

2003

## CPA letter, 2003

American Institute of Certified Public Accountants

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# The CPA Letter

January 2003 Vol. 83 No. 1  
A News Report to Members

## AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Fraud Resource Center Launched, Free Corporate Governance Training Program Available

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Since Oct. 2002, the AICPA has been delivering to members and others in the financial community guidance, tools and resources to combat fraud and rebuild trust in the CPA profession. The most recent additions to the list are the Antifraud and Corporate Responsibility Resource Center and a free one-hour corporate governance training program.

### Web-Based Resource Center

A new online resource devoted to the prevention, detection and investigation of fraud, the Antifraud and Corporate Responsibility Resource Center ([www.aicpa.org/antifraud](http://www.aicpa.org/antifraud)) is replete with technical literature, educational materials, training and news on recent developments, as well as links to supporting products and services that can be ordered through CPA2Biz.com. Four sections comprise the resource center:

- **Fraud as It Relates to You** provides critical guidance from your perspective, whether as a member in industry, an auditor, or a consultant. The tools presented help guide you in furthering your skills in this very important area.
- **Fraud by Topic** details what members specifically need to know in preventing, detecting and investigating fraud. It helps CPAs identify fraud risk factors and understand the working of complex fraud schemes. Material is also devoted to promoting a company-wide culture of honesty that starts from the top.
- The **Spotlight Area** features transcripts and downloadable videos of speeches by AICPA leaders, in addition to tools like the Fraud Prevention, Detection and Investigation Competency Model.
- **Press Releases and News** keeps CPAs up to date on developments in the fraud arena, including key announcements by the AICPA.

The resource center contains information from a variety of sources and will be updated continuously.

### Free Fraud Training for Management

In an effort to help the U.S. business community provide fraud prevention training to personnel at all levels, the AICPA and the Association of Certified Fraud Examiners have developed a one-hour training program on CD-ROM, entitled *How Fraud Hurts You and Your Organization* (No. 056513HSCPA01).

The CD takes the user through the definition of fraud, examples of fraudulent activity, real-life case studies, the three elements of the "fraud triangle," warning signs, and the people who are responsible for preventing fraud. It also includes a 13-minute video featuring interviews with three people convicted of fraud. More information on the training program is available in this issue's supplements for members in business and industry and internal audit.

*How Fraud Hurts You and Your Organization* is available free of charge. View the program from [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud). Or, order the CD from the CPA2Biz Customer Service Center (\$8 shipping & handling fee applies; see page 7 for order instructions).

### Other Initiatives to Come

Among other soon-to-come antifraud initiatives announced by AICPA President & CEO Barry C. Melancon in Sept. are a fraud summit and an Institute for Fraud Studies that is being developed with the Association of Certified Fraud Examiners and the University of Texas. The Institute will study the how, when and why of fraud.

See page 3 for other resources and CPE products related to fraud.



## Student Scholarships to Be Awarded by AICPA, Accountemps

The AICPA and Accountemps have announced the 2003–2004 AICPA/Accountemps Student Scholarship. Accountemps is awarding two one-year scholarships worth \$2,500 each. Candidates must be AICPA student affiliate members as well as meet additional requirements.

The deadline for receipt of all application materials is Apr. 1, 2003. The recipients of the scholarships will be announced in Sept. Applications are available from the student section of the AICPA Web site ([www.aicpa.org](http://www.aicpa.org)) and Accountemps' Web site ([www.accountemps.com](http://www.accountemps.com)), or through Jodi Ryan (212/596-6102; [jryan@aicpa.org](mailto:jryan@aicpa.org)) of the AICPA's Academic and Career Development office.

## Online Resource Developed on "Privacy"

Privacy of information continues to be a concern among businesses and consumers, both in the online and offline environments. To build awareness about privacy issues among CPAs, the AICPA has developed an online resource that explains the risks associated with privacy, the benefits of good privacy practices and how privacy can be used by businesses for a competitive advantage.

Members can visit the privacy page on the AICPA's site ([www.aicpa.org/innovation/baas/ewp/homepage.htm](http://www.aicpa.org/innovation/baas/ewp/homepage.htm)) and then access an in-depth resource center through a hyperlink to the Privacy Resource Center on CPA2Biz.com. A free introductory primer, *Privacy Matters: An Introduction to Personal Information Protection*, is available from the resource center.

Another useful tool offered to CPAs without charge is an educational brochure

highlighting important questions business owners should ask about their own privacy practices. The questions are designed for CPAs and business owners to use together to gain a better understanding of good privacy practices and to identify sound controls and policies.

## CPA Exam Needs Volunteers to Help Set Passing Scores

The AICPA needs qualified CPAs to participate in two-day sessions to set passing scores on the computer-based Uniform CPA Examination. CPAs who have participated in prior standard-setting panels say it is a great opportunity to network with peers, and offers a chance to enjoy an intellectual exercise and make a meaningful contribution to the accounting profession.

Panelists should be CPAs with 3–8 years of experience who have supervised entry-level CPAs within the past 12 months. To ensure good representation, the AICPA is looking for a cross-section of CPA professionals in terms of firm size, industries, region of country, sex, ethnicity and other important demographics. Panelists may not be affiliated with CPA Exam preparation and review programs. A two-day time commitment in either June or July is required. Normal travel and per diem expenses will be reimbursed and CPE credit is expected to be offered to participants who attend the entire two-day meeting.

To volunteer, go to the CPA Exam Web site at [www.cpa-exam.org/lrc/panels.html](http://www.cpa-exam.org/lrc/panels.html). Print out, complete and fax the application form to the Examinations Team, or call Gelya Kotylar at 201/938-3427 for more information.

## Practice Alert Issued on Audit Confirmations

The Professional Issues Task Force has issued Practice Alert 2003-1, *Audit*

*Confirmations*, to emphasize the importance of the confirmation process. Additionally, the Alert focuses practitioners on the other benefits of confirming accounts besides confirmation of balances and discourages performing alternative procedures in lieu of confirming balances and information. The Alert also provides practical guidance regarding non-responses to positive confirmation requests.

The task force encourages SEC Practice Section member firms to incorporate the guidance contained in the Alert when performing year-end 2002 audits and thereafter. A copy of the Alert is included in this issue of *The CPA Letter* being mailed to members in public accounting. Others wishing to obtain a copy of the Alert should visit [www.aicpa.org/members/div/secps/lit/practice/pralert\\_03\\_01.htm](http://www.aicpa.org/members/div/secps/lit/practice/pralert_03_01.htm).

## CPA Letter Supplements Available

To obtain any of the public accounting, business and industry, internal audit, or government member-segment supplements produced this month with *The CPA Letter*, visit:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## PUBLIC MEETING NOTICES

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

**Accounting Standards Executive Committee:** Jan. 16–17, New York

**Auditing Standards Board:** Feb. 11–13, location TBD

**Tax Executive Committee:** Jan. 22–23, San Antonio

**Professional Ethics Executive Committee:** Jan. 30–31, location TBD

### Other Meetings

**Peer Review Board:** Jan. 13–14, New Orleans

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## Seven Professional Associations Jointly Issue Antifraud Programs and Controls for Management

Seven professional associations have developed a set of recommendations specifically to help boards of directors, audit committees and management prevent and root out fraud. These recommendations are contained in a new document titled *Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud*, which is an exhibit to SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*.

This new document identifies the measures an organization can take to prevent, deter and detect fraud, which can range from falsified financial statements to employee theft. Antifraud programs and controls, the document maintains, evolve from creating a culture of honesty and high ethics, evaluating internal processes and controls, and developing an appropriate oversight process.

Besides the AICPA, the Association of Certified Fraud Examiners, Financial Executives International, Information Systems Audit and Control Association, Institute of Internal Auditors, Institute of Management Accountants, and the Society for Human Resource Management sponsored the guidance. Other organizations that participated in reviewing and offering advice include the American Accounting Association, Defense Industry Initiative and the National Association of Corporate Directors.

*Management Antifraud Programs and Controls* can be accessed at [www.aicpa.org/antifraud/management/](http://www.aicpa.org/antifraud/management/).

## Materials and CPE on Fraud Prevention and Detection

- SAS No. 99: *Consideration of Fraud in a Financial Statement Audit* (No. 060701CPA01). Price: \$15 member/\$18.75 non-member.
- *Fraud Detection in a GAAS Audit-SAS No. 99 Implementation Guide* (No. 006613CPA01) provides detailed information, examples and best practices for implementing SAS No. 99. Price: \$68.80 member/\$86 non-member.
- **Fraud and the Financial Statement Audit: Auditor Responsibilities Under New SAS** (No. 731810CPA01, text; No. 181810CPA01, videocourse). Recognize how the new fraud standard differs from the prior standard and the effect on your audit experience. Prerequisite: None. Estimated CPE Credit: 8, text; 9, videocourse. Level: Intermediate. Format: Text or 120-min VHS tape/manual. Price: \$119.20 member/\$149 non-member, text; \$148.80/\$186, videocourse.
- **NEW—Fraud and the CPA** (No. 731730hsCPA01). This self-study course from the AICPA and the Association of Certified Fraud Examiners will help CPAs deepen their fraud knowledge, enhance professional skepticism and improve decision processes. Prerequisite: None. Estimated CPE Credit: 8. Level: Intermediate. Format: CD-ROM. Special introductory price: \$98.60 member/\$123.25 non-member.
- **AICPA reSOURCE: Accounting and Auditing Literature—ORS** (No. ORS-XX). Available only through full subscription. Price: \$395 member/\$1,195 non-member.
- *The CPA's Handbook of Fraud and Commercial Crime Prevention* (No. 056504CPA01) is designed to help CPAs manage the risk of fraud. Price: \$180 member/\$225 non-member.

For information on ordering any of these products, see page 7.

## Turning the Pro Bono Corner – Provide Services to Those in Need

Public service is an important responsibility of any profession. A small but growing number of CPAs contribute their professional services in many ways. One example is preparing taxes for people with low incomes — even during tax season. More than 135 Low-Income Taxpayer Clinics partially funded by Congress under the Internal Revenue Code are looking for CPA volunteers to help low-income taxpayers.

Many of their tax returns are complex, and the refunds are increasingly large because of the refundable earned income credit and child tax credit. You also can offer advice on how best to maximize the value of those refunds. Little is routine; much is challenging. You can make a difference.

Accountants and auditors who do not regularly work with taxes are welcome. Training programs and on-site support will help with any transition. Fluency in one or more foreign languages can be very helpful. If you do not live or work in one of the areas covered by any of these groups — listed East to West — send an e-mail to [ebets16@yahoo.com](mailto:ebets16@yahoo.com) saying where you would like to volunteer. If an LITC exists in your area, you will be given contact information. Also, the VITA program run by the IRS

always can use experienced CPAs; contact the local coordinator.

**Boston:** Community Tax Aid of Boston, Inc.; 617/572-7983; [cta-boston@accountant.com](mailto:cta-boston@accountant.com)

**Connecticut:** Community Accounting Aid and Services, Inc.; 860/570-9113; [caas@sba.uconn.edu](mailto:caas@sba.uconn.edu); [www.ctcaas.org](http://www.ctcaas.org)

**New York City:** Community Tax Aid, Inc.; 718/445-3271; [CTANyc@myrealbox.com](mailto:CTANyc@myrealbox.com); [communities.msn.com/ctanyc](http://communities.msn.com/ctanyc)

**Baltimore:** Maryland Volunteer Lawyers Service; 410/539-6800 x203; [mina@mvlslaw.org](mailto:mina@mvlslaw.org)

**Washington, DC:** Community Tax Aid, Inc.; 703/318-2122; [CTAvol@aol.com](mailto:CTAvol@aol.com); [www.gwscca.org/cta/index.htm](http://www.gwscca.org/cta/index.htm)

**Detroit:** Volunteer Accounting Service Team of Michigan; 313/647-9620; [TAP@accountingaidsociety.org](mailto:TAP@accountingaidsociety.org); [www.accountingaidsociety.org](http://www.accountingaidsociety.org)

**Illinois:** Center for Economic Progress; 312/252-0280; [kthomas@centerforprogress.org](mailto:kthomas@centerforprogress.org); [www.centerforprogress.org](http://www.centerforprogress.org)

**Minnesota:** AccountAbility Minnesota; 612/287-0187; [cgainey@accountabilitymn.org](mailto:cgainey@accountabilitymn.org); [www.accountabilitymn.org](http://www.accountabilitymn.org)

**San Francisco:** Tax-Aid, Inc.; 650/726-9566; [kkoberna@attbi.com](mailto:kkoberna@attbi.com)

## FASB Asks for Comments on Stock-Based Compensation, Issues Guidance on Disclosure Requirements

The Financial Accounting Standards Board has issued an Invitation to Comment, *Accounting for Stock-Based Compensation: A Comparison of FASB Statement No. 123, Accounting for Stock-Based Compensation, and Its Related Interpretations, and IASB Proposed IFRS, Share-Based Payment*. Comments are due Feb. 1 (obtain a copy from [www.fasb.org](http://www.fasb.org)). The invitation to comment explains the similarities of and differences between the proposed guidance on accounting for stock-based compensation included in the International Accounting Standards Board's recently issued exposure draft and

the accounting for stock-based compensation under FASB Statement 123.

In addition, the FASB has published Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to provide better and more transparent disclosure requirements for issuers of guarantees. The interpretation expands on the accounting guidance of Statement Nos. 5, 57 and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. Order a copy through [www.fasb.org](http://www.fasb.org).

## Guidance on Auditing Fair Value Measurements, Disclosures Issued

Nonauthoritative guidance for auditing fair value measurements and disclosures under FASB Statements Nos. 141, 142 and 144 has been issued by the AICPA Audit and Attest Standards team. The toolkit is available without charge from [http://www.aicpa.org/members/div/auditstd/0212\\_toolkit.asp](http://www.aicpa.org/members/div/auditstd/0212_toolkit.asp). Later this month a companion toolkit for valuation specialists performing valuations under those same FASB Statements will be issued by the Business Valuation and Litigation Services team.

## AICPA Comments on Numerous SEC Proposals Stemming from Sarbanes-Oxley

The AICPA has expressed its firm commitment to work with the Securities and Exchange Commission in accomplishing the timely and effective implementation of the Sarbanes-Oxley Act. To that end, the AICPA has commented on numerous SEC proposals focused on internal control reporting, audit committees, codes of ethics, misleading auditors, off-balance-sheet activities, non-GAAP pro-forma financial disclosures and auditor independence – seven key areas of the law in which the CPA profession has long-held and strongly advocated positions to protect the public and add valuable information to the capital markets and investors.

**Internal Control Reporting.** The SEC proposed management and independent auditor reporting on the effectiveness of internal control over financial reporting, which the AICPA has long supported. The AICPA suggested the SEC look to the Committee of Sponsoring Organizations of the Treadway Commission for an example of a comprehensive internal control framework.

**Audit Committees.** The Act shifts significant responsibilities for the audit from management to the audit committee, and requires that at least one member of a company's audit committee be a "financial expert." The AICPA recommended the SEC go even further when it writes its final rule to require that all audit committee members have financial *experience*, preferably with a majority of them having *significant* financial experience.

**Code of Ethics.** The AICPA supported expanding the requirements in the Act from requiring only that the principal executive officers have a code of ethics to requiring that companies adopt and disclose a code of ethics for all corporate directors and employees, and that companies promptly disclose any non-

*de minimis* waivers of the code. Moreover, the AICPA advocates that all corporate directors and employees each year be required to review the code of ethics and sign a statement indicating their compliance with it, and that exceptions be reported to the appropriate level of management or board for resolution.

**Misleading Auditors.** The AICPA strongly supported the SEC's proposal to prohibit any officer or director of issuers of financial statements that are being audited, or anyone else acting under their direction, from misleading an auditor. The AICPA urged the SEC to broaden its proposal to include anyone – whether internal or external to the company – from misleading an auditor.

**MD&A Disclosure.** The AICPA supported the SEC's proposal for disclosure of off-balance-sheet arrangements, commitments and contingencies in the Management's Discussion and Analysis section of a public company's report. The Institute encouraged the SEC to use a "reasonably likely" disclosure assessment threshold consistent with the threshold used for other MD&A disclosures. In addition, the AICPA stated that proposed safe-harbor provisions should be extended to include all forward-looking information in MD&A.

**Non-GAAP Financial Information.** The AICPA supported the SEC proposal requiring a reconciliation of pro-forma presentations of non-GAAP financial information to the most directly comparable GAAP financial measure. The AICPA also commented on concerns with perceptions of auditor association with non-GAAP pro-forma presentations, transition periods and foreign-issuer matters.

*continued on page 8*

## Census Bureau Mails 2002 Economic Census Forms to 5 Million Businesses

Last month five million businesses around the country received the 2002 Economic Census forms from the Census Bureau. In case any member's business, or client, received the form, be advised that responses are required by law and the completed forms are to be sent back to the Census Bureau by Feb. 12.

The Census Bureau prepared a guide specifically for accountants. It is available at [www.census.gov/epcd/ec02/pdf/accts-guide.pdf](http://www.census.gov/epcd/ec02/pdf/accts-guide.pdf). Information about the economic census, data from previous ones and answers to respondents' questions are available at [www.census.gov/econhelp](http://www.census.gov/econhelp).

## New Retirement Programs Available for Members

The AICPA has selected Nationwide Financial as the provider of qualified retirement plans, including 401(k) plans, for its members. With this arrangement, two new and distinct programs are now available to members: the AICPA Member Retirement Advantage and the AICPA Member Retirement Trust. (T. Rowe Price will continue to provide IRA-based retirement programs.)

The AICPA Member Retirement Advantage program offers plan administration by a pre-qualified, local third-party administrator; reduced pricing for customized plan design; and access to more than 350 investment options. The AICPA Member Retirement Trust program is a low-cost alternative that provides a master plan and trust document overseen by the AICPA Member

Retirement Committee, more than 20 investment fund choices selected by an investment consultant for the AICPA, and centralized administration by Nationwide Financial. Both programs will provide Internet access to accounts for participants and plan sponsors.

Members interested in learning more about one of these new retirement programs should call 888/401K-CPA.

As a result of investigations of alleged violations of the Codes of Professional Conduct of the AICPA and state CPA societies, the following ethics cases have been resolved by settlement agreement under the Joint Ethics Enforcement Program.

- Donald H. Carlyle of Liberty, Mo., expelled from membership in the AICPA and the Missouri Society of CPAs, effective Oct. 24, 2002.
- Robert W. Zak Jr. of St. Louis, expelled from membership in the AICPA and the Missouri Society of CPAs, effective Nov. 23, 2002.

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

— *Terminated:*

- Norbert G. Bigalke of Downers Grove, Ill., effective Oct. 25, 2002.
- Timothy P. Dickie of West St. Paul, Minn., effective Nov. 1, 2002.
- William M. Hollar of Leonia, N.J., effective Oct. 30, 2002.
- B. Lynn Mathre of Houston, effective Nov. 1, 2002.
- Dale A. Rolfes of Westerville, Ohio, effective Oct. 30, 2002.
- James H. Self of Melbourne, Fla., effective Oct. 25, 2002.
- Joseph M. Wester Jr. of Albany, Ga., effective Oct. 25, 2002.

— *Suspended* for six months:

- Roy McGarrell of Glendora, Calif., effective Oct. 30, 2002.

— *Admonished:*

- Miguel Ubben of Dallas, effective Oct. 25, 2002.

Following a denial by an ad hoc committee of the Joint Trial Board of a request for a review of the decision of the original trial board, the following member has had his AICPA membership:

— *Suspended* for two years:

- Mark T. Jennings of Montgomery, Ala., effective Oct. 2, 2002.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

### Firms Terminated from Peer Review Program

Effective Oct. 14, 2002, these firms were terminated from the AICPA peer review program for failure to cooperate with the AICPA Peer Review Board. Hearing panels deemed that the following firm(s):

- Did not complete the corrective or monitoring actions required as a condition of acceptance of the firms' most recent peer reviews: Candia Grunwald, CPA PC, Gilbert, Ariz.; Edwin E. Fromer, CPA, Carol Stream, Ill.; Carrol C. Walker, CPA, Benton, Ill.
- Did not acknowledge agreement to take corrective or monitoring actions on their most recent peer reviews: Meehan & Meehan, Quincy, Mass.; Edward P. McMaster, Cinnaminson, N.J.; Thompson & Company, Brooklyn, N.Y.
- Did not submit overdue documents on its most recent peer review: Hocking & Brugger, Mount Carmel, Ill.
- Did not submit a copy of the revised report, letter of comments and letter of response on its most recent peer review: Mary Malone, CPA, Jonesboro, Ark.



### Where to Turn for Member Services

Address changes/membership information (Member Satisfaction Center)



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



888/777-7077



800/362-5066



Voice Mail Box comments,  
888/999-9252



By William F. Ezzell, CPA  
Chairman, AICPA Board of Directors

We continue to work on many important programs and initiatives: fraud prevention and detection, new business reporting models, student recruitment, etc. At the same time, we are working closely with the Securities and Exchange Commission as it continues the difficult task of issuing regulations to implement Sarbanes-Oxley. In addition, at the request of the newly appointed Public Company Accounting Oversight Board, we have begun to provide information that we believe will be helpful as it transitions into its new responsibilities.

The AICPA strongly supports the goals of the Sarbanes-Oxley Act and believes it is a major step forward on the path to



reform. The real work to restore our profession's reputation as a steadfast guardian of the public trust, however, will be done by each and every one of us during the course of fulfilling our daily responsibilities. The members of the AICPA – both corporate accountants and outside auditors – will be the ones who ultimately determine whether the reforms contained in the new law succeed or fail in restoring the public's confidence in financial reporting.

As the PCAOB begins its important work, one of the decisions it will have to make is whether it will set audit standards itself or participate with other standard-setting processes in the private sector. We firmly believe that standards should be set by calling on the experience and expertise of the men and women who are practicing auditors, active in the field, and who recognize that the accounting profession operates in an increasingly global environment. Audit standards historically have been set in the "sunshine" with ample opportunity for all interested parties to actively participate, and that should continue. In addition, we must encourage more active participation by users of audit reports in this process.

In these times of rapid change, the AICPA is playing an important role as an advocate and a liaison for the members. We are taking your concerns to the regula-

tors on a vast array of issues. At the state level, we are working in support of your state CPA society to continue efforts to bring greater consistency to state-based regulations. We will continue to monitor implementation of Sarbanes-Oxley for provisions that would be beneficial and appropriate to emulate in the private-company audit arena. However, we will also work with the state societies to register appropriate concerns where proposed extensions of Sarbanes-Oxley provisions to private-company audits would not be in the best interest of users of private-company financial information. We have formed a special committee to assist the states on this issue which we have referred to as the "cascade effect" (see page 8).

All of the reforms and changes that are under way require cooperation and communication with diverse organizations with varying areas of expertise and responsibility. We continue to have frequent and fruitful dialogue with the SEC and the PCAOB.

I believe we will achieve restoration of our shared sense of purpose, our reputation and our commitment to core values. We will be universally recognized as consummate professionals, serving the public good, who can be counted on to do what is right. We will reclaim with pride the title of CPA, a title which unquestionably stands for integrity and honor.



wezzell@deloitte.com

## Women's Financial Health Week Takes Place This Month

The second annual Women's Financial Health Week campaign takes place Jan. 13 – 17. The purpose of the program, which the AICPA is co-sponsoring with *Money* magazine, is to help women take control of their finances and promote the role of the CPA financial planner.

The campaign kicks off the morning of the 13th with a satellite media tour featuring spokespeople Barbara Raasch, CPA/PFS, and Marion Asnes, senior editor of *Money*.

The remainder of the week's activities will center on the Web site, [www.womensfinancialhealthweek.com](http://www.womensfinancialhealthweek.com). The following are key site features:

- **Relationship Road Map**, an interactive guide that explains how milestone events can quickly change the way you manage your money.
- **Comfort Quiz**, which offers visitors a customized look at how they handle their money so they can get on the right financial track.
- **Tips and Recommendations** that address visitors' financial

questions about buying a home, financing a wedding, planning for a family, maximizing investments, enduring a divorce, keeping "fit" financial records, and retirement planning.

- **Online Chats** that permit visitors to ask questions of financial experts in real time.
  - Monday, Jan. 13, 12:00 noon, ET. "Sense and Sensibilities: What Jane Austin Never Taught Us" with Marion Asnes.
  - Wednesday, Jan. 15, 9:00 p.m., ET. "How Women Relate to Money" with Joan DiFuria, psychotherapist with the Money, Meaning and Choices Institute.
- **Interactive Tools** that help visitors customize their own financial health needs, including retirement and savings calculators.
- **Online Resources**, including articles written by financial experts that offer solid advice on how to stay focused on finances.
- **Database of CPA/PFS Practitioners** so people can find local PFSs.



**Tax Management in the Personal Financial Plan** (No. 730830CPA01). Discover ways to minimize the impact of federal income taxation on the personal financial planning process. Prerequisite: None. Recommended CPE Credit: 9. Level: Intermediate. Format: Text. Price: \$134.40 member, \$168 non-member.

**Exploring Issues in Valuing Stock Options and Other Assets You Can't See** (No. 731260CPA01). Solve the special valuation problems and avoid pitfalls in the valuation of ESOs and intangibles. Prerequisite: Moderate amount of business valuation engagement experience. Recommended CPE Credit: 5. Level: Intermediate. Format: Text. Price: \$99.20 member/\$124 non-member.

**2002/2003 Audit Risk Alerts: General Audit Risk Alert** (No. 022333CPA01); **Compilation & Review Alert** (No. 022303CPA01). Price each: \$18.40 member/\$23 non-member.

**Industry Audit Risk Alerts: Banks, Credit Union, and Other Financial** (No. 022293CPA01); **E Business** (No. 022323CPA01); **Healthcare Organizations** (No. 022343CPA01); **High Technology** (No. 022403CPA01); **Insurance Companies**

(No. 022353CPA01); **Investment Companies** (No. 022363CPA01); **Manufacturing** (No. 022373CPA01); **Real Estate Industry** (No. 022393CPA01); **Securities** (No. 022383CPA01). Price each: \$16 member/\$20 non-member.

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## NASDAQ Vice Chairman Talks about XBRL, Capital Market Transparency and Role of CPAs

In Aug. 2002, the NASDAQ Stock Market, Inc., Microsoft Corp. and PricewaterhouseCoopers teamed up to launch a pilot program that would demonstrate the power of XBRL (eXtensible Business Reporting Language) (*The CPA Letter*, Sept. 2002). The pilot program showcases XBRL's ability to provide companies with an easier means to communicate financial information and deliver it to investors with enhanced capability to analyze data.

Through this program, investors are provided with remote access to financial data from the financial reports of 21 NASDAQ-listed companies starting with a company's most recent financials and going back five years ([www.nasdaq.com/xbrl](http://www.nasdaq.com/xbrl)). NASDAQ, a key driver of capital formation, is the first stock market to recognize the value of XBRL.

"NASDAQ is committed to increasing transparency for investors, which ultimately will help restore investor trust in the quality and integrity of the information that fuels the markets," said Alfred Berkeley, vice chairman of NASDAQ. "The wide-

spread adoption of XBRL technology will mean corporations and investors alike will reap the benefits of a simpler process for issuing financial reports and making investment decisions."

In a recent interview, Berkley elaborated on the benefits of XBRL for both its listed companies and investors, such as how XBRL will provide equal access of financial information to more people. He also discusses, among other things, how XBRL will help improve the transparency and delivery of important data and the instrumental role CPAs will play in companies' use of XBRL in the future. To read the full interview, visit [www.aicpa.org/xbrl/aberkeley\\_interview.asp](http://www.aicpa.org/xbrl/aberkeley_interview.asp).

XBRL International, founded by the AICPA, is a coalition of more than 200 member organizations operating in eight jurisdictions to date. XBRL was designed to benefit the entire business reporting supply chain, including CPAs, by improving access to financial information and decreasing costs associated with the distribution of financial information.



continued from page 4 — AICPA Comments on SEC Proposals

**Independence/Audit Partner Rotation.** Among other things, this proposal would amend the SEC's rules related to the performance of certain non-audit services by the public company's auditor, define the circumstances whereby an issuer's audit committee should pre-approve all audit and allowable non-audit services, adopt rules regarding the rotation of audit team engagement partners, and prohibit an accounting firm from auditing an issuer's financial statements if certain members of the issuer's management team had been members of the accounting firm's audit engagement team within the one-year period preceding the commencement of audit procedures. The AICPA's comment letter focused on the impact of this proposal on local and regional firms

and the public clients they serve. The ability of some publicly traded companies to receive certain non-audit services from their auditors would be restricted under this proposal. Also, the SEC has not made an exception for smaller CPA firms regarding audit partner rotation; this specific proposal will significantly impact about 400 firms and their clients.

Members are encouraged to frequently visit "Sarbanes-Oxley/PCAOB Implementation Central" on our Web site to stay on top of the latest developments. There, members can find a summary analysis of the Sarbanes-Oxley Act, SEC rulemaking actions, AICPA comment letters and more.



[www.aicpa.org/Sarbanes/index.asp](http://www.aicpa.org/Sarbanes/index.asp)

## Special Committee on State Regulation Established

A new special committee is studying possible implications that the Sarbanes-Oxley Act may have on state legislation and regulation. Headed by Kathy Eddy, a former chair of the AICPA Board of Directors, the Special Committee on State Regulation will assist the AICPA and state CPA societies in monitoring proposals that mirror the new federal legislation and could impact small businesses, non-profit entities and other entities that are not publicly traded, and the CPAs who serve them. Other members of the committee include

members in business and industry, public practice, state boards of accountancy, state CPA societies and government.

The committee's major charges are to make recommendations to the AICPA's board and to provide guidance to the states. With a focus on protecting the public interest, the committee is examining such issues as limitations on services, auditor rotation and peer review. Uniformity also is a key issue the committee will address.

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# The CPA Letter

February/March 2003 Vol. 83 No. 2  
A News Report to Members

**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Happenings at the Board of Directors' December Meeting

This *CPA Letter* is a combined issue for the months of Feb. and Mar. The newsletter will next be published in Apr.

## Financial Statement Fraud, Integrity of Financial Information Continue to Be Front-Burner Issues

Last year's financial failures highlighted some of the more egregious examples of corporate fraud. But they also brought to mind another concern: aggressive accounting. The entrepreneurial spirit of many fast-growing companies of the 1990s led some of them to use aggressive accounting, but in some cases, these methods clearly crossed the line. The result has been damaging, not just to the companies themselves but to the accounting profession, investors and the American economy.

In its continuing efforts to combat fraud, the AICPA is sponsoring a series of Webcasts to explore the difference between aggressive accounting and financial fraud (see sidebar). One issue to be discussed is improper revenue recognition, which accounts for roughly half of all financial statement fraud. Following are several of the more significant revenue recognition issues, some of which were discussed by

*continued on page 3*

### Fraud Webcast Series

To help CPAs in their fraud prevention efforts, the AICPA is developing a four-part Webcast series exploring how aggressive accounting issues can cross over into fraud. Planned for Apr.-July, topics include:

- **Revenue Recognition: The Games People Play**, covering such issues as channel stuffing and fictitious entries.
- **The Games Continue: Expenses, Liabilities, Valuation and Journal Entries**
- **Stopping the Game: How to Set Up Fraud Prevention Programs and Controls**
- **In-Depth Study of New SAS 99 Requirements**, discussing interview and brainstorming techniques, professional skepticism, tests of journal entries, and risks of management override.

For more information about these Webcasts, visit the AICPA's antifraud resource center at [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud). Participants will receive free fraud-related resources.

## SEC Proposals on Auditor Independence, Non-Audit Services Affect Tax Practitioners

### AICPA Comments Zero in on Ambiguity in Approach, Tax Minimization

The Securities and Exchange Commission's proposed regulations on auditor independence, while aimed primarily at accountants engaged in audit work, also have great significance for tax practitioners. The Sarbanes-Oxley Act holds that any non-audit service "including tax services" that is not specifically prohibited elsewhere in the law may be provided to audit clients with advance approval of the client's audit committee. The statute applies only to audit relationships with SEC registrants, but the AICPA's concern that Sarbanes-Oxley concepts could "cascade" to the state level (and audits of non-public companies) continues. Substantial limitations on tax services that can be offered by accountants to privately owned audit clients could have serious economic effects on small businesses and small accounting firms.

On Jan. 9, the AICPA responded to the SEC on the entire set of auditor independence proposals (*The CPA Letter*, Jan.). With respect to tax services, we noted some ambiguity in the Commission's approach. For example, the proposed rule states: "Nothing in these proposed rules is intended to prohibit an accounting firm from providing tax services to its audit clients when those services have been pre-approved by the client's audit committee." Further on, however, the proposal states that the audit firm may not represent a client before "a tax court" since the accountant would then be serving as an advocate for the client, which would impair independence. Another prohibited service is described as "the formulation of

*continued on page 4*

## AICPA Committee Applications Process Running Until May 1

Applications are now being taken for the next committee year (Oct. 2003–Oct. 2004). The Web-based application process to apply to available committees, expert panels or tax resource panels is a simple five-step process. Members interested in contributing to the profession and networking with their peers should consider applying via <http://volunteers.aicpa.org/apply>. Again this year to help avoid any conflict with tax season, the final date to apply to volunteer groups has been extended to May 1. Address any inquiries concerning AICPA volunteer groups to [committee@aicpa.org](mailto:committee@aicpa.org) or contact David Ray at 212/596-6030.

## Members Offered Airline, Car Rental, Amtrak Discounts

The AICPA has a special agreement with Carlson Wagonlit Travel—The Leaders Group, to assist you with travel arrangements (call 800/345-5540) when attending eligible AICPA meetings or conferences. If you prefer to make your own travel plans, mention the participating airline's reference number to take advantage of deeply discounted "Zone Fares"

that do not require a Saturday night stay over. These fares are available on all flights but are inventory controlled and require minimum night stays. Some restrictions may apply. Discounts are valid for round-trip registered AICPA meetings or conferences only. Airline and car rental discounts are available only when you or your travel agent book through the 800 number.

We strongly advise you confirm your conference registration and hotel reservation prior to making your travel plans. The AICPA is not liable for any penalties incurred if you cancel or change your airline reservations. Rates are subject to availability. A transaction fee will apply with every Leaders Group reservation.



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## Business Valuation Hall of Fame Winners Announced

The AICPA Business Valuation Hall of Fame Award recognizes individuals whose achievements and contributions have significantly advanced the business valuation discipline and enhanced the valuation profession for CPAs. Co-winners of this award for 2002 are James Alerding and Neil Beaton.

Alerding is a partner and chairman of the Valuation and Forensic Services Group at Clifton Gunderson LLP in Indianapolis.

He received the Accredited in Business Valuation designation from the AICPA, and has been actively involved with the valuation of businesses since 1980. Alerding also lectures frequently on the subject of valuations of closely held businesses. Alerding has been a member of the AICPA's Business Valuations Standards Task Force since 2000 and has served as a Charter Panelist on the Technical Advisory Panel for the "ABV E-Valuation Alert" since 1999.

Beaton is a principal at Brueggeman and Johnson, P.C. in Seattle, a firm specializing in business valuations and litigation support. He is also a director of a business accelerator known as Smart Starters, Inc., and holds

the ABV designation. He speaks nationally at various industry conferences and has authored numerous articles on business valuation. Beaton is a past member of the AICPA's Business Valuation Subcommittee, a current member of the Valuation of Private Equities Task Force, and chair of the AICPA FASB 141/142 Task Force.

## Information Security Ranks #1 in Tech Issues

The AICPA's 2003 Top Technologies survey revealed that information security once again is the number one technology issue (it held that spot in 2001). Of particular note this year, six new items appeared on the final ranking: business information management, application integration, wireless technologies, intrusion detection, customer relationship management and privacy. Also making the list were Web services, disaster recovery planning and remote connectivity.

## CPA Letter Supplements Available

To obtain any of the public accounting, business and industry, internal audit, government or education member-segment supplements produced this month with *The CPA Letter*, visit:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## PUBLIC MEETING NOTICES

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

**Accounting Standards Executive Committee:** Mar. 4-5, New York; Apr. 29-30, Conn.

**Auditing Standards Board:** Apr. 8-10, New York

### Other Meetings

**Peer Review Board:** May 5, Nashville

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**Geoffrey L. Pickard**, Vice President—Communications

**Ellen J. Goldstein**, Editor

e-mail: [egoldstein@aicpa.org](mailto:egoldstein@aicpa.org)

## Trust Services Principles and Criteria Included in AICPA Professional Literature

The new version 1.0 of the Trust Services Principles and Criteria framework, which includes the WebTrust and SysTrust services, is now included in the *AICPA Technical Practice Aids* (Volume 2) loose-leaf edition (Jan. 2003) and will be part of the paperback edition beginning in June. The Trust Services framework will be included under a new section titled *Suitable Trust Services Criteria and Illustrations* and will be accompanied by practitioner guidance, suitable criteria for security, availability, processing integrity, online privacy and confidentiality as well as sample reports.



In both loose-leaf and paperback editions, there are footnote references in Chapter 1 (Attestation Standards), of Statement on Standards for Attestations Engagements No. 10, *Attestation Standards: Revision and Recodification* (AICPA, *Professional Standards*, Volume 1, AT Sec. 101), as amended, as to the existence of the new Trust Services Principles and Criteria.

Version 1.0 of the Trust Services Principles and Criteria will be officially effective for engagements beginning Apr. 1 and will be encouraged for earlier engagements.

continued from page 1 — **Fraud vs. Aggressive Accounting**

Securities and Exchange Commission staff at the AICPA's recent SEC Conference.

- **Recognizing revenue prematurely.** Revenue generally should be recognized when title and risk of ownership have passed. Common fraud techniques include certain "channel stuffing" (for example, shipping inventory in excess of orders, or providing special incentives to customers to purchase more inventory than is now needed, in exchange for future discounts and other benefits), reporting revenue after goods are ordered but before they are shipped, improper year-end cutoff procedures, reporting revenue when significant services are still to be performed or goods delivered, and improper use of the percentage-of-completion method.
- **Recognizing revenue that may not be earned.** Common fraud techniques include reporting sales for bill and hold transactions, consignment sales and sales subject to other contingencies, sales with guarantees against losses and right of return, sales coupled with future purchase discounts or credits, and other side agreements that affect the substance of the transaction.
- **Reporting sales to fictitious or nonexistent customers.** This may include falsified shipping and inventory records.
- **Sales to related parties in excess of market value.**
- **In exchanges of non-monetary assets, reporting revenue in connection with exchanges of certain similar non-monetary assets,** such as infeasible right to use (IRU) capacity swaps consisting of exchanges of leases, with no business purpose, and reporting exchanges of non-monetary assets at inflated fair values.
- **Reporting peripheral or incidental transactions,** such as certain nonrecurring gains, as sales revenue.

The AICPA urges its members in both public practice and industry to be mindful of these revenue recognition issues in carrying out their professional responsibilities, including performing their duties in accordance with generally accepted auditing standards (such as SAS No. 99) and complying with the Sarbanes-Oxley Act. Members should refer to the AICPA's new Antifraud and Corporate Responsibility Resource Center at

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**AICPA Antifraud & Corporate Responsibility Resource Center**

Some of the biggest challenges facing business today are re-establishing confidence among investors, promoting ethics and integrity in the workplace, and establishing clarity in reporting procedures. This resource center will give you the tools and information you need to combat fraud — whatever your role in the business community. **Check back frequently for important developments in the fight against fraud.**

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This tool is available for CPAs to assess their skills and develop a learning plan to move along the learning continuum in the practice of fraud prevention, detection and investigation — available free to AICPA members, and at a small charge to nonmembers.

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[AICPA's New Fraud Standard Explained](#)  
SAS No. 99, Consideration of Fraud in a Financial Statement Audit

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[www.aicpa.org/antifraud](http://www.aicpa.org/antifraud), where they will find links to practice aids and additional fraud prevention information.

