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Reporting Roadmap

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Hawaii Society of
Certified Public Accountants

August 2015

In This Issue

President's Message

By Gordon Tom

Aloha Members!

It's August already! I hope you are ready for the back-to-school traffic and the start of fall busy season (for some of us at least). Every year it seems that our traffic gets worse and there are more "critical" accidents that happen causing major four or five-hour commute times. It can be frustrating at times when you are sitting in traffic and tempting to use your smart device to pass the time, but remember you should keep your eyes on the road. The text or e-mail can wait!

I recently read an article about Google expanding its self-driving cars experiment to the city streets in Mountain View and

Austin. If you have never seen the Google self-driving car in action, just Google it! Seeing a car drive itself autonomously around a parking lot or on city streets is amazing and a great example of how far the power of technology and the Internet has progressed. The technology exists today to allow a traditional driver-controlled vehicle to operate in an autopilot mode completely hands (and feet) free! Within the next five years, we may see production vehicles with full autonomous control. This kind of technological innovation is not just limited to automobiles and the Internet though. Companies like Amazon, Apple and Uber have all developed innovative new ways to implement technology to disrupt the entrenched business markets they compete in. Even the small business restaurant now

has to compete with online review sites like Yelp.com or Tripadvisor.com. The impact of technology and the Internet is far and wide, including accounting.

Cloud accounting service companies have flourished in the last several years, from an unproven idea to a formidable competitive threat. Services like Xero, Quickbooks online, Square and others are successfully competing in the small business accounting, bookkeeping and payroll business markets where the CPA service model previously held exclusive domain. If we are to continue to grow and succeed, the accounting industry must evolve, innovate and adapt to deliver new services and skills in a technology driven world.

The growth of technology and evolving CPA business model has been a topic of discussion and focus at the last several AICPA Council meetings. The AICPA Council meets twice per year and is the governing body of the AICPA, consisting of over 250 representatives from each state CPA society, as well as other elected representatives from the membership. Hawaii is very fortunate to host the Fall Meeting of Council in October on Maui. The HSCPA and its Council designees will be on Maui to welcome members of Council from around the nation to the island, "Hawaiian style!"

Please contact the HSCPA office if you are interested in getting involved with any of our volunteer committees and accidentally misplaced the form that was included with your dues statement – or, you may apply online by using your member login. Our volunteer committees help the HSCPA and your Board members deliver value to members and stay on top of key issues affecting our profession.

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Excel Data Analysis and Reporting Roadmap
By Will Fleenor, CPA, Ph.D., Member K2 Enterprises

This article provides a roadmap for analyzing data and preparing financial and other management reports in Excel. Efficiency and effectiveness are important objectives.

The data we need for effective management reports no longer resides in a single on-premise database. Even for SMBs (Small to Medium Businesses), data often resides in numerous places - some real-time data and some traditional batch processed data – some in the on premise and perhaps some in the Cloud (e.g. your email and global address list).

For years, accountants and other financial professionals have been using Excel (often with a great deal of success) to make sense of data coming from multiple sources. A local delivery company may need information from their Microsoft Access delivery database and also from their financial database to effectively analyze delivery costs. The entire process becomes further complicated when the online order system is hosted. This creates a third Cloud-based dataset that should be integrated for effective analysis and reporting.

To be effective, you need to get the most information you reasonably can (i.e. cost does not exceed benefit) out of all your data – regardless of where it resides. Manually pushing data out of ERF systems, accounting software, and other databases into Excel is a slow, time-consuming, error prone process. Often the data has to be "reformatted" and otherwise "converted" to meet our analysis – often requiring hours of manual conversion.

Worst of all, data pushed into Excel is dead data. The cord is cut. Anything that changes from that moment on is not part of the analysis – including error corrections and omitted transactions posted at a later date. It is pretty hard to be efficient (much less effective) doing business this way. There is a better approach. Just follow the roadmap.

