

1966

Reporting to the American Institute of CPAs, an address by Robert M Trueblood at the annual meeting, Boston, Mass

Robert M. Trueblood

Follow this and additional works at: https://egrove.olemiss.edu/dl_tr



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Quarterly, Vol. 12, no. 4 (1966, December), p. 02-06

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Touche Ross Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

Report to the American Institute of CPAs

*An address by Robert M. Trueblood
at the Annual Meeting*

Boston, Mass.

My year as president has given me some insight into almost every aspect of the profession's concerns. I've had the stimulating experience of talking with leaders of many other organizations which have a direct interest in the services performed by CPAs. I have reference to groups such as the American Bankers Association, the Securities and Exchange Commission, the Financial Analysts Federation, the American Accounting Association, and the Financial Executives Institute. And I've benefited from conferences with the top managements of many of our leading corporations. But, above all, I have enjoyed the opportunity to work closely with a number of our committees and their dedicated chairmen, and with the Institute's staff.

Perhaps no one who has *not* been president of this organization can conceive of the scope and complexity of the Institute's operations—nor visualize the enormous volume of its production in terms of printed materials, personal communications, meetings, and courses. It has become one of the largest organizations of its kind in the world—and it is still growing. Our Institute has a distinguished record of achievement, of which we can be proud.

Yet I must say that I believe the accounting profession and thus the Institute are only on the threshold of greater opportunities. Candor, however, requires me to make another observation: It is by no means certain that we can cross the threshold of our opportunity unless we can resolve, in a timely manner, a growing array of problems.

Consequently, it seems to me that the most useful thing I can do this morning is to outline briefly some of the challenges which confront us.

In preparing for this talk, I have conferred in depth with Jack Carey and John Lawler—our executive director and our managing director—and what I shall say represents a consensus of our views.

I might appropriately begin by speaking of the organization of the Institute itself. As pointed out in the report of the Structure Committee (which you have all received), the Institute at some point passed over the line which separates a small organization from a large one. And size, in this connotation, refers more to significance and impact than to numbers. Jack Carey has suggested that this dividing line between the small and the large operation was crossed sometime during the past decade

—probably no later than 1959. But the Institute's pattern of organization has not changed in any significant way since the late 40's. As you know, we are now engaged in an intensive study of the organization of the Institute in order to develop a structural design which will enable it to cope with an increasing volume and diversity of work. We are hoping also to prepare the Institute to participate in the larger responsibilities of the profession which relate to the socio-economic environment of our country.

These are complex matters which cannot be adequately covered in a few words. But I can say that those of us who have been involved in this review are convinced that increased reliance must be put upon the full-time staff. It is simply impossible—under the circumstances of the present—for volunteer officers and committees to keep in touch with every aspect of the day-to-day operations of the Institute. This does not mean, however, that the members should turn their organization over to the staff. It may well be that, in certain programs, more might be accomplished faster by greater dependence on the staff. But even in such cases, it is imperative to evaluate the gain in efficiency against the loss of membership involvement in the work of the Institute. Moreover, there are some functions to be performed—for example, the establishment of technical standards—which cannot properly be discharged by the staff. And no one knows this better than the staff itself.

As these observations suggest, the real task before us is to develop an organizational pattern which assigns clear-cut responsibility for the formulation of policies to the appropriate representatives of the membership—and which also establishes clear-cut responsibility for the execution of those policies by the full-time staff.

The primary instrument for policy control is and should be the Executive Committee. If the proposed by-laws amendments to be discussed today are adopted, the Executive Committee will be slightly enlarged and it will be strengthened by added continuity of service. The Executive Committee should, in our view, have a fairly broad grant of authority and should act, in effect, as a board of directors for the Institute—with its decisions always subject to review or veto by the Council. Membership on the Executive Committee may well be an honor, but it is also an obligation and a trust—involving man-months of effort each year. In spite of these rigorous demands, however, I am confident that there are many in our number who are qualified to assume

these responsibilities and who are willing to devote the necessary time.

Some years ago Jack Carey spoke to Council regarding his concern about the Institute's "creaking" decision-making processes. And in a recent membership survey, a major criticism of the Institute was "slowness in developing policy decisions." I think this a fair judgment, and a serious one. Nearly all of our technical pronouncements are worked out by volunteer committees, assisted by competent technical staff. But it sometimes takes years to turn out a technical guide, or an auditing bulletin.

Consider, for example, the present work of the Accounting Principles Board. During the past year its members have spent weeks in meetings, weeks in reading, and weeks in creative effort. In addition, certain firms are supplying to the Board many man-months of staff assistance. Chairman Heimbacher's participation and contribution and success are unbelievably great—especially considered in relation to his many years of extreme efforts for the Institute, including a year as president. These burdens cannot continue indefinitely, else we will not find members willing to serve. And yet we must be able to continue to infuse this work with the particular knowledge and insights of the sophisticated practitioner. What is required is a judicious admixture of volunteer talent and highly qualified technical assistance. If the *production* of groups such as the Accounting Principles Board is to continue at its present pace (and I believe it should accelerate), we are going to have to enlarge further the technical staff supplied by the Institute to the Board and similar volunteer groups.

