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Activities of the Private Companies Practice Section.  
Published by and for members of the AICPA Division for CPA Firms.  
Editor: John R. Mitchell.



## Here's Help With SAS '55

The Technical Issues Committee (TIC) welcomed the recent Audit Guide entitled *Consideration of the Internal Control Structure in a Financial Statement Audit*. The Guide presents recommendations on applying the 1988 SAS of the same name, which is effective for audits of financials for periods beginning in 1990. Earlier, the TIC had studied the Guide's exposure draft in considerable detail, and submitted a number of recommendations for improvement, most of which are incorporated in the Guide.

The TIC agrees that the Guide will be very helpful to practitioners as they implement the new concepts that the SAS introduces. There are, however, two significant concepts to which the TIC wants to add special emphasis.

### Emphasize the Five Assertions

SAS 55 requires the auditor to assess control risk for the assertions embodied in the account balance, transaction class, and disclosure components of the financial statements. The TIC urges practitioners to be aware of *all five* assertions, namely, existence or occurrence, completeness, rights and obligations, valuation or allocation, and presentation and disclosure.

The Guide includes a number of helpful flowcharts, many of which are based on the assertion concept. It is important, the TIC emphasizes, to recognize that these charts apply to *each* relevant assertion of *each* significant account balance or transaction class, not just to assessing *overall* control risk. In auditing a typical company, this could result in a very large number of separate assessments.

### Recognize the Significance of Maximum Risk Assessment

Before SAS 55, auditors of small businesses would sometimes not perform compliance tests and would base their opinions primarily on substantive testing. In effect, they were assessing control risk at the maximum level. Continuing to do this under SAS 55 can give rise to some special problems, to which the TIC wants to alert all PCPS members who conduct audits.

Under SAS 55 an assessment should be made for *each* of the relevant individual assertions. Assessing control risk at the maximum level means that the auditor is not relying on the client's internal controls to prevent or detect material misstatements in the related assertion.

This can impose significant additional burdens on the auditor. Consider for example, the difficulty in auditing the completeness assertion related to revenues of a charity that receives significant cash donations—if control risk is assessed at the maximum level! □

## OCBOA Spells Relief

Practitioners suffering from "standards overload" should take heart. The PCPS Executive and Technical Issues Committees (TIC) have been investigating the relief that non-GAAP statements can afford practitioners and many of their privately held clients. These non-GAAP financials are referred to as financial statements prepared on a comprehensive basis of accounting other than GAAP, or simply as OCBOA statements, for "Other Comprehensive Bases of Accounting." They represent a time-efficient, cost-effective alternative to GAAP.

Simplicity is a key difference between OCBOA and GAAP financials. With OCBOA statements—the most widely used of which are tax, cash, and modified cash basis statements—there are fewer disclosure requirements and no deferred income tax. You don't have to worry about measurement of and disclosures for defined benefit pension plans, deferred compensation plans or many capital leases. OCBOA statements provide basic data useful to many companies in making day-to-day operating decisions.

Of course, OCBOA financials are not appropriate for all clients. A company's loan covenants, for example, may prohibit use of OCBOA statements. Companies with numerous owners and those that anticipate going public usually steer clear of non-GAAP statements. Even these clients may benefit, though, from using OCBOA for interim financials and GAAP for their annual statements.

According to PCPS Director Jack Mitchell, a very large proportion of small closely held businesses could effectively utilize OCBOA. He mentioned in particular real estate partnerships, self-financed start-ups, small professional service organizations, small retail and manufacturing companies, and many not-for-profits. "The simpler the entity," TIC member Judy O'Dell notes, "the more appropriate the use of OCBOA financials."

The benefits of using OCBOA for these entities can be substantial. The most obvious advantages are time and cost savings—and a perception that the information is

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## Chairman's Corner

Editor's note: The following remarks were excerpted from the keynote address given by PCPS Chairman Robert L. Israeloff at the 1990 annual conference in Orlando. Bob, who has chaired the PCPS Executive Committee since 1987, will hand his title over in October to Jerrell A. Atkinson of Atkinson & Co., Albuquerque.