Excel Data Analysis and Reporting Roadmap

Step 1 – Import Data Using Excel Queries
Step 2 – Leave the Data Alone
Step 3 – Build Reports and Analyze Data in Separate Sheets
Step 4 – Relate Tables and Build Reports from Multiple Sources

Figure 1

Step 1 – Importing Data Using Excel Queries

In addition to being a great analysis tool, Excel is also a great query tool. Excel has been an ODBC (Open Database Connectivity) standard compliant client since 1993. This allows Excel users to connect directly to literally hundreds of commercial database products including the vast majority of accounting software products. For Example: QuickBooks, Sage 50, Microsoft Dynamics, Open Systems Traverse, and dozens more are all ODBC enabled applications.

If you use SQL databases Excel is also a capable SQL client. In fact, there is a long list of database applications for which Excel is a capable client. It includes Microsoft Access, XML datasets, data from analysis services sometimes referred to as data warehouses or OLAP cubes, data from other Excel files, and more.
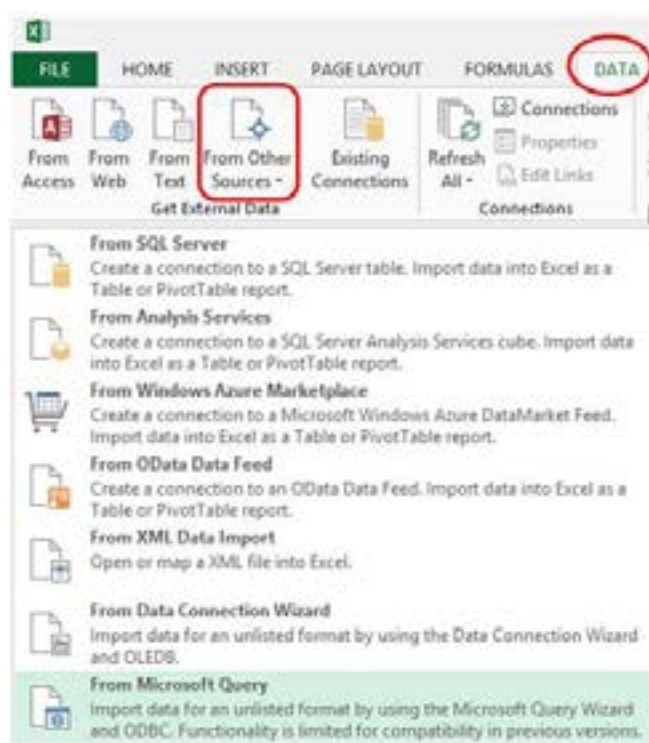
Figure 2 – Excel Query Options

If our objective is to build a better analysis and reporting spreadsheet, then getting the data into Excel by query is a must. These live hooks, to the most recent versions of all our data, give us the ability to update the data; (1) quickly, (2) easily, (3) with low risk of error, and – if we choose - (4) automatically

every time we review the report or examine the analysis. All that time previously spent pushing the data out then opening Excel and cleaning it up (e.g. inserting and deleting rows and columns, copying, cutting, pasting, and reformatting) is no longer needed – we simply click "Refresh." Best of all, the risk of errors is significantly reduced.

To access your data from inside Excel, you first need to determine what application is hosting your data and what type of query it supports. This is the easy part. Just research your software or service on the Web, ask your consultant or VAR, or ask IT.

IT may not be receptive to this request because it means more work (and risk) for them in setting up and managing the rights of the query client. ITs ability to control what your query can see can be very granularly in higher end products like Microsoft Dynamics or Sage 500. They can, for example, restrict access by IP address, time, day of the week, etc. However, even with Quick-Books, there is some level of control over what a query client can see and/or do.

The database administrator (i.e. the person who sets up users, passwords, and user rights) will have to grant you the right to make the queries. Sometimes users face political obstacles in getting these rights. Their objections to your request may not make sense. Why wouldn't you allow your users to pull in the same data they are allowed to push out? If you can go into the database and push it out, why shouldn't you be able to sit in Excel and pull it in?

