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Inspire**

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Challenging Times for Rhode Island Cities and Towns

The role of CPAs in managing local financial issues

The State of Rhode Island faces a bleak financial picture and is taking substantial steps towards balancing its budget for this year and next. Among the many initiatives already put in place, General Revenue Sharing – financial aid to the state's municipalities – has been frozen at current levels. At the same time, towns are confronted with increases in health insurance and workers compensation insurance. School spending in particular is problematic, growing at an average of eight percent annually. With no additional state aid, it's not surprising that so many towns are considering increases in property taxes to make ends meet.

While many hands are on deck when it comes to the financial matters of Rhode Island's cities and towns, finance directors are the first line of defense and are charged with establishing and fostering good fiscal health for the towns they work in. Most often finance directors are CPAs, and these individuals can serve many functions including MIS coordinator, tax collector, payroll and cash management, purchasing agent and human resources manager. For most, today the most pressing issue is preparation of the FY04 budget.



Lights, Camera, Action

Operators on cameras one, two and three set up their angles. The floor director asks the guest to count to ten for a mike check. The producer spots a flaw in the set and climbs over the host's desk to correct it. The director cues the graphics team to run the opening of the show, and ...we're live.

Sound like the set of *Jay Leno*? Actually it's the live taping of *What Counts* – RISCPA's revamped television program now run by Bryant College students. In its fifth year on the air, the show previously known as *CPA Now* has seen a makeover thanks to a partnership between RISCPA and Bryant College.

RISCPA Aims to Educate and Inspire

by William R. Pirolli, CPA, President of the Rhode Island Society of Certified Public Accountants

It was in my sophomore year of college when I took an accounting class with a particularly interesting professor. He was a young, handsome guy, always well dressed and funny; not characteristics that are usually associated with accountants. My friend and I were convinced he was making a million dollars a year and we wanted in. We went to see him after class and he inspired us to pursue our degrees and promised us that becoming a CPA would be a rewarding career. His name was Jack Renza, Jr. Many know Jack as a well-respected CPA, a partner at Kahn, Litwin & Renza and an important member of the community. To us, he was just a good teacher at the local college.

I tell this story not only because it embarrasses Jack, but also because it helps remind me of the power that each of us has to mold the future of our profession. Jack not only taught his students but also hired many of us (although he never offered me a job; something I will have to discuss with him the next time we meet). The friend I took Jack's class with was David DiSanto, managing partner of DiSanto & Priest. David started

his career at Jack's office along with Ernie Almonte, the Auditor General of the State of Rhode Island. I'm sure there are many others. I wonder if I have inspired anyone in our profession?

During my term as president of the Rhode Island Society of CPAs, I will continue to focus on our communication efforts, spreading the positive word of our profession. My goal is to expand our visibility in high schools, colleges and the public domain. I plan to reach out to our member firms and develop ways in which we can partner to raise the involvement of our members and, perhaps, inspire a few new accountants along the way.

I would like to thank Ray Church and Kris Moretti from the RISCPA for always making our job easier and my fellow board members and past presidents for their support and wisdom. I am especially thankful to immediate past

president Kevin Currier for his tireless efforts on behalf of the Society and the profession. It is a privilege to work with all of you.

Oh, and thanks, Jack. You were right; it is a very rewarding career.

Sincerely,

William R. Pirolli, RISCPA President



**Bill Pirolli, CPA
RISCPA President**

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Upcoming Events

Eleventh Annual CPA/Banker Golf Outing

To benefit Save the Bay's Explore the Bay Educational Programs RISCPA is hosting a golf outing at Agawam Hunt Country Club in Rumford on Tuesday, July 8, 2003. Registration is \$175 per person and includes lunch, driving range, golf with cart and reception. Prizes to be awarded. For more information contact Kris Moretti at 401-331-5720.

Upcoming Continuing Professional Education (CPE) Courses

Courses are held at RISCPA's training facilities on 45 Royal Little Drive in Providence. For more information, or to register, call 401-331-5720 or visit www.riscpa.org.

JULY

- 9 Fraud: Ex-Con Tells ALL
- 14 & 15 Staff Level 3: Training
- 15 Tips on How to Review Documentation Effectively

- 17 IRS Suspects Fraud: What Do You Do?

