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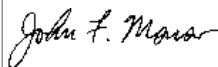
## DEAR MEMBERS

As we enter the holiday season there are a few things that I want to put on your radar screen in this issue, on a variety of topics:

1. As you know we have done a lot of work in the Audit Committee arena, and now we are announcing a conference event here in NYC at the Princeton Club on January 31, 2006. This event focuses on management override of controls, which is something not addressed in the SOX Section 404 requirements on internal control. This is an area that we all should be concerned about because it was a key driver of many of the frauds that resulted in the Sarbanes-Oxley Act. See the Conference Spotlight below.
2. My colleagues on our dues processing team tell me that there are a number of business & industry members that are delinquent on their dues. If you are among them, this will likely be your last issue of *BusIndNews* and we hope you think of this as a valuable member benefit. If you haven't paid your AICPA dues, please do so today. You can renew online at <http://www.aicpa.org/about/dues.htm> or call us at 1-888-333-5110 and we will take your payment over the phone. If you are not registered on the AICPA site, you will need your AICPA member number to do so, and this can be found on the mailing label of your *Journal of Accountancy* or *The CPA Letter*. It is the last 8 digits of the number which appears directly above your name.
3. The Institute for Fraud Prevention (IFP), a consortium of organizations and companies committed to deterring fraud and corruption, is offering academic grants for the study of different aspects of fraud. IFP wants to improve the ability of business and government to combat fraud and to educate the general public on effective methods for recognizing and deterring it. The grants focus on financial statement fraud through management override, identity theft and procurement fraud. The AICPA is one of the founders of IFP and I represent the AICPA on the IFP Board. If you know of an organizations interested in becoming a sponsor of IFP please let me know – contact me directly at [jmorrow@aicpa.org](mailto:jmorrow@aicpa.org). For more information about fraud, visit the AICPA Antifraud & Corporate Responsibility Resource Center at [www.aicpa.org/antifraud/homepage.htm](http://www.aicpa.org/antifraud/homepage.htm).

I hope you enjoy this issue – next one coming in a few weeks!

Best regards,



John F. Morrow, CPA  
AICPA Vice President  
The New Finance

## TOP STORIES

### Second Paper from CIMA Now Available

In the last issue we announced our agreement to collaborate with the Chartered Institute of Management Accountants (CIMA), the foremost management accounting body in the world, based in London and with members around the globe, and specifically addressed the **Developments in Management Accounting Series**, that we will release monthly over the next several issues.

The first of these - **Corporate Performance Management** was distributed to attendees at the Fall Business & Industry Financial Executives Forum, and was also made available in our last issue. In this issue we announce that the second in this series - **Financial Performance Measurement** is now available. Both can be downloaded free by AICPA members from our Financial Management Center website at [CIMA Developments in Management Accounting Series](#).

We appreciate any feedback you may have on this Series. Send us an email at [BusIndNews@aicpa.org](mailto:BusIndNews@aicpa.org). Additional issues in the series will follow.

### Strategy + Business 2005 Leading Innovations

The results of the third annual [strategy+business/Booz Allen Hamilton](#) Leading Innovation competition have been announced. The four winning entries — “Virtual Scale,” “Design to Value,” “Getting the Most from Outsourcing,” and “The Four Sources of Intelligent Innovation”, voted to the top of the list by readers from among the 10 most impressive ideas selected by a panel are:

- **Virtual Scale** is a tactic for gaining economies of scale through alliances rather than organic growth or acquisition.
- **Design to Value** shows how to create more value at lower cost through cross-functional collaboration in the critical early stages of design.
- **Intelligent Innovation** shifts the focus in R&D from cost cutting to four sources of intelligent innovation: customer insight, global network, future foresight, and an innovation organization.
- **Getting the Most from Outsourcing** shows companies how to realize the promised benefits of outsourcing by addressing internal management issues, fixing supplier relationships, and competitively re-

Among the finalists not making the "final four" of note for our audience is the **Clean Sheet**. "CLEAN" (an acronym for Coherence within the systems, Link to the outside world, Evaluation of balances, Audit repeatability, and New processes) is touted as a financial reporting methodology that frees the CFO of companies with disparate and incompatible accounting systems from the mire of perplexing and sometimes contradictory reports

To read a summary, [click here](#). For the full article, go to [Leading Innovations](#).

#### **Finance Functions: Cheaper, Faster but not Better**

Better, faster, cheaper & smarter has long been a mantra of mine, but unfortunately it is a goal not always achieved. The by-line of an interesting article on [CFO.com](#) raises the very provocative question - Can finance departments be cost-effective and smart at the same time? It goes on to state that while the cost of finance since the early 1990s has fallen from 1.9 percent of revenues to 1.26 percent today, the proportion of time finance employees spend advising the businesses has barely budged. (It remains just under half.) In other words, the article claims many finance functions are more efficient than smart.