Once you are granted the rights to query the database, you need to configure Excel so it can see your database. This is a one-time deal that will take a consultant or qualified IT person no more than 10 minutes. Now you are ready to pull data in. The query feature is accessed under the Data tab (See Figure 2).

Finally, ask the database administrator for a database dictionary. This will help you find the data elements you are looking for in the mass of tables and records you will find in your dataset.

Step 2 – Leave the Data Alone

Numerous studies (e.g. Panko-Halverson 2010) have documented high error rates in Excel spreadsheets prepared and used by business professionals. The most common cause is human error in updating existing files (e.g. adding this month's data to the file, or typing a number over a formula by mistake). The next most common cause of errors is when users turn data into reports by inserting and deleting rows and columns, copying, cutting, and pasting, etc. This is a high risk approach to creating reports. Anytime you start manually manipulating data, you run a high risk of errors. Leave the data alone! Build your reports in separate sheets that point to your datasets. You can still filter your datasets for analysis or to find records, but don't modify or delete records or fields.

Step 3 – Build Reports and Analyze Data in Separate Sheets

Using the old approach of turning the data itself into the report by inserting rows and columns, copying and pasting, etc., was never very efficient and would work poorly with queries. Every time you refresh your query, all the deleted rows and columns would come back and your inserted rows with subtotals would be gone.

Fortunately, there is a much better (and easier) solution. Using the queries discussed in Step 1, we can automate the process of getting our datasets into Excel. With the help of the Excel Tables features, we can create reports based on these datasets that automatically update when the dataset is updated. This process can significantly reduce time and effort required to update reports. It also significantly reduces the risk of errors by eliminating manual updating and altering of raw data.

Start by gaining a good understanding of Excel Tables. The Tables feature brings easy to use database tools to Excel. When datasets are turned into "Tables," you can use the table name and the field name in building a formula. For example, if you had a dataset where you had a field named "Amount"

An Ethical Affair

A proper foundation of ethics requires a standard of value.

The sold-out 55th Annual Conference fulfilled the mandatory Ethics CPE requirement for over 200 CPAs. It was an annual reunion for many who reconnected with colleagues from the past, and served as a great networking opportunity for their businesses. Attendees included young and seasoned CPAs in public practice, business & industry, education and government.

The Annual Election and Business Meeting kicked off the Conference as voting members elected the 2015-2016 officers and directors. We recognized and welcomed our Conference partners: American Savings Bank, Aon Affinity/Finance Insurance, Ceridian, Thomson Reuters and XCM Solutions for their partnership and support in making the Conference a success.

Speaker Rich Paul, Partner with Deloitte (NJ), did a great job educating the group and providing an overview of the new revenue recognition standard that has effectively replaced hundreds of pieces of guidance in current U.S. GAAP with a principle-based approach, and what that could mean to your accounting for revenue recognition.

Ron Heller dominated the Conference with his Professional Ethics presentation and provided valuable insight on using the CPA designation, having an individual and a firm permit to practice, and Hawaii's mandatory peer review law in effect.

Lunch was fun as the Hawaii Prince set up our own street grinds by staging Brianna's Food Truck and Ono's Lunch Wagon. Attendees (and Prince staff) had fun ordering up and serving plate lunches and beverages. Very onolicious!

After a hard day's work, everyone looked forward to Happy Hour with the only alcohol-serving food truck in town. Gourmet pizzas and salads filled us up again before the drive home.

Thank you to our special sponsors . . . Gabe Lee of American Savings Bank –

the HSCPA is grateful for the 11th year of partnership and support. We had a great time with fun giveaways from Conference partners: Alan Taguchi of Finance Insurance/Aon Affinity, Teri Correa and Peggy Maxwell-Luke of Ceridian, Barbara Howath of Thomson

Reuters, and Larry Workman of XCM Solutions LLC. Thank you for helping to make the Conference a success!