From a divisive and controversial birth to a united and respected future...from a tag-along in the creation of the AICPA'S self-regulatory apparatus in 1977 to a leader in self-regulation of all CPA units in the 1990s...from a preoccupation with establishing the rules of the peer review game to outspoken advocacy and leadership on behalf of all local accounting firms...from tentative steps in offering meaningful services to its members to bold forays in conferences such as this, to TEAM meetings for small firms, to SET meetings for slightly larger firms, to full-scale association-type interchange— that's PCPS.

So what does PCPS mean to local firms? We are the voice for local firms. Before PCPS, local firms had no place to express their views in the Institute. That place is now PCPS. That's why PCPS was born along with SECPS. In the beginning we were preoccupied with peer review—it was a brand-new ballgame. Our Peer Review Committee put in a yeoman's effort in writing the rules and seeing to it that the program was based on a solid foundation—and it clearly is. It's fair to say that PCPS peer review is the model for the Institute's quality review program that's just getting started.

In the early days we were also trying, as a group, to find our place in the AICPA hierarchy. So we also devoted a lot of time to our Technical Issues Committee—which is still one of our shining lights. TIC is the formal PCPS liaison to the FASB, GASB and a variety of senior AICPA committees such as the Auditing Standards Board. It works with a bias toward reducing standards overload for the local practitioner. We can be proud of the work of both these committees in breaking new ground.

Now we need to look ahead to what PCPS can and should be in the 1990s. The most important thing is that we should be the local firm representative at the Institute. We should take advantage of the charter that says we should be an advocate on your behalf. We should maintain our peer review role. We cannot separate, in my opinion, our quest for quality from the profitability of the practice. In our firms, when managing partners make decisions on marketing or fees, they're also making decisions on quality services. In order to have quality, we've got to go through peer review, we've got to be a better firm.

We are your voice. We are your spirit. The attendance at this meeting proves that. There is a desire for bonding...a feeling that you want to belong to something. As a matter of fact, we're probably your only connection to

the AICPA other than the Group Life Insurance Plan. Many local practitioners feel that they were cut off from the Institute and we have changed that, I believe, and we plan to change that in the future. We really believe that we can help shape the AICPA and the profession's future.

If we're silent, it won't happen. But if we band together and speak up, we can influence the Institute. Believe me, I've seen it first hand. I'm a local practitioner. Our firm started out quite small. We've grown successfully—but we really associate with local firm practices. The Institute will listen. If you speak up, we'll be your spokesman.

I have a little expression that says, 'If we don't use it, we'll lose it.' And I believe in that. My advice to my successors, as my chairmanship of this great committee winds down, is to please follow that advice. If you don't use it, you will lose it.

PCPS is your watchdog, your regulator, your ombudsman, your association, your friend at the AICPA. Let's work together and support each other, so that PCPS becomes the beacon for local firms in the 1990's. Thank you very much. □

## A Unique Honor for a Special Client

Each year the US Small Business Administration (SBA) honors an entrepreneur from each state, designating the individual as the state's Small Business Person of the Year (SBPY). The SBA also designates a national SBPY.

The SBA invites all 52 SBPYs to Washington for a round of honors and ceremonies during Small Business Week, usually in early May. The PCPS Executive Committee has asked your *Advocate* to alert all member firms to this because of the opportunities it presents to solidify client relationships by nominating one or more special clients as your state's SBPY.

Each year the SBA distributes a booklet with full information. The information in this article is based on last year's booklet, which was dated August 15. The deadline for submitting nominations packages was November 15. Firms that are interested in submitting nominations this year should therefore contact their SBA district offices in mid-August, to make sure they get all the details in time to respond effectively.

According to the 1989 booklet the nominations package should include "A statement clearly describing why this individual deserves recognition as the (SBPY)," and "Information addressing the specific selection criteria" that the booklet identifies. At least one photograph is required, and additional photographs and information are encouraged.



