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THE NEWSLETTER OF THE AICPA ALLIANCE FOR CPA FIRMS

## Inside



January 2005

# Small Firms Fill Holes in Market Created by SOX

By Lisa A. Rozycki

For smaller CPA firms across the country that have taken the initiative, a business boon has resulted from the passage of the Sarbanes-Oxley Act in 2002 (Sarbanes-Oxley or the Act) that is nothing short of remarkable. Small firms have found innovative ways to be competitive-from offering staff to Big Four firms in exchange for training on Section 404 work, to combining resources with other member firms of accounting firm networks to compete for projects.

Smaller firms have an opportunity to broaden the services they offer to clients through the work brought on by Section 404 of Sarbanes-Oxley, which requires management to report on its internal controls over financial reporting and independent auditors to attest to management's evaluation.

"Public companies, who may have never done business with small firms, are now seeing the value, professionalism, and quality of the people and services that smaller firms can offer," says Michael McCarthy, Senior Manager at Hancock Askew, Co., a CPA firm of 60 people based in Savannah, Georgia.

Before McCarthy joined Hancock Askew in early 2004, the firm did not have the expertise or the training to provide Section 404 work. Having come from Ernst & Young with 12 years of experience, McCarthy was tapped to provide training and guidance on Sarbanes-Oxley for Hancock Askew, and 11 other southeastern U.S. firms who are all members of the BDO Seidman alliance.

McCarthy is coordinating the efforts of those firms in jointly proposing on Sarbanes-Oxley work. In some cases, he is the lead on proposals and is using information technology specialists from other alliance firms to help him staff the engagement. On other projects, other firms have the contacts, and he is providing the expertise and some of Hancock Askew's staff.

In marketing materials for its services, this group of BDO Seidman alliance firms refers to itself as a "12-member group of firms across the Southeast aligned cooperatively to provide Section 404 consulting services."

In late 2004, McCarthy's firm was turning down work with accelerated filers—companies that have a public float of at least $75 million and meet other criteria—because they had too much work and not enough people to staff it all. Accelerated filers must include a "Management's Annual Report" on internal control over financial reporting, beginning with their annual report for the first fiscal year ended on or after November 15, 2004. For nonaccelerated filers, the requirement applies beginning with the annual report for the first fiscal year ended on or after July 15, 2005.

### All are winners

The cost-benefit to public companies is tremendous because they are getting a high quality service for lower average rates. The cost-benefit to the small firms is a new stream of revenue to new clients at a time of year when they are generally slower.

At Levine, Katz, Nannis, & Solomon (LKNS), a firm with 50-plus total staff located in the Massachusetts technology belt, the firm collaborated with one of the Big Four firms in their market to complete Section 404 work. With the shortage in the industry of staff, they trained and continue to use some of LKNS's staff to complete projects for some of their Fortune 500 and 1000 clients.

"It was a win-win situation for them and for us," says

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## Letters to the Editor

**_The Practicing CPA_ encourages readers to write letters on practice management and on published articles. Please remember to include your name and telephone and fax numbers. Send your letters by e-mail to pcpa@aicpa.org.**

LKNS partner, Jeffrey D. Solomon. "They used our staff over the summer months and those projects are just finishing up. They are absolutely thrilled with our people."

### Understanding the market

The Big Four firm, who Solomon declined to name, was using staff from South America and India to staff the engagements in their market. Solomon knew the situation and approached the national firm to talk about lending his staff out for six-week periods. Because of the availability of LKNS staff and the lack of a language barrier, the Big Four firm's response was overwhelmingly positive.

"Based on what we've seen, if you want to get that skill set, there are opportunities to learn alongside firms that already have it," says Solomon. "Big Four firms are shedding smaller public companies like crazy, so you are not a threat to them."

Each employee LKNS lends out attends a two-day training course before starting work and the experience they are gaining is invaluable.

### Gaining competency and confidence

"We now have about 10 people who can do this work all the way from the senior manager level down to the semi level," says Solomon.