Join us next year at the 56th Annual Conference on June 24, 2016. You don't want to miss an exciting program planned for you!

and the Table was named "Sales," you could summarize that field with the following formula:

$$=SUM(Sales[Amount])$$

Using the Table name and the field name in the formula is called "structured referencing." It allows you to build formulas that summarize fields rather than static ranges like H3:H350. Formulas using static ranges do not work well with Tables that are refreshed and, as a result, the number of records changes. Using structured references allows you to build formulas that reference "dynamic" ranges – i.e. ranges that change in size as the data is updated.

If you are building static reports (i.e. report layout does not change from period to period) that are updated periodically and are based on only one Table, the =SUMIFS() function is likely a good choice. This function allows you to summarize data by as many criteria as you would like. So, for example, if you have an inventory dataset that contains fields for Warehouse, Vendor, and Category – you could use one formula to easily build a formula that summarizes your data by Warehouse, by Vendor, by Category. This function works with "structured references" to Tables.

Step 4 – Relate Tables and Build Reports from Multiple Sources

You also need at least a basic understanding of how to summarize data with PivotTables and PivotCharts. PivotTables and PivotCharts are well suited to quickly summarize large amounts of data in multiple different ways. This works well for data analysis and data mining.

For analysis and reporting that requires data from multiple related Tables, you will need to use PivotTables. The Excel Data Model (new in Excel 2013), which allows you to relate tables, is designed to be used with PivotTables.

The following is an example of how such reporting could be useful to a small business. Assume that we have three closely held businesses each of which is accounted for in a separate Sage 50 database. We would like to build a spreadsheet that will consolidate the trial balances of these three companies. Further, we would like to have the ability to get an up-to-date consolidated trial balance any time we want on a moment's notice – as long as the three underlying Sage 50 databases are up-to-date. This would allow us, for example, to quickly see how much cash we have and where it is.

Since the data is in Sage 50 (an ODBC enabled application), we can use ODBC queries, as described in Step 1, to bring each of the three trial balances into one Excel file – each as a separate Table in a separate sheet. Since the account numbering structure is the same for all three businesses, the account numbers (key field) along with the Excel Data Model can be used to consolidate the three closely held businesses. The Excel Data Model allows us to identify the related fields in the three trial balance Tables.

The screen capture in Figure 3 shows the resulting consolidated trial balance. This consolidation can be updated at any time by "Refreshing" the queries and the PivotTable. The queries can be set to "Refresh" automatically when the file is opened. To create this type of consolidation report, use the PivotTable and PivotChart Consolidation Wizard.

Figure 3 – Consolidated Trial Balance

Those working for large entities will want to explore the PowerPivot add-in (new in Excel 2013) which makes it possible to relate multiple different types of databases with literally 100s of millions of records, all from inside Excel. If you are interested in mining your data to make more informed business decisions on short notice, you should consider Microsoft's new "Power BI" (Business Intelligence) service that lets you share, collaborate, and report on data from multiple sources including the Cloud.

Conclusion

The costs (inefficient workflow) and risks (human error) of creating reports by pushing data into Excel and then transforming that data into the report makes this approach to reporting unacceptable. Automating the process of moving the new data into Excel and updating the reports and analysis clearly makes more sense. Since Excel contains easy to learn and useful tools to make this automation happen – What are you waiting for?

Will is a Shareholder of K2E, LLC and has conducted seminars for 48 State CPA Societies, and has spoken at numerous accounting technology conferences, including speaking at the AICPA Information Technology Conference for 22 years, as well as doing training for other organizations such as the FBI.

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By Ron Gouveia CPA.CITP and Joy Takaesu of Carr, Gouveia + Associates, CPAs, Inc.

Microsoft has stopped providing anti-malware signatures for its Security Essentials package for Windows XP. It's just another reason to get off Windows XP for those who haven't yet done so. Windows Server 2003 is another operating system that is no longer supported and one that you should get off of as soon as possible.

