions, the FASB has issued, in conjunction with standard setters in the U.K., Canada and Australia and the International Accounting Standards Committee, a special report titled "Provisions: Their Recognition, Measurement, and Disclosure in Financial Statements." The term "provision" is used outside the United States to refer to liabilities for which the amount and timing of the settlement is uncertain.

The report explores the basic issues of when provisions should be recognized, how they should be measured and what disclosures should be made. It also con-

siders specific applications to future operating losses and restructuring costs, areas in which provisions are often recognized.

Another special report issued by the FASB highlights some of its staff's key findings from a review of 1994 annual report disclosures required and encouraged by FASB Statement 119, *Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments*. The report provides a general overview of the entities chosen for review and how the review was conducted, as well as summarizes the review findings for each of the disclosures required or encouraged by Statement 119 and includes a number of examples from the annual reports reviewed.

To obtain a copy of the proposal "Earnings Per Share and Disclosure of Information About Capital Structure" or the proposed statement "Reporting Disaggregated Information About a Business Enterprise" (available without charge through their comment periods), the special report on provisions (product code SRPROV) or the one on FASB Statement 119 disclosures (product code SRFIREV), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116; call 203/847-0700, ext. 555. Special reports cost \$11.50 each.

Interpretation on NPO Issues Proposed

The FASB in late Dec. issued a proposed interpretation of its Statement 116 on accounting for contributions made and received. The proposal would clarify the terms "agent," "trustee" and "intermediary" as they are used in the statement. Comments were due Feb. 15.

Update Given on AcSEC's Proposed SOP on Fund-Raising Appeals

The Accounting Standards Executive Committee received more than 300 comment letters on its Sept. 10, 1993, exposure draft of a proposed statement of position, *Accounting for Costs of Informational Materials and Activities of Not-for-Profit Organizations and State and Local*

Governmental Entities That Include a Fund-Raising Appeal (The CPA Letter, Oct. 1993). AcSEC and its Not-for-Profit Organizations Committee are considering, based on comments received, changes to the proposed SOP as well as a field test that is expected to commence shortly.

AICPA Supported Pension Source Tax Bill Signed Into Law

President Clinton has signed into law H.R. 394 (now referred to as P.L. 104-95), a proposal supported by the AICPA to prohibit state income taxation of retirement income of nonresidents. An AICPA committee had talked with congressional staff regarding the proposal, and submitted to Congress a written statement in favor of this legislation (The CPA Letter, Aug./Sept.).

The Institute stated that unless states are prohibited from taxing the retirement income of nonresident retirees, more and more retirees would be subject to double taxation, while an increasing number of employ-

ers would be subject to steep administrative costs and increasingly complex tax accounting problems. Given the overwhelming complexities in the current environment, with a system that is not administrable and does not allow the tax to be allocated to the states simply, consistently, fairly and efficiently, the AICPA supported H.R. 394 as the best overall solution.

To obtain a copy of the legislation, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 976 (the AICPA's comments on the bill are document no. 960); or access the Accountants Forum library.

Exposure Draft on Ethics Interpretations and Rulings to Be Issued

An exposure draft that would add to and revise existing interpretations and rulings contained in the *AICPA Code of Professional Conduct* is scheduled to be issued Feb. 28. The ED, *Omnibus Proposal of Professional Ethics Division Interpretations and Rulings* (No. 800098CLA3), proposes the adoption of an interpretation and three ethics rulings under rule 101 dealing with the performance of extended audit services and a corresponding deletion of ethics ruling no. 97; the adoption of an ethics ruling under rules 501 and 301 concerning members who remove files or workpapers from a firm without permis-

sion; the adoption of an ethics ruling under rules 503 and 302 concerning a member's operation of a separate business that receives commissions or contingent fees; and a revision to ethics ruling no. 17 under rule 101 dealing with a member's financial interest in a social club or other such organization.

Comments will be due 60 days after issuance. One copy of the ED will be mailed to those on the standing order list for EDs; others may obtain one free copy with each additional costing \$6 member, \$6.75 non-member, through the AICPA Order Department (see page 9).

AICPA Responds to Proposed PFP Standard by CFP Organization

In a letter to the Certified Financial Planner Board of Standards addressing its first proposed standard (*The CPA Letter*, Dec. 1995), AICPA President Barry C. Melancon said the AICPA takes "issue with the language in the proposed standard's attempt to extend these standards of practice to all providers of [personal] financial planning services, as well as the assertion that the CFPBS is a 'professional regulatory body' that issues 'CFP licenses'." The CFPBS expects that any individual performing PFP services, including a CPA, would be covered by the standard, not just those with the certified financial planner designation conferred by that organization.

Melancon states that the CFPBS's self-identification as a professional regulatory body is inaccurate and misleading because it implies government-sanctioned authority to issue licenses and to regulate all financial planners, when it is not so empowered. "Because the CFPBS is not a regulatory body," the letter says, "it has no right to propose that its standards should govern the conduct of

financial planners who are not CFP designees."

Comments on the proposed standard were due Dec. 31, 1995.

Statement on PFP Practice Issued

Statement on Responsibilities in Personal Financial Practice No. 5, *Developing a Basis for Recommendations*, has been issued by the Personal Financial Planning Division. The statement was issued in a booklet (No. 017216CLA3) that also contains the previous four statements, and since there are some conforming and clarifying changes to those four statements, they are considered "revised." A copy of the booklet has been mailed to each PFP section member. Others may obtain it through the AICPA Order Department (see page 9). Price: \$10 member, \$11 non-member.

Entities That File Form 11-Ks Are Considered Registrants

Since Jan. 8, 1990, AICPA bylaws provide that members may engage in the practice of public accounting with a firm auditing one or more SEC clients, as defined by Council, only if that firm is a member of the SEC Practice Section. Council's definition includes situations in which a firm is principal auditor of record of: (1) an issuer making an initial filing, including amendments, under the Securities Act of 1933; or (2) a registrant that files periodic reports with the Securities and Exchange Commission under the Investment Company Act of 1940 or the Securities Exchange Act of 1934 (except a broker or dealer registered only because of section 15(a) of that Act).

The SEC Practice Section has been receiving an increasing number of inquiries regarding whether an audit of an employee stock purchase, savings or similar plan that files a Form 11-K pursuant to Section 15(d) of

the Securities Exchange Act of 1934 is encompassed by the above-cited definition of an SEC registrant.

This notice is to confirm that engagements for which a member serves as principal auditor of record of an employee stock purchase, savings or similar plan that files a Form 11-K with the SEC pursuant to the Securities Exchange Act of 1934 would be encompassed by the definition of an SEC registrant. Consequently, AICPA members whose firms are principal auditors of record of such entities would be required under the AICPA bylaws to enroll in SECPS. In addition, applicable membership requirements, including concurring review and partner rotation, would be applicable to such engagements.

Members with questions regarding this announcement should call Mon Ching Mok of the section at 201/938-3041.

One-Day Conference on Technology Offered

The AICPA is offering technology-savvy CPAs a one-day conference on Apr. 24 in connection with the Spring National Industry Conference in Orlando. Information technology is redefining the financial and accounting professional's job, and a member's ability to contribute to the success of a company's future is dependent upon information technology, how well it is under-

stood and how well it is used. Emerging technologies and their impact on industry will be addressed (see page 1 article).

Registration fee: \$280; \$230 for Information Technology section members. Recommended CPE credit: up to 9 hours. For more information, call AICPA Meetings & Travel Services at 201/938-3232.

AICPA Seeks to Narrow IRS “Financial Status” Auditing Techniques

Many AICPA members have expressed deep concern over the new IRS “financial status” (formerly “economic reality”) audit approach being used by the IRS to probe for unreported income of taxpayers. The IRS has targeted small businesses and small business owners with this new initiative, though the program is not limited to these groups.

Traditional IRS audits principally focus on books, records and other audit evidence directly related to the tax return and its preparation. In financial status auditing, on the other hand, there is an increased focus on unreported income at the beginning of the audit. As has always been the case, once an agent has a firm suspicion that fraud exists the civil audit is suspended in favor of a criminal investigation. However, that suspicion is no longer just based on an audit of the tax return. Rather, the agent uses indirect auditing techniques from the outset to gather information about the taxpayer or to support a suspicion of unreported income.

Financial status questions focus on a taxpayer’s lifestyle, standard of living and other elements unrelated to the specific preparation of the tax return. For example, agents are now asking taxpayers such questions as:

- What is your educational background?
- Where did you go on vacation? How much did you spend?
- Where do your children go to school?
- How many automobiles do you own? What are they? What are the payments?
- Do you own any large assets (over \$10,000) besides auto and real estate? What are they, where are they kept? Are they paid for—if not, what are the payments?
- What cash did you have on hand in 199X usually, personally or for business, not in a bank—at your home, safe deposit box, hidden somewhere, etc.?
- What is the largest amount of cash you had at any one time in 199X?
- Do you have a safe deposit box? Where? What is kept in it?

In addition, taxpayers are being asked to complete Form 4822, *Statement of Annual Estimated Personal and Family Expenses*, which breaks down the taxpayer’s cost of living. Requests for numerous documents (such as personal bank statements) may be made as well.

No one questions the IRS’s obligation to find and deal harshly with taxpayers committing tax fraud. However, financial status audits can seriously blur the distinction between civil audits and criminal investigations. A related result is that agents, in order to complete an audit using financial status techniques, are pressuring taxpayers to submit to “face-to-face” interviews. This undermines the taxpayer’s statutory right to be represented by CPAs and others, as provided by the 1988 Taxpayer Bill of Rights.

CPAs are faced with a dilemma. With these investigatory techniques used throughout financial status auditing, the CPA must carefully determine the point, if any, at which the IRS investigation necessitates the recommendation to the client that a criminal tax attorney be retained.

CPAs are eminently qualified to represent clients at any IRS proceeding dealing with substantive tax law or tax return preparation, and statistics continue to show that business and individual taxpayers prefer CPAs to handle their IRS examinations. However, the only role for a CPA in a criminal tax fraud case (at whatever stage of development) is in support of an attorney, who has expertise in criminal tax law and the advantage of privileged communications with the taxpayer.

Because of the recent IRS activities described above, a task force of the AICPA’s Tax Practice and Procedures Committee has been meeting with IRS National Office officials throughout the fall in an effort to have them understand that continuation of their approach (insisting on financial status information and on direct taxpayer interviews, before there is any firm suspicion that unreported income exists) is bound to have an adverse affect on CPA-IRS relations, as the profession seeks to protect clients’ rights. Part of that protection could well be suggesting engagement of an attorney skilled in criminal tax matters in many more examinations than has been the traditional experience (at increased costs to both taxpayer and government, due to the inevitable prolonging of the audit process). The AICPA has given the IRS a number of suggestions for their consideration as to how the scope of financial status audits could be narrowed to target better those cases in which indirect probes for unreported income are appropriate.

At this point, the AICPA believes that its message is starting to be heard. While still too early to know whether the Institute can resolve the issue to a mutual satisfaction, there is evidence the National Office understands that financial status auditing techniques change the playing field with respect to the role of the CPA. The AICPA shall continue working with top IRS officials in its attempt to restrict these audits to cases where a reasonable suspicion of unreported income has been generated from other sources or direct audit techniques. If, however, that does not prove feasible, the Institute will be prepared to issue detailed guidance to members as to how best to protect their clients if financial status auditing methods are used at the beginning of an IRS examination.

Since a large number of agents have already been trained in the techniques to which the AICPA has objected, any changes made by the IRS will take time to work their way through the system. In the meantime, members encountering difficulties in this area can contact Anita L. Horn, Technical Manager in the AICPA Tax Division, at 202/434-9231, or fax 202/638-4512.

Staff Contact for Gov’t Members Named

Members in government who would like information about AICPA programs for this group, or who have inquiries about related activities, should call Mary Foelster at 202/434-9259.

AICPA Supports Firm's Request for Supreme Court Review of Decision

In response to member interest, below is the first of periodic reports from AICPA General Counsel Richard I. Miller on amicus brief ("friend of the court") activity to benefit the accounting profession. The amicus brief discussed and this report on it were developed with the assistance of Louis A. Craco and David P. Murray of the Willkie Farr & Gallagher law firm.

The AICPA recently supported the efforts of a public accounting firm to obtain review by the U.S. Supreme Court of the Ninth Circuit's decision that left the firm, which acted as an independent auditor, potentially liable under Section 11 of the Securities Act of 1933 for alleged errors in the company's offering prospectus, while permitting the officers, directors and underwriters of the company, who prepared the financial statements and issued the security, to avoid liability.

Background of the Case

The case arose from the rapid and highly publicized demise of a company that produced top-selling toys. The plaintiffs, a class of investors who purchased corporate debentures six months prior to the company's bankruptcy, alleged violations of Sections 10(b), 11 and 12(2) of the federal securities laws, and state law claims of fraud and negligent misrepresentation. The plaintiffs accused the company of engaging in various tactics to "pump up" revenue figures without completing actual sales, including certain price protection, stock balancing and guaranteed sales programs. The plaintiffs further alleged that the company's financial statements improperly recognized revenue on sales transactions subject to these programs and were materially misleading.

The Ninth Circuit affirmed summary judgment on all counts for the officers, directors and underwriters of the company, finding that the pricing and sales programs at the heart of the alleged accounting errors were either immaterial or adequately disclosed in the prospectus. It *reversed* summary judgment for the firm on the Section 11 count, however, holding that the firm might still be liable for the alleged errors in the audited financial statements.

Section 11 imposes a liability against accountants for material errors in an audit report or other portions of a registration statement reported on by the accountant. Under Section 11(e), accountants can reduce their liability to the extent they can show that the drop in the price of a security "resulted from" factors other than the alleged auditing errors. The district court found that the drop in the price of the company's security had "resulted from" factors other than the alleged errors in the audited financial statements. These other factors included disclosures by the company of a liquidity crisis, a decline in sales, a general slump in the market and other events occurring after the offering. The district court also found that the alleged errors were never disclosed prior to the lawsuit; indeed, the plaintiffs' complaint contained the first and only allegation of any errors in the company's audited financial statements. The timing of the disclosure was critical: Section 11 damages are generally measured by the difference between

the amount paid for a security at the time of purchase and the price of the security at the time suit is brought. Since the alleged errors were never disclosed prior to suit, the market could not have reacted to them for purposes of the plaintiffs' damages claims.

The Ninth Circuit agreed that the drop in the price of the security did not "result from" any disclosure of the alleged errors in the financial statements. The Ninth Circuit nonetheless found that various post-offering disclosures by the company, which did cause the drop in price, "directly related" to the transactions for which the firm allegedly made erroneous accounting determinations. Because the alleged errors in the financial statements "touched upon" the reasons for the drop in the price of the security, the Ninth Circuit concluded that summary judgment in favor of the firm was inappropriate.

The AICPA's Brief

The AICPA's brief went beyond the firm's arguments; it addressed more broadly the far-reaching implications the ruling may have on accountants, investors and the financial markets. The Institute first explained the vital role that CPAs perform in the financial marketplace.

The Institute further explained that corporate financial statements are prepared by management, not by auditors, and that an audit report is not a statement of objective, verifiable fact, but rather the product of a complex process involving the exercise of substantial professional judgment at virtually every stage. What's more, the nature of the auditing process makes accountants easy prey for allegations of "negligence by hindsight" by disgruntled investors seeking to recoup their losses on bad investments.

Proper application of Section 11(e)'s "loss causation" defense, the Institute argued, is thus vitally important to accountants. The defense permits accountants to obtain early disposition of Section 11 claims by showing, as was done here, that an investor's losses did not "result from" any alleged auditing errors. The Ninth Circuit disregarded the "results from" causation standard codified in Section 11(e) and adopted instead a broader, common-law notion of "loss causation" that arguably would allow for potential liability whenever alleged accounting errors "relate to" or "touch upon" the reasons for a security's decline in price. Because financial statements arguably "touch upon" virtually all aspects of a company's business, little effort may be required to plead some relationship, however attenuated, between alleged errors in the financial statements on which an auditor reports and the business factors actually causing a decline in the price of a security. The Ninth Circuit's ruling on Section 11(e) could open the door to expanded liability against CPAs and others participating in securities offerings.

AICPA to Monitor Section 11 Cases

The firm's petition was denied. The Supreme Court's reluctance to review the matter may stem from the relatively undeveloped case law under Section 11(e). The Institute will continue to monitor Section 11 cases and will look for other opportunities to advocate a proper "loss causation" standard on behalf of the accounting profession.

Member to Member... Chair's Corner

By Ron Cohen, CPA
Chair, AICPA Board of Directors
With my year as chair approaching its half-way mark, perhaps it's appropriate to reflect briefly upon some successes we've realized and the challenges we still face at the Institute and within the profession.

One of our major accomplishments has been the passage of unprecedented legal reform to curb abusive securities lawsuits. This new law does more than just fairly protect the rights of both plaintiffs and defendants. Hopefully, it will also enable us CPAs to increase the value of attestation services by allowing us to provide those services more expansively without threat of unwarranted litigation.

A second major "success" has been the smooth transition in leadership at the Institute. Changes at the top of any organization are often difficult, particularly when a successor must follow 15 years of strong leadership, such as the AICPA had from Phil Chenok. Fortunately, Barry Melancon has grabbed the reins firmly and boldly in the past few months. The Institute has been reshaped not only in the redesign of its organization chart, but also in the responsiveness of its staff. A Continuous Process Improvement Program has been created and we are reexamining all of the internal and external relationships affecting the Institute, our members and the public we serve. In addition we are embarking upon a major initiative to upgrade the AICPA's computer capabilities. The results of all of these actions will be a more efficient, more effective, more modern AICPA.

We are encouraging new ideas and fresh thinking in examining issues that are controversial to many of our divergent constituencies—difficult issues that warrant serious consideration, thoughtful analysis and spirited debate as we contemplate the needs of our members and users of our services in the 21st century. We can be confident that our new leadership at the AICPA can competently address these issues from both intellectual and practical perspectives.

Obviously, we have much work yet to be done—many problems still to be solved. Our inability to move along a work load compression relief bill in Congress has been a huge disappointment, but we're not giving up. The need to restructure the means by which our profession is regulated continues to be a high-priority issue. This is particularly critical today as a result of the judge's recent decision (which the state board is appealing) in the "American Express Tax and Business Services" case in Fla.

In addition, we're dealing with the need to reevaluate the content and administration of the CPA examination; to deal intelligently with standards overload without jeopardizing our desire for self-regulation; to modernize CPE requirements; to respond more effectively to the needs of our industry members—our largest membership group; to consider potential areas of accreditation; to implement the findings and recommendations of the Special Committee on Financial Reporting and the Special Committee on Assurance Services; and to address the means of convincing the investment community to treat attest work of all CPAs—individual practitioners, small firms, regional firms, as well as the largest firms—as

continued on page 8

To contact Ron Cohen, fax 219/236-8692.

Members' Common Questions on Logo Usage Answered

Do I have to use the CPA logo and tagline together, as a unit?

No. You may use the logo or tagline separately.

The "Regulations for Reproduction" provided in the Oct. issue of The CPA Letter stated that the smallest allowable size is one-half inch. May I use the logo in a smaller size?

If you are using the logo and tagline together as a unit, we recommend that the logo be no smaller than a half-inch so that the tagline remains legible. However, if you run the CPA logo alone, you may use it in a smaller size—but be sure that it still will be easy to read.

May I run the logo in a color different from the one in the instructions?

Yes. The logo may appear in a color other than PMS 1385, as long as the selected color provides sufficient contrast with the logo and the surrounding area.

Are there restrictions on where the logo may be placed on stationery and business cards?

No. You can place the logo and/or tagline anywhere you prefer. Look at the Dec. CPA Letter for examples.

How can I obtain the artwork for the logo?

The logo is available electronically on the Accountants

Forum in the library under "general info. & ethics." Or, send a written request for camera-ready artwork to: AICPA Communications Division, 1211 Avenue of the Americas, New York NY 10036-8775, Attn: CPA LOGO.

Must I use the superscript "sm" with the logo or tagline?

Yes, and since each item is a legal "service mark," the superscript must be used with both the logo and the tagline whether they are used together or individually. However, the "sm" should not be included in the "half-inch rule" for logo usage.

Members with other questions about using the logo may contact either Janice Maiman at 212/596-6095 or Carmela Chinnici at 212/596-6114.

Minority Publications to Run Ads

Three minority-oriented publications have been added to the list of those running the AICPA's print ads. *Black Enterprise* and *Hispanic Business* magazines are featuring the Institute's ads in their Feb. and Mar. issues, and *Winds of Change* (primarily for Native Americans) will run an ad in its spring issue.

CPE
NewsNew Self Study, Video
Courses

Save 10% when ordering three courses,
15% when ordering all four.

Tax Research Using CD-ROM
Services.

The content of an entire tax library—full tax services, Code, regulations, rulings, cases, publications, etc.—can now be purchased on one or more CD-ROM discs. This powerful new tool augments (or often replaces) the use of printed tax research sources, while avoiding the high cost of online sources. Course highlights include how to use CD-ROMs efficiently in tax research; viewing, analyzing and modifying CD-ROM search results; weighing the importance of search results and aiming for more “hits”; and a review of different vendor CD-ROM products. Recommended CPE credit: 16 hours. Format: CD-ROM (No. 739050CLY), \$159. (Requires PC-based CD-ROM drive.)

Expanding Estate Administration Services Videocourse.

In this new 2½-hour video, experts provide information and guidance on how members can expand their practices in this useful niche. Course highlights include qualifications and fees, the probate process, the estate-tax return, tax elections and post-mortem tax planning. Recommended CPE credit: 8 hours group study and self study. Format: 1 VHS/tape (No. 180215CLY), \$129; additional manual (No. 350215CLY), \$30. (Produced in cooperation with the AICPA Personal Financial Planning Division.)

Doctor's Practice-Related Agreements. The careers and financial lives of doctors, dentists or other medical professionals depend on the kinds of agreements they sign with partners, group practices, hospitals and especially managed-care organizations. Evaluating those agreements, and helping to negotiate better ones, is an important service members can offer clients. This new course covers it all, from the first employment agreement of a new doctor to the purchase and sale of a medical practice. Recommended CPE credit: 8 hours. Format: Text (No. 732030CLY), \$119.

Disclosure and Reporting Problems of Small Businesses.

This new self-study course shows members how to apply GAAP principles to specific problems and identify the required disclosures. Topics include commitments and contingencies, related-party transactions, going-concern problems, cash flow information, accounting for income taxes, when to use other comprehensive bases of accounting and much more. Bonus: Includes the AICPA *Checklists and Illustrative Financial Statements for Corporations*. Recommended CPE credit: 8 hours. Format: Text (No. 734325CLY), \$119.

These courses are available from the AICPA Order Department (see page 9) as well as from state CPA societies.

Conferences

Tax Strategies for the High Income Individual, May 2–3, Las Vegas; May 30–31, Charleston, S.C., recommended CPE credit: up to 23 hours. **National Banking School—Intermediate**, May 12–17, University of Virginia, Charlottesville, recommended CPE credit: 40 hours. **Employee Benefit Plans Conference**, May 15–17, Baltimore, recommended CPE credit: 24 hours. **The CPA and the Older Client**, May 16–17, New Orleans, recommended CPE credit: 16 hours. **Micro96: The AICPA Computer and Technology Conference**, May 19–22, Baltimore, recommended CPE credit: 24 hours.

For more information, contact AICPA Conference Registration at 800/862-4272 (option #3, then #1).

Group Study

A wide range of AICPA group-study programs will be available for members this spring. To receive more information on any of the programs below, call 800/862-4272 (option #3, then #2) and specify the name of the program and its ADV number.

A series of eight strategic briefings on the **Student Financial Aid Audit Guide** will be held around the country in May and June. Offered in conjunction with the U.S. Department of Education, which developed the audit guide, the briefings offer members involved in audits of SFA funds a unique opportunity to study the guide and its implementation, and qualify for GAO “Yellow Book” CPE credit. ADV #111.

Members who need to meet this year’s Dec. 31 “Yellow Book” reporting deadline can choose from a variety of **seminars** on topics in governmental and not-for-profit accounting, auditing and taxation, and the 6-course **Governmental/Not-for-Profit Certificate of Educational Achievement Program**. ADV #222.

The AICPA also is offering two **Leisure Learning Resort Clusters** covering topics of interest to governmental auditors and featuring top instructors Mike Inzina and Bill Wagner. The 6-course clusters, to be held in Charleston, S.C., May 20–22, and in Las Vegas on June 19–21, offer special pricing on 8–24 hours of CPE credit. ADV #333.

Finally, the **1996–97 AICPA Seminar Catalog** features complete information on more than 150 seminars and workshops held coast-to-coast throughout the year. ADV #444.

Chair's Corner—continued from page 7

acceptable on the financial statements they use.

I'm convinced that in the profession's collective wisdom, there are solutions to all of these issues. But these solutions won't be easy. We must all work cooperatively—members, state societies, Institute staff—to find acceptable solutions to these and future issues. Barry Melancon has formed a new “Team AICPA” at the Institute. Let's all enthusiastically join the team!

DOL Proposed Plan Asset Regulation Issued

In recent speeches, Department of Labor officials stated they intended to amend regulations that define when certain monies which participants pay to, or have withheld by, an employer for contributions to an employee benefit plan become "plan assets." The proposed regulations are now out—and, as expected, the changes apply to all participant contributions to an employee benefit plan. The proposed rules significantly shorten the time frame in which employee contributions become plan assets and must be held in trust. Many employers who received participant contributions were under the misimpression that the current regulations allowed a 90-day delay, even if the participant contributions could be reasonably segregated earlier. Under the old rule, the contributions became plan assets as of the earliest date on which such contributions could reasonably be segregated from the employer's general assets, but no later than 90 days. The proposed change revises DOL Reg. Sec. 2510.3-102 to clarify that employee contributions become assets of the plan "as of the earliest date on which such contributions can reasonably be segregated from the employer's 'general assets'." The proposed rule further provides that "in no event" shall the time for such segregation be longer than the time required for the deposit of withheld income taxes and Social Security taxes. This time period ranges from 1 day to 30 days, depending on the size of the company.

Although the publicity concerning the changes has

focused on 401(k) plans, the section of the ERISA regulations DOL is amending applies to "participant contributions" to all ERISA plans, not just 401(k) plans. This includes welfare plans such as health plans, life insurance, disability plans and 403(b) annuity plans and other pension plans, including plans that accept after-tax as well as pretax employee contributions. The regulations also affect welfare benefit plans that accept employee contributions, including medical plans, accident and health plans and cafeteria plans. However, in a footnote to the preamble to the proposed regulations, the DOL acknowledged Technical Release 92-01 provides that the DOL is not enforcing the plan asset/trust requirements for cafeteria plans, or welfare benefit plans that apply participant contributions to the payment of premiums. Neither the proposed regulations nor the preamble suggests the DOL is changing the policy announced in Technical Release 92-01.

The preamble to the proposed regulation warns that the assets of the plan may not inure to the benefit of the employer. The preamble explains that if the employer "converts" participant contributions to its own use, such amounts are considered "segregated" and will be plan assets, even without the trust. Using such assets for the employer's benefit would violate the exclusive-purpose rule and may be a prohibited transaction as well. The DOL said the regulation will be effective 60 days after it is published in final form, but that it will ask for comments concerning the timing of the regulations' effective date.

New Products & Publications

CPAs That Sell (No. 090420CLA3) offers all that members need to know about developing new business, including client-handling skills and practice management. Price: \$36 member, \$40 non-member.

The AICPA Management Consulting Services Division publishes a **quarterly newsletter** that provides practical advice on technical, practice management and marketing issues associated with business valuation and litigation services. **CPA Expert** (No.

G01076CLA3) also regularly reports on key court decisions and legislation. Price for one-year subscription: \$72. For MCS section members \$36 (No. G01075CLA3; membership must be stated).

To order, write: AICPA Order Department, CLA3, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272 (dept. #1). Ask for Operator CLA3. Orders for exposure drafts must be written or faxed. **Prices do not include shipping and handling. Have membership number ready.**

Disciplinary Actions

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of the final judgment of conviction for a crime punishable by imprisonment for more than one year:

- Jimmie W. New of Chesterfield, Mo., on Nov. 7, 1995, after pleading guilty to conspiracy to commit fraud.
 - Also *terminated* was Mike Isom of Memphis, Tenn., on Dec. 8, 1995, after pleading guilty to willful failure to file his income tax return.
 - Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:
 - Craig Davis of Austin, Tex., on Dec. 13, 1995, for failure to timely perform a partnership tax return, failure to

timely respond to board communications, failure to report the required CPE and practicing public accountancy without a license.

- Van T. Lane of Dallas on Dec. 8, 1995, for failure to return client records, failure to respond to board correspondence and practicing public accountancy without a license.
- John W. Hoveland of Sheridan, Wyo., on Dec. 8, 1995, for violating Wyoming statutes by providing false statements to the board while under oath concerning his utilization of CPA designations and his quality review report.

Firm's Enrollment in Peer Review Terminated

Effective Nov. 30, 1995, the enrollment of the firm of Joseph R. Sullivan of Lewiston, Me., in the AICPA's Peer Review Program was terminated because the firm failed to take actions deemed necessary to complete its review.

Washington At A Glance

AICPA Tax Policy Study Draws Much Positive Attention from Media

The national media spotlight is shining on the AICPA's comprehensive analysis of the major flat-tax and consumption-tax alternatives

that are being proposed to the current federal income tax system. *USA Today* and *Wall Street Journal* readers, C-SPAN and CNBC viewers and National Public Radio listeners have all heard about the AICPA study. News stories highlighting the study also have appeared in major newspapers in 24 states—from Ariz. and Colo. to Iowa, Ohio, Ky., Ga. and Pa.

Titled *Flat Taxes and Consumption Taxes: A Guide to the Debate* (No. 0161045CLA3), the study was released at a Jan. 4 press conference at the National Press Club in Washington, D.C. (*The CPA Letter*, Jan./Feb.); a postcard mailed in late Dec. alerted all AICPA members of the upcoming press conference. The study does not endorse any particular proposal, nor does it defend the current system. The study emphasizes the significant, unintended results that could occur if reform is not undertaken in a deliberate and thoughtful manner. The attention the study is receiving reflects the public's confidence in CPAs as knowledgeable professionals who can offer impartial information about the financial needs of individuals and businesses.

Future plans to keep the study and the profession in the public eye as the tax-reform debate advances include

publication by a book publisher of a consumer version and a technical version of the study, to be sold through commercial bookstores; meetings with reporters and editorial boards in various states; and a speech and slide presentation for use by state CPA societies.

Copies of the study are available from the AICPA Order Department (see page 9). Price: \$25.50 member, \$29.95 non-member; Tax section members (No. 061045CLATD) pay \$23.95.

AICPA Gives IRS Recommendations on Interest Expense Deduction

In a written proposal submitted to the IRS, the AICPA made numerous recommendations to make the interest expense deduction both simpler and more equitable. Covered in the testimony are recommendations regarding: allocation of debt and interest expense and reallocation of debt, supplemental ordering rules and an example of multiple accounts, an optional method for determining date of reallocation, debt repayments with continuous borrowings, interest expense concerning pass-through entities, coordination of interest deductions on interpersonal notes with other provisions, coordination of the interest expense allocation rules with section 265, the definition of "use as a residence," and treating interest on debt secured by the taxpayer's qualified residence to effect transfer(s) of property incident to divorce. To obtain the proposal, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 975; or access the library of the Accountants Forum.





The CPA Letter

A News Report to Members

April 1996 Vol. 76 No. 3

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AICPA Questioned GOP Candidates on Taxes

Putting the profession forward in the area of taxes

Focusing New Hampshire's GOP presidential contenders on the issue of tax reform, the AICPA produced a video in which the candidates responded to specific questions about the current federal tax system, alternate flat-tax and consumption-tax proposals and their commitment to keeping their simpler tax from becoming as complex as the current IRS code. The video, accompanied by live comments from AICPA Chair of the Board Ron Cohen, appeared on an ABC affiliate during that state's primary in Feb. The AICPA recently released a comprehensive tax study that offers insights into how the impending overhaul of the nation's income tax system could affect the economy, businesses and personal finances (see sidebar).

Cohen re-emphasized the need to focus the attention of the American public on the details of the various proposals for tax reform, saying: "Right now, very few people have a grasp of the implications of some of these proposals. Policy makers and candidates need to address real concerns about their plans and move beyond the rhetoric."

Continuing the momentum of the AICPA's initiative on analysis of alternative tax systems, the California Society of CPAs held a press briefing on Mar. 20 in San Francisco. The event preceded that state's primary and took place the same day the House Ways and Means Committee kicked off a series of hearings on tax reform. The New Hampshire society plans to hold a similar event in May.

Separately, the AICPA formally contacted Steve Forbes' campaign committee to demand that it remove a reference to the AICPA's tax policy study from the Forbes flat-tax radio and television advertisements running in states with primaries during Feb. and Mar. The ads stated that "...and the American Institute of CPAs all report Steve Forbes' flat tax cuts taxes," clearly implying that the Institute supported or endorsed his plan, which it had not. Forbes dropped out of the campaign on Mar. 14.

Tax Policy Study Available for Limited Time

Apr. 26 marks the last day that the AICPA's tax policy study, *Flat Taxes and Consumption Taxes: A Guide to the Debate* (No. 061045CLA4), will be available. The 200-plus page book contains analyses of the major tax-reform proposals currently under debate and an extensive bibliography. Price: \$25.50 member, \$29.95 non-member, through the AICPA's Order Department (see page 10).

By May, the AICPA's book will be replaced with a revised version, to be published by an international publishing house and marketed worldwide, containing supplemental information. This book will be priced at \$39.60 for AICPA members. See next month's *CPA Letter* for specifics.

Ballot Material to Be Mailed Shortly; Members' Letters Published

Pro and con views presented Ballots on the proposed bylaw changes (*The CPA Letter*, Mar. and Jan./Feb.) will be mailed to all AICPA members by Apr. 18. Members' votes on the various items will be due on June 17. A representative sam-

pling of members' letters expressing views on the proposed bylaw changes appears on page 7 of this issue of *The CPA Letter*.

Those individuals who do not receive their ballot material by Apr. 30 should call 800/624-4445 to obtain a new package.

News Briefs

AICPA Members Work USA Today Tax Hotline

AICPA members fielded questions to the *USA Today* telephone tax hotline from more than 43,000 taxpayers across the nation on Mar. 6.

The most commonly asked questions centered on capital gains, treatment of pension distributions (especially from IRA and 401(k) accounts), and deductions for mortgage refinancing costs, home-office expenses, charitable contributions and loan losses. Every year 50 AICPA members volunteer to staff the hotline at *USA Today's* Rosslyn, Va., headquarters; the names of participating CPAs were listed in the paper's coverage. Members who would like to participate next year should contact Lynn Drake at 202/434-9214. The *USA Today* tax hotline offers the profession an unparalleled way to showcase CPAs as the premier tax professionals.

Louisiana's Commission Ban Upheld

A Louisiana Court of Appeal has upheld the State Board of CPAs of Louisiana's ban on commissions. The court overturned a lower court's ruling in the case of a CPA who also serves some of his clients as a commission-compensated securities broker. The court stated: "...professional judgment must not be affected, not even subconsciously, by the prospect of financial gain to the CPA. If the CPA is receiving commissions..., then there is the potential, or at least the appearance, that the CPA's judgment...could be affected by the CPA's self-interest."

AICPA "Tax Hotline" Now Operating

The AICPA's Tax Information Phone Service successfully opened for business on Jan. 17. Currently available only to members of the Tax section and the Private Companies Practice Section, TIPS is expected to open to the full AICPA membership within two years.

TIPS has a state-of-the-art research facility, including online data bases and CD-ROM towers, to respond to members' tax-research inquiries. For written opinions, industry-specific questions or structuring of highly complex transactions, members may obtain referral to other CPAs knowledgeable in those practice areas.

Hours of operation are Monday through Friday, 9:00 a.m. to 5:00 p.m., EST, with extended hours during tax season (through Apr. 15). Research services cost \$2 per minute (\$3 during tax season, Jan. 15-Apr. 15). To reach TIPS, dial 900/555-TIPS (8477); in areas where 900 service is not available, dial 201/938-3883 (VISA or MasterCard required). Have membership number ready. For general information about TIPS, call 201/938-3880. For information on Tax section membership, call Rachel Moxley at 202/434-9270 (membership effective day of call); for PCPS membership, call Dave Handrich at 201/938-3034.

Financial Status Audits Model Engagement Letter Available

The Mar. issue of *The CPA Letter* featured an article about the IRS's "financial status" auditing techniques and the AICPA's efforts to have them narrowed. A final version of the guidance and a model engagement letter are available through the AICPA's fax hotline by dialing 201/938-3787, following the voice cues and selecting document no. 965. They also will appear in the Apr. issue of *The Tax Adviser* (No. 296004CLA4), available for \$9 member, \$10 non-member, through the AICPA Order Department (see page 10). Members who recently encountered such auditing techniques by the IRS and would like to relay their experiences to the AICPA should call Anita L. Horn at 202/434-9231.

Staff Contact Changes Announced

To help keep members up-to-date on their staff contacts as part of the Member Outreach Program (*The CPA Letter*, Nov. 1994), the following changes (effective immediately) are announced (members whose last names fall into any of the boldface categories will see their new liaisons/phone numbers appearing in boldface italic type): **Alpiner-Anderson, B., Catherine Brosnan** (201/938-3568); **Dovers-Droppld, Mary Maughan** (201/938-3365); **Gibbon-Gillilanc, Frank Curcio** (201/938-3075); **Glazier-Gold, Barbara Vigilante** (201/938-3457); **Levy-Liebbd, James Freebody** (201/938-3638); **Maierson-Mandav, Michael Bright** (201/938-3539); **McGeady-McKann, Mark Spinelli** (201/938-3048); **Miller, C.-Miller, R., Marilyn Stewart** (201/938-3473); **Peskind-Pettkd, David Brumbeol** (201/938-3343); **Robinson, M.-Rogalskh, Adam Rawson** (201/938-3671).

In addition, the following staff contacts have new phone numbers: **Mark Lee** (212/596-6274); **Cecilia Robin** (212/596-6273); **Richard Flynn** (212/596-6272); **Edward Lanigan** (212/596-6271); **Madelaine Feldman** (212/596-6261); **Nina Diamond** (212/596-6294); and **Irene Dajka** (212/596-6295).

Public Meeting Notices

For detailed agendas, call 800/862-4272 (dept. #6) three weeks prior to these meetings.

Accounting & Review Services Committee:

May 2-3, New York

Accounting Standards Executive Committee:

Apr. 23-24, New York

Auditing Standards Board: May 7-9, New York

Professional Ethics Executive Committee:

May 31, New Orleans

Other Meetings

Council: May 20-22, San Diego

Peer Review Board: Apr. 29-30, Nashville, Tenn.

Business Valuation Accreditation Comments Requested

The AICPA Board of Directors and AICPA Council will soon be asked to review and support a proposal for an Accredited Business Valuator designation for AICPA members. In an effort to enhance the CPA as the premier provider of business valuation services, whether in public practice, industry, government or education, the Management Consulting Services Executive Committee and Business Valuations and Appraisals Subcommittee want input from members before moving forward.

The following is a summary of the key criteria that the board and Council will be asked to consider:

1. Each candidate must take and pass a comprehensive written 8-hour exam developed by the AICPA. There is no provision for test substitution.

2. Each candidate must have 450 hours of *qualifying experience* in the 3-year period preceding sitting for the examination. In the alternative, if the candidate does not meet the hours requirement to take the exam, he or she can submit a copy of his or her curriculum vitae which should demonstrate sufficient, relevant business valuation experience (see definition of *qualifying experience* below). If the experience is deemed adequate, the candidate will be eligible to take the exam. This alternative will involve an overall evaluation of the substance of the candidate's business valuation experience which will qualify the candidate to sit for the exam.

3. Each ABV designee will be required to have 600 hours of *qualifying experience* each 3-year period following the award of the ABV designation to retain the accreditation.

4. Each ABV designee will be required to take related CPE of at least 60 hours in each successive 3-year period following the award of the ABV designation.

In defining what constitutes *qualifying experience*, the MCS Executive Committee and the Business Valuations and Appraisals Subcommittee made these two recommendations:

1. If a candidate has taken and successfully completed the courses in the AICPA Certificate of Educational Achievement program in business valuation, the candidate will receive credit for 150 hours toward the qualifying experience requirements.

2. Qualifying experience includes but is not limited to:
- Litigation support activity involving business valuation concepts.
 - Supervision of business valuation engagement fieldwork.
 - Pre-approval review of client business valuation reports.
 - Performing business valuation engagement fieldwork.
 - Merger and acquisition activity involving valuation concepts.
 - Teaching courses or seminars in business valuation-related subjects.
 - Attending courses, conferences, seminars or workshops in business valuation-related subjects.
 - Writing articles on business valuation-related subjects in trade or industry publications.
 - Giving speeches on business valuation-related subjects.
 - Tax planning involving business valuation-related concepts or issues.
 - Committee work involving business valuation-related subjects.

For reaccreditation, each ABV designee is expected to meet the 600-hour *qualifying experience* requirement over each succeeding 3-year period following the award of the ABV designation. If the designee does not meet this 600-hour requirement, there will be a review process to evaluate each situation on a case-by-case basis.

Currently, there are more than 2,500 CPAs participating in the AICPA Business Valuation CEA classes around the country. This strong expression of interest in business valuation education reflects the growing interest in the discipline. Further, the Business Valuations and Appraisals Subcommittee believes that CPAs in all disciplines of practice should be able to qualify to take the exam, provided they can demonstrate qualifying experience. This would include CPAs in public practice, industry, government and education.

Members are encouraged to offer ideas and recommendations. Direct comments and suggestions to: Edward J. Dupke, CPA, MCS Business Valuations and Appraisals Subcommittee Chair, c/o Steven E. Sacks, CPA, MCS Team, American Institute of CPAs, 1211 Avenue of the Americas, New York, NY 10036-8775.

Indemnification Arrangement with Predecessor Auditors

In recent years, some accounting firms have been unwilling to consent to the inclusion of their report in an SEC registration statement of a former client. There are many reasons why a firm may elect not to consent—litigation risk is one. To mitigate the litigation risk concern, Arthur Siegel, chair of the AICPA SEC Practice Section Executive Committee, initiated discussions with the SEC staff regarding an indemnification arrangement for predecessor auditors for the legal costs and expenses the firm might incur in a successful defense. In a letter to Siegel, the SEC staff indicated they will not object to such predecessor auditor indemnification, although only after a successor auditor has issued an opinion on the

former client's financial statements. Also, as described in the SEC's letter, any indemnification must, in the indemnification agreement, be made inoperable if the firm is found liable for professional malpractice or otherwise pay settlement or judgment costs. The SEC's Division of Corporation Finance will require disclosure in the registration statement of the indemnification of the predecessor auditor.

In Nov. 1995, this information was communicated to members of the SEC Practice Section. To obtain a copy of that information, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 1500 or access the Accountants Forum library.

Accounting & Auditing News

ED on Internal Use Only Financials Still Under Consideration

After receiving more than 500 comment letters on the exposure draft of a proposed statement on standards for accounting and auditing review services, *Assembly of Financial Statements for Internal Use Only*, the

Accounting and Review Services Committee discussed issues raised in those letters at its Feb. meeting. The proposed statement would exempt CPAs from the reporting and procedural requirements of SSARS No. 1, *Compilation and Review of Financial Statements*, when preparing internal-use-only financial statements for their clients.

The committee is seeking additional information from CPAs who support the exposure draft to discuss the types of problems they encounter when attempting to comply with the requirements of SSARS No. 1, and will write to those commenters and call a sample of those practitioners to obtain the needed information. The

committee also concluded that the comment letters reveal elements of SSARS that require clarification. CPAs have differing interpretations of the meaning of certain sections of SSARS, particularly the sections concerning the submission of financial statements, that create practice problems for CPAs performing compilation engagements. ARSC believes these problems require attention and may amend or interpret SSARS No. 1 to clarify sections that create diversity in interpretation or that are subject to misunderstanding. At its next meeting (see page 2), the committee will continue to consider issues raised in the comment letters and will also discuss issues related to the electronic submission of financial statements with an ad hoc task force that is examining the effect of electronic transmission on financial statements and accountants' reports.

For more information, contact Dan M. Guy at 212/596-6214 or Judith M. Sherinsky at 212/596-6031.

GASB Clarifies Reporting on Reverse Repurchase Agreements; Addresses Risk Pools; Proposes Investment Valuation

The Governmental Accounting Standards Board has issued an interpretation that clarifies the reporting requirements for reverse repurchase agreements. According to Interpretation 3, which is effective for periods beginning after Dec. 15, 1995, with earlier application encouraged, governments should disclose whether the maturities of the investments made with the proceeds of the agreements generally are matched to the maturities of the agreements.

Also issued by the GASB was Statement 30 and Interpretation 4 clarifying and amending parts of GASB Statement 10 on risk financing and Statement 14 on the reporting entity. Both are effective for periods beginning after June 15, 1996. Statement 30 modifies the method of calculating premium deficiencies and how to record them. Interpretation 4 applies to capitalization contributions made to and received by public-entity risk pools, both with and without transfer of risk.

Also issued was an exposure draft proposing that governmental entities report their investments at fair

value in their annual financial statements, beginning June 15, 1997. Comments are due June 14, and public hearings will be held May 22 and June 14 to discuss the issues. According to the exposure draft, all investments held by governmental external investment pools would be reported at fair value. For other governmental entities, the ED would establish fair value standards for interest-earning investment contracts, external investment pools and open-end mutual funds, and debt and equity securities, option contracts, stock warrants and stock rights for which fair value can be readily determined. All investment income would be reported as revenue in the operating statement.

To obtain Interpretation 3 (product code GI03), Statement 30 (product code GS30), Interpretation 4 (product code GI04), or the exposure draft (available free until June 14), write: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; or call 203/847-0700, ext. 555. Interpretations cost \$8.50 each; Statement 30 costs \$10.

FASB Changes Course on Accounting for Derivatives; Issues Draft on Long-Lived Assets and Report on Present Value

Members of the Financial Accounting Standards Board have decided to pursue a new approach to accounting for derivatives. Under this approach, all derivatives would be carried on the balance sheet as assets or liabilities and measured at fair value. Accounting for gains and losses on the instruments would depend on the reason the derivative is held. The FASB plans to publish a formal proposal for public comment by June 30.

In other actions, the FASB issued a proposal (product code E138) that would change the way companies account for closure or removal of long-lived assets, such as industrial plants, landfills or offshore oil and gas production facilities. Comments on *Accounting for Certain*

Liabilities Related to Closure or Removal of Long-Lived Assets are due May 31; the proposal would take effect in fiscal years beginning after Dec. 15, 1996.

Also issued was a special report, *FASB Report on Present Value Based Measurements—An Analysis of Deliberations and Techniques*, which describes responses to a discussion memorandum on the issues, and the deliberations that followed.

To obtain a copy of the proposal on long-lived assets (free until May 31) or the special report (product code SRPV; price: \$11.50), write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; or call 203/847-0700, ext. 555.

REPORT OF THE NOMINATIONS COMMITTEE

To: Members of the American Institute of Certified Public Accountants

Pursuant to Article VI, Section 6.1.6 and 3.3 of the bylaws, the following report of the Nominations Committee is submitted.

Frank J. Katusak
Executive Administrator to the President
February 29, 1996

The Nominations Committee hereby proposes the following nominees as Officers, members of the Board of Directors, members of Council-at-Large, elected members of Council, members of the Joint Trial Board and members of the AICPA Peer Review Board.

- **Chair of the Board:** The Committee affirmed the nomination of the following as Chair of the Board of the Institute for 1996-97:

Robert Mednick, *Illinois*

- **Vice Chair of the Board:** The Committee nominated the following as Vice Chair of the Board of the Institute for 1996-97:

Stuart Kessler, *New York*

Upon election, the candidates will serve in the positions indicated from the Annual Members' Meeting in 1996 until the Annual Members' Meeting in 1997 or until their successors shall be elected:

- **Board of Directors:** The Committee nominated the following for election as members of the Board of Directors for three-year terms ending in 1999:

James Castellano, *Missouri*
Jerry L. Esselstein, *Ohio*
Dan H. Hanke, *Texas*

Susan W. Kline, *Indiana*
Robert A. Petersen, *California*
Paul Kolton, *Connecticut* (Public Member)

- **Council Members-at-Large:** The Committee nominated the following as Council Members-at-Large for three-year terms ending in 1999:

Gila J. Bronner, *Illinois*
Richard P. Kearns, *New York*
Wanda Lorenz, *Texas*
Kenneth L. Paige, *Pennsylvania*

Richard E. Piluso, *New York*
Eric L. Schindler, *Washington*
Jimmy L. Williamson, *Alabama*
Deborah Walker*, *Washington, D.C.*

*Since Susan W. Kline is being nominated to the Board of Directors, the Committee also nominated Deborah Walker to fill the unexpired term of Susan W. Kline ending in 1997.