AUGUST

- 21 Real World Business Ethics: How Will You React?
- 25 Loscalzo's Annual FASB and AICPA Update
- 26 Deceptive Accounting Techniques: Recognizing Warning Signs

SEPTEMBER

- 11 How to Reinvent Corporate Management Reporting
- 16 S Corporations: Solving Advanced Issues and Problems
- 17 The Closely-Held C Corporation Basic Tax Course
- 18 Choosing the Right Entity: Sole Proprietorship, C or S Corporations, Partnerships, LLC or LLP
- 19 Fraud in Not-for-Profit Organizations
- 22 Developing Discount and Capitalization Rates

Government Affairs

Legislative efforts focus on small business

One are the days when CPA firms were solely focused on legislation and regulations that affected their own business. With their evolution from tax and audit processors to business and financial planners, Rhode Island's CPA firms are keenly aware that keeping local business issues on the minds of state legislators is in their best interest. Today many CPAs serve in government relations roles and stay up-to-date on legislation, make recommendations and serve as an expert resource for legislators.

In just the last six years, government relations efforts of CPAs have switched gears and now focus on the broader goal of working to promote, protect and advance their client base. They've begun to operate proactively to better serve Rhode Island businesses. "By doing this, we encourage the success of Rhode Island businesses," said Cap Willey, CPA, partner at Rooney, Plotkin & Willey and member of RISCPA's government relations committee. "At the same time, this approach encourages more, healthier clients that eventually rely on the services of CPA firms."

Small business is big business

Rhode Island's reputation for having an anti-business environment is high on the radar screen of lobbyists. Moving the needle of public perception on the importance of keeping and recruiting viable businesses is vital if we are to move away from this jaded point of view. And making Rhode Island's tax policies more competitive and fair is key to improving its economic base.

Recent lobbying efforts on behalf of RISCPA have supported general business issues such as improving access to capital, supporting improvements to RI infrastructure and addressing the rising cost of healthcare. In particular, small business operations, which make up the majority of Rhode Island's business community, require heightened awareness of its unique challenges.

Chief among tax policy concerns for small businesses is that partnerships and S corpora-

tions – the most common form of small business entities – are subject to high tax rates that make neighboring states more attractive and Rhode Island noncompetitive. High marginal rates, a multitude of tax credits and lack of a research-based tax model contribute to the glum situation of small businesses.

In addition, Rhode Island adopted a tax regulation that couples Rhode Island's net operating loss (NOL) deduction with the federal system. The law prohibits the carryback of a net operating loss for any corporation or individual in Rhode Island. The taxpayer is only allowed to carry forward a loss for five years but, in doing this, they give up the right to carry back the loss on their federal return. Instead, the taxpayer can

only carry forward the same NOL that was filed in Rhode Island. Further, if the corporation or individual chooses to carryback two years of losses on the federal level, the carryforward in the state of Rhode Island is prohibited. While Rhode Island is currently the only state operating with such standards in place, government relations advocates have supported Bill H5552 to eliminate this coupling that sometimes prohibits companies and individuals from the much needed reimbursement that can be realized from a federal carryback.

Government relations committee members further support the growth and recruitment of small business by a proposal to change the cur-

SMALL BUSINESS PROTECTION
continued on page 9

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web.bryant.edu/~edc

One-on-One With Steve Darby



In the office... By day, Steve Darby is a Senior Accountant with Providence-based accounting firm Rooney, Plotkin & Willey.

What Counts recently caught up with Steve Darby, a senior staff accountant with Rooney, Plotkin & Willey. Darby not only performs in the office but also on the field as an active player in Arena Football 2 (AF2), the official Triple-A league for the AFL. Being a team player both in the office and on the field is what makes Steve so successful. Here's what he had to say;

What Counts: *What first interested you about accounting?*

Steve Darby: I became interested in accounting while taking an intermediate accounting course at University of Connecticut (UConn). I really liked the professor, the course and the possibility of a secure future. They have an outstanding internship program at UConn and typically internships completed as a junior lead to a job offer – which is exactly what happened to me.

WC: *When did you land at Rooney, Plotkin & Willey (RPW)?*

SD: While I was working and playing football, I continued at UConn and received my MS in Accounting. Almost a year ago, I came on board RPW as a staff accountant in the audit department.