July 29, 2015 was the date that Microsoft will start rolling out Windows 10 to the insiders who have been testing the operating system. Microsoft will now deliver Windows 10 in waves to those systems that it determines are compatible and to those who have 'reserved' their copy. Microsoft will notify you that it has found your system to be compatible and will not do the upgrade automatically. You should only do the upgrade after you have determined that all the software you use is compatible with Windows 10. You have one year from July 29th to do the free upgrade. If the computer you are using is more than 3 years old, you should consider waiting until you get a new computer to get Windows 10.

Microsoft has released Office 2016 for the Mac to Office 365 subscribers. It includes Excel, OneNote, Outlook, PowerPoint and Word. It provides Mac users an Office suite that looks and acts like Office for Windows and makes using Office on a Mac much easier for Windows users.

Microsoft and Adobe have released patches to fix vulnerabilities made public in the breach of the Hacking Team. You should make sure that Microsoft and Adobe updates are done on all computers. Java has also released an update to fix vulnerabilities, including a high-risk vulnerability discovered by Trend Micro researchers. The recent critical vulnerabilities in Java and Adobe Flash have led some to examine whether these plugins should be kept uninstalled, and only re-installed as needed. Firefox now blocks older versions of the Flash Player plugin, and warns users to update their Flash version if they attempt to load a website using an outdated Flash version.

When we think about security, the thing that comes to mind that is not high tech and is doable by all of us is to get a password manager, such as RoboForm, and to implement a different password on every Internet site and user login that you have and to make the password strong and random. With a password manager, you don't need to remember your passwords except your master password which should be of course a strong password. The definition of a strong password differs for different advisors but should be a least 8 characters and use upper and lower case letters, numbers, and special characters. Password managers will generate these for you.

Defense against a data breach should include a layered·security framework. Layers should include -- but not be limited to -- external screening of email traffic for viruses and spam; a state of the art fire wall; enterprise anti-virus software protecting both servers and workstations including internet security; anti-malware protection; encrypted backups with off-site storage; and last but certainly not least is user training on the do's and don'ts of computer and Internet usage.

If you have any questions or comments call me at (808) 837-2507, or send e-mail to ron@cga-cpa.com.

Y-CPA Buzz!

By Adrian Hong

State of XBRL

In 2009, Securities and Exchange Commission (SEC) Rule 33-9002 mandated companies file their financial statements in extensible business reporting language (XBRL). The purpose of this rule was to provide users structured financial information that made it easier for them to perform powerful analytics using computers.

To find out where the SEC mandate stood six years later, I interviewed Louis Matherne, Chief of Taxonomy Development at the Financial Accounting Standards Board (FASB). Louis Matherne is responsible for leading the FASB's Taxonomy team in the development and maintenance of the GAAP Financial Reporting Taxonomy (Taxonomy). The Taxonomy is currently used by approximately 8,000 companies to file their financial statements in XBRL.

Louis Matherne's views expressed in this article are his own and do not represent positions of the Financial Accounting Standards Board. Positions of the FASB are arrived at only after extensive due process and deliberation.

AH: Who is currently using the XBRL data submitted by filers under SEC Rule 33-9002?

LM: The SEC XBRL Exhibits are being consumed and made available by several of the traditional large data aggregators as well as many new information providers like Calcbench, FinDynamics, Idaciti, 9W Search, XBRL-US, and others. We have direct knowledge and reports of increasing numbers of analysts and investors taking advantage of this new financial data source that is available timelier, as reported data, in more detail, and at lower cost. Additionally, the FASB uses the XBRL data as research in its standard setting process.

AH: Has the XBRL data quality and usefulness improved since 2009?

LM: The SEC, XBRL-US, and other organizations have identified positive trends in XBRL data quality for the SEC program. The SEC has reported a consistent and gradual decline in the use of custom tags by large filers and XBRL-US has tracked improvements in a number of errors since inception of the program. XBRL data is useful now and many users of corporate financial data are taking advantage of its timeliness, detail, and lower acquisition cost. Nonetheless, XBRL data quality must continue to improve, particularly for the disclosures, to maximize usefulness.

AH: What consumption and analysis tools are out there for XBRL data?