- **Elected Members of Council:** After consideration of the recommendations submitted by the state CPA societies, in accordance with the provisions of Article VI, Section 6.1.5 of the bylaws, the Committee nominated the following 40 members from 27 jurisdictions as directly elected members of Council. Unless otherwise noted, upon election nominees will serve three-year terms commencing in the fall of 1996 and ending in 1999:

Alabama— Two names to come
Arizona— Linda J. Blessing
Gary L. Gethmann
California— Louis J. Barbich
Pamela A. Hunter
Michael A. Pimentel
Michael G. Ueltzen
Colorado— Rick G. Doty
Connecticut— James N. Smith
Florida— Barbara A. Burner
Alan C. Fisk
Georgia— E. J. Maddocks
Harvey E. Tarpley

Illinois— Lawrence M. Gill
Jane M. Horberg
Frank C. Killackey
Richard T. Sullivan
Indiana— Jeffrey C. Kimmerling
Iowa— G. Rusty Goode
Kansas— Thomas J. Mullane
Kentucky— Earl L. Calhoun
Louisiana— Charles S. Comeaux Jr.
Maryland— O. Daniel Ahalt
Massachusetts— Allan Tofias
Michigan— Stephen H. Epstein
Minnesota— John G. Asmussen

<i>Missouri</i> —	C. Frank Chauvin Jr.	<i>Rhode Island</i> —	Anthony G. Mardo
<i>New Jersey</i> —	Thomas J. Carey	<i>Tennessee</i> —	Will J. Pugh
	Donald R. Richards	<i>Texas</i> —	Mason L. Backus
<i>New York</i> —	Brian A. Caswell		Robert R. Owen
<i>North Carolina</i> —	Harold D. Brashear	<i>Virginia</i> —	Richard A. Garbee
<i>Ohio</i> —	Jerome D. Kreger		Melvin E. Rosen Jr.
<i>Pennsylvania</i> —	Barbara Ann Gross	<i>Washington</i> —	Brian G. Gosline
	Gordon E. Scherer		

■ **Joint Trial Board:** The Committee nominated the following to serve on the Joint Trial Board for three-year terms ending in 1999:

Robert F. Anderson II, *Texas*
 John W. Cook, *Georgia*
 James L. Grant, *South Carolina*
 Gary D. Hovdestad, *North Dakota*
 Norman W. Lipshie, *New York*
 Harold J. Mollere, *Louisiana*
 Lee R. Morrison Jr., *Virginia*
 Edward I. Pettine, *Massachusetts*
 Roger B. Pinnock, *Utah*
 John R. Rogers, *Illinois*
 Charles D. Royston, *Tennessee*
 Michael Weinschel, *Connecticut*

■ **AICPA Peer Review Board:** The Committee nominated the following members to fill nine vacancies on the AICPA Peer Review Board for one-year terms ending in 1997:

Billy O. Beam, *Arkansas*
 Thomas M. Berry Jr., Executive Director, *Virginia*
 Robert C. Bezgin, *Pennsylvania*
 Dale W. Bonn, *Washington*
 Lester L. Fordham Jr., *Oregon*
 Rodney M. Harano, *Hawaii*
 Douglas C. Koval, *Texas*
 Charles A. Prigge, *New Hampshire*
 Stanley N. Sandvik, *North Dakota*

The Committee will nominate the Officers, Directors, Council Members-at-Large, elected members of Council, members of the Joint Trial Board and the AICPA Peer Review Board at the Council Meeting on Friday, Oct. 18, 1996, in Chicago, Illinois. No nominations from the floor will be recognized. However, independent nominations may be made by any 20 members of Council if filed with the Secretary, Richard I. Miller, by June 18, 1996, which is four months prior to the Annual Members' Meeting of the Institute to be held in Chicago on Oct. 18, 1996.

Pursuant to the bylaws, balloting for directly elected Council members in any state where vacancies shall arise will occur only if a contest for one or more seats develops as a result of submission of independent nominations to the Secretary, Richard I. Miller, by any 20 Institute members in the state at least four months prior to Oct. 18, 1996. In the absence of any contest, all Council nominations will be declared elected by the Secretary and they will assume office at the Council Meeting on Oct. 18, 1996.

Respectfully submitted,

Nominations Committee:

Robert L. Israeloff, <i>New York, Chair</i>	Stuart L. Kart, <i>California</i>
Michael A. Azorsky, <i>Missouri</i>	J. F. Kubik, <i>Kansas</i>
Gayl W. Doster, <i>Rhode Island</i>	Herbert J. Lerner, <i>Washington, D.C.</i>
Arthur Farber, <i>Illinois</i>	Z. H. Montgomery, <i>South Carolina</i>
Carolyn R. Garfield, <i>Vermont</i>	Pat L. Wilson, <i>Texas</i>
Karen L. Hooks, <i>Florida</i>	

Letters from Members Expressing Views on Proposed Bylaw Changes

As discussed in the Jan./Feb. and Mar. issues of *The CPA Letter*, members soon will be mailed a ballot requesting their votes on several bylaw changes that the governing Council wants to make. The AICPA invited members to express, through letters of 100 words or less, their views

on the proposed changes, and said it would publish a representative sampling of those letters. Only nine letters were received; three were in favor, and six were against one or two of the proposals. Below are the letters selected for publication.

To AICPA:

Congratulations to Council for recommending several changes to our bylaws. I fully appreciate and expected some changes as our profession continuously deals with a changing business climate where old standards may no longer apply.

Two of the most significant changes, I think, are good examples of Barry's reorganization effort to simplify and clean up our structure, namely: [1] The appointment of the president and secretary by the board, not by Council, and [2] Throwing out petitions to amend the bylaws after one year from the date signed by a member. After all, who wants to keep track of dead wood petitions that are more than a year old? I don't even want to keep empty Christmas boxes past a day!

STEPHEN G. DASHIELL, CPA
WASHINGTON

To AICPA:

I am strongly in favor of the three proposals facing the AICPA membership. Any proposals to streamline the unwieldy AICPA gets my support. I see no reason for the 300-member Council to elect a president. I also believe all members should be eligible for the Joint Trial Board.

Finally, the one-year time restriction for petitions to change bylaws seems reasonable and might discourage members who have nothing better to do than to circulate petitions.

PAMELA STOYE, CPA
NEW JERSEY

To AICPA:

I oppose the proposed bylaw amendment to impose a one-year cap on petitions to amend bylaws. It is almost impossible to attain 5% of AICPA membership, 16,000 signatures, within 12 months. AICPA members now have very little authority and this is a further step to dilute same.

At one time AICPA members elected their officers and Council; members could call a Special Meeting or mail ballot with 500 signatures.

A democratic organization should encourage and not discourage membership participation.

ELI MASON, CPA
NEW YORK

To AICPA:

I understand that Council seeks to invalidate petitions to amend the bylaws one year after having been signed. I would like to express my opposition to such a proposal. Since calling for a mail ballot requires petitions by 5% of the AICPA membership, securing approximately 16,000 signatures is a very difficult undertaking. To get this done in one year may be impossible. If a time limit must be imposed, then that limit should be no less than two years.

ISAAC ASSAEL, CPA
NEW YORK

To AICPA:

I oppose the bylaw amendment to impose a one-year cap on petitions to amend the bylaws. Not too long ago, it required petitions with 500 signatures to propose an independent bylaw amendment. After one independent effort by Institute members, the bylaws were amended to require petitions signed by 5% of AICPA membership to call for a mail ballot to amend the bylaws. This translates into over 16,000 signatures, which would be almost impossible for rank-and-file membership to attain within a twelve-month period.

STEPHEN I. SOBLE, CPA
NEW YORK

To AICPA:

In a democratic society, our institutions need to reflect democratic values. It is essential for the individual to know his influence can effect change. Therefore, each of us must have the right to advance ideas. Lacking this right, the individual becomes estranged and disenfranchised from any institution claiming to act in his interest. Consequently, the proposed bylaw changes for elections and petitions exhibit disregard of democratic ideals.

The Institute is increasingly distant from the membership. Even the timing of this vote, the tax season, shows the Institute's insensitivity to its members. These proposed bylaws create a gathering of power by those whose interest lie outside the average CPA. Instead of concentrating power, it should be disseminated. They weaken involvement. In turn, lessening respect for the Institute, making it irrelevant.

VAN L. AULD, CPA
LOUISIANA

Quarterly List of Items Available on AICPA 24-Hour Fax Hotline

To retrieve any document(s) listed below, dial 201/938-3787 from a fax machine, follow the voice cues, and, when prompted, provide the number(s) of the document(s) desired. There is no charge for this service. Items noted with an asterisk are also available on the Accountants Forum.

<u>Document No.</u>	<u>Item</u>	<u>Document No.</u>	<u>Item</u>
		969	Prop. Reg. Comments on contribution substantiation requirements
		970*	Rev. Proc. 92-85—S Corp.
		971	Simplification—consolidated insurance (life/non-life)
		972	AICPA urges action on proposed SRLY/Section 382 regulations
		973	Comment letters on President Clinton's tax proposals (Gingrich and Kasich letters)
		974	1996 IRS business plan suggestions—Section 382
		977	IRS Practitioner Hotlines, telephone list
		978	AICPA comments to IRS on Section 104 after Schleier case
		979	Comments on proposed Section 1.1402(a)-18SE tax of members of LLCs
1	Fax Hotline Catalog	980	Comments on proposed Section 1.469 for certain real estate activities
123	Dec. 7-8 Board of Directors' meeting minutes	981	Comments on proposed Section 1.704 and 1.737-1 through 5 of gain or loss by contributing partner on distribution recognition
250	<i>Accounting Educators: FYI</i> , Jan. 1996	982	Comments on IRS Notice 95-14, simplification of entity classification rules
251	<i>Accounting Educators: FYI</i> , Mar. 1996	983*	<i>Executive Summary of Flat Taxes and Consumption Taxes: A Guide to the Debate</i> (until 4/26 only)
270	<i>The Financial Manager's Report</i> , Jan. 1996		
271	<i>The Financial Manager's Report</i> , Mar. 1996		
456	AcSEC actions, Jan. 23-24		
457	AcSEC actions, Mar. 4-6		
460*	AcSEC's conforming changes		
551*	List of top 15 technologies for 1996		
601	Uniform Accountancy Act chart		
602	Form-of-practice chart		
605	150-semester hours of education chart		
652	1996-97 scholarship application for minority accounting students		
653	1996-97 John L. Carey Scholarship application (for graduate accounting studies)		
900	List of documents from Tax Division		

Highlights of AICPA Board of Directors' February Meeting

At its meeting on Feb. 8-9, the AICPA Board of Directors:

- Approved the components of a new information architecture for the AICPA as recommended by a cross-functional staff team formed to make the AICPA a technologically advanced organization (see article on page 9).
- Provided input on a proposal of the MCS Business Valuations and Appraisals Subcommittee for the establishment of a Business Valuation Accreditation Program (see page 3).
- Discussed the Florida Federal District Court's decision in the American Express Tax and Business Services case (*The CPA Letter*, Jan./Feb.).
- Received a report from the chair of the Finance Committee on the financial results for the first five months.
- Received reports from the following: CPE Board of Management, Information Technology Executive Committee (on its strategic plan), Investments Committee, Special Committee on Regulation and Structure of the Profession, Financial Reporting Coordinating Committee, Standards Overload Task Force, Life Insurance/Disability Plans Committee and Member Retirement Committee.
- Approved the sale of a product line to a commercial company.

- Approved a preliminary action plan for implementing program recommendations to address the issues and concerns of AICPA members under 35 years of age.
- Heard a report from the executive director of the New Mexico Society of CPAs and member of the Board of Directors of the CPA/Society Executives Association on recent CPA/SEA activities.
- Engaged in a discussion of issues related to the conversion of the Uniform CPA Examination to a computer-based format, as well as its content.
- Received staff reports on the Institute's Continuous Process Improvement Program, the Internet project (the AICPA's primary link to the information superhighway), and a proposal to open a private channel on DirecTV (the satellite-based equivalent to cable TV).

The minutes will be available after May 3, 1996, on the Accountants Forum, in the Library under AICPA: For Members Only, after they are approved by the Board of Directors at its Apr. meeting. Members who do not have access to the Accountants Forum may obtain the minutes after May 3 by dialing 201/938-3787 from a fax machine, following the voice cues and selecting document no. 124.

Member to Member... Chair's Corner

By Ron Cohen, CPA
Chair, AICPA Board of Directors

With all the changes swirling around our profession, the AICPA and individual CPAs, it is increasingly difficult to find "constants," particularly of an historical nature, that we can embrace. We all face

the necessity to focus more intensely on issues such as economics, new technology, "reengineering" and changing lifestyles, which have become more critical to effectively operate in today's business environment.

One of these constants that we have not and cannot overlook or minimize is the commitment of our profession to the public interest. Recently, commentators both from within and outside the profession have expressed concern that in our zeal to address change, our commitment to the public interest has been diminished. I disagree with this assessment.

Our profession has long had an excellent reputation for protecting the public interest; doing so is one of the criteria for any profession, and I think we have done it as well as or better than any other profession. Unfortunately, like many of the "sound bites" that we are fed today, "public interest" has come to mean different things to different people, many times just to advance their own agendas.

The initiatives and changes taking place at the AICPA and elsewhere in our profession are not smoke screens to cover up a move away from our responsibilities. They are steps taken to assure that our profession remains strong and relevant in meeting the ongoing and changing needs of those who rely upon our services. To adequately fulfill our commitment to the public, we must have a modern, skilled, efficient, economically viable professional workforce and professional membership organization.

What do we need to do to convince our critics that we have not forgotten our commitment to the public?

■ Our Code of Professional Conduct states that "members should accept the obligation to act in a way that will

serve the public interest, honor the public trust, and demonstrate commitment to professionalism."

■ Our Mission Statement states that the AICPA "mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public..." It further states: "The AICPA...gives priority to those areas where public reliance on CPA skills is most significant."

■ At its meeting this month, the Auditing Standards Board will vote on whether to issue an exposure draft of a proposed SAS, *Consideration of Fraud in a Financial Statement Audit*, that would clarify the CPA's responsibility and would expand the performance and documentation requirement to better meet the public's expectations.

■ The Special Committee on Regulation and Structure of the Profession, in its Criteria for Evaluating Alternative Regulatory Proposals, lists "respect or protect the public interest" as its first bullet point.

■ The AICPA Values and Visions Statement, adopted by our staff as its guiding management document and a copy of which many of our staff carry with them, lists as its first item "our employees are a diverse, unified team who...are committed to member service and the public interest, providing the highest quality products, services and support possible."

■ Our actions in restructuring professional standards, accepting quality review, and requiring continuing professional education and 150 hours of academic education—all of these have as their root our desire to strengthen our commitment to the public.

The "bottom line" is that to make sure we take care of the public, we must take care of our members. Conversely, to take care of our members, we can't diminish our commitment to the public. I don't believe that "public interest" and "member interest" can easily be separated. Let us continue to serve the public interest, while assuring that our members remain competent to discharge this critical responsibility.

To contact Ron Cohen, fax 219/236-8692.

Data Base Project to Improve Member Service Moves Ahead

In early 1997, members who call the AICPA to order a product, change an address, enroll in a conference—or simply ask a question—will be able to handle all their business with just one phone call to one person. In the not-too-distant future, members will be able to handle the same business via the Internet.

All this and more to come, thanks to the AICPA Board of Directors' approval of a long-term technology plan for the Institute. Central to the plan is the development of a single Institute-wide data base system that will incorporate not only members' data, but also data on every aspect of the AICPA's business.

Aside from improving member service, the new

world-class system will produce substantial savings in marketing costs by eliminating a significant amount of redundant direct mail. It also will help the AICPA better target its mailings to members so that members will not only get less mail, but more of what they would want. The project will occur in steps over 2½ years.

Other benefits to be derived from the new system will be more opportunities for collaboration with state CPA societies to allow greater efficiencies in the delivery of services and progress toward a "paperless" office where someone can access another computer for member-service information.

CPE News

Self Study

Save 10% by ordering all three courses

The CPA's Guide to Human Resources Management is based on tested policies and procedures in CPA firms. This new and invaluable course covers recruiting, hiring,

personnel correspondence, leave and other policies, benefit plans, compensation (including bonus and incentive plans), employee performance and employee retention. It contains a variety of sample forms, letters, checklists and other practical tools developed and used successfully in CPA firms. Though the focus is primarily on human resources management in CPA firms, the course covers areas important to managers in the accounting operations of a business enterprise, who face many of the same problems as managers of CPA firms. Recommended CPE credit: 8 hours. Format: Text (No. 737130CLX), \$119.

Attestation Engagements helps members distinguish between various types of attestation engagements and provides guidance on agreed-upon procedures, the effect of the COSO report and workpaper documentation requirements. Statements on Attestation Standards Nos. 4, 5 and 6 are covered. Recommended CPE credit: 8 hours. Format: Text (No. 737025CLX), \$119.

Billing and Collection—Proven Strategies for the CPA offers helpful information, techniques and ideas to make a practice more profitable and provides valuable collection tips and sample letters and forms to make it easier to set, bill and collect fees. Recommended CPE credit: 8 hours. Format: Text (No. 737135CLX), \$119.

These courses are available from the AICPA Order Department (see below) as well as from state CPA societies.

Conferences

Tax Strategies for the High Income Individual, May 2–3, Las Vegas, and May 30–31, Charleston Place, Charleston, S.C., recommended CPE credit: up to 23 hours; **National Banking School—Intermediate**, May 12–17—**Advanced**, June 16–21, McIntire School of Commerce, University of Virginia, Charlottesville, Va., recommended CPE credit: 40 hours per week. **Employee Benefit Plans Conference**, May 15–17, Baltimore, recommended CPE credit: 24 hours. **The CPA and the Older Client**, May 16–17, New Orleans, recommended CPE credit: 16 hours. **Micro96: The AICPA Computer and Technology Conference**, May 19–22, Baltimore, recommended CPE credit: 24 hours. **Spring Tax Division Meeting**, June 3–5, Washington, D.C., recommended CPE credit: 8 hours. **Strategies for Achieving Work/Life Balance in the Workplace**, June 7, Marina Del Rey, Calif. **Preparing the Tax Professional for the 21st Century**, June 7–8, Seattle, recommended CPE credit: 12 hours. **Not-for-Profit Industry Conference**, June 17–18, Washington, D.C., recommended CPE credit: 16 hours. **National Tax Education**

Program, June 17–21 (week 1), June 24–28 (week 2), University of Illinois, Champaign, recommended CPE credit: 40 hours per week. **Investment Planning Conference**, June 20–21, Orlando, Fla., recommended CPE credit: 15 hours. **National Accounting & Auditing Advanced Technical Symposium**, June 27–28, Philadelphia, recommended CPE credit: 16 hours. **National Divorce Conference**, June 27–28, San Francisco, recommended CPE credit: up to 22 hours.

For more information, contact AICPA Conference Registration at 800/862-4272 (option #3, then #1).

Group Study

To receive program and scheduling information for these programs, call 800/862-4272 (option #3, then #2), or write: Pernell Brown, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Provide the name of the program and its ADV number.

Members in industry can create a CPE getaway with **AICPA Spring Industry Clusters**. Held May 13–15 in Boston and June 12–14 in Whitefish, Mont., the three-day events feature teams of top AICPA presenters leading special six-hour sessions on key topics in controllership, management accounting, the Internet and more. There is a choice of sessions each day; recommended CPE credit for the cluster ranges from 6 to 18 hours. Registration: \$179 for one day, \$319 for two days and \$439 for three days. Early hotel registration recommended. ADV 108.

The Business Valuation Certificate of Educational Achievement Program, a comprehensive eight-course series providing members with the tools to offer a broad range of valuation services to new and existing clients, is being offered by 22 state societies in 1996–97. This popular program covers all the key aspects of business valuations, from basic theory and practice through special issues, case studies and intermediate level report writing, and is tailored to the needs of the practicing CPA. The program is open to enrollees only, although members can attend the first course, *Introduction to Valuation of Businesses and Professional Practices* (NBV1), before deciding to enroll. Seventeen presentations of NBV1 are scheduled during May and June. ADV 109.

Two **reviewer training courses** that meet the educational requirement for team captains will be available in May and June. *Advanced Training Course for Reviewers: Current Issues in Practice Monitoring* is designed for experienced peer reviewers; *How to Conduct a Review Under the AICPA Practice Monitoring Programs* provides the training needed to make the transition from auditor to reviewer and to successfully conduct a peer review. Both courses developed by the AICPA Peer Review Division. ADV 110.

To order, write: AICPA Order Department, CLA4, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272 (dept. #1). Ask for Operator CLA4. Orders for exposure drafts must be written or faxed. **Prices do not include shipping and handling. Have membership number ready.**

Disciplinary Actions

■ Michael Gradess III of Merchantville, N.J., settled charges on Dec. 26, 1995, of violating Rules 201(B)—Due Professional Care, 202—Compliance with Standards and 501—Acts Discreditable of the Code of Professional Conduct of the AICPA and the Pennsylvania

Institute of CPAs (PICPA) in the performance of an audit of the financial statements of a client. Without admitting or denying the charges, Mr. Gradess agreed to two-year suspensions of his membership in the AICPA and the PICPA, to complete 80 hours of specified CPE courses and to submit one work product to the Professional Ethics Division for review.

■ Kenneth J. Chadwick of Crystal Lake, Ill., settled charges on Dec. 7, 1995, of violating the Code of Professional Conduct of the AICPA and the Illinois CPA Society (ICPAS), Rules 201—General Standards, 202—Compliance with Standards and 501—Acts Discreditable (Interpretation 501-3) in connection with his audit of a federally assisted nonprofit organization. Without admitting or denying the charges, Mr. Chadwick agreed to

two-year suspensions of his membership in the AICPA and the ICPAS, to complete 80 hours of specified CPE courses during the suspension period and to submit one work product to the Professional Ethics Division for review.

■ William P. Lorea of Oakdale, Calif., settled charges on Nov. 27, 1995, of violating the Code of Professional Conduct of the AICPA, Rules 102—Integrity and Objectivity and 501—Acts Discreditable in connection with his conduct, in the first quarter of 1988, as principal financial and accounting officer of a publicly held company. Without admitting or denying the charges, Mr. Lorea agreed to expulsion from membership in the AICPA.

■ James W. Foster of Yoakum, Tex., settled charges on Nov. 27, 1995, of violating Rule 101—Independence of the Code of Professional Conduct of the AICPA in the performance of a director's examination. Without admitting or denying the charges, Mr. Foster agreed to a one-year suspension of his membership in the AICPA, to complete 7 hours of specified CPE during the suspension period and to comply with the statements on auditing standards (AU Section 561) with respect to all relevant periods.

Bill to Revise Single Audit Act Introduced in Congress

Legislation supported by the AICPA to revise the Single Audit Act of 1984 recently was introduced in Congress. The Single Audit Act establishes audit requirements for state and local governments receiving federal financial assistance. The proposed revisions in S. 1579 would extend the Act's jurisdiction to not-for-profit organizations, raise the dollar threshold for single audit coverage to \$300,000 from \$100,000, implement a risk-based approach to selecting major federal programs to be

audited, and reduce to nine months the audit report due date.

Despite its support for S. 1579, the AICPA has expressed some concerns about language in the bill that suggests regulators have the right of photocopy access to auditors' working papers. The Institute is seeking clarification from Congress. Hearings on the legislation have not yet been scheduled, and such a bill has not been introduced in the House.

First Annual Practitioners' Symposium to Be Held in June

The AICPA's first Practitioners' Symposium, an entirely new, high-powered, information-packed conference, offers CPAs up to a total of 40 hours of CPE and provides a forum in which CPA firm owners and other professionals can learn from each other and from expert presenters how to respond to emerging accounting and auditing, tax, technology and management issues affecting their practice.

Participants can design their own curriculum from a rich selection of more than 100 different topics, through eight special-interest tracks: small firm manage-

ment, larger local/regional firm management, accounting and auditing, governmental and not-for-profit accounting and auditing, tax, consulting services/personal financial planning, technology, and personal development. Partners, shareholders, firm administrators, marketing directors and senior professional staff will all benefit from the wide array of educational offerings available.

The conference will be held in Las Vegas on June 8–12. Registration: \$595 for five days. For more information, contact the CPE Division at 800/862-4272 (dept. #3).

CPAs Needed to Write Questions for CPA Exam's Business Law Section

The Examinations Division will be training CPA volunteers to develop questions for the Uniform CPA Examination in the New Jersey office on Aug. 8–9 for the Business Law & Professional Responsibilities section.

Volunteers should have at least five years of experience in the practice of law or a J.D. for this workshop. Participants will receive AICPA CPE credit, be acknowledged in the annual edition of *Selected Questions &*

Unofficial Answers, and receive a small honorarium for each accepted question. Expenses to attend workshops are not reimbursed. Applications are due May 29.

For an application, fax 201/938-3443 or write: AICPA Examinations Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Names for future workshops will be accepted as well; call Joel Koppelman at 201/938-3426.

Washington At A Glance

New Telecommunications Law Includes AICPA's Recommendations

The AICPA persuaded Congress to amend troublesome audit provisions in the Telecommunications Act of 1996 before it was signed

into law in Feb. by President Clinton (Public Law 104-104). The legislation originally contained a mandatory requirement that the independent auditor for certain audits of telecommunications companies be rotated and gave federal regulators complete discretion as to the frequency of rotation. As a result of the AICPA's recommendations, the new law does not contain the rotation requirement. The AICPA also was able to work with the drafters of the legislation to modify another audit provision. The new law requires each Bell company to establish a separate affiliate for new long-distance and manufacturing ventures in its region. The separate affiliates are required to operate independently from the Bell parent, and an audit of the subsidiary by an independent auditor is required every two years. The changes secured by the Institute ensure federal regulators are not required to select the auditor for the companies and that the auditor's work is not directed by both the state and federal regulators.

SEC Staff Speeches to Conference Available Via Internet or Fax

Speeches made by the SEC Chief Accountant and the professional accounting fellows at the AICPA National Conference on Current SEC Developments in Feb. are available from the SEC via the Internet or the AICPA 24-hour Fax Hotline. On the Internet, users should download the speeches from the "News Digest and Public Speeches" section of the SEC's Internet address: <http://www.sec.gov>. To obtain copies by fax, dial 201/938-3787 from a fax machine, follow the voice cues and select the document no. desired: Remarks of the Chief Accountant, Michael H. Sutton, document no. 420; Current Accounting Projects in the Office of the Chief Accountant, document nos. 421-426; Developments in the Division of Corporation Finance, document nos. 427-429.

OCC Looking for Accounting Fellows

The Office of the Comptroller of the Currency is accepting applications through June 3, 1996, for its two-year Professional Accounting Fellowship Program. The position is scheduled to begin in Aug. Candidates generally should have a minimum of five years' experience in public accounting. Academic experience at the college level or banking industry experience would also qualify. Call the OCC at 202/874-5158.





The CPA Letter

A News Report to Members

May 1996 Vol. 76 No. 4

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AICPA Poll Finds Majority of Americans Want Tax Reform

Results unveiled Apr. 15 in D.C.

On "tax day," Apr. 15, the AICPA continued its drive to stay visible in the tax-reform debate by unveiling the results of a poll it commissioned to take American taxpayers' temperature on tax reform. AICPA President Barry C. Melancon told national and local media representatives at a press conference in Washington, D.C., that most Americans favor tax reform and see it as a key election-year issue, along with health care and a balanced budget. Resulting coverage included stories by Associated Press and National Public Radio.

Taxpayers polled by Yankelovich Partners Inc. for the Institute ranked tax reform ahead of both job creation and deficit reduction in importance. In fact, more than half of all taxpayers polled are in favor of abolishing the current tax code and replacing it with a new tax system.

Almost 54% of average American taxpayers oppose a "flat tax," which would tax

everyone at the same rate, while about 42% supported a flat tax. The independent pollsters also found that most taxpayers they spoke to believed that a simpler system would not necessarily be fairer.

Earlier this year, the Institute released an objective analysis that outlined the positive and negative effects of the major tax reform proposals (the analysis, along with supplemental material, was edited into a book by international publishing house John Wiley & Sons and is now available to AICPA members; see page 5 for details). About half the 505 taxpayers in the Yankelovich poll were given a summary of the AICPA guide before answering the survey questions. The poll data compare and contrast the differences between those who read the tax guide and those who did not on issues related to tax reform.

To obtain information about the AICPA's taxpayer poll, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 175.

AICPA Stops Effort to Double Civil Penalties for Tax Preparers

Fast action gets results

The AICPA scored a win for its members when it thwarted a move in the House Ways and Means Committee to double the amount of civil penalties for tax return preparers. The committee's aim was to tighten compliance with respect to the earned income tax credit, but the bill's language did not limit itself to EITC-related issues.

The Health Care Availability and Affordability Act of 1996 (H.R. 3103) was unveiled on Mar. 18, with the final drafting session and vote by the committee scheduled for Mar. 19. In that time, the AICPA discovered the threat and acted to remove it. A faxed and hand-delivered letter to each member of the Ways and Means Committee outlined the AICPA's opposition. Telephone calls by AICPA staff to several key committee members resulted in Reps. E. Clay Shaw Jr.

(R-Fla.) and Gerald D. Kleczka (D-Wisc.) building a consensus among committee members to drop the provision.

In its letter, the AICPA urged Congress not to tamper with the present civil penalty structure without careful consideration. The Institute reminded the Ways and Means Committee that Congress amended the penalty area of the *Internal Revenue Code* in 1989 after a thorough, three-year review by Congress, Treasury, the IRS and professional organizations. The 1989 law reflects the agreed-upon tax policy goal that civil tax penalties should encourage voluntary tax compliance, rather than punish or raise revenue. H.R. 3103 was passed by the full House on Mar. 28 without the civil penalty provision opposed by the Institute. The AICPA will vigilantly monitor H.R. 3103 as it is considered by the Senate.

News Briefs

“Partners for Growth” Program Goes to Two More Cities

Three businesses in Detroit and four in Baltimore have become the latest recipients of funding from the Partners for Growth program, a

joint venture of the AICPA and AT&T Capital Corp. to provide advice and money to help businesses that can demonstrate a positive social impact on their communities. In the past two years, Partners for Growth has provided \$200,000 in grants to 14 fledgling small businesses. The program has generated significant local and national publicity for the CPA profession.

AICPA Continues Campaign to Protect Taxpayers’ Rights in IRS Financial Status Audits

The AICPA told IRS Commissioner Margaret Richardson it believes a Mar. 25 IRS memo falls short of protecting the rights of taxpayers who are subjected to financial status audit techniques by IRS agents probing for unreported income. At numerous meetings over the past 10 months with senior IRS officials, the AICPA has persistently voiced its concerns about the use of financial status audit techniques (*The CPA Letter*, Mar.). In Feb., the IRS assured the AICPA it would issue a memo that would be responsive to the AICPA’s concerns.

Unfortunately, the AICPA does not believe the IRS memo is adequate and has criticized it for failing to clarify a “bright line distinction” about when financial status audit techniques should be used, for not clarifying the proper use of Form 4822 (*Statement of Annual Estimated Personal and Family Expenses*), for encouraging the inappropriate use of taxpayer interviews, and for implying that financial status audit techniques must be used for virtually all small businesses and taxpayers filing Schedule C.

The AICPA has carried its campaign to Capitol Hill. The Institute has advised the chairs of the House and Senate IRS oversight subcommittees that, while no one questions the IRS’s obligation to find and deal appropriately with taxpayers committing tax fraud, the AICPA believes the IRS’s present use of financial status audit techniques blurs the distinction between civil audits and criminal investigations. Rep. Nancy L. Johnson (R-Conn.), the House chair, publicly voiced concerns similar to the AICPA’s at a recent session of the Ways and Means Committee.

To obtain a copy of the AICPA’s guidance to practitioners on these audits, a sample engagement letter, and an earlier IRS memo, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 965.

New Award Program Will Recognize Educators—Professionals Collaboration

The Joint AICPA/AAA Collaboration Award has been established to recognize and encourage collaboration between educators and CPA professionals. This type of collaboration is seen as necessary to ensure that the profession and those entering it thrive and flourish.

The application deadline for this award program is June 30, 1996. Qualifying activities must involve a collaborative effort that offers a significant realized or potential contribution to accounting education, practice or research. Examples of such activities include, but are not limited to: developing and team teaching a new course, developing a case study or other teaching materials, developing or enhancing a CPE training program, developing a solution to a significant practice problem (in public practice, industry or government), and developing a program/product to attract students into the profession or to improve the early employment experience.

The award winner will be presented with \$2,500 at the AICPA Accounting Educators Conference in Nov. For award criteria and an application form, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 654; or call 212/596-6224.

AICPA CPA Firm Statements of Interest

As part of an ongoing review process of outside relationships, the AICPA is requesting statements of interest from firms related to the performance of audits of the Institute and its related entities. Interested firms must: (1) currently be an AICPA member in good standing, (2) not currently serve on the AICPA Board of Directors or governing Council, (3) have proven expertise in audits of not-for-profit organizations, and publishing industry and insurance industry expertise, and (4) possess high technology and information skills.

After a review of the statements of interest, which are due May 20, an information conference for interested firms may be scheduled. Additional information is available through the AICPA fax hotline (dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 185), or from the “general info & ethics” library of the Accountants Forum. Statements of interest should be e-mailed to Jerry Cicalese at GCicalese@aicpa.org or sent to him at AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881.

Public Meeting Notices

For detailed agendas, call 800/862-4272 (dept. #6) three weeks prior to these meetings.

Accounting Standards Executive Committee: June 4-5, N.Y.

Auditing Standards Board: June 25-27, Philadelphia

Professional Ethics Executive Committee: May 31, New Orleans

Accounting & Auditing News

Auditing Standards Board Agrees to Issue ED on Fraud Detection

The Auditing Standards Board has voted to issue a proposed statement on auditing standards, *Consideration of Fraud in a Financial Statement Audit* (No. 800099CLA5). The proposed standard, which

would provide auditors with expanded operational guidance on consideration of fraud in conducting a financial statement audit, will strengthen auditors' ability to fulfill their responsibility to plan and perform audits to obtain reasonable assurance about whether financial statements are free of material misstatement, whether caused by error or fraud.

The proposed standard describes types of fraud and requires the auditor to assess the risk of material fraud on every audit. It also provides separate categories of risk factors for fraudulent financial reporting—or management fraud—and misappropriation of assets—or theft—that require auditor consideration.

In addition, the proposed standard provides proce-

dural guidance and examples of how the auditor can respond to the presence of fraud risk factors. The proposed standard will reaffirm the requirement of the auditor to communicate known instances of fraud to appropriate levels of management and the audit committee, and, under certain circumstances, appropriate regulators.

A final standard is expected to be issued in late 1996, which would result in a 1997 effective date. The exposure draft will be issued by mid-May; comments will be due Aug. 15. One free copy of the ED will be sent to those on the standing order list for exposure drafts; others may obtain one free copy (charges for additional copies apply) from the AICPA Order Department (see page 5). It also will be in the Accountants Forum library.

Written comments on the proposed standard should reference File 2690, and be received at the AICPA by Aug. 15, attention: Jane M. Mancino, Technical Manager, Audit and Attest Standards, 1211 Avenue of the Americas, New York, NY 10036-8775. Responses may also be sent via the Internet to JMancino@aicpa.org.

Comments on Financial Reporting Due July 31

The FASB has issued its invitation to comment on the current financial reporting model (*The CPA Letter*, Jan./Feb.). Comments are due July 31. One copy

(product code ITC15) is available free until July 31 from: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; 203/847-0700, ext. 555.

Health, Welfare Benefit Plan Accounting for Postretirement Benefits

Employee health and welfare benefit plans that prepare financial statements in accordance with GAAP must follow the accounting and reporting requirements set forth in Chapter 4 of the AICPA Audit and Accounting Guide, *Audits of Employee Benefit Plans*, which incorporates the guidance of AICPA Statement of Position No. 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*. SOP 92-6 is now effective for all single-employer plans, and is effective for multiemployer plans for plan years beginning after Dec. 15, 1995.

Among other requirements, SOP 92-6 requires plans that provide postretirement benefits to include in their financial statements the amount of the accumulated postretirement benefit obligation representing the actuarial present value of all future benefits attributed to plan participants' services rendered to date (see paragraphs 4.42-4.47 of *Audits of Employee Benefit Plans*). Because accumulated benefit obligations are not reported on Form 5500 submitted to the Department of Labor, plans adopting SOP 92-6 should include a note to their financial statements reconciling the amounts reported in the financial statements to amounts reported

on Form 5500, as described in paragraph 12.16 of *Audits of Employee Benefit Plans*.

If a plan does not adopt the provisions of SOP 92-6, including presenting a statement of plan's benefit obligations and a statement of changes in plan's benefit obligations, which are required to fairly present the plan's financial statements in conformity with GAAP, the auditor should consider the effect of this departure from GAAP on his or her report. SAS No. 58, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, Vol. 1, AU sec. 508), describes the circumstances that may require a qualified or adverse opinion when the financial statements contain departure from GAAP (sections AU 508.49 through 508.69). A qualified opinion is expressed when the auditor believes, on the basis of his or her audit, that the financial statements contain a departure from GAAP, the effect of which is material, and he or she has concluded not to express an adverse opinion. An auditor should express an adverse opinion when, in the auditor's judgment, the financial statements taken as a whole are not presented fairly in conformity with GAAP.

AICPA, NASBA Form Joint Committee to Study Regulatory Options

The AICPA and the National Association of State Boards of Accountancy have formed a special 12-member joint committee to study the existing regulatory structure for the accounting profession. The joint committee already

has held its first meeting.

In a joint announcement, AICPA President and CEO Barry C. Melancon said: "We are pleased to combine our efforts with NASBA's to study closely the current

continued on page 7

Market Research Shows AICPA's Ad Campaign Is Making a Difference

An independent survey firm has reported its preliminary findings of the AICPA's national advertising campaign, for which the print and television ads stopped running the end of Mar. The research results show that the ad campaign had a positive impact on the overall image of CPAs among the targeted group—key decision makers. Below are some highlights.

Audits & Surveys Worldwide conducted a two-phase program of research to assess the extent to which the ad campaign fulfilled its mission of helping to enhance and broaden the image of CPAs among business decision makers. The first phase was to determine perceptions before the ad campaign began; the second phase was to determine if those perceptions changed at all after the ad campaign finished. Both groups of respondents consisted of approximately 500 key decision makers (people with such titles as chief executive officer, chief operating officer, chief financial officer, chairman, president, owner, partner, treasurer, trustee, principal, vice president—finance and vice president—controller) across various sizes of companies.

The research measured the extent to which the image of CPAs changed with respect to their suitability, versus lawyers, bankers and stockbrokers, to perform 11 business functions (e.g., business valuation) and eight personal functions (e.g., planning for retirement). It also measured the extent to which the overall image of CPAs (e.g., merger & acquisition adviser) changed as a result of the ad campaign. The research showed positive change in each of the three areas. The greatest change, however, occurred with respect to the overall image of CPAs as measured by 23 image statements.

Especially dramatic are the results for several specific statements when comparing the percentage of respondents citing CPAs as the professionals that the statement best described before the ad campaign, versus citing CPAs as best fitting the bill after the ad campaign. Specifically, there was an increase of:

- 13% saying CPAs can provide the financial insight crucial to retirement planning (28% before versus 41% after).
- 11% saying CPAs see more than numbers—they see opportunities (33% before versus 44% after).
- 11% saying CPAs can help screen potential merger and acquisition candidates (25% before versus 36% after).
- 10% saying CPAs can help individuals and business plan for the future (37% before versus 47% after).
- 10% saying CPAs are a trusted resource for knowledgeable solutions to business and financial planning needs (the positioning platform) (45% before versus 55% after).

The AICPA is enthusiastic about these preliminary findings; the final report is expected later this month. That report will be helpful as the Institute plans phase two of the ad campaign. It will provide viewership and readership habits of key decision makers, movement in the image of CPAs as a result of the elements of the advertising campaign, and any differences that may exist in the image of CPAs among executives in companies of varying sizes.

Highlights of the preliminary findings were presented to the AICPA Board of Directors at its Apr. meeting and will be discussed in more detail at the governing Council's meeting later this month.

Member to

*By Ron Cohen
Chair, AICPA Board of Directors*

The impact of change—technological, sociological, political, demographic—continues to affect how we live, how we work and how we set our goals for the future.

For those who may have felt that our profession was immune from these changes and from the necessity to proactively address our future evolution as CPAs, it must be increasingly apparent that the "status quo" is no longer a realistic option for future viability.

Certainly, the discussions at the AICPA regional Council meetings in Mar. reflected a consistent and overwhelming realization that our profession's future will, in many ways, not resemble our profession of the past or the present. The drivers of these changes will not disappear—effective use of technology, speed-to-market, value-added services, deregulation, changing generational attitudes, increased competition from all sides, relevance of financial reporting—yes, even American Express Tax & Business Services.

I believe our efforts in dealing with these changes in many cases should not be dissipated on defending our present positions. Instead, we must focus on turning these challenges into opportunities for delivering more valuable service to the public, our clients and our employers. As a wise person once said: "When you protect turf, you lose ground."

Everyone in our profession must focus on making themselves better competitors; more highly skilled; more well known to the public for personal objectivity, integrity, competence and independence; more attuned to user needs; and more relevant in an increasingly complex economic environment.

Many groups of volunteers and staff within the AICPA are working collaboratively to create the future vision of our profession and of individual CPAs.

We CPAs have a unique blend of experience, expertise and objectivity. We are a profession of intelligent people. All of us should work to capitalize on these attributes and aggressively employ our intellectual capital to elevate our already lofty stature in this rapidly changing financial services marketplace.

To contact Ron Cohen, fax 219/236-8692.

CPE News

Self Study

Save 10% when purchasing all three new courses

Automobile Dealership Accounting is designed for accountants new to the automotive industry as well as for those with some experience. It can build, or add to, technical skills

that benefit auto dealers, as well as advance the practice. Explore all the departments within a typical dealership, such as: new, used, leased and rental vehicles; finance contracts; warranty and policy claims receivable, vehicle holdback receivable, incentives/carryover allowance receivable, jobber incentives, floor plan assistance and other receivables; new and used vehicle and parts inventories; finance, insurance and aftersale products; and more. Recommended CPE credit: 8 hours. Format: Text (No. 735145CLZ), \$119.

Accounting and Auditing Update Workshop (1996 Edition) offers the latest word on all the new authoritative pronouncements. Whether in industry or public accounting, preparing financial statements, or offering consulting services, members will be kept current and informed and be shown how to apply the most recent standards. Course highlights include corporate accounting issues; financial instruments; consolidation and related matters; revisions to expectation gap SASs; and new SOPs and FASB statements and interpretations. Recommended CPE credit: 16 hours. Format: Text (No. 737064CLZ), \$159.

Marriage, Divorce and Family Taxation thoroughly examines the latest federal income tax rules dealing with divorce and separation. Issues covered include the tax

consequences of signing a prenuptial agreement, a married person filing as a head of household, filing as a head of household if children are too old to be dependents (or if one is supporting an unrelated person), structuring spousal support and alimony, and the tax implications of child support. Recommended CPE credit: 8 hours. Format: Text (No. 731230CLZ), \$119.

These courses are available from both the AICPA Order Department (see below) and state CPA societies.

Conferences

National Banking School—Advanced, June 16–21, McIntire School of Commerce, University of Virginia, Charlottesville, recommended CPE credit: 40 hours. **Not-for-Profit Industry Conference**, June 17–18, Washington, D.C., recommended CPE credit: up to 19 hours.

National Tax Education Program, June 17–21 (Week 1), June 24–28 (Week 2), July 8–12 (Week 3), July 15–19 (Week 4), July 22–26 (Week 5), University of Illinois, Champaign, recommended CPE credit: 40 hours per week.

Investment Planning Conference, June 20–21, Orlando, recommended CPE credit: 15 hours. **National Accounting & Auditing Advanced Technical Symposium**, June 27–28, Philadelphia—July 25–26, Seattle, recommended CPE credit: 22 hours. **National Divorce Conference**, June 26–28, San Francisco, recommended CPE credit: up to 22 hours. **Healthcare Industry Conference**, July 25–26, San Diego, recommended CPE credit: up to 19 hours. **Advanced Estate Planning Conference**, July 31–Aug. 2, Seattle, recommended CPE credit: 24–32 hours.

For more information, contact AICPA Conference Registration at 800/862-4272 (option #3, then #1).

Developing Business Plans (No. 055292CLA5) is a new practice aid from Management Consulting Services that introduces concepts useful in a consulting services engagement to assist clients in business planning. It describes a typical

engagement approach, including how the engagement results might be documented in a written plan. The practice aid also describes an alternative approach for assisting clients in developing proactive business plans. Illustrative case studies and several sample business

planning outlines and checklists are included. Price: \$15 member, \$16.50 non-member.

To order, write: AICPA Order Department, CLA5, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272 (dept. #1). Ask for Operator CLA5. Orders for exposure drafts must be written or faxed. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Prices do not include shipping and handling. Have membership number ready.

John Wiley & Sons Publishes AICPA Tax Book

Changing America's Tax System: A Guide to the Debate (No. 061046CLA5), a book published by international publisher John Wiley & Sons (*The CPA Letter*, Apr.), is now available. The book covers the different tax proposals—flat tax, retail sales tax, value-added tax and USA tax—currently being debated in Congress and across the nation. It includes an overview of the issues; detailed explanations of the alternatives to the current income tax system; side-by-side comparisons of the

actual systems proposed; discussion of how the proposals relate to policy issues; an extensive bibliography of related publications; and complete lists of members of Congress, with all relevant contact information. Members who obtain a copy of the book through the AICPA Order Department will receive the publisher's discounted price of \$39.60—12% off the list price of \$45 (plus S&H, and sales tax if applicable). Wiley will be shipping and billing for the books directly.

Technical Sections Offered for Members Providing Specific CPA Services

The AICPA has four service sections that members may voluntarily join to receive a variety of benefits and relevant information.

Taxation

Tax section members receive some of the most popular products of the AICPA, including the annual 300+ page *Tax Practice Guides and Checklists*, and various topical practice guides as they are developed by Tax Division committees. In addition, members receive *The Tax Adviser* magazine online without charge or in print at more than 50% off the regular subscription price. The quarterly *Tax Division Newsletter* provides news of Washington tax developments and other practical information developed by the division's committees. And the aggregate bargaining power of the section's 25,000 members translates into discounts with outside vendors on popular tax products, such as an annual tax manual, the *Internal Revenue Code* and IRS Regs.

Section members can use the AICPA's Tax Information Phone Service, a technology-based service that has extensive CD-ROM and online tax-research resources. The staff has been selected for technical strength, practice orientation, research skills and communications ability. The service is partially supported by the Tax section, the Private Companies Practice Section and the AICPA to bring high-quality service at a reasonable cost. For more in-depth questions, TIPS has a referral service organized by area of specialized knowledge, and section members can be listed to receive referrals for compensated consultations.

Members also can attend division meetings and receive minutes, agendas and important correspondence from committees of their choice.

For more information, call Bill Stromsem at 202/434-9227.

Personal Financial Planning

Members of the Personal Financial Planning section benefit from an exhaustive list of products and services designed to help them expand their technical knowledge, improve their professional competence and increase the profitability of their CPA practice.

Among the publications members receive automatically are the annual *PFP Practice Handbook*, which offers current information on marketing, practice management and technical aspects of a PFP practice (including sample forms, checklists, reports and other materials), and other technical practice aids and publications. In addition, members receive *Planner*, a bimonthly newsletter covering relevant emerging issues, trends and developments; marketing, practice management and promotional materials; and vendor discounts and promotional offers. Helping CPAs to sharpen their PFP skills, the section sponsors an annual PFP technical conference and an investment conference to which section members receive reduced registration fees. Section members also benefit from a strong public awareness program to expand the visibility and promote the image of CPAs as

financial planners.

For more information, call the PFP membership section at 800/862-4272 (dept. #5).

Management Consulting Services

Members of the Management Consulting Services section seeking to grow their consulting practice can benefit from an array of technical, small business and industry consulting aids; practice administration aids; special reports; marketing brochures; and other publications. A quarterly newsletter, *CPA Management Consultant*, keeps section members informed about emerging issues, services and practice-management tips to help CPAs recognize opportunities that can develop into consulting engagements. A brand new subscription-based newsletter, *CPA Expert*, available at a 50% discount for section members, provides practitioners with leading-edge information on business valuation and litigation services.

Also available is a data base referral service that puts members with specialized expertise in touch with each other to exchange information. Vendor discounts provide savings on publications, software and other products designed to make consulting work more efficient and effective. Additionally, section members benefit from efforts to raise the visibility of CPAs as premier providers of business and technical advice.

