

# Need a CPA Expert? What CPA Did You Have in Mind?

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He is a frequent lecturer and panelist on governance, business, accounting and auditing issues. He is on the Board of Editors for the CPA Journal and has authored a book on accounting for lawyers, a number of articles, commentaries, and papers. He is also an acknowledged technical reviewer of various Commerce Clearing House GAAS, Compilation and Review, and GAAP Guides/Manuals. In addition, Mr. Love was the recipient (along with his co-author) of the CPA Journal's 2009 Max Block Award for the outstanding article in the category Policy Analysis for the article "IFRS and Accountants' Liability;" the 2010 Max Block Award for the outstanding article in the category of Informed Comment for his article "When Rules May Weaken Principles: Enhancing Independence, Integrity, and Objectivity;" the 2012 Max Block Award for the outstanding article in the category of Informed Comment for the Point/Counterpoint article—"Auditors' Responsibility for Detecting Fraud: Applying Professional Judgment and Maintaining Integrity;" and the 2015 Max Block Award for the outstanding article in the category of News & Views/Opinion for the article "Can Professionalism and Commercialism Coexist in CPA Firms? Putting the Public Interest before Increased Profits."

Mr. Love is a past member of the Board of Directors of an SEC Registrant and a nationally chartered bank, chairing the Audit Committee of both entities. He is currently an honorary member of the Executive Committee of the Board of Directors of the American Arbitration Association (AAA). He also served in the past as the Chair and as a member of the AAA Audit Committee and currently serves as the Chair of its Budget and Finance Committee.

## Vincent J. Love

Do you want a CPA, or a CPA? That is, do you need a Certified Public Accountant (a governmentally licensed professional) or a Certified *Professional* Accountant? It may all depend on whether he or she is a member of the AICPA or the AICPA, or actually both organizations as an AICPA member is now automatically a member of the AICPA. These two organizations, the American Institute of Certified *Public* Accountants and the Association of International Certified *Professional* Accountants, are the result of AICPA members (that is, the *public* accountants) approving a proposal last year to revise its bylaws (the results were announced on June 18, 2016). Confusing? Dr. Seuss at his best ("*I like nonsense; it wakes up the brain cells*") could not have done better.

### A Not-So-Obvious Vote

Not emphasized on the AICPA website's information on the then-proposed revisions was the population of the Association of International Certified Professional Accountants (which was established in 2011 but apparently with no wide membership). It stated that "this new section of the Bylaws makes clear voting members of the Institute, as well as the AICPA associates and affiliates, would also belong to the Association in a membership category similar to their status in the Institute." That is, every AICPA member is an AICPA member. Many members said on LinkedIn or in other social media that they were unaware of the proposal and, consequently, did not vote. However, the fact that there was a vote to change the Bylaws was stated on the AICPA website.

The proposal passed. On its website, the AICPA announced, "AICPA, CIMA [Chartered Institute of Management Accountants] Members Overwhelmingly Approve Proposal to Position Profession for the Future." Sounds great, doesn't it? It further said, "The results are

in and the AICPA ballot passed 86.5% to 13.5%.” But how many votes were cast? The number is nowhere to be seen on the website, or in the *Journal of Accountancy*. If it were 86.5% of the minimum votes required, this could be as few as 433 members. If 50,000 members voted, however, that would be 43,250 members, or about 10% of the AICPA membership—still hardly overwhelming. (I understand that the actual number of members who approved the proposal is around 10%-15%). Not giving the absolute vote count gives credence to the continuing relevance of the 1954 book by Darrell Huff, *How to Lie with Statistics*. It is “the little number that is not there.”

Having helpfully explained what an AICPA member is, the AICPA needed to give a warning, because the use of the CPA designation in the United States is unlawful unless the individual is registered in an authorizing jurisdiction as a certified public accountant. The authorizing jurisdictions are the 50 states, Washington D.C., Puerto Rico, the Virgin Islands and Guam. The AICPA (one of them, anyway) noted that “this does not provide CIMA members with membership in the Institute or any of the reserved rights and privileges of state licensed CPAs.” Neither AICPA has the legal right to designate a CPA as licensed in any jurisdiction in the United States. It is meaningless for the AICPA to say this except as a self-protective “warning label.”