LM: As noted earlier, XBRL data is being made available by several of the traditional data aggregators as well as several new data aggregators like Calcbench, FinDynamics, Idaciti, 9W Search, and XBRL-US. These new data aggregators have different approaches for making the data available in both as reported and normalized formats but all are relying on the as reported XBRL data as its source data. Some provide web interfaces or Excel plugins, and in the case of Idaciti, an engaging storyboard approach to tell your story using XBRL data.

AH: Are there any tools that are easy to use that do not require programming or query language knowledge?

LM: All of the tools I've noted are easy to use. None of them require programming or query language knowledge. However, XBRL databases are available for direct access that

individuals skilled in query language can take advantage of to write sophisticated applications that update with a real time feed. While that may not be for everyone, more sophisticated investors are utilizing these capabilities today.

AH: What are the biggest challenges related to the adoption and use of XBRL data by users of financial statements?

LM: Perceptions about data quality continue to be the number one concern followed closely by a reluctance by data aggregators to modify their existing processes for consuming financial information. Both are changing and we are seeing accelerated adoption.

AH: Will the SEC ever mandate the reporting of Earnings Reports or MD&A disclosures in XBRL?

LM: I can't speak to that but the SEC continues to expand the use of XBRL structured formats into other areas as we just saw in a proposal to modernize Investment Company reporting.

AH: What are you most excited for related to the future of XBRL?

LM: The full and complete transformation of financial reporting from print to structured data. The elimination of the analog to digital conversion that users are currently expected to complete and replace this step with a faster and more efficient digital to digital exchange with fewer errors. This is the world we live in today; that we socialize and conduct business in today. We have massive amounts of data – big data – available for use but much of financial reporting remains in a print silo. This is changing globally and has broad positive implications for our capital markets.

Norman's Book Review

"Too Soon Old, Too Late Smart"
by Gordon Livingston, M.D.

I knew this was a special book when my wife, for the first time, decided to read this book before me, finish it in one sitting because she couldn't put it down, and proclaimed it one of the best books she has ever read! She further commented it explained many things that have happened in her life, and has made her look at things differently now. WOW! After reading the book I totally agree with her.

The author has a unique perspective of life as he is a graduate of West Point and the John Hopkins School of Medicine, has been a physician since 1967, is a psychiatrist and writer, served in Vietnam where he was awarded the Bronze Star for valor, and experienced the gut wrench loss of two sons in a 13 month period, one to suicide and the other to leukemia. Based on his life experiences, he wrote this book which has his 30 truths of life, one short chapter dedicated for each truth. The following are some of the author's words of wisdom from the book I thought you would enjoy and hopefully inspire you like it did my wife!

The Most Desirable Virtue To Have

As a psychiatrist, he has seen the gamut of personality disorders, traits in people to avoid. In contrast, he believes the most desirable virtue to have and to seek in our friends and loved ones is kindness, the willingness to give of oneself to another. It governs all other virtues, including the capacity for empathy and love. It may be hard to define, but he feels when we are in its presence, we feel it.

We Are What We Do

Especially with social media, doesn't it seem like there is endless "chatter" all around us, many of which are not true? It is critical to realize "we are what we do," not what we think, say or feel. When we have to judge others, we need to pay close attention to how they behave, not what they promise. Dr. Livingston feels this simple rule could prevent many of the problems that infect human relationships. Most of life's heartbreaks are due to people ignoring the reality that "past behavior is the most reliable predictor of future behavior."

The Three Components Of Happiness

The three components of happiness are something to do, someone to love, and something to look forward to.

"Love" Defined

We love someone when the importance of his or her needs and desires rises to the level of our own. The author also would ask this question to help people determine if they really loved someone…"Would you take a bullet for this person?"

What gives love its power is that it is shared.

What Do Our Children Owe Us?

Many parents would say they want their kids to make them proud by doing well in school, staying out of trouble, getting a good job, finding a spouse, and producing grandchildren. In reality, our children owe us nothing. We decided to bring them into the world, not them!