For more information, call the MCS membership section at 212/596-6065.

Information Technology

The Information Technology membership section helps members stay current with the latest technology and its uses. It offers a number of documents and publications to help CPAs obtain an understanding of the technologies that face them today as well down the road, including: *InfoTech Update*, a 12-page quarterly newsletter filled with practical articles on dealing with technology; *Technology Guides*; and *Technology Alerts*, one-page alerts discussing "hot" technology topics.

The section also offers various discounts from vendors and publishers to bring attractive offers and pricing on items of interest. One example is an offer from ICP's *InfoROM*, a software directory on CD-ROM. Members receive a free CD, along with an opportunity to purchase a discounted subscription to the product.

For more information, call Andrew R. Gioseffi at 212/596-6211, fax 212/596-6025, or e-mail to AGioseffi@aicpa.org.

Application Information

For more information and applications, write: AICPA Membership Administration, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881; or call 201/938-3100. Membership begins upon enrollment and expires July 31, 1997. Fees: Tax—\$95, PFP—\$115, MCS—\$100 and IT—\$100. Members also may join by checking the appropriate box on next month's AICPA dues bill. Non-CPAs employed by CPA firms may enroll as "section associates"; different fees apply.

**Disciplinary
Actions**

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- Frederick M. Moss of Seaford, N.Y., settled charges on Jan. 26, 1996, of violating Rules 201(A)—Competence and 202—Compliance with Standards of the Codes of Professional Conduct of the AICPA and the New York State Society of CPAs (NYSSCPAs) in connection with his audit of an employee benefit plan. Without admitting or denying the charges, Mr. Moss agreed to two-year suspensions of his membership in the AICPA and the NYSSCPAs, to complete 79 hours of specified CPE courses and to submit certain financial statements and reports for preissuance review during the two-year period.
- Paul A. Brown of Evanston, Ill., settled charges on Feb. 5, 1996, of violating Rules 201(B)—Due Professional Care and 202—Compliance with Standards of the Codes of Professional Conduct of the AICPA and the Illinois CPA Society (ICPAS) in connection with his audit of the financial statements of a client. Without admitting or denying the charges, Mr. Brown agreed to a one-year suspension of his membership in the AICPA and the ICPAS.
- Gerald H. Estal of Oskaloosa, Iowa, settled charges on Feb. 29, 1996, of violating Rules 202—Compliance with Standards and 203—Accounting Principles of the *AICPA Code of Professional Conduct* in connection with his audits of the financial statements of three governmental entities. Without admitting or denying the charges, Mr. Estal agreed to be expelled from membership in the AICPA.
- Thomas E. Curtis of Olive Branch, Miss., settled charges on Mar. 2, 1996, of violating Rules 201(B)—Due Professional Care and 501—Acts Discreditable (Interpretation 501-3) in connection with his audit of a federally assisted nonprofit organization. Without admitting or denying the charges, Mr. Curtis agreed to be expelled from membership in the AICPA.

AICPA, NASBA Joint Committee

(continued from page 3)

regulatory system and develop a shared vision for the future of the profession that will protect the public interest while enabling CPAs to better compete in a changing practice environment.”

NASBA President and CEO David A. Costello said: “NASBA and its 54 member boards of accountancy recognize the ever-changing dynamics of the marketplace and the need to constantly review the adequacy of current regulatory structures. . . .By studying [them] and the needs of the market with the AICPA, we will be able to optimize our resources and...enhance opportunities for successfully implementing any recommendations that are developed.”

**Annual Report of Ethics Division
Investigation Activity**

January 1–December 31, 1995
January 1–December 31, 1994

The following is a statistical report from the Professional Ethics Division of investigation activity for the years ended Dec. 31, 1994, and 1995. The AICPA and state CPA societies participate in the Joint Ethics Enforcement Program. This report includes investigations conducted by state societies resulting in findings of ethics code violations.

	AICPA Ethics Division	
	<u>1995</u>	<u>1994</u>
Investigations open at start of period:		
Active	445	413
Deferred—Litigation	<u>198</u>	<u>221</u>
Subtotal	<u>643</u>	<u>634</u>
Add: Investigations opened during period	<u>390</u>	<u>389</u>
Subtotal	<u>1,033</u>	<u>1,023</u>
Less: Investigations closed during period	<u>339</u>	<u>380</u>
Total	<u>694</u>	<u>643</u>
Investigations open at end of period:		
Active	504	445
Deferred—Litigation	<u>190</u>	<u>198</u>
Total	<u>694</u>	<u>643</u>
Disposition of Closed Cases*		
Trial Board	9	13
Settlement with Publication	43	48
Settlement without Publication	5	13
RCA Letter	81	84
No Violation	65	89
Complaint Dismissed	63	76
Investigation Discontinued	4	5
Complied with Follow-up	51	28
No Jurisdiction	2	13
Transfer/Return to State Society	6	5
Automatic Termination	10	4
Accept Resignation	-	<u>2</u>
	<u>339</u>	<u>380</u>

*Letters of required corrective action, settlement agreements and trial board decisions usually require respondents to attend certain CPE courses and thereafter submit examples of their work products for ethics division review. At Dec. 31, 1995, and 1994, there were, respectively, 193 and 179 case investigations being monitored for CPE attendance and follow-up review.

Washington At A Glance

SEC Issues Staff Accounting Bulletin No. 96

The Securities and Exchange Commission's Staff Accounting Bulletin No. 96 sets forth the staff's interpretation of generally

accepted accounting principles with respect to the effect of treasury stock acquisitions following consummation of a business combination accounted for as a pooling-of-interests. The SEC said it was publishing the SAB because SEC staff has noted inconsistencies in the interpretations made by registrants and their auditors of the applicable accounting literature and earlier SEC guidance in this area. A copy of SAB No. 96 is available in the Mar. 25 *Federal Register* or from the SEC via the Internet. The SEC's Internet address is <http://www.sec.gov>.

SEC Seeking CPAs

The Division of Corporation Finance of the Securities and Exchange Commission has openings for CPAs in Washington, D.C., to work in a fast-paced, challenging environment. A minimum of three years' experience in a

public accounting firm or public company dealing with SEC reporting is required. Responsibilities include examining financial statements in public filings, and finding solutions to the most difficult and controversial accounting issues. Salary: \$46,120–\$69,800. Call C. Davine at 202/942-2960 for information.

House Passes Taxpayer Rights Bill

Taxpayers would have new weapons to use to protect themselves when dealing with the IRS under legislation passed by the House on Apr. 16. The package, the Taxpayer Bill of Rights 2, which is strongly supported by the AICPA, would require the IRS to accept receipts from private delivery services, not just the U.S. Postal Service, as proof of timely filing; increase the limit for which taxpayers could recover claims from \$100,000 to \$1 million; establish a taxpayer advocate within the IRS; modify the installment agreement provisions when agreements are terminated; expand the IRS's authority to abate interest; and modify lien and levy provisions. The bill next goes to the Senate where it is expected to be wrapped into a larger tax package. Such packaging last year killed a similar taxpayer rights bill because the larger legislative vehicle was vetoed.





The CPA Letter

A News Report to Members

June 1996 Vol. 76 No. 5

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AICPA Talks Fraud on CompuServe on June 19

A presentation, then discussion On June 19 at 3:00 p.m., EST, the AICPA will host a two-hour online fraud conference on CompuServe.

The conference will feature David L. Landsittel, chair of the AICPA's Fraud Task Force, and Edmund R. Noonan, chair of the Auditing Standards Board. A presentation on the proposed statement on auditing standards, *Consideration of Fraud in a Financial Statement Audit* (No. 800099CLA6), will be followed by time for

discussion and questions. To participate in the conference, members must have access to a CompuServe account, a computer with a modem and the CompuServe software. The conference will be held in CompuServe's Convention Center™, not in the Accountants Forum, as was indicated in the fraud exposure draft. (GO CONFERENCE, enter Convention Center.)

To obtain one free copy of the exposure draft, write or fax the AICPA Order Department (see page 11).

Join the Force—Contribute to the AICPA PAC

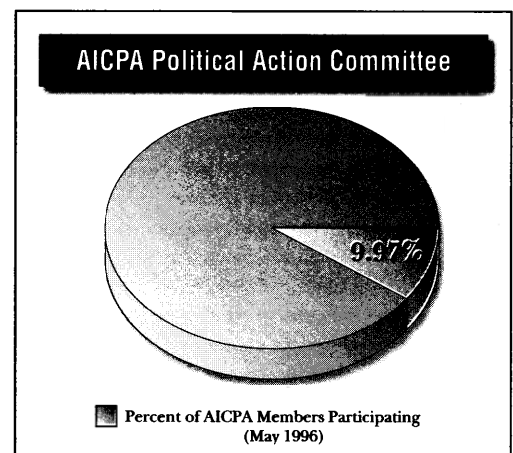
Member involvement success On Capitol Hill, the accounting profession's voice is growing stronger. The result: The AICPA's legislative successes in Congress are up. Last year, the Institute won major changes to protect the profession against frivolous securities lawsuits. This year, the AICPA stopped efforts in Congress to subject tax return preparers to double civil penalties and to undermine the traditional auditor/client relationship (see article on page 12).

The efforts of the CPAs who serve as the profession's "lobbyists" and of AICPA staff are reinforced by the dollars AICPA members contribute to the AICPA Effective Legislation Committee, the Institute's political action committee. The AICPA leverages its support of candidates by having almost 80% of its contributions delivered by CPA constituents in the candidates' districts. The enthusiasm of involved CPAs and the state CPA societies is demonstrated by the fact that the Institute is receiving more recommendations about candidates earlier in the election cycle.

The AICPA thanks those who have contributed to the PAC, but to keep this momentum going the AICPA needs more members to contribute. Now about 10% of the membership supports representation

for all 328,000 members—the base must grow. Congress will keep passing laws that affect the profession, so CPAs must be participants in the legislative process.

Members can easily contribute to the federal AICPA Effective Legislation Committee through the 1996-97 AICPA dues statements being mailed this month. Or, members may voluntarily send personal checks (payable to Effective Legislation Committee) at any time in any amount up to \$5,000 to: AICPA Effective Legislation Committee, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881.



News Briefs

1996 McCloy Award Winner Announced

David B. Pearson, a partner with Ernst & Young, received the John J. McCloy Award for 1996 at the AICPA's recent SEC Conference in Washington, D.C. The award is given by the Public Oversight Board

to honor a CPA who has made outstanding contributions to the improvement of auditing in the United States.

AICPA Members in Hong Kong Can Meet

The AICPA Member Forum—Hong Kong meets on a bimonthly basis. To receive notices of upcoming events, send name, mailing address and telephone number by fax to 852/2603-5114 (precede fax number with international calling code), attention: AICPA Member Forum; or mail to: AICPA Member Forum, School of Accountancy, The Chinese University of Hong Kong, Shatin, NT, Hong Kong.

Wisconsin Enacts 150-Hour Education Requirement

Wisconsin Governor Tommy Thompson on May 2 signed Senate bill 184 into law, making Wisconsin the 36th state to enact a 150-hour education requirement for future CPAs. The requirement will go into effect on Jan. 1, 2001.

Legislation to enact the requirement is pending in several other states. A current list of jurisdictions that have passed the 150-hour education requirement is available by dialing 201/938-3787 from a fax machine, following the voice cues and selecting document no. 605.

Contributions to AICPA Foundation, Benevolent Fund Encouraged

In addition to the Institute's political action committee (see page 1), members will have the opportunity to contribute to two other AICPA initiatives when their dues bills for 1996-97 arrive shortly. The Institute encourages members to consider supporting the AICPA Foundation and the Benevolent Fund.

The AICPA Foundation, now in its 74th year of operation, has a new board of trustees and an expanded mission statement to advance the science of accountancy and to develop and improve accountancy education. The Foundation's primary goals are to enhance the quality of the profession's knowledge and its diversity, and it is taking a more proactive role than in the past in identifying suitable projects and raising funds. (Previously, all trustees were on the AICPA Board of Directors; now the seven trustees also include other Institute members.)

The Foundation sponsors educational initiatives on accounting and business practices and assists minority students in entering the profession. The minority schol-

arships program has been one of the most visible and successful programs of the Foundation. In this program, scholarships of up to \$5,000 are awarded to deserving students who show significant potential to become CPAs. For the 1996-97 academic year, a total of \$458,000 was awarded to 211 students, thanks in large part to contributions from approximately 45,000 AICPA members.

Members and others can play an important role in assuring the profession's growth by proposing new activities and programs worthy of Foundation support or informing the Foundation about successful existing programs; write: Chair of Board of Trustees, AICPA Foundation, 1211 Avenue of the Americas, New York, NY 10036-8775. To make a contribution, send a check (made payable to AICPA Foundation) to: AICPA Foundation, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881.

The Benevolent Fund has been providing financial assistance to needy members and their families for more than 60 years, and more than 48,000 members had contributed to the fund this past fiscal year. Approximately \$400,000 was distributed from the fund in 1995. Contributions (check made payable to AICPA Benevolent Fund) should be sent to the AICPA's New Jersey office (see paragraph above), attn: AICPA Benevolent Fund.

While contributions to these funds can be made at any time, the check-offs on the upcoming dues bill provide a convenient way to do so. Contributions to the AICPA Foundation and the Benevolent Fund are tax-deductible.

Member Change Form Asks New Information

Enclosed with the 1996-97 AICPA dues statements being mailed to members by mid-June is a revised "Member Change Form" that requests some new information. This form represents the first step in the data-gathering process to develop the AICPA's new data base system (*The CPA Letter*, Apr.). Members are being asked to provide a preferred mailing address, as well as alternate home and office addresses, fax numbers and e-mail addresses. Members also should check off the state CPA societies to which they belong, if any.

Public Meeting Notices

For detailed agendas, dial 201/938-3787 from a fax machine and select document no. 1206 two weeks prior to these meetings.

Accounting & Review Services Committee: July 8-9, Santa Fe, N.M.

Accounting Standards Executive Committee: July 23-24, New York; Sept. 10-11, New York

Auditing Standards Board: June 25-27, Philadelphia; Aug. 20-22, New York

Accounting & Auditing News

Two Exposure Drafts Issued by Auditing Standards Board

The Auditing Standards Board issued two exposure drafts late last month. *Investments in Debt and Equity Securities* (No. 800101CLA6) is a proposed statement on auditing standards that would supersede

AU section 332, "Long-Term Investments." The ASB is revising AU section 332 to make the guidance on auditing investments consistent with recently issued accounting standards, particularly Financial Accounting Standards Board Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The proposed SAS would also delete Interpretation No. 1 of AU section 332, "Evidential Matter for the Carrying Amount of Marketable Securities."

Also issued was an exposure draft titled *An Amendment to SAS No. 31, Evidential Matter* (No. 800100CLA6). This proposed statement incorporates the concept of evidential matter into the professional standards by providing guidance regarding the potential audit impacts of evidential matter in electronic form and describing matters an auditor should consider in such circumstances.

Comments on the two proposed statements are due July 15. The exposure drafts will automatically be mailed to those on the standing order list to receive exposure drafts; others may obtain one free copy of each (costs apply for additional copies) from the AICPA Order Department (see page 11). The exposure drafts also appear on CompuServe in the Accountants Forum's "auditing" library.

SAS No. 79 Eliminates Uncertainties Paragraphs in Special Presentation Reports

SAS No. 79, *Amendment to SAS No. 58, Reports on Audited Financial Statements*, was issued in Dec. 1995 and eliminates the requirement that, when certain criteria are met, the auditor add an uncertainties explanatory paragraph to the auditor's report. SAS No. 62, *Special Reports*, contains references to uncertainties paragraphs in paragraph 31b and in footnotes 37 and 38. The Audit Issues Task Force has concluded that the effect of SAS No. 79 on SAS No. 62 is to eliminate the use of uncertainties paragraphs in reports on special presentations covered by SAS No. 62. The guidance in SAS No. 62 dealing with

uncertainties will be deleted as a conforming change.

AcSEC Shelves Insurance Accounting Guide

The Accounting Standards Executive Committee has decided to remove from its agenda the development of an industry accounting guide for insurance agents and brokers. A draft of that guide was exposed for public comment on Aug. 15, 1991. The exposure draft was not generally accepted by those parties who would have relied on the guide.

Two Statements on Quality Control Standards Issued by ASB

The Auditing Standards Board has issued Statements on Quality Control Standard No. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (No. 067018CLA6), and No. 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (No. 067019CLA6). SQCS No. 2 will supersede SQCS No. 1, *System of Quality Control for a CPA Firm*, and its interpretations (AICPA, *Professional Standards*, vol. 2, QC Sec. 10 and 10-1).

SQCS No. 2 redefines a firm's accounting and auditing practice to include all audit, attest and accounting and review services for which professional standards have been established by the Auditing Standards Board or the Accounting and Review Services Committee under Rules

201 and 202 of the *AICPA Code of Professional Conduct*. The definition of accounting and auditing practice would include engagements performed under standards for attestation engagements issued by the ASB. These standards had not been issued when SQCS No. 1 was promulgated. Also, the new standard would replace the nine specific elements discussed in SQCS No. 1 with five broad elements. SQCS No. 3 provides guidance on how a firm can implement the new monitoring element of a quality control system in its accounting and auditing practice.

To obtain a SQCS, contact the AICPA Order Department (see page 11). Price: \$5 member, \$5.50 non-member.

Opposition Surfaces to AICPA-Backed Pension Reform Initiatives

Opposition surfaced recently to an AICPA-backed bill requiring full-scope audits of pension plans under ERISA. The Pension Audit Improvement Act (S. 1490), and identical provisions in President Clinton's proposed Employee Retirement Income Security Act Enforcement Improvement Act, have drawn criticism from employer groups for requiring plan administrators and accountants to report violations to the

Secretary of Labor under "unrealistically tight reporting deadlines."

Thirteen employer groups have signed a letter to President Clinton expressing strong opposition to the legislation on a variety of grounds aside from the tight reporting deadlines. Also under fire is repeal of the limited-scope audit; the AICPA has long pushed for repeal.

Highlights of AICPA Board of Directors' Meeting in April

At its meeting on Apr. 18–19 in Washington, D.C., the AICPA Board of Directors:

- Acknowledged Robert Mednick of Illinois as chair-elect and Stuart Kessler of New York as vice chair-elect for the 1996–97 year.
- Supported, in concept, the activities and direction of the Special Committee on Regulation and Structure of the Profession in its effort at developing a new regulatory model for the profession.
- Approved the Mission Statement of the AICPA and strategic initiatives, with modifications, for the future proposed by the Strategic Planning Committee.
- Approved a request of the Management Consulting Services Business Valuations and Appraisals Subcommittee and the MCS Executive Committee to move forward their proposal for creation of an accreditation program in business valuations in accordance with the steps outlined in the 1994 Council resolution on the establishment of accreditation programs. [Council was not asked to take final action on this matter at its Spring meeting in May].
- Approved resolutions for changes to the Agreement and Declaration of Trust of the AICPA Insurance Trust regarding the Long-Term Disability Income Plan, the Long-Term Care Plan and the CPA Flexible Life Insurance Plan.
- Approved the budget for 1996–97, which includes an excess of revenue over expenses of \$2 million—with no dues increase—for presentation to Council at its May meeting [which was approved], and received a report on the financial results for the first seven months.
- Adopted a policy statement condemning discrimination and sexual and other forms of harassment as pro-

posed by the Women and Family Issues Executive Committee, subject to review by Legal Counsel [see final policy statement on page 10].

- Accepted the results of an outside survey research firm documenting the fact that the image-enhancement campaign has produced improvement in the image of the CPA (*The CPA Letter*, May) and approved the presentation of the results to Council at its Spring meeting.
- Heard presentations from: the Financial Accounting Foundation on FAF activities; the Accounting and Review Services Committee on the assembly of financial statements for internal use only; the Academic and Career Development Executive Committee on its strategic planning efforts; the Tax Executive Committee on flat- and consumption-tax proposals, the independent contractor legislative proposal and IRS financial status audits; the Auditing Standards Board on its proposed new standard on fraud detection; the SECPS Executive Committee's Task Force on Independence; and the SECPS Executive Committee on the work of the task force in addressing the independence of the auditor when performing non-audit services.
- Recommended to nominate to Council Jack Henry of Arizona to complete the unexpired term of R. Dale Hensley, who resigned from Council, ending in 1996.

The minutes will be available after June 3 on the Accountants Forum, in the Library under AICPA: For Members Only, after they are approved by the Board of Directors at its May meeting. Members also may obtain the minutes after June 3 by dialing 201/938-3787 from a fax machine, following the voice cues and requesting document no. 125.

First-Ever AICPA Book in Public Arena Draws Much Interest from Bookstores

America's Tax Revolution: How It Will Affect You, from international publisher John Wiley & Sons, is the first book ever by the AICPA to be introduced into the consumer market. This clear and frank discussion of the various tax proposals being debated in Congress and across the nation objectively addresses the information needs of the general public. In fact, Wiley had received a large number of orders for the book from bookstores around the country before the book even was released.

Through this effort with Wiley, the AICPA has begun to make its mark in the public arena. Besides positioning the Institute as a leader on the issue of taxes, such an initiative also extends the profession's market reach.

Joint public relations efforts by the AICPA and Wiley are helping to keep the profession in the forefront of the public debate on taxes, as are Wiley's efforts to promote the book (see sidebar). The arrangement with Wiley provides for the AICPA to receive royalties from sales of both the professional and consumer versions of the book. Sales of the books could escalate dramatically if a flat tax becomes a cru-

cial issue in the upcoming election campaign.

Radio Interviews and Print Ads Promote AICPA Tax Book

America's Tax Revolution: How It Will Affect You was promoted in May in a series of radio interviews. Taking questions from interviewers in cities around the country were several AICPA spokespersons. Also, Wiley placed ads promoting the book and mentioning the AICPA in the *Wall Street Journal*, *Washington Post* and *Weekly Standard* (a political magazine) in late May and early June.

The professional version of the Wiley book, *Changing America's Tax System: A Guide to the Debate* (No. 061046CLA6), is available to AICPA members (*The CPA Letter*, May). Wiley is extending a publisher's discount to members who order the book through the AICPA Order Department (see page 11).

THE YEAR IN REVIEW...THE YEAR AHEAD

A Focus on Your AICPA Membership

As the national professional organization for certified public accountants, the AICPA continually strives to meet the challenges presented by an ever-changing profession and an ever-changing membership. The past year can be characterized as one of dramatic change, different directions and new opportunities—all in the spirit of improving the value of membership in the AICPA.

Through a question-and-answer format, President Barry C. Melancon will discuss some of the past year's events, as well as touch upon initiatives for the year to follow and highlight a few of the more important issues for the profession. Following that, some of the many useful benefits the AICPA offers to members will be described.

1) You've cited member service, technology and collaboration with the state societies as your three primary areas of focus. Can you provide status reports on each?

In terms of member service, the AICPA has a flatter organizational structure and a "team" environment. This gets the staff closer to the membership so the AICPA can be a true resource for members—partners in their success. Our Values and Visions Statement reads: "We are committed to member service and the public interest." It's the guiding principle for everything we do.

We've stepped up our use of technology internally, giving us efficiencies and capabilities not imagined even a year ago. We're now working on using technology to communicate better with members, and to establish the AICPA as the premier resource for accounting and finance information. In fact, we've already set up a World Wide Web site on the Internet (<http://www.aicpa.org>). And there will be a "Talk to Us" area so members can send e-mail messages directly to the AICPA. Information on the site will be continually updated and expanded. You'll continue to hear more about this exciting development.

Our 24-hour fax hotline has been tremendously successful. We're getting about 3,000 calls a month—and have already upgraded the system twice. An interesting capability with this latest fax system is that it will tie into the Internet; early this fall, members will be able to use the Internet to retrieve documents available on the AICPA fax hotline. Also, staff can now use their own PC workstations to send fax-hotline documents to members. Next is helping members employ technology in their work environments so they will be part of the repositioning of the profession in this rapidly changing world.

Also, collaboration with the state CPA societies has improved. This is important in terms of economic efficiencies and delivery of services to members. And it will be continuously ongoing; there'll never be an end to this process. In fact, we have a standing team looking at how the AICPA can work better with the state societies, as well as with other accounting associations.

We've changed dramatically and we'll continue to do so. We're proud that we've added many new programs and services, reduced staff, have not increased dues and are actively working to help reposition the profession for success in an information-technology-based world.

2) What do you mean, specifically, by a "team," and how would it directly benefit members?

We've set up what are called "member-segment teams," each representing an important AICPA constituency. There are 10 of them: public practice—small, public practice—medium, public practice—large, and public practice—largest firms; industry—functions and industry—specific industries; government; education; retirees and new CPAs; and state societies and associations. Each team consists of staff from many different areas of the Institute. Their charge is simple: Learn your constituencies' needs and address them.

3) What are some other ways the Institute is getting closer to the members to serve them better?

We initiated the Member Visitation Program, which has gotten high marks from the members who were visited as well as from the staff who made the visits. It's a way for staff to get into the field (tied to their already required travel schedules in staffing committees) and see for themselves what's really happening with our members on a typical work day. Feedback from the members becomes part of the mixture in the "what the members need from us" pot. This program supplements the Member Outreach Program that began late in 1994.

In addition, the board of directors gave a green light to go ahead with our member data base plan (*The CPA Letter*, Apr.). This new system will consolidate many of the AICPA's current data bases—and there are far too many of them—into a single data base that will have all pertinent information on any given member so that the Institute can better anticipate member needs and target appropriate information, products and services to meet those needs. Also, this technology will allow us to better serve the members on a variety of levels through one point of contact, rather than being repeatedly transferred to different departments or into people's voice mail.

Members can help us with the first step of our data-collection process, which will occur as the new technology is phased in during the next 2½ years. Enclosed with the 1996–97 AICPA dues bill being mailed this month is a "Member Change Form" that requests some new information from members. Namely, their preferred mailing address, and alternate home and business addresses, fax numbers and e-mail addresses, and any state CPA societies they belong to.

4) Can you explain your idea of “one-stop shopping” for the AICPA, and where is the Institute in terms of implementation? One-stop shopping would mean that members could have almost all of their needs handled by making one phone call to an 800 line. Let me give you an example. Right now, members need to notify not only Membership Records of an address change, but the Subscription Team as well if the member has any subscriptions to AICPA publications. That will change with this one-stop shopping approach.

We are currently cross-training the Order, Subscription Administration, Member Services and Membership Administration teams to be one integrated Member Services Group. This way members will not be transferred among different departments, but will be promptly responded to in our one-stop shopping center.

As far as implementation, with the board’s approval for investment in the necessary new technology, we’re already gearing up. We expect to “go live” with one-stop shopping by April 1997. We’ve already extended our operating hours to meet time-zone challenges.

5) What’s happened this year to reinforce the image of CPAs in the minds of the public?

We’ve had a strong year in this area. First, the national advertising campaign, which was boosted by many state societies running local ad campaigns in concert, fulfilled its mission of starting the image-enhancement process. This isn’t our opinion, it was proven by independent research (*The CPA Letter*, May). I’d also like to add that media relations efforts before the first ads ran added to the national presence of our messages and created interest and excitement in the public’s mind. In fact, some TV stations and newspapers showed samples of the ads, giving us even more exposure for our investment.

Council has approved and increased funding for the second phase of the campaign, which is being developed as you read this newsletter. And more states are expected to join in the local efforts this time around, since they were able to plan for it in their budgets.

One interesting note: Canada, New Zealand, Australia and England have been running ad campaigns as well to enhance the image of their versions of CPAs. Seems this is a global effort in a global economy.

Secondly, the AICPA produced a comprehensive study on tax policy that was unveiled at a press conference. The study received widespread attention in the national media. Follow-up activities are in the works as well to keep the public on the alert that the CPA profession is the most knowledgeable resource in the area of taxes. By the way, the AICPA tax study was supplemented with new material and edited into a book by John Wiley & Sons. A business consumer version of the book has been published as well. Additionally, I and many of our members have had opportunities to speak with the media on the importance of the accounting profession in the new age of information technology. We’ve been able to make the point that CPAs will be the navigators of change for their clients or their companies.

6) How did we do in the legislative arena?

We did great. This profession, led by its Key Person Program and a strong coalition, got enacted our most important piece of legislation: securities litigation reform. Now the likelihood of frivolous securities lawsuits is reduced, and firms that are named as defendants in federal cases will be liable only for their share of damages, unless they knowingly engaged in the alleged fraud.

On work load compression relief, we made inroads but still have a long way to go. A bill was introduced in the House last year (H.R. 1661), but it was dropped from a larger tax bill when the Joint Committee on Taxation scored it a revenue loser. We had a study showing the proposal revenue neutral, but to no avail. Our attention is now focused on the Joint Committee, as you would suspect. We are hopeful that if significant tax legislation moves, that our proposal will be included.

7) You’ve talked about better tailoring publications to address members’/readers’ needs. Can you elaborate?

We’ll start with *The CPA Letter*. I wanted to see this popular newsletter become even more valuable to the members. When we looked at three readership surveys, we decided that we needed to provide information specific to a member’s job function—besides the news already featured. So this fall, we’ll unveil a new and improved *CPA Letter*. It will contain, in addition to its regularly featured material, member-segment supplements. Right now, the plans are for there to be eight of them: three for different firm sizes in public accounting; three for different levels of positions in accounting and finance and for internal auditors in industry; one for members in government; and one for members in education. About seven times next fiscal year, virtually every member will receive his/her basic issue of *The CPA Letter*, plus the appropriate member-segment supplement. But all the supplements will be available online and through the fax hotline should a member be interested in a different segment’s information.

We’re looking at how we can apply such approaches to other publications or communications efforts to better meet members’ information needs, which are so critical to success today.

8) Speaking of information needs, how would you rate the AICPA’s ability to address the various needs of its diverse membership?

We are improving every day. One major achievement this year was the launch of the Tax Information Phone Service. While it currently is available only for members of the Tax or Private Companies Practice sections, we are hopeful that we can open TIPS up to the full membership by next tax season. TIPS is similar in structure to the Accounting & Auditing Technical Hotline, except that members in need of specialized information or written

responses can be referred to CPAs knowledgeable in the appropriate tax area (on a fee basis), and it runs on a user-pays approach.

For members in business and industry, by early next year we expect to establish the AICPA Center for Excellence in Financial Management, and are continuing full speed ahead with the best practices benchmarking study.

Special publications were created to help small firms with both practice management and technical guidance, and the Technical Information Hotline and AICPA library are terrific resources for them. For small firms, the AICPA serves as a national office, providing literature, continuing education, advocacy in Washington, insurance and benefit programs, and the like.

Many members, especially those in education, will enjoy our Internet site, where we'll be able to provide a vast amount of continually updated material and links to other Web sites to help their research and communications efforts.

And, we've given our first award to an outstanding CPA in government not only to recognize achievements, but also to promote the CPA designation as the premier professional credential for accounting, auditing and finance professionals in government. Also, our members in government team is working both to expand our professional-development programs and to forge closer ties with the Association of Government Accountants and other groups.

Overall, we have numerous new programs and initiatives—we've phased out some, but are doing this without a dues increase.

Taking Advantage of What AICPA Offers

The AICPA offers many services to help CPAs be efficient, effective and successful. Listed are some of those important services [others were explained in the preceding Q&A].

Information Needs

The **AICPA Library** has the most comprehensive accounting collection in the world. Librarians will research members' requests for information and provide bibliographies and loan material by mail (fees may apply). A new library guide is available to members. To contact the library, call 800/862-4272 or send a fax request to 201/938-3955.

For help with specific questions about accounting, financial reporting, auditing, attestation, and accounting and review services, there is the **Technical Information Hotline**. Members may access this free service by calling 800/862-4272.

Many important documents can be found on the **AICPA 24-Hour Fax Hotline**. Just dial 201/938-3787 from a fax machine (that is able to receive faxes), follow the voice cues and, when prompted, select the appropriate document number(s). A list of documents appears in the Jan./Feb., Apr., July/Aug. and Oct. issues of *The CPA Letter*. In addition, articles in many Institute publications provide document numbers for various items when appropriate (members can also obtain a list of all documents available through the fax hotline by selecting document no. 1). There is no charge for this service.

Marketing Tools

Besides ensuring that members keep informed of professional and technical developments, the Institute strives to help members in public practice provide important information to their clients—while providing members with marketing opportunities. The firm's name/logo can be imprinted on all copies. In the area of client service publications, the AICPA offers three newsletters: the monthly *CPA Client Bulletin* (focuses on timely information based on the current business climate and tax rules), the quarterly *CPA Client Tax Letter* (provides suggestions for making the most of tax laws and regulations) and the quarterly *CPA HealthCare Client Letter* (offers practice management, tax and financial planning tips). Available through the AICPA Order Department at 800/862-4272.

Various public relations resources also are available to members. Brochures, speeches and several slide presentations are just some of the items CPAs may use when conducting mailings, making presentations or meeting new clients. The materials address topics of interest to both the public and businesses. For a copy of the **Promotional and Marketing Resources for CPAs** (No. G00108CLA6) catalog, fax the AICPA Order Department toll-free at 800/362-5066, or call 800/862-4272.

Significant Savings Just for Members

As a benefit of membership, the AICPA has arranged for several leading providers of professional, personal and property insurance, as well as products and services for the office and home, to offer AICPA members special pricing or discounts. These programs take advantage of the Institute's considerable group buying power to provide discounts that would otherwise be unavailable to individual members. In fact, in many cases, the savings members receive from using the program more than pay for the cost of membership dues. Some offerings extend the benefit to members' spouses and families.

Insurance/Retirement/Benevolent Fund

Term-Life Insurance—up to \$1 million in coverage. Includes a Cash Accumulation Fund which can be used to purchase Paid-Up Life Insurance and for savings purposes. 800/223-7473.

Long-Term Disability Income Plan—provides monthly payments of \$500 to \$7,000, depending on earnings and other coverage. 800/221-4722.

Group Insurance Plan—up to \$300,000 in term-life insurance plus accidental death and dismemberment benefits for CPA firms. 800/221-3019.

Long-Term Care Insurance Program—for eligible members who are less than 80 years old. 800/453-0567.

Personal Liability Umbrella Security—provides CPAs with up to \$5 million in coverage for injury and property damage claims that exceed primary automobile, homeowners' or renters' coverage. 800/221-3021.

AICPA Professional Liability Insurance Plan—protection of \$1,000 to \$20 million for members in public practice against compensatory damages related to professional services. 800/221-3023.

Vehicle Insurance Plan—preferred rates for members with safe-driving records. 800/847-2886.

Home Insurance Plan—full replacement cost coverage and comprehensive personal liability protection. 800/847-7233.

T. Rowe Price—defined contribution plans, including money purchase, pension, profit-sharing, 401(k), and SEP IRAs for proprietors, partners, professional corporations and employees. 800/382-4272.

Benevolent Fund—the AICPA established this special member service to assist members and their families during periods of financial difficulty caused by serious illness, accident, death or other major misfortunes. Funded through members' donations, this fund distributed approximately \$400,000 in assistance in 1995. 201/938-3490.

Affinity Programs

Airborne Express offers AICPA members discounts of up to 37% off competitors' published overnight-shipping rates. Overnight letters cost \$9.25, or \$8.25 if a drop box is used. Volume discounts and savings on international shipments are also available. Airborne also offers next-afternoon delivery service for packages up to 5 pounds and second-day service for packages up to 150 pounds. 800/636-2377.

AT&T Capital Corporation (auto leasing) provides AICPA members with a preferred rate on all motor-vehicle leases. This program also features flexible lease terms, the option to lease any vehicle a member chooses, and the convenience of doing the entire transaction by phone. 800/405-9672.

CPA Job Bank assists members seeking employment and those looking for qualified employees. AICPA members receive discounted rates for submitting résumés and for using the résumé data base for recruiting. 800/939-1040.

Dell Computer Corporation offers a 13% discount on Dell's PowerEdge file servers, a 7% discount on OptiPlex desktops and Latitude XPi laptops, and a 1% discount on Dell Dimension products. AICPA members also save on DellWare software, accessories and peripherals. 800/568-8313.

Hertz Car Rental gives members a 5-15% discount on daily, weekend, weekly and monthly car rental rates. Special coupons and upgrades are also available. 800/654-2200 (refer to CDP #12353).

National Car Rental generally offers a 10% discount on daily, weekend, weekly and monthly rates (although the discount may vary by location). Coupons and upgrades are available. 800/227-7368 (refer to Recap #6100848).

Marine Midland Bank offers a no-annual-fee AICPA credit card, which can include a member's AICPA membership number, and which features competitive variable interest rates for VISA Gold and VISA Classic. 800/850-3144.

Norwest Home Mortgage (formerly Prudential) provides home mortgages and equity lines of credit with many cost-saving features, including a zero-point option. The entire application process can be handled by phone, and closings can occur in as few as 15 business days from approval. 800/272-1210.

Pitney Bowes offers AICPA members 10% off the list price for the lease or purchase of mail office equipment (excluding service contracts and supplies). 800/672-6937 (reference code 4758).

Research Institute of America (RIA Group) offers a 10% discount on new purchases of RIA's tax research materials. This discount is over and above its normal product promotions and discounts. RIA also gives AICPA members 30% savings on the *RIA Federal Tax Handbook* until Aug. 31, 1996. Starting on Aug. 1, 1996, members will receive a 5% discount on renewals resulting from the AICPA relationship and beginning Jan. 1, 1997, on all renewals. 800/431-9025, ext. 3.

Sprint presents a 5% discount off both business and personal long-distance service. Members can also take advantage of Sprint's Sprint Sense and Business Sense (with "Fridays Free") programs. 800/473-0898.

Wallace Computer Services brings members a savings of 36% to 47% on computer and office products, and 20% on tax forms. 800/782-4892, or a local Wallace representative. Mention contract #CA252.

Xerox Corporation gives discounts of 10-20% off all Xerox products, excluding service contracts and supplies. 800/832-6979, ext. 272, or local Xerox representatives. AICPA contract #0706109 must be mentioned to receive these savings.

The Value of Membership

Membership in the Institute provides you with technical and professional information, a host of insurance coverages, products and services to enhance efficiency and improve profitability, and a selection of externally produced products at significant savings. The AICPA hopes this special supplement outlined for you the Institute's major initiatives to help members and their businesses.

**Member to
Member...
Chair's
Corner**

By Ron Cohen

Chair, AICPA Board of Directors

Our profession continues to address a proliferation of issues and challenges with which we must effectively deal as we shape our futures as CPAs. The AICPA Board of Directors' meeting agendas

reflect this constantly increasing activity, as well as the significance and urgency of many of these issues.

How we are regulated and the future structure of our profession, the charge of the Special Committee on Regulation and Structure chaired by Curt Mingle, continues to be high on the priority list. Members of this committee have joined with members of NASBA to work collaboratively as a Joint Committee (*The CPA Letter*, May) to determine what needs to be done to improve our present system of regulation and how to implement the changes that are recommended. Our goal is to have a plan ready for presentation to the AICPA governing Council in Oct.

Our self-regulatory process, including the need for relief from standards overload, is also constantly under consideration. The Financial Accounting Standards Board, a key factor in maintaining standard setting in the private sector, needs our support; we also need to be catalysts in seeking improvements and efficiencies in the

manner in which it carries out its role.

The image of the CPA of the present, and more importantly the CPA of the future, cannot be undervalued. Through our national image-enhancement campaign, our exposure in the national debate on the various new tax proposals and the need for tax simplification, and in many other areas of public service, we are making strong statements to reinforce our positions as valuable business advisers and as committed to the public interest.

The Academic and Career Development Executive Committee is seeking to narrow the gap that has developed within our profession between existing CPAs and those who are charged with the critical responsibility of educating our future CPAs. Attracting outstanding talent possessing appropriate skills into our profession is an absolute prerequisite for our being able to continue to discharge our responsibilities to the public and to our clients.

New, complex issues seem to materialize daily as change continues to impact what we do and how we do it. Our goal at the AICPA is not to react to these issues as they develop, but to anticipate them and seek solutions before the issues mature. There is no doubt in my mind that we will succeed in reaching our goals through the creative input and strong support of all of our constituencies.

To contact Ron Cohen, fax 219/236-8692.

New Recommendations on CPE Credit Measurement Are Exposed

The AICPA's Continuing Professional Education Standards Subcommittee has recommended recognizing learning situations that involve the actual application of knowledge, such as on-the-job training, professional research and interactive learning. The subcommittee's draft report was presented to the AICPA Board of Directors at its Dec. meeting; the board told the subcommittee to proceed with exposure of the recommendations. Comments are due June 30.

The subcommittee wants to establish competencies for the profession that would provide a basis for assigning CPE credits, as well as a focus for CPAs to develop career plans. The competency levels would be used to build different curricula. Professionals who demonstrate

a new competency would receive a certain number of CPE credits. Because there would be a wide variety of competencies covering the range of the profession, CPAs would be encouraged to learn those subjects about which they should—but do not—have knowledge. Education would be based on an individual's need, rather than pre-determined requirements.

A copy of the draft *Report on CPE Credit Management* is available from the AICPA fax hotline by dialing 201/938-3787 from a fax machine, following the voice cues and selecting document no. 135. The report also is available on CompuServe in the Accountants Forum library; call up document CPESTDS.TXT or use the search function to locate it.

Free Brochure on *Federal Register* and *Code of Federal Regulations* Available

A free brochure now is available on the *Federal Register* and the *Code of Federal Regulations*.

The *Federal Register* is the official regulatory publication of the federal government, carrying the full text of proposed rules and regulations along with the names, addresses and telephone numbers of agency contacts to which the public may provide comments. Final rules are

then published in it.

The codified text of all final rules is published in the *Code of Federal Regulations*. It includes more than 200 volumes in 50 subject areas.

To obtain the six-page brochure on the two publications, fax name and address to: Promotion Manager, Superintendent of Documents Office, 202/512-1656.

AICPA Board Policy Statement on Discrimination and Sexual and Other Forms of Harassment in the Workplace

The purpose of this statement is to reaffirm the policy of the American Institute of Certified Public Accountants of condemning discrimination and sexual and other forms of harassment—which are violations of federal, state and municipal law—in the accounting workplace and the client organizations our members serve. The AICPA believes that incidents of discrimination and harassment are inexcusable and should not be tolerated in the accounting profession.

The AICPA encourages all employers in the accounting profession, regardless of size, to condemn discrimination and harassment of all kinds by communicating to their management and employees that such discrimination and harassment will not be tolerated; that they will investigate complaints of such discrimination and harassment immediately and confidentially; and take whatever action is necessary, including dismissal of personnel, to eliminate the problem. The AICPA also encourages all such employers to attempt to prevent discrimination and harassment of all kinds through the adoption of comprehensive policies and by implementing education programs to inform management and employees of their rights and obligations under such policies.

No person, either male or female, professional or administrative, should be subject to unsolicited and unwelcomed verbal or physical conduct of a discriminatory or sexual nature. Such conduct could include stereotyped or demeaning remarks or gestures offensive to either gender or to racial, ethnic or religious groups. Accordingly, all professional and administrative personnel who believe they have been subjected to discrimination or harassment from other personnel or third parties should be encouraged to report such incidents or conduct to appropriate persons in the organization immedi-

ately to assure that suitable actions are taken to curtail and prevent such conduct.

In the event of substantiated discrimination or harassment by a client, customer, supplier or another employee, the organization's management should take prompt remedial action to ensure a discrimination/harassment-free workplace for the individual. Although there are limits on the ability to influence client or supplier behavior, possible remedial steps could include immediate discussion with the client, sending a letter of objection or refusal to continue the business relationship. In any event, the message should be clear that such conduct will not be tolerated and must stop immediately. All workplace policies against discrimination and harassment should be clear that it is the obligation of every person within the organization to comply with the policies against discrimination and harassment in both practice and spirit.

The AICPA is committed to raising awareness about discrimination and sexual and other forms of harassment and its prevention in the accounting workplace through the following activities:

- Publishing articles in the *Practicing CPA* and the *Journal of Accountancy* relevant to the identification, prevention and resolution of discrimination/harassment complaints.
- Publishing guidance for firms in the *Management of an Accounting Practice Handbook* for the establishment and management of an antidiscrimination/harassment policy, including a sample of such policy.
- Presenting educational workshops that enhance awareness of such discriminatory/harassment conduct and its prevention.

Editor's note: See article on AICPA Board of Directors' meeting on page 4 regarding this policy statement.

Disciplinary Actions

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

—*Terminated:*

- Michael M. Cook of Wailuku, Hawaii, effective Jan. 13, 1996, for failure to comply with the directives

in a letter of required corrective action issued by the AICPA and the Hawaii Society.

—*Suspended:*

- L. Joe Edmondson Sr. of Nashville, Tenn., was suspended for one year for violating the Code of Professional Conduct of the AICPA, Rule 101—Independence in connection with his performance of audit services and the issuance of audit opinions for a client. Mr. Edmondson's request for a review of the decision of the trial board was denied on Dec. 5, 1995, the effective date of the suspension.
- James T. Keenan of Las Vegas, effective Feb. 5, 1996, was suspended for two years for violating Rules 201 (A)—

Professional Competence, 202—Auditing Standards and 501—Acts Discreditable of the pre-January 12, 1988, Code of Professional Conduct of the AICPA and the Nevada Society of CPAs Rules of Professional Conduct in connection with his performance of professional services in the audits of financial statements of a nonprofit organization. He is required to complete 40 hours of specified CPE courses, beyond those required to maintain his license, within a two-year period.

Under the automatic disciplinary provisions of the Institute's bylaws, the following member has had his membership:

—*Terminated* because of the final judgment of conviction for a crime punishable by imprisonment for more than one year:

- Daniel L. Easterly of Houston, Tex., after being found guilty of intentionally falsifying entries in a comprehensive annual review, effective Dec. 13, 1995, following the denial by an ad hoc committee of the Joint Trial Board of his request that the automatic disciplinary provisions not apply to his circumstances.

CPE
News

New, Revised Self-Study

Government Accounting and Auditing Update*. This annual course clarifies the most significant recent accounting and auditing pronouncements for state and local government entities. Course material is drawn

from standards and other pronouncements issued by the GASB, AICPA, OMB, PCIE and GAO during the past year and pronouncements that became effective on or after Jan. 1, 1996, and is completely new for the 1996–97 edition. Recommended CPE credit: 10 hours. Format: 2 audiocassettes/workbook (No. 736455CLA), \$129; additional workbook (No. 736456CLA), \$74.50.

Introduction to OMB Circular A-87. This course will enable members to apply the federal audit criteria in identifying costs that can be charged to programs of state, local and Indian tribal governments receiving federal financial assistance. It will help CPAs design audit plans for examining compliance with the rules on allowable, unallowable and indirect costs. Author: Ernst & Young. Recommended CPE credit: 6 hours. Format: Text (No. 736663CLA), \$109.

Nonprofit Accounting and Auditing Update (1996–97 Edition)*. This annual course covers the most important accounting and auditing pronouncements for not-for-profit organizations issued in the past year. And

on the basis of current exposure drafts, it also tells members about new pronouncements likely to come out in the near future. Recommended CPE credit: 10 hours. Format: audiocassette/workbook (No. 742020CLA), \$129; additional workbook (No. 742025CLA), \$74.50.

**Live presentations of these courses and a variety of other seminars for government and not-for-profit auditors are offered nationwide through sponsoring CPA societies. For course information and presentation schedules, contact the AICPA Order Department and request ADV #206.*

AICPA self-study courses are available from both the AICPA Order Department (see below) and state CPA societies.

Conferences

National Accounting & Auditing Advanced Technical Symposium, July 25–26, Seattle, recommended CPE credit: 21 hours. **Healthcare Industry Conference**, July 25–26, San Diego, recommended CPE credit: 16 hours. **Advanced Estate Planning Conference**, July 31–Aug. 2, Seattle, recommended CPE credit: 24 hours. **National Governmental Accounting & Auditing Update Conference**, Aug. 5–6, Washington, D.C., Sept. 12–13, Phoenix, recommended CPE credit: 16 hours. **National Advanced Litigation Services Conference**, Sept. 30–Oct. 1, New Orleans, recommended CPE credit: 16 hours.

For more information, contact the AICPA Order Department (Conference Registration) at 800/862-4272.

New
Products &
Publications

Three new codifications are now available. **Codification of Statements on Auditing Standards as of January 1, 1996** (No. 059026CLA6) contains all current statements on auditing standards organized by subject and indexed. Superseded statements have been

replaced by their appropriate amendments, resulting in a complete and manageable reference tool. This edition is updated through SAS No. 79 and also includes *Statements on Standards for Attestation Engagements*, which can be purchased separately (see below). Price: \$52 member, \$57.25 non-member.

Codification of Statements on Standards for Accounting and Review Services as of January 1, 1996 (No. 057167CLA6) includes all statements on standards for accounting and review services currently in effect. All statements are organized by subject and indexed in this companion reference. Price: \$13 member, \$14.25 non-member.