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## AICPA Supports SEC's Proposed Rule on Retention of Audit, Review Records

Last month's *CPA Letter* provided information on numerous proposals released by the Securities and Exchange Commission and the AICPA's comment letters in response. Consistent with this effort to help accomplish the timely and effective implementation of the Sarbanes-Oxley Act, the AICPA commented on – and showed support for – an SEC proposal on retention of records related to audits and reviews of issuers' financial statements.

Saying that it supported the proposed rule but that the rule “could be clarified and improved in several respects,” the Institute focused its comments on clarifying various definitions in the proposal to make it more workable and effective and, in particular, to ensure that the rule does

regulatory matters

not inhibit the free flow of information and communication between the auditor and the issuer and amongst members of the audit team.

The Institute also said a tendency to communicate less in writing, which could be an unintended consequence of the proposed rule as written, may result in less complete communications and greater potential for misunderstanding of facts. Furthermore, it may negatively impact the effectiveness and efficiency of reviews by supervisory personnel, concurring partner reviewers and firm experts.

Finally, the AICPA recommended that the SEC modify the provision of the proposed rule that is designed to ensure the preservation of documents that reflect differing professional judgments and views

on significant matters, both within the accounting firm and between the firm and the issuer, and how those differences were resolved. The proposed rule would require that records be retained whether the conclusions, opinions, analyses or financial data in the records would support or “cast doubt” on the final conclusions reached by the auditor. While it agrees with this principle, the AICPA believes that the term “cast doubt” may be too broad, and since it is not used in professional standards, may be misunderstood by auditors.

For the full text of this comment letter and other information on implementation of the Sarbanes-Oxley Act, visit:



[www.aicpa.org/sarbanes/index.asp](http://www.aicpa.org/sarbanes/index.asp)

*continued from page 1 — SEC Proposals Affect Tax Services*  
tax strategies (e.g., tax shelters) designed to minimize a company's tax obligations.”

In still other parts of the SEC's proposed rule, the Commission cites with approval such tax (or tax-driven) services as return preparation, assistance and representation in tax audits and appeals, tax advice for mergers and acquisitions, advice on employee benefit plans, requests for rulings or technical advice, transfer pricing engagements, and cost segregation studies.

The proposals, as published in the *Federal Register*, take up 38 pages of small print, and while there is a specific section on tax services, references to tax matters are also found in a number of other parts of the proposed rules. The AICPA has requested the SEC to bring its tax service references into one section of the final rule, so that audit committees and auditors will see in one place the types of tax services an auditor may provide. We have also requested a clear statement in the final regulation that most tax services are appropriately provided to clients by their auditing firms.

The Institute also notes its objection to and disagreement with the SEC's language which seems to equate tax minimization with tax shelters. With a tax law as complex as today's Internal Revenue Code, and with numerous alternative ways of reaching business, financial and tax goals, we believe there is nothing inherently suspect about attempting to minimize taxes. Most planning resulting in lower taxes for clients would not be considered “tax shelters” even by the Internal Revenue Service. Indeed, there are provisions in the Code whose specific purpose is to provide a tax minimization incentive for taxpayers to engage in certain types of activities and investments. Accordingly, we ask the SEC

to recognize, in its final rule, that tax minimization activities are appropriate and, in fact, are in the public interest.

Nonetheless, we do agree that not all activities resulting in tax minimization are appropriate for a client's auditor, and some could implicate the auditor's independence. We also recognize that Congress, the Treasury Department, the IRS and practitioner organizations such as the AICPA have tried for several years to craft an appropriate definition of “tax shelter” for tax purposes — thus far without success. In attempting to draw a distinguishing line between permissible and non-permissible activities for **audit independence** purposes, we have suggested to the SEC that advice on tax strategies having no business purpose other than tax avoidance is an appropriate dividing line for activities that should be prohibited to auditing firms registered under the Sarbanes-Oxley Act. An exception should be made for those activities that are specifically permitted by applicable tax law.

The full text of the AICPA response to the SEC (including the discussion of tax services) is available at [www.aicpa.org/sarbanes/index.asp](http://www.aicpa.org/sarbanes/index.asp).

### Acting Chairman of PCAOB Named

On Jan. 8 the SEC designated Charles D. Niemeier to be the Acting Chairman of the PCAOB. Niemeier will serve as Acting Chairman until the SEC selects a permanent chair to replace William Webster, who resigned from the board. Prior to this appointment, Niemeier was the Chief Accountant in the SEC's Division of Enforcement and co-chairman of the agency's Financial Fraud Task Force. He is both an attorney and a CPA.



By William F. Ezzell, CPA  
Chairman, AICPA Board of Directors

For many of our members, this issue of *The CPA Letter* will arrive during one of the busiest times of the year. As you pause for a few minutes to catch up on recent events, I urge you to also take a moment to make sure that you are truly comfortable with each of those difficult decisions that you are dealing with this busy season. Whether working within the management of a company or providing tax, accounting or auditing services to clients, the focus on our profession to do the right thing has never been more important.

The AICPA staff and volunteer members of many committees have been extremely busy reviewing and commenting on the many proposals that the Securities and Exchange Commission put forth to implement the provisions of the Sarbanes-Oxley Act. These regulations will lead to significant changes in the public company audit arena and by the time you receive this newsletter, many of the proposals will have been finalized. Just as we worked with the SEC staff in commenting on the proposals, we will continue to work closely with the SEC, the Public Company Accounting

Oversight Board and other interested parties to make sure that implementation of the new regulations will have a positive impact on audit quality and thereby enhance the public's confidence in financial reporting.

### Chair's corner

Early in the process of working with the implications of the Sarbanes Oxley Act and its regulations, we recognized that there was a potential for greater divergence in the standards for auditing public companies and non-public companies. Regardless of who sets audit standards, the PCAOB may promulgate certain actions for audits of public companies. Additionally, it is possible that some independence rules should or could become applicable for audits of public companies only. As the Financial Accounting Standards Board refocuses on its role post Sarbanes-Oxley, some have questioned whether the needs of non-public companies will receive adequate consideration in the new environment, particularly in light of the potential for harmonization of international standards.

The basic topics are not new and have been debated from time to time in this profession. To better understand member views on these issues in light of the current environment, we devoted time at last Oct.'s Council meeting to exploring whether or not we should look seriously at the need for dual standards for audit, independence or accounting. Following the Council meeting, this topic has been raised in other forums, such as the Group of 100 meeting and the Major Firm Group meeting. All AICPA committees and state CPA societies have been asked to consider these matters and to provide initial input by Mar. 31. No decisions have been made and we are still in the information-gathering stages. If you have views on whether it is appropriate at this time to revisit some of these issues, we

would like to hear from you. If you are involved in committee service at either the state or national level, please take time to make your views known. If you would like to write, send your comments via e-mail to [diffstds@aicpa.org](mailto:diffstds@aicpa.org).

Looking ahead a little to the Council meeting in May, the Professional Ethics Executive Committee is continuing to look at proposals that would enhance the transparency and timeliness of our disciplinary process. I expect that we will have some specific recommendations for the Council to consider regarding enhanced reporting of the results of disciplinary findings and related matters. I also expect that we will be dealing with changes for peer review for the non-public company audit sector in time for this year's peer review season. As you know, the PCAOB is charged with conducting the inspection process for auditors of public companies. That process will raise issues to be resolved for firms that do both public and non-public company audits.

There continues to be no shortage of issues to be addressed in this environment. On a positive note, as I have traveled and participated in meetings with groups of members around the country, I continue to find that the confidence level in the work of the individual CPA remains very high. Users of CPA services continue to say they have a great deal of trust and respect for the CPAs they deal with, notwithstanding the issues that have been raised in the media. For this trend to take hold more broadly, we must keep in mind the importance of each of us living up to our obligations to act with integrity and objectivity. Thank you for your efforts to enhance our credibility in what you do each day, every day.



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In most cases, a modest fee will be charged for requested copying privileges. The fee schedule (including fee exceptions) is also available on our Web site (go back to copyright menu, then click on "Copyright Permission Fee Schedule" link).



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



201/938-3245 to check status of submitted request

## IRS Encourages Individuals, Small Businesses, Tax Practitioners to File Returns Electronically

With more and more tax practitioners considering how electronically filing returns can increase efficiencies, cut costs, reduce errors, help improve client privacy and security as well as expedite refunds, CPAs are expected to *e-file* more tax returns in 2003 than in any previous year. In addition, the Internal Revenue Service is increasing its emphasis on its *e-file* program for the 2003 tax filing season by initiating a national communications program aimed at individuals and small businesses encouraging the use of *e-file* for 2002 returns. Thus, tax professionals should be

prepared to answer more client questions about *e-file* and be ready to increase their capacity to electronically file tax returns.

The IRS is initiating the communications program to help achieve its goal of receiving 80% of all tax returns electronically by 2007. In the 2002 filing season, 36% of individual income tax returns were electronically filed.

For details about *e-file*, visit [www.irs.gov/efile](http://www.irs.gov/efile). Members may also want to refer to a Nov. 2002 *Journal of Accountancy* article about e-filing for additional information.

tax  
info

### Some Benefits of E-Filing

- Clients receive a proof of receipt by the IRS within 48 hours of filing.
- Clients receive their refunds in half the time as paper filers. If they choose Direct Deposit, they will have their refund in as few as 10 days.
- The error rate in using *e-file* for individual tax returns is less than 1%. The IRS electronically checks e-filed returns, and if errors are detected, sends a message that alerts the preparer to the error.

## CPA2Biz Wins “Web Star of the Week” Award from ElectronicAccountant.com

ElectronicAccountant.com named CPA2Biz its “Web Star of the Week” on Jan. 3. In its review of the profession’s portal, the trade publication said the site has “evolved into a valuable information resource for tax and accounting professionals.” It cited a powerful search engine that groups results according to relevant sections on the site and provides CPAs with hun-

dreds of topical articles and resource guides, including the *Journal of Accountancy*.

More than 100,000 CPAs are currently registered and actively using the resources housed on [www.cpa2biz.com](http://www.cpa2biz.com). Registration is free, and AICPA members receive exclusive discounts on products and services available through the site.

**A CPA’s Guide to Valuing a Closely Held Business** (No. 181170CPA02), by Gary Trugman, CPA/ABV. This new video-course, based on Trugman’s best-selling publication of the same title, is ideal for group training. It provides a working knowledge of how to value a closely held business in such areas as estate and gift tax, asset allocation, mergers and acquisitions, damage claims and divorce. Prerequisite: Experience in business operations. Recommended CPE Credit: 6. Level: Basic. Format: One 120-min VHS tape/manual. Price: \$128 member/\$160 non-member.

CPE  
news

**AICPA Practice Report** (No. SP3CPA02). This new monthly videotape CPE subscription program delivers the hottest topics directly to your office via your VCR. Developed in partnership with SmartPros, Ltd., this program includes study guides that provide all the tools you need for group study. Prerequisite: None. Recommended CPE Credit: 66 per year. Level: Basic. Format: Two VHS tapes and Discussion Leader Guide each month except Mar. One-year subscription (11 issues): \$1,495 member/\$1,995 non-member.

**Accounting Trends & Techniques, 2002** (No. 009894CPA02). This new edition is your guide to current financial reporting practices used by 600 of the nation’s top manufacturing, merchandising, technology and service corporations. Price: \$108.80 member/\$136 non-member.

**Investment Advisory Services: Managing Client Expectations in an Uncertain**

**Market** (No. 056512CPA02). Authors Phyllis Bernstein, CPA/PFS, and Robert K. Doyle, CPA/PFS, lay the groundwork for managing a client’s expectations using a combination of technical expertise and the “people skills” needed to educate and convey realistic expectations. Price: \$47 member/\$58.75 non-member.

now  
available

**Seven Principles for Effective Firm Management** (No. 090480CPA02), by J. Curt Mingle, CPA. Create a more effective and efficient working environment with this new practical guide filled with exhibits and examples. Price: \$39.20 member/\$49 non-member.

**To order, write:** AICPA Member Satisfaction, CPA02, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303-2209; fax 800/362-5066; call 888/777-7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com](http://www.cpa2biz.com); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**



## SOP Issued on Accounting for Derivatives, Hedging

Statement of Position 02-2, *Accounting for Derivative Instruments and Hedging Activities by Not-for Profit Health Care Organizations, and Clarification of the Performance Indicator* (No. 014935CPA02), has been issued by the AICPA's Accounting Standards Executive Committee. The SOP is effective for fiscal years beginning after June 15, 2003.

The SOP amends the AICPA Audit and Accounting Guide *Health Care Organizations* to address how nongovernmental not-for-profit health care organizations should report gains or losses on hedging and nonhedging derivative instruments under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

It also amends the guide to clarify that the performance indicator (earnings measure) reported by not-for-profit health care organizations is analogous to income from continuing operations of a for-profit enterprise.

To order a copy of SOP 02-2, see page 6 (price: \$14 member, \$17.50 non-member.)

## Exposure Draft of SOP Issued on Audits of Investment Companies

The AICPA's Accounting Standards Executive Committee has issued an exposure draft of a statement of position, *Clarification of the Scope of the Audit and Accounting Guide Audits of Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies*. The proposed SOP provides specific conditions for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide *Audits of Investment Companies*. For those entities that are investment companies under the SOP, the SOP also addresses the retention of that specialized industry accounting by a parent company in consolidation or by an

investor that has the ability to exercise significant influence over the investment company and applies the equity method of accounting to its investment in the entity (referred to as an equity method investor).

The provisions of the SOP would be effective for fiscal years beginning after Dec. 15, 2003 (AcSEC's intention is for the SOP to be effective approximately six months after its issuance date), with earlier application encouraged.

Comments on the exposure draft are due Mar. 31, 2003, and should be submitted as directed in the ED, which has been posted to:



[www.aicpa.org/members/div/acctstd/edo/021217\\_sop\\_invest.htm](http://www.aicpa.org/members/div/acctstd/edo/021217_sop_invest.htm)

## IFAC Names Charles Horstmann of U.S. as Deputy President

At a recent meeting, the Council of the International Federation of Accountants elected Charles Horstmann of the U.S. as Deputy President for a two-year term. Among other responsibilities as Deputy President, Horstmann will be involved in the development of IFAC's global strategy, which includes initiatives to encourage high-quality practices by accountants worldwide.

Horstmann is Global Director of Ethics and Independence for Deloitte Touche Tohmatsu and a partner in its U.S. member firm Deloitte & Touche LLP. Prior to joining Deloitte, he spent 28 years with Arthur Andersen, including the last 10 years as the Global Managing Partner and Global Director of its Independence and Ethical Standards function.

He has been a member of IFAC's board of directors since 1999. In addition to his international involvement, Horstmann has played an active role in the profession on a national level. He has served on the AICPA's governing Council, SEC Practice Section Executive Committee and Professional Ethics Executive Committee. For many years, Horstmann also served on professional task forces dealing with emerging professional and regulatory issues.



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

- Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:
  - Charles T. Genovese of Ramsey, N.J., effective Nov. 21, 2002.
  - Sam L. White of La Can-Flintridge, Calif., effective May 10, 2000.
- Terminated* following revocation of his CPA certificate by his state board of accountancy:
  - Henry A. Ramsey of Bertram, Texas, effective Nov. 21, 2002.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## Help Protect the Public Interest

Members who notice, suspect or are aware of significant deficiencies in the work of another member should seriously consider referring the matter to the Professional Ethics Division. Such a referral will enhance the image of the profession and help improve professional practice. Prior to referral, consider your responsibilities under Rule 301 of the Code of Professional Conduct if the member is affiliated with a client (e.g., CFO of an audit client). If you are unsure of the applicability of Rule 301, call the Ethics Hotline at 888/777-7077 for guidance.

## Happenings at the Board of Directors' December Meeting

Following are some of the more significant actions and events that took place at the AICPA Board of Directors' meeting Dec. 5–6, 2002:

- Kathy G. Eddy, chair of the Special Committee on State Regulation, reviewed the committee's mission, membership and activities to date. An environmental scan of state legislative, regulatory and executive activity associated with the Sarbanes-Oxley Act is under way. Six major issues of concern identified by the committee are: uniformity, scope of services, auditor rotation, composition of state boards of accountancy, peer review and ethics enforcement.
- Auditing Standards Board projects related to Sarbanes-Oxley were discussed. Task forces have been established to address internal control, audit committees, quality control and other issues (document retention, concurring partner reviews, foreign affiliate issues and attorney letter amendments).
- The board was informed that at the invitation of the Public Company Accounting Oversight Board, representatives of the SEC Practice Section met with the PCAOB, which was seeking historical information about the section's peer review process. The PCAOB is formulating its inspection program for auditors of financial statement issuers in accordance with the Sarbanes-Oxley Act.

- Changes being considered by the Peer Review Board were highlighted and board members provided their input. The changes are designed to improve peer review and narrow the gap between what peer review is and what the expectation of it is.
- An update on CPA2Biz showed that as a result of many improvements, the Web site has enjoyed positive feedback and an increase in registered users (see related article on page 6).
- The Tax Division reported on efforts to create a legislative proposal that would provide small businesses and practitioners some relief from the "workload compression" problem, while not losing an unacceptable amount of government revenues. The board encouraged the Tax Division to forge ahead with its proposal.

### Important Update on SEC Rulemaking

At press time, the SEC adopted final auditor independence rules. A small firm alternative for partner rotation is included. For details, visit [www.aicpa.org/sarbanes/secproposesrules.asp](http://www.aicpa.org/sarbanes/secproposesrules.asp).

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# The CPA Letter

April 2003 Vol. 83 No. 3  
A News Report to Members

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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## Frequency of *CPA Letter* Increases; Full Edition to Be Available Online

As part of the AICPA's efforts to continually increase and improve member communications, starting in Sept. we will begin publishing *The CPA Letter* 12 times a year (up from 10 issues). What's more, starting with the May 2003 issue, each issue of the newsletter will be available online in its entirety (the online version previously only featured selected articles), and is scheduled to be live on [www.aicpa.org](http://www.aicpa.org) by the 5th of the month. By using the Web, we can publish more frequently and speed up delivery by as much as two weeks, as well as contain costs.

While moving to the electronic environment, we wanted *The CPA Letter* to look exactly as it would have if it were printed. The newsletter will appear in PDF format, which is easy to read and easy to print. You can save it to your hard drive and view later, or simply use your computer's print function to print out all the pages in the file. When you read the newsletter online, you can click on the links in the PDF to go to other Web sites. To further facilitate use, each issue of the newsletter will have its own home page providing a "Top Stories" section for the month's most important articles and news (in HTML format), a link to the downloadable PDF file of the complete text, and a link

for all the member-segment supplements produced that month, also in PDF format with working links.

For the immediate future, in addition to publishing all issues electronically, we will continue to print and mail six issues to members (i.e., the number of printed issues is being reduced from 10 to 6). The first issue to be distributed exclusively online will be the May 2003 issue.

Each month members for whom the Institute has e-mail addresses will be sent a notice regarding *The CPA Letter's* availability on the Web site with a live link to the issue's home page. Members not receiving this e-mail should visit [www.aicpa.org](http://www.aicpa.org) (see "Online Newsletters") or type [www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm) into their Web browser. To provide or update your e-mail address online, log in to our E-Mail Address Update Center at [www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp). Or, send the information to [memsat@aicpa.org](mailto:memsat@aicpa.org) with "E-Mail Address" in the subject header field for expedited processing.

We look forward to continuing to provide you with a useful, highly valued publication that now will be more timely in the news it delivers.



## "Start here. Go places." Student Recruitment Campaign Generates Positive Momentum

Research recently completed on the "Start here. Go places." CPA Student Recruitment Campaign shows that it is having a positive impact on high school and college students. What follows is a brief update on the recruitment initiative and some of the more compelling statistics; detailed reports on activities in all 54 states and jurisdictions have been provided to the state CPA societies.

Fully 54% of high school leads (students who ask for more communications from us)

recall the campaign; 62% early college and 70% late college leads recall the campaign. Moreover, of all college leads, 33% said they are now more likely to consider accounting as a major or profession. Interestingly, 90% of all college students surveyed said recent corporate accounting scandals have not negatively affected their interest in business and accounting, and, if anything, have only increased their interest.

*continued on page 4*

## Report of Nominations Committee Available

The full Report of the Nominations Committee this year will be available online for the first time (i.e., not printed in *The CPA Letter* as in years past). Members should check [www.aicpa.org](http://www.aicpa.org) for the report in mid-Apr. If the AICPA has your e-mail on file, you will be sent an e-mail announcement with a live link as part of an *AICPA News Update* this month. To provide or update your e-mail address online, go to [www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp). Or, send your information to [memsat@aicpa.org](mailto:memsat@aicpa.org) with "E-Mail Address" in the subject header field. The AICPA does not sell member e-mail addresses to third parties.

## Computerized CPA Exam to Launch in April 2004

With the final paper-based version of the Uniform CPA Examination to be given on Nov. 5 and 6 of this year, the first computer-based test will be administered Apr. 5, 2004. Starting on that date, the computerized exam will be offered up to six days a week, during two out of every three months throughout the year, a significant improvement over the exam's twice-a-year availability in the paper format.

Moreover, the computer-based version will broaden the scope of the audit and attest areas and incorporate the assessment of critical skills, such as research and communications. It also will increase emphasis on general business knowledge and information technology.

The AICPA will continue to create and grade the CPA exam, and the National Association of State Boards of Accountancy and the state accountancy boards will remain responsible for the overall administration of the exam to the more than 100,000 candidates each year. Prometric, the world's leading technology-

based testing company, will deliver the examination to candidates through its network of testing centers in the United States and U.S. territories.

## AICPA Life Insurance Plan Enhancements Announced

Two enhancements to the AICPA's CPA Life Insurance Plan take effect Apr. 1, 2003. Previously, Spouse Life Insurance had been available up to an insured member's own coverage amount; that requirement will no longer be in effect. The spouse of a member can be insured for any eligible amount available to the member, whether or not the member is a Plan participant. Now a spouse can become covered, for example, for \$2,000,000, the Plan maximum, an amount formerly not available for the spouse unless the member was also insured for the same amount.

Another improvement is in the Dependent Child Life Insurance, which has been increased from \$4,000 to \$10,000. The cost, currently paid by a \$6 reduction in the Plan's cash refund to the member, remains unchanged. Additional information about the newly revised features can be obtained from Aon Insurance Services, the Plan Agent, at 800/223-7473, or online at [www.cpai.com](http://www.cpai.com).

## Business and Promotional Merchandise in Accessories Collection Proudly Sport "CPA" Logo

Tens of thousands of members visibly display the "CPA" logo on their business cards, letterhead, promotional literature, signage, and even on lapel pins. In addition, many members use business gifts and giveaway merchandise which also tastefully feature the "CPA" logo. The items available traditionally have included golf balls and golf shirts, heavyweight sweat-

shirts and travel mugs. New items recently added to the collection include a computer backpack and a sports clip-on watch, both of which carry the "CPA" logo.

To purchase these or other logo products, use the [CPA Accessories Collection order form that appears on page 6](#) of this newsletter (the form may be photocopied). Be advised that the distribution company does not have copies of the order form. You may also obtain the form through:



[www.biggameamerica.com/cpa.html](http://www.biggameamerica.com/cpa.html)

## H&R Block Pulls Television Ad Promoting Its Tax Services

In a recent exchange of letters between AICPA President and CEO Barry Melancon and H&R Block Chairman and CEO Mark Ernst, H&R Block agreed to stop running one of two television ads promoting its tax services. H&R Block began running the two ads in early Jan.; the one that was pulled was particularly disparaging to CPAs (it portrayed CPA firms with neon signs residing in dark alleys).

"Hundreds of members and many state CPA societies have taken the time to express their disappointment in the ads directly to H&R Block," said Geoff Pickard, Vice President-Communications and Public Relations. "We will continue to monitor the situation."

## CPA Letter Supplements Available

To obtain any of the public accounting, business and industry, internal audit, government or education member-segment supplements produced this month with *The CPA Letter*, visit [www.aicpa.org/pubs/cpaltr/apr2003/index.htm](http://www.aicpa.org/pubs/cpaltr/apr2003/index.htm).

## PUBLIC MEETING NOTICES

**Accounting Standards Executive Committee:** Apr. 29-30, Conn.; June 10-11, New York  
**Peer Review Board:** May 5, Nashville

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## ASB Issues Exposure Drafts Related to Sarbanes-Oxley Act

The Auditing Standards Board has issued two exposure drafts that address provisions of the Sarbanes-Oxley Act, including a suite of standards that provides guidance about auditing an entity's internal control over financial reporting. The comment deadline is May 15, 2003.

Also exposed for comment until May 30, 2003, is a proposed standard to strengthen the quality of auditor communications concerning internal control related matters noted in a financial statement audit.

All three exposure drafts are posted on the AICPA's Web site at:



[www.aicpa.org/members/div/auditstd/drafts.htm](http://www.aicpa.org/members/div/auditstd/drafts.htm)

## Sixth Set of Technical Qs&As on Software Revenue Recognition Released

The AICPA staff, helped by industry experts, released a sixth set of technical questions and answers on financial accounting and reporting issues related to Statement of Position 97-2, *Software Revenue Recognition*. For the convenience of interested parties, the sixth set of Qs&As are included with previously released Qs&As. Questions on these Qs&As may be sent to Dan Noll via e-mail at [dnoll@aicpa.org](mailto:dnoll@aicpa.org).

Qs&As will be housed in the AICPA publication titled *Technical Practice Aids* (No. 005142CPA04), copies of which are available through [Member Satisfaction](#) (see page 7). In addition, the Qs&As will be housed on the AICPA Web site:



[www.aicpa.org/members/div/acctstd/general/othitem.htm](http://www.aicpa.org/members/div/acctstd/general/othitem.htm)

## Draft Practice Aid Issued on Valuations of Equity Securities

A preliminary draft of an AICPA practice aid, *Valuation of Privately-Held-Company Equity Securities Issued in Other Than a Business Combination*, has been posted to our Web site for public comment. The proposed practice aid would provide best practices related to the valuation of and disclosures related to the issuance of privately-held-company equity securities issued in other than a business combination.

Comments are due Apr. 23, 2003. To obtain a copy of the ED, visit [www.aicpa.org/members/div/acctstd/vpes\\_021803.asp](http://www.aicpa.org/members/div/acctstd/vpes_021803.asp).

## Exposure Draft Released on Accounting for Time Shares

An exposure draft of a proposed statement of position, *Accounting for Real Estate Time-Sharing Transactions*, has been issued by the Accounting Standards Executive Committee. The proposed SOP would provide guidance on a seller's accounting for real estate time-sharing transactions in financial statements prepared in conformity with generally accepted accounting princi-

ples. The committee drafted the proposed SOP because of diversity in practice caused by a lack of guidance specific to real estate time-sharing transactions. A final SOP would be effective for financial statements issued for fiscal years beginning after June 15, 2004, though earlier application is encouraged.

Concurrently, the Financial Accounting Standards Board has issued an exposure draft of a proposed statement, *Accounting for Real Estate Time-Sharing Transactions — an amendment of FASB Statements No. 66 and 67*. That proposed statement includes amendments to certain FASB pronouncements that would be made in conjunction with issuance of a final SOP.

Comments on both exposure drafts are due Apr. 30, 2003. To obtain copies, visit [www.aicpa.org/mem-](http://www.aicpa.org/members/div/acctstd/edo/index.htm)

[bers/div/acctstd/edo/index.htm](http://www.aicpa.org/members/div/acctstd/edo/index.htm).

## Four-Part Fraud Webcast Series Begins April 29

To help CPAs recognize fraud and develop systems and controls to prevent and deter it, the Institute has developed a four-part "AICPA Antifraud Series." The first two programs explore how aggressive accounting issues can cross over into fraud. The remaining two programs cover establishing fraud prevention and control systems and an in-depth analysis of SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*. The schedule for the first two follows (the other two are planned for the summer and early fall).

- **Aggressive Accounting—The Games People Play, Part 1: Revenue Recognition** (No. CPWBC042903000), Apr. 29, 1:00 p.m. to 2:55 p.m., ET. CD Archive: No. 737114HSCPA04.
- **Aggressive Accounting—The Games People Play, Part 2: Expense and Liability Recognition** (No. CPWBC052103000), May 21, 1:00 p.m. to 2:55 p.m., ET. CD Archive: No. 737117HSCPA04.

Each live program qualifies for 2 CPE credits. Price: \$79 per Webcast. For more information or to register, visit [www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts) or call 888/777-7077 (option 3, Web Support). Registrations cannot be accepted after 12:00 p.m. (noon) Eastern Time on the day of the program. For those who also would like to share the program with staff, or are unable to attend the live Webcast, a CD archive of each event is available (price: \$59 each; no CPE credit — [to order, see page 7](#)).

**New DVD format—Fraud and the Financial Statement Audit: Auditor Responsibilities Under New SAS** (No. 181820CPA04). A new DVD format is now available for this CPE self-study course, providing another option to the text and videocourse versions. Both the videocourse and DVD formats are ideal for group study; each combines panel discussions with dramatized scenes of a fraud case study. Vividly illustrated is the application of key SAS 99 requirements. Prerequisite: None. Recommended CPE Credit: 9; Level: Intermediate; Format: 135-min. DVD/manual. Price: \$149 member, \$186.25 non-member. [To order, see page 7](#).



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

- **Nelson A. Barber** of Washington Depot, Conn., expelled from membership in the AICPA, effective Feb. 17, 2003.
- **Daniel W. De Kruffy** of Twin Falls, Idaho, expelled from membership in the AICPA and the Idaho Society of CPAs, effective Feb. 4, 2003.
- **Gregory DuPlessis** of Chester Springs, Pa., expelled from membership in the AICPA and the Pennsylvania Institute of CPAs, effective Jan. 6, 2003.
- **Charles Melchior Estes** of Phoenix, expelled from membership in the AICPA, effective Nov. 23, 2002.
- **Rick W. Gossett** of Atlanta, suspended from membership in the AICPA and the Georgia Society of CPAs for two years, effective Dec. 20, 2002.
- **Edward M. Henderson** of Rome, Ga., suspended from membership in the AICPA for one year, effective Jan. 6, 2003.
- **Vincenzo Romano** of Broomall, Pa., suspended from membership in the AICPA and the Pennsylvania Institute of CPAs for six months, effective Jan. 6, 2003.



As a result of a decision by a hearing panel of the Joint Trial Board, the following member has had his AICPA membership:

—*Terminated*:

- **Joseph A. Nolan** of Rockwall, Texas, effective Feb. 26, 2003.

Following a denial by an ad hoc committee of the Joint Trial Board of a request for a review of the decision of the original trial board, the following members have had their AICPA memberships:

—*Terminated*:

- **Steven M. Scarano** of Hicksville, N.Y., effective Jan. 9, 2003.

—*Admonished*:

- **Lee L. Engel** of Ft. Lauderdale, Fla., effective Jan. 9, 2003.

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

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

- **Michael C. Cortese** of Verona, N.J., effective Jan. 31, 2003.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## New Online Toolkit Provides Guidance to Valuation Analysts for Compliance with SFAS Nos. 141, 142

The new *Fair Value Measurement Toolkit for Financial Accounting Standards Board Statement of Financial Accounting Standards No. 141 and SFAS No. 142* contains practical reference materials for valuation analysts performing fair value measurement engagements in connection with business combinations and acquired goodwill and other intangible assets. The toolkit, developed by leading experts from the AICPA's 141/142 Task Force, under the Business Valuation Subcommittee, assists the experienced valuation analyst to achieve competence to conduct these engagements for purchase price allocations and goodwill impairment analyses.

The *Fair Value Measurement Toolkit* materials include valuable training infor-

mation, a bibliography of important reference sources, engagement letter considerations, and checklists. Additional materials will continue to be added, including sample reports. To access the new toolkit, visit:



[www.aicpa.org/members/div/mcs/vm\\_toolkit.asp](http://www.aicpa.org/members/div/mcs/vm_toolkit.asp)

## Special Report on Litigation Services Released

Litigation services continue to be among the most important and fastest growing of the consulting services offered by the top 100 accounting firms, according to the latest *Accounting Today* Industry Survey. CPAs are involved in a wide array of litigation services engagements, including calculation of economic damages; valuations; fraud prevention, detection and investigation; tax analyses, bankruptcy analyses; attestation services; and others. To be effective litigation services practitioners,

whether full time or part time, CPAs must know, understand and comply with the applicable standards, rules and laws.

The AICPA's new Consulting Services Special Report (CSSR) 03-01, *Litigation Services and Applicable Professional Standards* (No. 055297CPA04), provides guidance to achieve these objectives. This new Special Report supercedes Consulting Services Special Report 93-1, *Application of AICPA Professional Standards in the Performance of Litigation Services*.

Special Report 03-01 provides guidance in the applicable standards, rules and laws, and includes sections addressing conflicts of interest, work paper form and content, and reporting. Issued by the AICPA's Responsibilities of Litigation Practitioners Task Force and the Litigation and Dispute Resolution Subcommittee, this Special Report can be ordered through Member Satisfaction (see page 7; price: \$26 member, \$32.50 non-member).

## continued from page 1 — Student Recruitment Campaign

In fact, 97% of accounting majors are at least as resolved today as before the scandals to pursue their interests in becoming CPAs.

A key component of the campaign and host of its various elements is the Web site, [www.startheregoplaces.com](http://www.startheregoplaces.com), which has garnered 2.9 million page views since it was launched little more

than a year ago. All activity was promoted via print ads, posters, direct mail, e-mail, in-school activity, and numerous online partnerships and advertising. The spring 2003 semester campaign currently under way again includes the "Be a Music Mogul" game and contest for high school students, as well as engaging activities for college students.



## AICPA... Where to Turn

Address and employment information can be changed online through [www.cpa2biz.com](http://www.cpa2biz.com) ("Member Services" tab, then link for paying dues). Or, members can e-mail, mail or fax the information to Member Satisfaction in New Jersey. In either case, *The CPA Letter* and *Journal of Accountancy* will automatically be updated. Members also can provide or update their e-mail addresses online; visit [www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp).

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## CPA ORDER FORM



By William F. Ezzell, CPA  
Chairman, AICPA Board of Directors

## chair's corner

these legislative and regulatory initiatives in order to promote uniformity of state regulation for the profession.

I want to say a special thanks to our Tax Executive Committee and its task force that has worked diligently during the past several weeks to address many issues relating to tax consulting services. There has been considerable media attention on tax consulting services

which has brought to the surface the continuing struggle by the Internal Revenue Service and others to define tax strategies that may be inappropriate. During this busiest time of the year, many of our CPA tax professionals have been at the forefront of dialogue with the IRS and others on this important issue. The issues that underlie the debate are very complicated and arriving at appropriate guidance that fits all situations remains difficult. As this issue continues to move forward, the profession will remain an active participant.

Our various committees that deal with the public company reporting environment also have been very busy. We have responded to every request from the Public Company Accounting Oversight Board to provide information and assist as it prepares for its new responsibilities. We are committed to a smooth transition for those programs that will become the responsibility of the PCAOB. As we prepare for transition, we will not diminish our own activities in those areas prematurely so that capital market stakeholders can be assured of continued coverage.

In the capital market arena, rebuilding investor confidence continues to be the primary goal of the AICPA's Antifraud and

Corporate Responsibility Program. The program, which launched in Oct. 2002 with the release of the new fraud audit standard, SAS No. 99, covers a wide array of initiatives impacting all sectors of the CPA profession.

As I have noted in many of these columns and in separate presentations to CPAs across the country, all of us need to join in the effort to restore public trust in the accounting profession. One such activity that will be beneficial in this regard is to make sure that all CPAs involved in the preparation or audits of financial statements, whether from within the corporation, the internal audit function or as the outside auditor, are alert to the possibility of fraud or inappropriate accounting treatments. As you plan your continuing professional education this year, we are asking all CPAs in the audit environment to devote at least 10% of their studies to the detection and prevention of fraud. This month's *CPA Letter* includes information on CPE courses on fraud and other fraud related initiatives.

I have had numerous opportunities over the past several months to discuss corporate governance and the implications of the Sarbanes-Oxley Act before audiences of corporate executives and audit committee members. Most of these settings have included professionals from other disciplines as well. I have been encouraged by a shared sense among all stakeholders in the capital market system that we all have things to do to improve, and that we can make things better.



[wezzell@deloitte.com](mailto:wezzell@deloitte.com)

**Codification of Statements on Auditing Standards (as of January 1, 2003)** (No. 057187CPA04). All statements on auditing standards are organized by subject and indexed in this guide. Provides the most up-to-date information; superseded statements have been deleted and all superseding amendments have been included. Includes SAS No. 101, *Auditing Fair Value Measurements and Disclosures*. Price: \$75 member, \$93.75 non-member.

**Codification of Statements on Standards for Attestation Engagements (as of January 1, 2003)** (No. 057188CPA04). Includes all statements on standards for attestation engagements currently in effect, including SSAE No. 12, *Amendment to Statement on Standards for*

*Attestation Engagements No. 10, Attestation Standards: Revision and Recodification*. Price: \$20 member, \$25 non-member.

**Codification of Statements on Standards for Accounting & Review Services (as of January 1, 2003)** (No. 057186CPA04). All statements on standards for accounting and review services currently in effect have been organized by subject and indexed in this companion reference. Includes SSARS No. 9, *Omnibus Statement on Standards for Accounting and Review Services – 2002*. Price: \$20 member, \$25 non-member.

**AICPA Codified Standards Set:** All 3 titles above — save over 15% (No. 057189CPA04). Price: \$95 member, \$118.75 non-member.

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## Omnibus Ethics Exposure Draft Issued on Proposed Independence Rule Revisions

In Mar., the Professional Ethics Executive Committee issued an exposure draft containing revisions to Rule 101—*Independence* for non-attest services, loans and leases. Comments are due May 19, 2003.

The exposure draft proposes several changes that would apply to members providing non-attest services to attest clients. These are: strengthening prerequisites for providing non-attest services; more restrictive rules for valuation, appraisal, actuarial and financial information systems-related services; requiring documentation of a member's understanding with a client before performing non-attest services; incorporating certain authoritative bodies' rules (e.g., the SEC

or GAO) by reference, where applicable; and certain clarifications.

The proposal also addresses independence rules for certain persons who maintain credit card or cash advance balances with their firms' financial institution attest clients and clarifies the definition of "financial institution" to include leasing companies in certain situations. Another proposed revision would prohibit members from leasing property to or from attest clients unless the lease is immaterial to both parties and other criteria are met.

Members and other interested parties are encouraged to comment on the proposed rule changes. To obtain the exposure draft, visit [www.aicpa.org/members/div/ethics/march03ed.asp](http://www.aicpa.org/members/div/ethics/march03ed.asp).

## Highlights of February Board of Directors' Meeting

Following are some of the more significant actions and events that took place at the AICPA Board of Directors' meeting Feb. 6-7:

- Proposed initiatives to enhance the disciplinary process were discussed, among other related activities. Board members provided their feedback on the various ethics initiatives and agreed that the enhanced discipline proposal should be discussed with Council members at the Mar. regional meetings.
- Two enhancements to the AICPA Trust document were approved for the CPA Life Insurance Plan (see page 2).

- Approved proceeding with the Member Solutions Partnership, whose overall goal is to create and upgrade business systems (both technology and process driven) to better serve our collective AICPA and state society members. Expected to launch this fall, the Member Solutions Partnership is a collaborative effort between the AICPA and the state societies.
- Leaders of the Association of Latino Professionals in Finance and Accounting told the board that ALPFA appreciates the AICPA's support and looks forward to continuing the two associations' collaborative efforts.

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# The CPA Letter

May 2003 Vol. 83 No. 4  
A News Report to Members

**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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## Ethics and Fraud in Business Case Collection Available for Reference

A collection of stimulating case studies and commentaries on ethics and fraud has been published by the Business and Industry team to help improve members' awareness, competence and confidence in dealing with difficult and possibly illegal accounting and business decisions. Written in the style of case studies published in *Harvard Business Review*, the collection has been added to the AICPA's Antifraud and Corporate Responsibility Center at [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud).