WC: *And you also are a member of the Arena Football League?*

SD: Yes. Last year, I played with the New Haven Ninjas, who right now are not participating in the league. This year I signed a contract with the Mohegan Wolves. Home games are played at Mohegan Sun and practices are held in Branford, CT.

WC: *How do you manage to juggle your full time position at RPW and play a rigorous football schedule?*

SD: Well, I've been working both jobs ever since I was recruited into the AF2 league. I think it helps me to be organized. I focus on keeping on top of my workload so that I have time to play. The practices are held three times a week at night – so I'll leave the office and go straight there. And games are on weekends. I definitely intend to keep up the schedule for as long as I can.

WC: *Are there any sacrifices?*

SD: The schedule is really no different than when I was in college juggling school and practice. It just takes a little out of your personal life.

WC: *What do you think you can offer to the world of accounting that you've learned*

from being an AF2 football player?

SD: Knowing how to be a team player. We're always working on projects here as a team. I strongly believe that football has prepared me better to participate as a team player in any work environment.

WC: *How did you become involved with AF2?*

SD: I played football at UConn and stayed in the area after I graduated. Some scouts noticed that I was still living in New England and they gave me a call.

WC: *When did you start playing football?*

SD: I've been playing football since I was about eight years old. I continued playing all through college, mainly as center and guard. In Arena Football, I've been playing defensive end as well.

WC: *The AFL is currently in season, is that right?*

SD: Yes. The Wolves played their first game against Rochester on April 5th and won 57 to 20. The team is in its second season and is predicted to do well this year. Unfortunately I did not participate in the first games, because they fell during the height of tax season. But we're working on adjusting my playing schedule for the rest of the season.

WC: *Sounds like you work well with a lot on your plate. What do you like to do in your spare time?*

SD: Lately, I've had very little free time. In addition to working and studying for the CPA exam, I recently purchased a home in Massachusetts and I've spent a lot of time

getting ready and making the move. I'm also preparing for my wedding on June 20th. But I enjoy any type of athletic activity such as fishing, golf, or basketball.

WC: *Is Massachusetts home for you?*

SD: No. Actually, I'm from Shelton, CT.

WC: *You must have a favorite team and player. Who would they be?*

SD: That's a tough one. My favorite team would be the Chicago Bears. I have a couple of favorite players, but if I had to choose, I would have to say Brian Urlacher, a line-backer for the Bears.

WC: *So what's next for you?*

SD: Getting my CPA is on the top of my priority list right now. I'll be sitting for the exam in November. Beyond that I plan to keep working to advance my position at RPW. In terms of football, I would like to keep playing and enjoying it for as long as I can.

WC: *What about in 10 years; where do you see yourself?*

SD: Definitely still working in the accounting field but probably not still playing football. ❖

AF2 by the numbers

Arena football is similar to traditional football with some unique differences – most obvious is that it's played indoors. Here's a snapshot look at AF2 by its numbers.

2000 the first year of arena football 2

120 games played in a season

27 teams currently participate in the Arena Football 2 league

50 yards is the length of the indoor football field

19 games is the record winning streak at home, held by Quad City

18 weeks make up the season

10 yards is a first down

9 feet is the width of the goal posts

8 players are on the field for each team

4 fifteen-minute quarters make up a game

3 points are awarded for a field goal by placekick (4 points for a drop kick)

1 linebacker may blitz on either side of the center

0 differences exist between the AFL and NFL league ball



...And on the field. Steve Darby moonlights as an AF2 football player here pictured last year with the New Haven Ninjas. Darby now tackles his job on the newly-formed Mohegan Wolves.



Left to Right: Rachall Harper, Professor Stanley Baran, Jennifer Sahady, Kagan Karamandg and Monica Castro get behind the cameras of *What Counts* and catch a glimpse of what really happens behind the scenes on a television set.

LIGHTS, CAMERA from page 1

From humble beginnings

The partnership was developed to mutually benefit the two organizations. RISCPA member and executive producer Robert Counts first conceived the idea for the show in the mid 1980s when cable first came to Rhode Island. The network was charged with providing access, equipment and training for parties interested in producing public television. Counts felt that this was an untapped resource for RISCPA and in 1998 was put to the task of developing the program.