The selection criteria include:

- *Staying power*—a substantiated history as an established business.
- *Growth in number of employees.*
- *Increase in volume.*
- *Three years' financial statements*, substantiating the business' improved financial position.
- *Innovativeness of product or service*, illustrating the individual's creativity and imagination.
- *Response to adversity*, examples of problems and solutions.
- *Contributions to community-oriented projects*, through the individual's personal time or other resources.

In addition to designating SBPYs, the SBA selects, in each state and nationally, a number of "Advocates of the Year," including an accountant advocate, a financial services advocate, and minority, veteran, and women in business advocates. Details are in the same booklet. If you want to act on this you should make sure that you get the booklet in plenty of time.

And if your client *is* selected please let us know. We would like to help you publicize it!

Editor's Note: Last year's booklet was entitled *Nominate a Small Business Person or Advocate of the Year—Small Business: Leading America Into the 21st Century*. As we go to press the SBA reports that it plans to continue the program this year, but may change some of the details.

## Recruiting: PCPS Stands Up For Local Firms

The key assets of a CPA firm walk out the door every night. Today more than ever, those assets are in short supply. As competition gets tougher and salaries skyrocket, the challenge of finding and hiring good people gets increasingly difficult. That's especially true when smaller firms see talented graduates "steered" toward careers with national firms.

PCPS is taking steps to respond to this challenge—and to ensure that the best graduates don't overlook the attractive career opportunities at local and regional firms. In March, PCPS Chairman Robert L. Israeloff wrote to the heads of accounting programs at 800 colleges and universities across the United States. In his letter, he pointed to concerns about a national firm bias and recommended specific steps that schools can take. PCPS has urged these institutions to:

1. Invite local and regional accounting firms to Job Fairs or other special events for accounting students.
2. Ask local and regional firm partners to serve as lecturers or speakers in accounting programs.

3. Sponsor panels of the school's recent graduates who have chosen a variety of career paths in public accounting.
4. Contact the AICPA Communications Division for videotapes and brochures describing the wide variety of accounting career opportunities.

So far, the Section has received responses from some universities indicating that they are planning to act on our recommendations and others which already have similar programs.

Managing partners of all PCPS firms also have received a draft letter which they can send to colleges and universities in their area. The letter describes the "exceptional challenges, opportunities and rewards for talented students at non-national firms."

PCPS urges everyone to send this letter to local colleges and universities—to benefit your own firm and the entire profession. If all 6,200 PCPS firms take part, accounting educators are bound to hear the message that local firms are a great place to start a career.

## PCPS National Survey: Cash Flow Troubles Small Business

For the first time ever, PCPS "took the pulse" of hundreds of privately held companies across the U.S. on a range of financial topics. In its inaugural National Small Business Survey—conducted in conjunction with U.S. Small Business Week, May 6 – 12—PCPS found that "uneven cash flow" is the number one financial obstacle facing small business executives. Taxes and labor costs are the next most pressing problems.

The survey also revealed that, despite recent reports of a "credit crunch" at local and regional banks, small business owners overwhelmingly believe that their lending officers are helpful. Fifty-seven percent of respondents noted that their bankers were "very willing and able to support the company's business goals," and another 28% expressed that the bankers were "moderately" willing and able. Only 3% said their bankers were not at all supportive.

In January, PCPS distributed 750 survey forms to members of the PCPS Peer Review, Technical Issues and Executive Committees. The committee members then distributed the forms to their small business clients. By March 31, the response cut-off, 359 companies had completed and returned the survey questionnaire, a 48.8% response rate.

Among the other findings:

- *Cinderella Cities*— regional growth leaders in the next five years—are Washington DC (Northeast),

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## Peer Review Developments

At its May meeting the Peer Review Committee acted on a number of matters affecting 1990 reviews. Here is a summary, provided by PRC Chairman Charles J. McElroy.

### Qualifications for Service as Reviewers and Reviewing Firms

The Committee has recently received numerous requests for exceptions to the qualifications of reviewers and reviewing firms in the *PCPS Standards for Performing and Reporting on Peer Reviews*. Exceptions requested are primarily in two categories:

- Individuals in firms that have not yet been reviewed.
- Firms with no accounting and auditing practice, which were established primarily to provide consulting services to CPA firms.