Codification of Statements on Standards for Attestation Engagements as of January 1, 1996 (No. 057266CLA6) includes all current statements on standards for attestation engagements, updated through SSAE No. 6. Price: \$13 member, \$14.25 non-member.

Internal Control Issues in Derivatives Usage: An Information Tool for Considering the COSO Internal

Control—Integrated Framework in Derivatives Applications (No. 990010CLA6) is the follow-up to the original COSO book, *Internal Control—Integrated Framework* (No. 990009CLA6; \$25 member, \$27.50 non-members), which has provided useful guidance for assessing control systems and for determining how to improve them since it was issued in 1992. The Committee of Sponsoring Organizations of the Treadway Commission requested Deloitte & Touche help develop an information tool to apply the landmark *Framework* to derivatives usage. The resultant book includes an executive summary; *Formulating Policies Governing Derivatives Used for Risk Management*, which helps formalize risk management policies; and *An Illustrative Control Procedures Reference Tool*, which offers examples of controls over derivative activities using the *Framework*. Price: \$25.

To order, write: AICPA Order Department, CLA6, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272. Ask for Operator CLA6. Orders for exposure drafts must be written or faxed. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. Prices do not include shipping and handling. Have membership number ready.

Washington At A Glance

AICPA Scores Again— This Time on Audits of LSC Grant Recipients

On the heels of its victory to stop efforts to double the amount of civil penalties for tax return preparers (*The CPA Letter*, May), the

AICPA recently scored another important win in Congress for the profession. At risk was the traditional auditor/client relationship. Buried in the House appropriations bill to fund the Legal Services Corporation was language that would have given money to the LSC Inspector General to contract directly with independent accounting firms for audits of LSC grant recipients. The AICPA strongly opposed the language and immediately began fighting for its removal because it would have set a dangerous precedent for other federal assistance audits. Happily, the Institute was able to convince Congress to remove the provision. As signed into law, the measure specifies that the grant recipient, not the Inspector General, retains the responsibility for contracting with the independent accountant.

OMB Issues Revisions to Circular on Single Audits of Non-Profits

The U.S. Office of Management and Budget has issued revisions to OMB Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Institutions*. Among the most significant changes, the revised Circular raises the dollar threshold for single audit coverage to \$300,000, implements a risk-based approach to selecting major programs, revises the definition of nonprofit organizations to include nonprofit hospitals, reduces the audit report due date to nine months, and requires auditors to include a summary of audit results in the Schedule of Findings and Questioned Costs.

The revised Circular is effective for audits of fiscal years ending on or after June 30, 1997. A copy of the circular may be obtained from the Apr. 30 *Federal Register*; the OMB fax information line at 202/395-9063, document no. 1133; OMB Home Page on the Internet located at <http://www.whitehouse.gov/WH/EOP/omb>; or by writing or calling the Office of Administration, Publications Office, Room 2200, New Executive Office Building, Washington, DC 20503, 202/395-7332.





The CPA Letter

A News Report to Members

July/August 1996 Vol. 76 No. 6

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This edition is a combined issue for the months of July and Aug. The next CPA Letter will be published in Sept.

Task Force Addressing Technology and Financial Statements

The Impact of Electronic Transmission on Financial Statements and the Accountants' Report Task Force is assessing the impact of information technology on financial data and the accountants' reporting responsibilities. The task force has identified several technologies it believes are currently impacting the accountant's reporting responsibilities and related accountant's procedures. Generally, these technologies are believed to affect the competency and sufficiency of the evidential matter in the absence of conventional paper evidence. Examples of technology impacts identified by the task force include electronic data interchange and image processing. **Electronic Data Interchange** is the automatic, electronic (paperless) execution of routine business transactions. While EDI is used by large retailers to manage the supply chain of merchandise back to the raw material suppliers, it is increasingly being used by smaller businesses. Bills of lading, purchase orders and invoices are examples of documents that are being used electronically. When EDI is fully implemented, it is integrated with the general ledger and the paper trail disappears.

Image Processing is the process of converting, through scanning, paper images into electronic or digital images. As the cost of imaging falls, it is becoming more widely available and is resulting in the replacement of original documents (e.g., invoices, purchase orders) with digital images. An example is converting vendor paper invoices into digital invoices.

Members Overwhelmingly Pass All Proposed Bylaw Changes

Members have overwhelmingly passed all four bylaw changes proposed by the governing Council. With 88,454 members voting (ballots were due June 17) and a two-thirds affirmative majority of those voting required for passage, 88.15% voted in favor of allowing the AICPA Board of Directors to appoint the Institute's

Businesses are making their financial statements and the related accountants' reports available on the World Wide Web. This medium increases the risk of accountant association with information in unintended ways because of the wide variety of information that is included on the Web. Additionally, client possession of financial statements and the accountant's report in digital media leads to concerns for data manipulation after the fact.

Many technology impacts identified relate to computer software and the associated financial data:

- Lack of controls in less sophisticated accounting software packages that, among other things, permit individuals to alter previously posted transactions as well as dating current transactions into prior periods (e.g., May 22, 1995, instead of May 22, 1996).
- A need for management to establish routine procedures for making data back-ups.
- Financial data can be inadvertently lost or replaced by old data when installing a new version of software or during data processing.

The task force would like to hear about member experiences and their ideas on how information technology is impacting reporting responsibilities. Write: J. Louis Matherne, CPA, Director—Information Technology, American Institute of CPAs, 1211 Avenue of the Americas, New York, NY 10036-8775, fax 212/596-6025 or e-mail to Internet: jmatherne@aicpa.org.

President and the Secretary, 96.2% wanted to expand eligibility to serve on the Joint Trial Board, 91% agreed that signatures on petitions for bylaw amendments shall be good for one year after signing (except for those ongoing as of July 13, 1995), and 86.2% approved of the Secretary no longer being a board-level position.

News Briefs

Annual, Fall Council Meetings Set

The AICPA's Annual Members' Meeting will be held on Friday morning, Oct. 18, in Chicago, and will immediately be followed by the Council's meeting. Council also will meet on Saturday, Oct. 19. A

dinner dance for all attendees will be held on Saturday evening.

The annual meeting and meeting of Council will kick off with an opening reception on Thursday evening, Oct. 17. Incoming members of Council and AICPA committee chairs will meet during the day on Thursday.

Members are invited to observe Council's deliberations. CPE credit will be provided, as appropriate, depending on the content of the final agenda. For registration and other information, contact the AICPA Order Department (Conference Registration) at 800/862-4272.

Practitioners Have Special Requirements When Changing Member Record

AICPA members in public accounting often send changes in firm name or affiliation with their annual membership dues payment. If necessary, the Institute's membership administration team then contacts these members to assess the significance of the changes as they relate to the firm's participation in either the AICPA's Division for CPA Firms or the AICPA Peer Review Program.

By including the following information on the back of the member data change form, or in separate correspondence, members can ensure that changes will be processed with greater speed: firm name(s) before and after change and resulting address(es), telephone number(s) and managing partner(s); effective date of change; whether the change resulted from a merger/purchase, dissolution, name change of existing firm or other; and the number of partners before and after the firm's merger or dissolution.

For mergers/purchases: What percentage, not including tax or management consulting work (total must equal 100%), of the accounting and auditing practice did each firm contribute to the new entity? Has the new firm acquired any SEC clients as a result of the merger/purchase? *For Division for CPA Firms:* Are all partners/shareholders of the resulting firm who are CPAs currently members of the AICPA?

For dissolutions: Of the firm's original accounting and auditing practice, not including tax or management consulting work, what percentage did each owner of the original firm take to his/her newly created firm or to a currently existing firm? (Total must equal 100%.) Did the firm have any SEC clients? If so, which firm is retaining them?

This information should be provided by the managing partner of the firm and mailed to AICPA Membership Administration, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Or, fax to 201/938-3108 or e-mail to nrey@aicpa.org. The member data change form soon will be available on the AICPA fax hotline.

Industry Members Wanted for Short-Term Task Forces

The AICPA Management Accounting Executive Committee is looking for members in business and industry to serve on short-term task forces focused on specific management accounting concepts and practices. These task forces, which will be active for up to six months, will play an advisory role on developing management accounting guidelines in conjunction with the Society of Management Accountants of Canada. Members with solid experience in one of the following topics are needed: (1) measuring shareholder value creation, (2) redesigning the finance function, or (3) financial risk reduction strategies for corporate treasury management. Involvement in the task force includes reviewing outlines and manuscripts and providing comments based on experience. It may require travel, which will be fully reimbursed. For more information and a nomination form, dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 1055.

Outstanding CPA in Business and Industry Named

Bruce Lunsford, founder of Vencor Inc., a \$1.9 billion provider of long-term health care services that began with the purchase of a single small-town hospital in northern Indiana and a staff of three, is this year's recipient of the fourth annual AICPA Outstanding CPA in Industry Award. He was presented the award at the Institute's Spring National Industry Conference.

Nominations currently are being accepted for the 1997 award; call Jodi Ryan at 212/596-6105 for information.

Public Meeting Notices

For detailed agendas, dial 201/938-3787 from a fax machine and select document no. 1207 (unless otherwise noted) two weeks prior to these meetings.

Accounting Standards Executive Committee: July 23-24, New York (no. 1206); Sept. 10-11, New York
Auditing Standards Board: Aug. 20-22, New York (no. 1206)

Other Meetings

Peer Review Board: Aug. 6-7, Boston

Accounting & Auditing News

FASB Issues Two Exposure Drafts, Statement on Transfers

By the end of June, the Financial Accounting Standards Board was expected to issue exposure drafts on derivatives and hedging (product code E140) and comprehensive income (product code E139). The comment deadline for both EDs, which are being mailed together, will be Oct. 11. One copy of each ED is avail-

able free until then. Public hearings are scheduled for Nov. 15, 18, 19 and 20.

The FASB also was to issue by the end of June a statement on transfers of financial assets (product code S125). Price: \$11.50.

To obtain the proposals or statement, contact: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; 203/847-0700, ext. 555.

AICPA Board Resolution Will Add Public Member to FAF

Several news publications have reported on the SEC's contention that the public interest is not adequately represented on the Financial Accounting Foundation, whose trustees appoint members of the Financial Accounting Standards Board, thereby possibly allowing the FASB to appear beholden to special interest groups.

While not accepting the SEC's contention, but consistent with the AICPA's continuing dedication to serving the public interest and its support for keeping standard

setting in the private sector, the Institute's Board of Directors on May 19 resolved to reduce by one the number of AICPA seats on the FAF so that the make-up of the foundation would be more in line with what the SEC would like.

The FAF and SEC had a number of discussions on the issue, and have reached an agreement to balance the composition of the FAF and keep standard setting in the private sector.

OMB Revises Cost Principles for Educational Institutions

The U.S. Office of Management and Budget issued revisions to OMB Circular A-21, *Cost Principles for Educational Institutions* (*Federal Register*, May 8). The revisions incorporate four cost accounting standards applicable to educational institutions issued by the Cost Accounting Standards Board and extend those standards to all sponsored agreements. The revisions also require certain large educational institutions to disclose their cost accounting practices by the submission of a Disclosure

Statement prescribed by the CASB; amend the definition of equipment; eliminate in 1998 the use of special cost studies to allocate utility, library and student service costs; and require the use of fixed facilities and administrative cost rates for the life of sponsored agreement. The revisions also rescind OMB Circular A-88, *Indirect Cost Rates, Audits, and Audit Follow-up at Educational Institutions*, in its entirety. The revised Circular A-21 generally was effective May 8.

Highlights of May Meeting of Governing Council

At its meeting on May 20-22, the AICPA's governing Council:

- Approved a budget for 1996-97 that provides for no dues increase.
- Presented the fourth annual Public Service Award to William R. Halling, president of the Economic Club of Detroit, in recognition of his more than 30 years of dedication to many public service activities in the greater Detroit area.
- Presented the AICPA Lifetime Achievement in Accounting Education Award to Gary John Previts, professor of accountancy at the Weatherhead School of Management, Case Western Reserve University in Cleveland, for development of quality accounting programs, excellence in teaching and commitment to the CPA profession.
- Heard that the results of research measuring the impact to date of the Institute's image-enhancement campaign show that the communications effort clearly is working to improve the image of CPAs (*The CPA Letter*, May). Also reported was that the state CPA societies' use of radio advertisements contributed significantly to the effectiveness of the campaign.
- Was informed by the CPE Board of Management that the "Proposal for the Establishment of a Continuing Professional Education Network" (a collaborative effort with the state societies) is making progress, with states scheduled to announce their participation in the alliance by July 1.
- Heard from former Apple Computer Chair John Sculley that given the impact of technology on CPAs, CPAs will become more "information managers" and "business advisers with accounting skills" rather than "accountants."
- Utilized a new, electronic polling technology to give Council and other attendees an opportunity to respond and be instantaneously counted on a series of related questions on their practice and professional issues, as well as regulation of the profession in the future.
- Received an update on Public Oversight Board activities.

Member to Member... Chair's Corner

By Ron Cohen

Chair, AICPA Board of Directors

Our profession's commitment to protecting the public interest, as I have previously stated, is uncompromising and constant. Our responsibility to speak out on important issues affecting the public, particularly in areas where our expertise and experience should be heard and can make a difference, is a key element in defining a true profession. There are two situations involving the AICPA and the Department of Labor I would like to discuss.

The first situation involves the review of employee benefit plan audits submitted to DOL. Their review and subsequent report, "Assessment of the Quality of Employee Benefit Plan Audits," was critical of the quality of ERISA audits performed by CPAs. Working closely with DOL, the AICPA was able to participate fully to identify methods to strengthen the quality of these audits.

The results of this collaboration between the DOL's Pension and Welfare Benefits Administration and the AICPA include the introduction of legislation to add additional protections for the beneficiaries of employee benefit plans and for the public.

In addition, the AICPA has assured the PWBA that we take these criticisms of our members' performance very seriously. The AICPA, working with the PWBA, has made a concerted effort to improve the guidance and

training available to plan auditors. And other actions we are now considering will further help members to improve the quality of service to benefit plan beneficiaries and to the public. For details on these past and future efforts, see the article on page 9.

The second situation involves a decision by DOL that will block many workers from receiving important information about promised health and welfare benefits. That decision indicated that DOL would not take enforcement action against collectively bargained, multi-employer health and welfare benefit plans whose financial statements do not comply with accounting rules governing the reporting of post-retirement obligations [see article on page 12].

These AICPA accounting rules are enforced by DOL for single-employer plans. Further, companies that report to the SEC must follow similar accounting rules, as does the federal government for its own plans. Furthermore, waiving the requirements of SOP 92-6 for collectively bargained, multiemployer plans runs contrary to DOL's previous support of the accounting rules and to various DOL initiatives to improve information available to workers. The AICPA has been on record since 1978 in supporting full-scope audits of all benefit plans.

We should not allow the government to "play with the rules"—overriding or creating new applications of accounting rules—that do not serve the public well. Our rules in this area are sound! DOL's "tweaking" is both unnecessary and unwise.

To contact Ron Cohen, fax 219/236-8692.

Georgia Society Develops Auto Products Promoting New "CPA" Logo

Georgia Society of CPAs Executive Director Jim Martin has created a unique, low-cost self-promotion effort in which all CPAs can participate.

Automobile tags, tag frames, decals and bumper stickers bearing the CPA logo and tagline used in the national ad campaign are available through the society (which is working with a private manufacturer). The prices for these tasteful, attractive items range from \$5 for decals and bumper stickers, to \$7 for an auto tag, to \$35 for a brass auto tag frame (prices include shipping and handling; volume discounts are available). Members should find out their states' requirements in terms of tags and tag frames for autos since they differ.

A merchandise order form is available on the AICPA's fax hotline. Dial 201/938-3787 from a fax machine, follow the voice cues and select document no. 108; or write: Georgia Society of CPAs, 3340 Peachtree

Road NE, Suite 2700, Atlanta, GA 30326-1026.

AICPA Offers Golf Balls With Logo

Spalding XL golf balls with the new "CPA" logo in black is the latest product to be offered to members as part of the accessories collection that helps "promote" the CPA designation. The cost is \$22.50 per dozen (plus shipping and handling). To order, call Big Game Outfitters at 508/768-7749, fax 508/768-6405, or write: Big Game Outfitters, 245 Western Avenue, Suite 32, Essex, MA 01929. An order form with all of the accessory products available may be obtained from the AICPA fax hotline by dialing 201/938-3787 from a fax machine and selecting document no. 107.

Massachusetts Society Helps CPAs Promote Themselves

The Massachusetts Society of CPAs recently held a conference to discuss how members can get current and potential clients and employers to perceive them as "business advisers" and how they can leverage off the AICPA's advertising effort.

"Image was a concern all over, and it matched the ad campaign's goals," said Paul Kunin, an industry CPA

who serves on the society's Human Resources Committee.

Comments from attendees included calling the conference the best day of CPE they have ever had, saying it helped them determine in which direction to head as professionals and describing the conference as extremely valuable and inspiring.

AICPA... Where to Turn

All address and job change information should be mailed or faxed to Membership Records in NJ (the changes will be made automatically for all publications included in your membership).

AICPA Staff Contact:

Phone Number:

Office Location: NY NJ DC
(circle one)

AICPA, New York	212/596-6200	Order Department (until 7:30 p.m., EST)	800/862-4272
Fax number	212/596-6213	Fax number	800/362-5066
AICPA, New Jersey	201/938-3000	Peer Review	201/938-3030
Fax number	201/938-3329	PFP member section/PFS designation	800/862-4272
AICPA, Washington	202/737-6600	<i>The Practicing CPA</i> (editorial)	201/938-3796
Fax number	202/638-4512	Professional Ethics	800/862-4272
AICPA CPE Course Information	800/862-4272	Public Relations and Communications	212/596-6106
AICPA Fax Hotline (dial from fax machine)	201/938-3787	Software (AICPA products)	800/226-5800
AICPA Political Action Committee	202/434-9205	State Legislation	202/434-9222
Academic and Career Development	212/596-6222	State Society Relations	202/434-9257
Recruiting for the Profession	212/596-6220	Subscriptions and Publications	
Advertising (<i>Journal of Accountancy</i> , <i>The Tax Adviser</i>)		Customer Service (until 7:30 p.m., EST)	201/938-3333
Classified ads	800/237-9851	Fax number	201/938-3344
Display ads	212/596-6274	Tax Information Phone Service	900/555-8477
Accounting and Review Services	212/596-6031	(Tax and PCPS members only)	
Accounting Research Association	201/938-3280	Taxation (not for technical inquiries)	202/434-9226
Accounting Standards	212/596-6166	<i>The Tax Adviser</i> (editorial)	201/938-3444
Audit & Accounting Guides	201/938-3339	Technical Information Hotline	800/862-4272
Auditing Standards	212/596-6036	(auditing and accounting practice inquiries)	
Benevolent Fund	201/938-3253	Women and Family Issues	212/596-6226
Committee Appointments	212/596-6097		
<i>CPA Client Bulletin</i> , <i>CPA Client Tax Letter</i> , <i>CPA HealthCare Client Letter</i>			
— Subscriptions (Order Department)	800/862-4272		
— Editorial	201/938-3301		
<i>The CPA Letter</i> (editorial)	212/596-6112		
Division for CPA Firms (public file information)	800/272-3476		
Private Companies Practice Section	201/938-3034		
SEC Practice Section	201/938-3022		
Examinations (Uniform CPA Exam)	201/938-3429		
Federal Government (regulatory matters)	202/434-9253		
Federal Legislation (congressional matters)	202/434-9205		
General Counsel	212/596-6245		
Government Member Inquiries	202/434-9259		
Industry Member Programs, Management			
Accounting	212/596-6157		
Info. Tech. member section (not for software)	212/596-6211		
Joint Trial Board (disciplinary actions)	212/596-6098		
<i>Journal of Accountancy</i> (editorial)	201/938-3292		
Library Services	800/862-4272		
Fax number	201/938-3955		
Management of an Accounting Practice	201/938-3583		
MCS member section	212/596-6065		
Meetings and Travel	201/938-3232		
Member Programs and Benefits	201/938-3304		
Membership Records (until 7:30 p.m., EST)	201/938-3100		
Fax number	201/938-3108		
Minority Initiatives	212/596-6227		

Affinity Programs

Insurance Programs

Aon Insurance Services	
Life	800/223-7473
Disability	800/221-4722
Group	800/221-3019
Long-Term Care	800/453-0567
Personal Liability Umbrella	800/221-3021
Professional Liability	800/221-3023
National General Insurance Co.	
Automobile	800/847-2886
Home	800/847-7233
Auto Leasing (AT&T Capital Corp.)	800/405-9672
Car Rental (Hertz)	800/654-2200
Car Rental (National)	800/227-7368
Computers (Dell Corporation)	800/568-8313
Credit Card (Marine Midland Bank)	800/850-3144
Employment Referral Service	
(CPA JOB BANK)	800/939-1040
Forms/Supplies (Wallace, contract CA252)	800/782-4892
Home Mortgages and	
Equity Loans (Norwest)	800/272-1210
Long Distance Telephone (Sprint)	800/473-0898
Mailroom equipment (Pitney-Bowes, reference code 4758)	800/MR-BOWES
Overnight Delivery (Airborne Express)	800/MEMBERS
Retirement Programs (T. Rowe Price)	800/38-AICPA
Tax research material (RIA Group)	800/431-9025, ext. 3
Xerox Corporation	800/832-6979, ext. CPA

New York

1211 Avenue of the Americas
New York, NY 10036-8775

New Jersey

Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Washington, D.C.

1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

List of Staff Contact/Member Assignments

Below is a list of AICPA staff contact/member assignments (*The CPA Letter*, Dec. 1995). Members should use their last names to locate their staff liaisons. Upon finding their staff liaisons, members are encouraged to write that person's name, telephone number and office location where indicated on the directory of AICPA services featured on page 5 (clip and save the directory for future reference). **Items appearing in boldface indicate changes since the previously published listing.**

Members with Last Name...	AICPA Contact	Members with Last Name...	AICPA Contact
A—Adams, B.	Peter Kieran 201/938-3758 NJ	Clark, T.—Clufe	Shirley Crawford 201/938-3233 NJ
Adams, C.—Ahlgram	Walling Almonte 201/938-3262 NJ	Cluff—Cohen, Q.	Patricia A. Cummings 212/596-6030 NY
Ahlgren—Alexaniam	Joan Elizabeth Anderson 201/938-3323 NJ	Cohen, R.—Collins, J.	Raymond Cuneo Jr. 201/938-3864 NJ
Alexanian—Alpineq	Susan Anderson 201/938-3352 NJ	Collins, K.—Connerr	Nadine A. Cunningham 201/938-3795 NJ
Alpiner—Anderson, B.	Catherine Brosnan 201/938-3568 NJ	Connors—Cooncd	Julia Esposito 201/938-3505 NJ
Anderson, C.—Andrewr	Dale R. Atherton 201/938-3253 NJ	Coonce—Corq	John Daidone 212/596-6220 NY
Andrews—Archeq	Mary Moore 201/938-3438 NJ	Corr—Cowan	Irene Dajka 212/596-6295 NY
Archer—Arvom	Sheri B. Bango 202/434-9201 DC	Cowan—Crawford, K.	Dave Dasgupta 212/596-6111 NY
Arvon—Austri	Marie T. Bareille 201/938-3299 NJ	Crawford, L.—Crottr	Arline Dederick 201/938-3572 NJ
Austria—Baggin	Maria Beck 202/434-9204 DC	Crotts—Cunningham, J.	Richard Koreto 201/938-3412 NJ
Baggio—Bakkn	Joseph Bentz Jr. 201/938-3584 NJ	Cunningham, K.—Dagf	Yolanda deJesus 201/938-3422 NJ
Bakko—Baranskh	Phyllis Bernstein 212/596-6058 NY	Dagg—Daniels, D.	Linda Delahanty 201/938-3416 NJ
Baranski—Barnex	Carol Bertolotti 201/938-3570 NJ	Daniels, E.—Davinh	Josephine DeLosReyes 212/596-6216 NY
Barney—Bartom	Bruce Howard Biskin 201/938-3421 NJ	Davini—Dawsom	Anita Dennis 201/938-3285 NJ
Barton—Baumblats	James Dean Blum 201/938-3419 NJ	Dawson—Deel	Nina Suzanne Diamond 212/596-6294 NY
Baumblatt—Becj	Susan Lynn Bolmer 201/938-3910 NJ	Deem—Deltorn	Rufina Kaminski 201/938-3369 NJ
Beck—Belaiq	Jacqueline Pastore 201/938-3044 NJ	Deltoro—Derb	Rachel Dichter 201/938-3567 NJ
Belair—Benity	Celeste Booth 201/938-3132 NJ	Derba—Deyn	Robert F. DiCorcia 201/938-3392 NJ
Benitz—Bergerom	Donna Borowicz 201/938-3210 NJ	Deyo—Dillarr	George N. Dietz 201/938-3339 NJ
Bergeron—Bersr	Elaine Lehnert 212/596-6160 NY	Dillars—Dobid	Julie Dilley 201/938-3051 NJ
Berss—Biggh	R. Bruce Brasell 201/938-3017 NJ	Dobie—Donnelly, G.	Lisa Dinackus 202/434-9276 DC
Biggi—Black, G.	Edith Breitner 201/938-3176 NJ	Donnelly, H.—Doverr	Francesca DiPietro 201/938-3435 NJ
Black, H.—Bletg	Richard Bruder 201/938-3482 NJ	Dovers—Dropld	Mary Maughan 201/938-3365 NJ
Bleth—Bodni	Jeanmarie Brusati 201/938-3405 NJ	Drople—Dunbaq	Patricia Donius 201/938-3353 NJ
Bodnia—Bonfif	Luis E. Cabrera 201/938-3059 NJ	Dunbar—Duy	Lynn Drake 202/434-9214 DC
Bonfig—Bostateq	Barbara Ann Capek 201/938-3317 NJ	Duz—Eckers	Barbara Considine 201/938-3208 NJ
Bostater—Boyanoskh	Emanuela LiMandri 212/596-6247 NY	Eckert—Ehrif	George Durk 201/938-3174 NJ
Boyanoski—Brail	Emma Jeanette Carlson 201/938-3517 NJ	Ehrig—Elliott, P.	Stuart Eisenberg 201/938-3481 NJ
Braim—Brehk	Matthew C. Carr 212/596-6059 NY	Elliott, R.—Engelteq	Christopher Wright 201/938-3511 NJ
Brehl—Brimlex	Michael Frederick Chen 201/938-3213 NJ	Engelter—Eskh	Carol Ann J. Fagan 201/938-3401 NJ
Brimley—Brooksheaq	Carmela Chinnici 212/596-6114 NY	Eski—Ewelk	Kimberly Falco 201/938-3442 NJ
Brookshear—Brown, L.	Gennaro Cicalese 201/938-3171 NJ	Ewell—Faric	Madelaine Feldman 212/596-6261 NY
Brown, M.—Brunnes	Lisa Snyder 201/938-3779 NJ	Farid—Feenex	Carol Ferguson 202/434-9243 DC
Brunnet—Buecke	Joseph M. Ciccone 212/596-6229 NY	Feeney—Fernander	Helen Figueroa 201/938-3676 NJ
Buecker—Burgin	Gene Cioffi 201/938-3449 NJ	Fernandes—Finazzn	Herbert Finkston 201/938-3175 NJ
Burgio—Burtcg	Anthony Crudo 201/938-3274 NJ	Finazzo—Fisher, K.	Nick Fiore 201/938-3444 NJ
Burtch—Byngtom	Hal Clark 201/938-3248 NJ	Fisher, L.—Fleming, K.	Gretchen Fischbach 201/938-3180 NJ
Byngton—Callahal	James Salisbury Clark 202/434-9229 DC	Fleming, L.—Fom	Peter Fleming 201/938-3286 NJ
Callahan—Canahah	Sarah Cobb 201/938-3290 NJ	Fon—Foster, F.	Joanne Mary Flood 201/938-3561 NJ
Canahai—Cargilk	Susan S. Coffey 201/938-3177 NJ	Foster, G.—Frangipand	Richard Flynn 212/596-6272 NY
Cargill—Carrabind	Arlene Cohen 201/938-3534 NJ	Frangipane—Freeman, P.	Mary Foelster 202/434-9259 DC
Carrabine—Casell	Nancy Cohen 212/596-6010 NY	Freeman, Q.—Frittr	Sharon Free 201/938-3077 NJ
Casella—Cavedn	Sheila D. Colclasure 202/434-9263 DC	Fritts—Furburs	William Norris Free Jr. 212/596-6232 NY
Cavedo—Chanx	Mary Conte 201/938-3109 NJ	Furbert—Gallarc	Gary Freundlich 201/938-3021 NJ
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DOL Study Shows Improvements Still Needed in Employee Benefit Plan Audits

The U.S. Department of Labor continues to find deficient employee benefit plan audits, according to a recent study on the quality of employee benefit plan audits by the DOL's Pension and Welfare Benefits Administration. The PWBA found many of the plan audits that it reviewed did not comply with generally accepted auditing standards, and many plan filings did not comply with Employee Retirement Income Security Act reporting requirements. The PWBA study was a follow-up to a study in 1987 by the DOL's Office of the Inspector General, which found similar results.

The PWBA found that for the 1992 plan year, 19% of the audits reviewed contained one or more GAAS violations, and 33% were not in compliance with ERISA reporting and disclosure requirements. A large number of the GAAS violations related to a failure to perform any work in the areas of ERISA-prohibited transactions, participant data, plan obligations and benefit payments. In addition, many auditors did not document their work in the above areas, as well as the plan's tax status, subsequent events and plan representations.

The PWBA identified a number of problems that resulted in noncompliance with standards, including:

- Auditors being unfamiliar with the unique audit and reporting requirements of employee benefit plans.
- Auditors often viewing these audits as ancillary to the company sponsor's financial statement audit.
- Auditors having limited experience with employee benefit plan audits.
- Underestimating audit fees that do not support the required level of audit procedures and the related risks associated with the engagements.
- Inadequate audit quality control processes and documentation standards.

The AICPA has worked closely with the DOL since 1988 to strengthen the quality of employee benefit plan audits, including revising the AICPA Audit and Accounting Guide *Audits of Employee Benefit Plans*, holding a national conference on employee benefit plans and preparing various technical practice aids. The AICPA will continue to work with the DOL to strengthen the quality of plan audits, and will consider, among other things, the following actions:

- Support a strengthened definition of "qualified public accountant" in ERISA to help ensure that only qualified auditors perform ERISA plan audits.
- Support repeal of the limited-scope audit exception in ERISA.
- Establish additional technical support services for auditors of employee benefit plans.
- Provide more technical training at the state level in conjunction with state CPA societies.
- Strengthen the peer review process and related reporting in connection with employee benefit plan audits.
- Collaborate with the DOL on a guide for plan administrators that details factors to consider in selecting a plan auditor.

- Prepare additional technical practice aids.
- Circulate a copy of the DOL study to CPAs in public practice.

The PWBA's findings of substandard audit quality with respect to employee benefit plan audits is a matter the AICPA takes seriously. The AICPA Professional Ethics Division intends to continue taking investigatory and disciplinary action on all referrals.

An article in the June issue of the *Journal of Accountancy* further discusses the DOL study and identifies several "best practices" for employee benefit plan audits, including assigning trained professionals to employee benefit plan audits, to the extent possible; performing second reviews on higher risk engagements; ensuring that qualified tax staff address the plan's tax status review, related-party-transactions review and Form 5500 review; ensuring that engagement personnel have access to current authoritative guidance and are properly trained in employee benefit plan matters; using standardized engagement tools and documentation approaches; ensuring that the firm's internal quality control review programs address employee benefit plan audit engagements and that reviews are performed by qualified personnel; using technical hotlines and support services provided by the AICPA and various state societies; and considering engaging the services of another CPA firm experienced in employee benefit plan accounting, audit and ERISA matters when necessary and appropriate.

AICPA members can obtain a copy of the DOL study by calling the AICPA Washington Office at 202/434-9213.

Help Is Available

Members who have questions about employee benefit plan audits should call the AICPA's technical hotline at 800/862-4272. In addition, the PWBA encourages auditors and plan filers to call its Division of Accounting Services at 202/219-8794 with ERISA-related accounting and auditing questions and questions regarding the preparation of the Form 5500. Questions concerning filing requirements should be directed to the Division of Reporting Compliance at 202/219-8770.

The following products are available through the AICPA's Order Department (see page 11): audit and accounting guide, *Audits of Employee Benefit Plans* (No. 012335CLA7); audit risk alert, *Employee Benefit Plans Industry Developments—1996* (No. 022177CLA7); Checklist and Illustrative Financial Statements: *Defined Benefit Pension Plans* (No. 008695CLA7), *Employee Health and Welfare Benefit Plans* (No. 008698CLA7), and *Defined Contribution Plans* (No. 008700CLA7); and self-study CPE courses: *Audits of Employee Benefit Plans* (No. 737087CLA7), *Employee Benefit Plans I: Accounting Principles* (MicroMash) (Windows—No. 703116CLA7; DOS—No. 703113CLA7), and *Employee Benefit Plans II: Audit Considerations* (MicroMash) (Windows—No. 703126CLA7; DOS—No. 703123CLA7).

Quarterly List of Documents Available on AICPA 24-Hour Fax Hotline

To retrieve any documents listed below, dial 201/938-3787 from a fax machine, follow the voice cues and provide the numbers of the documents desired. There is no charge for this service. All documents are 10 pages or less unless otherwise noted. An asterisk indicates availability on the Accountants Forum on CompuServe.

**Document
No.**

Item

1	AICPA 24-Hour Fax Hotline Catalog
1100	PFS Examination Procedures
125*	Apr. 18-19 Board of Directors' Minutes
140	CPA Exam question disclosure now limited
141	Questions & answers about CPA Exam disclosure
150	Policies for the CPE Membership Requirement
162	Personal Financial Specialist Information
252	<i>Accounting Educators: FYI</i> , May 1996
411	SEC Proposal on Derivatives Disclosures
416	Highlights of the SEC Regulations Committee Meeting
417	Safe Harbor for Disclosure of Risks Concerning Derivatives

418	Student Loan Audit Deadline Letter
457	AcSEC Actions—Apr. 23 & 24
600	Overview of State Legislative Issues
601	Uniform Accountancy Act Chart (14 pages)
602	Form of Practice Chart
603	Form of Practice Issue Brief
604	Commission and Contingent Fee Chart
606	State Regulation of Financial Planners and Investment Advisers Chart
701	Industry Related Group Study Products (11 pages)
979	Comments on Proposed Section 1.1402(a)-18 SE Tax of Members of LLCs
980	Comments on Proposed Section 1.469 for Certain Real Estate Activities
981	Comments on Proposed Sec. 1.704 and 1.737-1 through -5 of Gain or Loss by Contributing Partner on Distribution Recognition
982	Comments on IRS Notice 95-14, Simplification of Entity Classification Rules
986	Section 731 Regulation Comments—Partnership Distribution of Marketable Securities
987	State Estate Tax Contacts
988	Directory of State Revenue Departments
990	State Tax Internet Information

CPE News

Group, Self Study Courses Cover Changes to OMB Circular A-133

AICPA CPE courses provide comprehensive coverage of recent revisions to OMB Circular A-133. Key elements of the revisions, published in the Apr. 30 *Federal Register*, include an increase, to \$300,000, in the dollar threshold for single audit coverage; the implementation of a risk-based approach to selecting major programs; a change in the definition of nonprofit organizations to include hospitals; and a reduction, to nine months, in the audit report due date. Courses providing coverage of these and other developments affecting not-for-profit auditors include **Audit Requirements of OMB Circular A-133** and **Nonprofit Accounting and Auditing Update**. Both titles are available in group and self-study versions.

Group Study: To receive program and registration information for live presentations sponsored by state CPA societies, dial 201/938-3787 from a fax machine, follow the voice cues and request document no. 712. Or, write: Pernell Brown, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Request ADV #112.

Self Study: Contact either the AICPA Order Department (see page 11) or a state CPA society.

Audit Requirements of OMB Circular A-133.

Recommended CPE credit: 10 hours. Format: audiocassette/workbook (No. 754101CLC), \$129; additional workbook (No. 754111CLC), \$84.

Nonprofit Accounting and Auditing Update.

Recommended CPE credit: 10 hours. Format: audiocassette/workbook (No. 742020CLC), \$129; additional workbook (No. 742025CLC), \$84.

Conferences

National Governmental Accounting & Auditing Update Conference, Sept. 12-13, Phoenix, recommended CPE credit: 16 hours. **Second Annual Northeast Financial Reporting in the 1990s**, Sept. 30, New York, recommended CPE credit: 8 hours. **National Advanced Litigation Services Conference**, Sept. 30-Oct. 1, New Orleans, recommended CPE credit: 16 hours. **National Auto Dealership Conference**, Oct. 21-22, Phoenix, recommended CPE credit: 16 hours. **National Governmental Training Program**, Oct. 21-23, Nashville, recommended CPE credit: 24 hours. **National Federal Tax Conference with Tax Planning for Retirement Assets**, Oct. 30-Nov. 1, Washington, D.C., recommended CPE credit: up to 24 hours.

For more information, contact AICPA Conference Registration at 800/862-4272.

New Products & Publications

The new *Banks and Savings Institutions Audit & Accounting Guide* (No. 011175CLA7) was recently released. Updated through Apr. 1, 1996, it includes descriptions of transactions and regulations from the banks and savings industries.

The guide also includes illustrative auditors' reports, financial statements and confirmation request forms. Price: \$29.50 member, \$33 non-member.

There are three new books in the Management of an Accounting Practice line. *Turning Sales Over to the Pros* (No. 090416CLA7) contains 14 in-depth case studies profiling how firms have integrated sales professionals into their business development. Price: \$28 member, \$31 non-member.

How to Hire a Marketing Director and Make It Work (No. 090415CLA7) offers first-hand, step-by-step advice from members of the Association for Accounting

Marketing on every issue pertinent to a successful marketing director hire. Price: \$39 member, \$44 non-member.

Management Review Guide: A Do-It-Yourself Practice Analysis (No. 090410CLA7) will help members increase their efficiency and profits. This hands-on practice aid shows CPAs and firm partners how to spot practice-management problems and team up to improve the firm's management practices. Also available on WordPerfect disk, version 5.1 or higher (No. 090419CLA7). Price: Paperback or Disk: \$30 member, \$33 non-member.

To order, write: AICPA Order Department, CLA7, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272. Ask for Operator CLA7. Orders for exposure drafts must be written or faxed. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m., EST. **Prices do not include shipping and handling. Have membership number ready.**

Disciplinary Actions

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

—*Terminated:*

- Mark A. Krivacka of San Antonio, Texas, for failure to cooperate with the AICPA in its investigation of his

alleged conduct.

- Wayne R. Smith of Waldorf, Md., for failure to respond to inquiries of the Technical Standards Subcommittee of the Professional Ethics Division of the AICPA in its attempt to investigate a complaint.

- John M. Kilroy of Wayne, Pa., for violating Rules 101—Independence and 202—Compliance with Standards of the Code of Professional Conduct of the AICPA in connection with his examination of a client's profit sharing plan.

—*Suspended:*

- Steven A. Jay of Fairfield, N.J., was suspended for two years for violating Rules 201 (A)—Competence, 201 (B)—Due Professional Care and 202—Compliance with Standards of the Code of Professional Conduct of the AICPA in connection with his audit of a client's financial statements. He was also required to complete specified CPE courses and submit a list of engagements for selected review.

—*Admonished:*

- Robert J. Brewer of Waldorf, Md., was admonished for failing to respond to inquiries of the Technical Standards Subcommittee of the Professional Ethics Division of the AICPA in its attempt to investigate a complaint.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* effective Mar. 4, 1996, following the denial by an ad hoc committee of the Joint Trial Board that the

automatic disciplinary action not apply to their circumstances:

- Stephen A. Cohen of Philadelphia following a U.S. Circuit Court of Appeals' decision affirming his conviction for conspiracy to obstruct the lawful functions of the IRS and aiding and abetting in the preparation of false income tax returns.

- Ronald G. Sherry of Edison, N.J., after having pleaded guilty to making false statements to the SEC.

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- James J. Bedinger of Walnut Creek, Calif., settled charges on Mar. 13, 1996, of violating Rule 501—Acts Discreditable of the Code of Professional Conduct of the AICPA for his failure to join the SEC Practice Section when his firm became auditor of record for a regulated entity. Without admitting or denying the charges, Mr. Bedinger agreed to a two-year suspension of his membership in the AICPA.

- Willis H. Geyer Jr. of Springfield, Ohio, settled charges on Apr. 15, 1996, of violating Rule 101—Independence of the Code of Professional Conduct of the AICPA and the Ohio Society of CPAs (OSCPA) for serving on the Board of Trustees of an audit client during the period covered by the client's financial statements, during the period in which his firm performed the audit engagement, and at the time his firm expressed an opinion on the financial statements. Without admitting or denying the charges, Mr. Geyer agreed to two-year suspensions of his memberships in the AICPA and the OSCPAs, to comply with AU sec. 561 for all audit engagements performed while he was both a partner in his firm and a member of the client's Board of Trustees, and to complete 15 hours of specified CPE courses.

Washington At A Glance

Battle to Keep Workers Informed About Retirement Benefits Continues

Continuing its battle to keep workers informed about the security of promised retirement benefits, the AICPA on May 14 expressed strong opposition to a decision by the Department of Labor that will block many workers from receiving important information about promised health and welfare benefits.

In a letter to Secretary of Labor Robert B. Reich, AICPA Chair Ron Cohen objected to the DOL's decision not to take enforcement action against collectively bargained, multiemployer health and welfare benefit plans whose financial statements do not comply with accounting rules governing the reporting of postretirement obligations. The relevant accounting rule (AICPA Statement of Position No. 92-6) requires financial statement disclosure of the amount of the obligation for promises to provide health and welfare benefits to workers after retirement. The disclosure fills a significant information need for workers to assist them in determining the ability of their plan to pay for promised benefits.

The DOL enforces these rules for other plans and for companies that report to the Securities and

Exchange Commission; similar requirements are imposed on health and welfare benefit plans sponsored by the federal government.

Waiving the requirements of SOP 92-6 for collectively bargained, multiemployer plans runs contrary to the DOL's previous support of the accounting rules and to various DOL initiatives to improve information available to workers, Cohen charged.

The AICPA in 1993 launched its campaign to ensure that workers have more complete information about the likelihood of collecting promised pension benefits after retirement by issuing a series of recommendations to increase the amount of information available to pension plan participants about the financial status of the plan. Last year, the Institute released a retirement planning guide to 401(k) plans and joined the DOL in its national retirement savings education campaign.

Free Guide to Tax Deductions for Corporate Clients Offered

The nonprofit National Association for the Exchange of Industrial Resources is offering CPAs a free guide that shows how corporate clients can earn a federal income tax deduction by donating their excess, overstock inventory to a qualified charity. The deduction is claimed under Sec. 170 (e) (3) of the IRS Code. Call 800/562-0955.





The CPA Letter

A News Report to Members

September 1996 Vol. 76 No. 7

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Mandated Electronic Federal Tax Payments Delayed Six Months

In 1993, Congress enacted section 6302(h) to help pay for the NAFTA treaty implementation legislation, requiring the IRS to implement an electronic funds transfer system to replace the paper coupon system. Section 6302(h) required a phase-in of EFTPS from 1994-1999 by electronically collecting a statutorily specified percentage of total business taxes each year. Taxpayers who deposited amounts in excess of \$50,000 of payroll taxes in 1995 were to begin making tax deposits electronically Jan. 1, 1997. However, Congress slipped a provision in the Small Business Job Protection Act providing a delay in the electronic filing requirements until July 1, 1997. Taxpayers may still begin filing under EFTPS on Jan. 1, and the IRS has announced that all penalties related to EFTPS will be waived Jan. 1, 1997-July 1, 1997.

More than one million taxpayers will be required to start making their tax payments electronically on July 1, 1997, which can take up to 10 weeks to process. The IRS began mailing letters and enrollment forms to these taxpayers in June. The phase-in follows:

Payroll Tax Deposits (in excess of)	Determination Year	EFTPS Requirement
\$79 million	1993	Jan. 1, 1995
\$47 million	1993 or 1994	Jan. 1, 1996
\$50,000	1995	July 1, 1997
\$50,000	1996	Jan. 1, 1998
\$20,000	1997	Jan. 1, 1999

If a taxpayer has no payroll tax deposits, then all other tax deposits are phased in as follows:

All Tax Deposits (in excess of)	Determination Year	EFTPS Requirement
\$50,000	1995 or 1996	Jan. 1, 1998
\$20,000	1997	Jan. 1, 1999

TAXLINK users will be notified by the IRS as to when they must enroll in EFTPS and convert to the new system.

Once a taxpayer is required to use the

electronic system because the payroll deposit threshold is met, all taxes subject to the tax deposit system must be made electronically. Thus, taxes due with Form 1120, Form 720 (for excise taxes) and even Form 990-T for nonprofits will have to be paid electronically. Individuals are not required to pay their individual income tax liabilities electronically; such taxes are not "depository taxes" for purposes of Sec. 6302. However, they may so choose.

The two payment methods by which taxpayers can generally make electronic tax deposits are ACH Debit and ACH Credit. Either method can be made by telephone or personal computer; Debit and Credit payments must typically be generated *the day before* an actual payment is due.

Under the ACH Debit method, the depositor initiates payment by instructing the treasury financial agent to withdraw funds from the bank account and route them to the Treasury's account at the Federal Reserve Bank. When the taxpayer issues this instruction, the financial agent provides an acknowledgment number, at which point the financial agent has assumed responsibility for the payment.

Under the ACH Credit method, the depositor instructs the bank to send a payment directly to the Treasury's account at the Federal Reserve Bank. Under this method, the taxpayer remains responsible for the payment until it has been credited to the Treasury's account at the Federal Reserve Bank.

The Treasury Department contracted with NationsBank and First National Bank of Chicago to function as treasury financial agents. For customer service to answer taxpayer questions on the enrollment and payment processes, contact either NationsBank at 800/555-4477 or First National Bank of Chicago at 800/945-8400.

To obtain up-to-date information and information from the IRS, dial 201/938-3787 from a fax machine and select document no. 993.

News Briefs

Keep Profiles Current to Receive Correct CPA Letter Supplement

Scheduled to begin with the Nov. issue of *The CPA Letter*, most AICPA members will receive a "member segment supplement" as part of their newsletter (*The CPA Letter*, June). There will be eight different supplements: three in public accounting (small, medium, large firms); three in industry (senior management/officer, finance or accounting, internal audit); one for members in government and one for members in education.

Members will receive whichever one of these supplements conforms to their job function/firm size, based upon information in the Membership Records data base. That information is gleaned from the Member Data Change Forms submitted by members; therefore, it is imperative that members keep this information up to date to receive the appropriate CPA Letter supplement.

Members are encouraged to return the profile forms that were included in the 1996-97 dues bills. If another form is needed, write: AICPA, Communications Team, 1211 Avenue of the Americas, New York, NY 10036-8775 (include a standard-sized, self-addressed envelope). Updated forms must be received by Oct. 1 for the Nov. issue of the newsletter.

CPA Appointed as White House Fellow

Kevin Monroe, CPA, of Carter Lake, Iowa, has been appointed as a White House Fellow for 1996-97 by President Clinton. To the AICPA's knowledge, it is the first time a CPA has been appointed a White House Fellow. Fellows spend a year working as special assistants to senior officials in the White House and cabinet agencies. Monroe is senior audit manager with Deloitte & Touche LLP in Nebraska.

Call for Papers on Preparing Organizations for the Future

The Financial and Management Accounting Committee of the International Federation of Accountants is calling for papers that may be included in a collection of articles under the theme of "Preparing Organizations to Manage the Future: An International Overview," for a publication to be issued in Mar. 1997. The objective is to provide IFAC members with a range of viewpoints on an important topic and to follow a series of previously released works on management accounting topics from an international perspective. The articles should be 3,000-5,000 words in length. To obtain a guide for authors, contact Emanuela LiMandri of the AICPA Industry & Management Accounting Team at 212/596-6157. The deadline for submitting articles is Oct. 31.

Survey of Women in "Big Six" Firms on AICPA Fax Hotline

The July *Journal of Accountancy* featured abridged versions of extensive interviews with "Big Six" leaders regarding their views on employee and client expectations on diversity and lifestyle issues, overcoming barriers to the advancement of women and family-friendly business policies. Members may obtain the full text of the interviews by dialing 201/938-3787 from a fax machine and selecting document no. 580.

AICPA Wins Three APEX Awards

For the seventh consecutive year, the *Journal of Accountancy* has won an award for publication excellence in the APEX competition sponsored by Communications Concepts. The magazine won in the category of "Most Improved Magazines."