“We wanted to tell the public the real story about what CPAs do – the breadth of work they’re capable of beyond taxes,” said Counts. “To make it appealing to the public, we aimed to have our members talking to the movers and shakers in Rhode Island’s economy.”

But having the highest level of technical proficiency in the group, Counts found himself largely in charge of most of the show’s logistics including managing the switchboard, lighting, cameras and staging. He believes that having the students assume responsibility for the show

will ensure it’s secure future. “Not only does the partnership create longevity for the program, but it also kicks it up a notch in terms of production value,” said Counts.

Timing is everything

Tammy Duxbury, member of the RISCPA Public Communications Committee and tax manager at Piccerelli Gilstein & Co., worked with Counts on establishing the partnership. Duxbury explained that because Bryant College has an outstanding reputation and great relationship with the business community, it presented a perfect match for the goals of RISCPA’s television program. In turn, the project would offer communication students a great opportunity for valuable, real life experience and they would have the manpower and the creativity to improve upon the existing show.

RISCPA’s timing couldn’t have been better. The communications program at Bryant was at the same time undergoing expansion from solely business-related communications to a broader communications curriculum, and the department was looking for a hands-on project to complement the expansion. When the groups met in

November and January, Stanley Baran, chair of the Bryant College Communications Department, was thrilled to accept the proposal.

“Because it landed in the middle of a school year, the project was offered as an independent study,” said Baran. “Plans are now underway to build our own on-campus studio and then we’ll be able to offer the project as standard curriculum course.” The studio is scheduled to be complete in August 2004. At that time, Bryant will also seek out one or two more nonprofit clients so that additional students can participate.

Students get in on the action

The program became instantly popular among students and ultimately 26 participants signed up. The group broke into four groups – each would produce one episode of *What Counts*. Because of the work involved on each show, however, several students pitched in for production of other shows.

“The project was managed 100 percent by the students,” said Baran. “We had an initial meeting where I gave them the assignment and then my role was to troubleshoot problems. But there was no trouble to shoot. I had a team of great students – I hope we have a couple more semesters like this.”

Most students have some concentration – whether major or minor – in communications. Some marketing majors assisted with promoting the program via their own *What Counts* newsletter, and CIS (communication information systems) students provided the technical know-how to develop their own website for the show (www.riwhatcounts.org). In the future, Baran hopes students with accounting majors will join their effort to help with content planning.

Students went through two training sessions at Cox Communications Public Access studio in Lincoln to learn how to operate the equipment properly. Lee Anne Verner, public access coordinator and Cox producer conducted the training

programs and provides onsite support at every taping. Counts also attends to ensure that RISCPA's goals are met. As the relationship develops, Counts feels that he'll be able to back off his role as executive producer over time.

Jen Sahady, a sophomore and marketing/communications double major at Bryant, was assigned as producer for the show. While she enjoys the excitement of her important role, she also has learned that as producer, she is the last line of liability. "I knew immediately that I wanted to be involved in the project but I never really fully understood what I was getting into," said Sahady. "It's been a real learning experience. I really enjoyed the initial work of analyzing *CPA Now*, making recommendations and designing the look and feel of *What Counts*. Our set was largely inspired by *The Daily Show*."

Programming notes

Four members of the RISCPA Public Communication Committee rotate turns as moderator of the program. The content demonstrates

the wide range of information CPAs manage including personal financial planning, estate planning, business evaluation, fraud, college education funding and family issues such as telecommuting. In the past, guests have included Senator Jack Reed, Rhode Island General Treasurer Paul Tavares, *Providence Journal* reporter Neil Downing and *Providence Business News* editor Michael Pare.

Each year, twelve half-hour shows are produced and aired on RI Interconnect A (cable channel 13), on Friday evenings at 8:30pm. New programs premier the first Friday of each month and run three to four times per month.

Just as any new program would, RISCPA hosted a pre-screening party to celebrate the successful *What Counts* program. Bryant faculty, administrative staff, students, program guests and RISCPA members and board members attended the screening and got a sneak preview of the new format. Attendees munched on popcorn (of course!) while they enjoyed clips from the four shows. ❖



Left to Right: In the control room, Trang Nguyen, Redella Figurroa, Jermoni Dowd and Matt Baran work behind the scenes to insert all graphics into the live show and cue cameramen and floor directors with certain directives.