Cases illustrate managerial ethical dilemmas, including instances when the CPA stood up to management on unethical or illegal accounting practices. The corresponding commentaries offer alternatives on how to face unfamiliar situations, and expose potential dangers in the situation's resolution. Commentaries were prepared by experts on business ethics issues, including attorneys, professors and business executives.

The case studies aim to enable members to sharpen their professional judgment and make more appropriate business decisions. Funding for the project was provided by the AICPA and the AICPA Foundation.

### Sarbanes-Oxley Hotline, Web Page Available to Help Members

The toll-free hotline set up by the AICPA last year to help members understand and comply

with the provisions of the Sarbanes-Oxley Act is still available. Members should call 866/265-1977, 9:00 a.m. to 5:00 p.m., ET. You will receive a response within 24 hours.

An additional resource is the "Sarbanes-Oxley Act/PCAOB Implementation Central" page located online at [www.aicpa.org/Sarbanes/index.asp](http://www.aicpa.org/Sarbanes/index.asp). There, you can find or link to a summary of the Act, SEC rulemaking actions and PCAOB developments.

### Second Program in Fraud Webcast Series Scheduled for May 21

The second program in the four-part "AICPA Antifraud Series," **Aggressive Accounting—The Games People Play, Part 2: Expense and Liability Recognition** (No. CPWBC052103000), will take place on May 21, from 1:00 p.m. to 2:55, p.m., ET. In this program, the AICPA explores situations where aggressive accounting and financial fraud lead to manipulation of earnings through improper recognition of expenses and liabilities.

This live program qualifies for 2 CPE credits. Price: \$79. For details or to register, visit [www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts) or call 888/777-7077 (option 3, Web Support). A CD archive (No. 737117HSCPA05) also will be available (price: \$59; no CPE credit — to order, see page 4).

## Federal Banking Regulators Release Updated Internal Audit Policy Statement, Guidance on Corporate Governance, Audits and Reporting Requirements

The federal banking agencies recently issued a revised internal audit policy statement to update guidance on the independence of an accountant who provides both external and internal audit services to an institution so that it is consistent with the requirements of the Sarbanes-Oxley Act. This policy impacts public institutions as

well as those with assets over \$500 million that are subject to the reporting requirements of FDICIA. The policy statement also encourages but does not require non-public institutions with assets of less than \$500 million, and not subject to FDICIA, to follow the Sarbanes-Oxley Act's internal audit outsourcing prohibition.

This issue of *The CPA Letter* is available in electronic format only. The June issue of the newsletter will be published both online and in print.

*continued on page 3*



## AICPA Special Committee on Business Reporting Formed to Enhance Business Reporting Model

Approved by the Board of Directors in Sept. 2002, the Special Committee on Business Reporting was established with a mission to collaborate with investors, creditors, regulators, management and other stakeholders to improve the quality and transparency of information used for decision making (*The CPA Letter*, Dec. 2002). Ensuring that the business reporting model continues to protect the public interest and meet the information needs of businesses and other stakeholders, the special committee will examine the fundamental elements of an effective business reporting model — system reliability, financial and non-financial measures, information dissemination, understandable disclosures and corporate accountability.

CPAs from public accounting, business and industry, government, academia and state CPA societies comprise the special committee. Representatives from several external organizations that have a stake in the business reporting model — regulatory bodies, institutional and retail investor groups, financial services industry groups and international standards organizations — also serve on the committee.

For more information about the Special Committee on Business Reporting, contact Andrea Carella, AICPA Director of Research and Innovation, at [acarella@aicpa.org](mailto:acarella@aicpa.org).

## Task Force Created to Review Role and Composition of Governing Council

As a result of discussions last year by the AICPA's governing Council, the board of directors and the Group of 100, the Task Force on the Role and Responsibilities of

AICPA Council has been formed. The new task force's charge is to evaluate the manner in which Council representation is determined and the manner in which the Council conducts its activities. Special consideration will be given to communications and the relationship of Council with the membership at large and the board of directors. Consisting of members from the various member segments, the task force will recommend any and all changes it believes would better enhance the Council process, communications and representation of the membership as a whole. Timothy M. O'Brien, a former member of Council and president of the American Humane Society, is chairing the task force.

A preliminary report is expected to be provided at the July board of directors' meeting, with the goal of a full report presented to Council members at the fall Council meeting. Members who wish to provide comments regarding the task force's charge should e-mail Jay Rothberg at [jrothberg@aicpa.org](mailto:jrothberg@aicpa.org).

## AICPA Volunteers Staff USA Today Tax Hotline and Tax Chats

A big thank you to the CPAs who made this year's Web-based *USA Today* tax hotline and weekly online tax chats a tremendous success. CPAs from across the country went online from their offices during the hotline to answer tax questions from the paper's readers on Mar. 6 and 7. The resulting coverage in the Money section of the newspaper on Mar. 7 splendidly showcased the CPA profession in a nationwide print publication that is read by more than two million Americans each day.

The tax chats took place each Friday from the end of Jan. to the middle of Apr. Many taxpayers this year asked questions related to real estate, charitable deductions, education expenses and pension plans. The AICPA coordinates staffing of the hotline.

For more information, contact Shirley Twillman at 202/434-9220 or e-mail [stwillman@aicpa.org](mailto:stwillman@aicpa.org).

## Send Us Your E-Mail Address: Receive "AICPA News Update" Each Week, Live Link for CPA Letter Each Month

Members for whom the AICPA has e-mail addresses automatically will receive the weekly "AICPA News Update" on important professional news and developments as well as be sent the live link for each issue of *The CPA Letter* immediately after it's posted online. To provide us your e-mail address or to update it online, log in to the E-Mail Address Update Center on our Web site. Or, send the information to [memsat@aicpa.org](mailto:memsat@aicpa.org), indicating "e-mail address update" in the subject header field for expedited processing. Include your full name, and, if known, your membership number on the e-mail message. Be assured the AICPA will not sell your e-mail address to outside third parties.



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## CPA Letter Supplements Available

To obtain any of the public accounting, business and industry, internal audit, government or education member-segment supplements produced this month with *The CPA Letter*, visit:



[www.aicpa.org/pubs/cpaltr/may2003/index.htm](http://www.aicpa.org/pubs/cpaltr/may2003/index.htm)

## PUBLIC MEETING NOTICES

**Accounting & Review Services Committee:** July 28–29, New York

**Accounting Standards Executive Committee:** June 10–11, New York; July 22–23, San Francisco

**Auditing Standards Board:** June 3–5, New York

**Professional Ethics Executive Committee:** June 2–3, New York

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By William F. Ezzell, CPA  
Chairman, AICPA Board of Directors

## chair's corner

regulatory environment at both the federal and state levels, we had discussions about the current credentialing programs and proposed changes to some of the existing ethics rules.

Each year, management and the finance committee evaluate all our programs in preparation of the coming year's budget and as a means of assessing member satisfaction. Credentials have been part of that annual review since inception and this year we are taking a hard look at the status of each credential program. At the regional Council meetings, we discussed the level of resource commitment and the success of each program. The input from Council members has been shared with the National Accreditation Commission, which will give further consideration to the issues and points of view expressed by Council and other members who have written on this subject. Any decision to continue or curtail the current credentials will be made by Council at the fall meeting after a full evaluation of all relevant data.

We are in the second year of our student recruitment campaign and the initial results are very exciting. This project was established to generate increased interest in business and, in particular, a major in accounting among high school and college students in their first two years. We are seeing an increase in interest from our con-

tact program and in numbers exceeding our original estimates. We plan to continue to closely monitor this initiative so that adjustments can be made, if needed, to maintain the positive momentum.

One of my areas of focus this year has been to reach out to the students in accounting to learn first-hand their concerns and hopefully generate interest in the profession. Recently, I have spent time on several university campuses and have interacted with a number of students. As you would imagine, they have numerous questions because of all the media coverage of recent business and alleged audit failures. Interestingly, I observed little in the way of concern about the reputation of the profession on campus. Rather, there was a genuine desire to learn from these situations and understand how they can avoid the mistakes that have been made by others. In other words, my observations are that students I have spoken with are more "tuned in" to the profession than "turned off" by recent events. I hope my limited observations are applicable to a broader group of students because I believe we have the opportunity to continue to attract some of the best and the brightest students into this profession.

Remember, Each Day — Every Day,  
YOU Make a Difference as a CPA.



[wezell@deloitte.com](mailto:wezell@deloitte.com)

This is our first issue of *The CPA Letter* published electronically and available online in full text. I hope you find this format useful and convenient. This change is one more example of how the AICPA staff constantly looks for new and better ways to communicate with all our members.

We have just finished the four regional Council meetings and the third board of directors meeting this year. As you know, there are many issues to be addressed, and I thought we had very productive regional Council meetings. We had excellent attendance and significant dialogue and input from the members. In addition to addressing the many implications of the changing

### continued from page 1 — Federal Banking Regulators

However, if such an institution decides to use the same firm for both internal and external audit work, the audit committee should document both that it has pre-approved the internal audit outsourcing to its external auditor and has considered the independence issues associated with this arrangement. The agencies also revised the policy statement's discussion of the responsibilities of the board of directors and senior management with respect to the internal audit function and its placement within an organization, its management and staffing, and the communication of concerns and weaknesses in accounting and internal control.

Expanded guidance has been provided on the use of independent reviews of significant internal controls by small institutions that do not have a formal internal audit manager or staff. The policy statement also includes guidance for examiners on addressing concerns about the adequacy of the internal audit function.

The FDIC has also issued guidance to insured depository institutions about selected provisions of the Sarbanes-Oxley Act related to corporate governance, audits and reporting require-

ments. That guidance (Financial Institutions Letter 17-2003) is intended to answer questions about the applicability of these portions of Sarbanes-Oxley to insured depository institutions supervised by the FDIC, based on whether they are public companies or subsidiaries of public companies, non-public companies with \$500 million or more in total assets (subject to the reporting requirements of FDICIA) or non-public FDIC-supervised banks with less than \$500 million in total assets.

Of particular note is an attachment to the FIL that presents a detailed summary of selected provisions of the Sarbanes-Oxley Act that the FDIC believes are of relevance to FDIC-supervised banks with less than \$500 million in total assets that are not public companies. These sound corporate governance practices are not mandatory for smaller, non-public institutions; however, the FDIC recommends that each institution consider implementing them to the extent feasible given its size, complexity and risk profile.



[www.fdic.gov/news/news/financial/2003/fil0321.html](http://www.fdic.gov/news/news/financial/2003/fil0321.html)

**Financial Reporting Fraud: A Practical Guide to Detection and Internal Control** (No. 029879CPA05), by Charles R. Lundelius Jr., CPA/ABV. This new guide, written by a CPA for CPAs in both public practice and industry, provides the knowledge necessary to minimize fraud exposure for the CPA, the employer and the client. Through case studies, you'll find explanations on where to look for the fraud, who is most likely to perpetrate the fraud, what the fraud is going to look like, what should be done to expose the fraud, and what to do to cut down the risk of future fraud. Example scenarios and analysis illustrate key points, especially the red flags that both internal and external CPAs should be aware of and timely installed procedures and controls that could have prevented or limited the fraud. Price: \$49 member/\$61.25 non-member.

now  
available

**Promoting Your Talent: A Guidebook for Women and Their Firms** (No. 872565CPA05) [https://www.cpa2biz.com/CS2000/Products/Product+Detail.htm?cs\\_id=%7BB468763F%2D346D%2D](https://www.cpa2biz.com/CS2000/Products/Product+Detail.htm?cs_id=%7BB468763F%2D346D%2D4D6F%2DAE76%2D9E4397DB060D%7D&cs_catalog=CPA2Biz)

[4D6F%2DAE76%2D9E4397DB060D%7D&cs\\_catalog=CPA2Biz](https://www.cpa2biz.com/CS2000/Products/Product+Detail.htm?cs_id=%7BB468763F%2D346D%2D4D6F%2DAE76%2D9E4397DB060D%7D&cs_catalog=CPA2Biz) Issued by the Work/Life and Women's Initiatives Executive Committee. The author, Nancy Baldiga, CPA, interviewed more than 50 women, human resource directors and managing partners to see what their firms were doing to ensure staff retention and advancement of women CPAs. This book contains the observations, reflections and recommendations on how women CPAs can promote their talents, or their firms can promote the talented staff they have. You'll find suggestions, tips and ideas on utilizing innate skills for practice development, effective networking, positive mentoring, changing the business model to promote talent, addressing the culture, developing flexible work arrangement strategies, as well as advice for young women CPAs. Price: \$25 member/\$31.25 non-member.

**New Edition—Audits of Employee Benefit Plans — AICPA Audit and Accounting Guide** (No. 012593CPA05). Price: \$45 member/\$56.25 non-member.

**Cost Allocation in Nonprofits: Who Gets It?** (No. 730412CPA05). Gain vital insights into issues relating to cost assignments and allocations for not-for-profit organizations with this popular AICPA self-study course. Prerequisite: Experience with nonprofit organizations; Recommended CPE Credit: 6; Level: Intermediate; Format: Text. Price: \$109 member/\$136.25 non-member.

CPE  
news

implementing an IT consulting practice. The video reviews the key aspects of practice development, from business planning through service delivery, with experienced practitioners sharing their hard-earned knowledge. Prerequisite: None; Recommended CPE Credit: 18; Level: Basic; Format: One 210-min. VHS tape/manual/paperback. Price: \$284 member/\$347.50 non-member.

**Developing a Profitable Information Technology Consulting Practice** (No. 184501CPA05). This videocourse is for partners or principals who are thinking about increasing their firms' revenue by

**The Fast Close, Soft Close, Virtual Close? Now Days, Not Weeks** (No. 731091CPA05). Explore the opportunities that a soft or virtual close can bring to your organization. Prerequisite: Experience in

designing accounting systems; Recommended CPE Credit: 4; Level: Intermediate; Format: Text. Price: \$89 member/\$111.25 non-member.

**To order, write:** AICPA Member Satisfaction, CPA05, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303-2209; fax 800/362-5066; call 888/777-7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com/store](http://www.cpa2biz.com/store); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**

## AICPA CPE Seminars

Count on the AICPA for the latest information in financial accounting and auditing as well as the most up-to-date information on compliance auditing. Visit our course listing at [www.aicpa.org/promotions/courses/courseslist.asp](http://www.aicpa.org/promotions/courses/courseslist.asp) for dates and locations of the following popular seminars as well as hundreds of others: **Annual Update for**

**Accountants and Auditors (AUAA), Audits of 401(k) Plans (AFKP), Audits of Employee Benefit Plans (AEBP), and The Revised Yellow Book: Government Auditing Standards (EO-YB).**

Remember to request your \$30 AICPA member discount at participating state societies.

## Summer Dream Internship Winners from Student Recruitment Campaign Announced

One of the exciting promotions of the AICPA's "Start here. Go places." CPA Student Recruitment Campaign was a "Summer Dream Internship Contest" for college students (*The CPA Letter*, Apr.). The

two grand prize winners of the contest have been announced. Yuan Ji, a math major at Washington University in St. Louis, and Danielle Wright, an accounting major at Oglethorpe University in Atlanta, each will

receive a paid \$5,000 summer internship. Ji has chosen an internship with Viacom and Wright's choice is a public accounting firm. Three runners-up and four entrants will each receive a cash value award as well.



As a result of an investigation of alleged violations of the Code of Professional Conduct of the AICPA, the following ethics case has been resolved by settlement agreement under the Joint Ethics Enforcement Program:

- **David A. Skrocki** of Ovideo, Fla., suspended from membership in the AICPA for two years, effective Mar. 5, 2003.

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

—*Terminated*:

- **James F. Liles** of Memphis, Tenn., effective Mar. 28, 2003.
- **Michael J. Minello** of Clarks Summit, Pa., effective Mar. 28, 2003.

—*Suspended*:

- **Robert D. Potts** of Minnetonka, Minn., effective Mar. 22, 2003.

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

—*Terminated* following revocation of their CPA certificate, license and/or permit to practice by their state boards of accountancy:

- **Jerry W. Crisp** of Garland, Texas, effective Feb. 18, 2003.
- **David B. Duncan** of Houston, effective Feb. 6, 2003.

## disciplinary actions

—*Suspended* following suspension of her CPA license by her state board of accountancy:

- **Colleen M. Millsap** of Sterling, Va., effective Feb. 6, 2003.

Details on these disciplinary actions can be accessed

through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## Help Protect the Public Interest

Members who notice, suspect or are aware of significant deficiencies in the work of another member should seriously consider referring the matter to the Professional Ethics Division. Prior to referral, consider your responsibilities under Rule 301 of the Code of Professional Conduct if the member is affiliated with a client (e.g., CFO of an audit client). If you are unsure of the applicability of Rule 301, call the Ethics Hotline at 888/777-7077 for guidance.

## Exposure Draft Issued on Accounting by Insurance Enterprises for Deferred Acquisition Costs

The AICPA's Accounting Standards Executive Committee has issued an exposure draft of a proposed statement of position, *Accounting by Insurance Enterprises for Deferred Acquisition Costs on Internal Replacements Other Than Those Specifically Described in FASB Statement No. 97*. Comments are due May 14 (download the file from [www.aicpa.org/members/div/acctstd/edo/acctg\\_for\\_DAC\\_2003\\_03.asp](http://www.aicpa.org/members/div/acctstd/edo/acctg_for_DAC_2003_03.asp)).

A final SOP would be effective for internal replacements occurring in fiscal years beginning after Dec. 15, 2003, with earlier adoption encouraged. Restatement

## accounting & auditing news

of previously issued annual financial statements is not permitted. Initial application of this SOP should be as of the beginning of an entity's fiscal year (i.e., if the SOP is adopted prior to the effective date and during an interim period, all prior interim periods of the year of adoption should be restated).

## Updated Representation Letter Issued Relating to SSARS No. 9

In response to the recently issued Statement on Standards for Accounting and Review Services No. 9, *Omnibus Statement*, the Accounting and Review Services Committee has issued an updated illustrative representation letter. SSARS No. 9 requires an accountant to obtain a representation letter when performing a review engagement. SSARS No. 9 also

requires specific representations to be included in the letter. The revised representation letter addresses the specific requirements and will replace the existing letter in Appendix F of SSARS.

The illustrative letter also includes a list of additional representations the accountant should consider in the appropriate situation. This list includes an updated representation for FASB Statement No. 142, *Goodwill and Other Intangible Assets*, and FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The current issue of the *Codification of Statements on Standards for Accounting and Review Services* does not include this update representation. The Codification will be updated upon the next printing. The revised representation letter can be found at [www.aicpa.org/members/div/auditstd/ssars.asp](http://www.aicpa.org/members/div/auditstd/ssars.asp).

## Computer-Based CPA Exam Writers, Reviewers Needed

The Uniform CPA Examination will be a computer-based test as of Apr. 5, 2004, and will contain revised content and a new format to reflect changes in the accounting profession. Part of this new format will include simulations (case-based problems). To create a library of these simulations, the AICPA seeks CPAs to act as writers and/or reviewers.

If you are a CPA who either supervises entry-level CPAs or is familiar with what is expected of entry-level CPAs — or can help to identify members of your organization who meet these criteria — volunteer to become part of this important effort. Contact

*continued on page 6*

## Actions and Events at April Board of Directors' Meeting

Following are some of the more significant actions and events that took place at the AICPA Board of Directors' meeting Apr. 2-4:

- Members of the AICPA Auditing Standards team and other AICPA staff reported on the Auditing Standards Board's issuance of an exposure draft on internal control that was in response to the Sarbanes-Oxley Act.
- An update report on its activities was provided by the Special Committee on Business Reporting, which is charged with collaborating with investors, creditors, regulators, management and other stakeholders to improve the quality and transparency of information used for business decision making. The committee plans to complete its goal within 18 months (see page 2 for related article).
- The board approved recommending to Council: (1) adoption of a proposed bylaw change to permit the Institute to discipline members without subjecting them to multiple investigations whenever they have been disciplined by certain regulatory bodies, (2) adoption of a proposed bylaw change to move forward on activities to provide greater transparency of the disciplinary process, and (3) establishment of an admonishment sanction for the Professional Ethics Executive Committee (which can be implemented by a change to Council resolutions).
- Quantitative results were presented on the CPA Student Recruitment Campaign, which shows strong student response and improvement in awareness and perception regarding the accounting profession. The program is exceeding its original benchmarks and generated substantial involvement from a diverse audience.
- The co-chair of a Tax Executive Committee task force on tax shelters reported on its activities, including a letter to members from AICPA President and CEO Barry Melancon and Tax Executive Committee Chair Bob Zarzar regarding the AICPA's views on members promoting or supporting abusive tax planning. The letter notes the Institute's support for a disclosure and penalty regime for taxpayers and advisers involved with such transactions, and reminds them that in addition to any IRS sanctions, the AICPA ethics rules also are applicable.

*continued from page 5* — CPA Exam Volunteers

Joseph A. Dutz at 201/938-3387 or e-mail [jdutz@aicpa.org](mailto:jdutz@aicpa.org).

Besides making a significant contribution to both the accounting profession and the public interest by helping to ensure that the

CPA examination appropriately assesses the knowledge and skills required of entry-level CPAs, volunteers will receive recognition as contributors to this ground-breaking effort. For details, visit [www.cpa-exam.org/cpa/computer.html](http://www.cpa-exam.org/cpa/computer.html).

ADDRESS SERVICE REQUESTED

American Institute of Certified Public Accountants, Inc.  
1211 Avenue of the Americas, New York, N.Y. 10036-8775

The CPA Letter

# The CPA Letter

June 2003 Vol. 83 No. 5  
A News Report to Members

**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Council Approves Proposals to Improve Timeliness, Transparency of Disciplinary Process

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This issue of *The CPA Letter* is available both electronically and in print. The July/Aug. issue of the newsletter will be available exclusively in electronic format.

### Members to Vote on the Two Proposals that Require Bylaw Amendments

At its spring meeting, the AICPA Council approved three proposals that were submitted by the Professional Ethics Executive Committee (PEEC) to improve the timeliness and transparency of the AICPA's disciplinary process. Two of the proposals require amendments to the AICPA bylaws; Council thereby authorized a member referendum on those proposals. The third proposal became effective upon Council's approval. Taken together, these enhancements augment the Institute's disciplinary process and continue to demonstrate that our members hold themselves to the highest professional standards and are intolerant of those who break the rules. Brief descriptions of the proposed bylaw amendments follow. More information is available online at [www.aicpa.org/enforcement](http://www.aicpa.org/enforcement).

The first of these proposals would allow the PEEC to sanction an AICPA member without an investigation under the automatic disciplinary provisions in section 7.3 of the bylaws (which currently allows for automatic discipline as a result of certain criminal or income tax related violations or state board of accountancy actions) if the member has been sanctioned by a governmental agency or other organization that has been approved by the PEEC and the AICPA Board of Directors. For a governmental agency to be eligible for approval, it must be one which has authority to prohibit a member from practicing before it or another governmental agency or from serving as a director, officer or trustee of an entity (under consideration would be the Securities and Exchange Commission and the Internal Revenue Service). For any other organization to be eligible for approval, it must be one that is granted authority under law or regulation to

regulate accountants (such as the Public Company Accounting Oversight Board). In addition to the amendment to section 7.3, the proposal will also require a conforming change to section 7.4.5 of the bylaws.

The proposal also would allow the PEEC to terminate the membership of a member who is subjected to a sanction that is of a permanent nature by an approved government agency or other organization and to suspend a member who is suspended by the body. If an approved body or state board metes out any other sanction, as a disciplinary measure, the member would be subjected to an appropriate sanction based on sanctioning guidelines developed by the PEEC and approved by the AICPA Board of Directors.

Furthermore, under the current bylaw, a member has a right to petition the trial board that the automatic provisions should not be applied (and that the matter be investigated by the AICPA's ethics division). The proposal would grant the PEEC a similar right to peti-

*continued on page 3*

### Members Invited to Express Views on Bylaw Changes

The Institute invites members to express their views on the two proposals included in the member referendum. Representative letters and/or a summary of member views will be published by the Institute. Send letters of 100 words or less (type or print) to Donna Wolf, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775; fax: 212/596-6104; or e-mail to: [dwolf@aicpa.org](mailto:dwolf@aicpa.org). The deadline for receipt of letters is Monday, July 21, 2003. Members will receive additional information about the referendum in future issues of *The CPA Letter*.

## Member Dues Bills Being Mailed this Month

Members' dues statements covering Aug. 1, 2003, to July 31, 2004, will be mailed later this month. For your convenience, online payment with a credit card is available via [www.cpa2biz.com/aicpa\\_membership](http://www.cpa2biz.com/aicpa_membership). Checks also are accepted; use the return envelope provided with the statement.

Through the dues bill, members can take advantage of some of the Institute's many offerings. You can subscribe to various online sources of information and tools, such as *reSOURCE Online* (professional literature), *AICPA InfoBytes* (online learning library/CPE) and *e-MAP* (Management of an Accounting Practice Handbook); join a technical membership section (Tax, Consulting, Personal Financial Planning, or Information Technology); or make a contribution to the AICPA Foundation (including minority initiatives), AICPA Benevolent Fund or Political Action Committee.

Also be sure to provide your e-mail address, or to update the one on file for you. If you have any questions, contact the Member Satisfaction Center (888/777-7077; [memsat@aicpa.org](mailto:memsat@aicpa.org)).

## AICPA InfoBytes, Recognized by Accounting Today, Offers Free Trial

The AICPA has announced a "no charge test-drive" for its popular online learning library, *AICPA InfoBytes*. Free trial\* participants are able to search and browse the entire library of courseware and earn up to 2 credits of free CPE.

Earlier this year, *AICPA InfoBytes* was selected by *Accounting Today* as one of its Top 100 Products for 2003. Launched in June of 2000, this extensive online learning library has gained strong popularity with AICPA members in industry and government as well as in public practice.



*Accounting Today* stated that "the online learning library for accounting and financial professionals consists of hundreds of one- to three-credit CPE courses. Authored by leading authorities, courses include expert guidance on a wide variety of topics in accounting, auditing, consulting, management and taxation." For more information on *AICPA InfoBytes*, visit [www.cpa2biz.com/infobytes](http://www.cpa2biz.com/infobytes).

\*Once free trial participants have earned 2 CPE credits, they will no longer have access to the courses for the remainder of the 30-day trial period. The free trial offer is not available to current subscribers and cannot be extended past the 30-day period.

## November 2002 CPA Exam Top Scorers Announced

The three CPA candidates who attained the highest combined grades on all four sections of the Nov. 2002 CPA Exam have been announced. Winning the Elijah Watts Sells Award Gold Medal for the highest grade among the 59,000 candidates who took the exam was Melinda DeCorte of Arlington, Va. The Silver Medal for the second highest grade went to Yu Duan of Beijing, People's Republic of China. Ajit V.L. Sequeira of Bandra, Bombay, India, received the Bronze Medal.

## How to Request Copyright Permission from AICPA

Members and others who wish to reproduce content from any AICPA publication (or Web site) must first obtain copyright permission from the Institute. The procedure for requesting permission is to first display our Web site homepage on the Internet at [www.aicpa.org](http://www.aicpa.org), and then click on the "privacy policies and copyright information" hyperlink at the bottom of the page.

Next, click on the resulting copyright menu link to "Copyright Permission

Request Form," fill in all relevant sections of the form online, and click on the "Submit" button at the bottom of the page.

You should receive a written AICPA agreement in the mail approximately one week later. In most cases, a modest fee will be charged for requested reproduction privileges. Our fee schedule is also available on our Web site for your information – click on the copyright menu link to "Copyright Permission Fee Schedule."



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

## Send Us Your E-Mail Address: Receive "AICPA News Update" Each Week, Live Link for CPA Letter Each Month

Members for whom the AICPA has e-mail addresses automatically will receive the weekly "AICPA News Update" on important professional news and developments as well as be sent the live link for each issue of *The CPA Letter* immediately after it's posted online. To provide us your e-mail address or to update it online, log in to the E-Mail Address Update Center on our Web site. Or, send the information to [memsat@aicpa.org](mailto:memsat@aicpa.org), indicating "e-mail address update" in the subject header field for expedited processing. Include your full name, and, if known, your membership number on the e-mail message. Be assured the AICPA will not sell your e-mail address to outside third parties.



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## PUBLIC MEETING NOTICES

**Accounting & Review Services Committee:** July 28–29, New York

**Accounting Standards Executive Committee:** July 22–23, San Francisco; Sept. 9–10, New York

**Auditing Standards Board:** July 29–31, New York

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## Small Business — Where Fraud Can and Does Occur

While the headlines have been filled with news of financial scandals at giant corporations like Enron, Worldcom and Tyco, CPAs across the country know that fraud also can occur in a small business. “Recent events have served as a wake-up call to both CPAs and small businesses,” says Dennis M. Echelbarger, former chair of the Michigan State CPA Society and president of Echelbarger, Himebaugh, Tamm & Co., based in Grand Rapids, Mich. “Companies see what’s been going on in the marketplace and realize that without some kind of controls, it could happen to them.”

Most small businesses, however, particularly in today’s economy, have to be educated before they are willing to spend the resources necessary to implement effective fraud prevention controls. Small businesses also may tend to wait due to the so-called “expectation gap.” Small business owners believe that any service a CPA firm provides, even preparing tax returns, automatically looks for fraud. Some firms are increasingly turning the expectation gap to their advantage by being early adopters of Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, which gives auditors significantly more guidance for detecting material fraud, and performing additional services to include the implementation of antifraud controls and policies.

Also serving as a catalyst to the implementation of fraud controls is an increasing awareness on the part of directors of their own liability. Board members are accepting substantial fiduciary responsi-

bility, providing a considerable incentive to make certain proper fraud prevention controls are in place.

Most smaller businesses have common areas where there is much room for improvement in fraud prevention. Smaller companies, for example, often do not have enough personnel for the sufficient segregation of duties – a leading cause of fraud. When the person who signs the checks is the same one responsible for approving purchase orders and adding new personnel to the payroll system, the opportunity for abuse is readily apparent. A solution: Owners should at least spot check the sign-offs and let their accounting departments know they have done so. Owners who are too busy may consider having their firms go on-site and periodically make these reviews.

Many CPAs are also emphasizing to their clients the importance of implementing a company-wide written code of conduct that is clearly and concisely communicated to all personnel. Creating a leadership style and culture in which fraud is deemed unacceptable combined with proper controls is the most effective way to prevent fraud. To help companies implement antifraud measures, SAS No. 99 includes an exhibit that describes how to create a code of conduct, develop a company culture that has zero tolerance for fraud and design systems that reduce the risk of fraud ([www.aicpa.org/antifraud/management/20.htm](http://www.aicpa.org/antifraud/management/20.htm)).

For more information on fraud prevention and deterrence, visit the AICPA’s Antifraud Resource Center at [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud).

## AICPA, Other Organizations Gather for Work/Life Summit

*Summit 2003: Career/Life in the Balance* was held at the AICPA last month. A joint effort of the American Society of Women Accountants, the American Women’s Society of Certified Public Accountants and the Institute, the conference focused on the solid business case for work/life initiatives.

Accounting and financial services senior executives and renowned work/life specialists gathered to show how the investment in work/life initiatives yields significant returns in terms of increased productivity, decreased turnover and enhanced employee satisfaction. Presenters included:

- Keynote speaker Jo Ann Golden, president of the New York State Society of Certified Public Accountants.
- Hubert Glover, Georgia State University, and Paulette R. Gerkovich of Catalyst, who discussed research findings that make a convincing case for superior work/life programs.
- Kathie Lingle from KPMG; Rich Caturano from Vitale,

Caturano & Co.; Carolyn Cook of Discovery Communications; and Bernadette Fusaro, work/life consultant, who discussed success stories and best practices in work/life integration.

Participants learned how to set the climate for change and how to initiate work/life programs that will succeed. Actual case studies and information on trends in the marketplace armed participants with the knowledge they will need to garner support and ensure success. They also learned about the Boston College Program on Standards of Excellence in Work/Life Balance, which provides tools for organizations to benchmark themselves against other leading organizations and gives annual trend reports on the state of excellence in the work/life field.

To learn more about the conference, contact Barbara Vigilante, AICPA, 212/596-6226; Laura Skoff, ASWA, 703/506-3265; or Kim Fantaci, AWSCPA, 937/222-1872.

### *continued from page 1* — **Bylaw Amendments**

tion for non-application of the bylaw provisions to give it the flexibility to suggest a more or less restrictive sanction where appropriate.

The other proposal on which members will vote is a measure for expanded transparency of the AICPA’s disciplinary findings. This amendment to bylaw section 7.6 would clarify that Council may authorize additional disclosures with regard to disciplinary actions and investigations.

The AICPA bylaws require that the proposed amendments to the bylaws be submitted to the members between 90 and 180 days

after the Council discussion of the matter. Currently, it is anticipated that the member ballots will be mailed in Aug. or early Sept.

As previously mentioned, Council also approved a proposal that did not require a vote of the membership in order to become effective. Council amended its resolutions under bylaw sections 3.6.2.2 and 7.4 related to settlement agreements. The amendments to those Council resolutions mean that the PEEC will now be able to offer, in appropriate cases, an admonishment sanction to AICPA members who violate the Code of Professional Conduct.

## 2003 OMB Compliance Supplement Issued

The U.S. Office of Management and Budget issued its *2003 Compliance Supplement* in Mar. The supplement, which is updated each year, identifies important compliance requirements that the federal government expects to be considered as part of an audit in accordance with the Single Audit Act and OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*.

Although the primary focus of the work on the 2003 supplement was to update previously included federal programs, it does add several new programs. It also clarifies and adds guidance to the allowable costs/cost principles, eligibility and sub-recipient monitoring compliance requirements. Appendix V of the supplement summarizes all of the changes that were made.

The 2003 supplement is effective for audits of fiscal years beginning after June 30, 2002, and supersedes the previous one issued in Mar. 2002. To purchase a print copy, call the Government Printing Office at 202/512-1800 (stock number: 041-001-00593-5). Or, a free electronic copy can be downloaded from the OMB Web site at: [www.whitehouse.gov/omb/circulars/a133\\_compliance/03/03toc.html](http://www.whitehouse.gov/omb/circulars/a133_compliance/03/03toc.html).

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

- **Warren J. Christensen** of Salt Lake City, Utah, expelled from membership in the AICPA, effective Apr. 15, 2003.
- **Michael W. Foti** of Wayne, N.J., expelled from membership in the AICPA, effective Feb. 19, 2003.
- **Glenn Yesner** of Marietta, Ga., suspended from membership in the AICPA for two years, effective Apr. 2, 2003.

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

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- **John D. Battaglia** of Dallas, effective Mar. 27, 2003.
- **Rosanna Bell** of Irvington, N.Y., effective Apr. 28, 2003.
- **Franklin M. Boykoff** of Pleasantville, N.Y., effective Mar. 21, 2003.
- **Joseph J. Leggio** of Pleasantville, N.Y., effective Apr. 28, 2003.
- **John J. McAndris** of Montvale, N.J., effective Mar. 21, 2003.
- **Richard A. Pelletier** of North Providence, R.I., effective Mar. 27, 2003.
- **Michael A. Robles** of Dallas, effective Mar. 21, 2003.
- **James G. Sprinkel** of Harrisonburg, Va., effective Apr. 28, 2003.

—*Terminated* following revocation of their CPA certificate, license and/or permit to practice by their state boards of accountancy:

- **Troy D. Adams** of Slidell, La., effective Mar. 21, 2003.
- **Garry J. Macak** of Dimondale, Mich., effective Mar. 7, 2003.

## Annual Report of AICPA Disciplinary Activity

January 1 — December 31, 2002

The following is a statistical report of the disciplinary activity of the AICPA, including cases investigated by the Professional Ethics Division, cases handled by the Joint Trial Board Division and actions taken under the automatic suspension/expulsion provisions of the AICPA bylaws. The AICPA and state CPA societies participate in the Joint Ethics Enforcement Program. This report includes investigations conducted by state CPA societies resulting in findings of ethics code violations and cases referred to the Joint Trial Board by state societies.

Total cases at beginning of period (including 146 deferred due to pending litigation)	668
Cases opened during period	337
Cases completed during period	(253)
Total cases at end of period (including 148 deferred due to pending litigation)	<u>752</u>

### Summary of Disposition of Completed Cases\*

Expelled or Suspended	75
Admonished	2
Corrective Action Required	71
No Violation/Dismissed	75
No Further Action	22
Subsequent Monitoring Completed Satisfactorily	6
Other	<u>2</u>
	<u>253</u>

\*In cases involving suspension of membership or where corrective action is required, respondents are directed to attend specified CPE courses and thereafter, submit examples of their work products for ethics division review. At Dec. 31, 2002, there were 121 cases being monitored for CPE completion and follow-up review.

In addition to the cases reflected in the above table, the Trial Board Division held 2 hearings that resulted in investigations continuing.

Cases listed above may include more than one AICPA or state CPA society member.

**Editor's Note:** For detailed definitions of ethics sanctions and dispositions, visit the Ethics Division home page on [www.aicpa.org](http://www.aicpa.org) or go to [www.aicpa.org/members/div/ethics/defin\\_sanction.asp](http://www.aicpa.org/members/div/ethics/defin_sanction.asp).

### Disciplinary Actions — continued

- **Henry R. O'Keefe** of Novi, Mich., effective Mar. 27, 2003.
- **Gary F. Pado** of Sacramento, Calif., effective Mar. 7, 2003.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

disciplinary  
actions

## SPECIAL FEATURE: BENEFITS OF MEMBERSHIP IN THE AICPA

Throughout the year, the Institute's leadership, staff and member committees are hard at work on projects and programs that will benefit our members and the profession as a whole. Not only do we take an active role in shaping initiatives that affect the profession, we also seek out services and benefits that will save our members money or enhance their businesses and careers. Given the challenges facing the profession, the AICPA is committed more than ever to delivering practical tools, resources and value to members in many different ways.

This month, *The CPA Letter* Member Benefits feature details the services and benefits that the Institute offers — from valuable information resources to discounts on products to special rates on insurance. In next month's issue, our Year in Review will describe the ways in which the Institute has played a role in the many professional, regulatory and legislative initiatives that have affected the profession during the past year.

### Member Benefits that Should Not Be Missed

An important part of membership in the AICPA is access to a host of resources, information and tools. AICPA member services help CPAs succeed and expand their professional horizons. Here are some of the many benefits, services, discounts and other savings available to members:

#### Information Resources

- The **AICPA Library** service, located at the University of Mississippi, is a comprehensive collection of literature related to all aspects of the CPA profession. The University of Mississippi Library staff provides reference and research assistance to AICPA members. To contact the library, call 866/806-2133 or e-mail [aicpalib@olemiss.edu](mailto:aicpalib@olemiss.edu). You can also search the library catalog on the Web at [www.olemiss.edu/depts/general\\_library/aicpa](http://www.olemiss.edu/depts/general_library/aicpa).
- The **Technical Information Hotline** offers non-authoritative responses to member queries about accounting, financial reporting, auditing, attestation and accounting and review services. The hotline encourages members to submit questions in writing electronically rather than by calling the toll-free number. Questions may be sent to the hotline's special e-mail address at [aahotline@aicpa.org](mailto:aahotline@aicpa.org). Members may still access this free service by calling 888/777-7077 or faxing 212/596-6233.
- The **Professional Ethics Division's Ethics Hotline** offers valuable information and can act as an ethics sounding board to members who face ethics issues in their practices and to members who are not in public practice. In addition, members who notice, suspect or are aware of significant deficiencies in the work of another member should contact the hotline for guidance. The hotline's e-mail address is [ethics@aicpa.org](mailto:ethics@aicpa.org) and its toll-free number is 888/777-7077.
- **AICPA Antifraud & Corporate Responsibility Center** provides the tools and information that members need to combat fraud, whether your role is in the business or academic community. The center offers some of the resources that can play a part in helping the profession re-establish confidence among investors, promote ethics and integrity in the workplace, and establish clarity in reporting procedures. It is available at [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud).
- **AICPA Online** ([www.aicpa.org](http://www.aicpa.org)) offers members immediate access to news about the latest developments affecting the profession. For example, it features "Sarbanes/PCAOB Implementation Central" and provides updates on key legislative and regulatory issues, including those in the tax area. The site also provides valuable information on standards and other technical matters, news releases, as well as online newsletters and magazines.

