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Remarks by Kenneth L. Thompson
at AICPA Council Meeting
May 5, 1969

"The Urgency of Unity"

President Ralph, members of the Council, and guests:

I first want to say to John Lawler I think you know how prophetic you were in view of the discussion that has gone on in selecting the title for my remarks.

My mission this afternoon is not an easy one, because at 4:09 in the afternoon I have the task, on behalf of the Committee on State Legislation, to try to sound an alarm to alert you to what is going on in the field of accounting legislation, and I don't know whether Ralph played down a prohibition on the telling of jokes, but I do feel that our prospect in the field of state legislation is very much like the old maid who never planned ahead, and some of my friends in the audience have heard this story before, and I ask your indulgence.

This concerns the old maid who lived in an old run-down shack with her old tom cat, who was visited one day by the fairy queen and immediately was granted three wishes.

For her first wish she asked to be transformed into a beautiful princess, and it was immediately granted. For her second wish she asked that her old house be changed into a magnificent castle full of treasure, and that was granted. And for her third wish she asked that the old tom cat be turned into a handsome prince, and with one wave of the wand, that, too, was granted.

As she looked at this handsome prince, starry-eyed in eager anticipation that he take her into his arms, he stepped

toward her and said, "Now, aren't you sorry you took me to the vet's?"

Now, I am very happy that so many of you find that situation funny. I can assure you that the two principals did not, and I don't think that we will be inclined to laugh when, as a result of our not looking ahead and doing some planning, we find ourselves rendered literally impotent in the field of state legislation.

You may recall that in the April issue of the Journal of Accountancy the editor, Bill Doherty, pointed out that in its preoccupation with many of the new problems that confront it, the accounting profession may be in danger of losing sight of some older ones, and among these is state accounting legislation.

Now, as you know, accounting laws embody many of the profession's foundations -- admission to the profession, including education and experience requirements, the protection of professional titles, and practice rights are a few of the major matters that are determined by state accounting laws.

While the profession is rightly concerned with the formulation of accounting principles, the development of better public relations and the limitation of legal liability, we can't afford to neglect accounting legislation.

I would like to give you, or rather review for your benefit, some of the background with respect to state accounting

legislation.

It goes back to 1956 when Council adopted a policy statement containing a number of points which I will not bother to read at this time, but simply indicate that among these was the statement that ultimately all professional accounting work should be performed by CPAs who have satisfied educational and experience requirements and have demonstrated competence by passage of examination.

Ultimately all other persons should be prohibited from using the term Public Accountant or any other term which may be taken to mean that the person so designating himself is competent to practice accountancy at a professional level.

Then three years later, in 1959, one of the long-range objectives which was adopted by Council was put into effect, and this was a much shorter statement which had the effect of possibly modifying the previous policy, because it said that pending the time when public practitioners within the accounting function are either CPAs or those with a clearly differentiating title, there will be a group of non CPAs who are presently permitted to practice as public accountants, and it went on to urge continuing relations with the transitional group with the view toward raising their educational, technical, ethical, and experience standards.

Shortly after that, the Council authorized the Committee on Relations With Public Accountants to work with a counterpart group from the National Society of Public Accountants, and out of

that two or three years effort emerged the so-called joint legislative program which came before Council in the spring of 1963.

Council did not adopt the proposal which contained two principal elements, one being the reservation of the attest function for CPAs, and secondly the continued licensing of a technician group by a simpler examination to perform all but the attest function.

Instead, in the spring of 1963, Council referred this proposal to the State Societies for their comment, and in the spring of 1964, the Executive Committee recommended adoption of the proposal, the NSPA having in August, 1963, adopted the proposal.

Council decided not to adopt this proposal, but instead reaffirmed that the 1959 objective and expressed a continued desire to work with public accountants. So much for the background.

There is considerable reason for pleasure in our legislative progress in recent years. Educational requirements for the CPA certificate are gradually being raised. Interstate practice rights are almost universally accepted, and the CPA title has been firmly established as the preeminent mark of competence in public accountants.

On the other hand, there is also considerable reason for concern. Attacks by unlicensed accountants on the integrity of accounting laws has been met by increasing receptiveness by state legislators, and I am sorry to say by increasing apathy by the CPA profession.

While unlicensed accountants have become better organized and their efforts more coordinated nationally, CPA societies have shown a growing tendency to go their own way regardless of its impact on other states.

For example, while CPA societies in Illinois, Iowa, Missouri and Rhode Island are engaged in bitter legislative battles opposing the registration of another class of accountant CPAs in Indiana, Montana and South Carolina have sponsored legislation to accomplish this goal.