Be sure to tune in for the premiere of *What Counts* this summer. Programs run on Cable Channel 13 every Friday at 8:30pm.

**JULY
Rhode Island Export Assistance Center**

**AUGUST
Car Buying vs. Leasing**

**SEPTEMBER
Accounting Information Systems (AIS) Degree Program/Careers in AIS**

**OCTOBER
Rhode Island Small Business Development Center**

Academics

New exam raises the bar for accounting students

Computerized CPA exam integrates general business knowledge

Soon paper and pencil CPA exams will be a distant memory. As reported in the last issue of What Counts, to keep pace with the latest technology and today's topics of interest, the American Institute of CPAs (AICPA) Board of Examiners is overseeing the development of a computer-based CPA exam. However, the exam, scheduled to be in effect in spring of 2004, will not only test technological proficiency but importantly students' ability to integrate multiple business disciplines with standard accounting practices.

Prior to development of the computer-based exam, the AICPA conducted focus groups with both students and

professionals. The biggest outcome showed that students taking the test should have additional "business world" skills. This means that entry level CPAs will be prepared to service clients in a highly-skilled manner, further protecting public interest.

Eighty percent of the exam will consist of the traditional multiple choice questions. The other 20 percent will be simulations, or case studies, that challenge students to apply overall business knowledge to accounting practices. This new component will require that students retrieve research (i.e. standards or regulations, published materials, annual reports) to use in their responses. They'll also be asked to demonstrate communications skills by writing a client memo.

The test, now offered twice a year, will be easier to administer once computerized and will subsequently be made available to students two out of every three months. And while currently students must sit for all four parts of the exam every time, next year, students

will have the option of taking one section at a time.

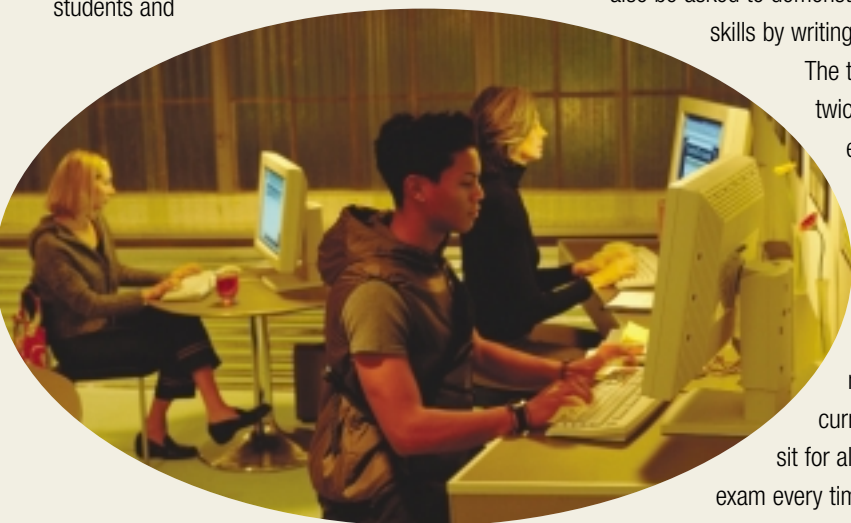
"Students may feel more prepared because they can now focus on one section instead of trying to study for all four sections," said Kathy Simons, Bryant College accounting professor and former RISCPA president.

More than 300 test centers nationwide will offer the exam. While it is still undetermined where Rhode Island's centers will be located, Bryant College participated as a pretest site for the exam. Simons was pleased to be a part of the new exam while still in its infant stage.

"Most professional exams are moving towards computerization," Simons commented. "It's exciting to know that this advancement is on the horizon for our profession and I'd recommend that anyone planning to take the exam become familiar with the new expectations."

While each state has the option of setting its own guidelines, the BOE recommends that candidates be allowed an 18-month rolling period to take, and pass, all four parts of the exam. If all portions are not passed within that timeframe, they suggest expiring credit for passed sections after the 18-month period.

To find out more information and for the latest updates, visit www.cpa-exam.org. ♦



Rhode Island hosts New England Graduate Accounting Study Conference (NEGASC)

The Rhode Island Society of CPAs – along with its co-sponsors from CPA societies in Connecticut, Maine, Massachusetts, New Hampshire and Vermont – hosted the 47th session of NEGASC at Roger Williams University in Bristol, Rhode Island. Nearly 250 people from all over the region attended the conference which ran from Tuesday, June 17 through Friday, June 20, 2003.