#### Marketing Tools

For members who want to keep clients up-to-date on important business news and expand their firms' marketing opportunities, the AICPA offers two client service newsletters: the monthly *CPA Client Bulletin* contains articles on tax and financial planning ideas for individuals and businesses, as well as stories on general business issues; the quarterly *CPA Client Tax Letter* focuses solely on tax issues for individuals and businesses, including articles on general tax planning, legislation and cases and regulations. Your name/firm's logo can be imprinted on all copies. Available through Member Satisfaction at 888/777-7077.

#### Travel Discounts

The AICPA has a special arrangement through Carlson Wagonlit Travel — The Leaders Group that enables members to get travel discounts when they are attending eligible AICPA meetings and conferences. Discounts are valid for round-trip registered AICPA meetings or conferences only. Airline and car rental discounts are available only when you or your travel agent book through the 800 number. (A transaction fee will apply with every Leaders Group reservation.) Call 800/345-5540. If you prefer to make your own travel plans, use the phone and reference numbers below.

American Airlines: 800/433-1790, Index #9375

Continental Airlines: 800/468-7022, Reference Code #VXVBN4

Delta Air Lines: 800/241-6760, File #190955A

United Airlines: 800/521-4041, Meeting ID #511GT

US Airways: 877/874-7687, Gold File #77112636

Hertz Car Rental: 800/654-2240, CV #021H0008

(for AICPA Member Discounts)

Amtrak (Northeast corridor): 866/265-1974



## Special Assistance

The AICPA **Benevolent Fund** helps members and their families when they face financial difficulty caused by serious illness, accident, death or other major misfortunes. Contact Elizabeth Cich at 201/938-3490.

## Elite Values Program

As an AICPA member, you receive exclusive offers and discounts from leading manufacturers and service providers. Members who take advantage of these programs save an average of \$900 per year — all because of the AICPA's considerable group buying power. The companies participating in the Elite Values program are listed below.

### **Airborne Express (Express shipping)**

AICPA members save up to 25% off the competition's published rates. Save at least 10% off Airborne's Standard Rates. Call 800/MEMBERS (800/636-2377) for more information and for your free Airborne Express Starter Kit. You can also enroll online at [www.membersales.com/aicpa](http://www.membersales.com/aicpa).

### **Dell (Computer hardware)**

AICPA members receive a discount on all Dell product lines. Save 3% on Dell™ Dimension™ desktops and Dell™ Inspiron™ notebooks. Save 6% on Dell OptiPlex™ desktops, Dell Latitude™ notebooks, Dell PowerEdge™ servers, Dell Precision™ workstations and DellWare™ software, accessories and peripherals. Access the AICPA Premier Dell.com Web site at <http://premier.dell.com/>. Enter account code "AICPA" and password "cpadell99." Then custom configure your systems and place your order. Your AICPA discount will be automatically applied. Or, call your dedicated Dell Association Program sales representative at 800/945-8364.

### **First USA (Consumer and business credit cards)**

First USA is the exclusive authorized issuer of the AICPA Platinum Visa credit card, which offers excellent savings opportunities with a low introductory rate for purchases and balance transfers. After the introductory period, you continue to save with a low variable annual percentage rate on purchases and balance transfers. There is no annual fee. Members also can enroll in the value miles program, which allows you to earn points redeemable toward free airline travel, hotel stays and car rentals for purchases made with the AICPA card. Call 866/CPA-VISA (866/272-8472) or go to [www.cpa2biz.com/elite](http://www.cpa2biz.com/elite) and click on the First USA logo to learn more or to apply for the card. First USA is also offering an AICPA business credit card that features a no-fee travel rewards program, low introductory rate and online tracking of card activity, among other benefits. Call 888/729-1406.

### **Hertz (Car rentals)**

Hertz #1 Club Gold Membership (a \$50 value) is free for AICPA members. Special service is available at over 600 locations worldwide. To join, call 800/336-2496 and mention your contact discount program number (CDP#12353). Then show your AICPA membership card or Hertz CDP Card when you pick up your car. To make a reservation, call your travel agent or Hertz at 800/654-2200, or go to [www2.hertz.com/offers/membersavings/index.cfm](http://www2.hertz.com/offers/membersavings/index.cfm).

### **IBM (Computer hardware)**

AICPA members get discounts of 10% off the direct sale price on a wide variety of IBM products and services and are eligible for ongoing product and financing promotions. Call 800/426-7235, ext. 5245, or visit [www.ibm.com/smallbusiness/aicpa](http://www.ibm.com/smallbusiness/aicpa).

### **Paymentech (Credit/debit card processing)**

Save money on every credit card transaction. Whether you already accept credit cards or you're ready to begin, Paymentech can help AICPA members with fast, efficient and cost-effective processing of both credit and debit cards. AICPA members receive MasterCard/Visa discount rates as low as 1.8%, no application, enrollment or conversion fees, free supplies and 24-hour, 7-day-a-week technical support. For additional information or a no-obligation free competitive analysis, call 800/824-4313.

### **RIA (Tax/Accounting Research)**

RIA, the leading authority on tax and accounting research, saves AICPA members 10% on new purchases and 5% on renewal purchases of its renowned RIA and WG&L tax and accounting information products. RIA can provide information to suit your particular needs, delivered in print, on CD-ROM or on the only integrated online tax and accounting information system, CHECK-POINT. For more information or to purchase, call 800/950-1216.

### **Robert Half (Financial staffing/placement)**

AICPA members can receive exclusive savings on specialized staffing services, including \$25 savings on each 40 hours reached on a new Accountemps assignment, up to a maximum of \$100 for 160 hours or more; 10% savings on each new Robert Half full-time placement fee; and \$50 savings on each 40 hours reached on a new RH Management Resources engagement, up to a maximum of \$200 for 160 hours or more. Discount cannot be used in conjunction with any other discounts. Call 888/744-4089 and have your AICPA membership number ready.

### **Sprint (Business long distance)**

AICPA members receive a 5% member-only discount on top of Sprint's already competitive rates. With Sprint Business Flex<sup>SM</sup> All Calls All Day<sup>SM</sup>, for instance, you'll pay a low flat interstate rate 24 hours a day, 7 days a week, regardless of your spending level. You'll also get special low intrastate and international rates. No commitment or term plans are required. You can also save 5% on Sprint products and services, including Sprint FONCARD<sup>SM</sup> and Sprint Toll-Free<sup>SM</sup> services. Call 800/953-4214 for more information.

**Staples (Office supplies)**

AICPA members can save money on thousands of office essentials. You receive special deals and coupons to help lower the cost of office supplies. Staples has created a dedicated online location where AICPA members can access special coupons and deals that will be updated regularly. Members can log onto [www.staples.com/aicpa2](http://www.staples.com/aicpa2) for more information.

**Starwood Hotels and Resorts Worldwide (Lodging)**

As a member of the AICPA you have been automatically enrolled in the Corporate Preferred Level of Starwood Preferred Guest. AICPA members enjoy room upgrades, late checkout, bonus Starpoints and the opportunity to save money on their hotel stays. When making reservations, simply provide your Corporate Account number (69569), which provides you with special AICPA rates that offer guaranteed value throughout the year, especially during peak travel periods. For more information, visit [www.cpa2biz.com/elite](http://www.cpa2biz.com/elite) and click on the Starwood Preferred Guest logo.

**Wells Fargo (Mortgages, home equity loans)**

You can take advantage of the many convenient features and benefits offered through The AICPA-Sponsored Home Mortgage Program provided by Wells Fargo Home Mortgage, Inc. Receive a complimentary 'Getaway' vacation package after closing on a new home purchase or refinance loan through this program, plus a whole lot more in savings and benefits. To learn more, go to [www.cpa2biz.com/elite](http://www.cpa2biz.com/elite) and click on the Wells Fargo logo or call 800/272-1210.

**Xerox (Copiers, faxes, printers)**

AICPA members save up to 20% on most Xerox products (excluding service contracts, supplies and personal line copiers). For more information on Xerox products and services or the AICPA/Xerox Partnership, visit [www.cpa2biz.com/elite](http://www.cpa2biz.com/elite) and click on the Xerox logo or call 800/ASK-XEROX (800/275-9376), extension "CPA," or contact your local Xerox sales representative or authorized sales agent. Be sure to reference contact #0706109 to receive special AICPA pricing.

**Insurance Programs**

AICPA members receive special rates on a wide variety of programs. More information is also available on the AICPA Insurance Program Web site at [www.cpai.com](http://www.cpai.com).

**Term-Life Insurance**

Up to \$2 million in group term life coverage with an equal amount of accidental death and dismemberment benefits for individual members. Call 800/223-7473.

**Spouse Life Insurance**

Up to \$2 million in term life coverage combined with an equal amount of accidental death and dismemberment coverage. Call 800/223-7473.

**Group Variable Universal Life**

Up to \$2 million of coverage with fixed and equity investments of which earnings are tax deferred. Call 800/223-7473.

**Long-Term Disability Income Plan**

Provides monthly benefits from \$1,000 to \$10,000, including a "your occupation" definition of disability. Call 800/223-7473.

**Group Life for Firms**

Offers members and their firm personnel the opportunity to secure up to \$500,000 of coverage. Call 800/223-7473.

**Long-Term Care Insurance Program**

Up to \$250 per day is available to eligible members, spouses, parents and parents-in-law. Call 800/223-7473.

**Personal Liability Umbrella Security**

Provides up to \$5 million in coverage for injury and property damage claims that exceed primary automobile, homeowners or renters coverage requirements. Call 800/223-7473.

**Medicare Supplement**

Provides members, spouses and eligible parents 65 years and older with rates that are not available to the general public and does not refuse coverage because of past or present health conditions. Call 800/957-3195.

**Catastrophe Major Medical**

Provides coverage for medical costs that exceed the limits of Basic Health Insurance Plans, with a lifetime maximum of up to \$2 million. Call 888/294-0028.

**Auto Insurance**

Competitive auto insurance rates available for AICPA members from GMAC Insurance. Call 877/999-3626.

**Homeowners Insurance**

Comprehensive homeowners coverage for AICPA members from GMAC Insurance. Call 866/366-4607.

**Commercial Property and Liability**

Offers firms and sole practitioners a choice of carriers and coverage including business owner's insurance, workers compensation, commercial auto coverage, commercial liability umbrella, international coverages for international businesses, and kidnap, ransom and extortion coverage. Call 866/283-7127.

**Professional Liability Insurance**

Protection of \$100,000 to \$20 million for members in public practice against liability claims related to professional services. Call 800/221-3023.

**Employment Practices Liability Insurance**

CPA EmployerGard provides comprehensive protection against employment-related claims, such as wrongful termination, age, race, or gender discrimination and other workplace-related lawsuits. Call 800/221-3023.

**Retirement Programs**

A new program from **Nationwide Financial** provides a variety of fund choices and special low administrative and record keeping rates for AICPA member firm plans that qualify under IRC Section 401. Includes a pre-designed bundled solution, the AICPA Member Retirement Trust or customized plan design. Call 888/401-5272. IRA-based plans available from **T. Rowe Price** at 800/382-4272.

**Membership Services**

**Change of Address/Employment:** Address and employment information can be changed online through [www.cpa2biz.com](http://www.cpa2biz.com) (“Member Services” tab, then link for paying dues). Or, members can e-mail or fax the information to the Member Satisfaction Center. In either case, *The CPA Letter* and *Journal of Accountancy* will automatically be updated.

**Provide/Update E-Mail Address:** Members can provide or update their e-mail addresses online. Visit our E-Mail Address Update Center at [www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp).

**Member Satisfaction Center:**

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



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



800/362-5066



Voice Mail Box comments, 888/999-9252

**Product Orders:** Purchase through the Member Satisfaction Center or through [www.cpa2biz.com/store](http://www.cpa2biz.com/store). Orders totaling \$300 or less must be prepaid by check or credit card. Prices quoted generally do not include shipping and handling charges, or sales tax if applicable. Have membership number available.

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The direct URL members can use to request copyright permission is [www.aicpa.org/copyright.htm](http://www.aicpa.org/copyright.htm). Once a request is submitted, members may call 201/938-3245 to check the status of their request.

**Coming Next Month ... Issues and Initiatives**

Remember to look for our Year in Review feature in the July/Aug. issue of *The CPA Letter* (to be available online by July 8; visit [www.aicpa.org](http://www.aicpa.org), “Online Newsletters”). It will describe the important issues that the profession has faced during the past year and the ways in which the Institute is continuing to address them.

## Auditing Standards Board Issues Auditing Interpretations

The Auditing Standards Board issued two new interpretations of auditing standards at its meeting on Apr. 9, 2003. An amendment of Interpretation 2, "The Effect of an Inability to Obtain Evidential Matter Relating to Income Tax Accruals," of Statement on Auditing Standards No. 31, *Evidential Matter* (AICPA, *Professional Standards*, vol. 1, AU sec. 326), provides additional guidance regarding the auditor's documentation of the results of auditing procedures directed at the tax accounts and related disclosures. The interpretation also addresses the auditor's need for access to the advice or opinion of a client's outside tax adviser and the auditor's documentation of such advice or opinion.

Interpretation 16, "Effect on Auditor's Report of Omission of Schedule of Investments by Investment Partnerships That Are Exempt From Securities and Exchange Commission Registration Under the Investment Company Act of 1940," of SAS No. 58, *Reports on Auditing Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 508), provides guidance clarifying the auditor's responsibility with regard to the disclosure in the auditor's report of information that is required to be presented in the partnership's Schedule of Investments but has been omitted.

Both interpretations are available on the AICPA's Web site at [www.aicpa.org/members/div/auditstd/announce/index.htm](http://www.aicpa.org/members/div/auditstd/announce/index.htm).



## Practice Alert Issued on Journal Entries and Other Adjustments

The Professional Issues Task Force has issued Practice Alert 2003-2, *Journal Entries and Other Adjustments*, to provide auditors with guidance regarding the design and performance of audit procedures to fulfill the responsibilities outlined in SAS No. 99 — *Consideration of Fraud in a Financial Statement Audit* — regarding journal entries and other adjustments. The alert provides guidance in the following areas:

- Obtaining an understanding of the entity's financial reporting process and its controls over journal entries and other adjustments.
- Assessing the risk of material misstatement resulting from journal entries and other adjustments.
- Inquiries of individuals involved in the financial reporting process.
- Assessment of completeness of journal entry and other adjustments sources.
- Identification and selection of journal entries and other adjustments for testing.
- Other adjustments.
- Documentation.

The Professional Issues Task Force encourages SEC Practice Section member firms to incorporate the guidance contained in the alert as soon as practicable. The alert is currently available on the AICPA's Web site at:



[www.aicpa.org/download/secps/pralert\\_03\\_02.pdf](http://www.aicpa.org/download/secps/pralert_03_02.pdf)



Michael Glynn, [mglynn@aicpa.org](mailto:mglynn@aicpa.org)

## FASB Issues Statement on Derivative Instruments

The Financial Accounting Standards Board has issued Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133.

Statement 149 is effective for contracts entered into or modified after June 30, 2003, with some exceptions for hedging relationships designated after June 30, 2003. The guidance should be applied prospectively. Copies of Statement 149 may be obtained through the FASB Order Department at 800/748-0659 or by placing an order on the FASB Web site at [www.fasb.org](http://www.fasb.org).

## PCAOB Launches Web Site

The Public Company Accounting Oversight Board recently launched a Web site to keep accounting firms and public companies apprised of its activities and developments relating to implementation of the Sarbanes-Oxley Act. Among other topics, the site, [www.pcaobus.org](http://www.pcaobus.org), has sections covering news and events, rulemaking, registration, standards and enforcement.

## Comprehensive Handbook for Investment Fiduciaries, Financial Advisers Published

A comprehensive handbook designed to promote prudent investment practices for more than five-million investment fiduciaries in the U.S. has been jointly developed by the Foundation for Fiduciary Studies and the AICPA. *Prudent Investment Practices: A Handbook for Investment Fiduciaries* covers 27 practices culled from federal and state legislation, regulatory opinion letters and relevant case law. The handbook is intended as a reference guide targeted at knowledgeable investment decision makers, such as CPA financial planners, CPA Personal Financial Specialists, as well as CPAs serving in business and industry as trustees and/or members of investment committees.

"Rather than be a 'How To' guide for persons not familiar with basic investment management procedures, this handbook identifies

practices that prescribe a timeless and flexible process for successful investment management decision making," said Donald B. Trone, President of the Foundation for Fiduciary Studies, and who was recently appointed by the U.S. Secretary of Labor to represent the investment counseling industry on the ERISA Advisory Council.

The handbook was written by the Foundation for Fiduciary Studies, with technical reviews conducted by the AICPA Personal Financial Planning Executive Committee and its Investment Advisory Task Force.

For more information about *Prudent Investment Practices: A Handbook for Investment Fiduciaries*, or to request a copy, visit the Foundation for Fiduciary Studies' Web site at [www.ffstudies.org](http://www.ffstudies.org). The cost of the handbook for AICPA members is \$20.



## New Guide Helps People Affected by Disasters, CPAs Offering Financial Planning Services

The AICPA and the National Endowment for Financial Education have jointly developed a new, broad-based guide to help people affected by natural and man-made disasters recover from financial loss. *Disaster Recovery: A Guide to Financial Issues*, a colorful 32-page guide, will be offered free of charge by local American Red Cross chapters across the country as a public service to aid people and their families affected by disasters. The guide is being offered as a public service of the AICPA, the AICPA Foundation, American Red Cross and NEFE.

“Prior to this guide being produced, there were no comprehensive, easy-to-understand resources that guide people affected by disasters,” said Terry Sicilia, executive vice president, American Red Cross Disaster Services. “NEFE and the AICPA have developed a very valuable tool for our volunteers and employees to use, and CPAs can play a central role in the process as well, providing

much needed financial planning advice so families can recover as soon as possible.”

The guide expands on previous publications issued by NEFE, the AICPA and the American Red Cross. *After Disaster Strikes: How to Recover Financially from a Natural Disaster* was issued by NEFE in 1997 in collaboration with the American Red Cross and the Federal Emergency Management Agency; *Regaining Financial Balance* was published by the AICPA to guide people affected by the Sept. 11 terrorist attacks.

For more information about *Disaster Recovery: A Guide to Financial Issues*, or to obtain a copy, visit [www.redcross.org/services/disaster/beprepared/financeprep.html](http://www.redcross.org/services/disaster/beprepared/financeprep.html) or contact your local Red Cross chapter. Members of the AICPA may also purchase a glossy version of the guide in packages of 10 from [www.cpa2biz.com/store](http://www.cpa2biz.com/store) (No. 017231, price: \$10/pack).

## AICPA Seminars

The AICPA offers thousands of seminars nationwide each year. For dates and locations of the following popular summer seminars and many others, visit our Web site at [www.aicpa.org/promotions/courses/courseslist.asp](http://www.aicpa.org/promotions/courses/courseslist.asp). Remember to request your \$30 AICPA member discount at participating state societies.

**Controllership: Leading Edge of Corporate Performance (CLECP)** will

show you how to reshape the role of the controller and apply quantitative and non-quantitative techniques to financing transactions, cash management, planning and budgeting. Develop ways to lead people to get the job done and master the intricacies of profit center accountability and incentive compensation.

**Fraud and the Financial Statement Audit: Auditor Responsibilities Under**

**New SAS (FFSA)** will help you recognize how the new fraud standard differs from existing guidance. Refresh your understanding of the auditor’s responsibilities for detecting fraud in a financial statement audit. Learn what communications must be made with audit team members and client personnel and what documentation is required to evidence your consideration of fraud.

## AICPA Supports Two Tax Simplification Bills

The AICPA showed strong support for two tax simplification bills that would simplify sections of the Internal Revenue Code affecting individuals, small businesses and U.S. companies doing business in foreign countries. In a letter to the bill’s sponsor regarding H.R. 22, *The Individual and Small Business Tax Simplification Act of 2003*, the AICPA wrote, “We believe the bill does an excellent job of focusing on many areas of tax law in need of simplification...and that while the AICPA supports outright repeal of the alternative minimum tax, the proposed changes in H.R. 22 are a reasonable compromise.” The Institute believes the bill’s proposed changes to the AMT, phase-

outs and the definition of “child” would “make the Code more consistent, rational, fair and transparent – particularly for low- and middle-income taxpayers.”

In a separate letter, the AICPA said that as global trade increases, legislative changes, such as those in the *Fairness, Simplification and Competitiveness for American Business Act of 2003* (H.R. 285), are needed to allow U.S. businesses to react more nimbly and on a par with foreign competitors having less complex tax systems. The current foreign tax credit rules often result in double taxation and leave many taxpayers with excess foreign tax credits.

## Happenings at Spring Council Meeting

Here are some of the more significant actions and events that took place at the governing Council meeting Apr. 27–29:

- Council members were provided with several reports updating them on vari-

ous important initiatives. Among them: computerization of the Uniform CPA Examination which will commence in Apr. 2004; the Special Committee on State Regulation with respect to moni-

toring and evaluating states’ plans to implement aspects of the Sarbanes-Oxley Act; and the CPA Student Recruitment Campaign with its strong

*continued on page 12*

## Research Examines Effects of Corporate Accounting Scandals on CPA Brand

Over the past 16 months, the CPA profession has gone through difficult changes: Arthur Andersen going out of business, U.S. capital markets tumbling sharply, and Congress passing the far-reaching Sarbanes-Oxley Act of 2002 — the effects of which are just beginning to take hold. All these events had and will continue to have a major impact on the profession. In response, the AICPA and CPAs in every community in the country are focused intently on strategies for re-establishing the profession's time-honored reputation for integrity and competence.

As part of its efforts to address the crisis in confidence the profession faces, the AICPA conducted a national research initiative using Penn, Schoen & Berland Associates. PSB conducted more than 1,000 interviews with business decision makers and investors/shareholders across the country. The objective of the research was to ascertain whether respondents had changed their views about CPAs. Do they think any differently about CPAs after the accounting scandals, whom do they blame for the scandals and how much damage have CPAs suffered? And if CPAs suffered, what do they expect the profession to do to change those perceptions? Armed with these objective data, appropriate strategies and messages can be developed going forward.

Here are some of the key findings of the research:

### Strengths of the Profession Today

- CPA favorability is second only to doctors.
- About 95% of business decision makers agree that CPAs are committed to the rules of the profession and consistently demonstrate integrity and ethics.
- Blame for the corporate accounting scandals focuses most intensely on CEOs, CFOs and boards of directors, not CPAs. (This may also present a challenge for CFOs who are CPAs.)
- Over 85% of both business decision makers and investors agree that “the corporate accounting scandals reflect poorly on a few bad apples in the accounting profession but not on the large majority of CPAs who are ethical and competent.”
- Familiarity breeds contentment: Business decision makers have a high degree of confidence in CPAs whom they know and work with personally.
- Business decision makers report little impact on the use of CPAs for core services.

### Challenges Facing the Profession

- Most importantly, almost 90% of both audiences believe CPA credibility has suffered.
- Over 80% of both audiences believe that the job of external auditors is to prevent fraud.
- About 80% of both business decision makers and investors believe “external auditors face an inevitable conflict between serving the public interest on the one hand, and their dependence on corporate clients who pay their fees on the other.”
- 80% of business decision makers (and almost 90% of investors) believe that “CPAs who are employees of corporations are likely to have their professional judgment influenced by the corporate pressure to meet financial projections.”
- About 60% of both audiences believe scandals reflect poorly on how all CPAs do their jobs.

- 40% of business decision makers (half of investors) think CPAs are willing to cut corners for clients.
- One-fifth of business decision makers see CPAs among most to blame for the corporate accounting scandals.

Moving forward, the Institute is developing methods and messages to address the issues affecting the CPA image. We are focusing on a strong grassroots effort that encompasses the state societies and our members, and reaches out to business, investors, academia, government and the media. Continue to watch *The CPA Letter* for more on the CPA image plan.

### Three New Print Ads Developed for State CPA Societies to Run

To address the challenges the profession faces regarding its image short-term, and in response to state CPA societies' requests, three new print ads were developed for use by states that want to run ads now.

Under the theme “America Counts on CPAs,” the ads were created for the benefit of members in small- and medium-sized businesses and firms. They demonstrate the value that CPAs bring to their employers and clients, the general public and the U.S. economy. They leverage the core values of the profession and the trust that exists between the CPA and his or her employer or client, as reported in the recent brand research findings (see related article on this page). The ads have been tested and the response was positive. State societies received all materials in late Mar.

One of the ads is pictured here. To view all the ads, visit [www.aicpa.org/promotions/cpa\\_brand.asp](http://www.aicpa.org/promotions/cpa_brand.asp).

We're one good reason business leaders can be as good as they are.

Millions of Americans rely on their CPAs to help them run their businesses more effectively, protect their assets and develop sound financial strategies for their families' security. Our role today is the same as always: to provide the trustworthy financial insights and business advice so vital to success - especially in these difficult economic times. We're here for you, whenever you need us. Just as we always have been. America counts on CPAs.

CPA

*continued from page 10* — **Council Meeting Highlights**

success after the first two years (*The CPA Letter*, Apr.).

- Discussion regarding specialty accreditations resulted in Council approving a resolution allowing the AICPA to explore possible strategies, including relationships with strategic partners, to enhance the Personal Financial Specialist, Certified Information Technology Professional and Accredited in Business Valuation credentials. Council also authorized the AICPA Board of Directors to present viable strategies on any or all of the specialty credentials to Council for its consideration by its meeting this fall.
- The Professional Ethics Executive Committee presented three recommendations to enhance the profession's disciplinary process. Council authorized a membership referendum on two of the proposals which require changes to the bylaws (see page 1). In addition, Council approved the other proposal allowing PEEC to admonish a member when other sanctions are not appropriate to the circumstances; this proposal became effective with Council's approval.
- Council approved the AICPA's operating budget for fiscal year 2003–2004.
- Governor Terry Branstad was elected as a public member of



news  
update

the AICPA Board of Directors to fill a vacancy. Branstad had served four consecutive terms as Governor of Iowa, leaving office in 1999.

- William W. Holder was the recipient of the 2003 AICPA Distinguished Achievement in Accounting Education Award. Dr. Holder currently is the Ernst & Young Professor at the University of Southern California's Leventhal School of Accounting and over the years has received numerous honors for his contributions to the accounting profession and accounting education. *Accounting Today* named him one of the 100 most influential people in the profession for 2001 and 2002.
- The 2003 AICPA Public Service Award was given to Mary Montoya of Sioux Falls, S.D. Montoya has been helping South Dakota's large and underserved community of Native American prison inmates for well over a decade. She has provided a wide spectrum of assistance to inmates, from preparing their tax returns and giving financial advice to transforming a prison auditorium into a chapel. Montoya is a partner in the firm Klanderud, Montoya, Wuebben & Feehan, PC, in Sioux Falls.

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# The CPA Letter

July/August 2003 Vol. 83 No. 6  
A News Report to Members

**AICPA**

## Member Vote on Bylaw Amendments to Enhance Disciplinary Processes Coming Up—More Information on Proposals Available

### Highlights

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As reported last month, the AICPA Council in Apr. approved proposals submitted by the Professional Ethics Executive Committee to improve the timeliness and transparency of the AICPA’s disciplinary process. Two of those proposals require amendments to the AICPA’s bylaws and thus must be approved by the membership. A third recommendation made by the PEEC became effective upon Council’s approval.

Taken together, these enforcement enhancements provide clear evidence that our members hold themselves to the highest professional standards and are intolerant of those who break the rules. If approved by the membership, these changes will help ensure that the AICPA has greater flexibility and is better able to act quickly, decisively and fairly when a member violates the profession’s code of ethics.

Currently, it is anticipated that the member ballots on the two proposals will be mailed in Aug. or early Sept. Two-thirds of members voting must agree to each of the proposed changes for it to pass.

The first of these proposals would allow the PEEC to sanction an AICPA member without an investigation under the automatic disciplinary provisions in Section 7.3 of the bylaws (which currently allows for automatic discipline as a result of certain criminal or income tax related violations or state board of accountancy actions) if the member has been

sanctioned by a governmental agency or other organization that has been approved by the PEEC and the AICPA Board of Directors. The proposal would also require a conforming amendment to bylaw section 7.4.5.

The other proposal on which members will vote is a measure for expanded transparency of the AICPA’s disciplinary findings. This amendment to bylaw section 7.6 would clarify that Council may authorize additional disclosures with regard to disciplinary actions and investigations.

Members are encouraged to read the June issue of *The CPA Letter* to help them better understand the proposed changes and the referendum process. Additional information, including a detailed summary of the proposals and an overview of the current ethics enforcement process, is available online at [www.aicpa.org/enforcement](http://www.aicpa.org/enforcement).

Moreover, so that members can share their thoughts on the proposed changes before voting, the Institute invites members to briefly express their views on the proposals. Representative letters and/or a summary of member views will be published by the Institute. Send letters of approximately 100 words or less (type or print) to: Donna Wolf, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775; fax 212/596-6104; or e-mail [dwolf@aicpa.org](mailto:dwolf@aicpa.org). The deadline for receipt of letters is end of day, Monday, July 21, 2003.

### AICPA Applauds SEC Action on Internal Controls

Immediately following the Securities and Exchange Commission’s release of a new rule regarding public companies’ internal controls, the AICPA released a statement showing its support. “The SEC took a giant step toward restoring confidence in the financial reporting process when it issued its final rule on public company internal control reports,” it said. “Effective internal controls are the best defense against fraudulent reporting. That is why the AICPA has for years strongly advocated internal control reporting by management, and we applaud the SEC for taking this step.” The statement also reiterated the profession’s commitment to restoring the public’s confidence in financial reporting.

This issue of *The CPA Letter*, a combined issue for July and Aug., is available in electronic format only. The Sept. issue will be produced in both electronic and print formats.





## AICPA Annual Members' Meeting to Be Held Oct. 21

The AICPA's Annual Members' Meeting will be held on Tuesday, Oct. 21, at the Sheraton New Orleans in La. Members also are invited to observe Council's deliberations, which will take place Oct. 20–21. CPE will be provided, as appropriate, depending upon the content of the final agenda. For general Council or Annual Meeting information, contact Jay Rothberg ([jrothberg@aicpa.org](mailto:jrothberg@aicpa.org); 212/596–6005) or Jo DeLosReyes ([jdelosreyes@aicpa.org](mailto:jdelosreyes@aicpa.org); 212/596–6216). For hotel information, contact Samantha Bowerman ([sbowerman@aicpa.org](mailto:sbowerman@aicpa.org); 201/938–3159).

## Know Someone to Nominate for AICPA's Public Service Award?

To help recognize CPAs who have distinguished themselves in public service, the profession confers the Public Service Award. Eligible candidates for the annual Public Service Award are submitted by either individual members of the AICPA or state CPA societies which provide the winners of their state Public Service Award. A single winner at the national level is chosen from the entire pool of award nominees.

The range of activities considered public service is endless. Often award recipients have been involved in less traditional areas, such as health care and disabilities, urban development initiatives and housing, education, youth programs and cultural activities. Almost any public service related activity is acceptable, except for services related to accounting organizations, which are not considered in determining the award winner.

The AICPA Public Service Award recipient is recognized at the spring meeting of the AICPA's governing Council. Due date for all submissions is Aug. 29, 2003. For more information regarding the AICPA's

Public Service Award, call Luz Perez at 212/596–6113 or e-mail [lperez@aicpa.org](mailto:lperez@aicpa.org). You can download the Overview & Guidelines and the Nomination Form from our Web site at [www.aicpa.org/members/nominationforms.htm](http://www.aicpa.org/members/nominationforms.htm).

## Peer Review Board Issues Exposure Draft Proposing Revisions to Peer Review Standards

The AICPA Peer Review Board has issued an exposure draft proposing revisions to the *Standards for Performing and Reporting on Peer Reviews*. Comments are due Aug. 8. Members can download the ED from [www.aicpa.org/members/div/practmon/2003\\_05\\_ed.asp](http://www.aicpa.org/members/div/practmon/2003_05_ed.asp).

The proposal includes revisions to the objectives of system reviews, transparency of reporting, type of peer review required and the timing of engagement selection. Final standards will be effective for peer reviews commencing on or after Jan. 1, 2005. Early implementation is not permitted.

## 93% of CPA2Biz Customers Rate Their Experience as Excellent or Satisfactory

CPA2Biz earns high marks among its customers—members of the AICPA. In a recent online customer satisfaction survey, 93% of respondents rated their overall online experience as either excellent or satisfactory. In addition, 93% said they would recommend the CPA2Biz site to one of their colleagues.

With more than 130,000 registered users, CPA2Biz has experienced over a 50% year-over-year growth in online sales largely due to its efforts to make customer satisfaction a top priority. CPA2Biz recently launched an industry-leading accounting search engine through which CPAs can find a multitude of news, articles, products and online resources

to help them in specific practice and industry areas. Over the coming months, CPA2Biz will continue to improve and expand its offerings, leveraging the feedback it has received from CPAs.

## Send Us Your E-Mail Address: Receive "AICPA News Update" Each Week, Live Link for CPA Letter Each Month

Members for whom the AICPA has e-mail addresses automatically will receive the weekly "AICPA News Update" on important professional news and developments as well as be sent the live link for each issue of *The CPA Letter* immediately after it's posted online. To provide us your e-mail address or to update it online, log in to the E-Mail Address Update Center on our Web site. Or, send the information to [memsat@aicpa.org](mailto:memsat@aicpa.org), indicating "e-mail address update" in the subject header field for expedited processing. Include your full name, and, if known, your membership number on the e-mail message. Be assured the AICPA will not sell your e-mail address to outside third parties.



E-Mail Address Update Center,  
[www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp)

## PUBLIC MEETING NOTICES

**Accounting & Review Services Committee:** July 28–29, New York

**Accounting Standards Executive Committee:** July 22–23, San Francisco; Sept. 9–10, New York

**Auditing Standards Board:** July 29–31, New York; Sept. 23–25, New York

**Professional Ethics Executive Committee:** Aug. 7–8, Montreal

### Other Meetings

**Peer Review Board:** Aug. 4–6, Charleston, S.C.

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## AICPA Launches Audit Committee Matching System

In an effort to support and promote effective audit committees for organizations across the spectrum of the American economy, the AICPA has created the Audit Committee Matching System, part of our Center for Audit Committee Effectiveness which will be launched later this year.

This system was built for two reasons: for our members, to provide them with opportunities to serve on boards of directors; and as a public service, to provide companies access to a database of CPAs who may meet their skills and experience needs to serve on boards of directors and presumably the audit committees of those boards.

The AICPA is particularly sensitive to this need as a result of the Sarbanes-Oxley Act of 2002 and the related Securities and Exchange Commission rules that place certain new requirements on the audit committee of boards of directors. A prime example is the audit committee financial expert, defined by the SEC as a person who has the following attributes:

1. An understanding of generally accepted accounting principles and financial statements.
2. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves.
3. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities.
4. An understanding of internal controls and procedures for financial reporting.
5. An understanding of audit committee functions.

Many AICPA members meet this SEC definition, bringing financial expertise, a commitment to a Code of Ethics, knowledge of business processes and a broad business perspective to all endeavors. Moreover, the need for qualified people on audit committees extends beyond SEC registrant companies. Privately owned companies

should employ corporate governance best practices, and thousands of not-for-profit and other organizations also should be held to the same high standards.

The ACMS responds to the continued interest in strong corporate governance and the need for various entities to include people on their boards and audit committees who have expertise in financial matters. CPAs bring that expertise to bear to help boards and management make better informed decisions.

### ACMS Candidate Section

Registering with ACMS is a prime opportunity for you as an AICPA member to contribute your financial expertise, commitment to a Code of Ethics and knowledge of business to an organization's governance efforts. Registration is available to AICPA members only for no fee.

### ACMS Search Section

The search side of ACMS enables companies and organizations searching for an audit committee candidate to explore whether there might be a CPA candidate who meets the needs of its boards of directors. The search process will be offered as a public service to organizations, at least for the foreseeable future.

### Overview of How ACMS Works

The first step in the ACMS (<http://acms.aicpa.org/login.asp>) is for AICPA members to register and complete a form listing their background, qualifications and preferences as a candidate in the system. People who are looking to fill positions (referred to as "searchers") access the database of members by filling out the search selections built into ACMS. After identifying candidates, it is up to the searcher and the candidate to perform the appropriate due diligence to determine if the match is appropriate. (See Terms and Conditions at the ACMS Web site.)

### Future Plans

Future AICPA efforts to support audit committee effectiveness will include a competency model—useful for assessing knowledge and skills needed—and a practical audit committee member toolkit. Send comments and suggestions on the Center for Audit Committee Effectiveness and ACMS to [acms@aicpa.org](mailto:acms@aicpa.org).

## Exposure Draft Issued on Allowance for Credit Losses

The AICPA's Accounting Standards Executive Committee has issued an exposure draft of a proposed statement of position, *Allowance for Credit Losses*. Comments are due Sept. 19, 2003 (download the file from [www.aicpa.org/members/div/acctstd/edo/2003\\_06\\_credit\\_losses.asp](http://www.aicpa.org/members/div/acctstd/edo/2003_06_credit_losses.asp)).

The proposed SOP addresses the recognition and measurement by creditors of the allowance for credit losses related to all loans, as that term is defined in Financial Accounting Standards Board Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, with certain exceptions. The proposed SOP would apply to all creditors other than state and local governmental entities and federal governmental entities.

A final SOP would be effective for financial statements for fiscal years beginning after Dec. 15, 2003, with earlier application permitted. The effect of initially applying this SOP would be reported as a change in accounting estimate. Restatement of previously issued financial statements would not be permitted.

## Interpretation Issued on Applying SSARS in Business Valuations

An interpretation was recently issued by the Accounting and Review Services Committee. *Applicability of Statements on Standards for Accounting and Review Services When an Accountant Engaged to Perform a Business Valuation Derives Information from an Entity's*

*Tax Return* provides guidance to accountants engaged to perform a business valuation of any entity, when it may be necessary for the accountant to derive financial information to be used in that business valuation from the client's tax return. For a copy, go to:



[www.aicpa.org/members/div/auditstd/interp\\_ar\\_9100\\_23.htm](http://www.aicpa.org/members/div/auditstd/interp_ar_9100_23.htm)

## SOP Issued on Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts, Separate Accounts

Statement of Position No. 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* (No. 014936CPA07), will be issued this month. The SOP provides guid-

ance on accounting and reporting by insurance enterprises for certain nontraditional long-duration contracts and for separate accounts, including: separate account presentation; accounting for an insurance enterprise's interest in a separate account; transfers to separate accounts; valuation of liabilities; accounting for contracts with death or other insurance benefit features; accounting for contracts that provide annuitization benefits; sales inducements



to contract holders; and disclosures.

The SOP is effective for financial statements for fiscal years beginning after Dec. 15, 2003, with earlier adoption encouraged. The SOP may not be applied retroactively to prior years' financial statements, and initial application should be as of the beginning of an entity's fiscal year. To obtain a copy, contact the Member Satisfaction Center (see page 11; price: \$14 member/\$17.50 non-member).