At its May meeting, the Committee decided that the interests of member firms are best served by not allowing any exceptions to the *Standards*. The Chairman, in consultation with the Quality Review Division staff, will respond to any additional requests by following the guidelines established by the PRC.

### Reviewed Firm's Letter of Response

Frequently, a firm's letter of response (LOR) does not

directly address the recommendations contained in the letter of comments (LOC). This slows down the acceptance process.

To assist firms being reviewed, the Committee suggests that team captains consider the following:

- At the exit conference make sure the reviewed firm understands each finding included in the LOC.
- Refer the firm to the "Guide for Writing Letters of Response" contained in the loose-leaf *PCPS Peer Review Manual*.
- Offer to review a draft of the LOR before it is submitted to the PRC.

Many experienced team captains already provide this service to firms they review.

### Extensions

The Committee approved guidelines for responding to requests for extensions of peer review due dates. By providing the guidance, the PRC intends to reduce significantly the number of extension requests referred to the full PRC.

Extensions will not be granted beyond the end of a calendar year except under extreme circumstances. Extensions will not be granted to firms requesting additional time to prepare for the review, develop a QC document, etc. Extensions will be considered when a firm has had a significant merger or de-merger, etc., during or subsequent to the peer review year.

All extension requests should be submitted in writing to the AICPA's Quality Review Division.

### Peer Reviews Conducted by PCPS Committee-Appointed Review Teams Cost Summary—1989 Review Year

Firm Description	Number of Firms	Average Number of Professionals	Cost Per Review			Average Cost Per Review—1988
			Low	Average	High	
Sole Practitioner, No Professional Staff	4	1	\$1,237	\$2,200	\$ 2,898	\$1,958
2-5 Professionals:						
1 Partner	16	3	1,451	2,748	4,066	2,483
2 or more Partners	18	4	1,782	3,377	4,930	2,887
6-10 Professionals	15	8	2,731	4,566	7,478	3,797
11-20 Professionals	14	16	2,532	5,251	7,520	5,398
Over 20 Professionals	9	35	5,427	9,811	13,837	8,399
Report Reviews	33	2	123	547	1,850	628

#### Notes:

1. Cost includes reviewers' time charges, AICPA's 10% administrative fee, and reviewers' expenses.
2. The 1989 reviews include all those conducted on site by PCPS committee-appointed review teams for which the costs were fully processed at the time of compilation. Cost information is not available for firm-on-firm reviews and those administered by state societies or associations.
3. Hourly billing rates for firms with less than 20 professionals and no SEC clients were \$75 for team captains, \$65 for team members who are partners or proprietors, and \$55 for other team members. For firms with 20 or more professionals and all firms with SEC clients, the rates were \$10 higher in each classification.
4. PCPS member firms normally incur these costs once every three years.
5. Report reviews are offsite reviews available to firms that perform no audits.



### Scope of Engagement Selection

The *Standards* in the *PCPS Peer Review Manual* indicate that a review team should generally select 5-10% of the accounting and auditing hours of a firm with 15 or fewer offices. In some instances, reviewers have followed these guidelines but did not achieve a reasonable cross section of the firm's practice.

The guidance contained in "Appendix C—Selecting Engagements for Review" (page 2-55 of the *PCPS Peer Review Manual*) focuses the reviewer's attention on gaining adequate engagement coverage through the "key area" concept. The Committee suggests reviewers focus on *qualitative* rather than quantitative aspects when selecting engagements to be reviewed.

Also, team captains should only consider the A&A hours actually reviewed in the key areas as part of their total A&A hours reviewed. It is incorrect to claim that the *total* engagement hours were reviewed if the key area engagement hours were the only ones actually reviewed.

### Quality Review Division's Technical Review

The PRC has requested the QRD staff to increase its random selection of firm-on-firm (or non-CART) working papers for oversight purposes. The staff will report the results to the PRC at each meeting. This will allow the PRC to monitor the quality of non-CART reviews, and will help the committee discharge its oversight responsibilities.

### Timetable for Peer Review Report Acceptance Process

Team captains should inform firms of the timetable for the acceptance process of the peer review report. Frequently, reviewed firms are frustrated by the length of time between an exit conference and final acceptance. An understanding of the process could avoid this.