Also, *Accounting Educators: FYI* won its second APEX award for publication excellence. The award was received in the best overall newsletter category.

The AICPA's recently released CD-ROM, "Room Zoom: The CPA SourceDisc," also was an APEX '96 winner. It won in the video and multimedia publications—nonprofit category.

Worldwide Conference to Be Held in Israel

Jerusalem, Israel, will be host to a worldwide conference on accountancy Nov. 10-14. The primary issue to be tackled is how a profession, which serves growing entities and operates within local, national or global groups throughout the world, can continue to act with integrity, objectivity and independence to meet the service needs of clients. Other topics include "Organizing and Managing a Professional Service Firm in a Global Business Economy" and "The Responsiveness of Recent Developments in Professional Accounting and Auditing Standards to the Globalization and Complexification of Business."

Registration fee: \$600 (accompanying person \$200). For information, call Nitza Cohen at 792-3-5140014.

Public Meeting Notices

For detailed agendas, dial 201/938-3787 from a fax machine and select document no. 1209 two weeks prior to these meetings.

Accounting & Review Services: Sept. 11-13, New York
Accounting Standards Executive Committee: Oct. 22-23, New York

Auditing Standards Board: Oct. 8-10, Santa Fe, N.M.;
Nov. 12-14, New York

Other Meetings

Peer Review Board: Oct. 7-8, San Francisco

Accounting & Auditing News

Two Audit and Accounting Guides Issued: NPO, Health Care

The AICPA has issued two audit and accounting guides, one on not-for-profits and one on health care organizations.

The *Not-for-Profit Organizations* audit and accounting guide (No.

013166CLA9) applies to all not-for-profit organizations, other than those covered by the Audit and Accounting Guide, *Health Care Organizations* (No. 012429CLA9). It incorporates certain provisions of FASB Statement Nos. 116, 117 and 124, as well as recently issued AICPA statements on auditing standards, such as SAS Nos. 78 and 79, and is directed at NPOs in general, and not at specific kinds of such organizations, such as voluntary health and welfare organizations or private colleges and universities. The guide supersedes the existing AICPA audit and accounting guides for NPOs and incorporates or supersedes AICPA SOPs that amended those guides.

The guide provides the following, among other things:

- If a contribution is transferred to the ultimate recipient through an agent acting as an intermediary, the ultimate recipient should report the contribution when sufficient verifiable evidence that the agent has received the promise to give or contribution becomes available.
- Contributions receivable are not accounts receivable that are required to be confirmed in accordance with SAS No. 67, *The Confirmation Process*. Though contributions receivable are not required to be confirmed, the auditor may nevertheless decide to request confirmation of contributions receivable. If the auditor confirms contributions receivable, he or she should follow the guidance in SAS No. 67 concerning the confirmation process.
- The financial statements should disclose total fund-raising expenses.

- The financial statements should provide information about program expenses. If the components of total program expenses are not evident from the details provided on the face of the statement of activities, the notes to the financial statements should disclose total program expenses.

In addition, the guide includes a definition of a governmental entity and indicators to distinguish exchange transactions from contributions. The provisions of the guide are effective for financial statements for periods ending on or after Dec. 31, 1996.

The new Audit and Accounting Guide *Health Care Organizations*, updated through June 1, 1996, supersedes the existing Audit and Accounting Guide *Audits of Providers of Health Care Services* as well as SOP 89-5 and SOP 90-8. The guide incorporates the guidance in FASB Statement Nos. 116 and 117.

The guide applies to organizations whose principal operations consist of providing or agreeing to provide health care services and that derive all or almost all of their revenues from the sale of goods or services; it also applies to organizations whose primary activities are the planning, organization and oversight of such organizations, such as parent or holding companies of health care providers. The guide applies to health care organizations that are either investor-owned businesses, not-for-profit organizations that have no ownership interest and are essentially self-sustaining from fees charged for goods or services, or governmental.

The guide is effective for financial statements for periods beginning after June 15, 1996. Earlier application is permitted.

Price each guide: \$29.50 member, \$33 non-member, through the AICPA Order Department (see page 8).

Symposium to Address Recommendation of AICPA's Special Committee

The AICPA, along with other organizations, will sponsor a symposium to address the key recommendation made by the AICPA's Special Committee on Financial Reporting in its 1994 report, *Improving Business Reporting—A Customer Focus*. That recommendation calls for standard setters to develop a comprehensive model of business reporting indicating the types and timing of information that users need to value and assess the risk of their investments.

The symposium will be held in New York City on

Oct. 7–8 and will feature panelists who represent industry, investment and credit analysts, regulators and standard setters. Participants at the symposium are invited guests. However, a limited number of seats are available on a first come-first serve basis to those who wish to observe the symposium. No conference fee will be charged.

To reserve a seat, call Dan Noll at 212/596-6168 or e-mail him at dnoll@aicpa.org.

GASB Publishes Special Report on Small Governments

The Governmental Accounting Standards Board has published a research report titled "Small Government Financial Reporting." The report provides the GASB and other interested parties with a comprehensive overview of the small government financial reporting environment.

Three broad questions are asked in the report, including the nature and extent of state regulation of financial reporting, preparer execution of GAAP, and small government user and auditor perceptions of GAAP. Also consid-

ered in the study are five potential modifications to GAAP: another comprehensive basis of accounting, fund-by-fund alternative report format, standard-by-standard alternative report content, popular-type report format, and a delay in effective dates of selected standards.

For a copy of the report (product code GR20), contact: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; 203/847-0700, ext. 555. Price: \$15.

Exposure Draft Issued on Software Revenue Recognition

The Accounting Standards Executive Committee has issued an exposure draft of a proposed statement of position, *Software Revenue Recognition* (No. 800105CLA9), to supersede SOP 91-1, *Software Revenue Recognition*. Comments are due Oct. 14.

The ED, which would provide guidance on applying generally accepted accounting principles in recognizing revenue on software transactions, requires the following:

- If an arrangement to deliver software or a software system, either alone or together with other products or services, requires significant production, modification or customization of software, the entire arrangement should be accounted for in conformity with Accounting Research Bulletin No. 45, *Long-Term Construction-Type Contracts*, using the relevant guidance in SOP 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*, unless specified criteria for separate accounting for any service element are met.

- Separate accounting for a service element of an arrangement to which contract accounting applies is required if both of the following criteria are met:

- The services are not essential to the functionality of any other element of the transaction.

- The services are stated separately in the contract such that the total price of the arrangement would be expected to vary as the result of inclusion or exclusion of the services.

- If an arrangement to deliver software or a software system does not require significant production, modification or customization of software, revenue should be recognized when all of the following criteria are met:

- Persuasive evidence of an agreement exists.

- Delivery has occurred.

- The vendor's fee is fixed or determinable.

- Collectibility is probable.

- Software arrangements may consist of multiple elements, that is, additional software products, upgrades/enhancements, rights to exchange or return software, postcontract customer support (PCS) or services, including elements deliverable only on a when-and-if-available basis. If contract accounting does not apply, the vendor's fee must be allocated to the various

elements based on vendor-specific objective evidence of fair values. If sufficient vendor-specific objective evidence of fair values does not exist, all revenue from the arrangement should be deferred until such sufficient evidence exists, or until all elements have been delivered. Exceptions to this guidance are provided for PCS, subscriptions and arrangements in which the fee is based on the number of copies. Vendor-specific objective evidence is limited to the price charged when the element is sold separately, or if not yet being sold separately, the price for each element established by management having the relevant authority.

- The portion of the license fee allocated to an element should be recognized as revenue when all of the revenue recognition criteria have been met. In applying those criteria, delivery of an element is considered not to have occurred if there are undelivered elements that are essential to the functionality of any delivered elements. Additionally, collectibility of that portion of the fee is not considered to be probable if the amount of the fees attributable to delivered elements is subject to forfeiture, refund, or other concession if the undelivered elements are not delivered.

AcSEC hopes to make the SOP effective for fiscal years beginning after Dec. 15, 1996, with earlier application encouraged. The cumulative effect of changes caused by adopting the provisions of the proposed SOP should be included in the determination of net income in conformity with Accounting Principles Board Opinion No. 20, *Accounting Changes*.

One copy of the exposure draft has been mailed to those on the standing order list to receive exposure drafts; others may obtain one free copy (\$6.50 member, \$7.25 non-member for each additional copy) from the AICPA Order Department (see page 8). It also is available in the Accountants Forum "accounting & auditing" library.

Written comments on the exposure draft should reference File 2354 and be directed to: Richard Stuart, Accounting Standards, 1211 Avenue of the Americas, New York, NY 10036-8775; Internet address rstuart@aicpa.org.

AICPA to Hold National Conference on Fraud in December

The first annual AICPA National Conference on Fraud is a brand new program designed to delve into all aspects of occupational fraud. The conference is being held on Dec. 4-6 at the Mirage Hotel in Las Vegas and is for all auditors, independent CPAs who perform financial statement audits, litigation service practitioners and CPAs working in industry who need to hone their investigative tools and techniques to detect white-collar crime in their companies. There are numerous topics to be explored, ranging from an FBI update on trends in white-collar crime, to coverage of class-action lawsuits aimed at auditors, to conducting a fraud investigation, to an overview of the pro-

posed AICPA statement on auditing standards on fraud.

Fraud experts offer their years of experience in detecting and preventing fraud, as well as state-of-the-art techniques on fraud investigation with sessions like "Fraud, Deceptions and Criminal Intent: Knowing It When You See It" and "Common Fraud Schemes." Up to 19 hours of CPE credit are offered. Register by Nov. 5 and save \$30 off the standard registration fee of \$625. Save \$65 when three or more people register from the same company at the same time.

For more information or to register, call the AICPA at 800/862-4272.

New Professional Liability Plan Available for Small Firms

The AICPA Professional Liability Insurance Program has been expanded to include the **CPA Value Plan**, offered exclusively to small, local practitioners. The plan, developed by Aon Insurance Services and The CNA Insurance companies, is available to firms with three or fewer professionals and annual billings under \$300,000.

The plan's rating structure is based solely on small firm experience. Coverage includes features designed to extend protection, such as claim expenses outside the

limits, aggregate deductibles, \$0 deductible option, split limits of liability, regulatory inquiry and defendant's reimbursement coverage.

Premium-reducing credits are available for claim-free experience, engagement-letter use, unqualified peer/quality review and voluntary tax practice review, risk management seminar attendance, and longevity with CNA.

For more information, call Aon at 800/221-3023.

Low-Cost Option Added to Life Insurance Program for Those 50-74 in Good Health

An added enhancement to the CPA Flexible Life Insurance Plan effective Oct. 1 will be **Select Status**, a new option to be available to qualifying participants ages 50-74 who are in good health. Under the arrangement, both Select Status and standard plan participants pay the same gross contribution rates initially, but rate credits in addition to cash refunds will be distributed to Select Status participants.

For insureds who are approved for Select Status,

net costs of coverage will be 30% lower than standard plan net costs. Coverage will not be decreased or terminated because an insured's request for Select Status is not approved.

Related literature and forms were mailed last month to insured members ages 50-74. For more information, write: Aon Insurance Services, 200 Park Avenue, New York, NY 10166-1198; call 800/223-7473; or fax 800/AICPAIT.

Tax Division Comments on Several Proposals Available

The AICPA's Tax Division has submitted comments on various proposals in the interest of taxpayers; the full texts are available by dialing 201/938-3787 from a fax machine and the selecting the document numbers indicated: Multistate Tax Commission's proposed amendment of MTC Regulation IV.1.(a). Business and Nonbusiness Income Defined, no. 998; recommendations to the IRS regarding

self-employment tax treatment of members of LLCs, no. 992; comments to the IRS on proposed regulations regarding reformation of personal residence trust documents and sales of residences held in trust, no. 994; letter to IRS requesting it withdraw regulation section 1.165-11(e) on disaster losses, no. 996; and comments to IRS on divorce taxation matters—IRS Notice 96-19, no. 991.

State Supreme Court Rules AICPA Not Liable to Investors for Failed Investment

In response to member interest, below is one of a series of reports from AICPA General Counsel, Richard I. Miller, on legal developments of benefit to the accounting profession. Assisting in the matter discussed and this report on it were Louis A. Craco and Michael R. Young of the Willkie Farr & Gallagher law firm.

In a case of immense importance to the AICPA and its members, a state Supreme Court has just ruled that the AICPA may not be sued by investors based on the AICPA's promulgation of professional standards.

The case arose out of the failure of a series of a Connecticut limited partnerships sponsored by Colonial Realty Co., which built a \$2 billion real-estate empire that came crashing down when the company was forced into bankruptcy in 1990. The collapse reportedly cost 6,000 investors more than \$300 million.

Among those sued by investors was the AICPA. In substance, the investors alleged that the AICPA was negligent in its promulgation of professional standards insofar as the standards did not prevent CPAs from issuing favorable opinions on financial forecasts in connection with the partnership syndications. The legal basis for the claims was found in some recent case law that suggested the promulgators of industry standards may be held liable where the

standards are demonstrably inadequate. For the AICPA, the risk was that, were the investors' legal theory accepted, the AICPA would potentially be at risk in every failed investment case in which a CPA had rendered an opinion.

Before the trial court, the AICPA immediately moved to dismiss the complaint. That motion was successful, and the complaint was dismissed. However, the investors quickly took an appeal to a Connecticut appellate court. While that appeal was pending, the Connecticut Supreme Court of its own volition, pursuant to an aspect of Connecticut practice available in important cases, decided to reach down and to assume jurisdiction of the appeal for itself.

In a landmark decision, the Supreme Court held that the investors may not sue the AICPA. The Supreme Court stated that the basis for its decision rested largely in "cogent reasons of public policy." Were the AICPA susceptible to investor claims, the court stated, "the AICPA and other similarly situated professional organizations might well curtail their laudable and salutary efforts to broaden and strengthen professional standards." The Supreme Court ruled that the AICPA could not be sued by investors based on the promulgation of professional standards in such a case.

Index of Articles—July 1995 Through July/August 1996

The following is a list of selected articles featured in *The CPA Letter* from the July 1995 through July/Aug. 1996 issues. These articles represent many of the articles to which members might refer in the future.

To obtain copies of any of the articles listed below, dial 201/938-3787 from a fax machine, follow the voice cues and select the document number(s) of the item(s) desired. There is no charge for this service.

<i>Article</i>	<i>Issue</i>	<i>Document Number</i>	<i>Article</i>	<i>Issue</i>	<i>Document Number</i>
Accounting & Auditing			Taxpayers' Rights in IRS Financial Status Audits		
AcSEC Announces Updates to SOPs, Practice Bulletins	Mar. '96	1600	AICPA Gives IRS Recommendations on Interest Expense Deduction	May '96	1625
ASB Eliminates Requirement for Uncertainty Paragraph	Jan./Feb. '96	1601	AICPA Poll Finds Majority of Americans Want Tax Reform	Mar. '96	1626
AICPA Scores Again—This Time on Audits of LSC Grant Recipients	June '96	1602	AICPA Seeks to Narrow IRS "Financial Status" Auditing	May '96	1627
DOL Study Shows Improvement Still Needed in Employee Benefit Plan Audits	July/Aug. '96	1603	AICPA's "Tax Hotline" Now Operating	Mar. '96	1628
Entities that File Form 11-Ks Are Considered Registrants	July/Aug. '96	1604	Financial Status Audits Model Engagement Letter Available	Apr. '96	1629
FASB Issues Statement on Mortgage Servicing Rights	Apr. '96	1605	IRS Postpones TCMP Audits Indefinitely	Apr. '96	1630
FASB Issues Statement on Not-for- Profit Investments	Dec. '95	1606	John Wiley & Sons Publishes AICPA Tax Book	Dec. '95	1631
FASB Issues Statement on Stock Compensation	Jan./Feb. '96	1607		May '96	1632
FASB Issues Statement on Transfers	July/Aug. '96	1608	Legislative/Regulatory (federal and state)		
GASB Clarifies Reporting on Reverse Repurchase Agreements; Addresses Risk Pools	Apr. '96	1609	AICPA Stops Efforts to Double Civil Penalties for Tax Preparers	May '96	1633
GASB Issues Statement on Securities Lending	July '95	1610	AICPA Supported Pension Source Tax Bill Signed Into Law	Mar. '96	1634
GASB Takes Actions on NPO Accounting, Conduit Debt	Oct. '95	1611	Fight for Work Load Relief Continues	Jan./Feb. '96	1635
Health, Welfare Benefit Plan Accounting for Postretirement Benefits	May '96	1612	New Telecommunications Law Includes AICPA's Recommendations	Apr. '96	1637
Interpretation of SAS No. 19 on Client Representations Issued	Nov. '95	1613	Opposition Surfaces to AICPA-Backed Pension Reform Initiatives	June '96	1638
Interpretation of SAS No. 59 on "Going Concern" Issued	July '95	1614	Securities Litigation Reform Bill Now Law; Veto Overridden	Jan./Feb. '96	1639
Indemnification Arrangement with Predecessor Auditors	Apr. '96	1615	Member Service, Professional		
Notice Issued on Engagements to Report on Investment Performance	Nov. '95	1616	AICPA...Where to Turn	July/Aug. '96	1640
Professional Growth Through New Assurance Services (supplement)	Jan./Feb. '96	1617	AICPA Board Policy Statement on Discrimination and Sexual and Other Forms of Harassment	June '96	1641
OMB Issues Revisions to Circular on Single Audits of Non-Profits	June '96	1618	AICPA Board Resolution Will Add Public Member to FAF	July/Aug. '96	1642
SAS No. 75 and 76, SSAE No. 4 Issued	Aug./Sept. '95	1619	AICPA Supports Firm's Request for Supreme Court Review of Ruling	Mar. '96	1643
SAS No. 79 Eliminates Uncertainties Paragraphs in Special Presentation Reports	June '96	1620	Annual Report of Ethics Division Investigation Activity	May '96	1644
SAS Nos. 77-78, SSAE Nos. 5 & 6, New Edition of SOP 92-9 Issued	Jan./Feb. '96	1621	Court Rules Against Florida Board of Accountancy in IDS Case	Jan./Feb. '96	1645
SEC Issues Staff Accounting Bulletin No. 96	May '96	1622	Data Base Project to Improve Member Service Moves Ahead	Apr. '96	1646
SOP 95-3 Issued on Distribution Costs of Investment Companies	Aug./Sept. '95	1623	How Members Can Use the New CPA Logo on Their Stationery, Other Items	Dec. '95	1651
Two Statements on Quality Control Standards Issued by ASB	June '96	1624	List of Top 15 Technologies for 1996 Compiled	Mar. '96	1652
			Market Research Shows AICPA's Ad Campaign Is Making a Difference	May '96	1653
			Members' Common Questions on Logo Usage Answered	Mar. '96	1655
			Report on Under-35 Symposium Now Available	Oct. '95	1657
Tax					
AICPA Continues Campaign to Protect					

1996 Fall National Industry Conference and the Strategic Performance Measures and Finance Best Practices Conferences in San Francisco

Mark your calendars! **The 1996 Fall National Industry Conference — *The New Finance — Building a Bridge to the Future*** is being held **October 31–November 2** at the Hyatt Regency in **San Francisco, CA.**

The Fall National Industry Conference offers up to **21 hours of CPE.** You'll receive the highest quality technical training and get an insider's peek at industry trends. It's a dynamic program that industry professionals have come to depend on for gaining valuable insight from a myriad of experts.

The **1996 Strategic Performance Measures and Finance Best Practices Conferences** are being held as an optional session (**October 30**) to the Fall National Industry Conference. The programs have a repeat performance on **November 18 & 19** at the Northbrook Hilton, outside of Chicago. Representatives from leading companies share their success in designing and creating financial and nonfinancial strategic performance measures and best practices.

You'll learn about the cutting-edge topics and issues you need to gain the competitive edge in your business. For a copy of the conference brochure please call the AICPA Order department at (800) 862-4272.

More on the 1996 Fall National Industry Conference. . .

There are many highlights in this year's program. The conference offers the perfect mix — from software to human resources issues, FASB and corporate and individual tax updates to management challenges. The following are just a sampling of what the program has to offer:

- **Gregory Hackett**, of The Hackett Group, will give the Keynote, offering participants a private look into *18K — The Next Competitive Weapon*. Learn how to reduce, control and analyze general and administrative expenses to improve profitability.

Inside The Financial Manager's Report

Cover Article:

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- *Finding Financial Freedom Through Planning* advises you on what you need to do now, to ensure financial security by the new century. **Jonathan Pond**, Financial Planning Information, Inc. offers his ten best investment ideas and savvy advice on personal financial planning.
- **Dana "Rick" Richardson**, of Richardson Media & Technologies offers *Technology Trends and Forecasted Futures*. Mr. Richardson is a nationally recognized technology forecaster, and reviews the trends that will impact both the business community and our personal lives.
- **John Fisher**, of New Finance Associates, hosts an interactive forum where you'll hear about the trends that are affecting business today, and exchange ideas on how the AICPA can better serve your needs to maintain your competitive edge.
- Sessions like *Out of the Box Cost Leadership* and *Maintaining Internal Controls in a Downsized Environment* keep your management accounting side up to snuff.
- The luncheon address this year, *Our Economic and Financial Future*, is brought to you by **Douglas Cliggott**, Global Investment Strategy, Merrill Lynch & Co.

This program has always combined industry insight with a social element. This year's program is no exception. . .

Start the conference by attending the welcome reception. You'll have an advance opportunity to meet participants and peers. Our morning "Industry Breakfasts" continue to be an eye-opening way to start your day with members of your industry niche.

Our Thursday night receptions continue their reputation as great theme parties. This year you can expect something a little different — because you provide the theme! Do the mega monster mash at the **Fall National Industry Halloween Reception!** Join the festivities as you hobnob with fellow participants and have a ball. Have you ever wanted a tattoo? Your fortune told? Now is the perfect opportunity!

San Francisco hosts the conference and is one of America's best-loved and unique cities. Travel via cable cars, enjoy the lively atmosphere of Fisherman's Wharf, and take advantage of world-class shopping in Union Square. Try the unequalled experience of Chinatown or visit Sausalito by ferry. You may even choose to steal away for a relaxing day in Muir Woods. The Bay Area has a host of scenic and satisfying ways to spend your time — the hard part is deciding what to do first!

We have two exciting companion tours to choose from for both Thursday and Friday. *Muir Woods and Sausalito* (Thursday) and *Wine Country: Tours and Tasting* (Friday) will keep your companion busy. . . not to mention satisfied!

(Continued on page 5)

Strategic Planning for Information Resource Management

A new guide published by The Society of Management Accountants of Canada, *Strategic Planning for Information Resource Management*, is designed to improve the creation, use, management, and delivery of relevant data, thus helping an enterprise capitalize on its base of information.

Knowledge-based business

Relatively few organizations recognize that the knowledge housed in the organization's databases can provide the means to rapidly move ahead of its competitors. The first organization in an industry to recognize and exploit the value of a piece of information, often something that is accessible to all industry members, gains a competitive advantage.

Information systems should be an essential, indispensable and strategic component of service delivery and should satisfy the organization's business and service goals. Fragmented automation efforts, unilateral commitments to mainframe-based applications, incompatible proprietary software platforms, disparate software and inaccessible data can prevent information systems from helping meet these goals.

The role and objectives of IRM

Information Resource Management (IRM) is an approach to planning that recognizes the relationship between business planning and technical infrastructure. It helps the organization move beyond data management to the strategically beneficial ability to leverage its information.

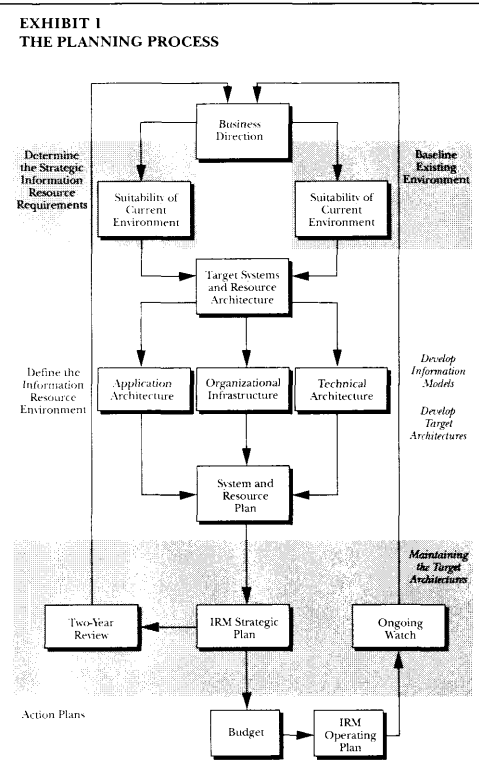
IRM focuses on designing, implementing and maintaining a balanced, enterprise-wide system of information, processes, and technology. In the IRM environment, technology is viewed as a means to assist the business to do things faster, better and cheaper — not as an end in itself. An effective IRM program provides for continuously scanning the environment for opportu-

nities that could drive the direction of an organization's business.

Developing the IRM Strategic Plan

Three key steps are involved in planning for the introduction of IRM:

- determining strategic information resource requirements.
- baselining the existing environment.
- designing the IRM.



The exhibit shows the relationship between these three steps. The process starts with a definition of the business direction. The process provides an opportunity to identify areas of vulnerability, which may need to be monitored closely and subjected to stringent controls.

The second step, baselining, provides a complete assessment of the current environment. The assessment focuses on system demographics, maintenance status, and system functionality.

The third step, designing the IRM, can be performed with the help of modelling techniques. Business, activity, data, process and enterprise models are developed in order to fully appreciate what information resources exist, what are needed, and where there are gaps. Powerful simulation and prototyping tools help systems architects and designers develop a living model of the business that can be maintained over time as a point of reference for defining the target business and information architectures.

The target architectures specify what the technological infrastructure will look like, but not how it will be constructed, which is spelled out in the strategic implementation plan.

Preparing and implementing the IRM Implementation Plan

The first stage in developing the IRM implementation plan is to define each project and assign priorities. Organizing priorities is based on three key factors: management need, benefit/cost, and risk. The development of project interdependencies should result in the production of a project schedule that describes the sequence in which projects will be completed.

It is extremely important to consider the organizational impact of change when preparing the implementation plan. Managing the human and organizational factors is highly important to the overall success of the IRM initiative. To ensure a smooth roll-out of the program, a formal, structured change management program must form part of the implementation strategy.

Measuring success

The IRM plan should be reviewed at a strategic level at least once every two years, or more often if the corporate strategy is on a shorter review schedule.

(Continued on page 5)

The Financial Manager's Report is a publication of the committees of the AICPA's Industry & Management Accounting Team. It is mailed five times per year to all AICPA members in industry as an insert to *The CPA Letter*. Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

The Committees and Staff welcome your input on ways to make FMR more responsive to your needs. Please address comments in writing to AICPA, Industry & Management Accounting Team, 1211 Avenue of the Americas, New York, NY 10036-8775 or e-mail the editor at 103063,2154@compuserve.com.

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PRACTICAL STEPS FOR SUPPORTING THE HUMAN SIDE OF CHANGE

The ability to manage change has become a core competency in every area of business. Managing change involves analytic tasks such as developing new procedures and systems as well as the more personal work of developing beliefs and behaviors that enable us to approach our role from a new perspective. While new systems and procedures can be successfully developed by a sub-group of organization members, effective implementation requires all members of the organization to discover a new way to bring themselves to their work.

Most change efforts fail to achieve the desired results in the anticipated time frame. These failures are due in large part to an inadequate understanding of the human adaptation process and how it can be supported. When the human adaptation process isn't factored into a major transition, we find organization members trying to work with new procedures and structures while operating with old assumptions and behaviors. This mismatch leads to ineffective problem solving, quickness to blame, diminished creativity and a considerable increase in stress.

Fortunately, all of us know how to adapt, the ability is inborn. Our instinctive adaptation process follows a three phase pattern: Letting go, Experimenting and Building. (I described this model in the March 1996 issue of *The Financial Manager's Report* under the title "The Human Side of Change." This model is adapted from the work of William Bridges.) The overall pattern is predictable, but the timing of the development is not. Each of us progresses at our own internally determined pace. You can't control the adaptation process, but there is much you can do to encourage it. Below I describe practical steps you can take to support each phase.

PREPARATION

- Prepare organization members for a transition by presenting a well-constructed business case that makes change an imperative. Provide information on what is and isn't working.
- Describe how the organization could become more effective.

THE ADAPTATION PROCESS: LETTING GO

- Share the adaptation model to help organization members become aware

of their personal change process and what they can do to help themselves adapt.

- Normalize the feelings that are part of transformation. Let organization members know that it is okay to experience feelings associated with failure and loss when letting go of beliefs that have been important to us. By making these feelings acceptable you can diminish the need to resist by becoming angry, looking for someone to blame or denying the need for change. Help organization members understand that attempts to block these feelings will effectively block the Letting Go phase.
- Engage organization members in creating a two column chart showing the beliefs, expectations and behaviors that are no longer helpful and the beliefs, expectations and behaviors that will be effective. You may want to create different charts for different aspects of their roles.

THE ADAPTATION PROCESS: EXPERIMENTING

- As "Experimenters" explore new ways of operating, they will find themselves blocked by out-moded policies, expectations and procedures. Help them to identify the barriers they face and develop strategies for removing them.
- Work with your management and your peers to remove barriers and create temporary systems that will support experimentation.
- When possible create pilot teams made of organization members who are ready to find new ways to operate. Charter them to act as pioneers who explore the new territory and then return to show others what has been discovered.
- Help *Experimenters* tolerate the uncertainty and chaos that characterizes this phase so that they can stay with the process long enough to discover new behaviors and attitudes. Frequently debrief the *Experimenters* in small groups to help them reflect and learn from one another. Urge them to try many approaches to guard against any tendency to become attached to one approach before exploring a full range of possibilities. Encourage them to assume an attitude of curiosity about what they will discover next. Acknowledge all experimental efforts, even if they are unsuccessful.

THE ADAPTATION PROCESS: BUILDING

- Work with your management and peers to help secure the specific authorization and resources needed to create the new structure.
- Make sure that organization members have opportunities to help develop the new processes that they will perform.
- When necessary remind organization members who are ready to build and implement the new way of operating that some of their colleagues may need more time to adapt. Teach them what you have learned about helping others move through the adaptation process. Help them apply it.
- The Building Phase is characterized by excitement and anxiety generated by concerns about successful implementation of new ideas. Help the group understand their concerns and direct their energy into the work effort.

The change agent role provides many opportunities for using your coaching, influencing and creative problem-solving skills. At times the work can be frustrating; however, it is usually quite rewarding.

Jane M. Maloney is president of Inter-Action, Inc. a New York-based consulting firm specializing in organizational effectiveness. For more tips on how you can support change contact her at jmmaloney@aol.com or directly at (212) 864-4287.

Outstanding CPA in Business and Industry Award

You are invited to participate in the nomination of candidates for the 1997 AICPA Outstanding CPA in Business and Industry Award. This award was created to recognize the achievements of individual CPAs employed in business and industry and to promote the CPA designation as the premier professional credential for financial managers. The award will be presented at the AICPA's 1997 Spring National Industry Conference, May 14-16, 1997 in New Orleans, Louisiana. For complete information, call Jodi Ryan at (212) 596-6105. The deadline for nominations to be considered for the 1997 award is October 18, 1996.

Customer Account Profitability

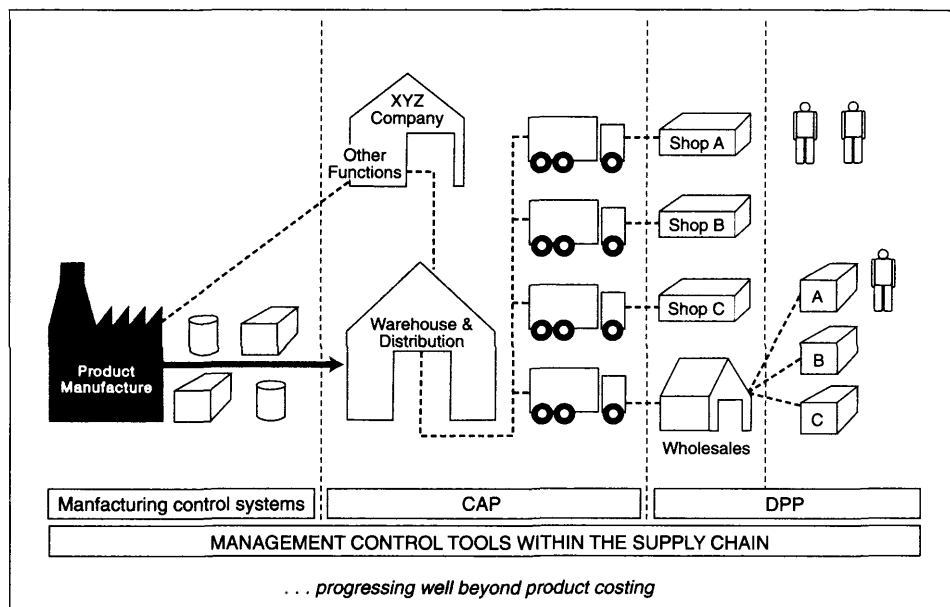
As interest continues to grow in measuring, managing and improving the cash flow and profitability of customer service, activity-based costing (ABC) techniques are recognized by many businesses as a means of producing meaningful and actionable information. ABC is at the core of the customer account profitability (CAP) analysis finding favor in an ever-widening range of organizations. This article, by Gary Ashworth of Ernst & Young and Tim Connolly of Partners for Change, is an abridged version of the 1995 IFAC/FMAC Article of Outstanding Merit, originally published as "Managing Customers for Profit" in Management Accounting (U.K.) in April 1994.

Richard Allaway, of the global drinks group IDV, underlines the power of CAP applied to the Gilbey Wines and Spirits group: "the evidence of the channel [profitability] analysis was incontrovertible. . . I can't believe that we shall turn out to be the last company to discover that a whole division is, in reality, delivering a negative profit from serving its particular market sector. If this case shows anything at all, it is that profitability analysis can lead to much bigger changes than you might anticipate."

Direct product profitability (DPP) is an established tool used by retailers to optimize product contributions as they flow through to the point of customer purchase. Various manufacturing cost control systems focus on product costs in manufacturing operations. CAP, however, brings something new to the table. It enables a full understanding of profitability within the organization, identifying costs and added value at any number of levels in a profitability hierarchy. Typically, this might involve reporting at the product, order, customer and market/trade sector levels.

The significance of CAP can be illustrated by considering the issues that surround the decision to allocate scarce resources to customer supporting activity. Take advertising and promotions, which typically vary between 15 and 30% of gross sales value: where should management invest these funds? Brand profitability will provide information supporting the choice between brands, but historically this has only been augmented with gross profit information about customers. By capturing these costs, and those related to other services provided to customers, a net customer account profit contribution statement can be produced.

Focus of CAP within a typical business framework



However, a reliable and meaningful CAP system is not introduced lightly. It requires a cross-functional view of business activity, and attribution of costs and activities using techniques that go well beyond traditional cost apportionment. These factors have deterred many businesses from developing the ongoing, dynamic systems they need to manage performance in their market environment. Business relationships change almost daily and the account management actions to be taken as a result of these changes need to reflect the overall profitability of the trading relationship. We have seen one company that uses customer profitability information relating to individual customers to prioritize order production scheduling at times of maximum plant capacity. Another company, Crookes Healthcare, uses a sophisticated CAP system to produce monthly key performance indicators that form the basis for managing long-term customer relationships. Other organizations have found that they can benefit from a one-off exercise with periodic subsequent updating. Whatever the nature of the system, several critical success factors apply. They include:

- a driving need to produce and use the analysis. For example, in the UK brewing industry it was the break up of the tied trade system of working.
- a clear vision of the expected benefits, which can normally be quantified — although this may take some time.
- a willingness to support the system

with management action. CAP will not achieve anything in itself.

- the development of the system has to be seen as an investment. Distractions are easy during the set-up phase and if they are allowed to prevail, momentum will be lost and the system may never be completed.

Why is CAP an issue?

The changing business environment may put pressure on the value of trade with key customers in various ways, for example increased trade concentration (as in the UK retail chemist sector), the consumer-driven structural changes that have taken place in the printing industry or the growth in purchasing power of the major UK grocery retailers. A similar drive for change is driven by the creation of innovative customer relationships such as those developed by the Dell Computer Corporation, with direct-from-manufacturer sales and service with unlimited telephone problem-solving support. Customer profitability management is an integral part of the proactive response to the impact of these changes in the customer relationship.

What is CAP?

A meaningful customer profit contribution is simply the difference between the revenue earned from a customer and all the costs that can be justifiably associated with that customer. Customer revenues and related trading margins

(Continued on page 6)

Strategic Planning for Information Resource Management *(Continued from page 2)*

At a strategic level, one of the key benefits of an IRM environment is that, as it matures, the organization will be able to capitalize of the increased level of knowledge and improved technology and collections of corporate data in previously unthought of ways. It is important to organize a method of capturing this learning so that it can be used on a continuing basis to improve the overall IRM environment.

The role of the management accountant

A management accountant can provide valuable insights about information and decision-making throughout the organization and thus, through IRM, help improve decision-making and realize the organization's strategic business plan.

Strategic Planning for Information Resource Management is published by The

Society of Management Accountants of Canada as *Management Accounting Guideline # 9 (revised)*. It is available individually from the AICPA (product # 028963) or as part of *The New Finance: A Handbook of Business Management* (product # 028900). Other recent publications, *Measuring the Cost of Capacity* (product # 028961), *Measuring the Impact of Managing Diversity Issues* (product # 028963), and *Benchmarking Information Referral Service — revised* (product # 028950) are now available. This AICPA binder features publications on current management topics such as benchmarking, activity-based costing, and performance measurement. Please call the AICPA Order Department at (800) 862-4272 for a gratis brochure (# G00107) detailing each publication or to order the series.

Attention Internal Auditors

Beginning in November 1996, this newsletter will include short articles on hot topics and key issues that internal auditors face. In order to provide you with guidance that will be valuable to you, we would appreciate your sharing ideas and suggestions to us. Also, if you are willing to write a short article (1000 words) or review one written by another, please let us hear from you. Please call Hadassah Baum, technical manager, Industry & Management Accounting Team at (212) 596-6019.

Companies Sought to Host Educators Onsite

This past spring, the AICPA Academic and Career Development team launched a new and exciting program for accounting educators. Merrill Lynch and Co., Inc. and Media General, Inc. hosted a group of educators and discussed cutting edge issues and practices being conducted in their respective industries, namely financial services and communications. The visits were well received by all, including the company hosts. First, it gave companies a direct opportunity to communicate their needs to educators as far as desired student competencies. A secondary benefit was that it provided a forum for different departments within the company to learn about activities of other areas. Third, the program and companies got good publicity in the *Journal of Accountancy*.

As a result, the Institute wishes to continue the program and seeks volunteer companies to host educators. This past year, visits were offered in conjunction with regional meetings of the American Accounting Association (AAA) which draws large groups of educators. As a first preference, the Institute is seeking company sponsors which are available at the times of those meetings and in close proximity to where those meetings are being held. A list of upcoming meetings is provided below. However, all companies are welcome to volunteer as hosts. Interested companies should contact Liz Koch, Manager of Education Programs at (212) 596-6219 for more information or to volunteer.

1997 AAA REGIONAL GROUP MEETINGS

Southwest	March 11-15, 1997 New Orleans, LA
Mid-Atlantic	April 10-13, 1997 Baltimore, MD
Midwest	April 17-19, 1997 Oak Brook, IL
Southeast	April 24-26, 1997 Nashville, TN
Northeast	April 24-27, 1997 Binghamton, NY
Western	May 1-3, 1997 Rohnert Park, CA
Ohio	May 2-3, 1997 Dayton, Ohio

1996 Fall National Industry Conference and the Strategic Performance Measures and Finance Best Practices Conferences *(Continued from page 1)*

1996 Strategic Performance Measures and Finance Best Practices Conferences

You have requested an alternative to the "sit and listen" style of programming. These conferences do just that, offering roundtable discussions with peers and experts in SPMs and best practices.

More on . . . Strategic Performance Measures Conference

There will be group breakouts to support you in acquiring the most knowl-

edge: *Introduction to SPM Implementation (Basic)* and *Continuous Improvement of the SPM System*.

Sessions include *The Why and How of SPMs*, *You as a Change Agent: Overcoming the Challenges to Successfully Implementing an SPM Program*. (Intermediate & Advanced)

More on . . . Finance Best Practices Conference

Sessions include *Best Practices Vision Development Through Benchmarking*, *What*

is a Best Practice and How Do You Know One When You See One, and many others. Learn how to build a tactical action plan, and gain insight from companies already on the leading edge of their industry.

For a copy of the conference brochure or to register, please call the AICPA Order Department (800) 862-4272. If you have any questions regarding the conference, please call Cathy Brosnan at (201) 938-3568.

Self Study Course Launches CPAs into Cyberspace

CPAs Guide to Navigating Online demonstrates the basics CPAs need to access online resources such as the Internet, the AICPA's Accountants Forum on CompuServe, and various bulletin boards of special interest to the profession. It includes keystroke-by-keystroke instructions along with free software and enough free online time to complete the course and do some "surfing." While completing the course, users can take advantage of the "mentored

self study" approach which provides on-line access to a technology expert from course developer Kent Information Services, Inc.

Recommended CPE Credit: 16 hours.
Format: Text and online contacts (739055CLA9) \$195.00

SEC Update!

Revised! *SEC Reporting* outlines the latest Securities and Exchange Commission pronouncements bearing on

financial reporting of publicly held corporations. It explains and illustrates the relationship of the initial registration statement, forms 10-K and 10-Q, and the proxy statement, providing a thorough practical understanding of SEC reporting requirements.

Bonus: CCH's *SEC Handbook* is included with the course.

Recommended CPE Credit: 14 hours
Format: Text (736334CLA9) \$149.00

Earn 24 Hours of CPE Credit for Only \$129!

CPE Direct, the AICPA subscription series that enables members to earn up to 24 hours of CPE credit for reading certain *Journal of Accountancy* articles and completing a study guide, is still only \$129 if you subscribe now!

The price includes four study guides, issued quarterly, which are based on designated articles in the three preceding monthly issues of the *Journal*. The articles will cover information on a broad range of subjects, including financial accounting, auditing, taxation, international business, consulting services and human resources. CPE Direct study guides will also contain

other readings, checklists or practice aids to enhance members' insight. The study guides will be released in March, June, September and December.

To receive CPE credit, members need to read the designated articles, complete the study guide, answer the questions and return the answer sheet for grading. A passing grade affords the member an AICPA Certificate of Completion stating that the member has earned 6 recommended CPE credits in a specified field of study.

Six credits in specified fields of study will be given each time a quarterly answer sheet is sent in, for a total of 24

credits. Since CPE requirements vary from state to state, please contact your State Board of Accountancy for information concerning your State requirements as to the number of CPE credit hours which you must earn and the acceptable fields of study. Please note: The North Carolina State Board of Accountancy does not accept CPE Direct credits toward its requirements.

Order now to receive the September 1996 Study Guide CPE Direct (No. GO1059-CLA9)

Price: \$129.00

Recommended CPE Credit: 24 hours

To order: Call (800) 862-4272 (option #1), fax to (800) 362-5066, or write the AICPA Order Department, P.O. Box 2209, Jersey City, NJ 07303-2209. These courses are also available through your state society.

Customer Account Profitability *(Continued from page 4)*

are generally clearly understood, but developing a meaningful customer specific cost is sometimes more difficult.

The figure on page 4 shows the focus of the customer account profitability measurement within a typical business framework or supply chain structure, i.e. beyond product costs which generate trading margins by customer, to now include the costs of all the relevant major customer interface/service aspects which erode the trading margins achieved. These include the need for a better understanding of how the company's resources are used in:

- marketing, selling and negotiating with customers,
- making deliveries,
- administering the arrangements of the sale and delivery, and
- all the other activities which are necessary to satisfy customer needs.

In other words, CAP gives a company an improved understanding of, or new

insights into, its sources of profitable business. The real value must then be in acting on that new information as a powerful catalyst to profit improvement.

While many companies have obtained interesting insights from activity-based product costing exercises, the scope to make changes as a result is often limited, because relatively few non-product related costs will change as a result of changing product volume or mix. The experience with customer account profitability, however, is different. Customer-driven resources such as salesmen, marketing expenses, delivery costs, telesales, and sales order processing often have a higher discretionary element than product-level costs. Customer-driven resources are also often easier to switch between customers and market segments.

Key principles of CAP

Three key principles about customer costing should be emphasized:

- *customer costs must be related to the revenues they generate.* This normally points to a life cycle, rather than an annual view of the profitability of the relationship.
- *not all costs should be attributed to customers.* Full attribution clouds visibility of how costs behave and, therefore, impedes the ability to make informed decisions. Costs should be attributed at whatever level is appropriate within an overall business model.
- *make it absolutely clear who can influence or control different types of cost.* Many organizations lack the clear customer focus to make this possible without realigning responsibility and accountability.

The principles of effective customer profitability management using CAP are therefore clear. Management now faces the challenge of establishing whether it can adopt these principles, overcoming the organizational, cultural and technological barriers that lie between them and success.



Accounting Educators:

Volume VIII, Number 1 — September 1996

Study Reveals Positive Impact of 150-Hour Education Requirement in Florida

Women and Minority Enrollments Increase Significantly

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The AICPA recently engaged the higher education research firm, MGT of America, Inc., to conduct a study of the Florida experience with respect to the 150-hour requirement. Florida was chosen for the study because it has had the requirement in effect since August 1, 1983—a sufficient amount of time to assess the short- and long-term impact of the additional education requirement.

The following is a summary of significant findings:

Enrollments/Degrees—The study revealed a shift in accounting enrollments and degrees from the undergraduate to graduate level. This shift had the effect of a net cost savings to the state's public university accounting programs. Overall, total accounting enrollments in Florida public

universities has increased 9% since 1984.

CPA Exam Candidates/Performance—Although the annual Florida candidate pool of first-time exam takers has declined, the yearly supply of top performers remains unchanged. Performance on the exam has increased dramatically with the CPA exam pass rate for first-time takers doubling from 15 to 30 percent.

Cost—The overall economic benefit for students meeting the 150-hour requirement in Florida is estimated to far outweigh the extra cost of education. Students would recoup the additional cost, on top of realizing a significant gain in lifetime earnings, if they pass the CPA exam right after they complete the extra year of education.

continued on page 2 ►



From the Editor's Desk...

Beginning in November, the education member segment supplement to *The CPA Letter*, now known as "FYI," will be taking on a whole new look. The AICPA is building a broad-based communications program that will facilitate the sharing of information across its membership groups (commonly referred to as "cross talking") and eliminate redundancies among publications. In particular, the Institute wants to bring academe into the mainstream of AICPA activities.

The content of the new education member segment supplement will not change greatly but will be enhanced through incorporation of information from other member segment supplements that is pertinent to educators. Further, education-related information that is pertinent to other member segments will be included in those appropriate member supplements. As a result, direct communication between educators, technical areas of the Institute and members in public accounting, industry and government will be possible through the supplements. I hope you will be pleased with the new format and its communications opportunities.

Elizabeth Scifo Koch
Editor

News and Notes



The AICPA has recently established a **World Wide Website** called **AICPA Online**. The site already contains a multitude of information on AICPA programs, products and services. Information of special interest to the education community (including this newsletter) will be added over the next few months. The Website will include answers to commonly asked questions from academe and students and will serve as a one-stop-shopping source for products and services. A complete description of materials to be made available on the Website will be published in the next issue of this newsletter. *AICPA Online* can be accessed at the following address: <http://www.aicpa.org>.



Later this month, the AICPA will be distributing a **newly revised 150-Hour Curriculum Development Handbook** to administrators of accounting programs. The Handbook is a compendium of materials selected and developed to assist curriculum planners as they consider restructuring their programs for the 150-hour environment. Included in the Handbook are articles, committee reports and position papers addressing various 150-hour implementation issues. Also included are case studies and critiques that reveal actual approaches some schools have pursued, a sample articulation agreement and survey results on implementation trends.



The AICPA is pleased to announce that **Dr. Gary John Previts** is the **1996 recipient of the Lifetime Achievement in Accounting Education Award**. The award was presented in May at the AICPA spring meeting of Council in Carlsbad, California. The award annually recognizes a full-time educator for excellence in classroom teaching and for active involvement in the accounting profession. Dr. Previts is a Professor of Accountancy at the Weatherhead School of Management at Case Western Reserve University in Cleveland, Ohio.



The AICPA granted \$105,000 to eligible CPAs pursuing a career change to academe as part of the **1996-97 AICPA Doctoral Fellowship Award Program**. New awards of \$5,000 each went to Valrie Chambers (University of Houston), Traci J. Hess (Virginia Polytechnic Institute), Leslie D. Hodder (University of Texas at Austin), Stefanie Tate (Michigan State University), and Geoffrey Turck (University of Oregon). Sixteen fellowships were renewed. A total of \$126,000 was also awarded under the AICPA 1996-97 **Minority Doctoral Fellowship Program**. Further details on this program will be included in the next issue of *FYI*.