One reason given for the uphill battle in finance transformation is that with Sarbanes-Oxley as a driver, many finance functions are becoming more centralized while the rest of their companies are becoming more decentralized. Thus, "CFOs are moving in exactly the opposite direction from the rest of their companies", which are generally becoming more decentralized.

While technology helps by giving business units easy access to centralized information and creates the opportunity for separating the routine work from the "value-added" work, the key is to decentralize the latter, leaving critical decision support functions at the operating unit level

This article makes the point that "unfortunately, finance departments often don't have the people with the right skills" for strategic thinking, working across functional boundaries and having the intellectual curiosity to learn the business (need we add that this sounds a lot like the CPA skill set and values?).

The article goes on to argue that as compliance once again becomes more routine, the pendulum will swing back in the other direction and the link between local and central finance will naturally revert to a weaker form. Click on the link above for the article.

#### **Focus on Not-for-Profit Organizations**

I was at the AICPA Not-for-Profit Financial Executives Forum in San Francisco just before Thanksgiving, so these issues are top-of-mind and I wanted to pass them on to you.

A recent [AccountingWeb](#) newsletter included a number of articles targeted to the not-for-profit audience. One article focused on two new tools available for foundations. The IRS recently launched the *Life Cycle of a Private Foundation*, a new web-based information tool to help private foundations comply with federal tax rules and requirements occurring throughout the life of the organization. The following day Foundation Source® announced Foundation Source Requests™, a major addition transforming the grant application and review process of the company's flagship Internet service, Foundation Source Online. To access this article, click on [Foundation Tools](#).

Two other articles were reports on recent surveys. The first addressing [Perceptions of Non Profits](#) that suggests some skepticism among donors and the public at large about large national charitable organizations. The other article reported on a new study showing that a majority of non-profit boards practice good governance and stress accountability contrary to groups urging more oversight of non-profit organizations. To access this article, click on [Oversight Study](#).

In June we released the *AICPA Audit Committee Toolkit: Not-for-Profit Organizations*, which has been, and will continue to be, available as a free download from our [Audit Committee Effectiveness Center](#). For those who prefer a hard copy for reference or for distribution to your audit committee, the [NPO Toolkit](#) is now also available in print from CPA2Biz for only \$20 for members.

#### **Internal Audit Seeking Balance**

A survey conducted by Protiviti Inc. at the annual IIA International Conference and reported on by [AccountingWeb.com](#) indicates that the swinging of the pendulum for internal audit functions is already beginning. The survey shows that three out of four participating companies see the need or are already taking steps to balance SOX compliance with other risk management priorities. As a result, 62 percent of respondents plan to bring in additional internal audit resources. Maybe it's about time this happened; a strong internal audit team can do a lot for a company – including private and not-for-profit organizations. Even organizations that can't justify a full-time internal audit team could look at other options, such as a part-time internal audit function, or engaging an external CPA (or other) firm (not the independent auditors though!), to realize the value of an internal audit function. Click on the link above to read the article which enumerates a number of other key findings of the survey.

#### **President's Advisory Panel on Tax Reform Issues Report**

The President's Advisory Panel on Federal Tax Reform submitted two proposals to the Treasury Department after months of work. As reported by [WebCPA](#), the first plan pushes for major simplification of the current income tax system, referred to in the report as the Simplified Income Tax Plan, and a

second, referred to as the Growth and Investment Tax Plan, also includes many of the simplification recommendations but also includes proposals for more significant changes in business taxes that lean more towards an indirect tax on consumption.

Under both of the panel's plans, most of those deductions, credits, exemptions and other preferences would be scrapped in order to streamline the income tax and simplify paperwork. The report indicates that the Panel considered a progressive consumption tax system but was unable to come to consensus on including it in the Report. It also considered ideas for a value added tax and a national retail sales tax and decided against both of those.

The difference between the two Plans relate primarily to differences in the treatment of dividends and capital gains and changes in business taxes. Under the Simplified plan, 100% of dividends and 75% of capital gains would be excluded from individual income; interest would be taxed at regular rates. Depreciation, interest received and paid and international taxation for businesses would be essentially unchanged.

Under the Growth and Investment Tax Plan, dividends, capital gains and interest would all be taxable to individuals at a 15% rate. However, all new business investment would be expensed rather than depreciated, interest would be non-taxable and non-deductible (except for financial institutions) and the international tax system would be changed to a destination basis system that would involve border-tax adjustments.