A team captain has 30 days from the exit conference to issue the final report and LOC. After receipt, the reviewed firm is allowed 30 days to write its response and submit the report, LOC and LOR to the Quality Review Division. The QRD then performs its technical review on behalf of the PRC. Completed peer review documents that are received at least 30 days before a PRC meeting will be considered at that meeting.

This process means that more than 90 days can elapse from the exit conference date before the PRC considers a report. When there are numerous reports accumulating between regularly scheduled meetings, the PRC meets more often to keep the process moving.

Team captains and firms can assist in the acceptance of a report by submitting *all* the required information on time and in good order.

Questions about the process should be directed to the AICPA's Quality Review Division, or directly to a committee member through the QRD.

## PCPS Announces One-Day Regional Meetings For Local Firms

Encouraged by the success of last year's pilot TEAM meetings, the PCPS has scheduled eight such meetings for this summer and fall, along with a pilot presentation of a new series: the SET meetings. TEAM stands for **TEn At Most**, representing firms with up to 10 professionals. SET stands for **Size: Eleven to Twenty**.

The meetings give members a chance to share up-to-date technical and practice management developments and techniques with fellow practitioners from firms of similar size. They provide a forum to give CPAs the benefits of being part of an association, sharing secrets of success with knowledgeable peers.

This year's meetings will focus on a variety of individual topics within three broad subject areas:

- How to Run a Profitable Tax Practice
- Personnel: Sources, Salaries, Training and Retention
- Profitability Through Strategic Decisions

No "superstar" speakers are scheduled. TEAM and SET meetings feature "tabletalk" discussions by groups of about seven CPAs each, followed by panel feedback sessions moderated by PCPS committee members.

All the meetings are on Mondays, 8:00 to 4:40, near major airports. Registration is \$100, including breaks and lunch. Details will be mailed shortly to proprietors and managing partners, or can be obtained from the AICPA Meetings & Travel Services Division, 212/575-6451.

The SET meeting will be September 24, at the Dallas/Ft. Worth Airport. To attend a TEAM meeting, hold your choice of these 1990 dates:

- August 6—Seattle
- September 10—Dallas/Ft. Worth
- September 10—Chicago
- September 17—Boston
- September 17—Washington DC
- September 24—Atlanta
- November 12—Denver
- November 12—Los Angeles



## OCBOA Spells Relief

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more relevant. Many small, privately-owned businesses do not understand the finer points of GAAP; others believe they add little value to their financial statements. Since many clients object to paying for information they do not think they need, OCBOA can play a critical role in client relations.

"OCBOA used appropriately can allow owners to look at their financial statements in a way that is more meaningful to them," Judy O'Dell observes. "The information OCBOA statements provide is directly relevant to their organizational structure."

With tax basis statements, for example, practitioners don't have to worry about capitalizing certain leases, maintaining multiple sets of depreciation records or accounting for income taxes. "In certain industries, tax basis statements provide as much meaningful information for their users as GAAP and they take less time to compile," observes TIC member Bill Hancock. Hancock's firm, Mayer Hoffman McCann, prepares OCBOA statements for several real estate partnerships and development companies. He believes OCBOA statements are preferable for these clients because the users of their statements understand income tax rules better than they understand GAAP and the historical cost basis of accounting. On the whole, OCBOA meets their needs better by being relevant, less expensive and easier to interpret.

Other businesses that are particularly suited to tax basis financials include medical establishments, service businesses and professional organizations. O'Dell's firm, Beucler, Kelly & Co., finds that OCBOA statements allow doctors and professionals to assess their tax standing and to reduce financial reporting costs by keeping just one set of books. And because OCBOA is less time-intensive than GAAP, clients are more likely to get up-to-date information.

Cash basis statements are even simpler to prepare and easier to understand than tax basis statements. Entities that typically benefit from cash basis statements include foundations, clubs, trade associations, small businesses and restaurants. "Many small business clients should consider cash basis or modified cash basis statements," advises John Graves, AICPA Director of Technical Information. "The typical business' worry is cash," Graves asserts. "A cash basis statement can highlight the information that is most important." And as this month's PCPS "Small Business Survey" found, managing cash flow is a major concern for many small business executives (see article on page 3).