Awards of \$25,000 were also granted by the AICPA as part of the **John L. Carey Schol-**

arship Program. This program was recently expanded to include eligible liberal arts graduates of any regionally accredited U.S. institution who wish to pursue a CPA certificate. Previously, the scholarship was limited to liberal arts graduates of only three schools. Awards of \$5,000 (up from \$4,000 previously) will be awarded each year and are renewable for an additional year. Awardees for 1995-96 are Mary Elizabeth Gonzales (San Jose State University), Krista Koch (University of Illinois at Urbana-Champaign), R. Wes Sherrill (University of Georgia), Harold Silverman (Northeastern University) and Louisa Wee (University of Southern California).

For further information on these programs, please contact the AICPA at (212) 596-6221.



The **1996 FSA Annual Meeting** will be held on December 1-3 at the Hotel Monteleone in New Orleans, Louisiana. Session topics include distance learning, the Internet, international accounting and multimedia in the classroom. For further information, contact Michelle Jaworowski at (314) 872-0211.

Study Reveals Positive Impact of 150-Hour Education Requirement in Florida

continued from page 1

Impact on Women—Women have outnumbered men in undergraduate accounting program enrollments every year since 1984. By Fall 1994, women represented 56 percent of all undergraduate enrollments and 52 percent of all graduate enrollments in accounting.

Impact on Minorities—There has been a substantial increase in minority accounting enrollments since 1984. The minority share of accounting enrollments has increased from 23 to 34 percent for undergraduate programs and from 13 to 26 percent for graduate-level programs from 1984 to 1994.

A more comprehensive summary of findings will be made available shortly on the AICPA's new website, *AICPA Online*. □

FSA Endorses 150-Requirement

On June 17, 1996, the FSA published a revised *Position Statement on the 150-Semester Hour Education Requirement*. As the association of accounting accredited graduate programs, the FSA has long supported the higher education requirement. The new position statement can be accessed at the FSA Website, <http://www.usc.edu/dept/accounting/FSA>.

Register now for the **1996 AICPA Accounting Educators Conference to be held on November 15-16 at the Doubletree Hotel in Philadelphia, Pennsylvania**. The program will cover the latest innovative curriculum trends and instructional techniques. Different perspectives will be presented by Big-6 accounting firms on how technology impacts the early career professional. Educators will also gain valuable insights into the future of the accounting profession. A unique feature of this conference is the opportunity to hear joint presentations by practitioners and educators of actual case studies covering cutting-edge accounting and business issues. Other session topics include critical thinking skills, diversity, learning styles and educators' legal liability. A registration form and program details are included on page 3 of this newsletter. Please register early, as attendance is limited and offered on a first-come, first-served basis.

AICPA Academic and Career Development Division
announces

THE 1996 ACCOUNTING EDUCATORS CONFERENCE
“EMERGING CURRICULUM TRENDS AND
INSTRUCTIONAL TECHNIQUES”

November 15–16, 1996, in Philadelphia, Pennsylvania

PROGRAM

Friday, November 15

- 7:00a – 5:00p Registration
 7:00a – 8:00a Continental Breakfast
 8:00a – 8:15a Welcome and Introduction
 8:15a – 10:00a **CONCURRENT: Use of Technology by Early Career Professionals**
 Two firms present their perspectives in concurrent sessions.
A. Dennis Sheriff, Tax Relationship Management, Learning & Education, Coopers & Lybrand
B. Alan Kesler, Partner, Director of Accounting & Auditing Technology, Deloitte & Touche LLP
 10:00a – 10:15a Refreshment Break
 10:15a – 12:00p **CONCURRENT: Use of Technology by Early Career Professionals (Repeat)**
 12:00p – 1:00p Luncheon & Presentation of Joint AICPA/AAA Collaboration Award
 1:00p – 2:00p **PLENARY: 21st Century Financial Management**
John Fisher, President New Finance Associates
 2:00p – 3:30p **CONCURRENT: Critical Thinking: Current Developments**
Billie Cunningham, University of Missouri
CONCURRENT: Dos and Dont's of Teaching a Diverse Student Population
Lee Radebaugh, Brigham Young University
 3:30p – 3:45p Break
 3:45p – 5:15p **CONCURRENT: Learning Styles**
Richard D. Grant, Counseling Psychology
CONCURRENT: Accounting Educators' Legal Liabilities
D. Parker Young, University of Georgia
 5:15p – 5:45p **PLENARY: Preview of Case Presentations**
 6:00p – 7:00p **RECEPTION**

Saturday, November 16

- 7:00a – 8:00a Continental Breakfast
 7:00a – 12:30p Registration
 8:00a – 10:00a **CONCURRENT CASE SESSIONS**
 10:00a – 10:30a Refreshment Break
 10:30a – 12:30p **CONCURRENT CASE SESSIONS**
 12:30pm Conference Adjourns

CPE: 14 hours maximum

1995–96 Program Committee: Kevin Stocks (Chair), Charles Davis, Mary Giannini, Gary Lawrence and Bryan Lundstrom.

ACCOUNTING EDUCATORS CONFERENCE
November 15–16, 1996 at Philadelphia, Pennsylvania
REGISTRATION FORM

Registration Fee: \$195 (AICPA MEMBERS)/\$225 (NON-MEMBERS)

Please register me for the 1996 AICPA Accounting Educators Conference (Check one):

Please bill my credit card: MasterCard Visa Discover
\$ _____ Amount

**Fax only credit card registrations to 201-938-3169
Phone in registration (Visa/MasterCard/Discover only)
to 1-800-862-4272. Complete the following information:**

Card # _____ Exp. Date _____

Signature _____

My check for \$ _____ payable to AICPA is enclosed.
(Full payment must accompany registration.)

Mail to: AICPA Meetings Registration, PO Box 2210, Jersey City, NJ 07303-2210.

BATES # _____
(AICPA use only)

Registrant's Last Name _____ First _____ Nickname _____

College or University Name or Affiliation _____

Street Address _____

Room Number or Mail Drop _____ Post Office Box _____

City _____ State _____ Zip Code _____

AICPA Membership Number _____ Area Code & Daytime Telephone _____

Required for Discounted Registration

Name and telephone number of individual to contact in case of emergency

Please send information pertaining to services for the physically disabled:
What is the nature of your disability? Audio Visual Mobile

HOTEL INFORMATION: Reserve your hotel accommodations directly. Call the Doubletree Hotel at 215-893-1600 by October 14, 1996. After October 14, rooms will be on a space-available basis only. Identify yourself as an attendee of the AICPA Accounting Educators Conference in order to obtain our group rate of \$105 for single and double occupancy. To guarantee your room for late arrival, a credit card number or first night's deposit is required.

CANCELLATION POLICY: Full refunds will be issued on written cancellations received by October 25, 1996. Written cancellations received after October 25, 1996, but before November 8, 1996, will be issued a refund less a \$25 administrative charge. No refunds will be issued on cancellation requests received after November 8, 1996.

AIRLINE DISCOUNT: Call any of the following airlines and refer to their respective file numbers to receive 5% off the lowest available fare or 10% off regular coach fare: American Airlines (800) 433-1790—Star File #S-9907, Delta (800) 241-6760—File #N-1600 and Continental Airlines (800) 468-7022—Code #JYRTB1. Discounts only available when you book through the 800 number. It is advised that your conference registration and hotel reservations be confirmed before making your flight arrangements. (The AICPA is not liable for penalties incurred if you cancel or change your airline reservation.)

FOR FURTHER INFORMATION: Call the AICPA at (201) 938-3232.

FYI

Recommended Readings for Accounting Educators

The following list of suggested readings is based on the AICPA Curriculum and Instruction in Accounting Education Subcommittee's review of recent, widely available business and professional journals. The objective of providing this listing is to communicate current, business and accounting issues in an easy, timely manner to accounting educators for integration into the curriculum. The listing, sorted by topical area, is not intended to be comprehensive and neither the AICPA nor the Subcommittee endorses any of the viewpoints expressed in the articles. Selected articles cover broad issues of business strategy, technology and accounting/finance. AICPA members can obtain copies of these articles from the AICPA Library for a nominal fee by calling 1-800-862-4272, Option 3.

Business Strategy

- Cooper, Robin, "Look Out, Management Accountants," *Management Accounting*, (May 1996), pp. 20-26.
- Hooks, Karen, "Diversity, Family Issues and the Big 6," *Journal of Accountancy*, (July 1996), pp. 51-56.
- Mednick, Robert, "Licensure and Regulation of the Profession: A Time for Change," *Journal of Accountancy*, (March 1996), pp. 33-38.
- O'Toole, Franklin, "Hazards of the Sentencing Guidelines," *The CPA Journal*, (February 1996), pp. 36-39.
- Schwartz, Felice N., "The Competitive Advantage," *Journal of Accountancy*, (February 1996), pp. 39-41.
- Siegel, Gary and C.S. "Bud" Kulesza, "The Coming Changes in Management Accounting Education," *Management Accounting*, (January 1996), pp. 43-47.
- Unknown, "The CPA Journal Symposium on the Future of Assurance Services," *The CPA Journal*, (May 1996), pp. 14-28.
- Whitehead, Roy, Jr., Spikes, Pam and Brenda Yelvington, "Sexual Harassment in the Office," *The CPA Journal*, (February 1996), pp. 42-45.

Accounting and Finance

- Chesser, Delton L., and Carlos W. Moore, "The CPA—Financial Planner," *The CPA Journal*, (April 1996), pp. 40-43.
- Dakdduk, Kenneth E., "New FASB Rules on Accounting for Stock-Based Compensation," *The CPA Journal*, (March 1996), pp. 14-19.
- Fitzsimons, Adrian P., Levine, Marc H., and Joel G. Siegel, "Government Compliance Auditing Considerations," *The CPA Journal*, (April 1996), pp. 34-38.
- Frazier, David R., and L. Scott Spradling, "The New SAS No. 78," *The CPA Journal*, (May 1996), pp. 40-75.
- Frost, Carol A., and Kurt P. Ramin, "International Auditing Differences," *Journal of Accountancy*, (April 1996), pp. 62-68.
- Kline, Marvin I., and Richard E. Buchwald, "Value Investing," *Journal of Accountancy*, (April 1996), pp. 49-50.
- Label, Wayne A., and Wilbur Priestler, "Expanding Your Role in ISO 9000," *The CPA Journal*, (June 1996), pp. 40-52.
- Meeting, David T., Luecke, Randall W., and Edward J. Giniat, "Understanding and Implementing FASB 124," *Journal of Accountancy*, (March 1996), pp. 62-66.
- Weissman, Ira, "Doing Business in a Global Market," *The CPA Journal*, (January 1996), pp. 46-49.

Technology

- Cobb, S., "Auditor, Firefighter, Lumberjack," *IS Audit & Control Journal*, (Vol. I, 1996), pp. 36-39.
- Cortese, Amy (with bureau reports), "Here Comes the Intranet," *Business Week*, (February 26, 1996), pp. 76-84.
- Holley, Charles, and James E. Hunton, "Doing Business on the Internet," *Journal of Accountancy*, (March 1996), pp. 42-48.
- Kogan, A., Sudit, E., and M. Vasarhelyi, "The Internet: A Technical Primer," *IS Audit & Control Journal*, (Vol. I, 1996), pp. 24-27.
- Nayar, M.K., "A Framework for Achieving Information Integrity," *IS Audit & Control Journal*, (Vol. II, 1996), pp. 30-34.
- Smith, D.M., "Beware IS Auditors: Six Deadly Information Integrity Risks," *IS Audit & Control Journal*, (Vol. II, 1996), pp. 8-10.

Member to Member... Chair's Corner

By Ron Cohen, Chair
AICPA Board of Directors

In this column each month and in my presentations to various groups over the past year, the one thing that I have emphasized more than anything else has been CHANGE... the need to be aware of it, the need

to embrace it, the need to seize the opportunities created by it, the need to be ahead of it in identifying what our users (clients and employers) want from us.

Our profession is immersed in change today. Virtually everything we touch is different—competitive markets, methods of doing things, values of our products and services, skills demanded by those we serve, increased capital needs, wide-ranging alliances.

For a profession as established and successful as ours, dealing with all of these changes is difficult, frustrating and slow. But we must deal with them if we are to continue as relevant and key players in the business world of the future. Not everyone will agree with the decisions needed to move our profession into the future, nor with future hindsight will every move be deemed perfect. But we can't sit still as a profession as outside

forces dilute our influence and demand changes in how we operate.

Efforts of AICPA special committees on Financial Reporting, on Assurance Services and on Regulation and Structure of the Profession; fresh looks at specialization, the CPA exam and standards; and assessing and responding to the affects of technology and globalization—all of these initiatives contain controversy, but all also demand a sense of urgency so that we can keep pace with the needs of the users of our services. We must listen and respond to our users; they know us, they trust us and they want us to do more for them.

Peter Drucker stated that "Every organization has to prepare for the abandonment of everything it does. We are not simply talking change, we're talking revolution."

If it's a revolution we are facing, then WE must take charge of this revolution. We must decide what our profession of the future must look like, design the plans and lead the change. We can't afford to have outsiders impose our future upon us. The stakes are high in terms of the roles we will play and the stature we will achieve. The risks inherent in change are high, too, but the long-term benefits to our profession, I believe, give us a clear message to move forward.

To contact Ron Cohen, fax 219/236-8692.

Highlights of Board of Directors' July Meeting

At its meeting on July 11–12, the AICPA Board of Directors:

- Approved revisions to the AICPA's CPE standards to harmonize the AICPA's standards and those of the National Association of State Boards of Accountancy.
- Heard a presentation from the AICPA representative to the International Accounting Standards Committee on the work of the committee, as well as the development of and prospects for worldwide acceptance of international accounting standards.
- Received a report that less than the necessary commitment from state CPA societies for participation in the "CPE Network" was received by the July 1, 1996, deadline (*The CPA Letter*, July/Aug.).
- Heard a debate on the concept of professional accreditation by the AICPA.
- Heard an update report from the Public Oversight Board on its activities.
- Approved in concept the creation of a Center for Excellence in Financial Management within the Institute.
- Approved a slate of candidates to be recommended to Council for appointment to the AICPA Nominations Committee for 1996–97.

- Agreed to an AICPA Board of Directors' response to the Financial Accounting Standards Board's invitation to comment to solicit views on recommendations made to standard setters in the Report of the AICPA Special Committee on Financial Reporting.
- Confirmed the AICPA Vice Chair's appointments to senior committees for the 1996–97 committee year.
- Received a report on the financial results for the first 10 months of this fiscal year. Was informed that an agreement with Practitioners Publishing Company to develop a CD-ROM research product had been finalized.
- Received the AICPA's Information Technology Strategic Plan for members.
- Received reports from the chairs of the Strategic Planning Committee on current efforts and future plans, the Assurance Services Special Committee on its progress, and the Insurance Programs Executive Committee on highlights of the past year and future activities.

Minutes will be available after Sept. 16, after they are approved by the board of directors at its Sept. meeting, on the Accountants Forum in the Library under AICPA: For Members Only, or from the fax hotline by dialing 201/938-3787 from a fax machine and selecting document no. 127.

AICPA Supports Pension Reforms in Congressional Testimony

The AICPA testified in support of pension reforms at a hearing held this summer by a House subcommittee on H.R. 3520, the Retirement and Savings Security Act, focusing on the bill's proposed changes to present audit requirements under ERISA. The Institute collaborated

with the U.S. Department of Labor in crafting the audit language in the bill, and also identified other areas where ERISA could be improved. For details about the AICPA testimony, see the Sept. issue of the *Journal of Accountancy*.

State Societies to Step Up Participation in Fall Advertising Campaign

To assess local advertising efforts during phase one of the AICPA's national advertising campaign and to help plan future efforts, the Communications Team surveyed the state CPA societies and found that 80% of them participated in various ways. Independent tracking research showed that the states' efforts, particularly the radio advertising, boosted the national effort. So, with almost all the states planning to participate at around the same time as the Institute's phase two, even more promising results may be on the horizon.

States cited their members' enthusiasm with the overall image campaign as the reason to continue or expand participation. Also, all states had the opportunity to include funds for local advertising efforts this time around.

Two interesting notes: The Ohio Society of CPAs reported a 30% increase in requests for referrals for CPAs during the ad campaign, and the board of directors of the North Carolina Association of CPAs

has agreed to a nearly \$1 million, three-year commitment for local advertising and public relations.

AICPA TV Ad Wins Another Award

"Pins," the television ad used in the AICPA's national advertising campaign, has won a Best of Broadcasting award for animated graphics in a television commercial at the 16th Annual Best of Broadcasting show. The event was sponsored by *Adweek* magazine and the New England Broadcasting Association.

Phase two of the national ad campaign, which will begin this fall, will keep the "pins" theme. Three new print ads for the national effort and three new radio ads for the state CPA societies' use (giving states a total of seven to choose from) are slated for this next round. In addition, entirely new black-and-white small-space print ads will be available to the states for local print advertising.

New Products & Publications

Three new **industry audit risk alerts** have been published: *Employee Benefit Plans Industry Developments—1996* (No. 022177CLA9), *Not-for-Profit Organizations Industry Developments—1996* (No. 022178CLA9) and *State and Local*

Governmental Developments—1996 (No. 022179CLA9). Audit risk alerts are intended to focus auditors' attention on current economic, regulatory and professional developments that can have significant effects on the audits they perform. The alerts can help auditors increase the efficiency of audit planning by giving them concise and relevant information to help them understand how current developments might impact their clients and control audit risk by focusing their attention on matters that may require special audit consideration. Price: \$6.50 member, \$7.25 non-member.

To help individuals and small businesses with **year-end tax planning**, the AICPA has produced promotional materials that include brochures, speeches and a slide presentation.

Biting Into Your Tax Bill—1996: A CPA's Guide for Taxpayers (No. 889541CLA9) is an eight-panel brochure outlining tax changes that will affect individuals this year. It also lists proven tips for reducing tax liability and contains a chart of 1996 tax rates. Price: \$25/100 copies member, \$27.50/100 non-member.

Planning Your Tax Life: Tips for 1996 (No. 889542CLA9), a 20- to 25-minute speech, is geared toward general audiences. It summarizes recent tax law changes and provides tips for individuals to lower taxable income and maximize deductions. Included is an interview guide of questions CPAs may receive during media

interviews. Price: \$5.75 member, \$6.50 non-member.

Keeping Your Tax Life Civilized: A Guide for 1996 (No. 889538CLA9) is a 45-minute slide presentation for delivery to general audiences that includes a full script and 31 color slides. Topics covered range from basic tax-saving strategies to specific actions an individual can take to reduce tax liability. Price: \$170 for first set, \$78 for each additional set ordered at the same time (\$190 and \$85 respectively for non-members).

Taking Aim At Your Taxes—1996: A CPA's Guide for Small Businesses (No. 889561CLA9) is an eight-panel brochure that summarizes tax law changes affecting small businesses and lists tax-saving tips for small business owners. Price: \$25/100 copies member, \$27.50/100 non-member.

To Keep What You Reap: 1996 Tax-Planning Strategies for the Small Business Owner (No. 889560CLA9), a 25-minute speech designed for delivery to small business owners, describes various organizational forms and accounting methods, as well as their advantages and disadvantages. It also provides planning tips to lower income and employment taxes. Price: \$5.75 member, \$6.50 non-member.

To order, write: AICPA Order Department, CLA9, P.O. Box 2209; Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272. Ask for Operator CLA9. Orders for exposure drafts must be written or faxed. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m. **Prices do not include shipping and handling. Have membership number ready.**

Disciplinary Actions

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics cases have been resolved by settlement agreements under the Joint Ethics Enforcement Program:

- James H. Powers of Spirit Lake, Iowa, settled charges on May 28, 1996, of violating Rule 501—Acts Discreditable of the Code of Professional Conduct of the AICPA for misappropriation of funds from an entity for which he was treasurer and for failure to prepare tax returns for that entity. Without admitting or denying the charges, Mr. Powers agreed to expulsion from membership in the AICPA.
- Vern R. Bowling of Manistee, Mich., settled charges on May 31, 1996, of violating Rules 201 (B)—Due Professional Care, 202—Compliance with Standards and 203—Accounting Principles of the Code of Professional Conduct of the AICPA and the Michigan Association of CPAs in the performance of an audit of the financial statements of a governmental entity. Without admitting or denying the charges, Mr. Bowling agreed to an 18-month suspension of his membership in the AICPA and the MACPA, to complete 56 hours of specified CPE courses and to undergo a preissuance review of the highest level of engagements performed (which involve footnote disclosures) during the suspension period.
- Ralph J. Genovese of Niagara Falls, N.Y., settled charges on June 9, 1996, of violating Rule 202—Compliance with Standards of the Code of Professional Conduct of the AICPA and the New York State Society of CPAs in connection with his audit of an employee benefit plan. Without admitting or denying the charges, Mr. Genovese agreed to a two-year suspension of his membership in the AICPA and the NYSSCPA, to complete 80 hours of specified CPE courses and to submit one work

product to the Professional Ethics Division for review.

- Nicholas J. Bua and Alphonse Leonardo of Branford, Conn., settled charges on June 9, 1996, of violating Rules 201 (A)—Professional Competence, 201 (B)—Due Professional Care and 202—Compliance with Standards of the Code of Professional Conduct of the AICPA and the Connecticut Society of CPAs in the performance of their audits of the financial statements of a governmental entity. Without admitting or denying the charges, Messrs. Bua and Leonardo agreed to two-year suspensions of their memberships in the AICPA and the CSCPA, to complete the AICPA Certificate of Educational Achievement Program in Government/Not-for-Profit Accounting and Auditing, and to undergo preissuance reviews of their audit engagements, review engagements and compilation engagements (which involve footnote disclosures) performed during the suspension period.

Peer Review Program Terminations

Effective May 31, the enrollment of the firm of James L. Hansen, CPA, of Salt Lake City in the AICPA peer review program has been terminated due to the firm's failure to cooperate with the AICPA Peer Review Board and to have an on-site peer review when appropriate. A hearing panel deemed that because the firm performed audits with periods ending during its peer review year, the firm should have had an on-site peer review. Instead, the firm had an off-site peer review, which excluded its audit engagements from review.

Also effective May 31, the enrollment of the firm of Charles M. Council, CPA, of Lewisburg, W.Va., in the AICPA peer review program has been terminated due to the firm's failure to cooperate with the AICPA Peer Review Board. A hearing panel determined that the firm did not take the corrective or monitoring actions required as a result of the firm's 1994 peer review.

PFS Exam to Be Held Nov. 8; Test Substitution Still Available Until Dec. 31

AICPA members interested in obtaining the Personal Financial Specialist designation can earn the designation by either taking the PFS exam or, if they meet certain requirements, taking advantage of the test substitution offer. The exam, scheduled for Nov. 8, will be given nationwide at more than 280 test sites. The deadline for registering for that exam is Oct. 11.

The Dec. 31, 1996, deadline to apply for test substitution is fast approaching. Members who hold a valid Certified Financial Planner or Chartered Financial Consultant designation can waive the PFS examination, provided they meet certain criteria. Exam-waiver applicants must comply with all conditions of the PFS program, including AICPA membership, 250 hours of PFP experience per year for three years prior to applying for the PFS designation, six references, and ongoing continuing professional education and PFP practice.

There are currently 1,550 PFS practitioners nationwide. Of that number, approximately 415 applicants

qualified for the exam waiver since the test substitution program was implemented in Jan. 1995.

Contact the AICPA Order Department (see page 8) for the PFS exam package (No. G00055CLA9) or the test substitution package (No. G00105CLA9). Or, obtain the material from the fax hotline by dialing 201/938-3787 from a fax machine and selecting document no. 1100 for the exam package and no. 1048 for test substitution information.

AICPA, PFS Designation Appear in *Fortune*

The AICPA's Personal Financial Planning Division and the Personal Financial Specialist designation were mentioned favorably in an article, "How to Pick Your Advisers," in the Aug. 19 special retirement guide issue of *Fortune* magazine. The AICPA's toll-free number through which the public may request a list of PFS designees also was included in the article.

President Clinton Signs Small Business Job Protection Act of 1996

President Clinton on Aug. 20 signed into law the Small Business Job Protection Act of 1996. The bill increases the minimum wage (from the present \$4.25 to \$4.75 on Oct. 1 and to \$5.15 on Sept. 1, 1997) and provides tax breaks to small business, as well as to individuals and corporations. The AICPA supported and worked to have included the measure's pension simplification provisions and the provision to increase the expensing allowance for small business.

The AICPA and the American Bar Association also collaborated in a leadership role to have included in the final bill S corporation reform provisions. It also includes a \$5,000 adoption tax credit and a \$2,000 IRA for spouses

who do not work, as well as extending employer-provided educational assistance for periods after Dec. 31, 1994, through May 31, 1997 (for periods after June 30, 1996, the exclusion would not apply to graduate-level education). The bill also replaces the expired Targeted Jobs Tax Credit with a Work Opportunity Tax Credit, extends the orphan drug tax and research and experimentation credits, and extends permanently the Federal Unemployment Tax Act exemption for alien agricultural workers.

A copy of the legislation is available from the Government Printing Office; call 202/512-1800; or fax 202/512-2250 (refer to "Public Law version of H.R. 3448"; provide MasterCard or VISA number and expiration date).

Charles Bowsher of GAO Named AICPA's Outstanding CPA in Government

The Honorable Charles A. Bowsher, Comptroller General of the United States, is the 1996 recipient of the AICPA's Outstanding CPA in Government Award. The award recognizes CPAs in government who have made significant contributions to increase efficiency and effectiveness of government organizations and to the growth and enhancement of the profession.

As Comptroller and head of the General Accounting Office, Bowsher has played a major role in strengthening financial management and accountability of the federal government. Among other things, he strongly supported the Chief Financial Officers Act of 1990 (as did the AICPA) which contained a number of financial management reforms.

CPE News

Two new **audit guide courses** are now offered: **Banks and Savings Institutions: An Accounting and Auditing Perspective** (No. 739046CLA9) and **Audits of Credit Unions** (No. 739040CLA9).

Conduct a "virtual audit" using interactive computer-based training

courses. Get on-screen guidance to the guide, along with glossaries, reference material and an interactive case study. A self-grading exam provides instantaneous feedback—and on-the-spot CPE credit. Each course includes a copy of the related guide. Available on 3.5" diskettes. Price: \$109 each course. Recommended CPE credit: 10 hours. **Special multi-user discounts of 20% to 50% are offered when ordering multiple copies of the same course.** Hardware requirements: 386 PC (486 or higher preferred) with 16-color VGA graphics board, 8MB RAM and 10MB hard disk space. Requires MS-DOS 5.0 or higher and Windows 3.1 or higher.

These courses are available from the AICPA Order Department (see page 8) as well as from state CPA societies.

Briefings to Cover New NPO Guide

The AICPA is offering a series of six Strategic Briefings on the new *Not-for-Profit Organizations* audit and accounting guide (see page 3). The one-day briefings will be held between Oct. 16 and Nov. 13 in Washington, D.C., New York City, Chicago, Orlando, Dallas and Los Angeles. They will offer members an excellent opportunity to prepare for the Dec. 31, 1996, effective date and to put ques-

tions to the presenters. Each session will review the guide's key features and provide an update on relevant new guidance. Presenters are members of the AICPA Not-for-Profit Committee that developed the guide. Participants will receive a detailed outline and a copy of the guide. For more information, dial 201/938-3787 from a fax machine and select document no. 717. Or, call the AICPA at 800/862-4272 and request product G50016CLA9.

Conferences

National Auto Dealership Conference, Oct. 21-22, Phoenix, recommended CPE credit: 16 hours. **National Governmental Training Program**, Oct. 21-23, Nashville, recommended CPE credit: 24 hours. **National Federal Tax Conference with Tax Planning for Retirement Assets**, Oct. 30-Nov. 1, Washington, D.C., recommended CPE credit: up to 24 hours. **Fall National Industry Conference with Finance Best Practices or Strategic Performance Measures**, Oct. 30-Nov. 2, San Francisco, recommended CPE credit: up to 29 hours for both programs. **Credit Unions Conference**, Nov. 6-8, San Diego, recommended CPE credit: 16 hours. **National Conference on Banks and Savings Institutions**, Nov. 7-8, Washington, D.C., recommended CPE credit: 17 hours. **Annual Conference on the Securities Industry**, Nov. 12-13, New York, recommended CPE credit: 14 hours. **National Business Valuations Conference**, Nov. 17-19, Phoenix, recommended CPE credit: 16 hours.

Call the AICPA at 800/862-4272 for conference information and registration.

Taxpayer Bill of Rights 2 Signed Into Law; AICPA Long Supported

The Taxpayer Bill of Rights 2 (H.R. 2337) became law when President Clinton signed it on July 30. The bill was passed unanimously by the House and Senate and includes a variety of provisions designed to protect taxpayers in their dealings with the IRS. The AICPA has long supported and actively worked for passage of the taxpayer bill of rights legislation both in 1988, when the first taxpayer bill of rights legislation passed, and now.

Provisions of particular interest include:

- Extending the interest-free period for a delinquent tax payment of less than \$100,000 from 10 to 21 calendar days.
- Repealing full payment of tax liability as a precondition to switching from married filing separately status to

married filing jointly status.

- Requiring the IRS, on written request, to inform either spouse whether attempts are being made to collect taxes from the other individual.
- Putting private, non-postal delivery services on a parity with the U.S. Postal Service by permitting taxpayers to rely on the postmark of courier companies for delivery of tax-related documents.

Additional highlights of the bill include increasing from \$100,000 to \$1 million the amount of damages recoverable by a taxpayer who has been the victim of “reckless” IRS collection action and the establishment of a taxpayer advocate position within the IRS to assist taxpayers in resolving problems.

Single Audit Act Amendments Signed Into Law; New Law Covers NPOs

President Clinton signed into law on July 5, 1996, legislation amending the Single Audit Act. The new law (P.L. 104-156) makes several important changes to the Single Audit Act of 1984, which established audit requirements for state and local governments receiving federal financial assistance. The new law is effective for fiscal years beginning after June 30, 1996.

Highlights of important changes for practitioners include:

- Extension of the Act’s jurisdiction to not-for-profit organizations.
- Implementation of a risk-based approach for selecting major federal programs to be audited.
- Increase of the dollar threshold for single audit coverage to \$300,000 from \$100,000.
- Requiring auditors to provide a summary of the results of their work concerning the audited entity’s financial statements, internal controls and compliance

with laws and regulations.

- Reduction of the audit report due date to nine months.

The AICPA endorsed this package of amendments. However, the Institute sought clarification from Congress about regulators’ right of photocopy access to auditors’ working papers. In response, Congress included clarifying language in the bill’s legislative history.

An electronic version of the Single Audit Act Amendments of 1996 is available on the GAO Office of Policy Bulletin Board (in the Single Audit-GAO Conference); dial 202/512-4286 via modem (both ASCII and PDF versions are available). Or, obtain a copy via the Internet at <http://thorplus.lib.purdue.edu/gpo/> in the Public Laws section (click on the box marked “104th Congress”). It is also available on the AICPA’s Fax Hotline; dial 201/938-3787 from a fax machine and select document no. 402.

Revised Compliance Supplements for Education Department Programs Issued

On June 21, 1996, the Department of Education issued revised or new Compliance Supplement sections for Elementary and Secondary Education Act Programs. The revised ESEA Compliance Supplement sections cover Title I-Grants to Local Education Agencies (84.010), Migrant Education (84.011), Eisenhower Professional Development State Grants (84.281), Safe and Drug-Free Schools-State Grants (84.186A), Innovative Education Program Strategies (84.298), Bilingual Education (84.288S, 84.290U and 84.291), and Impact Aid (84.041).

The revised Compliance Supplement sections should be used for audits of ESEA programs covering the 1995-96 school year. ED also plans to issue shortly a revised interim Compliance Supplement section for the Federal Family Education Loan Program—Guaranty Agencies (84.032) for use in audits of periods ending

June 30, 1996, and after.

Electronic versions of the revisions are available on the GAO Office of Policy’s Bulletin Board System (in the Single Audit-Education Conference) and on the single audit menu of IGMNET. The GAO BBS can be accessed by dialing 202/512-4286 via modem. (Modem settings should be Parity-None, 8 data bits and 1 stop bit.) For access via IGMNET, point the web browser to <http://www.sbaonline.sba.gov/ignet/single/main/html>. The revisions may also be requested by mail from Office of Inspector General, U.S. Department of Education, 600 Independence Avenue, SW, Washington, DC 20202-1510, or by fax at 202/205-8238. For mail or fax request, indicate “Attention: ESEA Compliance Supplement” or “Attention: Guaranty Agency Compliance Supplement,” as appropriate.

Washington At A Glance

OCC Seeks Professional Accounting Fellows

The Office of the Comptroller of the Currency is accepting applications through Sept. 30 for its two-year professional accounting fellowship program; two positions are

scheduled to begin next month. Fellows participate in the study and development of accounting and reporting policy for national banks, perform research and evaluation of specific bank practices, and provide assistance to national bank examiners and the industry on bank accounting and reporting issues.

Candidates generally should have a minimum of five years' experience in public accounting; academic experience at the college level or banking industry experience also would qualify. For more information, call 202/874-5180.

SEC Staff Accounting Bulletin No. 97 Issued

SEC Staff Accounting Bulletin No. 97 sets forth the staff's interpretation of GAAP with respect to two issues involving business combinations. The first involves the inappropriate application of SAB No. 48, "Transfers of

Nonmonetary Assets by Promoters or Shareholders," to purchase business combinations consummated just prior to or concurrent with an initial public offering. The other involves the identification of an accounting acquirer for purchase business combinations involving more than two entities.

For more information, contact: Brian Heckler, Office of the Chief Accountant, at 202/942-4400, or Douglas Tanner of the Division of Corporation Finance at 202/942-2960; SEC, 450 Fifth Street NW, Washington, DC 20549.

SEC Announces New Fellowship Program

The SEC's Division of Corporation Finance is accepting applications for six to eight accounting positions in a newly created Fellowship Program. The program will provide accounting professionals with in-depth exposure to the Commission's full disclosure system for a 12- to 24-month term. Responsibilities include examining financial statements in public filings and resolving various challenging, unique and controversial accounting issues. A minimum of three years' auditing experience in a public accounting firm and knowledge of SEC reporting requirements is required. Salary: \$54,842-\$69,800. Call D. Cravotta at 202/942-2960 for more information.





The CPA Letter

A News Report to Members

October 1996 Vol. 76 No. 8

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AICPA Launches World Wide Web Site on Internet

The AICPA recently established a home page on the World Wide Web. Freeing information from the confines of paper and publishing schedules and making it immediately available through a computer all day long, every day of the year, "AICPA Online," the AICPA's Web site (URL-uniform resource locator: <http://www.aicpa.org>), offers members a unique opportunity to obtain AICPA and accounting-related material when they need it. Updated on a daily basis, information on the site is not stale and stagnant, but dynamic and expanding.

CPAs can benefit tremendously by using online resources. Members can get SEC filings, professional news, state CPA society information, IRS information, software downloads, university research material, government agency documents, and much more. CPAs also can use the computer to communicate with clients or outside accounting firms, file tax returns or SEC forms, or even market their own services.

What's On "AICPA Online"

"AICPA Online" provides members with immediate access to many Institute publications (including *The CPA Letter*), membership information, state and federal legislative updates, "hot" professional news, and AICPA press releases, speeches and exposure drafts, among other things. There also is a "Talk to Us" section where members can send e-mail messages directly to AICPA representatives or teams.

An advantage offered by the Internet is its ability to "link" someone to another Web site by just clicking on highlighted text. For example, an AICPA legislative update would include, in colored copy, a link—either words or an address—the PC user would click on to be brought to that particular government body's Web site, where one could get more detailed information. Linkage is what makes the Internet different from any other technology.

With a comprehensive list of links to

other accounting- and finance-related sites (click on "CPA Links" on the home page), "AICPA Online" serves as a gateway to additional Internet resources. Simply click on the subject desired, and be brought to the appropriate Web site automatically.

Use of the Internet itself is free, but there are costs for accessing it through a service provider. Since last summer, the Institute has had a presence on CompuServe via the Accountants Forum. Besides access to the Internet, CompuServe offers its members access to thousands of user-supported forums where one can ask questions, such as the Accountants Forum message sections.

For detailed information on the Internet and the Institute's Web site, including a glossary of common terms, equipment requirements, descriptions of search engines, and step-by-step instructions on how to get on and navigate through the Internet, see the Dec. issue of the *Journal of Accountancy*. The AICPA also has published a guide for CPAs who want to get the most out of the Internet (see page 8).

Microsoft, Others Join AICPA to Get States Web Sites

Microsoft and others have become partners of the AICPA to provide the state CPA societies free hardware, software and consultation to create and maintain their own Web sites. This alliance was announced to the states in Aug.

Opportunities presented to the state societies through this effort include flexibility to suit a state's ability to support a Web site; significantly less cost—if any—than most other plans; minimal requirement of personnel resources; multiple hosting options; and a highly qualified group of alliance partners with extensive Internet experience, such as Dell Computer Corp., Netcom Inc. and U.S. Robotics Corp.

Coming next month...

...a redesigned CPA Letter.
New colors. New content. New format.

News Briefs

Staff Liaison Changes

Since the last printing of the staff liaison list for members (*The CPA Letter*, July/Aug.), the following staff changes (bold italic type) have occurred for members included in boldface type categories: **Cluff-Cohen, Q., Susan**

Sky (201/938-3071); **Coonce-Corq, Susan Mazzeo** (201/938-3055); **Corr-Cowam, Margot Faivush** (201/938-3291); **Davini-Dawson, Aida Salom** (201/938-3548); **Golda-Gonsoulim, Pamela Thompson** (212/596-6182); **Holley-Hoodx, Judith Weixel** (202/434-9210); **Huntington-Iannott, Anne Stevens** (202/434-9264); **Robinson, M.-Rogalskh, Peter Quinn** (201/938-3064); **Roohan-Rosenthak, Charles Calabrese** (201/938-3202); **Torres-Trethewax, Wanda Amparo** (201/938-3304); and **Welsch-Westpfahk, Angela Grima** (201/938-3430).

Supplementing the Member Outreach Program is the Firm Visitation Program, which began earlier this year. So far, close to 100 staff have visited approximately 200 firms/organizations. Those interested in being placed on a list for possible visitation by an AICPA staff member should contact Mike Molaro at 212/596-6125.

AICPA Image-Enhancement Campaign Resumes This Month

Phase two of the AICPA's national image-enhancement campaign kicks off in Oct. with television ads (the award-winning "Pins" ad will alternate with a new spot starting Nov.) and print ads running in business and ethnic publications. The television and prints ads will run through Mar. 1997.

The TV ad can be seen on Meet the Press/Charles Osgood the weeks beginning Oct. 21, Nov. 11, Nov. 18 and Nov. 25 (once each week); on CNN the weeks of Oct. 21, Oct. 28, Nov. 11 and Nov. 18 (five to six placements each week); and during PGA Golf during the weeks of Oct. 21, Nov. 4, Nov. 11, Nov. 18 and Nov. 25 (once each week).

Full-page print ads will soon run, among other places, in the *Wall Street Journal* (once each week of Oct. 21 and Nov. 4), *Forbes* (in Oct., Nov. and Dec. issues), *Time—Top Management* (in Oct., Nov. and Dec. issues), *Inc.* (also in Oct. and Nov.) and in *USA Today* (once each week of Oct. 21, Nov. 4 and Dec. 2).

CPA Logo Merchandise Form on Page 5, Fax Hotline, Web Site

In response to member demand, *The CPA Letter* is again running the merchandise order form through which members may order various accessory items featuring the new "CPA" logo. The form has been updated to include golf balls, as well as additional ordering information, and appears on page 5 of this issue. It also is avail-

able on the fax hotline (dial 201/938-3787 from a fax machine and select document no. 107) and on the AICPA's Web site (see "What's New" on home page).

Information on promotional products for automobile license plates developed by the Georgia Society of CPAs also can be obtained from the AICPA fax hotline—select document no. 108. Prices range from \$5 to \$35, and black tag frames with chrome are now available.

AICPA Encourages All to Vote Nov. 5

With the presidential election campaign in full swing, the AICPA has produced 30-second public service announcements urging citizens to vote on Nov. 5. Political humorist Mark Russell was the spokesperson for the radio and television PSAs. The spots, which will be placed locally by state CPA societies, end with the tag line: "A public service announcement from the American Institute of CPAs and your state CPA society."

Want to Write Questions for CPA Exam?

The AICPA Examinations Division will be conducting workshops in New Jersey to develop questions for the Uniform CPA Examination. CPA volunteers are needed with a minimum of five years' experience in practice/education in the applicable examination section and a J.D. for the Business Law section of the exam. Participants will receive AICPA CPE credit, be acknowledged in the annual edition of the *Selected Questions & Unofficial Answers*, and receive a small honorarium for each accepted question. Participants' expenses to attend the workshop will not be reimbursed. Past workshop participants cannot receive AICPA CPE credit again. Workshop dates are: Auditing, May 29-30; Taxation, June 26-27; Business Law & Professional Responsibilities, July 10-11; Financial Accounting, July 21-22; and Governmental Accounting & Not-for-Profit Organizations, Aug. 7-8.

Applications are available from the fax hotline—dial 201/938-3787 from a fax machine and select document no. 155; or call 201/938-3425; or fax 201/938-3443. Questions should be directed to Fran DiPietro at 201/938-3435.

Public Meeting Notices

For detailed agendas, dial 201/938-3787 from a fax machine and select document no. 1206 two weeks prior to these meetings.

Accounting Standards Executive Committee: Oct. 22-23, New York; Dec. 17-18, New York

Auditing Standards Board: Nov. 12-14, New York; Dec. 17-19, New York

Professional Ethics Executive Committee: Oct. 24-25, New York

Other Meetings

Council: Oct. 18-19, Chicago

Accounting & Auditing News

Audit Risk Alert—1996/97, Compilation and Review Alert—1996/97 and Industry Alerts Available End of Oct.

The AICPA's risk alert series consists of *Audit Risk Alert—1996/97* (No. 022194CLA10), *Compilation and Review Alert—1996/97* (No. 060674CLA10) and 13 industry-

specific risk alerts. Risk alerts are valuable, nonauthoritative practice aids that are designed to be used as engagement-planning tools.

Following is an overview of key topics discussed in *Audit Risk Alert—1996/97*:

■ **New Auditing, Attestation and Quality Control Pronouncements**—includes, among other things, an overview of Statement on Auditing Standards No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*; Statement on Standards for Attestation Engagements No. 6, *Reporting on an Entity's Internal Control Over Financial Reporting: An Amendment to Statement on Standards for Attestation Engagements No. 2*; Statements on Quality Control Standards 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice*; several new auditing interpretations; and the proposed SAS, *Consideration of Fraud in a Financial Statement Audit*.

■ **Auditing Issues**—provides an overview of several auditing issues, including revenue recognition, related parties, inventories, going-concern and goodwill.

■ **Practice Monitoring Program**—includes reminders for auditors based on frequently recurring issues from practice monitoring letters of comment.

■ **Lessons from Litigation**—discusses the importance of following professional guidance during the conduct of an audit in accordance with GAAS, including gaining an understanding with the client, planning the audit, responsibilities regarding illegal acts, staffing the engagement, and reporting and communicating.

■ **New GAAP Requirements**—provides an update on new accounting standards in the GAAP hierarchy and their related audit implications. Discussion focuses on, among other things, FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and FASB Statement No. 123, *Accounting for Stock-Based Compensation*.

■ **Upcoming Accounting Pronouncements**—discusses a variety of projects that could possibly affect accounting practice, including FASB's exposure draft of a proposed statement on comprehensive income and the AICPA's Accounting Standards Executive Committee's exposure draft of a statement of position on software revenue recognition.

Following is an overview of key topics discussed in the *Compilation and Review Alert—1996/97*:

■ **Practice Problems Identified in Comment Letters on the "Assembly" Exposure Draft**—In Sept. 1995, the Accounting and Review Services Committee issued an exposure draft of a proposed statement on standards for accounting and review services titled, *Assembly of Financial Statements for Internal Use Only*. The proposed

statement would permit CPAs to prepare financial statements for their clients without having to comply with the performance and reporting requirements of SSARS if the financial statements were for internal-use only. The AICPA received more than 500 comment letters on this highly controversial proposal. Many of the letters identified problems that CPAs encounter when performing compilation engagements. Following are some of the problems identified in the comment letters:

Overlooking simpler options available under existing standards. Many CPAs are unaware of the wide range of financial-statement services they may provide to their clients under existing standards, such as compiling cash or tax-basis financial statements or statements that omit substantially all disclosures. The alert presents some alternative services a CPA may perform for a client that enable a CPA to meet client needs, comply with standards and provide a timely and cost-effective service.

Performing more work than is required because of concerns about peer review. CPAs are distressed about the time and cost entailed in peer review, especially if they only perform compilation engagements for one or very few clients. Some practitioners perform more work than is required in a compilation engagement in anticipation of peer review. Members of the AICPA Practice Monitoring Group have been meeting with members of the Accounting and Review Services Committee in an attempt to narrow the gap between the expectations of some peer reviewers and the requirements of SSARS for a compilation engagement.

CPAs providing controllership services to clients. Many CPAs are engaged to provide part-time or full-time controllership services to their clients. They maintain the accounting books and records for their clients, prepare financial statements, and perform management functions for their clients, such as hiring employees, investing idle cash and signing checks. They contend that the services they perform are the same as those performed by management and that they are well beyond being "non-independent." They believe SSARS should not be applicable to the financial statements they prepare because a compilation report should be used by an outside accountant to report on financial statements that are the representations of another party.

Submission of financial statements. Under existing standards, an accountant is required to compile financial statements if he or she has submitted them to a client or others. Paragraph 7 of SSARS No. 1 states that an accountant must compile financial statements if he or she has generated them, either manually or through the use of computer software. In the context of computer-generated financial statements, it may be difficult to determine whether an accountant has generated financial statements and is therefore subject to the requirements of SSARS. Has a CPA generated financial statements if they exist in the memory of a computer or on a computer screen, or does generation of financial

continued on page 4

statements require that the statements be printed? The ARSC is discussing this issue and may have to amend or interpret SSARS to clarify this matter.

■ **Using Staff in a Compilation or Review Engagement**—Many practitioners are uncertain about whether they may delegate to a staff person, including a paraprofessional, the performance of various procedures in a compilation or review engagement, and the extent to which they may do so. SAS No. 22 provides guidance on an auditor's responsibility for supervising staff in an audit engagement; however, SSARS does not address this topic. The alert presents nonauthoritative guidance on supervising staff in a compilation or review engagement.

■ **Responding to Peer Review Letters of Comment**—The implementation of peer review has improved the quality of practice; however, because peer review is a subjective process, disagreements between a reviewer and a reviewed firm about deficiencies in an engagement may occur. Recommendations for effectively responding to peer review letters of comment when a firm believes the reviewer's findings are unjustified are included in the alert.

■ **Deciding When to Use OCBOA Financial Statements**—Previous issues of the *Compilation and Review Alert* have recommended that practitioners consider preparing OCBOA financial statements for their clients as a cost-effective alternative when GAAP financial statements are not needed or required. This article describes factors a CPA should consider in determining the basis of accounting to be used in financial statements and identifies situations in which OCBOA financial statements are commonly used.

■ **Representation Letters**—Client representation letters are required in all review engagements; however, problems may arise when drafting a representation letter or attempting to obtain a client representation letter. For example, management may be relatively new and reluctant to sign the letter because they are not sufficiently familiar with the company. Guidance for handling such matters is included in the alert.

■ **Modifying Engagements for SOP 94-6**—Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, is effective for financial statements issued for fiscal years ending after Dec. 15, 1995. Because

accounting SOPs are included in the GAAP hierarchy, they are applicable to compilations, reviews and audits. This article identifies matters to be aware of and offers suggestions for incorporating SOP 94-6 in compilation and review engagements.

■ **Standards Overload**—Managing the information overload that results from the large number of standards in existence, the continuous development of new standards, and the amendment of existing standards has made keeping up extremely difficult. The AICPA's Private Companies Practice Section Special Task Force on Standards Overload has developed a series of recommendations addressing the standards overload problem. The task force, composed of CPAs from small firms who provide financial-statement services primarily to small non-public entities, will present its recommendations to the AICPA Board of Directors for consideration and implementation.

■ **New GAAP Requirements**—The alert includes summaries of authoritative accounting standards becoming effective in 1996 and a list of authoritative accounting pronouncements issued during 1996.