The rest of the explanation goes on to say how the “Institute” and “Association” will be managed. But all this revision really does is increase the size and stature of the organization and its officers. The question is: will the real AICPA lose its focus on the CPA and the public and its faithfulness to its founders’ principles and ideals? And, even more importantly has it shifted its purpose to protect its memberships’ interests? It, however unintentionally, has put a mechanism in effect that will ultimately dilute the respect given the individual who is a true CPA licensed to practice by an authorized jurisdiction. It will have a greater constituency to serve, and focus will inevitably be lost. Is this another instance of professionalism playing second fiddle to commercialism? This is not to say that

the concept of a coordinated effort to increase the competency and leverage of accountants both in public and private practice is not a worthy goal. But, doing it through an organization that denigrates the “CPA” designation by using Certified *Professional* Accountant is not, and it will cause confusion.

For the remainder of this article, and for the sanity of the reader, the author will only use “CPA” to designate a Certified Public Accountant and “AICPA” to refer to the American Institute of Certified Public Accountants.

### Putting Things into Historical Perspective

Looking at how the CPA designation came into existence will shed some light on what is happening now. John L. Carey, in his book *The Rise of the Accounting Profession, From Technician to Professional, 1896–1936*, addresses the issue when discussing the first law enacted recognizing the licensure of CPAs in New York State:

The question has often arisen as to why the title “certified public accountant” was selected. It was no doubt a temptation to adopt the term already established in Great Britain—“chartered accountant.” But it was pointed out in the discussions of this subject, as Mr. Guthrie had done ten years before, that this would conflict with the rights established by the Scottish societies, and later by the English, under Royal Charters. Moreover, the pioneers in the United States, with native pride, probably did not want to be accused of copying the British. In addition, the term “public accountant” was already fairly well established in the United States, and the simple addition of the prefix “certified” seemed to meet with general approval. It is also possible that the American Association of Public Accountants favored preservation of the last two words in its own title.”

The forerunner of the AICPA, the American Association of Public Accountants, took pride in the CPA designation and fostered respect for the

CA designation. Today, the AICPA gives deference to the CA designation while denigrating the CPA designation. The times and the profession's leadership have changed. Will the next history of the profession be titled *The Decline and Fall of the Public Accounting Profession*?

### The Public Interest and Perception

The CPA, and therefore the profession as a whole, is required to act in a manner that will serve the public interest and honor that public trust under the AICPA Code of Professional Conduct:

*The public interest principle.* Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism. (AICPA Code of Professional Conduct, 0.300.030.01)

The CPA is the “trusted professional” in the public's eye, *not* the “certified *professional* accountant.” The erosion of the CPA designation, even if only in an accounting organizations title, by allowing its use by others who have not been licensed by one of the jurisdictions setting the requirements and awarding the license to practice is definitely not in the public interest. CPAs sell more than their education, training and services. They sell their image as accomplished professionals with a long history of serving the public interest and putting professionalism ahead of personal gain. It is their ethical behavior and continuous striving for excellence that has made the CPA the trusted professional. The need to include others in the national professional organization in order to boast a larger membership count is not in the profession's interest. Will State and National CPA Organizations sell membership growth rather than professional excellence? Commercialism must not diminish professionalism. The CPA designation is known for its distinguished, ethical, and professional bearing and it should stay that way.

### The Unintended Consequences

If the public loses confidence in CPAs, government intervention and imposed standards will follow. Will the CPA's role in financial statement

reporting be taken over by government officials? Remember what led to the formation of the FASB and PCAOB, and the Department of Labor (DOL) proposal to set standards for employee benefit plans—the failure of members of the profession to meet the standard of care necessary to perform their services in the public interest.