Given their many advantages, why aren't OCBOA statements more common? The main barrier to their wider use seems to be resistance from bankers. "Loan officers get a warm fuzzy feeling from GAAP financials" Jack Mitchell observes.

Many TIC members believe that this resistance may

now be beginning to abate. Over the past three years, loan officers have seen a growing number of OCBOA financials and their comfort level with them has increased accordingly. The positive wording of compilation and review reports on OCBOA financials, and SAS No. 62's less negative audit report wording (which the TIC had a hand in influencing) have also had a significant effect.

Still, there are actions that CPAs can take to gain more visibility and acceptance for OCBOA. "Practitioners and their clients should meet personally with bankers to answer questions or concerns about OCBOA," advises Bill Hancock. The worry of most loan officers is the client's cash position and cash flow. If a client defaults, bankers want to be repaid in cash. Practitioners should demonstrate to bankers that OCBOA statements highlight a client's cash position in a timely, understandable format.

PCPS firms should also consider recommending OCBOA, where appropriate, to their privately held clients. "A lot of businesses don't know that OCBOA is a viable alternative to GAAP," Hancock asserts. "Most privately owned businesses depend on their CPA firms for information on subjects like this."

PCPS is taking the lead to support its members. The Executive and Technical Issues Committees have approved a major information campaign on OCBOA, which will include printed materials that members can use in meetings with bankers. Plus, PCPS has compiled a fact sheet outlining the publications, hotlines and conferences available on the subject. Copies can be obtained by sending a self-addressed envelope to "OCBOA Fact Sheet," care of Bliss, Barefoot & Associates, 500 5th Avenue, New York NY 10110. (A particularly valuable technical reference is AICPA's *Other Comprehensive Bases of Accounting*, Publication 008040.)

The next *Advocate* will feature the results of a national survey on the current and projected uses of OCBOA in PCPS member firms. □

## AICPA Annual Meeting to Address Key Issues

In a departure from past meetings, the 103rd AICPA annual meeting, October 22-24 in Baltimore, will offer members the opportunity to participate in discussion groups focusing on a variety of issues critical to the profession's future. Author John Naisbitt will be among the featured plenary session speakers.

The Institute has planned an active social program to take advantage of the many attractions that Baltimore and its surroundings offer. For further information contact the AICPA Meetings & Travel Service Division, 212/575-6451. □



## PCPS National Survey

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Huntsville (Southeast), Dallas (Southwest), Cleveland (Midwest) and Seattle (West). Second-place winners in each region were Baltimore, Jackson, Houston, Minneapolis and Boise.

- *The financial climate* in the U.S. for small businesses has deteriorated over the past three years, according to 46% of those surveyed. Yet 33% say the situation is the same and one in five respondents say it has improved. The results demonstrate the trend of regional recessions in the U.S. in the 1980s: companies in the Northeast and Southwest were much more likely to say that conditions were "worse" than their counterparts in other regions.
- *Changes in Ownership*: When asked to select the most likely path the company would follow if ownership were to change within two years, almost half of the entrepreneurs said they would sell to outsiders or a large corporation. Surprisingly, 2% said they would liquidate, a write-in choice that gained as many votes as "going public."
- *The federal government* could help make small businesses run more smoothly if it cut taxes, eliminated red tape and reduced regulation.

PCPS conducted the survey for two primary reasons. First, it heightens awareness of PCPS's role as champion of small firm issues.

Second, and perhaps more important, the survey is designed to increase PCPS visibility among non-CPA audiences. Member firms frequently suggest that the Section needs to increase understanding among bankers and business people about what membership signifies. This survey and its corresponding press coverage has generated publicity for PCPS among these non-member audiences.