## Other-than-Temporary Impairment Losses Now Addressed in Technical Practice Aid

Other-than-temporary impairment losses on investments by not-for-profit health care organizations have been addressed in a recent release in the AICPA's *Technical Practice Aid*. In the publication's typical question-and-answer format, an answer is provided to the

question: What constitutes an other-than-temporary impairment on debt securities and investments in equity securities with readily determinable fair values for a not-for-profit health care organization? Members can access the TPA release at:



[www.aicpa.org/download/acctstd/TPA\\_6400\\_35.pdf](http://www.aicpa.org/download/acctstd/TPA_6400_35.pdf)

## FASB Issues Statement on Accounting for Certain Financial Instruments, Exposure Draft on Special-Purpose Entities

The Financial Accounting Standards Board has issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. The statement improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. This new statement requires that those instruments be classified as liabilities.

Statement 150 affects the issuer's accounting for various types of freestanding financial instruments. It does not apply to features embedded in a financial instrument that is not a derivative in its entirety. It also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable.

Most of the guidance in Statement 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of this statement for the fiscal period beginning after Dec. 15, 2003.

Due to the early effective date of most provisions of Statement 150, the full text of the document is now available on the FASB's Web site ([www.fasb.org](http://www.fasb.org)). Printed copies have been mailed to subscribers. Copies also are available from the FASB Order Department; call 800/748-0659.

In another action, the FASB issued an exposure draft titled *Qualifying Special-Purpose Entities and Isolation of Transferred Assets*, which would amend FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The

purpose of the proposal is to provide more specific guidance on the accounting for transfers of financial assets from a company to an off-balance-sheet structure known as a qualifying special-purpose entity.

The proposal would change the requirements that an entity must meet to be considered a QSPE. Among other things, the guidance would prohibit an entity from being a QSPE if a company that transfers assets to the entity enters into a commitment to provide additional cash or other assets to fulfill the QSPE's obligations to beneficial interest holders, or if it holds equity instruments such as shares of partnership interests. In addition, the proposed statement would clarify certain of the requirements in Statement 140 related to legally isolating assets and surrendering control of assets.

A copy of the exposure draft is available from [www.fasb.org](http://www.fasb.org). Comments are due July 31; a public roundtable meeting will be announced at a future date.

## GASB Issues Statement 41, Budgetary Comparison Schedule

The Governmental Accounting Standards Board has issued Statement No. 41, *Budgetary Comparison Schedule—Perspective Differences*, that clarifies existing guidance on budgetary comparisons in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

This amendment applies to governments with budgetary struc-

tures (e.g., certain program-based budgets) that prevent them from presenting budgetary comparison information for their general funds and major special revenue funds, as currently required by Statement 34.

The accounting change is being implemented simultaneously with Statement 34. For governments that already have implemented Statement 34, the requirements would be effective for periods beginning after June 15, 2002. The statement may be obtained from the GASB Order Department at 800/748-0659.



## SPECIAL FEATURE: THE YEAR IN REVIEW

### A Year of Renewal and Reforms

The past year was a dynamic one for the accounting profession, full of challenges and opportunities. Last summer, President Bush signed into law the Sarbanes-Oxley Act of 2002—a sweeping reform measure with a direct impact on the profession that, among other things, created the Public Company Accounting Oversight Board. The Institute pledged its full commitment to working with the Securities and Exchange Commission and the PCAOB to implement the new law and uphold the public trust. In fact, Institute leaders were at the forefront of efforts to propose or enact reforms. In congressional testimony, AICPA representatives put forward a number of suggestions that ultimately were embodied in the new law. Then, last Sept., in the wake of Sarbanes-Oxley, AICPA President and CEO Barry Melancon called for a rejuvenated accounting culture and made a commitment to restoring confidence in the profession and the financial markets. Melancon envisioned six roles for the AICPA going forward: involvement in standard setting; acting as a liaison between market institutions and corporations; conducting research; providing education; enhancing the quality of business reporting; and promoting strong corporate governance and internal control systems. Furthermore, in his inaugural speech as incoming chair in Oct. 2002, William Ezzell spoke of restoring CPAs' belief in themselves and in the core values and shared purpose of the profession.

With initiatives to reinforce the profession's reputation continuing, *The CPA Letter* offers this review of the many ways in which the Institute has worked to benefit the profession during the past year. While we spotlight the Institute's response to accounting reform, fraud and corporate governance issues, as well as efforts on the regulatory and legislative fronts, we also discuss new professional tools and guidance available to members, initiatives undertaken to enhance the profession's image and some of the public service efforts of the last year.

#### Restoring Faith in Business Reporting and the Profession

- As part of its commitment to cooperating in the reform effort, the AICPA commented on numerous SEC proposals to implement Sarbanes-Oxley. Our letters reflected the profession's long-standing positions to bolster the public interest on issues such as management and auditor reports on internal controls, sanctions against those who would mislead auditors and a stronger role for independent audit committees. We also leveraged the expertise of our members in commenting on SEC proposals on accounting for off-balance-sheet activities, non-GAAP pro-forma financial disclosures, auditor independence and records retention in audits.
- To keep members informed of SEC and PCAOB actions and proposals, the Institute created Sarbanes-Oxley Act/PCAOB Implementation Central, an online resource that can be found at [www.aicpa.org/Sarbanes/index.asp](http://www.aicpa.org/Sarbanes/index.asp). It includes a link to the text of Sarbanes-Oxley, a summary of the Act, a timetable for SEC proposals, SEC rulemaking actions, AICPA comment letters in response to those proposals, the latest developments in implementing the Act and PCAOB news and activities. The Institute also set up a hotline (866/265-1977) to help members understand and comply with the Act.
- At the state level, legislators, regulators and other elected or appointed officials have sought to duplicate and/or extend provisions of the Sarbanes-Oxley Act to private companies and their CPAs. The newly created Special Committee on State Regulation developed "A Reasoned Approach to Reform," which serves as a blueprint for state CPA societies in reviewing and responding to proposals that states might apply to private companies and their CPAs. Members can read the white papers that make up "A Reasoned Approach to Reform" and track activity in different states by visiting [www.aicpa.org/statelegis/index.asp](http://www.aicpa.org/statelegis/index.asp).
- The AICPA Council approved three proposals that were submitted by the Professional Ethics Executive Committee to improve the timeliness and transparency of the AICPA's disciplinary process. Taken together, these enhancements augment the Institute's disciplinary process and continue to demonstrate that

our members hold themselves to the highest professional standards and are intolerant of those who break the rules. Council authorized a member referendum on the two proposals that require changes to the bylaws; voting is expected to take place later this summer.

- In a further effort to initiate positive reforms, the Institute created the Special Committee on Business Reporting, which will collaborate with investors, creditors, regulators, management and other stakeholders to improve the quality and transparency of information for decision makers. Using the current reporting model as a base, an enhanced business reporting model would encompass five fundamental elements: reliable systems; information dissemination; financial and non-financial information; more understandable disclosures; and corporate accountability.
- The Audit Committee Matching System ([www.aicpa.org/info/committees/index.asp](http://www.aicpa.org/info/committees/index.asp)) was created to help CPAs learn about opportunities to serve on boards of directors and as a public service to provide a list of qualified, credentialed candidates to serve on boards and their audit committees.

#### Combating Fraud and Enhancing Corporate Governance

The Institute launched a series of initiatives under its Antifraud and Corporate Responsibility Program. More information on many of the activities listed below and related topics is available at [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud).

- Newly issued SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, was designed to create a substantial change in auditor performance and thus improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.
- The AICPA and six other professional organizations issued a document, which is an exhibit to SAS No. 99, to help businesses of all sizes develop and implement antifraud programs and controls. *Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud* identifies the measures

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an organization can take to combat fraud. These include creating an honest and ethical corporate culture, evaluating antifraud processes and controls, and developing an appropriate oversight process.

- The Antifraud and Corporate Responsibility Resource Center is an online resource created to help CPAs address the prevention, detection and investigation of fraud. It contains literature, educational materials, training and news on recent developments.
- Numerous resources, such as *Fraud and the CPA*, an interactive self-study CPE course from the AICPA and the Association of Certified Fraud Examiners, as well as a SAS No. 99 implementation guide, were created to help CPAs deepen their fraud knowledge, enhance professional skepticism and improve decision processes.
- The AICPA/ACFE antifraud training program, *How Fraud Hurts You and Your Organization*, helps businesses provide fraud prevention, detection and deterrence training to employees and company stakeholders. This public service offering can be found at [www.aicpa.org/antifraud/training/homepage.htm](http://www.aicpa.org/antifraud/training/homepage.htm).
- The AICPA published a series of real-life case studies on unethical and illegal activities that sometimes occur in companies. The cases were written by members from their personal experiences and are accompanied by commentary from experts on how to resolve the issues presented. The cases may be downloaded free of charge from the AICPA's Antifraud and Corporate Responsibility Resource Center at:

 [www.aicpa.org/antifraud/spotlight/030409\\_cases.asp](http://www.aicpa.org/antifraud/spotlight/030409_cases.asp)

- A Fraud Summit to be held shortly will bring together corporate leaders and representatives of the CPA profession and of the reporting community to identify ways to reduce the incidence of fraud.
- The Institute for Fraud Studies, to be established by the AICPA in conjunction with the University of Texas at Austin and the Association of Certified Fraud Examiners, will explore the origin of and circumstances surrounding fraud so that its frequency and effects can be minimized.

### Providing Professional Tools and Guidance

- The AICPA's new Consulting Services Special Report 03-01, *Litigation Services and Applicable Professional Standards* (No. 055297CPA07), provides guidance to help CPAs understand and comply with the applicable standards, rules and laws. Issued by the AICPA's Responsibilities of Litigation Practitioners Task Force and the Litigation and Dispute Resolution Subcommittee, it includes sections addressing conflicts of interest, work paper form and content, and reporting.
- The AICPA's new online *Fair Value Measurement Toolkit for FASB Statement of Financial Accounting Standards (SFAS) No. 141 and SFAS No. 142* contains practical reference materials to perform fair value measurement engagements in connection with business combinations and acquired goodwill and other intangible assets. To aid in complying with FASB's new statements, the toolkit includes training information, excerpts from the FASB statements, a bibliography of important reference sources, engagement letter considerations, checklists and other tools. The

toolkit can be accessed at:

 [www.aicpa.org/members/div/mcs/vm\\_toolkit.asp](http://www.aicpa.org/members/div/mcs/vm_toolkit.asp)

- Non-authoritative guidance for auditing fair value measurements and disclosures under FASB Statements Nos. 141, 142 and 144 was issued by the AICPA Audit and Attest Standards Team. The online toolkit is available without charge from:

 [www.aicpa.org/members/div/auditstd/0212\\_toolkit.asp](http://www.aicpa.org/members/div/auditstd/0212_toolkit.asp)

- To build awareness about privacy issues among CPAs, the AICPA developed an online resource that explains the risks associated with privacy, the benefits of good privacy practices and how privacy can be used by businesses for a competitive advantage. Visit the privacy page ([www.aicpa.org/innovation/baas/ewp/homepage.htm](http://www.aicpa.org/innovation/baas/ewp/homepage.htm)) and then link to the CPA2Biz Privacy Resource Center at [www.cpa2biz.com/ResourceCenters/Information+Security/Privacy/default.htm](http://www.cpa2biz.com/ResourceCenters/Information+Security/Privacy/default.htm). Guidance, such as a primer called *Privacy Matters: An Introduction to Personal Information Protection*, a brochure on 20 questions businesses need to ask about privacy, and a brochure with an overview of HIPAA, are available from the resource center.
- A growing number of companies have begun reporting their financial statements in eXtensible Business Reporting Language format, which was developed and promoted by a consortium co-founded by the AICPA. In addition, this past year, several banks, accounting firms, software developers and small businesses began collaborating on a pilot program to explore XBRL-formatted filings used by lending institutions for credit analysis on loans to small and medium-sized businesses. Moreover, a *U.S. Financial Reporting Taxonomy Framework* and *U.S. GAAP Commercial and Industrial Taxonomy* were released and can be found at:

 [www.aicpa.org/exposure/xbrl\\_taxonomy.asp](http://www.aicpa.org/exposure/xbrl_taxonomy.asp)

- The AICPA Competency Self-Assessment Tool makes it possible for members to understand their existing competencies, identify learning opportunities and plot their career paths. Users can choose from six different competency models against which to measure their skills and knowledge—business and industry, audit, government, personal financial planning, fraud prevention and detection, and elder care. The tool is available at:

 [www.cpa2biz.com/cat](http://www.cpa2biz.com/cat)

- A series of Webcasts were aimed at keeping members informed about key issues, including new SEC developments, antifraud concerns and topics of importance to senior financial executives. For a current line up, visit [www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts).
- The Institute's online learning library, *AICPA Infobytes*, was selected by *Accounting Today* as one of its Top 100 Products for 2003. To learn about *AICPA Infobytes* and a special free trial offer, go to:

 [www.cpa2biz.com/infobytes](http://www.cpa2biz.com/infobytes)

- PCPS/AICPA Alliance for CPA Firms partnered with the Texas Society of CPAs to offer the 2002 Management of an

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Accounting Practice Survey. The survey, which gathered data from some 2,500 respondent firms across the U.S., offers respondents the opportunity to benchmark their policies and performances with other firms of similar size and geographic region.

### Public Service Efforts

- The AICPA and the National Endowment for Financial Education together developed a guide to help people recover from financial loss after a disaster. *Disaster Recovery: A Guide to Financial Issues* is offered free by local American Red Cross chapters. The AICPA has also developed a communications toolkit that contains media relations tools to assist a CPA in communicating with local news media about the disaster recovery guide and the CPA's involvement in the program. For additional information about the guide and to access the Marketing and Communications Toolkit, visit:



[www.cpa2biz.com/pfp](http://www.cpa2biz.com/pfp)

- *Prudent Investment Practices: A Handbook for Investment Fiduciaries* was written by the Foundation for Fiduciary Studies and technically reviewed by the AICPA. The new handbook, a reference guide targeted at knowledgeable investment decision makers—including CPAs—covers 27 practices gathered from state and local legislation, regulatory opinion letters and relevant case law. A companion document, *Legal Memorandums for Prudent Investment Practices*, provides the legal memorandums for each of the 27 practices. For more information about the handbook, visit [www.cpa2biz.com/pfp](http://www.cpa2biz.com/pfp). To order additional bound copies of the handbook and legal memorandums, visit:



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



866/390-5080

- The AICPA in Jan. ran its second “Women’s Financial Health Week” public education campaign in support of the Personal Financial Specialist credential. A custom Web site, [www.womensfinancialhealthweek.com](http://www.womensfinancialhealthweek.com), received more than 13,000 hits, a 36% increase over last year. *Money* magazine co-sponsored the campaign.
- Once again, Institute members participated in *USA Today*’s tax hotline and its weekly online tax chats conducted throughout the filing season. This effort allows CPAs a chance to provide a valuable public service and the profession is showcased through the paper’s coverage of the events.

### Professional Image/Enhancements to the Profession

- In an effort to attract the best future CPAs, the Institute kicked off the second year of a five-year marketing communications campaign aimed at 16- to 22-year-olds. Research has found that of all college students who requested further information, 33% said they are now more likely to consider accounting as a major or profession. Sixty-two percent of early college students and 70% of late college students surveyed recalled the CPA recruitment campaign. Successful ongoing campaign features include the interactive MP3/Be A Music Mogul Game, a Summer Dream Internship Contest and a host of other elements designed to drive students to the centerpiece of the recruitment campaign, the [www.StartHereGoPlaces.com](http://www.StartHereGoPlaces.com) Web site. The site has received

roughly 2.9 million page views since it was launched about a year-and-a-half ago.

- The Institute conducted a national research initiative to learn how business decision makers and investors perceive CPAs following the corporate accounting scandals. All told, while the profession suffered some damage to its reputation, CPAs largely remain respected and trusted—especially on an individual level with their clients. The Institute will use the findings in ongoing image enhancement efforts.
- Three new print ads for use by state societies were designed specifically to address the challenges facing the profession. The Institute created the ads for the benefit of the members in small and medium-sized businesses and firms. They demonstrate the value that CPAs bring to their employers and clients, the general public and the U.S. economy.
- To ensure continued protection of the public interest in a rapidly changing business world, the Institute announced that the Uniform CPA Examination is being revised and will be given in a computer-based format beginning in Apr. 2004. These changes will keep the exam aligned with the knowledge and skills required of entry-level CPAs, increase emphasis on information technology and general business knowledge with a broadened scope in the audit area, and allow the exam to be offered more frequently. Visit [www.cpa-exam.org](http://www.cpa-exam.org) to follow progress on the computer-based exam.
- In response to comments from many CPAs, state CPA societies and AICPA leadership, H&R Block agreed to pull an ad promoting its tax services that depicted the CPA profession in a disparaging light.

### Legislative Issues

- The Institute expressed support for two bills, H.R. 22 and H.R. 285, that would simplify sections of the Internal Revenue Code affecting individuals, small businesses and U.S. companies doing business overseas.
- The AICPA took an active role in congressional efforts to define and prevent abusive tax shelters. Institute involvement has included testimony before and comments to House and Senate committees. Information on the Institute’s position on the subject, including the Senate bill’s proposed new process for defining transactions that lack “economic substance,” is available at:



[www.aicpa.org/members/div/tax/index.htm](http://www.aicpa.org/members/div/tax/index.htm)

- During last year’s congressional debate on pension reform in light of the events at Enron, the AICPA recommended to Congress that plan communications and employee education be enhanced and that employees’ investment choices should not be limited.
- The AICPA is supporting H.R. 1119, a bill that would allow employers to give their hourly employees comp time off in lieu of overtime pay. The AICPA endorsed the bill in a letter to House members ahead of a vote expected in the House sometime this summer. To read the letter, visit:



[www.aicpa.org/belt/comptime\\_legis.asp](http://www.aicpa.org/belt/comptime_legis.asp)

## Privacy Standards to Help Companies Better Manage Personal Information Released for Comment

Last month the AICPA issued an exposure draft of the new AICPA/CICA Privacy Framework. The proposed framework includes an enterprise-wide privacy principle along with 10 privacy components and related criteria essential for proper protection and management of personal information, both online and offline. The exposure draft is available at [www.aicpa.org/innovation/baas/ewp/2003\\_06\\_ed\\_execsumm.asp](http://www.aicpa.org/innovation/baas/ewp/2003_06_ed_execsumm.asp). Comments are due Aug. 31.

Effective privacy practices are a key part

of corporate governance and accountability. Organizations are trying to strike a balance between the proper collection and use of their customers' personal information. Specific risks of having inadequate privacy policies and procedures include damage to the organization's reputation, brand or business relationships; legal liability; customer or employee distrust; and loss of revenue and market share.

The 10 privacy components and related criteria included in the proposed framework cover the following areas: management; notice; choice and consent; collection; use and retention; access; disclosure to third parties; security; quality; and monitoring and enforcement.

Many CPAs, including those working in

business as well as those in public practice, are skilled at examining management information systems and identifying the controls needed to effectively manage risk. Many organizations are looking to CPAs for assistance in designing, implementing, maintaining and evaluating their privacy programs. In this respect, CPAs are in a unique position to provide privacy services to the organizations they serve that mitigate privacy-related risks, protect valuable business assets, preserve and enhance an organization's brand and reputation, and maintain and enhance customer loyalty and employee relationships. The AICPA/CICA Privacy Framework provides a foundation for delivering such value-added privacy services.

## disciplinary actions

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

Enforcement Program:

- **Richard I. Brewer** of St. Petersburg, Fla., suspended from membership in the AICPA for two years, effective Mar. 17, 2003.
- **Richard Mendel** of Atlanta, suspended from membership in the AICPA and the Georgia Society of CPAs for one year, effective Jan. 6, 2003.
- **Donald Minsk** of Atlanta, suspended from membership in the AICPA and the Georgia Society of CPAs for one year, effective Jan. 6, 2003.

As a result of a decision by a hearing panel of the Joint Trial Board, the following member has had his AICPA membership *terminated*:

- **Irwin P. Israel** of Huntingdon Valley, Pa., effective May 28, 2003.

As a result of acceptance of a guilty plea by the Joint Trial Board, the following member has had his AICPA membership *terminated*:

- **Martin A. Halpern** of Pomona, N.Y., effective May 23, 2003.

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

—*Terminated* because of final judgments of conviction for crimes punishable by imprisonment for more than one year:

- **Richard J. Goldberg** of El Paso, Texas, effective Apr. 11, 2003.
- **Douglas L. Rice** of Watertown, Wis., effective Apr. 11, 2003.

—*Suspended* pending the outcome of his appeal:

- **William J. Dougherty Jr.** of Newport News, Va., effective Apr. 11, 2003.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## Help Protect the Public Interest

Members who notice, suspect or are aware of significant deficiencies in the work of another member should seriously consider referring the matter to the Professional Ethics Division. Prior to referral, consider your responsibilities under Rule 301 of the Code of Professional Conduct if the member is affiliated with a client (e.g., CFO of an audit client). If you are unsure of the applicability of Rule 301, call the Ethics Hotline at 888/777-7077 for guidance.

## Computerized CPA Exam Tutorial Covering New Format and Functions Available

A tutorial for the computerized Uniform CPA Examination is now available at [www.cpa-exam.org/lrc/exam\\_tutorial.html](http://www.cpa-exam.org/lrc/exam_tutorial.html). The tutorial was created to help familiarize accounting students and CPA Examination candidates with the revised Uniform CPA

Examination, which will be delivered in a computer-based format beginning Apr. 5, 2004.

The tutorial explains the design and operation of the computer-based test, and reviews the types of questions and responses used in the new exam. Each section offers a fully guided tour and opportunities for users to try out certain functions, such as answering a question.

More information about the revised exam and practice samples will be made available via the Web site throughout the summer and fall of 2003.

The computer-based CPA Examination will be offered up to six days a week, during two out of every three months throughout the year, affording CPA examination candidates more scheduling flexibility.



## AICPA Develops CPE Courses with Complete Coverage of 2003 Tax Act

Practical guidance and insight from some of the nation's leading experts is available through new AICPA **2003 Jobs and Growth Tax Act** CPE self-study courses. There are three formats from which to choose, each designed to meet your specific needs.

The **text course** (No. 731384CPA07) is authored by Greg McKeen, CPA, who for years has been a leading author of tax training and other tax products for the AICPA and PPC. This course includes a complete analysis, text of the Act, relevant committee reports, and a client marketing letter summarizing the Act's highlights.

Ideal for on-site group study, the **videocourse** (No. 181386CPA07) and **DVDcourse** (No. 181387CPA07) offer the unique expertise and insight of Sidney Kess, CPA, JD, LL.M. Kess has been developing CPE video presentations on new tax acts since 1986. He can be counted on to bring together top experts and organize the content of the video presentation to focus on the most important provisions of the tax act and to answer the questions you want most answered.

Leading video and DVD presenters include Gregory F. Jenner,

J.D., Acting Deputy Assistant Secretary for Tax Policy, U.S. Treasury Dept., and Harry L. Gutman, Partner-in-Charge of the Federal Tax Legislative and Regulatory Services Group of KPMG LLP.

Preliminary CPE Credit: Text—4, Video/DVD—5. Price: text, \$89 member/\$111.25 non-member; videocourse, \$118 member/\$147.50 non-member; DVDcourse, \$105 member/\$131.25 non-member. Availability: Text, in stock; videocourse, July 15; DVDcourse, July 22.

### Overview of New Tax Law Available Online

Despite coming in at about 20 pages in length, the *Jobs and Growth Tax Relief Reconciliation Act of 2003* still offers planning opportunities and pitfalls for CPAs. To provide an introduction to the Act's provisions and their ramifications, AICPA Tax Division staff developed an outline of the Act that also contains references and links to other information sources. The document is now available online at:



[www.cpa2biz.com/ResourceCenters/Tax/TAX+ACT+2003.htm](http://www.cpa2biz.com/ResourceCenters/Tax/TAX+ACT+2003.htm)

- **AICPA's Annual Accounting and Auditing Workshop, Spring 2003 Edition.** (Text, No. 737184CPA07; Videocourse, No. 187084CPA07). This popular AICPA self-study course keeps CPAs current and provides guidance on applying recent standards. Prerequisite: Experience in accounting and auditing; Recommended CPE credit: Text—16, Videocourse—17; Level: Update; Format: Text or 120-min. VHS tape/manual. Price: Text, \$254 member/\$317.50 non-member; Video, \$284 member/\$355 non-member.
- **SEC Reporting** (No. 736748CPA07). Turn to the revised 2003 edition for guid-

CPE  
news

ance in applying SEC reporting requirements, including Sarbanes-Oxley. Prerequisite: Ability to prepare standard financial statements and evaluate financial statement disclosures; Recommended CPE credit: 11; Level: Intermediate; Format: Text. Price: \$179 member/\$223.75 non-member.

- **AICPA's Standards Update and Implementation Guide, Spring 2003 Edition** (formerly *The Practitioner's Update*) (No. 738455hsCPA07). This highly rated, interactive computer-based auditing and accounting update course will keep you on top of the latest technical developments. It focuses on new pronouncements, but also includes a

refresher on topics of continuing and critical interest. Prerequisite: Basic knowledge of accounting and auditing; Recommended CPE credit: 6; Level: Update; Format: CD-ROM. Price: \$109 member/\$136.25 non-member.

To purchase any of the above CPE courses, see order information on [page 11](#).

### Seminars

The AICPA offers a wide variety of quality seminars for all CPAs. Visit our course listing at [www.aicpa.org/promotions/courses/courseslist.asp](http://www.aicpa.org/promotions/courses/courseslist.asp) for dates and locations of hundreds of seminars. Remember to request your \$30 AICPA member discount at participating state CPA societies.

### New 2003 Editions—AICPA Audit and Accounting Guides.

- Price each: \$45 member/\$56.25 non-member.
- Agricultural Producers and Cooperatives (No. 012683CPA07\*)
  - Airlines (No. 012693CPA07)
  - Brokers and Dealers in Securities (No. 012703CPA07\*)
  - Casinos (No. 012713CPA07)
  - Common Interest Realty Associations (No. 012573CPA07)
  - Construction Contractors (No. 012583CPA07\*)
  - **NEW**—Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies (No. 012733CPA07\*\*)
  - Employee Benefit Plans (No. 012593CPA07)
  - Federal Government Contractors (No. 012603CPA07)
  - Healthcare Organizations (No. 012613CPA07\*)

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- Investment Companies (No. 012623CPA07\*\*)
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- Oil and Gas Producing Entities (No. 012653CPA07)
- Property and Liability Insurance Companies (No. 012673CPA07\*)
- State and Local Governmental Units (Non-GASB 34 Edition) (No. 012563CPA07)
- State and Local Governments (GASB 34 Edition) (No. 012663CPA07)
- **NEW**—State, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards (No. 012743CPA07\*)

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## regulatory matters

### Federal Banking Agencies Issue Policy on Corporate Governance for Non-Public Banks

The Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision recently issued a “Statement on Applications of Recent Corporate Governance Initiatives to Non-Public Banking Organizations” to address the questions they have received concerning whether they intend to require banking organizations that are not public companies to comply with the provisions of the Sarbanes-Oxley Act. The statement reiterates that public banking organizations must comply with those provisions (*The CPA Letter*, May). All insured depository institutions that have assets of \$500 million or more, regardless of whether they are SEC registrants, are subject to the audit and reporting requirements of the FDICIA of 1991 and therefore are subject to the SEC’s requirements and interpretations concerning auditor independence.

The policy clarifies that the agencies do not expect to take steps

to apply the board’s composition, director independence, audit committee, auditor independence and other corporate governance requirements of the Sarbanes-Oxley Act to non-public banking organizations that are not otherwise subject to these requirements. However, the policy statement states that the agencies encourage all non-public banking organizations to periodically review their policies and procedures relating to corporate governance and auditing matters.

### Track State, Federal Activity on Sarbanes-Oxley

Members can track the status of any legislative, regulatory or executive branch proposals occurring in states in which their firms or companies operate by downloading a document created and updated by the AICPA Special Committee on State Regulation at [www.aicpa.org/statelegis/index.asp](http://www.aicpa.org/statelegis/index.asp).

In addition, a new sub-section of “Sarbanes-Oxley Act/PCAOB Central” ([www.aicpa.org/Sarbanes/index.asp](http://www.aicpa.org/Sarbanes/index.asp)) was designed to help members stay abreast of Sarbanes-related proposals from federal regulators other than the SEC and PCAOB.

### Call for Professor/Practitioner Cases


The AICPA is now accepting proposals for cases under the 2004 Professor/Practitioner Case Development Program. This program is designed to promote collaboration of accounting educators and practitioners (not exclusive to public accounting) in the development of real-world-based cases for use in the accounting classroom in the areas of financial accounting, managerial accounting, assurance services, governmental/not-for-profit, and tax or information systems. Of particular interest are cases that address topics on fraudulent financial reporting and strategies for preventing and detecting fraud; ethics and professional responsibilities of CPAs practicing in busi-

ness and industry; issues or services identified in the CPA visioning process; new assurance services that illustrate how the accountant or auditor can add value for an employer or client; “new finance” in terms of blending information technology with financial decision making and new management techniques; global marketplace and international issues; and tax issues, including tax shelters. Cases should address the competencies identified in the *AICPA Core Competency Framework for Entry into the Accounting Profession*. (For information, visit [www.aicpa.org/edu/corecomp.htm](http://www.aicpa.org/edu/corecomp.htm).) Cases should take an integrative approach that recognizes related issues that may cross over traditional accounting courses or disciplinary boundaries.


Submitted cases should not have been

previously published, accepted for publication, or currently under review for publication. Accepted cases will be published by the AICPA and distributed to academic institutions and interested firms. These cases will be further considered for invited presentation at one of several education-oriented conferences. Authors whose cases are selected for development will be able to attend one AICPA conference of their choice, fee registration waived.

Case proposals are due Dec. 1. For information and application:

 [www.aicpa.org/members/div/career/edu/ppcdp.htm](http://www.aicpa.org/members/div/career/edu/ppcdp.htm)

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

 212/596-6221

### Technical Experts Sought for AICPA Industry Panels

The Institute is reconstituting and enhancing its industry expert panels, which focus on accounting and attest matters for CPAs in certain industries. The overarching goal of the panels is to bring together members with in-depth knowledge of the technical issues of a particular industry.

Among their various activities and responsibilities, the Expert Panels will identify financial reporting and auditing issues and work with the appropriate bodies for

resolutions benefiting the public interest; conduct liaison activities with the industry associations and regulators; and advise and assist with development of AICPA products and services related to the industry. Between 10 and 14 members will serve on each panel, all of which are expected to be up and running this fall. Panels are being formed in the following industries:

- Depository Institutions
- Insurance (life and P&L)
- Investment Companies
- Stockbrokerage and Investment Banking
- State and Local Governments

- Not-for-Profit Organizations
- Employee Benefit Plans
- Health Care

Through these panels, technical experts will participate in the process, leading to the development of more on-target tools for others in financial reporting and audit roles. Members interested in serving on a panel may apply online through the Committee Appointment system at <http://volunteers.aicpa.org/apply>. Once you sign in, the application process will begin. Applications are due July 31.



By William F. Ezzell, CPA  
Chair, AICPA Board of Directors

After your busy season ends, your state CPA society kicks into high gear to offer the very best continuing education programs available anywhere. The AICPA also begins its conference season in earnest. From my perspective, this also initiates a period in which our dialogue with members can intensify.

This year, members of the Board of Directors and other volunteer leaders have committed themselves to participating in as many opportunities to share information and listen to members as possible. This commitment has led to a very busy travel schedule, as our volunteer leadership has joined many of your state conferences, continuing education programs and annual meetings.

For me, these opportunities are extremely rewarding. With the many changes taking place in the profession and the AICPA moving assertively to restore confidence in all CPAs, there is no shortage of information to disseminate among all

segments of our membership. More importantly, these settings provide an opportunity for your board members and other leaders to listen to your concerns and perspectives on the issues we all face. Knowing where our members stand and where their priorities point enables us to achieve a more informed debate at Council and board meetings. And such dialogue ultimately leads to more effective decision making. I hope as many of you as possible will have an opportunity to attend a meeting this year to share your views on the profession.

As I travel around the country, a few themes are emerging. CPAs are genuinely concerned about the potential for unintended consequences from state legislatures extending the provisions of the Sarbanes-Oxley Act to non-public company audits. To date, many of our members have taken the time to discuss these issues with their state legislators and so far the "Reasoned Approach" advocated by our Special Committee on State Regulation is proving to be an appropriate and persuasive response ([www.aicpa.org/statelegis/index.asp](http://www.aicpa.org/statelegis/index.asp)).

Another issue members raise with me is the potential for two sets of audit standards to emerge. We are continuing to monitor this situation and are having frequent dialogue with the Public Company Accounting Oversight Board as it transitions into its new responsibilities. Should it become necessary to establish a second set of audit standards that appropriately address the needs of small, privately held companies and their auditors, we are prepared to pursue that course of action in accordance with input from our recent Council meetings. Our commitment

on this front, as on many others, is to stand up for the interests of the public and the best traditions of this profession.

On my travels, I also have encountered some good news. One exciting development is that the current generation of students seems to better understand the value and attraction of the CPA profession.

Clearly, the CPA Student Recruitment Campaign is beginning to deliver tangible results.

Educators across the country are reporting improvement in students in accounting programs in both numbers and quality. Recently, I visited several university campuses and participated with a large group of students in the AICPA Accounting Scholars Leadership Conference. The depth and quality of the students' questions was equally matched by the positive attitude they expressed about the profession. These exchanges remind me that we need to continue to be forthright and open in our communications on all issues, and that constructive dialogue on difficult issues is essential.

Other emerging issues of interest are addressed in this newsletter as well as through our weekly "AICPA News Update." If you have not provided your e-mail address to receive the weekly updates, I encourage you to do so. The updates are short and provide links to additional information. It is a great way to stay informed.

I look forward to stepped-up, two-way communication during the summer and beyond. This is your Institute and your profession; your voice counts.

 [wezzell@deloitte.com](mailto:wezzell@deloitte.com)

chair's  
corner


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- Personal Financial Statements (2003) (No. 012753CPA07)
- Prospective Financial Statements (2003) (No. 012723CPA07)

\*Available by July 31, 2003.

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**To order,** write: AICPA Member Satisfaction, CPA07, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303-2209; fax 800/362-5066; call 888/777-7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com/store](http://www.cpa2biz.com/store); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**

## Summer Webcasts Cover Gamut of Topics

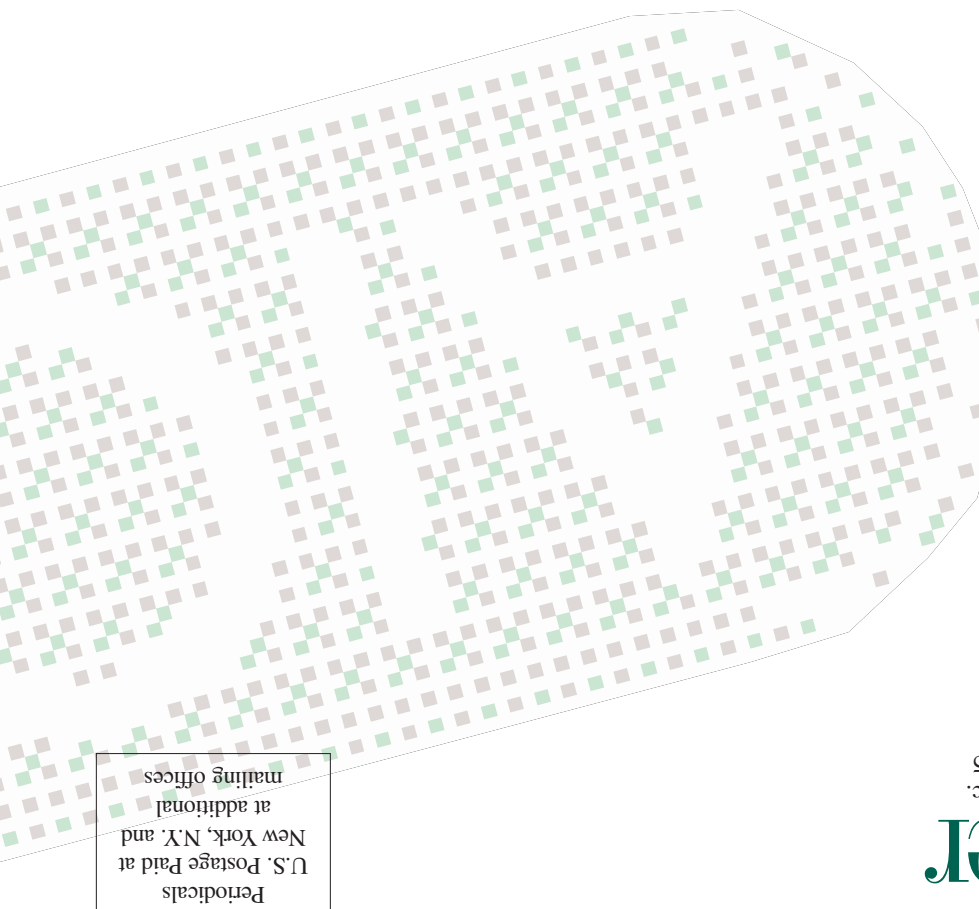
Several live Webcasts will take place this summer covering a range of subjects. Here are brief descriptions of them:

- **The CFO Roundtable Series.** Explores issues most critical to corporate finance executives. From cash management and compensation, to balance sheets, to budgeting and forecasting, the panelists will engage in candid debates and discussions about the ideas, strategies, practices, technologies and methodologies that impact today's financial executives. The **July 10** Webcast is titled **Internal Audit Committees: Rule Change Repercussions.** It will help CPAs sort through the myriad proposals and identify the ones that are most likely to survive the gauntlet of government and private-sector reviews.
- **July 17—Internal Control Reporting for Public Companies.** This Webcast will explore in detail some of the significant issues and emerging best practices for documenting, testing and evaluating the effectiveness of internal control over financial reporting. Leading experts will discuss what they are, what companies will be required to do, how companies must go about meeting these

requirements, and who is affected.

- **July 22—2003 Specialized Industry Briefing: State & Local Government Entities** will focus on GASB 34 and the recently issued Yellow Book standards as well as provide participants with a strategic look at what is important in the governmental accounting and auditing arena. The program also will address recently issued GASB pronouncements impacting both preparers and auditors and feature highlights of recently issued generally accepting auditing standards and Single Audit standards.
- **July 29—Retirement Planning Strategies for Estate Planners** covers the landscape of retirement planning, including: an overview of the different types of retirement planning vehicles; a detailed analysis of the income taxation of distributions from qualified retirement plans and IRAs; the advantages, disadvantages and design of non-qualified retirement plans; income tax deferral as a tax planning strategy; how to use retirement plan benefits for charitable gifts; and much more. Renowned estate planners Roy Adams and Charles "Clary" Redd lead the comprehensive discussion.

For more information on these and other Webcasts, or to register, visit [www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts) or call 888/777-7077 (option 3, Web Support). CPE credit is available.



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# The CPA Letter

September 2003 Vol. 83 No. 7  
A News Report to Members

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Ballots on Bylaw Amendments Due October 18 — Members Express Views on Proposals

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This issue of *The CPA Letter* is available both electronically and in print. The October issue of the newsletter will be available exclusively in electronic format.

Last month, members were sent a mail ballot that contained proposals to amend the AICPA bylaws in order to implement enhancements to the Institute's ethics enforcement process. Members who have not yet received a ballot packet should either call 888/637-3277 to obtain a new packet or go to the AICPA Web site at [www.aicpa.org/enforcement](http://www.aicpa.org/enforcement) to download the ballot, cover letter and referendum booklet that explains the proposals. **However, if you choose to download the ballot material, you must follow the instructions on the Web site (including inserting your membership number and signing the ballot). Using the applicable mailing instructions, mail the ballot to the independent tabulator.** In addition to the ballot material, a variety of other explanatory material with regard to proposals and enhancements to the ethics process can be found on that Web page. Members may also find information about the proposals in the *June* and *July/Aug.* issues of *The CPA Letter* and in the *Aug. Journal of Accountancy*.