With heightened attention on corporate fraud and failed accounting practices, it's not surprising that many sessions planned throughout this year's conference focused on the impact recent events and regulatory changes have had on the ways accounting professionals do business. Sessions such as "Small Business Fraud," "Accountability Standards for Charitable

Organizations," and "How Enron Will Effect the Local Practitioner," addressed the toughest questions and challenges CPAs across the country now face daily. Nationally recognized speaker and author Gary Zeune opened the conference with his discussion of "Fraud: Five Scariest Cases You've Ever Seen."

"We were pleased with the overall ratings at the conference," said Frank Monti of Kahn Litwin Renza and chair of the NEGASC 2003 Conference. "The courses offered on fraud were obviously extremely popular and informative."

In addition, general sessions on productivity, use of software programs and business evaluations were offered throughout the three-day educational program. Credits were granted for some course offerings. ♦

RISCPA revamps website to reflect communication goals

The RISCPA newsletter and television program aren't the only targets for a makeover. Members and friends are encouraged to visit the newly designed website at www.riscpa.org.

In addition to the friendly design and architecture, visitors will find the latest news, events and developments in the accounting profession – locally and nationwide. Information is organized into sections for students, educators, members, and the public in addition to general interest areas.

Members who register their email address will be the first to hear the latest updates on a variety of topics from the organization's leaders. As part of our mission to better serve as a resource for members and the general public, we hope to achieve a full email list to better communicate with our constituents.

The screenshot shows the RISCPA website interface. At the top left is the RISCPA logo with the text "rhode island society of certified public accountants". To the right is the "RISCPA Mission Statement..." which reads: "To provide leadership and resources which promote to society the high standards of integrity and honor of the CPA profession and contribute to the success of our members." Below the logo is a navigation menu with items: "HOME | CONTACT US | DIRECTORY", "About the Society", "Continuing Professional Education", "Member Area", "Legislative | Government Relations", "For the Public", "Resources for Educators", and "Student | Career Center". The main content area features a "RISCPA NewsWire" section with a date of "March 12, 2003" and a headline "RISCPA Offers Assistance to West Warwick Fire Victims". The text below the headline states: "The Rhode Island Society of Certified Public Accountants are offering tax and financial planning assistance to victims of the West Warwick nightclub fire." A quote from Kevin E. Currier, CPA, President of RISCPA, is included: "This horrific tragedy has impacted all Rhode Islanders. We wish to help by giving of our time and expertise to victims and the impacted families of the victims." Below the quote, it says: "The type of assistance being offered includes tax advice and tax preparation along with financial planning that will be necessary regarding such issues as insurance proceeds." To the right of the news wire is a "Calendar of Events" section with two entries: "April 22, 2002 - 6:00 Annual Dinner Meeting" and "July 8, 2002 11th Annual CPA/Banker Golf Outing".

SMALL BUSINESS PROTECTION from page 3

rent interest rates on tax assessments and refunds from 12 percent to floating rates. They also recommend that a maximum tax on business income be set at eight percent. This includes wages, which at 9.9 percent are currently the highest in the country.

The role the government relations lobbyist best plays is serving as an expert resource for legislators, political groups and business organizations such as SBANE (Small Business Associations of New England), the Rhode Island Manufacturing Association and Rhode Island's chambers of commerce. "By working closely with these groups, we can provide them with sound recommendations to enable their voices to be heard and ultimately their businesses to be more effective," said Willey.

Taking a closer look at taxes

As mentioned previously, Rhode Island has one of the highest marginal income tax rates in the country and taxpayers are due a break. Further, Rhode Island's individual tax system is

complex and confusing, cluttered with more than 40 tax credits for consideration. While revamping the system seems like a big job, patch jobs aimed at updating the system over years past are getting worn.

The concept of starting from scratch is currently up for discussion. "Rhode Islanders would greatly benefit by a simpler system that's fairer, flatter and more competitive with the rest of the country and in particular, our neighboring states," said Willey. "We had the opportunity to meet with the gubernatorial candidates last fall and we really felt that Governor Carcieri heard our concerns and recommendations. We look forward to working with him throughout his term and hope he relies on our committee as a resource."