For example, on May 11 the *American Banker* ran an article about the survey that described the high ratings for bankers and had quotes by PCPS Chairman Israeloff. The survey was also featured in the June issue of "Commercial Lending Newsletter" from Robert Morris Associates. PCPS has sent the survey report and related press releases to more than 300 regional and local business publications across the country. In response, there have been inquiries from a dozen publications as well as governmental agencies and chambers of commerce that are interested in reading the report.

PCPS member firms can request copies of the survey report for their information or for use in marketing programs. Copies are available from Bliss, Barefoot & Associates. Call Kristin Crowder at 212/840-1661. □

## Newkirk Client Surveys

All practitioners want contented clients. Yet with today's swiftly changing business priorities, it's not always easy to know just what clients want or need. Newkirk Products, contract-publishers for PCPS, now offers an inexpensive and convenient way for member firms to obtain useful information about their clients' expectations: PCPS client surveys.

Begun this April at the recommendation of the PCPS Member Services Task Force, Newkirk's client survey program provides you with everything you need to conduct a survey. At a cost of \$190 per 100 survey forms, the "kit" includes a sample cover letter, mailing tips and the forms themselves, imprinted with your firm's name. All your firm needs to do is to select which clients are to participate and mail letters and forms to them, along with the prepaid business reply envelopes. Eight weeks later, after Newkirk has received the responses and tabulated the data, you'll receive a summary report outlining the results and a general explanation of how to analyze them.

The three-page, 15-question Newkirk survey will give you answers from your clients about their:

- Use of different services;
- Reasons for selecting your firm;
- Satisfaction with your firm's performance—from your promptness in returning phone calls to your understanding of issues facing their business; and
- Suggestions for improving your firm.

Newkirk client surveys have several advantages over in-house surveys. They take the guesswork out of developing your own questions—and they take the headaches out of producing the surveys and "crunching" the data.

More important, the completed surveys are returned to an outside party, not your firm. Many clients prefer the confidentiality of an outside tabulating service rather than sending the survey back you. Clients who wish to share their answers with you can indicate this on their survey form.

For more information about Newkirk's client survey program, contact Paul Ainsworth or Chris Forstbauer at 518-452-1000. □





## New PCPS Member: A Success Story

Last spring, C. Jack Emmons was just another sole proprietor. He had spent 17 years in a slow, stable practice in Albuquerque, working mostly with not-for-profit institutions and governmental agencies. In the spring of 1989, he decided to attend the PCPS Annual Conference in Scottsdale, primarily because it was nearby. In Mr. Emmons' own words, "That meeting changed my entire professional life."

Spending three days with other practitioners from around the country gave Mr. Emmons a new perspective on his firm's potential for quality and profitability. And it inspired him to take action. Within a few months, he made rapid changes in his staff and operations: he hired two audit staff members, an audit supervisor and a computer specialist; he purchased a fax machine and a mobile telephone; he redesigned his company logo and letterhead.

Taking seriously the PCPS message of "A Shared Commitment to Quality," his next move was to join PCPS: "I became a devout enthusiast of PCPS, a convert. That meeting taught me that you don't have to be part of the

'Six Pack' to be a high-quality firm. I decided to show everyone that we are just as good as they are."

Proud of his accomplishments, Mr. Emmons wrote a letter to PCPS Director Jack Mitchell expressing his enthusiasm for the Section. That letter was quoted by Chairman Dave Stauffer to the 600 participants at the 1990 Conference in Orlando as an inspiration to all registrants.

At the 1990 Conference, Mr. Emmons reported that the changes he made a year ago have added dramatically to his company's bottom line. The firm, with three CPAs, now performs 28 audits and reviews, double the amount it did a year ago, and has strengthened its industry specialities.

The biggest reward of these changes? "I think it's the comfort level I now have," said Mr. Emmons. "As a sole proprietor, I can be confident that we're putting out better work, that our clients are getting a better quality product." Mr. Emmons is even thinking of raising fees to reflect the quality improvement in his work.

This investment in quality should make a real difference when Emmons & Company has its first peer review this fall. And while the changes have occasionally been costly ones—especially travel expenses to meet CPE requirements—there's no doubt in Jack Emmons' mind that the investment has paid off: "I certainly believe that over the long term, it will all come back," he said. □

## PCPSAdvocate

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