All ballots must be returned to the independent tabulator, IVS Associates, Inc., **by mail**; no other method will be accepted. IVS must **receive** your signed ballot by close of business (Eastern Time) on Oct. 18, 2003, for your ballot to be counted. A two-thirds majority of those voting on each of the measures is required for it to pass.

### Summary of Members' Views on Bylaw Proposals

Members were invited to express their views on the proposed changes (*The CPA Letter*, *June*, *July/Aug.*) to the AICPA bylaws in connection with two proposals to enhance the AICPA's ethics enforcement process. The first proposal broadens and extends the AICPA's current authority regarding "automatic" sanctions. It would allow the Professional Ethics Executive

Committee to automatically sanction an AICPA member without an investigation if the member is disciplined by any governmental agency or organization approved by the PEEC and the AICPA Board of Directors. In addition, it would expand existing automatic provisions to include admonishments, censures and any other disciplinary sanctions meted out by state boards of accountancy (currently, the provisions permit automatic action only when a state board terminates or suspends a member's CPA license or permit to practice).

The second proposal would establish a new policy for expanded transparency that would allow the PEEC, with approval by the governing Council, to provide for more relevant disclosures about the matters it has investigated, including disclosure of the results of an investigation to a complainant.

By the comment deadline, 9 letters on the proposals had been received. Five of the letters were in favor of both proposals while two were against both. In addition, one letter was against Proposal 1 (automatic sanctioning) but in favor of Proposal 2 (enhanced transparency). Another letter was against Proposal 1 but did not comment on Proposal 2.

One member in favor of both proposals said he was glad to see the AICPA taking a more aggressive approach to the disciplinary problem, while another member suggested the new ethics section of the bylaws be highly publicized to the American public. Of those against both proposals, one member believed no changes to the bylaws will prove that as a profession we are still the same group filled with integrity as we have always been and adopting changes to show action to the press is wrong. Another member believed the changes are too late and the AICPA has compromised its standing in the eyes of many.

*continued on page 3*



## AICPA Foundation Funds Two Television Shows to Increase Youth's Awareness of Accounting, Personal Finance

In an effort to increase the financial literacy of America's youth, the AICPA Foundation created two new children's television shows to be broadcast on PBS YOU, a satellite affiliate of PBS. Working with Cerebellum, the nation's leading producer of educational videos and DVDs for high school and college students, the Foundation provided funding for script writing and filming of two programs: "Pennywise" and "Business Building Blocks." They are aimed at increasing middle and high school students' awareness of personal finance and accounting. For daily listings and your local PBS YOU stations, visit [www.pbs.org/pbsyou/schedules/calendar.html](http://www.pbs.org/pbsyou/schedules/calendar.html).

## VP Representing Small Firms Joins Staff – a New Position

As part of its ongoing efforts to enhance support of small CPA firms, the AICPA created a new vice-president level position. James Metzler, previously a partner of a local firm in Buffalo, N.Y., and a nationally known consultant to small firms, has joined the Institute as Vice President—Small CPA Firm Interests. He reports to Alan Anderson, AICPA Senior Vice President—Member and Public Interests.

In his new role, Metzler will supervise the AICPA's firm practice management initiatives, which include Partnering for CPA Practice Success and the Management of an Accounting Practice Committee. He will serve as an advocate for small firms on legislative matters, act as liaison between the AICPA and its member firms, and help firms deliver high-quality services to clients. Metzler brings to his position three decades of experience as a small-firm prac-

itioner. He also is a member of the AICPA governing Council, a member of the AICPA Member Innovation Advisory Panel and past chair of the AICPA Information Technology Executive Committee. He served on the planning committee for the Institute's 2003 Practitioners Symposium and was named eight years in a row as one of the "100 Most Influential People in Accounting" by *Accounting Today*.

## Help Strengthen AICPA's Voice on Capitol Hill

The accounting profession has always been able to rely on having a strong voice in Washington, D.C., via the AICPA's Effective Legislation Committee, the Institute's political action committee. Personal contributions from AICPA members (versus contributions paid by company checks) are very important to the profession's clout on Capitol Hill. When you pay your AICPA dues this year,

remember to include a **personal** check to the ELC. If you have already paid your dues, contact Lisa Dinackus, ELC Manager, by e-mailing [ldinackus@aicpa.org](mailto:ldinackus@aicpa.org) or calling 202/434-9276 to contribute.

## AICPA Live Webcasts – The Uniform CPA Examination Series

The AICPA is hosting a series of free Webcasts about the computerized Uniform CPA Examination beginning fall 2003. These live, moderated events will feature expert panelists and provide exam information and updates for educators, students, CPA candidates and employers. Topics will vary and focus on test content, education best practices, test administration, registration, and the candidate experience under computer-based testing. Go to the CPA Exam Web site at [www.cpa-exam.org](http://www.cpa-exam.org) for a Webcast schedule and participation instructions.

## Send Us Your E-Mail Address: Receive "AICPA News Update" Each Week, Live Link for CPA Letter Each Month

Members for whom the AICPA has e-mail addresses automatically will receive the weekly "AICPA News Update" on important professional news and developments as well as be sent the live link for each issue of *The CPA Letter* immediately after it's posted online. To provide us your e-mail address or to update it online, log in to our E-Mail Address Update Center. Or, send the information to [mem-sat@aicpa.org](mailto:mem-sat@aicpa.org), indicating "e-mail address update" in the subject header field. Include your full name, and, if known, your membership number on the e-mail message. Be assured the AICPA will not sell your e-mail address to outside third parties.



[www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp)

## CPA Letter Supplements Available

To obtain any of the public accounting, business and industry, government or education member-segment supplements produced this month with *The CPA Letter*, visit:



[www.aicpa.org/pubs/cpaltr/sep2003/index.htm](http://www.aicpa.org/pubs/cpaltr/sep2003/index.htm)

## PUBLIC MEETING NOTICES

**Accounting & Review Services Committee:** Nov. 3–4, Ft. Lauderdale, Fla.  
**Accounting Standards Executive Committee:** Oct. 28–29, New York  
**Auditing Standards Board:** Oct. 28–30, New York

### Other Meetings

**Annual Members' Meeting/Council:** Oct. 20–21, New Orleans  
**Peer Review Board:** Oct. 13, Lake Buena Vista, Fla.

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## PCAOB Registration Deadline Fast Approaching; Auditors of Non-Public Broker-Dealers Get Extension to 2005

Public accounting firms that audit the financial statements of “issuers” are reminded of the Oct. 22 deadline to register with the Public Company Accounting Oversight Board. Since the board can take up to 45 days to review and approve an application, firms should submit their applications by Sept. 7.

However, on Aug. 4 the Securities and Exchange Commission deferred until Jan. 1, 2005, the requirement that auditors of non-public broker-dealers register with the PCAOB (Release No. 34-48281 at [www.sec.gov/rules/other/34-48281.htm](http://www.sec.gov/rules/other/34-48281.htm)). Therefore, privately held broker-dealers could continue to file with the Commission and send their customers financial statements audited by “independent public accounting firms” (which may not be registered with the PCAOB) through that date, or until the Commission decides otherwise.

Registration with the PCAOB also will result in large firm inspections every year and smaller firm inspections every three years. For more information on the PCAOB, visit [www.pcaobus.org](http://www.pcaobus.org).

### Federal Banking Agencies Adopt Rules Concerning Discipline of Auditors

Final rules spelling out the disciplinary actions the four federal banking agencies may impose on independent public accountants and accounting firms that perform audit and attestation services on insured financial institutions with assets greater than \$500 million required under the Federal Deposit Insurance Act were released Aug. 8. The rules, which will take effect Oct. 1, are available at [www.fdic.gov/news/news/press/2003/pr7703.html](http://www.fdic.gov/news/news/press/2003/pr7703.html).

### Two Exposure Drafts of Proposed SOPs Issued

In 2002, the Accounting Standards Executive Committee added to its agenda a project that would specifically address the application of certain provisions of AICPA Audit and Accounting Guide, *Audits of Investment Companies*, to non-registered investment partnerships. Because the guide had principally been directed to registered

investment companies, questions continue to arise in the application of the guide by non-registered investment partnerships. The differences between the two result from significant dissimilarities between the operating structures of non-registered investment partnerships and registered investment companies.

The provisions of the proposed SOP, *Reporting Financial Highlights and Schedule of Investment by Nonregistered Investment Partnerships*, an amendment to the Audit and Accounting Guide, *Audits of Investment Companies*, and SOP 95-2, would be effective for financial statements for fiscal years ending after Dec. 15, 2003, and for interim financial statements issued after initial application. Presentation of previously issued financial highlights on a comparable basis is permitted, but not required. The provisions of the SOP should be applied prospectively from the beginning of the year of adoption.

In another action, an exposure draft of a proposed statement of position, *Financial Highlights of Separate Accounts: An Amendment of the Audit and Accounting Guide Audits of Investment Companies*, provides guidance on reporting financial highlights by separate accounts of insurance enterprises.

A final SOP would be effective for annual financial statements issued for fiscal years ending after Dec. 15, 2003, and for interim financial statements issued after initial application. Presentation of previously issued financial highlights on a comparable basis is permitted, but not required. The provisions of the SOP should be applied prospectively from the beginning of the year of adoption.

Comments on each exposure draft are due Sept. 15. For copies, visit [www.aicpa.org/members/div/acctstd/edo/index.htm](http://www.aicpa.org/members/div/acctstd/edo/index.htm).

### SEC Issues Qs&As on Auditor Independence

The Securities and Exchange Commission has released 35 frequently asked questions about how to apply the auditor independence rules it released in Jan. Access the Qs&As from [www.sec.gov/info/accountants/ocafaqaudind080703.htm](http://www.sec.gov/info/accountants/ocafaqaudind080703.htm).

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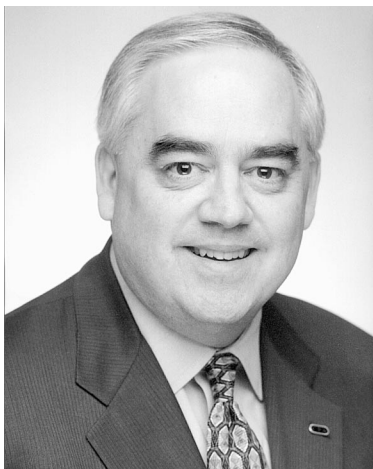
### continued from page 1 — Voting on Ballot Underway

With respect to Proposal 1, one member in favor said the accounting profession has to be truly self-policing if it is to avoid any significant degree of further third-party (governmental) policing and the AICPA must have the authority to efficiently impose meaningful sanctions on members found to have been sanctioned by other agencies or organizations. Of those against this proposal, one member believed the AICPA should not subordinate its judgment to regulators and other organizations because organizations such as the Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board do not have the enforcement of the professional and ethical standards of the accounting profession as their primary missions, and none will

news  
update

look to the best interest of the profession. Another member felt that while automatic discipline might be appropriate most of the time, the AICPA's role as a membership organization is first to its members and, therefore, there should be a certain level of due diligence before agreeing with the facts and circumstances of the other disciplinary body.

With respect to Proposal 2, one member in favor said open and candid proceedings are in the public interest and increasing the transparency of our process will enhance the public perception of the profession, but questioned whether Proposal 2 would achieve that goal. Another member said the general public must have the ability to find out the nature of disciplinary actions directed against AICPA members if the public is to have real confidence in AICPA members.



By William F. Ezzell, CPA  
Chairman, AICPA Board of Directors

The profession and the Institute have been at the center of tremendous change during the past year. We've been under intense scrutiny and sometimes attack. As chairman, I have focused a great deal of energy on listening to the membership and sharing information. I continue to be passionate about our profession and concerned about how the public perceives us. Research has shown that the strength of our reputation has carried us through these rough waters with surprisingly minimal damage. These findings are a tribute to the history of our profession and to our core values.

With the business world adjusting to life in the Sarbanes-Oxley environment, and both corporate leaders and CPA firms adapting to new roles and public expectations, the AICPA remains the champion of not just the value of CPAs, but also of their values.

## chair's corner

How will our passion for the profession translate into action? What actions are we prepared to take to answer the profession's critics and support the hard-working CPAs across this country? These are questions I have heard repeatedly as I have traveled through some thirty-odd states these past 10 months.

Change is in the works. Change for the good. Much of what needs to happen will occur in small increments as requirements within the new regulatory environment become clear. Many familiar areas of the Institute will have new and vigorous roles as the profession moves forward. For example, while the Public Company Accounting Oversight Board concentrates on the corporate sector, the Auditing Standards Board is moving to establish clear and effective standards for private companies. One part of this effort involves reconstituting technical industry expert panels, which focus on accounting and attest matters for CPAs in certain industries. The panels will enable the Institute to offer more effective tools to be used in CPAs' financial reporting and audit roles.

The SEC Practice Section will remain in force as well, committed to working with the new board while continuing to advocate for the profession. Among other initiatives, it is developing a peer review program centered on the kinds of inspections that will be performed by the PCAOB so that firms can meet their licensing and AICPA requirements. The goal is to provide a bridge between the

peer review required by state accountancy boards and the PCAOB inspections. Moreover, the SECPS will continue to speak for the firms it represents by, for example, commenting on various PCAOB rule proposals.

Elsewhere, the AICPA is redoubling efforts to offer opportunities to enhance member competence and maintain the profession's commitment to high-quality performance. The proposed bylaw amendments on ethics are one example. They reinforce our commitment to integrity, objectivity, competence and professionalism, as well as acknowledge the rightful enforcement efforts of other agencies involved in regulating or overseeing the accounting profession.

As you can see, the Institute staff and committees are keeping a strong foothold in areas of critical importance in the changing environment. Our goals, as always, are to protect the public interest and to enhance our members' professionalism. Our efforts are constantly evolving to reflect the profession's emerging needs.

The changes that confronted us a year ago impacted many, many different facets of the profession and the way we work. Digesting all the significant changes and filtering them through the system and profession takes time, but I can assure you we are working diligently to realign ourselves and the Institute for a new era in the accounting profession.



[wezell@deloitte.com](mailto:wezell@deloitte.com)

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

- **Robert A. Balogh** of Denver, suspended from membership in the AICPA and the Colorado State CPA Society for two years, effective July 7, 2003.
- **Craig R. Clark** of Rolling Hills, Calif., expelled from membership in the AICPA and the Texas Society of CPAs, effective July 11, 2003.
- **Katrina J. Krug** of Bel Air, Md., expelled from membership in the AICPA and the Maryland Association of CPAs, effective May 22, 2003.
- **Donald C. Yount Jr.** of Allentown, Pa., expelled from member-

ship in the AICPA and the North Carolina Association of CPAs, effective June 16, 2003.

## disciplinary actions

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

—Terminated:

- **Henry S. Clark** of Williamsburg, Va., effective June 27, 2003.
- **Hamid S. Hasheminejad** of Roanoke, Va., effective June 27, 2003.
- **Michael W. Holden** of Fishkill, N.Y., effective July 16, 2003.
- **Robert E. Levine** of Brooklyn, N.Y., effective July 16, 2003.
- **George K. Moore Jr.** of Charlotte, N.C., effective June 27, 2003.

*continued on page 7*



## Federal Banking Regulators Award \$39 Million XBRL Implementation Contract to Modernize Bank Reporting System, Improve Efficiencies

The Federal Deposit Insurance Corp., Office of the Comptroller of the Currency and Federal Reserve Board have jointly announced a \$39 million contract they awarded to Unisys Corp. and a number of XBRL-U.S. members (PricewaterhouseCoopers, Microsoft, EDGAR Online, UBMatrix) to overhaul the system that regulators use to collect, process and distribute bank Call Report data. Modernization of the reporting system, which will include implementation of XBRL (eXtensible Business Reporting Language), will improve the timeliness, accuracy and efficiency of the information exchange process. XBRL was founded by the AICPA, and the XBRL-International organization is currently hosted by the AICPA.

The contract is by far the biggest step forward for XBRL in the U.S. and is anticipated to lead not only to wider acceptance of XBRL by the business community, but also broad adoption within the government, regulatory and banking sectors as a

technology to enable a move towards online, real-time reporting.

Federal banking regulators have promised that the XBRL implementation — which will not be fully in effect until at least Sept. 2004 — will lighten the workload at the nation's 9,000 banks, make Call Reports

more accurate and help the agencies issue vital information more quickly, all in their efforts to promote the “safety and soundness” of the nation's banking system.

For more information about XBRL, visit [www.xbrl.org](http://www.xbrl.org) or contact Jeff Nauman at [jnaumann@aicpa.org](mailto:jnaumann@aicpa.org).

### Survey Shows Growing Use of XBRL in Software

A recent XBRL Software Vendor Survey shows two-thirds of accounting software vendors have either already XBRL-enabled at least one of their accounting software packages or will do so by Dec. 2004. These software vendors include Oracle, Microsoft, Hyperion, SAP, PeopleSoft, ACCPAC, JD Edwards and Cartesis. Conducted on behalf of XBRL-US by the AICPA, the survey indicates that vendors believe the demand for XBRL functionality within accounting software is on the rise.

The survey goes on to show that accounting software vendors have initially focused development efforts on products that output/export XBRL-formatted data — XBRL import functions will come later. Fourteen of the 21 vendors surveyed indicated that their applications will initially include an XBRL export function (this is a natural evolution of the acceptance of XBRL in the marketplace). As market demand progresses and organizations begin to automate many of their business reporting processes, applications that can efficiently and accurately import and consume XBRL-tagged information will be developed.

For more information about the survey results, visit [www.xbrl.org](http://www.xbrl.org).

## New Report Presents International Perspective on Strengthening Financial Reporting Process

“Rebuilding Public Confidence in Financial Reporting: An International Perspective,” a report from an independent task force commissioned by the International Federation of Accountants, includes recommendations for strengthening corporate governance, improving audit effectiveness, and raising the standard of regulation of issuers. It also presents an international perspective on the challenges facing not only the accounting profession, but also those involved in regulating a profession that has such a significant involvement in capital markets worldwide.

The report was developed by a task force chaired by John Crow, former Governor of the Bank of Canada. It included indi-

viduals with backgrounds in commercial banking, international economics, academia and law, as well as accounting and auditing. (Olivia Kirtley, a former chair of the AICPA and current chairperson of the AICPA Board of Examiners, also served on the task force.) Six countries (Australia, Canada, France, Japan, the United Kingdom, and the United States) were represented.

The full report and a complete list of recommendations can be accessed online. A database of relevant articles and speeches may also be accessed through this Web site.



[www.ifac.org/credibility](http://www.ifac.org/credibility)

## AICPA Career Center Working with Catalyst to Focus on Women Professionals in Business

The AICPA Career Center has recently partnered with Catalyst, the leading research and advisory organization working to advance women in business, in order to bring a strong focus to the career development needs of professional women. Catalyst conducts research on all aspects of women's career advancement and helps companies develop effective diversity strategies for more inclusive work environments. Catalyst will work with the AICPA Career Center to create tips and action steps to help companies recruit, retain

and advance top financial talent in addition to providing professional women with tools to reach their full potential.

The AICPA, CPA2Biz and Catalyst will add resources within the AICPA Career Center that will help the companies and women professionals. In addition, Catalyst will be authoring a column in the AICPA's *CPA Career Insider* newsletter specifically focusing on issues important to women professionals in business. Visit the AICPA Career Center at [www.cpa2biz.com/careers](http://www.cpa2biz.com/careers).



**Corporate Ethics for Financial Managers: Navigating with Case Studies and Practical Solutions** (No. 029880CPA09) is designed to provide a series of nine case studies that illustrate real-world ethical dilemmas and application of values consistent with the high standards of the profession. The case studies are drawn, in most instances, from facts reported in actual court cases and disciplinary proceedings involving financial managers and accountants; put the CPA in the central decision making role using “You Are the CFO” and “You Are the Audit Partner” hypotheticals; include analyses that consider various outcomes and a discussion of the courses of action; and reference the implementation and design of ethics training strategies and programs found in the appendices. In addition, the cases require

now  
available

you to analyze the fact scenarios and determine how to apply accounting pronouncements and policy statements covering many of today’s most important accounting and audit issues. Price: \$49 member/\$61.25 non-member.

**Financial Reporting Fraud: A Practical Guide to Detection and Internal Control** (No. 029879CPA09)

addresses the fraud issue through illustrations and examples of fraud concepts in addition to referencing research findings and authoritative literature. This new guide covers financial reporting fraud in three parts: the problem; the fraud battle and the CPA’s fraud battle. It also shows the CPA, CFO, and CEO how to implement Sarbanes-Oxley provisions that will improve communication among senior management, outside audi-

tors and corporate boards. Included is a checklist to help evaluate potential Critical Accounting Policies and related accounting estimates to see if matters need to be brought to the attention of senior management or the board. Price: \$49 member/\$61.25 non-member.

**Bill What You’re Worth** (No. 090479CPA09) — Issued by the PCPS Management of an Accounting Practice Committee. Pricing your services and billing for them is one of the most important skills in the successful practice of accountancy. This new 200-page guide takes you through pricing methods, pricing methodologies, and teaches you how to discuss pricing with clients and how to motivate employees to bill what they’re worth. Price: \$43 member/\$53.75 non-member.

To purchase any of these products, see order information below.

**Revenue Recognition: Guidance, Implementation, and Fraud Concerns** (No. 181200CPA09) provides guidance in identifying the differences between aggressive accounting and financial fraud and the point at which aggressive accounting practices become fraudulent. Prerequisite: Basic knowledge of accounting principles related to revenue recognition. Recommended CPE credit: 6; Level: Intermediate; Format: 100-min VHS tape/manual. Price: \$128 member/\$160 non-member.



**Nonprofit Auditing and Accounting Update, 2003–2004 Edition** (Text No. 732068CPA09; Videocourse No. 182067CPA09). Gain a complete understanding of changes in the nonprofit environment with this new edition. Prerequisite: Knowledge of nonprofit auditing and accounting; Recommended CPE credit: Text—8, Videocourse—9; Level: Update; Format: Text or 120-min VHS tape/manual. Price: Text—\$135 member/\$168.75 non-member, Video—\$178 member/\$222.50 non-member.

**International Versus U.S. Accounting: What in the World Is the Difference?** (No. 731660CPA09). Major differences and similarities between IAS and U.S. GAAP are explored along with the impact on the financial and reporting process. Prerequisite: Experience in financial reporting; Recommended CPE credit: 5; Level: Intermediate. Price: \$99 member/\$123.75 non-member.

**Nuts and Bolts of LLC and Partnership Taxation** (No. 731670CPA09). Recognize the provisions necessary in an LLC or partnership agreement to sustain special allocations of income or loss. Prerequisite: Completion of *Taxation of LLCs, LLPs, LPs and Other Partnerships* or equivalent knowledge and experience. Recommended CPE credit: 8; Level: Intermediate; Format: Text. Price: \$119 member/\$148.75 non-member.

**Governmental Accounting and Auditing Update, 2003–2004 Edition** (Text No. 736472CPA09; Videocourse No. 186476CPA09). Update your skills and provide better services with this cutting-edge course. Prerequisite: Knowledge of government auditing and accounting; Recommended CPE credit: Text—8, Videocourse—9; Level: Update; Format: Text or 120-min VHS tape/manual. Price: Text—\$135 member/\$168.75 non-member, Video—\$178 member/\$222.50 non-member.

**Advanced Planning for LLC and Partnership Transactions** (No. 731530CPA09). Plan now to protect your LLC and partnership clients from potential tax traps. Prerequisite: Completion of *Nuts and Bolts of LLC and Partnership Taxation* or equivalent knowledge and experience. Recommended CPE credit: 8; Level: Advanced; Format: Text. Price: \$119 member/\$148.75 non-member.

**To order, write:** AICPA Member Satisfaction, CPA09, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303–2209; fax 800/362–5066; call 888/777–7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com/store](http://www.cpa2biz.com/store); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**

## CPE Seminars

Stay current with the latest information on critical topics facing today's professional. In addition to the fall favorites listed below, visit [www.aicpa.org/promotions/courses/courseslist.asp](http://www.aicpa.org/promotions/courses/courseslist.asp) for a complete listing of many other popular seminars offered nationwide. Remember to ask for your \$30 AICPA member discount at participating societies.

**Cash and Tax Basis Financial Statements—Preparation and Reporting (CTB)**—Learn presentation and disclosure for tax, cash and modified cash basis; the effects of OCBOA on audit, review and compilation procedures; and financial reporting and the differences between GAAP and the tax accrual and cash accounting methods.

**Advanced Update for Compilation and Review Engagements (RPCR)**—Through the use of extensive case studies, learn to improve engagement administration and quality assurance. Apply SSARS No. 8 to the preparation of compilations for management use. Accounting and reporting for OCBOA financial statements is also covered.

## Sidney Kess Receives AICPA Special Recognition Award

Sidney Kess, an accounting lecturer and former partner at KPMG, has received the AICPA's 2003 Special Recognition Award for his work in continuing professional education. The award is given to a member of the Institute who has performed or contributed to the success of a particular project or initiative that benefits the profession.

"CPAs are better practitioners and serve the public more competently because of Sid's contributions to the profession," said S. Scott Voynich, AICPA Vice Chairman, who presented the award. "At one time, one out of every four CPAs who attended an AICPA continuing education course attended a program that Sid personally taught. One out of three CPAs used a course that Sid authored."

Throughout his 40 years in the profession, Kess has lectured on tax, financial planning and estate planning to more than 700,000 CPAs and lay people. He is the author or co-author of 25 books on a variety of tax-related topics; several of his books have gone into as many as 30 editions. Kess has also edited several professional newsletters and developed a series of CPE video courses for the AICPA. He created and moderates the annual AICPA Conference on Tax Strategies for the High-Income Individual, serves on three editorial boards, and is a member of the National Board of Advisors for the New York University Law School Graduate Tax Program.

### continued from page 4 — Disciplinary Actions

#### —Suspended:

- [Edward M. Considine](#) of Cheshire, Conn., effective July 16, 2003.

#### —Admonished:

- [Allan J. Amer](#) of New York City, effective July 17, 2003.
- [Paul J. Koutek](#) of La Grange, Ill., effective July 11, 2003.

As a result of acceptance of a guilty plea by the Joint Trial Board, in lieu of a hearing, the following member has had his AICPA membership *terminated*:

- [Joseph J. Casuccio Jr.](#) of Hauppauge, N.Y., effective June 12, 2003.

—Following a denial by an ad hoc committee of the Joint Trial Board of a request for review of the decision of the original trial board, the following member has had his AICPA membership *terminated*:

- [Jay M. Gerber](#) of Farmington Hills, Mich., effective June 11, 2003.

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

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

- [Lawrence Kalkstein](#) of Montrose, N.Y., effective May 5, 2003.

—*Suspended* following suspension of his CPA license by his state board of accountancy:

- [Randall D. Martin](#) of Maple Valley, Wash., effective June 20, 2003.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## Firms Terminated from Peer Review Program

Effective Jan. 13, 2003, these firms were terminated from the AICPA peer review program for failure to cooperate with the AICPA Peer Review Board. Hearing panels deemed that the following firm(s):

- Did not complete the corrective or monitoring actions required as a condition of acceptance of the firms' most recent peer reviews: James R. Miller, CPA, Scottsdale, Ariz.; Krishnan Twum & Company, Atlanta; Bruce D. Fowle, CPA, Bangor, Maine; Duffy & Fluharty, Germantown, Md.; Edward R. Szwyd, CPA, Housatonic, Mass.; Frank Malara, CPA, Cross River, N.Y.; Boris Schor, CPA, New York, N.Y.; Timothy Lee Smith, Jacksonville, Tex.
- Did not submit the overdue documents on its most recent peer review: Debra Mason Wyatt White, CPA, Navasota, Tex.
- Did not submit a copy of the revised report, letter of comments and letter of response on its most recent peer review: Passariello & Staiano, Fort Lauderdale, Fla.

## Happenings at July Board of Directors' Meeting

Here are some of the more significant actions and events that took place at the AICPA Board of Directors' meeting July 10–11:

- The Task Force on the Role and Responsibilities of Council briefed the board on its recommendations, and received feedback from board members. Among other aspects, the recommendations, which will be presented to the governing Council at its meeting next month, covered the role and responsibilities of Council members; the nomination and election process; the orientation and preparation of new Council members; Council meetings, format and protocols; improved communication initiatives; Council member terms; and Council's relationship with the board of directors.
- A great deal of the meeting was devoted to strategic planning. Board members talked about the environmental issues and their effects on the major functions of the Institute. They also reflected on opportunities to enhance services to members and how to best advance the CPA profession. In essence, in terms of public companies, the Institute's role now is to provide resources, thought leadership and advocacy for members.

Regarding non-public companies, the Institute will focus on enhancing services and developing meaningful guidance, pursuing self-regulation and advocacy. In addition, should there become a need for two sets of audit standards – one for public companies and one for private entities – the AICPA would develop and enforce standards for the non-public arena.

- Regarding ethics issues, board members were updated on the ballot proposing bylaw changes (see page 1).
- Updates were provided on the Uniform CPA Exam's conversion to a computer-based test starting Apr. 2004, development of a grassroots image enhancement campaign, initiatives to help improve ERISA plan audit performance, progress on an enhanced business reporting model, and continued enhancements of services to smaller firm members.
- The board also was briefed on the National Accreditation Commission's efforts to investigate strategies to enhance the Institute's Accredited in Business Valuation, Certified Information Technology Professional and Personal Financial Specialist credentials.

*The CPA Letter Celebrates  
Its 30<sup>th</sup> Year This Month*

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# The CPA Letter

October 2003 Vol. 83 No. 8  
A News Report to Members

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Member Referendum Under Way — Deadline for Return of Ballots Approaching

A mail ballot is under way to amend the AICPA bylaws in order to implement proposals to enhance the AICPA's ethics enforcement process. For more information on the member vote and proposals, see articles in the [June](#), [July/Aug.](#) and [Sept.](#) issues of *The CPA Letter* and the [Aug.](#) issue of the *Journal of Accountancy*.

Ballot packages were mailed to members in Aug. Members who have not received their ballot packets may call 888/637-3277 to receive a replacement packet or they may go to [www.aicpa.org/enforcement](http://www.aicpa.org/enforcement) to download the ballot, cover letter and referendum booklet. That Web page also contains additional information about the proposals. **If you choose to download the ballot material, you must follow the instructions on the Web site (including inserting your membership number and signing the ballot).** Using the applicable mailing instructions, mail the ballot to the independent tabulator.

Members are reminded that all ballots must be returned to the independent tabulator, IVS Associates, by **mail**; no other method will be accepted. The tabulator must **receive** your ballot by close of business (ET) Oct. 18, 2003, in order for the ballot to be counted.

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This issue of *The CPA Letter* is available exclusively in electronic format. The Nov. issue will be published both online and in print.

## Gallup Poll Shows Profession's Image Recovering Strongly

A poll taken by the Gallup Organization in Aug. revealed that the accounting profession's image has improved significantly since the prior Aug. In fact, our profession had the greatest percentage point increase — 14% — among the American businesses and industries included in the poll.

In Aug. 2002, the profession had a positive rating of 31% and now has a positive rating of 45% — just two percentage points below the 47% we garnered in the 2001 Gallup poll taken prior to the collapse of Enron and other

corporate scandals. Moreover, our negative ratings went down from 31% in 2002 to 14% this year (they were at 8% in 2001).

Keeping the momentum going will be a new, grassroots effort to reintroduce the profession to the public. The AICPA together with the state CPA societies will tap the strength of individual CPAs to help communicate a message of pride and value about the profession. Stay tuned to future issues of *The CPA Letter* for plans and details on this high-priority initiative.

## New Image Enhancement Radio Ads Produced by AICPA

Two new 60-second radio ads promoting CPAs' objective insights and trustworthy advice have been produced by the AICPA and are now being placed locally by state CPA societies. Developed collaboratively by the states and the AICPA, the ads continue the theme of "America Counts on CPAs," the successful message incorporated in a prior print ad campaign (*The CPA Letter*, June).

In one ad, titled "My CPA," several people say how their individual CPA helped them achieve their personal or business financial goals, from deciphering tax regulations to a

CPA controller running a business more profitably. "When I Grow Up" is the message of the other ad, in which three children say that they want to help people when they grow up and what they want to become as a result (teacher, doctor and CPA). The ad states that CPAs help all kinds of people keep their business and personal financial affairs on track.

Both ads end with, "Every day, CPAs help millions of Americans with objective insights and trustworthy advice. America Counts on CPAs." The AICPA and state society are named as the sponsors of the ad.



## John L. Carey Scholarship Winners Chosen

The John L. Carey Scholarship program provides financial assistance to liberal arts degree holders pursuing graduate studies in accounting. The program provides these scholarships to encourage liberal arts undergraduates to consider professional accounting careers. Selection is based on outstanding academic achievement, leadership and future career interests. Recipients receive \$5,000 for one year. The scholarship is renewable for an additional year of study, provided satisfactory scholastic progress is maintained.

The recipients for academic year 2003–2004 are Brian Gomolski (University of Texas, Austin, Tex.), David Kim (Duke University, N.C.), Graeme Rein (Princeton University, N.J.), Nina Suryoutomo (Boston College, Mass.), Joy Tegtmeier (Principia College, Ill.), Ryan Willingham (Duke University, N.C.), and Stacey Wollenberg (University of Puget Sound, Wash.). For more information, visit [www.aicpa.org/members/div/career/mini/jlcs.htm](http://www.aicpa.org/members/div/career/mini/jlcs.htm).

## AICPA/Accountemps Award Scholarships

The AICPA and Accountemps recently announced the recipients of the 2003–2004 AICPA/Accountemps Student Scholarship. Molly Garvin, University of Texas, and Jeffrey Koga, University of Wisconsin-Oshkosh, each received \$2,500 to support their education. Douglas Reese, Northern Illinois University, was awarded \$1,000 toward his tuition.

Applicants for the scholarship must be AICPA student affiliate members currently majoring in accounting, finance or information systems in full-time undergraduate or graduate programs. They also must have completed the equivalent of at least 30 semester hours and have achieved a minimum 3.0 grade point average. Applications

for 2004–2005 scholarships will be available on [www.aicpa.org](http://www.aicpa.org) later this fall.



## AICPA Appoints Federal Accounting Standards Review Panel

The AICPA recently appointed a panel to review the Federal Accounting Standards Advisory Board's continuing authority to set generally accepted accounting principles for the federal government under Rule 203 of the AICPA Code of Conduct. The panel will assist the AICPA Board of Directors and Council by providing its recommendations on the continued recognition of the FASAB in accordance with an Oct. 1999 Council resolution on the initial recognition of FASAB under Rule 203.

## Business and Promotional Merchandise in Accessories Collection Proudly Sport "CPA" Logo

Tens of thousands of members visibly display the "CPA" logo on their business cards, letterhead, promotional literature, signage, and even on lapel pins. In addition, many members use business gifts and giveaway merchandise which also tastefully feature the "CPA" logo. The items available traditionally have included heavy-weight sweatshirts and travel mugs. New items recently added to the collection include a sports clip-on watch and a magnetic ball marker golfers will appreciate, both of which carry the "CPA" logo.

To purchase these or other logo products, use the CPA Accessories Collection order form that appears on [page 6](#) of this newsletter (the form may be photocopied). Be advised that the distribution company does not have copies of the order form. You may also obtain the form through:



[www.biggameamerica.com/cpa.html](http://www.biggameamerica.com/cpa.html)

## How to Request Copyright Permission from the AICPA

Individuals who wish to reproduce content from any AICPA publication (or Web site) must first obtain copyright permission from the Institute. To request permission, display our Web site homepage at [www.aicpa.org](http://www.aicpa.org); click on the "privacy policies and copyright information" hyperlink at the bottom of the page. Next, click on the resulting copyright menu link to "Copyright Permission Request Form," fill in all relevant sections of the form online, and click on the "Submit" button at the bottom of the page.

You should receive a written AICPA agreement in the mail approximately one week later. In most cases, a modest fee will be charged for requested reproduction privileges. Our fee schedule is also available on our Web site for your information (click on the copyright menu link to "Copyright Permission Fee Schedule").



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

## CPA Letter Supplements Available

To obtain the public accounting, business and industry, or government member-segment supplements produced this month with *The CPA Letter*, visit:



[www.aicpa.org/pubs/cpaltr/oct2003/index.htm](http://www.aicpa.org/pubs/cpaltr/oct2003/index.htm)

## PUBLIC MEETING NOTICES

**Accounting & Review Services Committee:** Nov. 3–4, Ft. Lauderdale, Fla.  
**Accounting Standards Executive Committee:** Oct. 28–29, New York  
**Auditing Standards Board:** Oct. 28–30, New York

### Other Meetings

**Annual Members' Meeting/Council:** Oct. 20–21, New Orleans

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## Professional Ethics Executive Committee Revises Independence Rules on Nonattest Services

Independence rules that apply to members who provide nonattest services to attest clients were recently revised by the Professional Ethics Executive Committee. The revised rules underscore the committee's longstanding position prohibiting members from performing management functions or making management decisions on behalf of their attest clients. Some of the existing rules were clarified and others were significantly tightened, adding two new general provisions: one requires a member to document his or her understanding of certain aspects of the engagement prior to performing nonattest services, and the other requires compliance with more restrictive nonattest services independence rules of other regulatory bodies to which the client is subject.

The revised rules reinforce and clarify the general requirements that must be met for a member to maintain independence when the member (or his or her firm) also provides nonattest services to an attest client. As mentioned, the member cannot perform management functions or make management decisions for the client. Accordingly, the member must be satisfied — prior to beginning the nonattest services engagement — that the client is both willing and able to perform all management functions related to the engagement. Specifically, the client must:

- Assign a competent individual to be responsible for overseeing the services.

- Set the scope of the services.
- Evaluate and accept responsibility for the results of the services.
- Establish and maintain internal controls over the services.

Having assessed the client's willingness and ability to perform these duties, the member must also document his or her understanding with the client, a new requirement under the rules. Such documentation must include a description of the services, the engagement objectives, any limitations of the engagement, the member's responsibilities, and the client's agreement to accept its responsibilities.

Members also now will be required to comply with more restrictive nonattest services independence rules of other authoritative regulatory bodies (e.g., state boards of accountancy and the Securities and Exchange Commission) — in addition to AICPA rules — where applicable.

### Valuation, Appraisal, Actuarial Services

More restrictive rules were adopted for certain valuation, appraisal and actuarial services in that members may not perform any such service if the results of the service will be material to the client's financial statements **and** the service is subject to a significant amount of subjectivity. The rules specifically permit actuarial services related to a client's pension benefit (and similar) liabilities because they do

not involve a significant amount of subjectivity and valuation. Members providing services that are permitted under this new provision must meet all other rule requirements.

### Information Technology-Related Services

The committee also tightened rules for some types of information technology-related services. For example, a member may not create or change the source code underlying a client's financial reporting system (i.e., "design" the client's system). While members may not design a client's financial information system, they may install prepackaged software for clients and help format it for their use. The new rules also prohibit a member from operating a client's local area network system as this is considered to be a management function.

### Effective Date and Transition Period

The revised rules go into effect Dec. 31, 2003. However, a transitional provision allows members to complete agreements to perform services subject to more restrictive AICPA rules under the pre-existing rules. To apply the transition rule, the member's engagement had to be in existence on Dec. 31, 2003, in compliance with the pre-existing rules, and be completed by Dec. 31, 2004. Revised rules are available from [www.aicpa.org/download/ethics/interp\\_revisions\\_jun03.pdf](http://www.aicpa.org/download/ethics/interp_revisions_jun03.pdf).

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

—*Terminated* following revocation of their CPA certificate, license and/or permit to practice by their state boards of accountancy:

- [Scott K. Barton](#) of Houston, effective July 11, 2003.
- [Ronald J. Epling](#) of Florence, Ky., effective July 22, 2003.
- [Alan P. Hague](#) of Phoenix, effective July 11, 2003.
- [Steven Szer](#) of Fort Mill, S.C., effective July 11, 2003.



Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

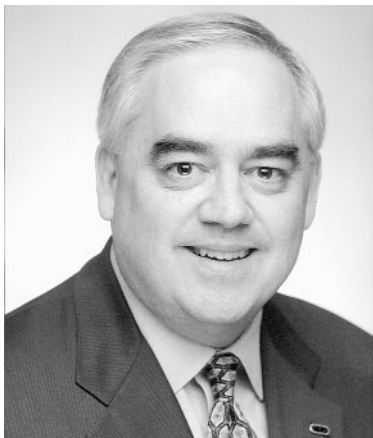
### IRS Devotes Sept. Tax Talk Today Program to New Professional Responsibilities Office

The Internal Revenue Service devoted its Sept. 9 *Tax Talk Today* program to a discussion about its new Professional Responsibilities Office, including the significance of Circular 230 procedures to tax practice. The PRO is now responsible for disciplinary authority over CPAs and others practicing before the IRS.

IRS Deputy Director for the Office of Professional Responsibility and representatives of national practitioner organizations, including the AICPA, were among the guests. The broadcast was archived (as well as put on VHS) and is available until next Sept. CPE may be available; check the program's Web site:



[www.taxtalktoday.tv](http://www.taxtalktoday.tv)



By William F. Ezzell, CPA  
Chairman, AICPA Board of Directors

## Chair's Corner

This column is my last opportunity to share a few thoughts from the “Chair’s Corner.” In many respects, this year seems to have gone by in the blink of an eye. At the beginning of the year I said I would dedicate myself to restoration of the credibility of our great profession and to deal positively with the changing landscape. I felt it was particularly important to be visible and accessible to the membership this year so that we could share information on the many developments taking place. More importantly, we needed to listen to the views and concerns of our members. I had the opportunity to participate in many state CPA society and other functions and gained a wealth of input from members representing all segments of the profession. It has been a truly rewarding and enlightening experience.

As this year draws to a close, my sense is that there indeed has been a positive shift in attitude both within the profession and by the various other constituencies that rely on the profession to perform its important role in the capital markets and in the overall business community. We have reported to

you the recent data on perceptions by business decision makers and investors about the profession (*The CPA Letter*, June). While indicating that we still have much work to do, there was also a clear signal that there is trust in the integrity, competence and objectivity of the individual CPA with whom the public comes in contact each day. This trend was further supported by data from a recent Gallup poll on the public’s attitudes regarding many professions (see page 1).

Together, state societies and their leadership, committee volunteers, our governing Council and board of directors, and dedicated Institute staff all have worked hard this year to meet the challenges and truly make a difference. I believe the results of these efforts are clearly having an impact. We continue to maintain active dialogue with the PCAOB, SEC, GAO, DOL, banking regulators and the state boards of accountancy on a host of issues as we all adapt to change. As we move forward with new initiatives brought about by the legislative and regulatory changes, we are increasingly mindful of the need to craft real-world solutions that do not automatically inhibit the ability of smaller firms to meet the needs for service to their non-public company clients. The AICPA has been and will continue to be a catalyst for meaningful reform that meets the needs of the publics we serve.

As a result of all that has transpired this year, there is one thing of which I am convinced. No advertisement. No speech. No paper or other document. No wave of a wand will restore whatever degree of credibility has been lost by this profession from the accusations of failed audits. We will rebuild that credibility the way we earned it in the first place: Each day and every day, doing things right and doing the right things.

We have our future in our hands; I am sure that together we are up to the challenge.

I want to thank our highly talented and dedicated staff. They have been a tremendous source of support this year and always ready to help. Each year that I have served on the board of directors I have been struck by the amount of time and energy that the members put into their service. This year was no exception. No matter how difficult the issues or how long the debate, they worked together to reach a thoughtful response, keeping in mind the needs of the majority of our members in all segments of employment.

I am also grateful for Barry Melancon’s leadership this year. He has been tireless in his dedication and support for the profession. As the CEO of an organization representing 340,000 members with thousands of different perspectives, many difficult challenges were laid at his doorstep. He worked passionately for best-case solutions that would protect the public interest as well as reputation and livelihoods of the fine men and women of this profession. Some questions tossed at him should have been directed elsewhere, but as representative of the profession, he took on each and every one of them. And he did so with dignity and an unwavering commitment to the CPA profession. Thank you, Barry, for your loyalty to this profession and organization.

Most of all, thank you, the members. Thank you for keeping your faith in the profession and continuing to serve the public and your clients with integrity and professionalism during these trying times. Lastly, thank you for allowing me the honor and privilege to serve as chairman this year. It has been quite a trip!



[wezzell@deloitte.com](mailto:wezzell@deloitte.com)

## Free Interactive Webcast from AICPA: “Arresting Financial Fraud: The Inside Story from the FBI”

On Nov. 6, the AICPA and senior members of management of the Federal Bureau of Investigation will join forces and present a free, interactive Webcast about preventing and detecting corporate financial fraud. The live Webcast (1:00 p.m. to 3:00 p.m., ET) will qualify for 2 CPE credits, and is highly recommended for all CPAs regardless of area of employment (the CD-ROM archive of the program will not offer CPE credits).

This unique program will discuss “lessons learned” from real-life cases pursued by the FBI. It also will discuss the FBI’s “Fraud Radar,” where it’s currently focused and areas of future concern.

Participants can e-mail questions directly to the presenters during the program and as many of the questions as possible will be addressed on the air.

To register, visit <http://www.cpa2biz.com/webcasts> and look for the Nov. 6 program titled “Arresting Financial Fraud: The Inside Story from the FBI.” Organizations are encouraged to create one group registration, rather than creating multiple individual registrations, and make the event a “group affair” to facilitate identifying how the information in the Webcast could impact your organization.



## AICPA... Where to Turn

Address and employment information can be changed online through [www.cpa2biz.com](http://www.cpa2biz.com) ("Member Services" tab, then link for paying dues). Or, members can e-mail, mail or fax the information to Member Satisfaction in New Jersey. In either case, *The CPA Letter* and *Journal of Accountancy* will automatically be updated. Members also can provide or update their e-mail addresses online; visit [www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp).

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PCPS/The Alliance for CPA Firms	800/CPA-FIRM
SEC Practice Section	201/521-5579
Examinations (Uniform CPA Exam)	800/CPA-EXAM
Federal Government (non-tax regulatory matters)	202/434-9253
Federal Legislation (non-tax congressional matters)	202/434-9205
General Counsel	212/596-6245
Government Member Inquiries	212/596-6034
Industry Member Programs, Management	
Accounting	212/596-6157
Information Technology Member Section	<a href="mailto:infotech@aicpa.org">infotech@aicpa.org</a>
International Technical Services	212/596-6197
Joint Trial Board (disciplinary actions)	212/596-6101

<i>Journal of Accountancy</i> (editorial)	201/938-3292
Library (University of Mississippi)	866/806-2133
E-mail	<a href="mailto:aicpalib@olemiss.edu">aicpalib@olemiss.edu</a>
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Meetings and Travel	201/938-3232
Member Satisfaction Center (until 8:00 p.m., ET)	888/777-7077
Fax number	800/362-5066
E-mail	<a href="mailto:memsat@aicpa.org">memsat@aicpa.org</a>
Voice mail box for comments	888/999-9252
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Peer Review	201/938-3030
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PFP member section	<a href="mailto:pfp@aicpa.org">pfp@aicpa.org</a>
<i>Practicing CPA, The</i> (editorial)	201/938-3502
Professional Ethics, Ethics Hotline	888/777-7077
Public Relations and Communications	212/596-6106
State Legislation	202/434-9201
State Society Relations	202/434-9257
<i>Tax Adviser, The</i> (editorial)	201/938-3444
Tax Services Member Section	202/434-9270
Technical Information Hotline	<a href="mailto:aahotline@aicpa.org">aahotline@aicpa.org</a>
(auditing and accounting practice inquiries)	888/777-7077
Work-Life and Women's Initiatives	212/596-6226

(Clip for reference)

### Elite Values Programs ([www.cpa2biz.com/elite](http://www.cpa2biz.com/elite))

<b>Insurance Programs</b>	
Catastrophe Major Medical	888/294-0028
Commercial Property & Liability	866/283-7127
Disability	800/223-7473
Group	800/223-7473
Group Variable Universal Life	800/223-7473
Life (Member/Spouse)	800/223-7473
Long-Term Care	800/223-7473
Personal Liability Umbrella	800/223-7473
Medicare Supplement Plan	800/957-3195
Automobile	877/999-3626
Home	866/366-4607
Professional Liability, CPA EmployerGard	800/221-3023
<b>Retirement Programs</b>	
Nationwide Financial	888/401K-CPA
T. Rowe Price (IRAs)	800/38-AICPA
Car Rental (Hertz, CDP #12353)	800/654-2200
Computers (Dell Corporation)	800/945-8364
(IBM)	800/426-7235, ext. 5245
Credit Card (First USA Bank)	866/CPA-VISA
Credit Card Processing (Paymentech)	800/824-4313
Home Mortgages and Equity Loans (Wells Fargo)	800/272-1210
Hotels (Starwood Hotels & Resorts Worldwide)	888/625-4988
Long-Distance Telephone (Sprint)	800/953-4214
Office Supplies (Staples)	<a href="http://www.staples.com/AICPA2">www.staples.com/AICPA2</a>
Overnight Delivery (Airborne Express)	800/MEMBERS
Professional Placement (Robert Half)	888/744-4089
Tax Research Material (RIA Group)	800/431-9025, ext. 1
Xerox Corporation (#0706109)	800/275-9376, ext. 272

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#### New Jersey

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Jersey City, NJ 07311-3881

#### Washington, D.C.

1455 Pennsylvania Avenue, NW  
Washington, DC 20004-1081

#### AICPA/PDI, Texas

1720 Lake Pointe Drive  
Suite 117  
Lewisville, TX 75057







**Extra Strength GASB No. 34** (No. 731760CPA10). This new CPE self-study course takes a case-study approach in showing how to apply common sense solutions to the more difficult aspects of GASB No. 34. Prerequisite: Completion of the AICPA course *GASB No. 34 Implementation: From Here to There* or equivalent knowledge. Recommended CPE Credit: 5; Level: Advanced; Format: Text. Price: \$99 member/\$123.75 non-member.

**Auditing Nonprofits: Tips and Traps** (No. 731520CPA10). Recognize key accounting and reporting issues that make nonprofit clients different from other entities and adjust the audit for them. Prerequisite: General audit experience and knowledge of nonprofit accounting; Recommended CPE Credit: 7; Level: Intermediate; Format: Text. Price: \$119 member/\$148.75 non-member.

**AICPA's Federal Tax Update, by Biebl and Ranweiler, 2003-2004 Edition** (No. 731132CPA10). Effectively and confidently complete tax planning and compliance engagements with guidance from two of the

nation's leading tax authorities. Coverage of current developments includes analysis of the 2003 Tax Act. Prerequisite: Familiarity with federal tax issues for various entities;

Recommended CPE Credit: 8; Level: Update; Format: Text. Price: \$119 member/\$148.75 non-member.

**Corporate Income Tax Returns Workshop, by Kess, Biebl and Ranweiler, 2003** (No. 735197CPA10). A

unique perspective on the latest tax changes, including the 2003 Tax Act. Prerequisite: Basic knowledge of corporate taxation; Recommended CPE Credit: 8; Level: Update; Format: Text. Price: \$119 member/\$148.75 non-member.

**Individual Income Tax Returns Workshop, by Kess, Biebl and Ranweiler, 2003** (No. 735196CPA10). A

roundup of all the important tax changes and a wealth of tax-planning tips and strategies from nationally recognized tax experts. Prerequisite: Basic knowledge of individual income taxation and Form 1040 preparation; Recommended CPE Credit: 10; Level: Update; Format: Text. Price:

\$149 member/\$186.25 non-member.

**Advanced Forensic Techniques for Accountants** (No. 731790CPA10). Learn

the proven techniques in counter-fraud and investigative activities. Prerequisite: *Introduction to Fraud Examination and Criminal Behavior; Detecting Misappropriation Schemes; Forensic Accounting: Fraudulent Reporting and Concealed Assets* (available in group study only), or equivalent knowledge; Recommended CPE Credit: 6; Level: Advanced; Format: Text. Price: \$109 member/\$136.25 non-member.

**Real World Business Ethics: How Would You React?** (No. 731680CPA10). Drawn

from "real-life" litigation and administrative proceedings involving CPAs, case studies point out common pitfalls and present alternative courses of action. Prerequisite: Experience in financial accounting; Recommended CPE Credit: 6; Level: Advanced; Format: Text. Price: \$109 member/\$136.25 non-member.

To order CPE products, see information below.

## 2003 Editions

**AICPA Professional Standards** (No. 005103CPA10). Price: \$129 member/ \$161.25 non-member.

**AICPA Technical Practice Aids** (No. 005143CPA10). Price: \$109 member/\$136.25 non-member.

**AICPA Audit and Accounting Manual** (No. 005133CPA10). Price: \$109 member/\$136.25 non-member.

**FASB Accounting Standards – Current Text** (No. 005113CPA10). Price: \$119. **FASB Accounting Standards – Original Pronouncements** (No. 005123CPA10). Price: \$129. Both products available to AICPA members only.

**Special Offer** – buy all 5 titles above and save \$120 (No.

005163CPA10; price: \$475). **Additional savings:** purchase *AICPA Professional Standards* and *FASB – Current Text* and save \$38 (No. 005153CPA10; price: \$210).

**New—Applying OCBOA in State and Local Governmental Financial Statements** (No. 006614CPA10). Accountants and

auditors of a significant number of small to medium-sized state or local governments face the everyday reality of preparing financial statements for governmental entities under a comprehensive basis of accounting other than generally accepted accounting principles (OCBOA). The professional guidance on OCBOA financial statements is limited and sometimes confusing – this new practice aid makes sense of the applicable professional standards and provides you with practical guidance. This practice aid also follows up with a frequently asked questions section tailored to OCBOA financial statements for state and local governments. Price: \$59 member/\$73.75 non-member.

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available

**To order,** write: AICPA Member Satisfaction, CPA10, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303–2209; fax 800/362–5066; call 888/777–7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com/store](http://www.cpa2biz.com/store); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**

## Senate Banking Committee, House Financial Services Committee Hold Oversight Hearings on Sarbanes-Oxley Act

Last month the Senate Banking Committee began a set of hearings to review implementation of the Sarbanes-Oxley Act. Securities and Exchange Commission Chairman William Donaldson testified and committee chairman Senator Richard Shelby (R-Ala.) presented the opening statement at the first hearing, on Sept. 9. At press time, additional hearings before the banking committee were expected, with one scheduled for Sept. 23. Public Company Accounting Oversight Board Chairman William McDonough was among those scheduled

to testify at that hearing.

In addition, the House Financial Services Committee held a hearing on Sept. 17 to examine progress in implementing the Act. SEC Chairman Donaldson and PCAOB Chairman McDonough testified.

You can stay informed about the hearings and testimony given by frequently visiting the AICPA's Sarbanes-Oxley Act/PCAOB Implementation Central site at <http://www.aicpa.org/sarbanes/index.asp>.

## AICPA Webcast Series on Estate Planning Announced

AICPA Webcasts are high-quality, two-hour CPE programs that cover the latest topics from the profession's leading experts. Broadcast live, they allow participants to interact with the presenters and join in on the discussion. Each event also is archived and available on CD-ROM for those who cannot attend the live program (no CPE offered). For an up-to-date Webcast calendar or to

register, visit [www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts).

Later this month the five-part Estate Planning Webcast Series will begin. "Smart Charitable Giving" is the topic of Program One, which will take place Oct. 23, 1:00 p.m. to 2:55 p.m., ET. Smart Charitable Giving (CPWBC10230300I) costs \$99, and a subscription to the full series (EPI-XX) costs \$395.

# The CPA Letter

November 2003 Vol. 83 No. 9  
A News Report to Members

**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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## More than 400,000 Students Respond to CPA Recruitment Campaign

Launched in Nov. 2001, the "Start here. Go places." CPA student recruitment campaign has achieved impressive results in building awareness and understanding about the profession among high school and college students and changing perceptions of the profession. Following are some statistics as of July 31: more than 400,000 students have responded to the campaign, and nearly 99,000 registered on the campaign's Web site with more than 80,000 of them opting in to receive more communications from us. In addition, we have more than 46,000 high school leads and over 34,000 college leads.

Now two years into the five-year effort, the recruitment campaign has matured to address the needs of the students and to migrate them closer to pursuing accounting — and later CPA certification. Reaching out to new students who have not yet been exposed to the campaign remains an objective as well.

If the fall campaign is in keeping with past results, this semester's activities should prove quite promising. Students will be surrounded in their daily activities with posters, ads, direct mail, e-mail, bookmarks, online lead generation and advertising through various relevant partners and — new this year — e-newsletters. All of these materials drive students to the campaign's Web site, [www.startheregoplaces.com](http://www.startheregoplaces.com). There, students engage in pertinent business and accounting content, compete in business simulation games, and participate in contests and pro-

motions — all designed to keep them involved and motivated to pursue business, accounting and CPA certification.

Just as the program has evolved to move along with students in their education and career continuum, the Web site has evolved to a higher level of maturity. For example, much of the content has been repositioned to address some of the current business and economic issues surrounding the profession and students. Moreover, many new and exciting features have been added to the site, including a personal site assistant that customizes content; job search resources; information about the new computer-based CPA exam; and student business articles.

An online game, "Catch Me If You Can," will expose college students to the importance of accounting and the challenges of forensic accounting. For three weeks starting Nov. 3, participants will be presented with several crime scenarios and offered multiple-choice solutions. After the three weeks, players with scores in the top 20% will be automatically entered in a prize drawing.

What's more, an online seminar series consisting of 12 interactive lessons is being developed for Feb. 2004 that will teach high school juniors and seniors how various business executives and managers in numerous business arenas use money management and accounting skills to perform their jobs. Information and details on the seminar will follow in an upcoming issue of this newsletter.



## Baton Passed to New Chairman — S. Scott Voynich

S. Scott ("Scott") Voynich is the new chairman of the AICPA Board of Directors. His term, which became effective at the fall governing Council meeting, will expire in Oct. 2004. Voynich is managing partner of Robinson, Grimes & Company, a 55-person accounting firm in Columbus, Ga., that he has been with for more than 20 years. He

also had served as vice president of finance with a large highway specialty contracting firm, serving in a turnaround capacity.

Voynich, who was a member of Council and had completed a three-year term as a member of the AICPA Board of Directors, has been involved in many professional

*continued on page 4*

This issue of *The CPA Letter* is available both electronically and in print. Next month's issue will be available exclusively in electronic format.



## AICPA Annual Report for 2002–2003 Posted to Web Site

The AICPA's annual report for the fiscal year Aug. 1, 2002, through July 31, 2003, has been posted to our Web site in PDF format ([www.aicpa.org/about/annrpt/2002-2003/index.html](http://www.aicpa.org/about/annrpt/2002-2003/index.html)). With a focus on the AICPA's reform initiatives working to restore public trust in the profession as well as CPAs' belief in themselves and their core values, "CPAs: Unchanging Values—Objectivity, Integrity, Competence" includes:

- A "Year in Review" section highlighting the year's significant developments and reform efforts.
- A letter to members from former AICPA Chairman William F. Ezzell and President & CEO Barry C. Melancon.
- The AICPA's financial statements.

Members who wish to obtain a printed copy should send a 9"x12" self-addressed envelope affixed with \$1.52 in postage to: AICPA, Communications Team, Annual Report 02-03, 1211 Avenue of the Americas, New York, NY 10036-8775 (available while supplies last).

## Department of Labor, IRS, Pension Benefit Guaranty Corporation Extend Annual Reports Deadline After Hurricane Isabel

The U.S. Department of Labor's Employee Benefits Security Administration, the Internal Revenue Service and the Pension Benefit Guaranty Corporation announced an extension of the deadline for filing Form 5500 and Form 5500-EZ annual returns/reports due to property damage, destruction and power outages that resulted from Hurricane Isabel.

The extension applies to plan administrators, employers and other entities located in areas directly affected as identified

in IRS's Tax Relief at [www.irs.gov/newsroom/article/0,,id=113066,00.html](http://www.irs.gov/newsroom/article/0,,id=113066,00.html). The extension also applies to filers located outside the affected areas who were unable to obtain the necessary information from service providers, banks or insurance companies whose operations were directly affected by the hurricane.

Under this relief, Form 5500 series filings required to be filed on or between Sept. 18, 2003, and Nov. 18, 2003, are granted an extension until Nov. 18, 2003. Filers entitled to this extension of relief should check Part 1, Box D on the Form 5500 or Part 1, Box B on Form 5500-EZ, and attach a statement labeled "Hurricane Isabel 2003" explaining the basis for the extension being claimed under this relief. Filers who have additional questions may contact the EFAST Help Line at 866/463-3278. U.S. Labor Department releases are accessible on the Internet at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).

## Business and Promotional Merchandise in Accessories Collection Proudly Sport "CPA" Logo

Tens of thousands of members visibly display the "CPA" logo on their business cards, letterhead, promotional literature, signage, and even on lapel pins. In addition, many members use business gifts and giveaway merchandise which also tastefully feature the "CPA" logo. The items available traditionally have included heavy-weight sweatshirts and travel mugs. New items recently added to the collection include a sports clip-on watch and a magnetic ball marker golfers will appreciate, both of which carry the "CPA" logo.

To purchase these or other logo products, use the CPA Accessories Collection order form that appeared on page 6 of the Oct. issue of *The CPA Letter* (available online at [www.aicpa.org/pubs/cpaltr/](http://www.aicpa.org/pubs/cpaltr/)

[www.aicpa.org/pubs/cpaltr/oct2003/index.htm](http://www.aicpa.org/pubs/cpaltr/oct2003/index.htm)). The form may be photocopied. Be advised that the distribution company does not have copies of the order form. You may also obtain the form through [www.biggameamerica.com/cpa.html](http://www.biggameamerica.com/cpa.html).

## Send Us Your E-Mail Address: Receive "AICPA News Update," Live Link for CPA Letter

Members for whom the AICPA has e-mail addresses automatically will receive the weekly "AICPA News Update" on important professional news and developments as well as be sent the live link for each issue of *The CPA Letter* immediately after it's posted online. To provide us your e-mail address or to update it online, log in to our E-Mail Address Update Center. Be assured the AICPA will not sell your e-mail address to outside third parties.



E-Mail Address Update Center,  
[www.aicpa.org/anon/login.asp](http://www.aicpa.org/anon/login.asp)

## CPA Letter Supplements Available

To obtain the public accounting, business and industry, government or education member-segment supplements produced this month with *The CPA Letter*, visit:



[www.aicpa.org/pubs/cpaltr/nov2003/index.htm](http://www.aicpa.org/pubs/cpaltr/nov2003/index.htm)

## PUBLIC MEETING NOTICES

**Accounting & Review Services Committee:** Nov. 3-4, Ft. Lauderdale, Fla.

**Accounting Standards Executive Committee:** Dec. 16, Miami, Fla.

**Auditing Standards Board:** Dec. 15-18, location TBD

**Professional Ethics Executive Committee:** Nov. 5-6, Orlando, Fla.

**Tax Executive Committee:** Nov. 9-10, Washington, D.C.

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## Gallup Poll Shows Profession's Image Recovering Strongly

A poll taken by the Gallup Organization in Aug. revealed that the accounting profession's image has improved significantly since the prior Aug. In fact, our profession had the greatest percentage point increase—14%—among the American businesses and industries included in the poll.

In Aug. 2002, the profession had a positive rating of 31% and now has a positive rating of 45% — just two percentage points below the 47% we garnered in the 2001 Gallup poll taken prior to the collapse of Enron and other corporate scandals. Moreover, our negative ratings went down from 31% in 2002 to 14% this year (they were at 8% in 2001).

Keeping the momentum going will be a new, grassroots effort to reintroduce the profession to the public. The AICPA together with the state CPA societies will tap the strength of individual CPAs to help communicate a message of pride and value about the profession. Stay tuned to future issues of *The CPA Letter* for plans and details on this high-priority initiative.

## Live Webcasts on Computer-Based Uniform CPA Examination

Individuals interested in the new computer-based CPA Exam should tune in to the series of free live Webcasts. The first took place last month, one is scheduled for Nov. 12, and the other two for this winter. Go to [www.cpa-exam.org](http://www.cpa-exam.org) for program details and registration. Program information generally is posted two weeks before each Webcast.

These moderated events feature expert panelists and provide exam information and updates for educators, students, CPA exam candidates, employers and others. Viewers will have the opportunity to interact with the presenters and submit questions electronically. Topics will vary and focus on examination content, test administration, registration, and the candidate experience under computer-based testing. Following their live broadcast, the pro-

grams will be archived on [www.cpa-exam.org](http://www.cpa-exam.org) and available for repeated viewing.

## Elijah Watt Sells Winners from May Exam Announced

Winners of the Elijah Watt Sells Awards, presented by the AICPA to the candidates who attain the highest combined grades in all sections of the CPA exam, have been announced. Amy Lynn Adelman of Chicago won the Gold Medal for the highest score and Roger Dunaway III of Antioch, Tenn., took the second place Silver Medal. Two candidates tied for the third place Bronze Medal: Debra Keim of O'Fallon, Mo., and Soo Jin Kim of Seoul, South Korea.

## Call for Nominations for AICPA Educator Award

State CPA societies and individuals are invited to nominate an accounting educator for the 2004 AICPA Distinguished Achievement in Accounting Education. This award is designed to recognize full-time college accounting educators distinguished for excellence in teaching and for national prominence in the accounting profession. The nominee must: be a current full-time or recently retired (within the past five years) accounting educator at a post-secondary educational institution; be distinguished for excellence in classroom teaching; be involved in curriculum development; be contributing to the accounting profession; and exemplify the philosophy of the CPA Vision.

Educators noted for their teaching abilities but now primarily involved in administration or research are eligible for the award.

Nominations are due Feb. 1, 2004. For details on eligibility requirements, nominating process and application procedure:



[www.aicpa.org/members/div/career/edu/laaea.htm](http://www.aicpa.org/members/div/career/edu/laaea.htm)



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



212/596-6221

## Members Offered Airline, Car Rental, Amtrak Discounts

The AICPA has a special agreement with Carlson Wagonlit Travel — The Leaders Group, to assist you with travel arrangements (call 800/345-5540) when attending eligible AICPA conferences. If you prefer to make your own travel plans, mention the participating airline's reference number to take advantage of deeply discounted "Zone Fares" that do not require a Saturday night stay over. These fares are available on all flights but are inventory controlled and require minimum night stays. Some restrictions may apply. Discounts are valid for round-trip registered AICPA conferences only. Airline and car rental discounts are available only when you or your travel agent book through the 800 number.

We strongly advise you confirm your conference registration and hotel reservation prior to making your travel plans. The AICPA is not liable for any penalties incurred if you cancel or change your airline

reservations. Rates are subject to availability. A transaction fee will apply with every Leaders Group reservation.

### Airline, Car Rental, Amtrak Information

American Airlines: 800/433-1790

Index #9375

Delta Air Lines: 800/241-6760

File #190955A

United Airlines: 800/521-4041

Meeting ID #511GT

US Airways: 877/874-7687

Gold File #77112636

Hertz Car Rental: 800/654-2240

CV #021H0008 (for AICPA Member Discounts)

AMTRAK (Northeast corridor): 866/265-1974



## Interpretations of AR Section 100, "Compilation and Review of Financial Statements," Issued

The Accounting and Review Services Committee has issued the following interpretations of AR Section 100, "Compilation and Review of Financial Statements":

- Reports on Specified Elements, Accounts, or Items of a Financial Statement – Revised
- Reference to the County of Origin in a Review or Compilation Report
- Omission of the Display of Comprehensive Income in a Compilation

Practitioners are encouraged to incorporate the guidance contained in the interpretations as soon as practicable. The document is available on our Web site at:



[www.aicpa.org/download/members/div/auditstd/ssars\\_interp.pdf](http://www.aicpa.org/download/members/div/auditstd/ssars_interp.pdf)



Michael Glynn, [mglynn@aicpa.org](mailto:mglynn@aicpa.org)

## AICPA Issues SOP on Greenhouse Gas Emissions

The AICPA's Auditing Standards Board has issued Statement of Position 03-2, *Attest Engagements on Greenhouse Gas Emissions Information* (No. 014937CPA11; price: \$14 member/\$17.50 non-member). It provides performance and reporting guidance to practitioners on examinations of information about (a) greenhouse gas emissions (known as a GHG inventory) for a compliance period, such as a year, or (b) a GHG emission reduction. Such examination engagements should be performed pursuant to Chapter 1, "Attest Engagements," of Statement on Standards for Attestation Engagements No. 10, *Attestation Standards: Revision and Recodification* (AICPA, *Professional Standards*, vol. 1, AT sec. 101), as amended.

Clients may request such services in connection with (a) registering their GHG inventory information with a GHG registry or (b) trading emission reduction credits.

To purchase a copy of the SOP, see page 7.

## FASB Issues Exposure Draft on Pension Disclosures

In Sept., the Financial Accounting Standards Board issued an exposure draft, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which would improve financial statement disclosures for defined benefit plans. The project was initiated by the FASB earlier this year in response to concerns raised by investors and other users of financial statements about the need for greater transparency of pension information. Comments were due late last month.

To provide the public with better and more complete information, the FASB plans to require that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. For the first time, companies would be required to provide financial statement users with a breakdown of plan assets by category, such as equity, debt and real estate. The expected rates of return and target allocation percentages, or target ranges, for these asset categories also would be required in financial statements.

Cash flows would include projections of future benefit payments and an estimate of contributions to be made in the next year to fund the pension and other postretirement benefit plans.

In addition to expanded annual disclosures, the FASB seeks to improve the information available to investors in interim financial statements. Companies would be required to report the various elements of pension and other benefit costs on a quarterly basis.

The proposed guidance would be effective for fiscal years ending after Dec. 15, 2003, and for the first fiscal quarter of the year following initial application of the annual disclosure requirements. The proposed change would replace existing FASB accounting guidance. For a copy of the exposure draft, go to:



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

## ASB Issues Attest Interpretation for Engagements on XBRL Instance Documents

The Audit Issues Task Force of the AICPA's Auditing Standards Board has issued a new interpretation of Chapter 1, "Attest Engagements," of Statement on Standards for Attestation Engagements No. 10, *Attestation Standards: Revision and Recodification*. The interpretation is titled *Attest Engagements on Financial Information Included in XBRL Instance Documents*.

XBRL, the business reporting aspect of the eXtensible Markup Language (XML), makes it possible to store or transfer data, along with complex process, data processing hierarchies and descriptions that enable analysis and distribution. An *XBRL Instance Document* provides financial information in a machine-readable format. Through the XBRL tagging process, a mapping of the financial information is created that enables users to extract specific information, thereby facilitating analysis.

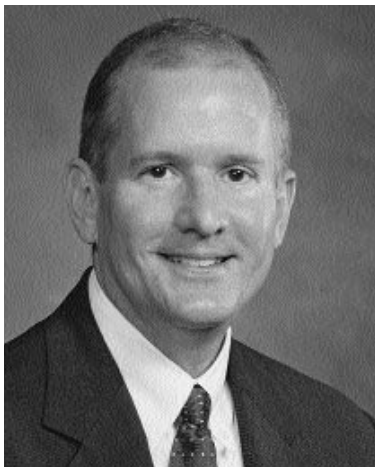
The new attest interpretation defines the terms *XBRL* and *XBRL Instance Document* and describes the practitioner's considerations when he or she has been engaged to examine and report on whether an *XBRL Instance Document* accurately reflects certain client financial information. It also provides example examination reports. The interpretation can be found on our Web site at [www.aicpa.org/members/div/auditstd/announce/XBRL\\_09\\_16\\_03\\_FINAL.htm](http://www.aicpa.org/members/div/auditstd/announce/XBRL_09_16_03_FINAL.htm).

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& auditing  
news

continued from page 1 — **Scott Voynich** efforts. He lobbied on behalf of the profession and participated in the AICPA Federal Key Persons Conference for many years. In addition, Voynich served on the Institute's Finance Committee,

chaired the AICPA Expert Panel Oversight Group, and was trustee of the Accounting Research Association, AICPA Benevolent Fund, and AICPA Foundation. He also served for one year as state president of the Georgia Society of CPAs.





By Scott Voynich, CPA  
Chairman, AICPA Board of Directors

As I embark on this new role, I am heartened by contacts with members contributing to the renewal of confidence in our great profession. Individual CPAs in their own communities living out our core values each day contribute immeasurably to the process of renewal and restoration of our reputation as most trusted advisers. Our core values of integrity, competence and objectivity provide the foundation for everything we stand for in this profession. Your example makes the difference. The renewal has begun.

Yes, we are pleased to see the reports about increases in the perception and reputation of CPAs. But, by no means does that mean our work is over. In fact, to be

true to our core values, our work will never end. We have faced many challenges. However, the challenges have made us better. They have caused us to reflect on what makes us strong, what makes us unique. Out of that reflection, we move to a time for action. Let me share some of the actions in process.

Reforming the role and makeup of the Auditing Standards Board is necessary to meet the needs of non-public companies and organizations. With the Public Company Accounting Oversight Board authorized to write audit standards only for the SEC-registrant community, it is up to the Auditing Standards Board to develop continuing audit standards to meet the distinct needs of privately held and other non-public entities. We will reconstitute the ASB to provide a membership that better reflects its newly defined constituency — the non-public arena. This will require coordination and cooperative efforts with the PCAOB to ensure that we meet the audit needs of our respective constituencies efficiently and in a timely manner. We intend to share talents and resources to achieve our mutual objectives: improving the quality of financial statements and increasing confidence in American business and the integrity of its CPA financial advisers.

We are likewise restructuring our SEC Practice Section to meet the demands of

this new environment of heightened accountability. It will serve as a communication and resource center for auditors involved in SEC filings while also providing input and feedback on proposed audit standards from the PCAOB. Auditors in the field, on the job, will provide the true test of new standards and will have a forum through the SECPS to provide feedback on implementation and practicality of new proposals.

We will continue to move towards improved disciplinary procedures reflecting the best practices available to meet the needs of members and the public. Each step under consideration in the disciplinary area is intended to guard what we believe is our most valuable asset — our core values. Work is under way designing a number of Web-based resource centers and educational tools to provide us what we need to get the job done.

For an up-to-date review of issues and conclusions from our Oct. Council meeting which took place as this newsletter went to press, I would like to direct you to the online version of *The CPA Letter* ([www.aicpa.org/pubs/cpaltr/nov2003/index.htm](http://www.aicpa.org/pubs/cpaltr/nov2003/index.htm)). Such is the primary advantage of online communications — the ability to communicate in real time.

In the meantime, stay tuned. This renewal effort will need us all.



[svoynich@robinsongrimes.com](mailto:svoynich@robinsongrimes.com)

chair's  
corner

tax  
info

## AICPA Applauds Introduction of “Small Business Tax Flexibility Act of 2003”

The AICPA applauds the introduction of H.R. 3225 by Rep. Clay Shaw (R-Fla.), with cosponsors Congressmen Jerry Kleczka (D-Wis.) and Collin Peterson (D-Minn.). The bill, introduced on Oct. 1, 2003, is designed to offer most start-up small businesses, that operate as partnerships or S corporations, an additional tool to successfully navigate their start-up life cycle by providing flexibility to adopt any fiscal year-end from Apr. through Dec. This flexibility permits these new firms/companies to retain additional operating resources, utilize a more natural business cycle and ease their record-keeping burdens.

By enhancing the likelihood of start-up business success, H.R. 3225 may also aid in adding jobs to the U.S. economy. AICPA Key Persons for the House Ways and Means Committee have been asked to seek the support of their members of Congress for H.R. 3225 because it could be added to the corporate tax cut package. To get a copy of the bill, enter the bill number at <http://thomas.loc.gov/>.

## Tax Executive Committee Approves SSTS Interpretation on Tax Planning

On Aug. 21, the Tax Executive Committee voted to adopt Interpretation No. 1-2, “Tax Planning,” of Statement on Standards for Tax Services No. 1, *Tax Return Positions*, as enforceable as part of the AICPA’s Code of Professional Conduct Rule 201, General Standards, and Rule 202, Compliance with Standards.

The full text of the new interpretation will be published in the Dec. issue of the *Journal of Accountancy* and will be available on our Web site at [www.aicpa.org/members/div/tax/index.htm](http://www.aicpa.org/members/div/tax/index.htm).

An article explaining the history of the development of the interpretation and discussing the questions that were raised by members during the exposure draft period also will appear in next month’s issue of the magazine.



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

- **Herbert A. Bolin** of Apple Valley, Minn., suspended from membership in the AICPA and the Minnesota Society of CPAs for two years, effective Aug. 15, 2003.
- **Leroy K. Messenger** of Elk Grove Village, Ill., expelled from membership in the AICPA and the Illinois CPA Society, effective Mar. 10, 2003.
- **Richard L. Stalvey** of Albany, Ga., expelled from membership in the AICPA, effective Aug. 15, 2003.

## disciplinary actions

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

## Firms Terminated from Peer Review Program

Effective May 7, 2003, the following firms were terminated from the AICPA peer review program. Hearing panels deemed that the following firm(s):

- Did not acknowledge its agreement to take corrective or monitoring actions on its most recent peer review: Stephen D. Fry, CPA, Cordova, Tenn.
- Did not cooperate with the AICPA Peer Review Board: Gray D. Trapp, CPA, Bradenton, Fla.

**Now on DVD—2003 Corporate Tax Returns Videocourse** (VHS—No. 112605CPA11; DVD—No. 112604CPA11). Presenter Sidney Kess leads a team of tax authorities in reviewing major tax developments affecting 1120 and 1120S return preparation for 2003—including the Jobs and Growth Tax Act—and provides planning strategies. Prerequisite: Knowledge of corporate income taxation and Forms 1120 and 1120S preparation. Preliminary CPE credit: 10. Level: Update. Format: Two VHS Tapes (165-min.)/Text/Manual or one 165-min. DVD/Text/Manual. Price: \$209 member/\$261.25 non-member.

## CPE news

Practical insights and valuable tax-saving strategies on new laws, rules and court decisions. Prerequisite: Familiarity with federal tax issues for individuals. Preliminary CPE credit: 8. Level: Update. Format: Text. Price: \$119 member/\$148.75 non-member.

To purchase CPE products, see order information on page 7.

**Now on DVD—2003 Individual Tax Returns Videocourse** (VHS—No. 113595CPA11; DVD—No. 113594CPA11). Presenter Sid Kess and team review major tax developments affecting 1040 return preparation for 2003—including the Jobs and Growth Tax Act—and provide planning strategies. Prerequisite: Knowledge of individual income taxation and Form 1040 preparation. Preliminary CPE credit: 12. Level: Update. Format: One 120-min. VHS Tape/Text/Manual or one 120-min. DVD/Text/Manual. Price: \$239 member/\$298.75 non-member.

## Seminars

Count on the AICPA for the latest changes in taxation and updates on the issues that affect you most. Check out the tax seminars listed below and visit [www.aicpa.org/promotions/courses/courses-list.asp](http://www.aicpa.org/promotions/courses/courses-list.asp) for a complete listing of locations for these and many other seminars offered nationwide. Remember to ask for your \$30 AICPA member discount when registering at participating state societies.

**AICPA's Complete Tax Update for Corporations and Pass-Through Entities, by Biebl and Ranweiler** (No. 731570CPA11). Practice-proven tips on recent changes to tax statutes, regulations, cases and rulings. Prerequisite: Familiarity with federal tax issues for various entities. Preliminary CPE credit: 8. Level: Update. Format: Text. Price: \$119 member/\$148.75 non-member.

**AICPA's Federal Tax Update by Biebl and Ranweiler (PTU)** — Discover how to effectively and confidently complete tax planning and compliance engagements. Cover current developments affecting individuals, including those regarding income, deductions and losses, tax calculations, individual credits, and filing matters; business entities, including those regarding S corporations and their shareholders, C corporations, and partnerships; estates and trusts; retirement plans; and more.