The Problem With Perfectionists

The author has treated a lot of engineers, accountants and computer programmers who were perfectionists. The problem with perfectionists and their preoccupation with control is while these qualities make them successful at work, they cause major issues at home. Also anyone who tries to seek perfection in an imperfect world are vulnerable to depression.

The paradox of perfection is "in some settings, especially in our intimate relationships, we gain control only when we relinquish it."

Paradoxes In Life

I had to nod my head in agreement with the following paradoxes we face in our lives: the relentless pursuit of pleasure brings pain, the greatest risk is not taking any risks, promotions usually bring more money and more headaches, dream vacations put us in debt, and

experience is a great teacher but we are often too old to use the knowledge.

The author's ultimate paradox is: Only by embracing our mortality can we be happy in the time we have.

Happiness Takes Time, Bad Things Happen Quickly

Ever notice sudden life altering things are usually bad, such as accidents, job loss, loss of a loved one, a phone call late at night, the doctor conveying a bad test result, etc? On the other hand, things that bring us happiness and joy usually takes a long time, such as building relationships, raising children, learning new things, changing behaviors, etc. That's why having patience and determination are critical to living a fulfilled and happy life.

Doing The Same Things And Expecting Different Results

Do you know people who keep on making the same mistakes repeatedly? While we all learn through trial and error, it can be frustrating to see people and ourselves doing essentially the same things and making the same mistakes over and over again. The author notices this phenomena especially in how people pick their marriage partners and deal with loved ones. You would think people who divorce for the first time would learn and apply their lessons to their second marriage. Yet the divorce rate in second marriages are greater than in first marriages. Why? People tend to be the same philosophically and behaviorally over time and don't get insight into who they are and why they choose the people they do.

The author's advice to patients? "I don't have answers applicable to every relationship; I believe in what works. What you are doing now isn't working. Why not try something else?"

Love Is Never Lost, Not Even In Death

Going through the loss of his two sons taught him many things about grief and love. Regarding grief, there is no way around it; you just have to go through it. He experienced hopelessness, forsaken any belief in an orderly universe and a just God, contemplated suicide, and learned he was not alone. He accepted he would never be the same person again, and that a part of his heart was cut out and buried with his sons.

His love for his sons have continued, and as others who have lost loved ones can attest to, those we have lost evoke in us feelings of love that we didn't know we were capable of. These feelings are their legacies and gifts to us. The author believes we must transfer this love to those who still need us. By doing so we are faithful to their memories.

We Are Not Obedient People

Ever notice how much people, especially children and loved ones, enjoy being criticized and being told what to do? Do they gleefully embrace your words or become frustrated or resentful? Usually it's the latter and the reason is based on what our ancestors had to do to survive…we just aren't obedient people by nature. We are genetically programmed to question authority.

Many parents mistakenly believe they must continually "instruct" their children and apply rules and punishments to shape their children's behavior. All this does, unfortunately, is transmit a parent's anxiety, uncertainty and fear of failure to their children. The author states in addition to keeping our children safe and feeling loved and respected, we must convey to them, through our actions and not our words, that it is possible to be happy in an uncertain world and to give them hope.

Summary

This is another potential life changing book which is intense, soul searching, and thought provoking. You will get the most of the book if you are brutally honest with yourself and the life you are living. Dr. Livingston hopes after reading his book that you will realize if you haven't already, that it is never too late for all of us to become the person we would most like to be…we always have a choice of how we want to live our life.

Survey Reveals Talent is a Key Concern among CPA Firms

CPA firms once again are feeling the pressure to hire and retain high-quality professionals. That's one of the most striking findings of the 2015 AICPA Private Companies Practice Section (PCPS) CPA Firm Top Issues Survey. Reviewing the results, it's reasonable to conclude that factors such as steady demand for CPA services, continuing workload compression issues and, perhaps, concerns about the ongoing retirement of Baby Boom-generation partners have motivated firms to focus on their most important assets.