The full report is available at <http://www.taxreformpanel.gov/>.

#### **Share Your Views on Independence Requirements: AICPA Survey**

The AICPA's Accounting and Review Services Committee (ARSC) has issued a survey entitled "Need for Independence in Compilation Engagements." In order to consider further the independence requirements related to compilation engagements, CPAs are asked to share their views on the need for independence when compilation engagements are performed. The survey is available by clicking the blue tab at [Independence Requirements Survey](#).

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### CAREER CORNER

#### **Business Finance/Ajilon Finance Exec Career and Comp Survey**

Do you understand what variables have the most profound effect on your current and future compensation? Gaining this understanding can help you to better evaluate current circumstances and identify future career opportunities! When you complete the confidential [2006 Business Finance/Ajilon Finance Executive Career & Compensation Survey](#), you'll gain access to our interactive database, which predicts compensation based on user characteristics, and receive a hard copy of the results to compare your compensation and circumstances with those of your peers. As an added bonus, you'll be entered into a drawing to win a free Apple 30G iPod (a \$299 value). [Click here](#) to share your thoughts and enter to win.

#### **360 Degrees of Financial Literacy CPA Mobilization Kits Available Online**

The Couples & Marriage, Home Ownership, Life Crisis and Retirement CPA mobilization kits are now available for download on the CPA Financial Literacy Resource Center. Mobilization kits for each life stage of the 360 Degrees of Financial Literacy program, from Childhood to Retirement, have resources to support CPAs and State Societies in their volunteer outreach efforts. The eleven mobilization kits were developed in partnership with the California Society of CPAs. To view the kits, visit [http://www.aicpa.org/financialliteracy/life\\_cycle\\_resources.asp](http://www.aicpa.org/financialliteracy/life_cycle_resources.asp).

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### TECH CENTER

#### **Internal Control Automation and Testing**

A recent [BusinessFinance.com](#) article featured a lengthy article discussing internal control automation and testing. While having a large company and vendor slant, the article cites a survey of more than 200 finance executives (primarily \$1 billion plus companies) indicating that 66 percent are adopting automated documentation tools, and 42 percent are automating the testing of controls. Thirty-seven percent said documentation systems are the most effective compliance technology tools, followed by automated controls testing software (29 percent).

The article also contains the following link to a [Buyers Guide](#) compiled by Kathleen Wilhide of BPM solutions that you might find helpful.

#### **Evaluating Internal Control Technology for Your Organization**

For those who are not in the \$1 billion plus range, you may find this article on

[Evaluating Internal Control Technology](#) a bit more user friendly. It was written by Rich Lanza who has developed many of the resources in the [Audit and Control Technology Store](#) on CPA2Biz that we have called to your attention in previous issues.

#### **New! Ask the Tech Expert Service**

Rich has also started an Ask the Expert service on the Store's home page which allows you to direct specific questions to him at [rlanza@cpa2biz.com](mailto:rlanza@cpa2biz.com).

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### LEARNING LINKS

**Financial Training Decision-Makers:** For information on in-house training and tools to manage professional development, go to [AICPA Learning](#) or call 1-800-634-6780, Option 1.

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#### UPCOMING WEBCASTS

##### **SEC Quarterly Update Series Q4 2005 –December 14**

The SEC Quarterly Update Webcast Series – brought to you each calendar quarter by the AICPA and CFO.com – showcases the profession's leading experts on what's "hot" at the SEC.

##### **CFO Roundtable Series Q4 2005 – November 16**

If you missed the live webcast, a CD-Rom is available at "[Year End Accounting Roundup](#)".

All webcast information can be accessed at [AICPA Learning](#).

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#### CONFERENCE SPOTLIGHT

##### **National SEC and PCAOB Conference**

This is the biggest AICPA conference of the year, and it always sells out. This year's Conference to be held in Washington **December 5-7** will again be available as a simultaneous video conference in New York City or ***new this year in San Francisco***. You won't want to miss the latest accounting and reporting issues that affect SEC reporting entities and their auditors. Click on [SEC/PCAOB Conference](#) to register.

##### **Fraud – Can Audit Committees Really Make a Difference?**

This one day briefing at the **Princeton Club in New York City on January 31** affords you the opportunity to hear from the experts, understand the Audit Committee's responsibilities, ask the difficult questions and have these addressed by the subject matter authorities.

Take this opportunity to network with your peers – discover where they position themselves regarding their company's audit committee; gain knowledge of how they prevent, deter and detect management override of internal controls. Register today at [Fraud Conference for Audit Committees](#).

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