Solomon feels the firm now has the confidence internally to go out and sell this type of work. Debriefing sessions are conducted with the staff in which they are asked a series of questions—what was good, what was bad, how should the firm market it externally? The plan in 2005 is to package the service, to market it by connecting with LKNS's high net worth clients who work in public companies, and to try some direct mail to other public companies in their market.

Two years ago, *Public Accounting Report (PAR)* put Atlanta-based Porter Keadle Moore, LLP (PKM) in the top 25 of firms in the country serving public companies, tenth on the list of non-Big Four firms.

PKM, a firm of 50 staff members, audits 32 public companies and provides other assurance services for twelve others including AICPA Statement on Auditing (SAS) reports, network vulnerability reports, and internal auditing. Seventy-five percent of the firm's revenue comes from the banking industry. Banks have been required since 1991 to do FDICIA—a kind of light Section 404 requirement—so PKM had the experience and the confidence to become proactive in marketing Section 404 work.

### Making the first moves

When Sarbanes-Oxley was passed, PKM expanded its reach in its most successful niche and developed a database of banks in the southeastern United States. They have hit this database every month for the last two years with letters and seminar invitations to build name recognition.

Very early on, PKM partnered with a law firm and an investment banker and started educating people on what was going to be required by Sarbanes-Oxley.

"Two years later, because people are realizing how painful this is going to be, they are trying to figure out if they should deregister or not," says Laura Snyder, director of marketing for PKM.

The firm is trying to help clients analyze the cost versus the benefits of remaining public. According to PKM's analysis, the cost to their clients due to that Act averages around 125% of their existing audit fee.

Snyder says most of the business due to Sarbanes-Oxley is yet to come because they have only helped three clients who are accelerated filers so far with Section 404 work. The firm has turned away business and is wondering how they are going to staff it for the nonaccelerated filers in 2005. Snyder spends half of her time recruiting and the firm expects to be very aggressive in finding qualified personnel in the next six months.

### Collaboration called for

Currently, PKM is swapping work with other regional CPA firms that serve public banks, they are using a super regional to staff an engagement in another state, and they are jointly proposing on work with another small firm that they are training to provide Section 404 work.

Some of PKM's clients do not want to give up the firm's consulting services so the firm has been working with clients to make the best decision as to what to use the firm for and helping them find another firm to provide the other work. They estimate they've lost about $ 500,000 in business they are now restricted from providing, but have gained $ 1.2 million in revenue as a result of the Act.

In the past three to six months, PKM has spoken to all of the Big Four firms in the Atlanta market, as well as the majority of southeastern firms that provide services to public banks.

"We are also contacting other publicly held companies to say

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***Editor:*** William Moran.

that their audit firms can no longer do their tax provisions because of Sarbanes-Oxley, and we are available," says Snyder. "It is really convenient for us because we are trying to build up our tax practice."

Smaller firms that have wanted to capitalize on the stream of new revenue available due to Sarbanes-Oxley can take away several lessons from other smaller firms who have been quite successful:

- Offer staffing to other firms for a set time period during slower times of the year.
- Recruit experienced personnel to ramp up your Section 404 services.
- Join forces with others in your accounting firm network to provide group training, staffing, and marketing.
- Look for other firms, as well as the Big Four, who serve public companies and are in desperate need of the help or are looking for other firms to refer their clients to for the services they are restricted from providing.

Once a smaller firm gains the new skill set, they can package and market their services to smaller public companies that want high quality service for lower fees.

"The biggest benefit to a small firm is to have the resources ready to go when needed," says McCarthy. "I have found that there are firms out there that can do this type of work to fill some holes."