**AICPA's Individual Income Tax Returns Workshop by Kess, Biebl and Ranweiler (IITW)** — Learn how to apply the latest changes when preparing federal income tax returns and advise clients on new developments and tax-saving ideas for individuals. All key tax return issues are covered during this fast-paced, real-world session.

**AICPA's Complete Tax Update for Individuals and Sole Proprietors, by Biebl and Ranweiler** (No. 731580CPA11).

## Online Grading for CPE Exams Announced

The days of mailing cumbersome exam sheets and waiting for responses are over. Members can now get real-time results of online CPE exams and promptly receive certificates of completion.

Online grading is available for AICPA

CPE courses in text, video and DVD formats. Just complete the exam and course evaluation online on the secure site instead of mailing in the forms. You will need the examination questions from your self-study course manual, the course code

number found on the exam, and the unique serial number printed on page 1 of the answer sheet.



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

**Audit Risk Alerts – New Editions**

**Industry Alerts for 2003/2004** (\$25 member/\$31.25 non-member)

Auto Dealerships (No. 022444CPA11)  
 Bank, Credit Union, and Other Depository and Lending Institutions (No. 022294CPA11)  
 Common Interest Realty Associations (No. 022464CPA11)  
 Construction Contractors (No. 022314CPA11)  
 Healthcare Organizations (No. 022344CPA11)  
 High Technology (No. 022404CPA11)  
 Independence and Ethics (No. 022474CPA11)  
 Insurance Companies (No. 022354CPA11)  
 Investment Companies (No. 022364CPA11)  
 Manufacturing (No. 022374CPA11)  
 Real Estate Industry (No. 022394CPA11)  
 Securities (No. 022384CPA11)

**General Risk Alerts 2003/2004** (\$30 member/\$37.50 non-member)

Compilation & Review (No. 022304CPA11)  
 General (No. 022334CPA11)

To help CPAs expand their consulting practice or create a healthcare-consulting niche, *The CPA's Guide to Medical, Dental and Other Healthcare Practices* (No. 056505CPA11) provides a one-stop, all-inclusive resource for medical, dental, mental health or eye care professional practice consulting engagements. This publication offers the tools and methods to facilitate engagement opportunities and provide practical insight along with sample worksheets, reports, checklists, questionnaires, tables, examples and practice tips. This resource – written by seasoned CPA consultants to the healthcare

industry – will arm the CPA with all the necessary ingredients to create or expand a consulting practice.

*The CPA's Guide to Medical, Dental and Other Healthcare Practices* is packed with useful background information, ready-to-use documents and practice ideas. This guide and the accompanying CD-ROM toolkit will be an excellent resource for the novice as well as the seasoned CPA consultant. Price: \$79 member/\$98.75 non-member.

now  
available

The new practice management guide, *Introducing Tax Clients to Additional Services* (No. 090483CPA11), breaks down the process of offering services to existing clients into easy-to-understand and easy-to-implement sections. "Establishing a Cross-Sell Program" gives an overview of how to prepare your firm and staff to do effective cross-selling, and how to identify the best client candidates. Divided into sections, each one shows you who would be best served by the service, how to introduce clients to the service, and how to finalize the engagement. Where possible, sample collateral and letters – to introduce clients to the service – are included, as well as engagement letters for those services and suggested methods of billing. Price: \$59 member/\$73.75 non-member.

**To order**, write: AICPA Member Satisfaction, CPA11, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303-2209; fax 800/362-5066; call 888/777-7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com/store](http://www.cpa2biz.com/store); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**

**Minority Scholarship Recipients Announced**

Recognizing that minorities are not attracted to or employed by the accounting profession in proportion to their representation in society as a whole, the AICPA created the Scholarship for Minority Accounting Students some 30 years ago. The scholarships provide awards to outstanding minority students who show significant potential to become certified public accountants. For the 2003-2004 academic year, 154 scholarships were awarded in excess of \$500,000. Over the last 10 years, the AICPA, through the AICPA Foundation, has awarded more than \$6 million in minority accounting scholarships. For a list of scholarship winners, visit the scholarship section of the AICPA Minority Initiatives Web site at [www.aicpa.org/members/div/career/mini/index.htm](http://www.aicpa.org/members/div/career/mini/index.htm). Applications for the 2004-2005 academic year will be available in Mar. 2004 and can be obtained from that Web site.

The AICPA extends a sincere "thank you" to all the members who provide for these scholarships through contributions to the Educational Fund for Minority Students of the AICPA Foundation. A contribution to this fund can easily be made through the check-off option on the annual dues statement.

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You should receive a written AICPA agreement in the mail approximately one week later. In most cases, a modest fee will be charged for requested reproduction privileges. Our fee schedule is also available on our Web site for your information – click on the copyright menu link to "Copyright Permission Fee Schedule."



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201/938-3245 to check status of submitted request

## Happenings at September Board of Directors' Meeting

Here are some of the more significant actions and events that took place at the AICPA Board of Directors' meeting Sept. 18–19:

- The board approved presenting to Council a plan to reconstitute the Auditing Standards Board so that it can fulfill its ongoing obligation to set standards for audits of non-issuers. The new ASB would focus on meeting the needs of users of financial statements of private companies and other entities whose audits are not within the scope of PCAOB standards.
- A report was given by an advisory group that had studied the issue of audit quality in the employee benefit and government audit areas. Consequently, the board agreed to recommend to Council the establishment of two specialized audit quality centers under the Division for CPA firms. The centers would be firm (not individual) based, voluntary and leverage the collective wisdom of practitioners working in those areas. Establishment of these centers is consistent with the AICPA's mission to help members maintain competency and fulfill their public interest commitment.
- A proposed framework for replacing the SEC Practice Section was outlined. Reorganized as a "center," its primary objectives would be audit quality through member service and advocacy. It also would conduct peer reviews for the member firms' non-

public engagements so that the firms could meet state licensing, General Accounting Office and AICPA member requirements. As a result, the board approved several relevant changes and amendments for Council to consider.

- Much effort was made during the past several months to explore enhancement of the AICPA's three specialty credentials (Personal Financial Specialist, Certified in Information Technology Professional, and Accredited in Business Valuation designation). Looking at extensive feedback from credential holders, the general membership, input from the National Accreditation Commission and possible alternatives, the board approved recommending to Council that the AICPA retain the three credential programs, as long as they meet certain criteria within a specified time frame (Council will consider this resolution at its fall meeting). The board emphasized its ongoing commitment of resources to the discipline areas and the related membership sections apart from the credentials.

This newsletter went to press prior to Council's Oct. meeting. For an update on Council actions related to the items mentioned above, members are encouraged to go to the newsletter's index page ([www.aicpa.org/pubs/cpaltr/nov2003/index.htm](http://www.aicpa.org/pubs/cpaltr/nov2003/index.htm)).

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# The CPA Letter

December 2003 Vol. 83 No. 10  
A News Report to Members

## AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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This issue of *The CPA Letter* is available exclusively in electronic format. Next month's issue also will be produced in electronic format.

## Highlights of Fall Council Meeting: Credentials, ASB's Role, Audit Quality Centers, Repositioning of SECPS All Addressed

Here are some of the more significant actions and events that took place at the governing Council meeting Oct. 20–21:

- **Following six months of exploring whether to keep the current specialty credentials inside the AICPA, the Council accepted the Board of Directors' recommendation to retain all three designations (Personal Financial Specialist, Certified Information Technology Professional and Accredited in Business Valuation).** The approved resolution also provides for financial support for the credentials, the underlying disciplines and the membership sections. Council also agreed with the AICPA Board of Directors' earlier determination that retention strategies should not include a national branding campaign because of the costs and effort required to achieve that level of recognition. Instead, the AICPA will develop marketing tools to

help credential holders promote the designations in their local markets. In addition, each of the credentials must achieve financial break even as well as a minimum number of credential holders by a certain date, or the credential program may be discontinued.

- **Council approved a resolution to restructure the Auditing Standards Board and add non-CPA members to the board.** Having representatives from the user, regulatory and public communities will ensure greater participation in the standards-setting process for non-public entities, which is now the focus of the ASB. The Council's action recognizes that users of private entities' financial statements have needs very different from the users of public companies' financial statements. The Public Company Accounting Oversight Board sets auditing standards for public com-

*continued on page 8*



### AICPA Members Vote Overwhelmingly to Adopt Bylaw Amendments to Strengthen Ethics Enforcement Process

In the recent member referendum, AICPA members voted by a 7-to-1 margin to adopt proposals to amend the AICPA bylaws that will enhance the AICPA's ethics enforcement process. The first proposal will broaden the AICPA's ability to "automatically" sanction an AICPA member if a regulatory authority that has been approved by the Professional Ethics Executive Committee and the AICPA Board of Directors has taken disciplinary action against the member. The amended bylaw retains the current provision which allows the member to appeal to the Joint Trial Board that the automatic sanction should not be applied, but now extends that right of appeal to the PEEC as well.

The second proposal enhances the transparency of the AICPA's disciplinary process. The proposal allows the PEEC to provide for more relevant disclosures about the matters it has investigated, including disclosure of the results of an investigation to a complainant.

The governing Council adopted changes to its resolutions under the bylaws to implement the bylaw amendments approved by the members, which became effective upon the adoption of the proposals by the members. The text of the amendments is located in Official Releases in the Dec. 2003 *Journal of Accountancy*. The revised bylaws and resolutions may be found on the AICPA Web site at [www.aicpa.org/about/bylaws/index.htm](http://www.aicpa.org/about/bylaws/index.htm).



## AICPA Committee Application Process Begins; Open Until May 1

Applications are now being taken for the next committee year (Oct. 2004 – Oct. 2005). If you are interested in contributing to the profession and networking with your peers, then consider applying. Go to <http://volunteers.aicpa.org/apply> to complete a brief Web-based application process. Also, this year there are a number of new committees and panels from which to choose. As in the past, the application process will extend until May 1 to avoid any conflict with the tax season. Address inquiries to David Ray at:



212/596-6030



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

## Help AICPA Benevolent Fund Help Your Colleagues

The AICPA Benevolent Fund was started in the 1930s to assist members and their families as they struggled through various medical and financial hardships. It represents a way for CPAs to support those who have gone before them in the profession and to reach out to “take care of their own.” Typically the Fund is approached when a colleague has fallen through their personal safety net and when government assistance is either very limited or unavailable.

In many such cases, the Benevolent Fund will step in, covering the cost of medications, therapy or even routine expenses. At least twice a year, the Fund’s Board of Trustees and the AICPA staff person will check on the member or member’s family to assess ongoing needs. Support and resources often extend beyond monetary assistance.

So, the next time you hear about the outpouring of support shown by firefighters or other professionals, know that you also can make a meaningful difference for your colleagues and their families. And if you hear of

a colleague in need, remember that the AICPA too has a tradition of helping those in need through the AICPA Benevolent Fund.

If you did not contribute to the Fund through the annual dues statement but would like to make a contribution now, or if you want to make an additional contribution, send a check payable to the AICPA Benevolent Fund, c/o AICPA Cashier, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311. Contributions to the fund are tax deductible for 2003 if they are made by Dec. 31, 2003. To contact the Fund regarding questions or for assistance, call 201/938-3490.

## Department of Commerce Looking for CPAs

The Import Administration of the U.S. Department of Commerce is searching for CPAs with two or more years of public accounting experience to perform cost-of-production investigations of foreign manufacturers. Knowledge of GAAP, GAAS and cost-accounting systems for manufacturing enterprises is necessary. Some travel to Europe, Asia and South America is required. Starting salary range: \$58,070 to \$75,492. Must be a U.S. citizen to apply. Positions are located in Washington, D.C. Travel expenses for interviews cannot be reimbursed. Fax a résumé to Carolyn at 202/482-4795 or e-mail [Accounting\\_Office@ita.doc.gov](mailto:Accounting_Office@ita.doc.gov).

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## PUBLIC MEETING NOTICES

**Accounting Standards Executive Committee:** Dec. 16, Miami, Fla.; Jan. 27–28, New York

**Peer Review Board:** Jan. 12–13, Santa Barbara, Calif.

**Professional Ethics Executive Committee:** Jan. 22–23, location TBD

**Tax Executive Committee:** Jan. 28–29, Kissimmee, Fla.

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Janice M. Maiman, Vice President – Strategic/Member Communications

Ellen J. Goldstein, Editor e-mail: [egoldstein@aicpa.org](mailto:egoldstein@aicpa.org)



## SOPs Being Issued on Reporting Financial Highlights by Separate Accounts of Insurance Enterprises, and by Nonregistered Investment Partnerships

The AICPA's Accounting Standards Executive Committee this month will issue Statement of Position 03-5, *Financial Highlights of Separate Accounts: An Amendment to the Audit and Accounting Guide Audits of Investment Companies* (No. 014940CPA12). The SOP will provide guidance on reporting financial highlights by separate accounts of insurance enterprises.

It is effective for annual financial statements issued for fiscal years ending after Dec. 15, 2003, and for interim financial statements issued after initial application. Presentation of previously issued financial highlights on a comparable basis is permitted, but not required. The provisions of the SOP should be applied prospectively from the beginning of the year of adoption.

AcSEC also is issuing Statement of Position 03-4, *Reporting Financial Highlights and Schedule of Investments by Nonregistered Investment Partnerships: An Amendment to the Audit and Accounting Guide Audits of Investment Companies and AICPA Statement of Position 95-2, Financial Reporting By Nonpublic Investment Partnerships* (No. 014939CPA12). The SOP will provide guidance on reporting financial highlights and schedule of investments by nonregistered investments partnerships.

The SOP is effective for annual financial statements issued for fiscal years ending after Dec. 15, 2003, and for interim financial statements issued after initial application. Presentation of previously issued financial highlights on a comparable basis is permitted, but not required. The provisions of the SOP should be applied prospectively from the beginning of the year of adoption.

For information on how to obtain copies of the SOPs, see page 6 (price each: \$14 member/\$17.50 non-member).

## FSAB Action on Consolidation of Variable Interest Entities

The Financial Accounting Standards Board posted to its Web site a proposed interpretation to clarify some of the provisions of Interpretation No. 46, *Consolidation of Variable Interest Entities*, and to exempt certain entities from its requirements. Comments were due Dec. 1. The proposal was issued in response to input

received from constituents regarding certain issues arising in implementing Interpretation 46. The proposed clarifications and modifications would apply in financial statements for the first period ending after Dec. 15, 2003. The document is available from:



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

## IFAC Releases Revised Exposure Draft on Mandatory Continuing Education

A commitment to maintaining professional competence through lifelong learning is critical for accountants to meet the needs of a competitive worldwide economy and carry out their public-interest responsibilities. This is one of the fundamental premises in an exposure draft of a proposed new standard issued by the International Federation of Accountants' Education Committee. Comments are due Dec. 31.

The proposed standard, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, prescribes mandatory continuing professional development for all professional accountants, including those working for accounting firms, corporations, small or medium enterprises, public sector organizations or in other environments. All IFAC member bodies are expected to comply with the standard from the proposed effective date of Jan. 1, 2006.

The standard advocates a broader view of CPD, one that encompasses a wider range of learning and development opportunities that assist professional accountants to maintain competence. It focuses on the need for CPD to be relevant to the accountant's professional responsibilities and introduces the concepts of CPD as verifiable and measurable learning activities and outcomes.

IFAC's Education Committee released two initial EDs on this topic in July 2002. Having considered the range of comments received, the committee reviewed its approach and released the revised standard for comment.

Download the ED from the IFAC Web site at [www.ifac.org/EDs/](http://www.ifac.org/EDs/). E-mail responses to [EDComments@ifac.org](mailto:EDComments@ifac.org) or mail them to Claire Egan, Technical Manager, IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017.



## FTC Privacy Safeguards Rule Could Apply to CPAs

The Federal Trade Commission's Safeguards Rule, which implements the security provisions of the Gramm-Leach-Bliley Act, became effective on May 23. Financial institutions and other businesses that are subject to the rule – which could include tax preparers and financial advisers – must have in place a comprehensive security program to ensure the security and confidentiality of customer information.

To find out whether you or your firm is subject to the Safeguards Rule and to access more resources on compliance with the rule and the Gramm-Leach-Bliley Act, go to [www.ftc.gov/bcp/conline/pubs/](http://www.ftc.gov/bcp/conline/pubs/)

[buspubs/safeguards.htm](http://buspubs/safeguards.htm).

More information about the Gramm-Leach-Bliley Act and the FTC's privacy initiatives are available at [www.ftc.gov/privacy/glbact](http://www.ftc.gov/privacy/glbact) and [www.ftc.gov/infosecurity](http://www.ftc.gov/infosecurity).

The AICPA has a Web page for its Enterprise-Wide Privacy initiative as well. Visit [www.aicpa.org/privacy](http://www.aicpa.org/privacy).

The American Bar Association has gone to court to exempt attorneys from these provisions. While the outcome of that action is still pending, the AICPA is seeking a similar exclusion for its members.

## Results of Practice Management Survey for Regional, Local Firms Released

CPA firms searching for comparable data on billing rates and salaries need look no further. The PCPS/TSCPA National MAP Survey has just been released, providing the most comprehensive body of benchmarking data available to regional and local accounting firms.

Demonstrating the survey's importance and relevance to today's practitioners, more than 3,300 firms participated. This was the second consecutive year for the survey, which was jointly sponsored by PCPS, the AICPA Alliance for CPA Firms, and the Texas Society of CPAs.

This year's survey provides more in-depth data on the full spectrum of services that practitioners provide. New sections address major service lines to help practitioners better understand performance and profitability in practice areas such as audit and attestation,

compilation, consulting, tax and write-up.

In addition, the survey reveals good news for the profession overall: Despite the recent waves of regulatory change and the down economy, local and regional firms are thriving. Fifteen percent of respondent firms grew 20% or more in the past year. Among survey respondents, average profits as a percentage of income rose over 2002, fueled by lower expenses and fewer write downs. Further, firms are offering a broad spectrum of services; the top 10 services offered by respondent firms are estate tax planning (75%), payroll processing (65%), personal financial planning (48%), M&A consulting (31%), forensic accounting (25%), investment sales (16%), bankruptcy or insolvency (16%), human resource services (13%), executive searches (13%) and insurance (11%).

Data like this, as well as detailed infor-

mation on rent, human resource policies and average billable hours, offer firms the ability to benchmark their management practices and financials against those of similar firms from across the nation.

This year, all PCPS members who participated in the PCPS/TSCPA National MAP Survey will receive a free customized report as well as access to an online tool which allows firms to format and search the data from all participants in a manner that best suits their needs. Non-participating PCPS member firms can receive the national results as a free member benefit. CPA firms that do not belong to PCPS may receive the report for a fee. For more information, call 800/CPA-FIRM or visit [www.pcps.org](http://www.pcps.org) and click on the 2003 PCPS/TSCPA National MAP Survey logo on the left side of the screen.

## Outstanding CPA in Government Named, as Are Business & Industry Hall of Fame Inductees

Gerald A. Silva, City Auditor of the City of San Jose, Calif., is the 2003 recipient of the AICPA's Outstanding CPA in Government Award. The award recognizes CPAs in government who have made significant contributions to the increased efficiency and effectiveness of government organizations and to the growth and enhancement of the profession.

Silva has served as San Jose's City Auditor since 1985. Since assuming the position, Silva's office has identified nearly \$200 million in cost savings or revenue improvements, at an audit cost of \$25 million. In addition to identifying cost savings and methods to increase revenues, the Auditor's Office has made audit recommendations that benefited the City of San Jose in the areas of improved operations, economy, efficiency and program effectiveness. The City Auditor's Office conducts financial audits, performance audits, special studies, and sales and business tax audits.

Silva also served as State Budget Director for the State of Arizona, with the California Auditor General's Office, and in the Arizona's Auditor General's Office, where he established and administered a program and performance audit function of agencies scheduled for termination under Arizona's Sunset Law.

In the business and industry member segment, the AICPA and Ajilon Finance, a specialty accounting and finance staffing firm, announced inductees to the 2003 AICPA Business & Industry Hall of Fame. The AICPA Business & Industry Hall of Fame honors CPAs who provide insight and vision to their respective organizations, understand all facets of their enterprise, and demonstrate the leader-

ship, commitment and strategic ability necessary to help their organizations meet the challenges of today's dynamic market conditions.

The three winners were: Glen M. Elias, corporate controller of CH2M HILL, Englewood, Colo.; Keith L. Jones, controller of St. Joe Timberland Company, Port St. Joe, Fla.; and Hubert C. Maddy III, President and CEO of Summit Financial Group based in Moorefield, W.Va. Elias led CH2M HILL through a highly successful and innovative international financial systems conversion. Jones has been successful in building the accounting function from the ground up. Maddy grew his company from a one-bank holding company with \$80 million in assets to a multi-bank holding company with assets of more than \$716 million.

For more information on this year's Hall of Fame inductees, see the Nov. Business & Industry supplement to *The CPA Letter* ([www.aicpa.org/download/cpaltr/2003\\_11/supps/BusIndNov.pdf](http://www.aicpa.org/download/cpaltr/2003_11/supps/BusIndNov.pdf)).

### Where to Turn for Member Services

Address changes/membership information (Member Satisfaction Center)



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



888/777-7077



800/362-5066



Voice Mail Box comments,  
888/999-9252



## The Many Benefits to Tax Season Volunteers— Be a Hero

*Following is an appeal for CPAs to volunteer their time and advice to help low-income individuals with their tax returns, which can be complicated and challenging.*

You work very long hours during busy season. So why would you want to volunteer to help people with low incomes do their tax returns? And for those of you who don't do much tax work, why would you want to get involved in the first place?

Two important reasons: professional responsibility and personal satisfaction. These come from helping people who simply cannot cope with our complex tax system. Too often, they are taken advantage of by commercial preparers or wind up forgoing large refunds when they are so frustrated that they do not file. *They need your help.* If you are a partner or executive, establish guidelines and *encourage* your staff to volunteer.

Consider that associates at many law firms whose regular work week runs about 80 hours manage to make the time—and their firms encourage and support them. At least one legal aid program with 200+ volunteers boasts an *average* commitment of 50+ hours. Most law firm Web sites include the firm's *pro bono* contribution to the community.

Below is a list of nine tax clinics across the country (listed east to west) that could use your help. The time commitment is only as much as you want. They provide training that often qualifies for CPE credit. If you live in an area not listed, you can work with a local program by checking with the IRS VITA program. To learn the locations and dates for VITA programs, call Bill Stromsem at 202/434-9227 after Jan. 1, or you can find an established clinic by sending an e-mail to [ebbetts16@yahoo.com](mailto:ebbetts16@yahoo.com).

In these difficult economic times for so many families, you can reach out to help. It takes very little for you to be a hero – but it means so much.

**Boston:** Community Tax Aid of Boston, Inc.; 617/572-7983; [ctaboston@accountant.com](mailto:ctaboston@accountant.com)

**Connecticut:** Community Accounting Aid and Services, Inc.; 860/570-9113; [caas@sba.uconn.edu](mailto:caas@sba.uconn.edu); **Web:** [www.ctcaas.org](http://www.ctcaas.org)

**New York City:** Community Tax Aid, Inc.; 718/445-3271; [ctanyc@myrealbox.com](mailto:ctanyc@myrealbox.com); **Web:** [communities.msn.com/ctanyc](http://communities.msn.com/ctanyc)

**Baltimore:** Maryland Volunteer Lawyers Service; 410/539-6800 x203; [mina@mvlslaw.org](mailto:mina@mvlslaw.org)

**Washington, DC:** Community Tax Aid, Inc.; 703/318-2122; [CTAvol@aol.com](mailto:CTAvol@aol.com); **Web:** [www.gwscpa.org/cta/index.htm](http://www.gwscpa.org/cta/index.htm)

**Detroit:** Volunteer Accounting Service Team of Michigan; 313/647-9620; [mjhunt@vastmi.org](mailto:mjhunt@vastmi.org); **Web:** [www.vastmi.org](http://www.vastmi.org)

**Illinois:** Center for Economic Progress; 312/252-0280; [volunteer@centerforprogress.org](mailto:volunteer@centerforprogress.org); **Web:** [www.centerforprogress.org](http://www.centerforprogress.org)

**Minnesota:** AccountAbility Minnesota; 612/287-0187; [cgainey@accountabilitymn.org](mailto:cgainey@accountabilitymn.org); **Web:** [www.accountabilitymn.org](http://www.accountabilitymn.org)

**San Francisco:** Tax-Aid, Inc.; 415/955-5133; [us-tax-aid@kpmg.com](mailto:us-tax-aid@kpmg.com); **Web:** [www.tax-aid.org](http://www.tax-aid.org)



## IRS Tax Talk Today Programs to Cover 2004 Tax Filing Season, EITC and Other Tax Credits; Other Programs Archived

To help tax practitioners gear up for tax season, the Internal Revenue Service's *Tax Talk Today* program will address the 2004 filing season (Dec. 9, 2:00 p.m.–3:00 p.m., ET) and the EITC and other key tax credits for individuals (Jan. 13, 2:00 p.m.–3:00 p.m., ET). CPE may be available for participating in the live Webcast.

Last month the program's topic was executive compensation. In Oct. the *Tax Talk Today* program addressed the agency's new strategies for collecting delinquent federal taxes, including enlisting private collection agencies.

Shows that are aired live are archived and can be viewed for one year. Visit [www.taxtalktoday.tv](http://www.taxtalktoday.tv) for more information about upcoming and archived programs.

## Profession's Highest Award in Taxation Goes to Michael Walker

Michael Walker is this year's recipient of the Arthur J. Dixon Memorial Award, the highest award bestowed by the accounting profession in the area of taxation. The award is given by the AICPA Tax Division in honor of Arthur J. Dixon, a CPA who had an outstanding record of service to the tax profession and to the division. Walker has been a practicing accountant in New Mexico for 35 years with a national reputation bolstered by his numerous articles and conference speaking engagements.

As a volunteer for the AICPA Tax Division, Walker has chaired the Fringe Benefits Task Force, the Domestic Relations Task Force and the Tax Determination Subcommittee. In addition, he has served as a member of the Partnership Subcommittee, the Tax Division Administrative Committee and the Tax Executive Committee. Currently, he serves on the Workload Compression Task Force. He also has an extensive record of service and leadership with the AICPA, such as serving as a member of the Institute's governing Council, the AICPA Nominations Committee, and the Professional Ethics Area Planning Subcommittee.

## Donate Excess Inventory for 2003 Tax Deduction

The National Association for the Exchange of Industrial Resources has been operating since 1977 and facilitates moving a company's excess inventory items (new, overstock or discontinued products) to schools and nonprofit organizations nationwide, enabling the donating company to earn an above cost income tax deduction. A regular C corporation can earn a tax deduction of up to twice the cost of the goods; an S corporation, partnership or sole proprietorship would earn a straight cost deduction.

Contact NAEIR's Corporate Relations Department:



800/562-0955



[donor@naeir.org](mailto:donor@naeir.org)



## CPA Exam Tutorial Available, Webcast in January

An updated tutorial on the upcoming computer-based CPA Examination is now available on the exam Web site at [www.cpa-exam.org/lrc/exam\\_tutorial.html](http://www.cpa-exam.org/lrc/exam_tutorial.html). The tutorial is intended to familiarize candidates with the functionality and types of questions and responses used in the computer-based test. Besides the material included in the original tutorial, this version features updated graphics and functionality that reflect the exam's look and feel, an

enhanced authoritative literature section, buttons to control the speed of the tutorial, and new segments on resource tabs and help.

In addition, a free Webcast on Jan. 14 (1:00 p.m. – 3:00 p.m., ET) will address exam registration with candidates. This Webcast, like the others in the series, will be archived on the Web site ([www.cpa-exam.org](http://www.cpa-exam.org)) for future viewing.

### 2003 Tax Season Self-Study Resources

From CPE tax update courses to year-end tax planning and tax research, a variety of tools, software, publications, desk references and more will help ensure your tax season starts off right and continues through the end of tax season. To get the tax guidance you need, visit [www.cpa2biz.com/stores/tax](http://www.cpa2biz.com/stores/tax). Featured products: **AICPA's Individual** (VHS—No. 113595CPA12, DVD—No. 113594CPA12) and **Corporate** (VHS—No. 112605CPA12, DVD—No. 112604CPA12) **Tax Returns videocourses** with renowned tax expert Sidney Kess.

### Selling Strategies

**Successful Selling Strategies for CPA Firms** (VHS—No. 181191CPA12; DVD—No. 181190CPA12). **15% Pre-publication discount (mention promotion code RX)**. In this video-course, representatives from ConvergenceCoaching, LLC, consultants to CPA firms, show you how to develop a sales culture, apply a proven sales methodology, and develop a consistent sales process. The video includes a realistic enactment of the selling steps, and presents current and former practitioners, including James C. Metzler, AICPA VP – Small CPA Firm Interests. The detailed guidance and customizable tools and templates provide CPAs with the techniques and skills needed to close new business.



Preliminary CPE Credit: 6; Level: Intermediate; Format: One 100-min. DVD or VHS tape with manual. Price: \$128 member/\$160 non-member. VHS available 1/16/04; DVD available 1/30/04.

### Upcoming Webcasts

Webcasts are live, high quality, interactive, Web-based CPE programs that give CPAs access to the profession's top experts and provide information on today's hot topics – while offering 2 CPE credits. To register, log onto [www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts). Webcasts are archived and can be purchased on CD-ROM after the broadcast.

#### Compilation & Review Risk Alert - Strategic Briefing

Dec. 3, 2003, 1:00 – 2:55 p.m., ET

#### Semi-Annual Recent Developments — Traps for the Unwary

(Part of the Estate Planning Webcast Series)  
Dec. 4, 2003, 1:00 – 2:55 p.m., ET

#### SEC Quarterly Update Series 2003 — 4th Quarter

Dec. 17, 2003, 1:00 – 2:55 p.m., ET

**Checklists and Illustrative Financial Statements** (Price: \$32 member/\$40 non-member)

- Banks and Savings Institutions 12/2003 No. 008913CPA12
- Common Interest Realty Associations 8/2003 No. 008903CPA12
- Corporations 12/2003 No. 008934CPA12
- Governmental Employee Benefit Plans 9/2003 No. 009043CPA12
- Life & Health Insurance 12/2003 No. 008954CPA12
- Property and Liability Insurance 12/2003 No. 008964CPA12
- State and Local Governmental Units 12/2003 No. 009033CPA12

**Supplements to Corporations Checklist** (Price: \$19 member/\$23.75 non-member). Available 1/31/04.

- Construction Contractors No. 008924CPA12
- Investment Companies No. 008944CPA12
- Real Estate Ventures No. 008974CPA12

now  
available

The new, 57<sup>th</sup> edition of *Accounting Trends & Techniques* (No. 009895CPA12) presents a selection of new accounting practices and provides CPAs with specific examples of recent rulings, a current list of top companies, and an A&A pronouncements and standards index. Its unique format provides answers by example, showing how a particular situation was accounted for or disclosed. With the diverse selection of annual reports from software and telecommunications companies to retail and service based organizations, *Accounting Trends & Techniques* offers a wealth of knowledge in over 650 pages. Price: \$109 member/\$136.25 non-member.

With the online version of *Accounting Trends & Techniques* — AICPA reSOURCE: Accounting & Auditing Literature (No. WAT-XXCPA12). Price: \$79 member/\$98.75 non-member. Log onto [www.cpa2biz.com/AICPAresource](http://www.cpa2biz.com/AICPAresource) for more information or to purchase.

**To order**, write: AICPA Member Satisfaction, CPA12, Harborside Financial Center, 201 Plaza Three, P.O. Box 2209, Jersey City, NJ 07303-2209; fax 800/362-5066; call 888/777-7077 (8:00 a.m. to 8:00 p.m., ET); shop online at [www.cpa2biz.com/store](http://www.cpa2biz.com/store); or e-mail [memsat@aicpa.org](mailto:memsat@aicpa.org). Orders totaling \$300 or less must be prepaid by check or credit card. **Prices do not include shipping and handling, or sales tax if applicable. Have membership number ready.**

## FBI, AICPA Join Forces to Help CPAs Ferret Out Fraud

The Federal Bureau of Investigation is working with the AICPA to help CPAs detect and prevent corporate financial fraud. "Arresting Financial Fraud: The Inside Story from the FBI," a Nov. 6 Webcast co-sponsored by both organizations, garnered an audience of more than 6,300 registrants representing an estimated 10,000–15,000 individuals. The Webcast explored the FBI's view on the corporate fraud problem in this country and addressed areas of future concern (*The CPA Letter*, Oct.).

The FBI also is actively recruiting from the accounting profession, with a goal to have 15% of new agents be CPAs. According to the FBI, accountants are critical in reviewing and analyzing documents necessary to track the illegal activities of individuals under investigation for major corporate fraud and international terrorism, among other things.

"It makes sense for the FBI and the CPA profession to work together," said AICPA President & CEO Barry Melancon. "The FBI already employs hundreds of CPAs. Moreover, the AICPA has developed a multi-faceted antifraud program, so this Webcast fits in perfectly with the efforts we've had under way since Sept. 2002."

A CD-ROM version of the Webcast is available for purchase from CPA2Biz ([www.cpa2biz.com/webcasts](http://www.cpa2biz.com/webcasts)). This CD-ROM qualifies for an estimated 2 CPE credits.

Melancon said the FBI and AICPA have additional plans to work together. For example, the Institute is arranging a training session for Bureau agents on accounting and auditing standards and the FBI is contributing articles on fraud prevention to AICPA publications.

### Resources and CPE Products on Fraud Prevention and Detection

An important tool for members is the AICPA Antifraud and Corporate Responsibility Resource Center, an online resource devoted to the prevention, detection and investigation of fraud ([www.aicpa.org/antifraud](http://www.aicpa.org/antifraud)). Here are other helpful products and CPE courses pertaining to fraud.

**SAS No. 99: Consideration of Fraud in a Financial Statement Audit** (No. 060701CPA12). Price: \$15 member/\$18.75 non-member.

**Corporate Ethics for Financial Managers: Navigating with Case Studies and Practical Solutions** (No. 029880CPA12). A series of nine case studies that illustrate real-world ethical dilemmas and application of values consistent with the high standards of the profession. Price: \$49 member/\$61.25 non-member.

**Financial Reporting Fraud: A Practical Guide to Detection and Internal Control** (No. 029879CPA12). This guide provides illustrations and examples of fraud concepts in addition to referencing research findings and authoritative literature. Price: \$49 member/\$61.25 non-member.

**Revenue Recognition: Guidance, Implementation, and Fraud Concerns** (No. 181200CPA12) provides guidance in identifying the differences between aggressive accounting and financial fraud and the point at which aggressive accounting practices become fraudulent. Prerequisite: Basic knowledge of accounting principles related to revenue recognition. Recommended CPE Credit: 6. Level: Intermediate; Format: 100-min. VHS tape/manual. Price: \$128 member/\$160 non-member.

**Fraud Detection in a GAAS Audit—SAS No. 99 Implementation**

*Guide* (No. 006613CPA12) provides detailed information, examples and best practices for implementing SAS No. 99. Price: \$68.80 member/\$86 non-member.

**Fraud and the Financial Statement Audit: Auditor Responsibilities Under New SAS** (No. 731810CPA12, text; No. 181810CPA12, videocourse). Recognize how the new fraud standard differs from the prior standard and the effect on your audit experience. Prerequisite: None. Estimated CPE Credit: 8, text; 9, videocourse. Level: Intermediate. Format: Text or 120-min VHS tape/manual. Price: \$119 member/\$148.75 non-member, text; \$148.80/\$186, videocourse. Also available in DVD format (No. 181820CPA12). Recommended CPE Credit: 9; Format: 135-min. DVD/manual. Price: \$149 member/\$186.25 non-member.

**Fraud and the CPA** (No. 731730HSCPA12). This interactive self-study course from the AICPA and the Association of Certified Fraud Examiners will help CPAs deepen their fraud knowledge, enhance professional skepticism and improve decision processes. Prerequisite: None. Estimated CPE Credit: 8. Level: Basic. Format: CD-ROM. Price: \$119 member/\$148.75 non-member.

**The CPA's Handbook of Fraud and Commercial Crime Prevention** (No. 056504CPA12) is designed to help CPAs manage the risk of fraud. Price: \$180 member/\$225 non-member.

**How Fraud Hurts You and Your Organization** is a free one-hour corporate governance training program developed by the AICPA and the Association of Certified Fraud Examiners. View the program from [www.aicpa.org/antifraud](http://www.aicpa.org/antifraud). Or, order the program on CD-ROM (No. 056513HSCPA12; \$8 shipping & handling fee for first copy applies).

To order any of the products above, see page 6.

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

- **Alina Dalvano** of Wyckoff, N.J., suspended from

disciplinary actions

membership in the AICPA for one year, effective Sept. 10, 2003.

- **Donald J. Lewis** of Villa Park, Calif., suspended from membership in the AICPA for one year, effective Oct. 17, 2003.

*continued on page 8*

*continued from page 1* — **Actions at Oct. Council Meeting**

panies (i.e., “issuers”).

- **Council authorized establishment of the Employee Benefit Plan Audit Quality Center and the Government Audit Quality Center, which will be developed to provide firm members a set of best practices to follow and tools in these specialized areas.** The Employee Benefit Plan Audit Quality Center is expected to be operational to receive firm admissions in spring 2004 and the Government Audit Quality Center by late summer 2004. Membership in the new centers will be voluntary for eligible firms. Member firms could hold themselves out as members of the applicable center to demonstrate their firms’ commitment to quality audit practices. Other center benefits will be available via a Center Web site with news, tools, member interaction and more. Creation of these centers demonstrates the AICPA’s commitment to the competency of members and its mission to assist them in fulfilling their public interest obligations.
- **A new voluntary membership organization was approved, the “Center for Public Company Audit Firms.”** The Center replaces the SEC Practice Section, which saw several of its functions absorbed into the PCAOB. It will develop technical and educational guidance, serve as a forum for member firms

to express their views on technical and regulatory matters, and administer a peer review program for member firms that will focus on the audits of non-public entities.

- **In other actions, S. Scott Voynich of Georgia was elected as chairman of the AICPA Board of Directors for 2003–2004 and Robert L. Bunting of Washington as vice chairman.** Council heard the inaugural speech of incoming chairman Voynich, which focused on the profession’s integrity, saying that the future we shape for tomorrow comes from the values, hard work and commitment brought to efforts today.
- **Recommendations from the Task Force on the Role and Responsibilities of Council were discussed.** More input will be gleaned from Council members at their Mar. regional meetings, with the goal of requesting the full Council vote on revised recommendations at its spring 2004 meeting.
- **Stuart Kessler of New York received the Gold Medal for Distinguished Service, the AICPA’s highest award.** Among other things, he served as chair of the AICPA Board of Directors in 1997–1998 and recently as president of the Foundation’s Board of Trustees. His chairmanship of numerous Institute committees included the Personal Financial Planning Executive Committee, where he was a driving force in moving CPAs to the forefront in personal financial planning.

*continued from page 7* — **Disciplinary Actions**

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

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

- **Antonio Roselli** of Topsfield, Mass., effective Sept. 19, 2003.

—*Terminated* following revocation of his CPA certificate, license and/or permit to practice by his state board of accountancy:

- **Edward G. Maier** of Chicago, effective Oct. 2, 2003.

Details on these disciplinary actions can be accessed through:



[www.aicpa.org/pubs/cpaltr/index.htm](http://www.aicpa.org/pubs/cpaltr/index.htm)

**Firms Terminated from Peer Review Program**

Effective Aug. 13, 2003, the following firms were terminated from the AICPA peer review program. Hearing panels deemed the firms did not acknowledge their agreement to take corrective or monitoring actions on their most recent peer reviews: Lawrence S. Pober, CPA, Plymouth, Mass.; Louis A. Trisko, CPA, Wyandotte, Mich.