Following is a list of the 1996/97 industry-specific audit risk alerts to be available late Oct.:

- Banks and Savings Institutions (No. 022190CLA10)
- Construction Contractors (No. 022185CLA10)
- Credit Unions (No. 022198CLA10)
- Health Care (No. 022186CLA10)
- High Technology (No. 022187CLA10)
- Insurance (No. 022188CLA10)
- Investment Companies (No. 022184CLA10)
- Real Estate (No. 022197CLA10)
- Retail Enterprises (No. 022195CLA10)
- Securities (No. 022196CLA10)

Industry alerts now available: Employee Benefit Plans (No. 022177CLA10), Not-for-Profit Organizations (No. 022178CLA10) and State and Local Governmental Developments (No. 022179CAL10).

All the alerts will be available from the AICPA Order Department (see page 8). Price: general *Audit Risk Alert, Compilation and Review Alert*: \$11 each for members, \$12 each for non-members. Industry-specific alerts: \$6.50 member, \$7.25 non-member.

FASB to Address Business Combinations, Establishes Web Site

The Financial Accounting Standards Board has agreed to add a project to its technical agenda that will address the accounting for business combinations and intangible assets. The project will reconsider two APB Opinions that have been in effect since the early 1970s.

In another action, the FASB has announced that it

has set up a home page on the World Wide Web. The site will include action alerts, summaries of all FASB Statements, and the quarterly plan for FASB technical activities, as well as ordering information. Access through either of two locations: <http://www.fasb.org> or <http://www.rutgers.edu/accounting/raw/fasb>.

GASB Issues Technical Bulletin on Pensions

The Governmental Accounting Standards Board has issued a technical bulletin that clarifies some implementation issues associated with current GASB standards on pensions. Its effective date varies, based on adoption of Statement 25, and its provisions terminate

when Statement 27 becomes effective or is adopted. To obtain a copy of the bulletin (price: \$6), write: GASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116; or call 203/847-0700, ext. 555.

CPA Accessories Collection



Item # _____ Price _____
 73157 \$30.80
 Lee Crossgrain Heavyweight
 Crewneck Sweatshirt 95% Cotton
 11oz. Material, Sizes: S, M, L, XL



Item # _____ Price _____
 5180 \$11.30
 Hanes Beefy Tee 100% Cotton
 Sizes: S, M, L, XL
 Back Shown; Logo On Front



Item # _____ Price _____
 6374 \$13.75
 6 Panel Washed Brushed
 Cotton Oxford Cap Stone/Black
 Embroidered



Item # _____ Price _____
 CC12 \$8.45
 11oz. Ceramic Coffee Mug



Item # _____ Price _____
 LP1 \$2.80
 1/2" Lapel Pin
 Die-Cast Metal



Item # _____ Price _____
 6100 \$13.15
 Pierre Cardin Pen
 Lacquer Finish With Gold Trim



Item # _____ Price _____
 395 \$8.50
 Mouse Pad
 10"x11" Non-Skid Surface



Item # _____ Price _____
 5011 \$29.70
 Outerbanks 100% Cotton
 Pique Knit 2" Droptail
 Embroidered, Sizes: S, M, L, XL



Item # _____ Price _____
 2830 \$9.00
 2" Button



item # _____ Price _____
 TXL \$22.50/doz.
 Spalding® Top-Flite® XL®
 Golf Balls

CPA Order Form

Big Game Outfitters

245 Western Ave., Suite 32
 Essex, MA 01929
 Tel. (508) 768-7749
 Fax (508) 768-6405

Ship To:

Name _____

Firm or Organization _____

Street Address* _____

City _____

State _____ Zip _____

*No P.O. Box, please.

Shipping & Handling Charges

These charges are in addition to the final sale price of the ordered items.

Order Amount	S&H Charges	Order Amount	S&H Charges
Up to \$5.00	\$3.67	\$60.01-\$80	\$9.75
\$5.01-\$20	\$4.75	\$80.01-\$100	\$10.75
\$20.01-\$40	\$5.75	\$100.01-\$250	\$15.75
\$40.01-\$60	\$7.75	Over \$250	7% of order

Allow 6-8 weeks for delivery UPS Ground Trac Delivery

Item Description	Item Number/Size	Quantity	Total Price

Total Amount

*Shipping Charges

**5% MA only Sales Tax
 (not on food or clothes)

Grand Total

Paid By:

Check Money Order

MasterCard Visa

charge card number

exp. date _____

Please Complete:

AICPA Membership Number _____

Signature _____

* Shipping charges order amount

** Sales Tax: Only on non-clothing/
 non-food items with MA as the
 delivery destination

**Make check payable to Big
 Game Outfitters**

Member to Member... Chair's Corner

By Ron Cohen
Chair, AICPA Board of Directors
Almost a year ago in this column, I wrote of my concern about the long-term future of our profession and the challenges we face in the "new era for CPAs." My goals as chair were to accelerate change,

increase efficiency, enhance service and add value to and for our members.

The year has passed swiftly and, although I feel we've made progress in addressing the issues affecting our profession, I'm not convinced we have kept up with the pace of change around us.

Finding answers to difficult questions—and quickly—becomes more and more critical if we are to ensure our future stature and value as a profession. Increasingly, answers must be reconsidered to seemingly basic questions, such as:

- What is a CPA?
- How should we define the practice of public accounting?
- What will it mean to be a CPA in the 21st century?

- Can we meet the needs of our diverse constituencies within the AICPA and remain united as a profession?
- Can we effectively deal with changing competition and changing public needs with our existing regulatory structure?
- How can we best provide value to our users?

None of these questions has an easy answer. It seems clear, however, that new, innovative approaches are necessary. Our past accomplishments will not necessarily provide us a road map for the future. To the contrary, we can't afford to allow past successes to blind us to the changes we must adopt to keep pace with the world around us. Nor can we afford to let those unwilling to let go of the past, as well intentioned they may be, keep us from shaping the new accounting profession of the future.

We CPAs must take charge of our future. Bold, creative initiatives will be required. The road will be bumpy, but we can't be distracted from our destination—to build a new, relevant, valued profession for the 21st century.

My year as chair has been immensely exciting and rewarding. I am extremely grateful for all of the valuable input and support freely given by AICPA members and staff. Thank you for the privilege to represent our profession.

To contact Ron Cohen, fax 219/236-8692.

Highlights of Board of Directors' September Meeting

At its meeting on Sept. 5-6, the AICPA Board of Directors:

- Voted to send to Council for its approval the creation of an accreditation program in business valuation that offers the Accredited in Business Valuation designation.
- Approved establishment of the Center for Excellence in Financial Management and the necessary funding for fiscal year 1996-97.
- Supported the approach of the Special Committee on Regulation and Structure of the Profession in its efforts at development of a new regulatory framework for the profession.
- Heard a debate by board members on whether the AICPA should have associate membership.
- Received reports on a joint meeting with the Audit Committee where the financial results and the year-end

audit were reviewed.

- Received a report from the Tax Executive Committee on the status of the independent contractor-employee issue.
- Approved the agendas for the 1996 Annual Members Meeting and Fall Meeting of Council.
- Received a live demonstration of "AICPA Online," the Institute's Web site on the Internet (see front page article).
- Voted to recommend to Council J.H. Cohn & Company as independent auditors for the AICPA and related entities and the insurance trust for 1996-97 after reviewing the selection process.

The minutes will be available after Oct. 28, after they are approved by the board at its Oct. meeting, from the Accountants Forum Library "AICPA: For Members Only," and from the fax hotline (dial 201/938-3787 from a fax machine and select document no. 128).

Scholarship Awards for Minority Accounting Students Announced, Mentors Sought

The AICPA Minority Initiatives Committee has named the winners of its scholarship program for the 1996-97 academic year. A total of \$597,000 was awarded to 288 undergraduate and graduate-level minority accounting students throughout the country. Selected students are designated as joint award recipients in recognition of contributions received from Arthur Andersen LLP; McGladrey & Pullen; and the state CPA societies of Connecticut, California, New Jersey and Tennessee.

AICPA Scholarships for Minority Accounting Students are competitive merit- and need-based awards of up to \$5,000 for outstanding minority students who show significant potential to become CPAs. Application

forms can be obtained by writing the AICPA Order Department (see page 8) or by dialing 201/938-3787 from a fax machine and requesting document no. 652. Applications are due July 1 of each year.

Also, the committee is seeking mentors for its Partnerships for Success mentor program, a joint effort between the AICPA and participating state CPA societies in which mentors are matched with the minority scholarship recipients. Members interested in becoming mentors or those wanting a complete list of scholarship winners and/or information about AICPA minority initiatives should contact Gregory Johnson at 212/596-6227 or e-mail gjohnson@aicpa.org.

Disciplinary Actions

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

■ Keith E. Dolgaard of Scottsdale, Ariz., effective May 28, 1996, following a U.S. Court of Appeals decision which denied his petition for a rehearing. He was found guilty of conspiring to make and receive unlawful payments to influence the operator of an employee benefit plan, violating the Racketeer Influence in Corrupt Organizations (RICO) Act and for unlawfully receiving payment to influence the operation of an employee benefit plan. Mr. Dolgaard's membership had been suspended pending the appeal of his conviction (*The CPA Letter*, Oct. 1994).

■ Kenneth Carpenter of Hinesville, Ga., effective May 28, 1996, following a U.S. Court of Appeals decision affirming his conviction for conspiracy to launder money. Mr. Carpenter's membership had been suspended pending the appeal of his conviction (*The CPA Letter*, Nov. 1992).

■ Richard P. Heath of Douglas, Ga., following a U.S. Court of Appeals decision affirming his conviction for conspiracy to defraud the United States, effective Dec. 13, 1995, and following the denial by an ad hoc committee of the Joint Trial Board of his request that the automatic disciplinary provisions not apply to his circumstances. Mr. Heath's membership had been suspended pending the appeal of his conviction.

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their memberships:

—*Suspended from the AICPA and their state CPA societies:*

■ William R. Schott of Cape Girardeau, Mo., effective May 23, 1996, was suspended for one year for violating Rule 202—Compliance with Standards for failing to disclose his lack of independence in a compilation report for a client when such was evident by his brother's financial interest and position as vice president of the entity

during the period of the professional engagement.

■ Gene R. Wallace of Monett, Mo., effective May 23, 1996, was suspended for two years for violating *AICPA Code of Professional Conduct*, Bylaw 7.4.6—Failure to Cooperate by failing to comply with the directives in a letter of required corrective action. In addition to his suspension, he is required to submit the highest-level of engagement performed during the previous year for review by the Professional Ethics Division.

—*Suspended* for two years from membership in the AICPA and his state society as a result of the acceptance of a guilty plea by the Joint Trial Board in lieu of a trial board hearing:

■ Lee M. Perry of Flint, Mich., effective Mar. 27, 1996, for violating Rules 202—Auditing Standards and 203—Accounting Principles of the pre-January 12, 1988, Code of Professional Conduct of the AICPA in connection with his audit and opinion of financial statements issued for a company and its affiliates. He is required to complete 80 hours of specified CPE courses during the suspension period, and to submit for review by the Michigan Association's Professional Ethics Committee a list of engagements performed during the six-month period following completion of the first 40 hours of CPE.

As a result of investigations of alleged violations of the Code of Professional Conduct of the AICPA and/or state CPA societies, the following ethics case has been resolved by settlement agreement under the Joint Ethics Enforcement Program:

■ Richard K. VanLanduyt of Lake Geneva, Wisc., settled charges on July 26, 1996, of violating Rules 202—Compliance with Standards and 203—Accounting Principles of the Code of Professional Conduct of the AICPA and the Wisconsin Institute of CPAs (WICPA) in connection with his audit of the financial statements of an employee benefit plan. Without admitting or denying the charges, Mr. VanLanduyt agreed to two-year suspensions of his membership in the AICPA and the WICPA; to complete 80 hours of specified CPE courses; and to undergo preissuance reviews of the audit engagements, review engagements and compilation engagements (which involve footnote disclosures) performed during the suspension period.

Quarterly List of Documents Available on AICPA 24-Hour Fax Hotline

To retrieve any documents listed below, dial 201/938-3787 from a fax machine, follow the voice cues and provide the numbers of the documents desired. There is no charge for this service. All documents are 10 pages or less unless otherwise noted.

<u>Document No.</u>	<u>Item</u>	<u>Document No.</u>	<u>Item</u>
1	Catalog of all documents available	402	Single Audit Act Amendments of 1996
114	State CPA society addresses	407	June 1997 Department of Education
115	AICPA affinity programs	602	Form of Practice chart
116	Notification of change in firm structure	997	President's Fiscal Year 1997 Budget
119	List sales brochure		Proposal—modification of Section 355
194	June AICPA Library acquisition list		

New Products & Publications

The new *CPA's Guide to the Internet* (No. 093000CLA10), written by Jon Graves of Kent Information Services, explains how CPAs can surf the Internet and improve their businesses. Learn how to get connected and begin navigating the Net, and find out

how to locate even its hardest-to-find resources. Buyers will also receive a free interactive CD-ROM and a complimentary six-month subscription to *Internet Bulletin*, a monthly newsletter that will keep members up-to-date on

all of the recent software developments and accounting- and tax-related additions to the Net. Price: \$44 member, \$49 non-member.

To order, write: AICPA Order Department, CLA10, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272. Ask for Operator CLA10. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m. Prices do not include shipping and handling. Have membership number ready.

CPE News

New Courses on Latest Tax Acts

Sid Kess and other renowned tax experts analyze the recently enacted tax acts in two 3-hour videocourses. Plus, members will have the opportunity to prepare

practice returns. Both courses will be available Nov. 1.

The **1996 Corporate Tax Returns Videocourse** highlights key tax developments affecting 1120 and 1120S return preparation for the 1996 tax year. Includes: Small Business Job Protection Act of 1996, form changes, common return errors, S corporations, limited liability companies, new independent contractor settlement program, and proposed "check the box" entity classification regs. Recommended CPE credit: 16 hours group study and self study. Format: 2 VHS tapes/manual/looseleaf text (No. 112568CLA10), \$199; additional manual/looseleaf text (No. 112570CLA10), \$80; additional manual only (No. 112569CLA10), \$50.

The **1996 Individual Tax Returns Videocourse** highlights key tax developments affecting 1040 return preparation. Recommended CPE credit: 16 hours group study and self study. Format: 2 VHS tapes/manual/looseleaf text (No. 113559CLA10), \$199; additional manual/looseleaf (No. 113561CLA10), \$80; additional manual only (No. 113560CLA10), \$50.

With the **New 1996 Tax Laws: How They Affect Your Clients** (a self-study course), find out how more corporations can qualify for favorable tax treatment for S corps and see the new "simplified" rules governing them, discover how clients can benefit from new tax-favored retirement plans and how the complex rules that existed in the past have been eliminated, learn all the new tax breaks for small businesses, uncover the new tax breaks—and crackdowns—for individual taxpayers, and unveil new opportunities for tax refunds for business and individuals, and more. Includes *RIA's Complete Analysis of the Small Business, Health Insurance and Welfare Reform Acts of 1996*. Recommended CPE credit: 8 hours. Format: Text (No. 737010CLA10). Price: \$89 on orders received by Dec. 31; \$119 thereafter.

Available from the AICPA Order Department (see above) as well as from state CPA societies.

Conferences

National Conference on Fraud, Dec. 4-6, Las Vegas, recommended CPE credit: 19 hours. **National Construction Conference**, Dec. 5-7, Las Vegas, recommended CPE credit: 16 hours. **National Conference on Current SEC Developments**, Dec. 10-11, Washington, D.C., recommended CPE credit: 17 hours.

For information or to register, call the AICPA at 800/862-4272.



1100
211 Plaza The
Jersey City, NJ 07310

November 1996 Vol. 76 No. 9
A News Report to Members

The CPA Letter

AICPA

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It began with a thorough review of the results of three readership surveys spanning the past few years. Coupled with that was AICPA President & CEO Barry C. Melancon's suggestion that the Institute tailor its products and publications better so that members get the best information we can offer to meet their needs. For *The CPA Letter*, these two factors lead to a complete make-over.

The most obvious change is the paper color, which now is white. Some members liked the yellow (some called it green); some did not. But what members did like—76% of them—was an increased use of graphics, charts and photographs. By using this white paper, we gain the flexibility necessary to have information in *The CPA Letter* presented more in line with the way members want it.

To continue the ease with which members could identify *The CPA Letter*, the Hunter green used here has been reserved for this newsletter only; no other AICPA product or publication can use this exact color. What you will begin to see, though, is the "AICPA family" look for all AICPA products and publications that is being launched with this publication.

In addition, to help you identify when more detailed information is available, and how to obtain it, we now will use icons to denote items available on our faxback system, Web site or Accountants Forum on CompuServe, or to whom you should send Internet e-mail messages.

Several new features have been added as


well. The bottom of the cover page will offer "capsules" of a few of the more important developments affecting the profession. Some of the items will be elaborated on in the newsletter and you will be given a page reference. This feature is meant to be a "heads up" to members—a must read.

To help members spot emerging trends on a state or local level that could have national implications, we have created the "Across the Nation" feature (usually on the back page). State CPA societies, the AICPA State and Local Taxation Committee, and the AICPA State Societies and Regulatory Affairs Team will be primary contributors to the column.

In reserve for use when necessary is a "Just In" column. Here we will give brief reports of important information that the AICPA learns close to the newsletter's publication date. It represents another way to give members a "heads up" on important issues and developments.

Last but not least, you probably have read about the newsletter featuring member-segment supplements. Virtually all of you have one enclosed in this issue. Its front page resembles that of *The CPA Letter* to help you identify when you have gotten to your "specialized" section. Included in each supplement is how to obtain any or all of the other ones produced that month.

We hope you enjoy the improvements we have made to *The CPA Letter* in an effort to meet the challenges of your information needs. Address any comments to the newsletter's editor.

 Ellen J. Goldstein,
egoldstein@aicpa.org

The GAO gives the profession high marks on its response to meeting challenges over the past 20 years. **See page 2.**

The federal government creates a Web site to provide easy access to documents and information (<http://www.info.gov>). **See page 2.**

By mid-Nov., the FDIC will tell each SAIF member how much of a special premium on insured deposits it must pay to recapitalize the SAIF. **See page 3.**

Benchmarking study by the AICPA/Hackett Group shows cost of finance activities is down, but more still needs to be done. **See page 5.**

GAO Gives Accounting Profession Good Report

The accounting profession got a good progress report from the General Accounting Office recently. In its report, *The Accounting Profession, Major Issues: Progress and Concerns*, the GAO said its review "shows that the profession has been responsive in making changes to improve financial reporting and auditing of public companies." The report highlights five major issues from various studies of the accounting profession from 1972 through 1995: auditor independence, auditor responsibilities to detect fraud and report on internal controls, audit quality, the accounting and auditing standards-setting processes, and the role of the auditor in the further enhancement of financial reporting. While the profession has made progress in these areas, the GAO noted more needs to be done. The AICPA stated in its comments, which were published as an appendix in the report, "the AICPA has a long history of responding positively to the ongoing challenges facing the profession...and remain(s) fully committed to similarly meeting new challenges in a manner consistent with the profession's special role in serving the public interest." Copies of the report (GAO/AIMD-96-98) are available from the GAO. The first copy is free; each additional copy costs \$2.



GAO, 202/512-6000



301/258-4066

Advertising Schedule for December, January Announced

Here is the schedule of television and print ad placements for the AICPA's national image-enhancement campaign during the next two months.

Broadcast. Meet the Press/Charles Osgood (1x/week), every week through Dec. and Jan.; CNN (5-6x/week), weeks of Dec. 2 and 9, Jan. 13 and 20; PGA Golf (1x/week),

weeks of Dec. 2 and 9 and Jan. 20.

Print. *Wall Street Journal* (1x/week), weeks of Dec. 2 and Jan. 27; *Forbes*, Dec. and Jan. issues; *Time*, Dec. and Jan. issues; *USA Today*, week of Dec. 2. Plus, these ethnic publications: *Winds of Change* (Jan.), *Black Enterprise* (Dec.) and *Hispanic Business* (Dec.).

New Government Web Site Gives Easy Access to Documents

To make it easier for the public to access and search for government information, the General Services Administration has launched a new Web site—<http://www.info.gov>. The site serves as an entry point to find local, state, federal and foreign government information, and also has links to dozens of federal agencies, Congress, the judicial branch, and state and local governments.

Committee Members Wanted

There will be approximately 600 openings for AICPA members who would like to serve on an Institute committee beginning Oct. 1997. To apply, write: Committee Appointments, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775; or fax Andrea Singletary at 212/596-6104. Candidates will receive a committee booklet listing current committees, objectives, major projects, estimated time commitments and special qualifications, as well as a biographical form to complete. To ensure being considered for the 1997-98 committee year, the biographical form must be returned by Feb. 15, 1997.


Intuit Becomes AICPA Affinity Partner

Intuit has been selected as an AICPA affinity partner for software products. The agreement provides AICPA members with a special discount of 10% off new purchases of Intuit's TurboTax ProSeries™ and

QuickBooks™ professional tax preparation and small business accounting software products. The savings are over and above Intuit's normal product promotions and discounts. To receive the special discounts on purchases in these product lines, call Intuit and identify yourself as an AICPA member.

TurboTax ProSeries offers professional tax preparers more than 325 products, including programs for federal and state individual and business income tax (in both DOS and Windows).

QuickBooks delivers business management by providing integrated estimating, time-tracking and job-costing, in addition to other business management capabilities required for small business accounting.

 Intuit, 800/433-4235

AICPA Annual Report Appears in November's *Journal of Accountancy*

The AICPA's annual report for fiscal year Aug. 1, 1995, through July 31, 1996, appears in this month's *Journal of Accountancy*. Included is a "year in review highlights" and a letter to members from former AICPA Chair Ron Cohen and President & CEO Barry C. Melancon, as well as the AICPA's financial statements.

Public Meeting Notices

For detailed agendas, dial 201/938-3787 from a fax machine and select document no. 1206 three weeks prior to these meetings.

Accounting Standards Executive Committee: Dec. 17-18, New York
Auditing Standards Board: Dec. 17-19, New York

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Geoffrey L. Pickard, Vice President—Communications

Ellen J. Goldstein, Editor egoldstein@aicpa.org

Two AICPA Staff Teams Work to Benefit New CPAs and Retirees, State Societies and CPA Firm Associations

Of the nine member-segment teams comprised of staff from many areas of the AICPA, two are not focused on a member's job function or firm size, but rather cut across all functions and firms. One is the New CPAs and Retirees member-segment team; the other is for state CPA societies and CPA firm associations.

New CPAs/Retirees

The mission statement of the New CPAs and Retirees Team is to attract and retain new CPAs and retirees by identifying and addressing their needs. As the needs analysis is constantly being conducted through in-depth interviews, the team hopes to gain valuable information about these member segments to develop relevant product and service initiatives.

New CPAs are defined as CPAs under 35 years of age, which currently represents more than 32% of the AICPA's total membership. Members who have identified themselves as retired comprise approximately 5%.

Here is a glance at some of the team's activities:

- The team recently held the first online exchange between AICPA President & CEO Barry Melancon and an invited group of CPAs under 35. The forum met the team's objective to deliver a highly progressive, technological vehicle so new CPAs could share their "voice" with Melancon on a select number of professional issues.
- A plan to determine how to target a representative number of AICPA Council seats to younger members is being developed. Regarding Council, it is the team's hope to encourage those states with four or more appointees to select one member who is 35 and under.
- Younger members will be encouraged to apply for AICPA committees.
- Suggestions to staff aides and committee chairs on the importance of appointing younger members to committees will be made.
- A life cycle affinity program—an AICPA-sponsored referral service that could assist with such personal issues as child or elder care and other life transitions—will be revisited.

- New insurance program options, such as accidental death, medical insurance, etc., will be explored.

If you would like to offer input to the team, contact the team leader:



Liz Birenbaum, Member Services, 212/596-6194



ebelkin@aicpa.org

State Societies/CPA Firm Associations

Budgetary pressures, developing technologies and an ever-changing marketplace are a few of the forces converging to create the need for greater creativity, enhanced cooperation, strategic alliances and partnering with other professional organizations. Addressing this need is the State Societies and CPA Firm Associations member-segment team.

The team's specific mission is to assess and improve communications, service and coordination between the AICPA, state CPA societies and associations of CPA firms to better meet their needs and to more effectively serve the CPA profession.

Some initial steps to meet this goal have already taken place. Internal research has been undertaken so that the team understands who, what, when, why and how the AICPA serves and works with state CPA societies and associations of CPA firms. Based on this knowledge, the team will learn the demands these groups face, the challenges they confront on a daily basis, and the perceptions they hold, not only about the AICPA, but about the future of the accounting profession and how the Institute can collaboratively develop creative solutions to problems and establish products and services that meet the constantly changing needs of all members.

If you would like to offer advice or have any comments, contact the team leader:



Leigh Knopf, 212/596-6132



lknopf@aicpa.org

New Laws Affect Banks and Thrifts

The Deposit Insurance Funds Act (enacted Sept. 30) requires that the FDIC assess a special premium on deposits insured by the Savings Association Insurance Fund. The premium will raise the ratio of SAIF insurance funds to insured deposits to 1.25%. The Act also amends IRC Sec. 162 to make the assessment deductible in the year paid.

On Nov. 13, the FDIC plans to tell each SAIF member how much it must pay. Though the FDIC is predicting an average assessment of 65.7 basis points on Mar. 31,

1995, deposits, the actual amount will depend on how many "weak" institutions are exempted. In related plans, the FDIC will propose new assessment rates to take effect once SAIF is recapitalized.

The FASB staff addressed related accounting questions in an announcement at the Nov. 15, 1995, meeting of the FASB's Emerging Issues Task Force (*The CPA Letter*, Dec. 1995). In part, the FASB staff said that when legislation requiring the special assessment was enacted, "a liability should be accrued and a charge should be reported as a component of operating income in the period that includes the enactment date. The charge to income should not

be reported as an extraordinary item." Further, FASB Interpretation No. 14 addresses *Reasonable Estimation of the Amount of a Loss*.

Also enacted Sept. 30, the Economic Growth and Regulatory Paperwork Reduction Act of 1996 repealed Section 36(e) of the Federal Deposit Insurance Act. That section required auditors to report on agreed-upon procedures relative to insured institutions' compliance with specified safety and soundness laws and regulations.



Jim Green, jgreen@aicpa.org


FASB Releases Interpretation on NPO Issues, Joint Report on Lease Accounting

The Financial Accounting Standards Board has issued its Interpretation 42, *Accounting for Transfers of Assets in Which a Not-for-Profit Organization Is Granted Variance Power* (product code I42), on its Statement 116 on contributions to not-for-profit organizations. The interpretation, effective for fiscal years ending after Sept. 15, 1996, with earlier application encouraged, clarifies that a not-for-profit organization that receives assets acts as a donee, and a donor if the asset provider specifies a third-party beneficiary and explicitly grants the recipient organization the power to redirect the use of the assets.

The FASB also released a special report on accounting for leases (product code SRLC) that was developed in conjunction with the accounting standards boards of Australia, New Zealand, Canada, the United Kingdom and the International Accounting Standards Committee. It discusses the application of accounting concepts to lease contracts, with particular emphasis on lease accounting. The analysis of issues contained in the report is based on the conceptual

framework of the IASC, which is very similar to that of the FASB.

To obtain a copy of either item, write: FASB Order Department, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116, or call. Prices: Interpretation, \$10.50; special report \$11.50.

 FASB Order Department, 203/847-0700, ext. 555

GAO Names Council to Advise on Government Auditing Standards

As head of the General Accounting Office and Comptroller General, Charles A. Bowsher named a 20-member council to provide advice and guidance on government auditing standards. The council, which will ensure the continued development of standards that are generally accepted by the government audit community, will work with the GAO to keep the auditing standards current through the issuance of revisions, interpretations and guidance.

now available

The 1996 editions of the AICPA and FASB paperbacks, current as of June 1,

include *AICPA Professional Standards* (No. 005016CLA11), \$89.50), *FASB Accounting Standards—Original Pronouncements* (No. 005046CLA11, \$89.50), *FASB Accounting Standards—Current Text* (No. 005026CLA11, \$89.50), *AICPA Technical Practice Aids* (No. 005056CLA11, \$65), and the *AICPA Audit and Accounting Manual* (No. 007257CLA11, \$65). All AICPA and FASB paperbacks are available only to AICPA members. Special combination prices also available. *AICPA Professional Standards and FASB Current Text*, \$140 (No. 005038CLA11) and all five paperback sets for \$270 (No. 005068CLA11).

To order, write: AICPA Order Department, CLA11, P.O. Box 2209, Jersey City, NJ 07303-2209; order via fax, 800/362-5066; or call 800/862-4272. Ask for Operator CLA11. The best times to call are 8:30 to 11:30 a.m. and 2:00 to 7:30 p.m. Prices do not include shipping and handling. Have membership number ready.

New Regulations for "Investment Advisers"


CPAs who are registered with the Securities and Exchange Commission as investment advisers may be affected by securities reform legislation recently signed into law by President Clinton. The legislation (P.L. 104-290), designed to ease regulations on the securities and mutual fund industries, creates a new regulatory framework for investment advisers by reallocating oversight responsibilities between the SEC and the states. The SEC would have responsibility for supervision of investment advisers who advise mutual funds or who manage \$25 million or more in client assets; investment advisers who manage less than \$25 million in client assets would be regulated by the states. Some regulatory relief is provided to smaller advisers, and a uniform

federal *de minimis* registration exception from state registration for advisers with fewer than six clients is created. It also amends the Employee Retirement Income Security Act to allow both state-registered and federally regulated advisers to advise an ERISA account. However, the ERISA amendment expires in two years. The AICPA will work to enact appropriate ERISA legislation so that all practitioners can continue these engagements without having to register with the SEC. The bill does not alter the exclusion in the law for accountants who provide investment advice as an incidental part of other services.

Recipients Advised of New Drawdown Procedure for Education Funds

The U.S. Department of Education is changing procedures and systems for grant

payments, accounting and reporting. A letter was issued during July notifying program recipients of the new drawdown procedures to take effect in 1997 between July and Sept. The fundamental change is that recipients will have to request education dollars by individual program when drawdowns are made. In the past, recipients were allowed to pool their drawdowns into a single total amount without identifying the specific programs being funded. The new procedure may require many recipients to change their internal processes and systems. However, these new procedures are expected to produce more timely and accurate information for the recipients and the Department of Education.

 Charles L. Coleman, Director of Cash Management, 202/401-1776

Members in Government

November 1996

AICPA

The New *CPA Letter* Format

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This month, *The CPA Letter* introduces a major change in its format designed to better serve members. As AICPA members already know, during the last year Institute President & CEO Barry Melancon has implemented a reorganization of the AICPA to create a more responsive organization that is better able to anticipate and meet members' needs. That has meant challenging the Institute staff at all levels to learn more about what members do and how the Institute can help them improve their practices and their services. As part of that effort, the AICPA has created member-segment teams, including a government team (see article on page G2).

In addition, *The CPA Letter* readership has been divided into member segments based on job function or firm size, and specialized supplements have been created exclusively for each group that are customized to deliver information just for those members. That means readers will receive more sharply focused updates on what's going on in the profession and what it means to government CPAs. Members will continue to receive *The CPA Letter*, which will offer timely, news-oriented stories of interest to the broad AICPA membership. Your new supplement will arrive up to 7 times a year as part of *The CPA Letter*, and will feature news, information, articles by recognized experts and other items of value to government members.

The new supplements will also offer opportunities to share information across membership groups and enable members to "talk" to each other about issues, concerns and opportunities. The customized supplements will continue to publish updates about what is going on in other segments, with insights into what these developments mean to you. In addition, the Institute staff can use the supplements to communicate with members in areas outside their own. For example, educators

may want to learn what public practitioners or financial managers seek in new graduates. The academic and career development staff could run notices asking for those members' opinions, then publish the results in the education supplement. If you have any questions or comments on any of the articles, contact the supplement editor, Mary Foelster, at 202/434-9259 (e-mail: mfoelster@aicpa.org).

Among the items included in this inaugural issue are a brief description of how the AICPA is currently addressing the needs of its government members, including a description of both the Members in Government Committee and the Government Member Segment Team; a feature on the Honorable Charles A. Bowsher, the winner of the 1996 AICPA "Outstanding CPA in Government Award"; and a profile of the AICPA's Division of Professional Ethics.

How to Obtain Other Supplements

The CPA Letter this month is also launching seven other supplements customized for readers in other segments of the profession. AICPA members may want access to other member segment supplements in addition to the one they are receiving. All of the supplements are available on the Accountants Forum on CompuServe and on the Institute's Web site (<http://www.aicpa.org>). Supplements also can be obtained through the Institute's faxback system by dialing 201/938-3787 from a fax machine and selecting these numbers at the prompt to receive the Nov. issues:

Large Firms: 1550
Midsize Firms: 1551
Small Firms: 1552
Business & Industry: 1553
Finance & Accounting: 1554
Internal Audit: 1555
Education: 1557

How the AICPA Is Addressing the Needs of Its Government Members

CPAs in government represent approximately 4% (14,500 members) of the AICPA membership, including CPAs at all levels of government—federal, state and local—and in various job functions. The AICPA considers this constituency very important and is always looking for better ways to serve government members, as evidenced by the existence of the AICPA Members in Government Committee and the recent creation of a Government Member Segment Team. Information on both of these groups follows.

About the Committee

The Members in Government Committee represents and serves the AICPA's government members. Its charge includes ensuring that the needs of CPAs in government are appropriately met by the AICPA and that important issues faced by this unique constituent group receive the proper degree of attention and understanding. The committee's current objectives are as follows:

To promote and encourage increased participation and involvement by government CPAs in the affairs of the AICPA by 1) advising other committees and boards on the interests and needs of members in government; (2) enhancing the image of government CPAs; (3) striving to place government members on key committees of the AICPA; (4) providing a means of noting emerging governmental sector issues that require attention; (5) implementing programs to further the interests of government members, including provision of governmental CPE opportunities; and (6) encouraging more CPAs to become AICPA members.

During the last several years, the committee has been very active. Ongoing activities are as follows:

- Cosponsoring the AICPA Annual National Governmental Accounting and Auditing Update Conference.
- Coordinating the selection and presentation of the Outstanding CPA in Government Award (see article on page G3).

- Monitoring developments related to government auditor independence issues.
- Working to increase government member participation in the AICPA and on AICPA committees.
- Enhancing the image and visibility of government CPAs.
- Developing an overall communication plan.
- Improving communications with government CPAs in the state societies.

The committee consists of 10 volunteer members who work on behalf of government members. Like the government membership they represent, their backgrounds are very diverse. Three of the members work in federal government, four work in state government and three work in local government. Their positions range from federal, state and local auditors to financial managers. This diversity helps foster a better understanding of the issues facing government members in all walks of government service.

To assist the committee with keeping a finger on the pulse of the issues facing government members, contact either Beryl Davis, chair, at 407/246-2678, or Mary Foelster, this supplement's editor, with the professional issues you are facing or any additional products, services or information you believe the AICPA should be providing for its government members. Committee members' names and employers are listed below:

Beryl Davis—City of Orlando, Fla.
Lawrence Alwin—Texas State Auditor's Office
Wendolyn Comes—Federal Accounting Standards Advisory Board
Debra Davenport—Arizona Auditor General's Office
Dennis Duquette—U.S. Dept. of Health and Human Services
Marianne Evashenk—Bureau of State Audits, Calif.
Mary Kaye Moore—City of Odessa, Tex.
Jeffrey Steinhoff—U.S. General Accounting Office

Jon Wise—Michigan Auditor General's Office

Timothy Woodworth—Green Bay Metropolitan Sewerage District

About the Member Segment Team

In recent months the AICPA has undergone a significant reorganization of its structure and is continuing to work on the redesign of its processes and products. With this effort to enhance the overall quality of the Institute has come the creation of the Government Member Segment Team. The GMST is one of nine member segment teams working to explore new ways to help our members thrive in today's business and work environment.


Specifically, the team's mission is "to serve members in government by enhancing their profile within the AICPA and acting as their advocate in assessing and recommending timely, relevant products and services that address their needs."

The GMST is comprised of 11 staff members with diverse backgrounds ranging from federal government relations, to ethics, to marketing, to CPE, to public relations, to tax. This diversity helps the team examine a wide array of Institute functions and services as it considers ways to better serve government members. The work of the team supports and enhances the work of the Members in Government Committee, which has for many years spearheaded efforts within the Institute specifically designed to serve government members.

The team is currently working to better understand the issues facing and the needs of members in government; to determine what services, efforts and products best serve them; and to identify areas where the Institute could do more or do better to meet government members' needs. The team has also established goals to increase the image and visibility of government members within the Institute. This visibility campaign parallels the overall CPA image campaign being run by the AICPA. As part of its fact-finding mission, the team will be contacting a sample of government members to solicit

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their views and opinions. The in-depth interviews of members it will be conducting are a first step in serving members better. The team also welcomes the unsolicited views of members. Below is a listing of team members. Contact team members to let them know your thoughts about what the Institute is doing right and what it could be doing better:

 Emma Carlson—201/938-3517;
 ecarlson@aicpa.org
 Jan Crozier (team leader)—212/596-6098;
 jcrozier@aicpa.org
 Carol Ferguson—202/434-9243;
 cferguson@aicpa.org
 Mary Foelster—202/434-9259;
 mfoelster@aicpa.org
 Fred Gill—212/596-6012; fgill@aicpa.org
 Tom Haller—201/938-3321;
 thaller@aicpa.org
 Joel Koppelman—201/938-3426;
 jkoppelman@aicpa.org
 Orlando Ross—201/938-3231;
 oross@aicpa.org
 Barbara Sands—212/596-6107;
 bsands@aicpa.org
 Margaret Simmons—202/434-9221;
 msimmons@aicpa.org
 Pam Thompson—212/596-6182;
 pthompson@aicpa.org

Government Members Wanted for AICPA Committees

The AICPA is now accepting applications from members who would like to serve on an AICPA committee. One objective of the AICPA Members in Government Committee is to encourage increased participation and involvement by government CPAs in the affairs of the AICPA. One way they try to accomplish this objective is to continually attempt to increase the representation of government members on appropriate AICPA committees. Participation of members from the government sector provides valuable input to many committees and also provides government members a unique opportunity for service.



If you are interested in applying for an AICPA committee, follow the instructions in the article on page 2 of *The CPA Letter* to obtain a Committee Booklet and an application. Also, encourage qualified colleagues from government to apply for committees for which they have an interest.

So that the committee can monitor the effectiveness of its involvement in this effort and to ensure that government members are given maximum consideration, forward a copy of your application package to the staff liaison, Mary Foelster, Technical Manager, AICPA, 1455 Pennsylvania Avenue, N.W., Washington, DC 20004.

Bowsher Is AICPA's Outstanding CPA in Government

What does it take to be the AICPA's Outstanding CPA in Government? A long and outstanding career in the field? To have great influence in your profession? To be recognized as "outstanding" among 14,000 of your peers? A degree in accounting? The answer to all of these questions is yes, which brings us to this year's recipient.

On Sept. 30, 1996, the Honorable Charles A. Bowsher, Comptroller General of the United States, concluded a 15-year term as the nation's "chief auditor." In 1996, his public and private career culminated as he received the AICPA's "Outstanding CPA in Government Award." He is the second recipient of the award.

Bowsher is one of 14,000 CPAs in government who work at the federal, state or local levels. Their jobs can range from auditors and tax practitioners, to chief financial officers and inspector generals — all with the goal of keeping the government functioning well from a financial point of view. This is no small feat for a country with an economy of over \$7 trillion.

Citing the need for recognition of these government CPAs, the AICPA Members in Government Committee and the Institute's Board of Directors established an annual award to honor one of its members with an "Outstanding CPA in Government Award."

Bowsher was appointed in Oct. 1981 by President Ronald Reagan, who said "...this is one of the most important appointments that I shall make as President," adding, "it's obvious that in this post a strong and effective leader can have an enduring impact on our political institution. Such a leader can do much to restore the faith of the people in the integrity and efficiency of government."

As Comptroller General of the United States and head of the U.S. General Accounting Office, Bowsher played a major role in strengthening financial management and accountability of the federal government. With a congressional mandate to audit, evaluate or investigate virtually all federal operations, the GAO under Bowsher has become increasingly involved in important issues, producing in-depth reports at the specific request of congressional committees or on its own initiative. The GAO has issued major studies within the past few years on issues that range from health care reform, to the federal budget deficit, to efforts to reinvent government. Since 1983, the GAO has virtually doubled its productivity, and now produces more than 1,000 reports each year. In addition, GAO officials now present expert testimony before congressional committees as many as 300 times a year. Bowsher has personally testified over 200 times while in office.

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During Bowsher's tenure, measurable financial benefits that include budget reductions, cost avoidances, appropriation deferrals, and revenue enhancements have totaled more than \$100 billion. Meanwhile, the agency continues to monitor "high risk" government activities that could lead to major losses from waste, fraud, abuse and mismanagement.

Bowsher has also continued to press for strengthened and revised budget and accounting systems throughout the federal government. He strongly supported the Chief Financial Officers Act of 1990 which contains a number of financial management reforms. By 1996, the 24 largest federal agencies will be required to provide auditable financial statements. The GAO also will have the responsibility of auditing the annual U.S. Government Consolidated Financial Reports that, beginning in 1997, will show Congress and the American taxpayer the status of federal finances.

His latest position crowns a 40-year career divided between the government and the private sector. He has spent almost half of those years associated with, and a partner of, Arthur Andersen & Co., except for a period when he was appointed as Assistant Secretary of the Navy for Financial Management under Presidents Johnson and Nixon between 1967 and 1971. In 1958, he joined the AICPA and has had roles with the Federally Assisted Programs Subcommittee in 1977 and the Relations with GAO Subcommittee in 1979. In addition, he has also served with the International Federation of Accountants, the International Organization for

Supreme Audit Institutions and the advisory councils to the Financial Accounting Standards Board and the Governmental Accounting Standards Board, among many other groups.

When choosing the Outstanding CPA in Government Award recipient, judges consider a nominee's contributions to the increased efficiency and effectiveness of his or her government organization as well as the growth and enhancement of the profession.

Twenty-eight CPAs were nominated for the 1996 AICPA Outstanding CPA in Government Award. Bowsher was chosen from five finalists who included Tom L. Allen, former Utah State Auditor and current Chairman of the Governmental Accounting Standards Board; June Gibbs Brown, Inspector General, U.S. Department of Health and Human Services; Clifton R. Groover III, Chief Financial Officer and Senior Manager of Finance and Administration, City Utilities of Springfield, Missouri; and Charles L. Lester, the Auditor General of Florida.

The next award presentation will be Aug. 25, 1997, at the 14th Annual National Governmental Accounting and Auditing Update Conference in Washington, D.C. Applications for nominees will be accepted from Dec. until Apr. 1, 1997. Eligibility requirements and application materials can be obtained from the AICPA's fax hotline.



201/938-3787 from a fax machine; document no. 310



Mary Foelster, 202/434-9259

Annual Government Conference a Success

The AICPA's 13th Annual National Governmental Accounting and Auditing Update Conference drew more than 650 attendees this year. The conference, which was held in both Washington, D.C., and Phoenix, provided participants with updates from experts and policy makers on the latest federal, state and local government accounting, auditing and financial management developments. Some of the highlights included detailed sessions on recent changes to the Single Audit Act and OMB Circular A-133, financial state-

ment audits of federal agencies, current and upcoming projects of the GASB, AICPA auditing and attestation standards, and performance measures and audits. To order audiotapes of conference sessions, call Conference Copy Inc. at 717/775-0580; ask for code AI9614.

Mark your calendars now for the AICPA's 1997 conference. It will be held on Aug. 25-26, 1997, in Washington, D.C., and on Sept. 29-30, 1997, in Denver.

AICPA's Ethics Hotline Is Here to Help

The AICPA's bylaws authorize the ethics division to interpret and enforce compliance with the Institute's *Code of Professional Conduct*. The Code includes rules relating to independence, integrity, objectivity, conflicts of interest, general performance standards, confidential client information, contingent fees, acts discreditable to the profession, advertising and other forms of solicitation, commissions and referral fees and the form and organization of accounting organizations.

A major division activity is the Ethics Hotline (800/862-4272). Ethics division staff responds to inquiries from members regarding independence and the behavioral standards rules of the code. More than 7,000 calls are received annually. Through the division's relationship with federal and state regulatory bodies, state society ethics committees and division members, the division's staff can provide insights into ethics trends. This service provides valuable information and an ethics sounding board to members. Ethics code rules

apply to all AICPA members.

General inquiries about ethics division operations may be made by phone to: Herbert A. Finkston, Director, Division of Professional Ethics, 201/938-3175; Edith Breitner, Senior Technical Manager - Technical Standards, 201/938-3176; or Susan Coffey, Senior Technical Manager-Independence/Behavioral Standards, 201/938-3177; written inquiries may be addressed to the above staff members at the AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881.

Tell Us What You Think

How do you like the new *Members in Government Supplement*? We want this supplement to provide valuable information to our government members. If you have any comments or suggestions for future articles or news items, contact the editor.

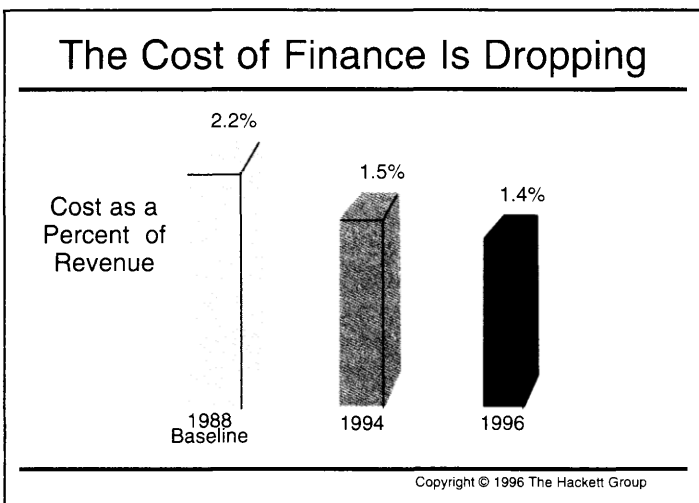
Benchmarking Study: Results Mixed on State of Finance, Accounting

New results from an ongoing benchmark study jointly sponsored by the AICPA and The Hackett Group indicated a mixed report card on the state of finance and accounting, says Greg Hackett. While finance costs are dropping quickly as companies make an effort to streamline their organizations and leverage technology, progress toward the goal of business partnership will remain elusive as long

as 84% of finance's time and effort is consumed by lower value-added work.

According to the new report, finance costs have declined 36% since 1988 when they were 2.2% of revenue. Currently, the average company in the study spends 1.4% of its annual revenue to provide financial services, which includes processing of such basic transactions as payables, payroll and receivables as well as management reporting, budgeting and activities like tax, treasury and financial analysis.

In addition, with respect to best practices, the benchmark indicated there still is much room for improvement. Only 21% of companies are able to close their books in fewer than four days; the average is 6.1 days, and an additional four days are required to produce a monthly report. Only 10% of companies have moved from a monthly to a quarterly close. The companies in the study go through multiple budget iterations and take more than three months to prepare their budgets, with the average being 95 days—a drop of 11 days since the data was last examined.



Hadassah Baum, AICPA, 212/596-6019



hbaum@aicpa.org

disciplinary actions

Conduct of the AICPA and/or state CPA societies, the following ethics case has been resolved by settlement agreement under the Joint Ethics Enforcement Program:

• Harold J. Rotunda of West Fargo, N.D., settled charges on Sept. 16, 1996, of violating Rules 201(B)—Due Professional Care, 202—Compliance with Standards and 203—Accounting Principles of the Code of Professional Conduct of the AICPA, the Minnesota Society of CPAs, and the North Dakota Society of CPAs in the performance of an audit of the financial statements of a not-for-profit organization which received federal funds. Without admitting or denying the charges, Mr. Rotunda agreed to two-year suspensions of his membership in the AICPA, the MN SCPA and the ND SCPA, to complete 96 hours of specified CPE courses and to undergo preissuance reviews of the audit engagements performed during the suspension period.

As a result of investigations of alleged violations of the Code of Professional

As a result of decisions by hearing panels of the Joint Trial Board, the following members have had their AICPA memberships:

—*Terminated:*

- Gordon K. Goldman of Hollis Hills, N.Y., effective July 26, 1996, for violating *AICPA Code of Professional Conduct*, Bylaw 7.4.6 by failing to cooperate with the AICPA's Professional Ethics Division in its attempt to investigate an alleged violation.
- Arthur J. Ferro of Valley Stream, N.Y., effective July 26, 1996, for violating *AICPA Code of Professional Conduct*, Bylaw 7.4.6 by failing to cooperate with the AICPA's Professional Ethics Division in its attempt to investigate an alleged violation.