The true professionals who spurned the notion of commercialism infringing on professionalism fought to have the CPA recognized in the law and included as a separate independent auditor who could and would report on all companies without government intervention. Add to that the efforts of distinguished CPAs in the first half of the 1930s—such as Colonel Arthur H. Carter, President of the NYSSCPA—who successfully convinced the federal legislators drafting the Securities Acts that the independent audits of publicly traded companies should be performed exclusively by CPAs, i.e., granting the CPA a monopoly. They made the CPA profession what it is today. Only by adhering to the same ethical and non-commercial principles they demonstrated will the CPA profession maintain its position as the only authorized group of professionals allowed to report on SEC Registrants' financial statements.

It was CPAs, *not* the Certified *Professional* Accountants, who were designated by the Securities and Exchange Act as the provider of reports on financial statements.

The CPA's position and respect in establishing and promulgating financial reporting and auditing standards have eroded recently. The CPA profession can lose that position entirely, if it does not focus on who they are as CPAs instead of who all other accountants are, no matter how good or professional.

When another organization, the (International) Institute of Certified Professional Accountants (ICPA) that granted a designation as an “ICPA Professional” was formed in the past year, sending solicitation e-mails to state societies of CPAs and board of director members, the AICPA's legal team rightfully became involved and caused the founder of the ICPA, Michael Schemmann, PhD,

CPA, to place a disclaimer on the ICPA sub-organizations website that uses the words “certified public accountant,” saying in part:

The **INTERNATIONAL INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS** is **not associated, affiliated or otherwise connected** in any way with **AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS CORPORATION D.C., 1211 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10036** (United States of America). (Bold emphasis in original)

While recognizing the issue when others use a similar designation to the AICPA, the AICPA fails to recognize the confusion it may cause by using the designation “Certified Professional Accountant” in the group it formed as the American Association of International Certified Professional Accountants.

Another umbrella association that does not use “CPA” in its title should be established to coordinate the effort to represent all accountants in both the public and private sectors.

### Finding Our Way

For many practitioners the need to operate a business and earn a livelihood has become paramount, making it easy to inadvertently lose one’s way. As stated by Robert H. Montgomery:

Accountants and the accountancy profession exist as a means of public service; the distinction which separates a profession from a mere means of livelihood is that the profession is accountable to standards of the public interest, and beyond the compensation paid by clients.

The leaders in the profession and AICPA are accomplished business professionals who are multitalented and compare very favorably with the leaders in other professions and industries. They are, however, business people, and they deal with the commercial aspects of their expanded practices every day and may subjectively allow those commercial interests to

interfere with their professionalism.

The major difference between the founders of the CPA profession and today’s leaders is that those founders were leaders of CPA firms—not modern day conglomerates providing an ever-increasing number of other services. Independence, integrity, and objectivity are the foundation of the CPA profession because they specifically relate to the attestation function of the CPA license and CPA firms. They are at the core of the rationale that led to the CPAs’ exclusive franchise to report on financial statements. Compliance with these foundational ethical principles becomes increasingly more difficult when material components of the business are not attestation services. The ethical dilemmas become more complicated and numerous. Human nature and business demands will often create an environment with adverse incentives, no matter how hard one tries to prevent it.

This author is extremely proud to be a licensed certified *public* accountant and a member of the American Institute of Certified *Public* Accountants and the New York State Society of Certified *Public* Accountants. The designation of CPA is and should be exclusive, the privilege of those who have earned the right to use it without fear of violating U.S. law or misleading those who read and rely on it. It carries the responsibility to emulate the attributes of those who founded and fought for the profession and its position in the business community. Professionalism must prevail over commercialism, no matter what the economic cost to the professional. Only then can the profession best serve the public interest and the CPA remain the trusted professional.

An earlier version of this article was scheduled to be published in the highly respected *CPA Journal*, a “refereed” publication, in the Viewpoints Section of its September 2016 issue. It had been blind-peer-reviewed by two professional experts (as required for a refereed publication), and the *Journal’s* editors. It was set in print ready for publication, but was withdrawn for undisclosed reasons before going to print. This is another instance of protecting an organization—in this case the AICPA—from criticism even in a section of a publication

