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General Report of the Board of Directors, May 4, 1970

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GENERAL REPORT OF THE BOARD OF DIRECTORS

To Members of Council
of the American Institute of
Certified Public Accountants

Your Board of Directors has held four meetings since the fall gathering of Council. Minutes of the first three meetings, along with the midyear report of activities, have already been distributed to members of Council; minutes covering the most recent one, held here in Boca Raton on May 1, will be distributed within a few weeks.

This morning you have already taken action on several recommendations of the Board of Directors: the election of seven new Trial Board members; the designation of the Secretary to count the ballots received in the forthcoming direct election of new Council members; and the election of Leonard M. Savoie as Executive Vice President and John Lawler as Administrative Vice President-Secretary.

During the course of this report, the Council will be asked to adopt a resolution designating the committee on management advisory services as a "senior" committee with authorization to issue pronouncements in its area of specialization without further clearance by the Board of Directors or the Council

Another recommendation of the Board of Directors will be presented for action at tomorrow's session. At its meeting on Friday, the Board reviewed and reaffirmed its

previous decision to request that Council act upon a revised policy statement on state legislation at this meeting. The proposed policy statement appears in the special report of the committee on state legislation which was submitted to you for study several weeks ago. It will be presented for action tomorrow morning by William Diss, chairman of the committee.

This report of the Board of Directors is devoted principally to a few remaining matters. Most of them have been called to your attention in minutes of previous Board meetings and in the midyear report to Council. In accordance with established policy, you will be asked at the conclusion of this presentation to approve all actions of the Board of Directors which are being reported here or have been covered in the minutes of its meetings.

Professional Development Board

Last fall Council was informed that the Board of Directors would reappraise the existing policy of self-support (exclusive of unassigned management and service charges) under which the professional development program has operated since its inception.

The reappraisal was undertaken at the March meeting of the Board of Directors. At that time, attention was given to a review of the program during its ten-year existence and

to a reconsideration of its funding -- particularly whether the program should be partially or fully self-sustaining.

Following this review, the Board of Directors decided that a full share of the previously unassigned management and service charges be allocated to the professional development division (as well as to other divisions of the Institute). The Board also concluded that the pricing structure of the program should be modified gradually to permit the division to break even on this basis no later than the 1972-73 fiscal year.

Elimination of Experience Requirement
for Institute Membership

You will recall that at its meeting last summer, the Board of Directors considered and approved a recommendation of the committee on admissions for the eventual elimination of the experience requirement for Institute membership.

It was the view of the committee on admissions that elimination of this requirement was appropriate in light of Council's recommendation last spring that no qualifying experience be required of CPA candidates with five years of appropriate college study. The Board of Directors concurred with the view of the committee on admissions and resolved to request that Council submit to the membership a proposed amendment to the bylaws eliminating the experience requirement for admission to the Institute.

Since then, the Board has not altered its intention. However, inasmuch as the cost of any membership referendum is substantial, the Board has decided to defer its request for action by Council until such time as other proposed by-law amendments requiring a referendum are presented for its consideration.

Management Advisory Services Committee

At its meeting in December, the Board of Directors considered a request that the committee on management advisory services be designated a "senior" committee of the Institute. As defined in the bylaws, a "senior" committee is appointed by the president with the approval of the Board of Directors and possesses such duties, powers and responsibilities as the Council may prescribe. The Board of Directors deferred action on this proposal pending receipt of an operations manual setting forth the procedures to be followed by the committee in adopting pronouncements.

Following review of such a draft manual at its meeting last Friday, the Board resolved to recommend to Council that the committee on management advisory services be granted powers parallel to those granted by Council to other technical committees which have been accorded "senior" status. That is, the Board recommends that the committee on management advisory services be authorized to issue pronouncements in its area of specialization -- management advisory services --

without further clearance from the Board of Directors or Council. In the area of accounting principles, such power is possessed by the Accounting Principles Board; in the area of auditing, by the committee on auditing procedure; in federal taxation, by the executive committee of the Division of Federal Taxation; and in professional ethics, by the executive committee of the Division of Professional Ethics.

The Board of Directors hereby submits the following resolution for adoption by Council under Section 3.6.1. of the bylaws providing for the designation of "senior" committees:

"The Committee on Management Advisory Services is hereby authorized to make public statements, without clearance with the Council or the Board of Directors, on matters related to management advisory services, and to provide information to assist CPAs in maintaining and increasing their proficiency in management advisory services."

The public statements to which the resolution refers would be made only after the exposure process with which members of Council are familiar and a favorable vote, on written ballot, of at least two-thirds of the members of the committee on management advisory services.

Mr. Chairman, in behalf of the Board of Directors I move the adoption of this resolution.

Resubmission of Amendment
to Rule 2.02(e) of the Code

As you are aware, the membership recently approved

the addition of Rule 4.06 to the Code of Professional Ethics permitting members to practice in the form of a professional corporation or association subject to the public safeguards prescribed in resolutions of Council.

In the same referendum, however, the amendment of Rule 2.02(e) which would have made failure to disclose departures from APB Opinions an act discreditable to the profession did not obtain the required two-thirds affirmative vote by a narrow margin.

Members of the Board of Directors considered a suggestion to resubmit the proposal for amendment of Rule 2.02(e) to the membership. However, it was decided to await the proposed restatement of the Code of Professional Ethics before taking further action.

In the meantime, disclosures of departures from APB Opinions will continue to be required under the resolution of Council adopted in 1964.

Securities Transactions

The Board of Directors has approved, on the recommendation of the investment committee, changes in the investment portfolios of the American Institute and subsidiary corporations. These purchases and sales are reflected in the interim financial statements distributed to members of Council.

Death of Arthur C. Upleger

In December the Board of Directors learned with regret of the death of Arthur C. Upleger, a former past president of the American Society of Certified Public Accountants, one of the Institute's predecessor organizations.

Following are excerpts from the memorial resolution adopted by the Board of Directors in tribute to Mr. Upleger:

"A true pioneer of the accounting profession, he had a sense of dedication and organizational ability which helped immeasurably in the development of his state and national professional societies.

"His lifetime of devotion to his profession is evident in many ways: as president of the Texas Society of CPAs and of the American Society of CPAs, as a member and chairman of the Texas State Board of Public Accountancy and as one of the founders and first chairman of the Southern States Conference of CPAs. He was instrumental in the passage of the first Texas accountancy statute in 1915 and organized the first Pan-American Accounting Conference at New Orleans in 1929. He served on many Institute committees and as a member of its Council since 1936.

"His zest for life was reflected not only in his contributions to his profession and the inspirational guidance to his students, but to his community as well. A man of rare wit and charm, whose sage counsel was supplemented by warm-hearted humor, Arthur C. Upleger will be sorely missed by his professional colleagues and his countless friends."

Respectfully submitted,

Louis M. Kessler
President

John Lawler
Administrative Vice President

May 4, 1970