The Structure Committee has also recommended a change in the volunteer officer arrangement—suggesting employment of a full-time paid president, with annual election of a volunteer Chairman of the Board who would preside over meetings of the Executive Committee, Council and members. This proposal has been regarded as so far-reaching in its possible consequences that it is being given careful further study by the Executive Committee—with an interim report on the matter having been presented to Council last Saturday.

Mr. Carey, Mr. Lawler and I are agreed that the Structure Committee has identified some very significant issues. The role of our Institute is dichotomous. On the one hand, we are an *organization of members*, and a strong and creative executive director is essential to keep the membership organization viable and vigorous. On the other hand, the Institute has a larger and

larger role in the advancement of the economic community, and this role requires the talents of another kind of person—one who can speak with respected authority on professional and technical matters, and one who deeply understands the practice and practical problems of over 55,000 members. In my view these two roles are complementary—with no one person likely to have the qualifications and time to perform both well. In effect, there is a kind of duality in our management problem, and I know the Executive Committee will continue its explorations of the Structure Committee's report in depth.

The organizational revisions under consideration may tend toward some reduction in membership participation in the work of the Institute. Yet we know there is, even now, an unsatisfied desire on the part of many members to participate in the Institute's work. It may, therefore, be timely to re-examine the proposal to create "sections" within the Institute. Or if that idea is still a nasty one, other devices might be considered: the enlargement of certain committees, the organization of conferences on special subjects, the development of an even closer affiliation with state societies (perhaps going as far as a requirement for common membership). In any case, it seems imperative to find some means—without impairing the effectiveness of the Institute in performing its daily tasks—to provide opportunities for wider participation of the individual member in Institute affairs.

* * *

Now let me turn to a few of the areas in which things need to be done, and done quickly.

* * *

The attraction of first-rate young men and women to the profession may be our highest priority problem. The retention of first-rate young people may rank a close second. We are engaged in a strenuous competition to obtain a better share of the best brains of the younger generation. Because young people today take money and fringe benefits pretty much for granted, they are inclined to seek those opportunities which utilize their abilities in rendering service to society. This means that we must redesign our appeals to high school and college students to present the profession and its firms—large and small—as centers of creative activity which make a significant contribution to the public welfare. We must do more research—some of it already under way—research on the motivations, attitudes, and approaches to work of the better students. With that knowledge, the

Institute should be in a position to provide far more assistance to our member firms in suggesting effective methods of recruiting *and retaining* superior young people.

In this connection, I would emphasize that I trust the Institute and its members will continue to take seriously their moral and social obligations for equal opportunity for all.

* * *

The research activities of the Institute in the field of accounting principles have been greatly expanded in recent years. As I have said on other occasions, I think we are on the verge of a breakthrough in this area, and the momentum which has already developed ought to result in accelerated progress in the years ahead.

This optimism, however, is no justification for any slackening of effort. We have accepted the responsibility for leadership in the improvement of corporate reporting for investors. And a great deal more needs to be done before that mission has been completed—if, indeed, it will ever be completed. Even after we have solved all the major problems involved in making "like things look alike and unlike things look different" in financial statements, we shall not have finished the task. We have problems of terminology, of form and arrangement, of supplemental data, of compliance examinations, and of extensions of the attest function into new areas.

Moreover, we need additional research in auditing, in taxes, and in management services. Perhaps the most immediate need is for a better understanding of the developments in management information systems for both large and small businesses. Other groups are doing a considerable amount of work in this field. We must at least match—and hopefully surpass—their efforts.

In the field of the computer, we have made at least a modest (albeit belated) start on a research program. We expect to maintain a continuing inquiry into the impact on the practice of accounting of these wondrous machines. We now have an outstanding consultant (Dr. Davis), on leave from the University of Minnesota, at work for us. He is seeking to recruit a permanent staff to carry on the EDP program when he returns to his campus. If one thing is certain in this uncertain world, it is this: the study of computers and the problems generated by them will occupy a large part of our research effort in the decade ahead. And the more we delve into computer technology, the more we will move ourselves rightly (but again belatedly) into interdisciplinary research.

Our relations with the academic community have always been at least reasonably good, but I think there are signs of current enrichment in this relationship. Especially in the area of research, the cooperation of the academic and the practitioner is of paramount importance. The academic must do what he can do best, especially in fundamental inquiries. The practitioner and the Institute must do what they can do best, particularly in adapting theory to practice. And between the academic and the practitioner there must be an interchange of financial resources, intellectual facilities, and a shared faith in our common research objectives.