It is this spectacle of disunity and its consequences that I have come to report on today.

We can't really afford any longer the luxury of this kind of independent action. If this kind of disunity and lack of cooperation continues, the members of the Committee on State Legislation believe it may no longer be possible to maintain a national policy opposing the licensing of bookkeepers and other accountants performing elementary accounting services.

Furthermore, it may no longer be possible to prevent the licensing of public accountants on the continuing basis who are licensed to perform exactly the same services as CPAs.

There are three reasons for this belief. First, there seems to be little interest in the CPA profession for devoting the time and money necessary to maintain the Institute's present legislative position that there should only be one class of licensed accountants. There are other matters of professional

concern that receive and perhaps demand more attention. CPAs have advanced economically and professionally to the point, moreover, that they no longer feel threatened by accounting technicians. We don't really compete with bookkeepers, whether they are licensed or unlicensed.

Professional maturity and success have resulted, therefore, as well as a good deal more apathy about the licensing question than ever existed before.

The second reason why it may be difficult to prevent the licensing of accounting technicians is that state legislators are in a mood to license almost any group that makes enough noise or causes enough trouble. If groups like automobile mechanics, TV repairmen and barbers are licensed, it's not far-fetched or illogical to license bookkeepers. The plethora of state licensing laws may be objectionable development, but it is difficult for CPA societies to oppose this trend, particularly since in opposing the licensing of another group of accountants, we may appear to be selfishly motivated.

The third reason that has contributed to our present difficulties is the fact that twelve states now license on a continuing basis a class of accountants other than CPAs. Admittedly it's a small number of states, but still sufficiently large enough number to establish a precedent that will probably undermine the position of CPA societies in other states.

The number of public accountants licensed in Montana and Oklahoma may be only a trickle, but these laws may well provide the wedge to open the floodgates in states like Illinois and California.

Now, because of the lack of interest in opposing unlicensed accountants, because of the increasing receptiveness of state legislators to the licensing proposals, and because of the precedent already established in a growing number of states, the present position of the Institute may not appear to be a tenable policy for the future. A number of states may be able to hold out against the trend, but in the opinion of the Committee on State Legislation many states will not be able to ward off the licensing efforts of bookkeepers.

In response to these developments, there seem to be three courses of action now open to us: First, we can simply continue on the way we have for the past thirteen years since adopting our first policy statement in 1956. Second, we can make an intensive review and possible overhaul of our present policy, and third, in any event, we should develop a positive action program for legislative action that is coordinated both on a national and state level.

Doing nothing at all other than what we have been doing is likely to prove very disadvantageous. The National Society of Public Accountants (NSPA) has been concentrating its effort and money in a few key states, hoping thereby to start an irreversible national trend. Most of their efforts have been concentrated in

the old permissive states. The strategy has much similarity to the ones used by governmental agencies in securing action on governmental accounting experience.

In addition to picking off states, NSPA has adopted a flexible strategy. Any kind of law providing for continuing legislation is now acceptable to NSPA. As a matter of fact, they have publicly abandoned the position they espoused in the joint committee memorandum, and instead of seeking only to license technicians to whom the attest function would be prohibited, they now seek to license public accountants on a continuing basis who will be licensed to perform all accounting services.

Unless we adopt some kind of unified and aggressive policy to counter this strategy, our legislative position is obviously going to be undermined.

The second course of action is to consider a review and possible overhaul of our present legislative policy and update it wherever necessary. Is the 1956 policy statement really appropriate today? To what extent was it modified by the adoption of the objective in 1959? There are some who hold to the view that licensing technicians is quite compatible with our policy and our objectives as long as the professional practice of accountancy is limited to CPAs.

Also, regardless of whatever direction our revised policy should take, it must provide for a stronger degree of coordination between the Institute and the State Societies and

much greater unity of purpose by State Societies.

Third, it seems inevitable that we must develop a positive program for legislative action again that will be coordinated between the national and the state level. The Committee on State Legislation is now preparing this program and intends to present it to the Executive Committee for approval hopefully in October. What it will contain is a broad-based program involving not just state society legislative committees and the American Institute Committee on State Legislation, but it will involve a commitment of funds by both parties whenever necessary to fight a legislative battle on a localized basis.

My purpose in speaking to you today is to tell you about our legislative problems and what we hope to do about them. They are not critical although we think they soon will be unless we take decisive and imaginative action. The need for unity between the states is also particularly urgent since without it, even our best efforts cannot succeed.

Thank you very much.