*Lisa A. Rozcyki is the founder and principal of LR Marketing Group, a marketing consulting practice specializing in growing revenue of professional service firms through market analysis, planning & implementation, public relations, lead generation, and business development. Lisa has more than 20 years of marketing experience, and most recently, has spent the last 8 years as a marketing director in the public accounting industry. She can be reached at 1-610-582-0097 or lisa@lrmarketinggroup.com.*

# Don't Let Filters Block Emails You Want

Some members have informed us they have not been getting certain emails from the AICPA when others they know have. If you are having problems receiving emails that you usually receive, your spam blocker may be to blame. Because spam overwhelms many of our inboxes, Internet service providers such as AOL, Yahoo, and MSN provide filters or tools to help eliminate unsolicited email. Unfortunately, sometimes "filters" block email that you may want. For help in remedying this situation, please visit **http://www.aicpa.org/news/2004/2004_1130.htm.**

# Going Paperless: Are we there yet?

*This year's PCPS/Texas Society of CPAs National Management of Accounting Practice (MAP) survey reported that 41% of CPA firm respondents indicated that they would consider going paperless, and 20% already have done so. In addition, 25% of the firms are planning to go paperless, but 13% will not consider it. In the following article, the author takes a historical perspective of efforts and advances that made the paperless office possible. By highlighting the milestones, he identifies and discusses the issues to be addressed and the obstacles to overcome in going paperless.*

By By Bob Larrivee

The world is moving faster than ever, and the generation now entering the workplace has grown up with computers, the Internet, and other electronic wizardry. One is forced to again ponder whether there is any real possibility of a "paperless office." I can attest that the paperless office, from the beginning of electronic communication, has seemed to be more myth than realistic aspiration. Clearly, however, we have come a long way toward reaching the goal of paperless business operations, but how close?

To answer that question, we must first define the paperless office. Is it the much-heralded nirvana where no paper exists in any form? Or is it a more realistic business environment in which there are minimal paper documents?

Realistically, the parties in many entities and transactions are not ready for a completely paperless environment. It's human nature to want tangible proof of whatever was done, bought, agreed to, and so forth. In addition, not *all* business entities are technologically prepared for true paperless operations. Many suppliers, distributors, retailers, and the transportation companies who move materials remain paper-heavy businesses.

So, let's define *paperless* in terms of the current environment: The ideal situation is that paper is replaced by electronic formats (imaging), resulting in electronically created information that reduces paper dependency and provides automating processes that effectively make using paper an option rather than a necessity.

## The Mantra

Beginning in the middle 1980s, we heard that businesses would become paperless because "now we can scan paper documents and store them as images in a computer that is networked and can share the information among all those who have a need to know."

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We promoted the fact that we could be DIM (document image management) enabled. (Never did like being referred to as *DIM.*) Problem was, the process still started with paper. There were no industry-accepted standards, and communications infrastructures were not ready. As the 1980s rolled along, Microsoft took the reigns of the desktop operating system while organizations like the Association for Information and Image Management (AIIM) challenged vendors to accept and comply with standards.

In the early 1990s, we heard a much louder rumble about going paperless because the imaging solution was now a document management solution, capable of storing not only scanned images but also Word and Excel documents. Every type of business information could be indexed and stored for use in business transactions, reducing the need to print hard copy. Files needed to be printed only on request or to comply with legal requirements. For example, signatures were needed to confirm that a transaction was complete and binding.

At this time, we also began to see a rise in the use of electronic forms and the advancement of technology to capture signatures to an almost usable state. The problem that remained was human, not technical. As with the optical media of days past, there was a reluctance to accept that information produced through use of a "form" on a Web site could possibly be legal. Since there is no way to confirm the originator or security of such a transaction, how could anyone possibly expect that this type of commerce would be accepted? For transactions like obtaining home or auto insurance, how could anyone possibly believe that signatures, captured by a drawing tablet and stylus and placed on the electronic document, are real? How secure are they? What if the government questions this practice?

### Enter the year 2000

Turn of the century and forecasts of Y2K disasters on an apocalyptic scale that would bring information technology to a standstill. But at 12:01 A.M. January 1, 2000, the lights were still on, and everything seemed to be in order and under control.

Even the U. S. government seemed ready to agree that the technology is reliable. On October 1, 2000, it was announced that, under certain conditions and meeting specified criteria, e-signatures would be considered valid. As the government turns, so do the industry and vendor communities. As a result, we now have "standards of acceptance" defining what can be considered legal, which has increased the momentum of moving to paperless. For example, go to any major retailer, use your credit card, and, guess what? You sign using an electronic tablet. If you choose to use your debit card, simply enter your PIN number and voila, you have just made your purchase. The same holds true for e-commerce and purchasing over the Internet using a "form" for completing the order and finishing a transaction.