Sarbanes-Oxley principles zoom in at the state level

The Sarbanes-Oxley Act of 2002 protects investors and the general public from fraudulent practices and abuses by corporations listed on major stock exchanges. This year, some states such as New York and California have gone fur-

ther and are considering enacting their own accountability laws that also apply to privately held corporations and nonprofit entities that manage millions of dollars.

Rhode Island, thus far, is not directly impacted. If they didn't already have corporate governance standards in place, most companies now do. Implementation of these guidelines is largely carried out by having independent boards of directors and/or independent audit committees. While right now it's up to each state to determine whether or not regulations should be put in place for privately-held corporations, Rhode Island's system seems to be working out just fine.

"Rhode Island Society of CPAs and the Rhode Island Board of Accountancy work closely to resolve any issues that do arise," said Willey. "The reality is that the two organizations work well together and seldom face the types of problems that some other states are dealing with."

As more information develops, updates on the state's decision regarding further regulations inspired by Sarbanes-Oxley will be discussed at length in future issues of What Counts. ❖

Professional News

AICPA Council: A profile of the organization that sets the standards for accounting practices

Last month several RISCPA board members participated in the American Institute of Certified Public Accountants (AICPA) Council spring meeting. As an organization representing the state of Rhode Island, RISCPA is proud to have been a part of Council since 1907. Elected members weigh in on some of the most important and timely issues that the profession of accounting faces today. Most recently, the focus has been on the partnership between the AICPA and CPA2BIZ, the AICPA budget for this fiscal year and separate GAAP/GAAS for closely held entities.

While some RISCPA members have been integrally tied to the AICPA Council for many years, we realize that some people may be hearing of it for the first time and feel it would be valuable to discuss the makeup and operations of the organization.

A brief look at AICPA Council

As the leading national, professional organization for CPAs, AICPA aims to provide members with resources, information and leadership that better enable them to serve the public, employers and clients. The AICPA works with independent state societies on ensuring the success

of their initiatives. It achieves its objectives via advocacy, certification /licensing, communications, recruiting/education and establishment of standards.

Council, the governing body of AICPA, has approximately 265 members that meet twice a year. They develop Institute programs and policies and make decisions based on fulfilling the goals of the AICPA. They do this by determining appropriate Institute policies and procedures that support the bylaws or resolutions of the membership. The board, officers, committees and staff are all committed to adhere to resolutions enacted by Council.

Approximately 193 Council members represent state societies; 54 are one-year appointments and 139 are three-year appointments. There are also 21 at-large positions, all of which are three-year appointments. The Board of Directors serves as the Council's executive committee and manages AICPA activities between Council meetings. The 23-member board consists of 16 directors, three representatives of the public, the chair, vice chair, immediate past chair and the president. A nominating committee, which is made up of the immediate past chair and 10 additional members, selects candidates

for both the board and at-large positions. The board also includes 28 past chairs in its activities.

Recently, RISCPA Board Member Tom Westgate was elected to serve a three-year term. RISCPA Vice President Greg Porcaro was elected for a one-year term based on the practice that the incoming president-elect of RISCPA (also the vice president) serves in this capacity. In addition, RISCPA Treasurer and Rhode Island Auditor General Ernie Almonte was elected by the Council to serve a three-year term at-large.

Council's Role in AICPA Operations

The AICPA bylaws delegate authority to the Council on a number of matters related to financial, committees and officers, and member issues.

Concerning fiscal matters, the Council:

- ◆ develops procedures to ensure adequate budgetary and financial controls for the AICPA
◆ designates the AICPA fiscal year
◆ appoints the AICPA's auditor
◆ shares the ability to designate persons to execute legal documents for the AICPA with the Board

On matters of committees and officers, the Council is responsible for:

- ◆ designating senior committees
◆ election procedure for the nominating committee
◆ authorizing senior and permanent committees that may include non-AICPA committee members
◆ setting terms for members of the trial board
◆ electing the AICPA chairman and vice chairman and determining offices, responsibilities, terms and privileges
◆ electing at-large members of the Council, members of the Board of Directors and filling vacan-



FINANCIAL CHALLENGES from page one

We're not in Cranston anymore

Time and again, the city of Cranston makes the headlines for its current fiscal crisis and process of resolution. Providence and perhaps Johnston also make news fairly consistently. But what isn't well known is that their financial problems are not exclusive. In fact, nearly one-third of Rhode Island's 39 municipalities have exceeded, or are planning to file to exceed, the state cap of 5.5 percent increase in real estate taxes.