—*Suspended:*

- Peter C. Cosmas of Secaucus, N.J., effective July 27, 1996, for a two-year period for violating *AICPA Code of Professional Conduct*, Bylaw 7.4.6 by failing to cooperate with the Technical Standards Subcommittee of the Professional Ethics Division in its attempt to investigate an alleged violation. He is also required to successfully complete a specified CPE course and is directed to cooperate with the Professional Ethics Division.

Under the automatic disciplinary provisions of the Institute's bylaws, the following members have had their memberships:

—*Terminated* because of final judgments of convictions for crimes punishable by imprisonment for more than one year:

- Colin M. Thomas of Warrenton, Va., on Aug. 9, 1996, after pleading guilty to mail fraud, money laundering, filing false income tax returns and bankruptcy fraud.
- Raymond Dean Sarrocco of Wadsworth, Ohio, on Aug. 14, 1996, after pleading guilty to fraud and false statement declaration under penalties of perjury.

—*Terminated* following revocation of their CPA certificates, licenses and/or permits by their state accountancy boards:

- Charles R. Lewis of Valley Village, Calif., on Aug. 9, 1996, for violating sections of California's Business & Professions Code and California's Code of Regulations related to unprofessional conduct, fraud and breach of fiduciary duty.
- Carlton Anthony Prince of Baychester Station, N.Y., on Aug. 9, 1996, upon the annulment of his license to practice for knowingly and intentionally submitting an

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By Robert Mednick, CPA
Chair, AICPA Board of
Directors

This newsletter represents my first opportunity to communicate with you as

AICPA Chair, and I look forward to many more such opportunities in the coming year. I would sincerely welcome your input on any of the matters covered in this column or other issues concerning the future vitality of our great profession.

As Ron Cohen repeatedly indicated last year, the profession is at a crossroads. Members in all membership groups are being constantly bombarded by new client and societal demands, an ever-changing business and professional environment, and an increasingly competitive marketplace. That is why, as we look forward to the start of the 21st century and beyond, I believe we need to transform the profession from that of today's traditional CPA into the broader, information professional of tomorrow.

Clearly this will not be easy!! Change—particularly on the scale I'm talking about—never is. Yet, I'm afraid that without such change, the future vitality of the profession and our traditional role in society could be in question.

The good news is that with a history of valued service to the business community and public, a solid reputation for integrity and competence, and the strong work ethic and service orientation of our members, most of the ingredients necessary to accomplish this transformation should be in place. Moreover, many of our members and their

firms or organizations are already taking steps to meet the rapidly changing needs of our clients and the public in today's world of electronic commerce and virtual global trade.

Many commentators have described the information revolution sweeping through our society. No company or individual can escape its effects. However, as I have said in the past, far from outmoding accountants' traditional skills, the explosion of affordable information has placed a premium on professionals who can guide managers and others through the bewildering array of available data to find what they need to obtain and maintain a competitive advantage.

Just think about the opportunity! No group, in my view, is better positioned than the accounting profession to tap these data bases, separate the wheat from the chaff, and convey worthwhile information in useful ways to managers and the public.

The question is: How can the Institute assist its members to continuously improve and make a smooth transition to tomorrow's premier information professional? Without getting into details here, let me mention some specific AICPA initiatives that will hopefully encourage and support a positive re-engineering of the profession as we move toward the dawning of the 21st century:

- A renewed effort at state tort reform—building on our victory in Congress last Dec. to eliminate abuses of the legal system that inhibit the ability of practitioners to become premier information professionals in the broadest sense of that term.
- Development of a new and more focused

regulatory model for the profession that eliminates unnecessary administrative burdens for those who operate—physically or electronically—in more than one jurisdiction and focuses practitioners' attention on the marketplace where we will increasingly compete against other, non-regulated professionals in the future.

- Changes in the education of new practitioners, as well as in the CPA Exam, to broaden their general knowledge in business, international finance and new technologies, among others, and to expand their skills in strategic thinking, analytical reasoning and communication.
- Quick implementation of the recommendations of the Special Committee on Assurance Services to seize fully the opportunities presented to us in today's information age and jump-start the broader practice of tomorrow's premier information professional.
- Creation of a new Center for Excellence in Financial Management to help members in industry and others adapt to the "new finance."
- The creation of a new image for the profession that will provide us with the so-called "permissions" necessary to successfully offer and perform new and expanded information services.

Bottom line, I hope you will join me, our creative president, Barry Melancon, and the board of directors in stepping up to this challenge of steering the Institute down a new road that will lead to new and enhanced client service, a renewed commitment to the public interest, and many years of prosperity for our members and the profession.

To contact Bob Mednick, fax 312/507-2548.

Single Copies of IRS Publications 17, 334 Available


An update to IRS Publication 1045 (*1996 Tax Practitioner Program: Information Guide and Order Blanks*) has indicated that contrary to what is stated in Publication 1045, people can order single copies of Publication 17 (*Your Federal Income Tax*) and Publication 334 (*Tax Guide for Small Business*), provided they give the following stock order numbers for single copies: Publication 17 (048-096-00044-1, price: \$10); Publication 334 (048-096-00045-0, price: \$6.50). Also, the Internet address for the Superintendent of Documents that is shown on page 3 of Publication 1045 is incorrect. The correct address is: http://www.gpo.gov/su_docs


Disciplinary Actions—continued from page 5


application for licensure which contained false employer certification and false statements of fact about his relevant employment experience and history.

- Jack R. Sowell of La Jolla, Calif., on Aug. 9, 1996, for violating sections of California's Business & Professions Code related to performing audit work which did not meet professional standards and requirements; for his conviction of a crime which was substantially related to the qualifications, functions and duties of an accountant; for gross negligence; and for performing audits and preparing independent auditors' reports for entities when he was not independent of those entities.


Immediately following the AICPA's SEC Conference in Dec., **Euromoney Training**, in association with the AICPA, will present two 1-day programs. The programs, **International Accounting Standards** (Dec. 12) and **European Accounting/Compliance with U.S. GAAP** (Dec. 13) in Washington, D.C., provide a rare opportunity for anyone doing business overseas, or planning to invest in, advise or lend to foreign companies. Up to 16 hours of CPE credit are offered. Fees: \$1,000 for 1 day/\$1,750 for both. To register or for more information, contact Sam Fisher at Euromoney Training.


 212/843-5224, code CLA11

 212/361-3499

 euromoneyt@dial.pipex.com.

"Cruise with the Experts." Combine a premier learning experience and world-class cruising to exciting ports of call. Spend a week with the "experts" on the following topics: **Getting a Return on Your Technology Dollar** (May/Western Caribbean), **Retirement Planning/Succession Planning** (May/Eastern Caribbean), **Enhancing Your PFP Practice** (June/Bermuda) and **Business Valuation** (July/Alaska). Register by Dec. 15 and get a \$50 bonus certificate for on-board credit. Fee (conference only): \$450.

 AICPA, 201/938-3232 for conference registration, mention code CLA11

 For cruise fees, information and booking, BFH Ultimate Escape Inc., 800/487-6447

Courses

Accounting for Nonprofits: Contributions and Financial Statements (No. 743261CLA11), is a newly revised self-study course with practical ways to implement FAS 116 and FAS 117 and concise insight into FAS 124 and SAS 78. The innovative learning approach features 20 detailed problems with suggested solutions covering such not-for-profits as museums, religious organizations, colleges, theater groups, social welfare agencies, fraternal bodies and more. The program includes a workbook, an audiocassette, a copy of the new Audit and Accounting Guide *Not-for-Profit Organizations* (a \$30 value), and complete texts of FASB Statements 116 and 117, and SAS 78. Price: \$129; additional workbook (No. 743262CLA11), \$84. Recommended CPE credit: 10 hours.

For in-depth guidance, the AICPA's new course, *Not-for-Profit Organizations: Using the New AICPA Audit and Accounting Guide* (No. 737035CLA11), is

the perfect companion to getting the most out of this landmark guide. This course gives expert support in using the guide and covers new guidance related to topics such as split-interest agreements and the related disclosure requirements. It is an ideal presentation of clear, thorough analysis to facilitate implementation in accordance with GAAP. Course workbook, a copy of the new audit and accounting guide (a \$30 value) and other useful materials are included. Price: \$119. Recommended CPE credit: 8 hours. Available Nov. 15.


Both courses are available from the AICPA Order Department (see page 4) as well as from state CPA societies.

Conferences

Personal Financial Planning Technical Conference, Jan. 13-15, San Antonio, Texas, recommended CPE credit: 21 hours.

Financial Management Symposium, Mar. 19, New York City, recommended CPE credit: 8 hours. **Employee Benefits Conference**, Apr. 30-May 2, San Francisco, recommended CPE credit: 21 hours.

Spring National Industry Conference with Information Tehnology Conference, May 13-16, New Orleans, recommended CPE credit: up to 29 hours.

 AICPA, 800/862-4272, for more information or to register



Federal Financial Management Improvement Act of 1996 Is Now Law


Recently signed into law, the Federal Financial Management Improvement Act (P.L. 104-208) requires that each federal agency implement and maintain financial management systems that comply with uniform federal accounting standards. To facilitate implementation of these standards, as well as to determine whether agencies are complying with them, the bill also establishes within the audit of each agency's financial statements a finding as to whether the agency has complied with uniform accounting standards; requires, as part of an auditor's finding of noncompliance with the accounting standards, details on the extent and causes of the failure to comply; establishes a determination by the head of an agency as to whether the agency's financial management systems have implemented and maintained uniform accounting standards—this determination is reviewed by the Director of OMB if it differs from the finding of the auditor; requires that where the head of the agency determines the agency's financial management systems are

not in compliance, the head shall establish, in consultation with the Director of OMB, a remediation plan for implementing the accounting standards within three years; requires the Inspector General to report to Congress the failure of any agency to meet the goals and target dates of its remediation plan; and requires annual reports from OMB and GAO on the status of federal financial management and the implementation of uniform accounting standards.

CPA Applicants Sought for SEC Fellowship Program

The Securities and Exchange Commission is seeking CPA applicants for two fellowships in the Office of the Chief Accountant. During two-year terms beginning in 1997, the fellows will study and develop proposed federal securities rules.

Applications are due Dec. 31. For information, write: Office of the Chief Accountant, SEC, Mail Stop 11-3, 450 Fifth St., NW, Washington, DC 20549, or call.

 SEC, 202/942-4400

CPAs in Ohio and the state's business community will soon reap the benefits of a comprehensive tort reform legislation package passed by the Ohio General Assembly. Leading the charge for tort reform was the Ohio Alliance for Civil Justice; the Ohio Society of CPAs was one of the leaders of the Alliance. Once Gov. George Voinovich signs the bill, Ohio CPAs will benefit from, among other things: a proportionate liability standard for those judged to be 50% or less at fault that will ensure defendants are proportionally liable for their degree of fault; a comparative fault provision that requires the courts to consider relative responsibilities of all parties at fault; as well as caps on noneconomic and punitive damages. Ohio society "keypersons" and representatives from accounting firms, working through the coalition, were among those critical to the success of Ohio's tort reform legislation.

A new report presents a model state administrative regulation to govern taxpayer retention of books and records, particularly those that have been electronically generated and retained for state tax audits. *Model Recordkeeping and Retention Regulation* was developed by the working group of a steering committee representing many state tax organizations and chaired by Stan Arnold, the Commissioner of the New Hampshire Department of Revenue Administration. The committee also is considering corporate procurement cards, evaluated receipts settlement transactions and analysis of "inbound transactions" (electronic filing of tax informa-

tion), among other issues.

As states seek new sources of revenue, many try to modify the traditional three factor sales, property and payroll apportionment factor prescribed by the Uniform Division of Income for State Tax Purposes Act. Iowa, Nebraska and Texas currently use a single-sales factor formula, and 23 of the 48 states with a corporate income or franchise tax now double-weight the sales factor. In most circumstances, affording more weight to the sales factor increases the burden of out-of-state taxpayers making sales into the state who do not have a large investment of people and property in the state, but it does not raise the burden on in-state taxpayers.

As the trend continues, the state tax considerations when evaluating a particular transaction become more and more important.

CPAs in Missouri can now accept commissions from non-attest clients, provided there is disclosure. The effective date of the rule change was Apr. 30. The Missouri State Board of Accountancy began to study the possibility of amending Missouri's accountancy regulations after the AICPA and the Missouri Society of CPAs codes of conduct were changed to allow CPAs to accept commissions for non-attest clients, with disclosure to the client. For a copy of the text of the new rule, call the society at 800/264-7966 in Missouri or 314/997-7966 from out-of-state.

across the nation

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The CPA Letter

December 1996 Vol. 76 No. 10
A News Report to Members

AICPA

Accredited in Business Valuation Designation Approved by Council

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The AICPA's governing Council met on Oct. 18-19 in Chicago where it elected Robert Mednick as chair of the AICPA Board of Directors for 1996-97, and Stuart Kessler of New York as vice chair. In addition, Council elected the following individuals to three-year terms as directors: James Castellano of Missouri, Jerry L. Esselstein of Ohio, Dan H. Hanke of Texas, Susan W. Kline of Indiana, Paul Kolton of Connecticut as a public member of the board, and Robert A. Peterson of California.

In other actions, Council:

- Authorized the creation of an accreditation

More on the ABV Designation

To earn the Accredited in Business Valuation designation, a candidate must take a written examination. Eligibility to sit for the written examination requires that the candidate:

- Be a member in good standing of the AICPA and hold an unrevoked CPA certificate or license issued by a recognized state authority.
- Provide evidence of 10 business valuation engagements that demonstrate substantial experience and competence.

To maintain the accreditation, each credential holder shall:

- At the conclusion of every three-year period submit documentation demonstrating substantial involvement in five business valuation engagements.
- Complete 60 hours of related CPE during the same three-year period.

The first examination is expected to be

in business valuation program (see below).

- Discussed in breakout-group format questions relating to the work of the AICPA Special Committee on the Regulation and Structure of the Profession.

- Received the report of the Assurance Services Special Committee (see “Chair’s Corner” on page 9).

- Presented the AICPA Gold Medal for Distinguished Service to Bert N. Mitchell and Mahlon Rubin.

- Heard a presentation from Bill

Gates of Microsoft on the future developments in the technological arena and their impact on the profession.



administered in Fall 1997. Candidates should expect that practical experience will be needed to pass the exam. Several programs are available to reinforce candidates' basic understanding of fundamental valuation concepts and theory. One such program is the eight-module, 64-hour curriculum contained in the Business Valuation Certificate of Educational Achievement program. The program covers all the key aspects of business valuations, from basic theory and practice to data research and report writing. An advanced level CEA program will be available in mid-1997.

A list of frequently asked questions on the ABV accreditation program with a form to complete and return so the AICPA can provide you with more information as it develops is available on the faxback system.



Fax Hotline: 201/938-3787, document no. 491

SAS on fraud will be issued in conjunction with helpful guidance for members: a practice aid and CPE self-study course. **See page 3.**

The AICPA wraps up Phase II of the national advertising

campaign in Mar. Schedule of ad placements for television and print announced. **See page 4.**

AICPA chair Robert Mednick discusses possible new service offerings for the profes-

sion identified by the Special Committee on Assurance Services and a Nov. 5 victory in Calif. regarding securities litigation. **See page 9.**

Video Documentary Chronicling First 100 Years of CPA Profession for Sale

A newly produced videotape, "The First Century of the CPA" (No. 872519CLA12), celebrates the CPA profession's centennial anniversary by bringing the history of the profession to life. The story of the growth and development of the CPA designation, and its impact on U.S. business, is told by several of the country's top business and accounting historians.



Through the use of rare photographs, film and video footage, the 32-minute program travels to the floor of the 1896 New York State Senate as it debates the country's first CPA law, charts the rapid rise of this new profession as the nation enters the roaring 1920s, traces the turbulent 1930s and the unprecedented growth during "The American Century" (1945-1970), illustrates the emergence of new challenges in the 1970s and 1980s, and looks toward the information needs of the new millennium.

Format: VHS. Price: \$15 member, \$18 non-member (includes S&H). Allow 4-6 weeks for delivery. To obtain a copy, contact the AICPA Order Department (see page 9).

Revised Bylaws Booklet Available

A revised *Code of Professional Conduct and Bylaws* (No. 881433CLA12) booklet that incorporates amendments to the bylaws of June 17, 1996, and accompanying Council resolutions, has been published. One copy of the booklet is available to any member without charge through the AICPA Order Department (see page 9; additional copies cost extra). These amendments also appeared in the "Official Releases" section of the *Journal of Accountancy* (Nov. issue). The code will be posted on our Web site (www.aicpa.org) by Dec. 6. Further amendments or modifications to the code or bylaws will continue to be reported in the *Journal*.

OCC Is Looking for Fellowship Applicants

The Office of the Comptroller of the Currency is accepting applications through Mar. 31, 1997, for its two-year Professional Accounting Fellowship Program. This position is scheduled to begin in June 1997.

Fellows participate in the study and development of accounting and reporting policy for national banks, perform research and evaluation of specific bank practices, and provide assistance to national bank examiners and the industry on bank accounting and reporting issues.

Candidates generally should have a minimum of five years' experience in public accounting. Academic experience at the college level or banking industry experience would also qualify. For more information, call the OCC.



202/874-5180

Want to Write Questions for CPA Exam?

The AICPA Examinations Division will be conducting workshops in New Jersey to develop questions for the Uniform CPA Examination. CPA volunteers are needed with a minimum of five years' experience in practice/education in the applicable examination section and a J.D. for the Business Law section of the exam. Participants will receive AICPA CPE credit, be acknowledged in the annual edition of the *Selected Questions & Unofficial Answers*, and receive a small honorarium for each accepted question. Participants' expenses to attend the workshop will not be reimbursed. Past workshop participants cannot receive AICPA CPE credit again. Workshop dates are: Auditing, May 29-30; Taxation, June 26-27; Business Law & Professional Responsibilities, July 10-11; Financial Accounting, July 21-22; and Governmental Accounting & Not-for-Profit Organizations, Aug. 7-8.

Applications are available from the fax hotline—or call 201/938-3425; or fax

201/938-3443. Questions should be directed to Fran DiPietro at 201/938-3435.



Fax Hotline: 201/938-3787, document no. 155

Can You Host an Australian Accounting Student?

The Australian Society of CPAs is looking for U.S. CPAs in five American cities to serve as hosts for Australian accounting students who are scheduled to serve internships with American companies from Jan. 20 through Feb. 7, 1997. Each volunteer CPA family will provide accommodations for two 20-to-21-year-old soon-to-be Australian accountants who will be working for major companies headquartered in Atlanta; Ft. Lauderdale; Los Angeles; Portland, Ore.; and Seattle.

If you live in or near these major cities and are interested in participating, or would like more information, contact Tom Lemmon of the AICPA as soon as possible.



Tom Lemmon, 212/596-6122



tlemmon@aicpa.org

Public Meeting Notices

For detailed agendas, dial 201/938-3787 from a fax machine and select document no. 1206 three weeks prior to these meetings.

Accounting & Review Services Committee: Jan. 16-17, Clearwater, Fla.

Accounting Standards Executive Committee: Jan. 29-31, Scottsdale, Ariz.; Mar. 11-12, New York

Auditing Standards Board: Dec. 17-19, New York

Professional Ethics Executive Committee: Jan. 17, Phoenix, Ariz.

Other Meetings

Peer Review Board: Jan. 13-14, Phoenix, Ariz.

Auditing Standards Board Votes to Issue SAS on Fraud

The Auditing Standards Board at its Nov. 12 meeting voted to issue the proposed Statement on Auditing Standards, *Consideration of Fraud in a Financial Statement Audit*, as a final SAS. This SAS will provide auditors with expanded guidance on the consideration of fraud in conducting a financial statement audit.

It will strengthen the auditor's ability to fulfill his or her responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. The final SAS is

expected to be published in Feb. 1997, and will be effective for audits of financial statements for periods ending on or after Dec. 15, 1997.

The AICPA is undertaking a major initiative to assist auditors in understanding and implementing this standard. Implementation efforts will cover communication about the SAS to the public and the business community, publication of implementation guidance and development of training and education (see sidebar).

Guidance and CPE Self-Study Course on Fraud Coming Soon

Fraud: Practical Guidance for Considering Fraud in a Financial Statement Audit (No. 008883CLA12) will be available a few weeks after issuance of the final SAS on fraud. The practice aid will walk CPAs through the issues they may encounter in applying the SAS to audits and will provide valuable tools, such as sample documentation. Plus, it will

include specific guidance on applying the concepts of the SAS to several industries, including state and local governments, not-for-profit organizations, financial institutions and employee benefit plans. Price: \$74; discount price of \$59 is offered on orders placed before publication.

An upcoming CPE self-study course, **Consideration of Fraud in a Financial**

Statement Audit: The Auditor's Responsibilities Under the New SAS (No. 732045CLA12; text format), will offer 8 credit hours. Price: \$119.

To obtain either the publication or the CPE course, both of which will become available around Mar. 1, contact the AICPA Order Department (see page 9).

Auditing Interpretation on Lawyers' Letters Issued

An interpretation of Statement on Auditing Standards No. 12, *Inquiry of a Client's Lawyer Concerning Litigation, Claims and Assessments*, was issued. The interpretation, titled "Use of Explanatory Language Concerning Unasserted Possible Claims or Assessments in Lawyers' Responses to Audit Inquiry Letters," addresses a concern that the inclusion of certain explanatory comments in responses by lawyers to audit inquiry letters results in a limitation on the scope of the audit.

Some lawyers include explanatory comments in their responses to audit inquiry letters that are intended to emphasize the preservation of the attorney-client privilege with respect to unasserted possible claims or assessments. These comments might include the fol-

lowing: "It would be inappropriate for this firm to respond to a general inquiry relating to the existence of unasserted possible claims or assessments involving the company." The interpretation states that the inclusion of this or similar wording in a lawyer's response does not result in a limitation on the scope of the audit. The interpretation also reminds auditors of the requirement pursuant to SAS No. 12 to obtain the lawyer's acknowledgment of his or her responsibility to advise and consult with the client concerning financial statement disclosure obligations with respect to unasserted possible claims or assessments.

The interpretation will appear in the Jan. 1997 issue of the *Journal of Accountancy* and will be effective upon publication.

AICPA Testifies on Restructuring of the IRS




In testimony presented on Nov. 8 before the National Commission on Restructuring the IRS, Tax Executive Committee Chair Mike Mares said needless complexity erodes confidence in our tax system and is a significant contributor to the public mistrust about the IRS. He added that voluntary compliance, the cornerstone of the U.S. tax administration system, relies on both the ability and the willingness of taxpayers to comply.

Mares provided a number of examples and symptoms of undue complexity in the tax law: interest tracing, earned income credit, alternative minimum tax, disparate treatment of health insurance premiums, forms and instructions, and phase-outs and limitations.

He reminded the commission of the AICPA's long-standing

push for tax simplification and urged that an analysis of a proposal's effect on the complexity of the tax law be an integral part of the development of any tax legislative or regulatory submission.

 **Fax Hotline:** 201/938-3787, document no. 932 for the full testimony

AICPA Task Force Looks at IRS Restructuring

A task force to provide input to the National Commission on Restructuring the IRS has been set up. Six issues will be examined by the commission in its study of the IRS: quality of service given to taxpayers, management and governance structure, quality of the IRS work force and possible privatization of some functions, state-

continued on page 9

Get the Online Advantage with AICPA Self-Study Courses

Three new self-study courses immerse you in the latest developments in online technology. These courses use the Mentored Self-Study approach pioneered by Kent Information Services Inc., putting you in touch with a live, online instructor until you complete the course.



How to Conduct Electronic

Commerce on the Internet. Effectively engage in electronic commerce and uncover an outstanding range of new business opportunities. Recommended CPE credit: 16 hours. Format: workbook, reference book, CD-ROM, mentoring via toll-free fax, e-mail and toll calls. (No. 739060CLA12), \$195.

How to Implement a Successful Intranet Site. Learn how user-friendly Web standards can be applied to create new low-

cost channels for communications *within* your practice or business. Recommended CPE credit: 16 hours. Format: workbook, reference book, CD-ROM, mentoring via toll-free fax, e-mail and toll calls. (No. 739075CLA12), \$195.

What Every CPA Should Know About EDI (Electronic Data Interchange). Find out why EDI is often called the most important technology affecting the accounting profession and business in general. This course shows you how EDI works, how it fits with current business strategies and the applications/implications for accounting. Recommended CPE credit: 16 hours. Format: workbook, reference book, CD-ROM, fax, mentoring via toll-free fax, e-mail and toll calls. (No. 739080CLA12), \$195.

System Requirements: PC with Windows 3.0 or higher. Modem with speed of 9600 BPS or greater. All three courses

are available from the AICPA Order Department (see page 9) and from state CPA societies.

Conferences

Personal Financial Planning Technical Conference, Jan. 13–15, San Antonio, Texas, recommended CPE credit: 21 hours. **Financial Management Symposium**, Mar. 19, New York City, recommended CPE credit: 8 hours. **Employee Benefits Conference**, Apr. 30–May 2, San Francisco, recommended CPE credit: 21 hours. **Spring National Industry Conference with Information Technology Conference**, May 13–16, New Orleans, recommended CPE credit: up to 29 hours.



AICPA, 800/862-4272, for registration/information

CPA Letter—Online Produced for Web Site, Offers Clear Advantages

An online version of *The CPA Letter* is produced with Web users specifically in mind. This abridged newsletter features a cover page with links to each article so you do not have to scroll through all the copy, as well as links throughout the publication to other Web sites or individuals, including government agencies, the Financial Accounting Standards Board, AICPA staff members and more wherever appropriate. The online publication is a perfect complement to the printed newsletter.

Two other big advantages offered by *The CPA Letter—Online* are delivery time and a special “late-breaking news” feature. The online version, not having to be printed and mailed, is posted on the AICPA Web site generally by the first of the month—usually when the mailing of the printed copies is beginning. This time frame gets the information to you about five days earlier than the printed newsletter.

In addition, information obtained too late to get into the printed

copy is added to the online version as “late news.” This same information would be held for the next printed issue. A recent example is the release of the FASB’s Interpretation 42, which was announced in the Nov. *CPA Letter*, but had been added to the Oct. online version as a late-news item.

Not constrained by space, printing or mailing considerations, the online newsletter also may include information never featured in the printed version.

Check out *The CPA Letter—Online* either by going to the AICPA’s home page or directly to the newsletter’s site.



Web site—<http://www.aicpa.org>; then select “Online Publications”; then “CPA Letter”



Direct URL—<http://www.aicpa.org/pubs/cpaltr/index.htm>

AICPA Advertising Schedule Announced for January, February, March

Here is the schedule of television and print ad placements for the AICPA’s national image-enhancement campaign through the end of the second phase of the advertising initiative.

Broadcast. Meet the Press, NBC (1x/week; Sun. 1/5, 1/12, 1/19, 1/26, 2/2, 3/9 and 3/16). **Sunday Morning/Charles Osgood**, CBS (1x/week; Sun. 2/16 and 2/23). **CNN** (5x-6x/week; weeks of 1/13, 1/20, 2/3, 2/10, 2/24, 3/3 and 3/10). **PGA Golf** (1x/event; 2/2, 2/8, 2/15, 2/23, 3/1 and 3/30).

The AICPA’s new television ad will be introduced into the schedule in Dec. and will alternate with last year’s award-winning “Pins” ad.

Print. *Wall Street Journal* (weeks of 1/27, 2/10, 2/24 and 3/10). *Forbes* (Jan., Feb. and Mar. issues). *Time* (top management edition; Jan. and Feb. issues). *Inc.* (Feb. and Mar.). *Fast Company* (Feb. and Mar.). *Winds of Change* (Jan., Feb. and Mar.). *Black Enterprise* (Jan. and Feb.). *Hispanic Business* (Jan. and Feb.). *State Legislatures* (Feb.).

All print ads except for those appearing in the *Wall Street Journal* will be 4-color, full-page ads.



AICPA. . . Where to Turn

All address and job change information should be mailed or faxed to Membership Records in NJ (the changes will be made automatically for all publications included in your membership).

AICPA, New York	212/596-6200
Fax number	212/596-6213
AICPA, New Jersey	201/938-3000
Fax number	201/938-3329
AICPA, Washington	202/737-6600
Fax number	202/638-4512
AICPA CPE Course Information	800/862-4272
AICPA Fax Hotline (dial from fax machine)	201/938-3787
AICPA Political Action Committee	202/434-9205
Academic and Career Development	212/596-6222
Recruiting for the Profession	212/596-6220
Advertising (<i>Journal of Accountancy</i> , <i>The Tax Adviser</i>)	
Classified ads	800/237-9851
Display ads	212/596-6274
Accounting and Review Services	212/596-6031
Accounting Research Association	201/938-3280
Accounting Standards	212/596-6166
Audit & Accounting Guides	201/938-3339
Auditing Standards	212/596-6036
Benevolent Fund	201/938-3253
Committee Appointments	212/596-6097
<i>CPA Client Bulletin</i> , <i>CPA Client Tax Letter</i> , <i>CPA HealthCare Client Letter</i>	
— Subscriptions (Order Department)	800/862-4272
— Editorial	201/938-3301
<i>The CPA Letter</i> (editorial)	212/596-6112
Customer Service (until 7:30 p.m., EST)	201/938-3333
Fax number	201/938-3344
Division for CPA Firms (public file information)	800/272-3476
Private Companies Practice Section	201/938-3034
SEC Practice Section	201/938-3022
Examinations (Uniform CPA Exam)	201/938-3429
Federal Government (regulatory matters)	202/434-9253
Federal Legislation (congressional matters)	202/434-9205
General Counsel	212/596-6245
Government Member Inquiries	202/434-9259
Industry Member Programs, Management	
Accounting	212/596-6157
Information Technology member section (not for software)	212/596-6211
Joint Trial Board (disciplinary actions)	212/596-6098
<i>Journal of Accountancy</i> (editorial)	201/938-3292
Library Services	800/862-4272
Fax number	201/938-3955
Management of an Accounting Practice	201/938-3583
MCS member section	212/596-6065
Meetings and Travel	201/938-3232
Member Programs and Benefits	201/938-3304

AICPA Staff Contact:**Phone Number:****Office Location:****NY NJ DC***(circle one)*

Membership Records (until 7:30 p.m., EST)	201/938-3100
Fax number	201/938-3108
Minority Initiatives	212/596-6227
Order Department (until 7:30 p.m., EST)	800/862-4272
Fax number	800/362-5066
Peer Review	201/938-3030
PFP member section/PFS designation	800/862-4272
<i>The Practicing CPA</i> (editorial)	201/938-3796
Professional Ethics	800/862-4272
Public Relations and Communications	212/596-6106
Software (AICPA products)	800/226-5800
State Legislation	202/434-9222
State Society Relations	202/434-9257
Subscriptions (until 7:30 p.m., EST)	201/938-3333
Fax number	201/938-3344
Tax Information Phone Service (Tax and PCPS members only)	900/555-8477
Taxation (not for technical inquiries)	202/434-9226
<i>The Tax Adviser</i> (editorial)	201/938-3444
Technical Information Hotline (auditing and accounting practice inquiries)	800/862-4272
Women and Family Issues	212/596-6226

Affinity Programs**Insurance Programs****Aon Insurance Services**

Automobile	800/847-2886
Disability	800/221-4722
Group	800/221-3019
Home	800/847-7233
Life	800/223-7473
Long-Term Care	800/453-0567
Personal Liability Umbrella	800/221-3021
Professional Liability	800/221-3023
Auto Leasing (AT&T Capital Corp.)	800/405-9672
Car Rental (Hertz, CDP #12353)	800/654-2200
Car Rental (National, Recap #6100848)	800/227-7368
Computers (Dell Corporation)	800/568-8313
Credit Card (Marine Midland Bank)	800/850-3144
Forms/Supplies (Wallace, contract CA252)	800/782-4892
Home Mortgages and Equity Loans (Norwest)	800/272-1210
Long Distance Telephone (Sprint)	800/473-0898
Mailroom Equipment (Pitney-Bowes, Code GPO Code CPA1)	800/672-6937
Overnight Delivery (Airborne Express)	800/MEMBERS
Retirement Programs (T. Rowe Price)	800/38-AICPA
Software Products (Intuit)	800/433-4235
Tax Research Material (RIA Group)	800/431-9025, ext. 3
Xerox Corporation (#0706109)	800/832-6979, ext. CPA

New York

1211 Avenue of the Americas
New York, NY 10036-8775

New Jersey

Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881

Washington, D.C.

1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

(Clip for reference)



List of Staff Contact/Member Assignments

Below is a list of AICPA staff contact/member assignments. Use your last name to locate your staff liaison. Write that person's name where indicated on the directory of AICPA services featured on page 5 for future reference. **Items appearing in boldface indicate changes since the previously published listing.**

Members with Last Name...	AICPA Contact	Members with Last Name...	AICPA Contact			
A—Adams, B.	Peter Kieran	201/938-3758	NJ Cluff—Cohen, Q.	Susan Sly	212/596-6047	NY
Adams, C.—Ahlgram	Walling Almonte	201/938-3262	NJ Cohen, R.—Collins, J.	Raymond Cuneo Jr.	201/938-3864	NJ
Ahlgram—Alexaniam	Joan Elizabeth Anderson	201/938-3323	NJ Collins, K.—Connerr	Nadine A. Cunningham	201/938-3795	NJ
Alexanian—Alpineq	Susan Anderson	201/938-3352	NJ Conners—Cooncd	Julia Esposito	201/938-3505	NJ
Alpiner—Anderson, B.	Catherine Brosnan	201/938-3568	NJ Coonce—Corq	Susan Mazzeo	201/938-3055	NJ
Anderson, C.—Andrewr	Dale R. Atherton	201/938-3253	NJ Corr—Cowam	Margot Faivush	201/938-3291	NJ
Andrews—Archeq	Mary Moore	201/938-3438	NJ Cowan—Crawford, K.	Dave Dasgupta	212/596-6111	NY
Archer—Arvom	Sheri B. Bango	202/434-9201	DC Crawford, L.—Crottr	Arline Dederick	201/938-3572	NJ
Arvon—Austri	Marie T. Bareille	201/938-3299	NJ Crotts—Cunningham, J.	Richard Koreto	201/938-3412	NJ
Austria—Baggin	Maria Beck	202/434-9204	DC Cunningham, K.—Dagf	Yolanda DeJesus	201/938-3422	NJ
Baggio—Bakkn	Joseph Bentz Jr.	201/938-3584	NJ Dagg—Daniels, D.	Linda Delahanty	201/938-3416	NJ
Bakko—Baranskh	Phyllis Bernstein	212/596-6058	NY Daniels, E.—Davin	Josephine DeLosReyes	212/596-6216	NY
Baranski—Barnex	Carol Bertolotti	201/938-3570	NJ Davini—Dawson	Aida Salom	201/938-3548	NJ
Barney—Bartom	Bruce Howard Bisken	201/938-3421	NJ Dawson—Deel	Nina Suzanne Diamond	212/596-6294	NY
Barton—Baumblats	James Dean Blum	201/938-3419	NJ Deem—Deltorn	Rufina Kaminski	201/938-3369	NJ
Baumblatt—Becj	Susan Lynn Bolmer	201/938-3910	NJ Deltoro—Derb	Rachel Dichter	201/938-3567	NJ
Beck—Belaiq	Jacqueline Pastore	201/938-3044	NJ Derba—Deyn	Robert F. DiCorcia	201/938-3392	NJ
Belair—Benity	Celeste Booth	201/938-3132	NJ Deyo—Dillarr	George N. Dietz	201/938-3339	NJ
Benitz—Bergerom	Donna Borowicz	201/938-3210	NJ Dillars—Dobid	Julie Dilley	201/938-3051	NJ
Bergeron—Bersr	Elaine Lehnert	212/596-6160	NY Dobie—Donnelly, G.	Lisa Dinackus	202/434-9276	DC
Berss—Biggh	R. Bruce Brasell	201/938-3017	NJ Donnelly, H.—Doverr	Francesca DiPietro	201/938-3435	NJ
Biggi—Black, G.	Edith Breitner	201/938-3176	NJ Dovers—Dropld	Mary Maughan	201/938-3365	NJ
Black, H.—Bletg	Richard Bruder	201/938-3482	NJ Dropple—Dunbaq	Patricia Donius	201/938-3353	NJ
Bleth—Bodni	Jeanmarie Brusati	201/938-3405	NJ Dunbar—Duy	Lynn Drake	202/434-9214	DC
Bodnia—Bonfif	Luis E. Cabrera	201/938-3059	NJ Duz—Eckers	Barbara Considine	201/938-3208	NJ
Bonfig—Bostateq	Barbara Ann Capek	201/938-3317	NJ Eckert—Ehrif	George Durk	201/938-3174	NJ
Bostater—Boyanoskh	Emanuela LiMandri	212/596-6247	NY Ehrig—Elliott, P.	Stuart Eisenberg	201/938-3481	NJ
Boyanoski—Brail	Emma Jeanette Carlson	201/938-3517	NJ Elliott, R.—Engelteq	Christopher Wright	201/938-3511	NJ
Braim—Brehk	Matthew C. Carr	212/596-6059	NY Engelter—Eskh	Carol Ann J. Fagan	201/938-3401	NJ
Brehl—Brimlex	Michael Frederick Chen	201/938-3213	NJ Eski—Ewelk	Kimberly Falco	201/938-3442	NJ
Brimley—Brooksheaq	Carmela Chinnici	212/596-6114	NY Ewell—Faric	Madelaine Feldman	212/596-6261	NY
Brookshear—Brown, L.	Gennaro Cicalese	201/938-3171	NJ Farid—Feenex	Carol Ferguson	202/434-9243	DC
Brown, M.—Brunnes	Lisa Snyder	201/938-3779	NJ Feeney—Fernander	Helen Figueroa	201/938-3676	NJ
Brunnet—Bueceq	Joseph M. Ciccone	212/596-6229	NY Fernandes—Finazzn	Herbert Finkston	201/938-3175	NJ
Buecker—Burgin	Gene Cioffi	201/938-3449	NJ Finazzo—Fisher, K.	Nick Fiore	201/938-3444	NJ
Burgio—Burtcg	Anthony Crudo	201/938-3274	NJ Fisher, L.—Fleming, K.	Gretchen Fischbach	201/938-3180	NJ
Burtch—Byingtom	Hal Clark	201/938-3248	NJ Fleming, L.—Fom	Peter Fleming	201/938-3286	NJ
Byington—Callahal	James Salisbury Clark	202/434-9229	DC Fon—Foster, F.	Joanne Mary Flood	201/938-3561	NJ
Callahan—Canahah	Sarah Cobb	201/938-3290	NJ Foster, G.—Frangipand	Richard Flynn	212/596-6272	NY
Canahai—Cargilk	Susan S. Coffey	201/938-3177	NJ Frangipane—Freeman, P.	Mary Foelster	202/434-9259	DC
Cargill—Carrabind	Arlene Cohen	201/938-3534	NJ Freeman, Q.—Frittr	Sharon Free	201/938-3077	NJ
Carrabine—Casell	Nancy Cohen	212/596-6010	NY Fritts—Furbers	William Norris Free Jr.	212/596-6232	NY
Casella—Cavedn	Sheila D. Colclasure	202/434-9263	DC Furbert—Gallarc	Gary Freundlich	201/938-3021	NJ
Cavedo—Chanx	Mary Conte	201/938-3109	NJ Gallard—Gardx	Anita Meola	201/938-3583	NJ
Chancy—Chen, L.	Brian Cooney	202/434-9218	DC Gardy—Gaugham	Lillian Zenker	201/938-3553	NJ
Chen, M.—Chmielory	Jeryl A. Costello	201/938-3450	NJ Gaughan—Georgd	Rick Gesualdo	201/938-3328	NJ
Chmielorz—Ciaravinn	Satoko Alpert	201/938-3536	NJ George—Gibbom	Susan Frohlich	212/596-6176	NY
Ciaravino—Clark, S.	Katharine W. Coveleski	201/938-3391	NJ Gibbon—Gillilanc	Frank Curcio	201/938-3075	NJ
Clark, T.—Clufe	Shirley Crawford	201/938-3233	NJ Gilliland—Glazieq	Marlene Gallagher	212/596-6225	NY

(Staff Contacts—continued)

Members with Last Name. . .	AICPA Contact		Members with Last Name. . .	AICPA Contact			
Glazier—Gold	Barbara Vigilante	201/938-3457	NJ	Kromm—Kumaq	Joel Koppelman	201/938-3426	NJ
Golda—Gonsoulim	Pamela Thompson	212/596-6182	NY	Kumar—Lacj	Stacy Kosmides	201/938-3566	NJ
Gonsoulin—Gormam	Edward Gehl	201/938-3423	NJ	Lack—Lammerr	Charlotte Kruman	201/938-3078	NJ
Gorman—Graham, M.	Paul Geoghan	212/596-6099	NY	Lammers—Langmacj	Linda Ann Lach	201/938-3571	NJ
Graham, N.—Greem	Howard S. Gerner	201/938-3480	NJ	Langmack—Lassaq	Lesli Laffie	201/938-3445	NJ
Green—Gregorin	Melanie Donenfeld	201/938-3181	NJ	Lassar—Lawr	Grant G. Weisbrot	201/938-3775	NJ
Gregorio—Grittom	Frederick R. Gill	212/596-6162	NY	Laws—Lee, B.	Edward Michael Lanigan	212/596-6271	NY
Gritton—Guardabascin	Andrew R. Gioseffi	212/596-6020	NY	Lee, C.—Leh	Eva D. Lem	201/938-3237	NJ
Guardabascio—Gutiahq	Graham George Goddard	201/938-3796	NJ	Lei—Leriar	Thomas Lemmon	212/596-6122	NY
Gutiahr—Haglunc	Albert F. Goll	212/596-6161	NY	Lerias—Levx	Julia Perez	201/938-3216	NJ
Haglund—Halleq	Richard D. Grant	201/938-3562	NJ	Levy—Liebbd	James Freebody	201/938-3638	NJ
Haller—Hamsteac	Joshua Grauer	202/434-9277	DC	Liebe—Linkr	Joseph DeRupo	212/596-6120	NY
Hamstead—Hanssem	James Green	202/434-9269	DC	Links—Lloverar	Jeanette Zembower	201/938-3860	NJ
Hanssen—Harpeq	Leonard Green	201/938-3705	NJ	Lloveras—Long, J.	John Lewison	201/938-3348	NJ
Harper—Hars	Steven Greene	212/596-6109	NY	Long, K.—Lovelesr	Joanne Lindstrom	201/938-3806	NJ
Harst—Hatcheq	Bob Durak	201/938-3065	NJ	Loveless—Lugrind	Raymond Lipay	201/938-3035	NJ
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By Robert Mednick
Chair, AICPA Board of Directors

In my first column last month, I summarized those issues needing special attention in the coming year if we are to transform the profession from that of today's traditional CPA into the broader, information professional of the 21st century. Two of the specific initiatives mentioned were quick implementation of the recommendations of the Special Committee on Assurance Services and a renewed effort at state tort reform. Both are areas where we recently have achieved a breakthrough or significant victory.

The final report of the Special Committee on Assurance Services took place at the Fall Council/Annual Members meeting in mid-October. Committee Chair Bob Elliott, with assistance from other committee members, spent several hours reporting on this important two-year project and its findings and recommendations. Quite frankly, I wish you all could have been there. As dozens of participants have since told me, it was one of the most exciting and energizing presentations ever made at a Council meeting.

Bottom line, the committee has established, through interviews, surveys and analysis, a wide range of information needs that can be met by CPAs in the future. Moreover, it developed an entirely new way for the profession to view, create and capitalize on such new service opportunities. Finally, in an effort to involve as many CPAs as possible throughout the project, the committee communicated its rationale and likely directions—continually asking for feedback—to a broad spectrum of our membership through more than 130 presentations, 6 widely distributed videotapes and close to 20 published articles in 12 different journals and newsletters targeted to a wide range of audiences. Most importantly, the committee illustrated in some detail six potential new assurance services with an estimated potential annual market of \$1 billion to \$7 billion each for the accounting profession. These include (1) electronic commerce assurance, (2) health care performance measurement, (3) entity performance measurement, (4) information systems quality, (5) comprehensive risk assessments and (6) geriatric care assurance. You will see and hear more about each of these in the coming months. Furthermore, these are only forerunners of a potentially wider set of new CPA services.

But this is just the beginning. To ensure the continuing development and implementation of such opportunities, I have estab-

lished a new, ongoing Assurance Services Committee to carry on uninterrupted the outstanding work of the Special Committee during the coming year and beyond. Immediate past-chair Ron Cohen has agreed to chair this new committee to give it appropriate leadership, visibility and the continuing priority it deserves within the Institute. Barry Melancon [AICPA President & CEO] and I intend to give it our full attention during the coming year.

On the liability reform front, we also have outstanding news. While it does not involve new reform legislation, it is just as important. Specifically, on Nov. 5, the voters of California overwhelmingly rejected a class-action bar-sponsored ballot initiative (Proposition 211) which, had it passed, would have completely nullified the impact of the federal reforms contained in the Private Securities Litigation Reform Act of 1995. Among other things, it would have permitted California state courts to hear securities fraud class-action lawsuits involving even non-California companies, as long as a single investor was resident in California. Moreover, the rules governing such claims would not only have lacked the protections of federal law as amended by the 1995 Act, but would have lacked even the inadequate protections of the pre-1995 federal statutes.

Consequently, we are extremely pleased the citizens of California rejected Proposition 211. It would not only have been bad for accounting firms, high-technology companies and other targets of class-action lawyers, but bad for California and the country as a whole. I am extremely grateful for the significant efforts of the California CPA Society and others to educate the California electorate as to the very negative impacts of this ballot initiative in light of the tough campaign by our adversaries to sell voters on the false premise it was needed to protect the retirement savings of seniors and pensioners in California.

With Proposition 211 behind us, we can and should now begin to take the offensive in a renewed effort at state tort reform, while continuing to defend our hard-won federal and state victories of the past few years. Our goal must be to eliminate abuses of the legal system that can inhibit the ability of our members to become premier information professionals in the broadest sense of that term. J. Clark Price, executive director of the Ohio CPA Society and chair of the Institute's Accountants' Legal Liability Committee, assures me that his committee is—with the assistance of the state CPA societies—fully prepared to aggressively push state tort reform during the coming year.



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The 50th edition of *Accounting Trends & Techniques* (No. 009888CLA12) is a compilation of illustrative financial statement presentations and disclosures based on a survey of 600 U.S. industrial corporations. Also included is commentary and analysis of current trends in financial reporting, such as the application of recently issued FASB and AICPA pronouncements.

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AICPA Task Force—continued from page 3

of-the-art technology, financial accountability, and complexity of tax administration. Comments and thoughts from members regarding problems and possible solutions are requested by Dec. 31.

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California Governor Pete Wilson has signed a bill extending the state board of accountancy through the year 2002. Earlier versions of his proposal would have allowed unlicensed individuals to offer attest services to the public or call themselves accountants without indicating they were not licensed by the state board of accountancy. The state society's membership communicated its concerns about that proposal to legislators and ultimately gained their support.

Also in California, the accounting profession helped beat back a ballot initiative that would have undermined and circumvented the federal securities reform law passed last Dec. (see "Chair's Corner" on page 9). It was soundly defeated by voters on Nov. 5 by a 3-to-1 margin.

New Mexico's State Board of Public Accountancy has voted unanimously to push for passage of the 150-hour education requirement and for peer review as a licensing requirement during the 1997 New Mexico legislative session. A bill will be introduced on behalf of the accountancy board that privatizes the board and "updates" the state's accountancy statutes. Included in these statutes are requirements for 150-semester hours of education to sit for the Uniform CPA Examination starting in the year 2000, as well as enabling language that allows the board to require peer/quality review for licensing in the state (although the state board will not be involved in administering peer review). Legislation to enact the 150-hour requirement also is expected to be

introduced next year in other states, including Massachusetts, Minnesota, North Carolina, Oklahoma and Oregon.

The Pennsylvania Institute of CPAs has initiated a team contest called "The PICPA Business Plan Challenge" that is open to undergraduate business students in the state. The Challenge requires student teams to prepare a business plan for an organization that needs help in accounting and finance. Written business plans will be reviewed by a panel of judges who will select five teams to participate in the next phase, where teams present a business solution to a panel of judges. The top three teams receive cash prizes.

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The Accountancy Board of Ohio, with input from CPAs and The Ohio Society of CPAs, has restructured its permit system and the CPE reporting requirements that form the framework for this new system. Ohio's new one-tier permit/CPE reporting structure erases any CPE reporting distinctions based on employment and requires CPAs to select a limited or unlimited permit to practice. Effective this year, all CPAs who choose an unlimited permit must report a minimum of 120 hours of CPE every three years; 75% of those hours must be career related. Those who choose a limited permit have no CPE requirement; however, they must use the "inactive" disclaimer alongside every usage of the CPA designation starting Jan. 1, 1997.

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