### What's in it for me?

So what if there is paper? What benefit does a paperless office provide to a business owner? To make this assessment, you must first identify all of the paper used by your business. Think about the costs of managing paper. An insurance agency in Florida decided to take the plunge and go paperless for all business-related paper documents. Signatures are now captured using electronic signature tablets. Hard copies are printed only upon the request of a client or some other outside entity. Once the system was in place, the company decided to look at its cost savings, taking into consideration the following costs:

- Printer paper
- Toner or ink to print the original
- Total copies made after signature
- Toner for copier
- Copier paper
- Envelopes for mailing or packaging for consumer
- Postage
- Time spent looking for and returning files in the manual system

The company calculated a savings of approximately $40,000 in the first year. In the spaces formerly dedicated to five file cabinets, the company was able to accommodate a new salesperson. Additional freed-up space was sublet to offset mortgage costs.

Large corporations began the move to becoming paperless with imaging and electronic data interchange (EDI), when they realized that online information, being more readily available, reduced their costs. Small businesses are moving in a similar direction, including using e-signatures, thereby eliminating the need to print an original, only to copy it and then scan it back into the system. Think of the insurance agent who now has you complete your application online to obtain a quote and sign the contract at a desktop system in his or her office with an e-signature tablet (or in your home or office if they are using a notebook PC), and sends you a copy via email or fax if you request one. No need to print! No paper!

Of course, in order to achieve this level of automation, we need to shed our reservations about technology and accept that it is a viable way to conduct business that is stable enough to be trusted. We are getting there. Not just here in the United States, but worldwide. Whether we like it or not, the global economy is pushing us to use technology to it fullest potential, in order to streamline transactional interactions and gain economic advantage in a competitive marketplace.

What does this all mean for enterprise content management (ECM)? It means that the increased use of electronically created, forms-based information rather than hard copy moves us into a more fluid environment. It means that *all* of the information captured is now indexed. In contrast, under the older approach, data collection was limited to nonelectronic information that was selectively transformed and indexed with no guarantee that all information that might be sought at a later time would actually be searchable.

Clearly, the new approach increases search capabilities and makes information more readily available from within a repository. It better serves the purpose of making stored information retrievable for use in business transactions, analysis, marketing, and

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every other aspect of business—including streamlined transactions between supplier and consumer. It means that business is less dependent on paper; although still very much a part of business, paper is becoming nonessential.

### What happens to records management?

Must we still concern ourselves with records management now that we have ECM? The answer to this is clearly, yes. Now more than ever, records management is critical, as are the rules for document lifecycles, archiving, and destruction. Simply watch the evening news and the importance of policies and procedures is evident.

Lifecycle issues as well as the new, electronically based definition of a document are important. For example, at what point in your business does an email, Word document, or the like, become a matter of record, and at what time are you required to include it as part of the business file? For that matter, what about voice mail? If you save voice mail files, how and when do you include this as a business record in a client or project file? If you were audited today, would you be able to produce the requested information and, if it were destroyed, could you demonstrate a consistent process in light of the lifecycle rules?

What is the best form of archival procedures to meet requirements of business or your industry? In some cases, you may be required by your industry or the government to maintain microfilm records as a backup to electronic storage. In other cases, magnetic storage or one of the several forms of unalterable media are acceptable. The point is that ECM, while making information more manageable and accessible, should still be used in conjunction with a strong records management policy that is documented, regimented, and defendable.