* * *

The demand for some type of recognition for superior competence in special fields of accounting continues to mount. Nothing has been done about this so far—except to talk about it. But it seems to me that some arrangement ought to be devised to enable people who have competence in specialized areas of our expanding profession to obtain some symbolic evidence of that accomplishment. Something, surely, is lacking if the CPA certificate remains the highest accolade that an energetic young accountant can achieve. The CPA certificate evidences basic competence in the broad field of accounting. But that field is now so extensive that many of our members have acquired high-level skills which are seldom mentioned even in text books, or the CPA examination itself. Are we not doing ourselves a disservice in failing to recognize these specialized skills—which have developed in response to the needs of modern business?

Most everyone seems to be deeply worried about the independence of CPAs — except perhaps CPAs themselves. There has been a rash of articles and speeches discussing the extent to which management services and tax practice may impair an auditor's independence, or at least the appearance of his independence. Much of this discussion, in my view, has been superficial. Some of it has seemed to be more a game with words, than an exercise in logic. Yet the skeptics need be answered; and the answers must be persuasive to the public—not merely to ourselves.

Personally, I see no necessary conflict between the rendering of tax and management services and the audit function—*provided* the CPA performs all of his work with objectivity, refuses to subordinate his professional judgment to the views of his client or anyone else, and avoids all relationships which might appear to involve a conflict of interests. But, of course, this kind

of answer is too brief and too general to be conclusive. The subject needs additional research—an honest effort to see ourselves as others see us, even if we believe the outsider's image of us to be grossly distorted.

* * *

As Hill Giffen told the Association of CPA Examiners on Saturday, the profession's record in enforcing its ethical standards can hardly be described as impressive. The Institute itself holds some 15 or 20 trials a year—at considerable expense and effort, I might add. The state boards in the last four or five years have conducted approximately 100 hearings—not quite two per state. In a profession which has more than 15,000 practice units, these statistics suggest that there is either a remarkably high level of compliance with ethical standards—or a very inadequate mechanism of enforcement. I sincerely hope that the first explanation is the true one, but we had better be in a position to prove it by ensuring that any defects in the present machinery for professional self-discipline are promptly eliminated. It seems to me that we need better investigatory procedures, perhaps a decentralization of the disciplinary effort to the local level. Possibly we must turn more frequently to the state boards which alone have the power to suspend or revoke the CPA's license to practice. And it is clear that our present authorities in the matter of disciplinary procedures are overlapping—and, therefore, cumbersome and costly.

* * *

It has often been said (I have said it myself) that the reputation of CPAs depends upon their fidelity to the professions' technical and ethical standards, and upon their willingness to demonstrate concern for the public interest by participating in public affairs.

But there is also need to communicate with important segments of the public on matters which concern both the public and us. These messages may now and then flow through the media of the daily press, business and financial magazines, radio and television. More often, the most effective public relations work will be accomplished by face-to-face communications between the individual CPA and leaders in the business, financial, educational, and political communities.

The Institute, for some time, has been appraising its public relations efforts, and its consultant in this field is now re-examining and refining its program and planning to recruit additional personnel for the full-time staff. Mr. Schackne is also charged with the responsibility for developing future programs, short and long term. There

is, in theory, no end to what might be done in public relations. But, in practice, we are compelled to operate within the limits of reasonable resources. Within those limits, we must undertake expanded efforts to see that the most important tasks of communication are effectively performed, that opportunities for conveying our story to the public are fully exploited, and that our members are encouraged to behave in a manner which will justify continued public confidence.

This recital of concerns could be continued, but perhaps what I have said is enough to indicate that all of us have a lot to do if the promise of this profession is to be fulfilled.

Each of the problems calls for a specific solution. Yet all of the problems, in a sense, require a rededication to the basic ideals of professionalism.

We must be prepared to be as much concerned with the problems of the profession as a whole as we are with the difficulties facing our own firms. Most of these problems are the same problems, and few of these problems can be resolved except by a united effort through the Institute.

We must be prepared to assert ourselves together as a social force in our economy. We must make decisions and take actions in a precipitating kind of way—not at a time when the decisions are too late to be helpful.

We must be prepared to pool our knowledge and experience through the Institute, for what benefits the

profession as a whole benefits each of us.

We must be prepared—while remaining faithful to the traditions of our profession—to be bold in experimentation, receptive to new ideas, impatient with dogma which impedes our ability to adjust to the realities of our time.

We must be prepared, at the cost of personal sacrifice, to contribute generously of our skills to the achievement of the goals of our democratic society, for only through involvement in the vital concerns of our fellow man can we hope to realize the full potential of the art of accounting.

We must also be prepared to invest additional funds in the Institute. Top-flight talent, as we all know in our own firms, is at a premium. If we accept the premise that a superior staff is essential to the accomplishment of our goal of distinction, then the financial resources available to the Institute must be considerably increased. And if we commit ourselves to additional research (as we must), the financial burden will be further increased.

This brief review of the problems which we face is, I suppose, likely to produce one of two reactions. Some may be dismayed by the multitude and complexity of our concerns. Others may regard this inventory of concerns as cheering evidence of the vitality and growing significance of our profession. If enough of us recognize our concerns as a challenge—and if enough of us set out jointly to resolve them—then we can all look forward to the future with confidence and with faith.