

October 7, 2003

William F. Ezzell, CPA
Chairman
American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036

Dear Bill:

Thank you for joining our Board of Directors' dinner on September 23. We appreciated the opportunity for a frank and open discussion with you concerning the current and future mission of the AICPA. We share a common goal: improving the profession for the public and our members.

In July 2003, at the Society's Leadership Conference, there was a consensus that the AICPA needed a change in direction. Our meeting with you was a good beginning of what we hope will be a process of inclusion of all the members of the AICPA in recapturing its former mission and focus.

During the dinner, you asked an important question: Do we, as members, want the AICPA to be more of a professional association or a trade organization? In answer to your question, we firmly believe that the AICPA must return to its professional association roots.

Our answer reflects the nearly unanimous position of our Board and the feedback we have received from chapters and committee members throughout New York State. The AICPA needs to change its focus from trade organization activities that have defined it over recent years. Our members have wanted this for their national association since before Enron and the subsequent scandals that changed the perception of the profession. Now more than ever, the AICPA must regain its prominence in addressing, on a national level, the professional and educational issues so critical to our future.

Looking back through history, the AICPA held a respected position as the national professional association for CPAs. It was a recognized force in standards setting, ethics, and continuing professional education, the roles that define a professional association.

For example, in 1917, the FTC and the Federal Reserve Board turned to the AICPA's predecessor, the American Institute of Accountants (AIA), to establish uniform accounting and auditing procedures. In 1930, the New York Stock Exchange turned to the AIA to help it establish policies governing the financial reporting of listed companies. By the end of the 1930s, the AIA met the challenge of the newly formed Securities and Exchange Commission to issue authoritative guidance on accounting and auditing standards.

The national association's role in raising professional standards dates from its origins. When organized in 1887, the American Association of Public Accountants, another predecessor of the AICPA, included in its bylaws a prohibition against "acts discreditable to the profession." The AIA undeniably set higher standards than the now-defunct trade organization American Society of CPAs. The AIA led the battle for a uniform examination for CPAs.

This professional orientation continued for decades. In the 1960s the AICPA established the Beamer Commission to define a common body of knowledge for accounting. This commission addressed the concept of mandatory continuing professional education, which ultimately served as a model for CPE legislation across the country. The AICPA's own membership standards are higher than those set forth in the legislation adopted by many of the states.

As recently as 1986, the AICPA issued the *Report of the Special Committee on Standards of Professional Conduct for Certified Public Accountants* (the "Anderson Committee Report") that revised the profession's *Code of Professional Conduct*, recommended mandatory practice monitoring for accounting and auditing practices, and expanded further the mandatory education requirements for the profession. These were the actions of a great professional association that worked to raise standards well above the minimums set by statute and regulation. AICPA took criticism from members who thought that raising the standards of the profession was unnecessary.

A turning point in the authority of the AICPA as a setter of professional standards occurred in the 1970s when the Financial Accounting Standards Board replaced the AICPA's Accounting Principles Board as the primary private organization responsible for establishing accounting principles in conformity with generally accepted accounting principles.

During the 1990s, the scope and volume of the AICPA's trade activities began eclipsing its professional focus. It turned from raising professional standards to helping members make more money. The AICPA lost confidence in the future of CPA core services – accounting, auditing and tax – and devised new assurance services: WebTrust, SysTrust, ElderCare and others. A “vision” for the profession subsumed traditional CPA professional services into five new service areas. The vision approach led to the cognitor which was widely rejected by the membership. *The Journal of Accountancy* started to become less a professional journal and more a trade organization's house organ.

During this same period, the AICPA began cutting off one of its most critical sources of professional input from members. Its committee structure was decimated as dozens of committees were abolished.

CPAs have paid a high price for the AICPA's departure from its roots as a professional association. The public is beginning to question the CPA's reputation for independence, integrity, objectivity, and competence. The normal tension between federal regulators and a regulated profession has escalated, leading many to question the AICPA's credibility in Washington. Media label us an industry. The profession's image has suffered because its professional association is thought of as a trade organization.

As the national professional association for CPAs, the AICPA should direct its focus in several areas. First, it must establish a stronger and more significant voice with federal and state regulatory agencies and a new and stronger focus on ethics and quality control standards. It should provide high quality continuing education at a reasonable cost. It must see that auditing standards and other requirements meet the expectations of users of financial statements. Regulators and legislators must once again view the AICPA as an unwavering, strong and clear voice for the independence and integrity of the profession.

The task force you appointed to review the roles and responsibilities of Council is an important first step in addressing the future direction of the AICPA. Now that the task force has completed its report, we look forward to the discussion at Council's October meeting. We hope the result is change directed at giving AICPA members more of a voice in defining the direction of their national association.

After the task force recommendations are resolved, the AICPA needs to take a vital second step. It should focus on the role and direction of the Board and the senior staff leadership.

We believe the AICPA is at the same critical juncture as the New York Stock Exchange. In response to public outcry and a lack of confidence among its members, the Exchange recently changed its senior management and some of its Board members.

We look forward to being a part of a serious dialogue with other AICPA members, which may result in substantive changes in mission, focus and leadership. We further believe that to continue on its current course will further erode the profession and the AICPA's ability to be its effective voice.

We call for the AICPA Board and Council to review its mission and goals, and to commit to emphasizing its role as a professional association. .

Sincerely,

Jeffrey R. Hoops, President
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Being 38 of the 41 voting members of the NYSSCPA Board

cc: AICPA Council
AICPA Board
State Society Presidents
State Society Presidents- Elect