### Going forward

Many of us have heard and seen advancement that is inching us ever closer to a paperless environment. Some small and mid-size businesses like the insurance agent, are actually achieving paperless status levels of around 99%. But 1% still insists on having the actual hard copy in hand. Perhaps that 1% continue to want the security of having a hard copy in hand should disaster strike. Perhaps an old-fashioned reflex persists, namely, that, if one cannot touch it, it is not real. Nevertheless, we are steadily moving towards a world where paper is becoming less of a necessity to run business, electronic forms are legal and binding under agreed-upon conditions, and the rendition of a signature captured through the use of electronic media is acceptable. Finally, it is becoming a world where all information is captured electronically and placed into a repository that is manageable, indexed, and searchable based on content and contextual criteria.

Are we at the paperless level today? No. Is it achievable? Yes, with the use and acceptance of electronic forms on the rise, we continue to advance into a paperless society. Will we be there in my lifetime? It is hard to say. Given that the economic drivers are global, businesses will become paperless more rapidly in order to maintain a competitive advantage. Third-world nations, especially, will be under growing pressure to adopt and accept technology as a viable means of transacting business. Infrastructure enhancement and better security measures will continue to undermine resistance to a paperless environment. The question now is not can we reach paperless status, it is a question of when. It is ready for you, are you ready for it?

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*Bob Larrivee is director of sales and marketing for the Americas with Docubase Systems, Inc. and a member of AIIM's EmTAG. He can be reached at blarrivee@docubase.net. This article is reprinted as published for the AIIM website, www.aiim.org, in July 2004. AIIM is the enterprise content management association. For more articles on all aspects of ECM, visit AIIM's magazine on the Web, www.edocmagazine.com.*

# Web Site Enhanced for Audit Firms

The Institute unveiled an enhanced Web site (www.aicpa.org/CPCAF) for members who audit auditing public companies. The Center is a firm-based, voluntary membership center designed to promote the high quality of public company audits and to educate member firms and external audiences on issues that impact their public company audit practice.

"Our goal is to provide an online resource for CPA firms in the business of auditing public companies—an area where they can find resources, tools, and professional guidance on how to audit a public company," said Robert J. Kueppers, Chair of the Center for Public Company Audit Firms Executive Committee.

### Five core areas

The Center for Public Company Audit Firms' Web site is organized around a home page and five core areas: Resources, Community, Events, Membership, and Products. As an added benefit, members of the Center can access premier technical content, publications, and practice aids.

It's mission is to:

- Enhance the quality of member firms' audit practices through timely communication of regulatory developments, best practice guidance and technical updates.
- Provide a forum for member firms to discuss and express their views on matters that affect public company audits.
- Maintain working relationships with the SEC and PCAOB in furthering public company audit quality.
- Serve as a resource in identifying solutions to auditing, inspection, and other issues identified by regulators.
- Provide leadership through sponsoring public forums and periodic meetings with key stakeholder groups.
- Administer a peer review program for nonpublic practices of PCAOB registered firms.

New tools and resources will be added regularly to keep content fresh and relevant for Center members.

For information about the Center, go to www.aicpa.org/CPCAF and select the "Membership" tab.

PCPS

THE AICPA ALLIANCE FOR CPA FIRMS

Update

## January 2005

## Dear PCPS Members:

Happy New Year! As we kick off a new year of fresh possibilities and opportunities, we would like to review PCPS's accomplishments for local and regional firms in 2004 and look ahead to our plans for 2005.

## 2004: The Year In Review

PCPS achieved a great deal in 2004 by fulfilling our core purpose, which is to make CPAs and their firms successful. Response to our work was strong: This year, PCPS reached its highest level of membership since April 2002, and also recorded a record number of unique visitors to the Web site.

The PCPS Executive Committee kicked off the year with a multi-day strategic planning session to identify the organization's greatest challenges, its core purpose, its values and its critical target audiences. While the recent membership survey showed that 86% of our members believe that their membership in PCPS is valuable and four out of five would recommend it to a friend, there are still many firms that could benefit from what we offer. We renewed our focus on the top concerns of CPA firms, including finding and retaining quality staff, succession planning and developing future owners, and marketing and practice growth. After this successful session, PCPS developed new initiatives focusing on the topics of succession and staffing. We expect to commence with new products in 2005. We have also worked hard to enhance the quality and frequency of communications to member firms.