"Staffing has clearly reemerged as a significant challenge for firms," says Gordon Tom, HSCPA president. "Firms

didn't emphasize staff recruitment and retention during the recession, as they focused their energies on client retention. Now, with firms returning to a growth environment, we're seeing them face new opportunities and challenges."

Conducted every two years, the PCPS survey spotlights the main challenges facing practitioners. Responses are categorized by firm size, with top-five lists released for sole practitioners, firms with 2 to 5, 6 to 10, 11 to 20 and 21 or more professionals. Overall, the survey offers a unique overview of firms' most pressing concerns.

Putting People First

All firms with two or more professionals identified finding quality talent as one of their top concerns and all practices with six or more CPAs also cited staff retention as a challenge. Staffing had long been a top issue in previous surveys, but that changed in 2009, the first survey conducted after the 2008 economic recession. The uncertain economy put client retention and related issues on the top of the list for every firm size for subsequent years—until now. Practice growth, a concern during the recession, did remain an issue on some firms' radar screens, cited as a top issue by sole practitioners and firms with 11 or more professionals.

The Next Generation

At the same time, succession planning was a top-five issue for firms of all sizes this year, even among sole practitioners, who had not cited this as a chief concern in recent surveys. "With the Baby Boomers now ranging in age from 50 to 69,

firms may feel greater incentive to focus on the transition to a new generation of leaders, which, for firms with 2 or more professionals will include finding and grooming staff members with leadership potential. For sole practitioners, this will include developing a practice continuation agreement with another practitioner, ensuring that clients would have somewhere to go if something were to happen to their CPA," says Gordon Tom.

Grappling with Time, Workload and Complexity

Another hot topic this year—and one relates to the staffing crunch—is seasonality/workload compression. While this has often been a top-five issue for smaller firms in past surveys, it made the list for firms of all sizes this year, perhaps reflecting ongoing challenges with frequent or late changes in tax laws and the late arrival of K-1s and Form 1099s. Service problems at the Internal Revenue Service have exacerbated the situation. The survey findings would seem to indicate that seasonality has grown into more than just a fact of doing business and evolved into a significant challenge for firms all year long. And whether firms need more people to deal with workload compression or fear losing them because of the stress it causes, it's fair to assume that it fuels firms' staffing worries. In addition, since part of the challenge of workload compression involves maintaining up-to-date knowledge of current regulations, it was not too surprising that firms with five or fewer professionals picked keeping up with changes and complexity of tax law changes as one of their top two issues, and these firms also named the effect on

The Top Five Issues Facing CPA Firms

firms caused by state and federal regulations to their top five lists.

Leveraging Opportunities to Try New Solutions

Given the appearance of so many familiar challenges, firms might consider embracing the opportunity to develop new solutions to recurring concerns. "It may be time to reinvent the way firms approach their most pressing issues," concludes Gordon. Those solutions might include shedding difficult clients or ones who don't quite fit the firm's practice mix or focusing on service opportunities that can be performed during current slow periods. With so many other firms vying for top talent, working smarter with the professionals on hand may be the best answer.

Sole Practitioners
1. Keeping up with changes and complexity of tax laws
2. Seasonality/workload compression
3. The effect on firms caused by new federal and state regulations
4. Succession planning
5. Bringing in new clients

Firms with 2 to 5 Professionals
1. Finding qualified staff
2. Keeping up with changes and complexity of the tax laws
3. Succession planning
4. Seasonality/workload compression
5. The effect on firms caused by new federal and state regulations

Firms with 6 to 10 Professionals
1. Finding qualified staff
2. Succession planning
3. Seasonality/workload compression
4. Retaining qualified staff
5. Aging of owners/partners

Firms with 11 to 20 Professionals
1. Retaining qualified staff
2. Finding qualified staff
3. Succession planning
4. Bringing in new clients
5. Seasonality/workload compression

Firms with 21 or More Professional
1. Retaining qualified staff
2. Finding qualified staff
3. Owner/partner accountability/unity
4. Seasonality/workload compression
5 (tie). Bringing in new clients
5. Succession planning

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