As you might expect, raising taxes isn't typically well received and today's challenge to all of Rhode Island's municipalities is to analyze resources, determine needs and make thoughtful decisions to manage their budgets within the current boundaries.

The town of Barrington is no different. Dean Huff, CPA and Barrington town treasurer and finance director knows all too well what comes with the recent challenges as he inspects his town's budget.

"Health insurance, workers compensation insurance and especially school budgets are placing large burdens on local taxpayers," said Huff. "With little or no increase in funding from the state, and the motor vehicle tax frozen, the burden often falls squarely on real estate tax. The big issue here is to try to develop an acceptable balanced budget while remaining under the state tax rate cap of five and a half percent."

As treasurer, Huff is in the same position as his colleagues across the state and saddled with finding ways to maximize other revenue sources to lessen the burden on property taxes. Sound strategies he relies on include maximizing investment earnings and accurately estimating and

budgeting other revenue sources such as permits, recordings and interest earnings.

Keeping an eye on the ball

For some communities, current fiscal woes are much more dire and difficult than others. Huff proposes that viable strategies to avoid long-term problems include setting realistic budgets and keeping on top of financial reporting.

"The most important aspect of my job is reporting accurate and timely financial information," said Huff. "Barrington's financial position remains strong. And I believe the town compares favorably with other

Nearly one third of Rhode Island's municipalities have filed, or are planning to file, to exceed the state's 5.5 percent cap on property tax increases

communities primarily because of conservative budgeting practices, the town's demographics and our ability to react quickly."

However there are clear cases when increased expenses are justified and property tax hikes are called for. It's the job of the state auditor general to determine whether or not each case constitutes an emergency. If approved, the proposed increase is then passed to the General Assembly for a vote.

Catch mechanism planned for future

A proposed real estate tax increase – above the 5.5 percent state cap – is sometimes the first warning sign the state receives that a town is facing financial difficulties. Newly proposed legislation calling for every city or town to issue regular written reports would potentially catch municipal budget issues in the future, before they escalate into crisis situations.

Similar bills have been sponsored in the House and the Senate and would require monthly budget reporting to local governmental leaders, and quarterly reporting to the state. If reports show that budget deficits are on the horizon, the chief financial officer for the municipality would be required to submit a plan of action to correct the situation. And, if it is certain that the town or city will end the year with a deficit, a plan must be filed with the office of the Auditor General to rectify the deficit within five years.

With the statewide efforts to avoid budget deficits, it's clear that Rhode Island's municipalities are feeling trickle-down effect and find themselves in the similar position of trying to meet growing financial needs with reduced assistance from the state. And among their many functions, CPAs serving as finance directors have the ability, as first line defenders, to greatly impact the financial health of each city or town. ❖

Over the years, you've built a profitable business. You worked out a plan for your family's financial security. You negotiated a good price for the assets of another business. You found a better way to transfer property to your children. You dealt successfully with complex tax issues. You made smarter decisions. You made things work despite the tough environment.



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Rhode Island Society of Certified Public Accountants



AICPA COUNCIL from page 10

cies on the Council, the board and AICPA officers that are elected by Council

- ◆ approving proposals to amend the Code of Professional Conduct and bylaws and submitting proposals, sponsored by at least five percent of the membership, for member vote
- ◆ assigning additional services to be performed by the Professional Ethics Executive Committee related to those set out in the bylaws

Council's role in AICPA membership is of utmost importance. They are responsible for:

- ◆ determining CPE membership requirements
- ◆ setting international associate requirements
- ◆ authorization for member enrollment in a peer review program
- ◆ designating the management of resignations and reinstatements
- ◆ handling petitions not to apply bylaws that call for automatic disciplinary sanctions and terminating membership based on non-payment of dues or failure to comply with membership requirements
- ◆ determining procedures for discipline by the trial board and the form and manner of publication of disciplinary actions
- ◆ setting annual dues

In upcoming issues, RISCPA members that participate in the AICPA Council will share information on the latest news and developments and, importantly, how they impact Rhode Island in particular. ❖



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