Here are highlights of the many benefits PCPS offered during 2004:

## Valuable Products and Services

PCPS presented a broad array of tools and programs for PCPS members throughout the year, including:

- **PCPS/TSCPA National MAP Survey:** This marked the third year that PCPS and the Texas Society of CPAs (TSCPA) partnered to conduct the National Management of an Accounting Practice (MAP) Survey. A total of 2,373 firms responded to the survey, creating the most comprehensive body of benchmarking data available to local and regional CPA firms today. And new this year, PCPS contracted with an outside consultant to prepare a detailed commentary on CPA firm best practices and big picture take-aways from the survey results. All PCPS members are entitled to a free National survey report, one of the most valuable tools that firms have to help improve their business performance. Visit **www.pcps.org** and click on the "PCPS/TSCPA National MAP Survey" logo on the left side of the screen. Non-PCPS members may purchase the report for $300 with a $100 discount to participants and a $100 discount for AICPA members.
- **MAP Network Groups:** In 2004, PCPS continued its popular MAP Network Group program with groups for small, medium and large firms. All groups meet twice throughout the year. To learn more, visit **www.pcps.org** and click on "Committee Central" and then "Network Groups." A calendar of upcoming meetings is also available on the site.
- **PCPS Briefs:** PCPS launched this monthly email newsletter for all member firms in 2003. Each issue focuses on a particular issue of concern to local firms and highlights actionable ideas and available resources. Brief topics this year included Pricing Your Services, Cross-Selling, Technical Developments, Fraud Detection and Prevention and CPA-to-CPA Alliances and Partnerships. An archive of past issues is available by visiting **www.pcps.org** and clicking on "Member Resources" then "News" then "PCPS Briefs."
- **Tax Materials:** PCPS partnered with the AICPA Tax Section to offer members, for a limited time, free resources and tools that would otherwise cost hundreds of dollars. These resources were among the most popular membership benefits of the Tax Section and included:
  - —Tax checklists specific to various types of 2003 tax returns.
  - —Practice management tools, including sample engagement letters.
  - —Statements on Standards for Tax Practice.
  - —Topical practice guides on practical tax issues such as state and local nexus issues, family limited partnership valuation discounts and privilege and confidentiality.
- **Online Management Resource Center:** PCPS gathered an abundance of information and resources on practice management topics and created a new section of our Web site to make them available, cross-referenced by topic and firm size. Topics include marketing and practice growth, staffing, seasonality/workload compression, and succession planning. This year, we plan to unveil a brand new Web site architecture to make it an even richer resource for member firms and the broader CPA community. To access the resources page, go to **www.pcps.org** and click on

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"Member Resources" to access the link.

- **Succession Planning:** In 2004, PCPS conducted an in-depth study of 463 CPA firms to assess the state of succession planning among firms of all sizes. The research led to an article that ran in the December issue of the Practicing CPA and is expected in the January issue of the *Journal of Accountancy*.

## Representation

- **Section 101(3) Guidance:** This year, PCPS continued to work with the Ethics Division at the AICPA to clarify a number of issues that small firms raised regarding the AICPA's Interpretation of Section 101-3 in the Code of Professional Conduct (Performance of Nonattest Services). The PCPS Technical Issues Committee (TIC) and PCPS urged the Professional Ethics Executive Committee (PEEC) to offer more guidance on the competency assessment requirement and other aspects of this interpretation. New documents providing additional guidance on this requirement are available at www.aicpa.org/news/2004/2004_1123.htm.
- **Private Company Financial Reporting Task Force:** The AICPA created this task force to explore whether general purpose financial statements of private companies, prepared in accordance with GAAP, are currently meeting the needs of its constituents. Made up of various stakeholders in the private company marketplace and chaired by former AICPA Chairman Jim Castellano, the task force has already developed a discussion paper about GAAP-based financial statements and private companies. Bill Balhoff, former chair of the PCPS Executive Committee, and Pat Piteo, former member of TIC, sit on this task force and have been monitoring its progress on our behalf.
- **Sarbanes-Oxley Resources:** PCPS partnered with Mike Ramos to create a series of articles on SOX 404 implementation, conducted a Web cast on "Second Firm" opportunities and sponsored a course on leveraging technology to streamline internal control reporting. A number of these resources are available online at **www.pcps.org** by clicking on "PCPS Resource Center" on the right side of the page.
- **Technical Issues Committee:** TIC is charged with representing local CPA firms and their private company, not-for-profit and government clients to standard-setters and regulators. TIC had a busy and successful year in this important work.

Last Spring, TIC was largely responsible for convincing the Financial Accounting Standards Board (FASB) to defer issuance of an exposure draft (ED) on debt classification that would have required many small businesses to re-classify their long-term debt as current. TIC had expressed strong reservations about this pending ED in communications with the FASB, especially the provisions requiring debt to be classified as current if violations of debt covenants were not waived before the balance sheet date. TIC's success in this effort was attributed to a survey of bankers that committee members conducted to convince the FASB that the proposal would not be welcomed by financial statement users.

*FYI*

**PCPS, an alliance of the AICPA, represents more than 6,000 local and regional CPA firms. The goal of PCPS is to provide member firms with up-to-date information, advocacy, and solutions to challenges facing their firms and the profession. Please call 1-800-CPA-FIRM for more information.**

Throughout the year, TIC has expressed its concerns to the FASB about FIN 46R. TIC has lobbied hard for expanded guidance and more time to implement the standard. TIC recently called for another one-year deferral of its effective date for nonpublic companies. TIC believes this extra time is needed to give practitioners and preparers time to understand and implement a FASB Staff Position on the related party provisions of the interpretation that is expected to be finalized in 2005.

In commenting on this FASB ED, TIC expressed concerns about the complexity of the guidance and the cost and time that would be necessary for nonpublic companies to generate fair value measurements that may have little reliability. In addition, TIC believes the proposed disclosures will not be helpful to users of nonpublic company financial statements.

TIC has been monitoring various international and U.S. auditing proposals in the areas of audit documentation, auditors' reports and risk assessments, to name a few. Many of these will be exposed or finalized in 2005.

TIC also met with GASB in the Fall to discuss developing issues such as its proposed concepts statement on communication methods, an amendment of GASB Statement 34 on net

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assets restricted by enabling legislation, as well as projects on fund liabilities, derivatives and hedging and pollution remediation obligations.

In order to accomplish its broad mandate, the committee added one full-time and three part-time members this year.

## 2005: The Year Ahead

As we embark on a new year, PCPS is eager to deliver even more value to its members. Our members can expect to hear a lot in the year ahead about the succession and staffing projects. Succession Planning will culminate with a comprehensive guide to help firms manage the transition from one generation of owner/managers to the next. Our staffing project, in which PCPS fielded a research study and received information from 472 firms on their greatest challenges in staff retention, includes plans to develop training and other best practices to guide firms in these areas in 2005.

Other events to look forward to this year include:

- The 10th-annual AICPA Practitioners Symposium will be held in Orlando, Fla., June 5-8.
- We expect to launch a revamped PCPS Web site some time after the end of tax season.

We welcome your input regarding which areas you could most use support in. We use data from our membership survey to help guide our decisions, but we also depend on your first-hand feedback.

PCPS is here to help you and your firm succeed. Please feel free to call us at 1-800-CPA-FIRM or e-mail at pcps@aicpa.org to let us know your greatest concerns. From all of us at PCPS, we wish you a happy and healthy new year!

Regards,

Richard J. Caturano

Chairman, PCPS Executive Committee

*FYI*

### Attention Readers!

***The Practicing CPA*** **is available online. As each issue is posted online, we will notify readers via email. Beginning with this issue, managing partners of all locations of PCPS member firms will receive the print version of *The Practicing CPA*. For information about PCPS and the many benefits of joining, call 1-800-CPA-FIRM or visit www.pcps.org.**

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*Harborside Financial Center*
*201 Plaza Three*
*Jersey City, N.J. 07311-3881*
*(201) 938-3005*
*Fax (201) 938-3404*

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