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TODAY'S CPA

Texas Society of Certified Public Accountants

FILLING THE ACCOUNTING PROFESSION PIPELINE

THE IRS IN 2022: A WORK IN PROGRESS

TXCPA'S ANNUAL MEETING OF MEMBERS AND BOARD OF DIRECTORS MEETING

'THE GREAT RESIGNATION'

EVALUATING THE MODERNIZED SEC RULES GOVERNING AUDITOR INDEPENDENCE

SPECIAL REPORT:
Desirable Internships Lead to Successful Campus Talent Acquisition

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ACCELERATING OUR CPA PIPELINE INITIATIVES

By TXCPA President and CEO
Jodi Ann Ray, CAE

Share Your Thoughts

I'd love to hear your feedback and answer your questions. Drop me a note at jray@tx.cpa or connect with me on LinkedIn at https://www.linkedin.com/in/jodiannlafreniereray/.

As a CPA, you understand the wide range of new and unique challenges that accounting professionals have faced over the past several years. Attracting highly skilled talent remains a top concern as the demand for CPAs continues to remain strong. That's why it's more important than ever to grow the profession and expand the CPA pipeline. Our cover story on page 14 of this *Today's CPA* issue discusses some of the challenges facing the students and candidates considering a career in accounting and the employers eager to hire them.

Over the years, TXCPA, our 20 local chapters, our member volunteers, and Texas firms and companies have done significant work to provide student outreach and support promotion of accounting as a career, and specifically the CPA license. We're excited to accelerate our efforts on initiatives that attract, inspire and engage the next generation of CPAs. TXCPA's Pipeline Task Force developed a statewide strategy that will guide our work and help us measure the impact of our collective efforts.

The first year of implementation will focus on priorities that will help set a strong foundation of success. You can find the full statewide plan and first year priorities on the TXCPA website.

We know you are passionate about your profession and about welcoming new CPAs. We encourage you to reach out and become involved! To learn more, please contact us at cpapipeline@tx.cpa or 800-428-0272.

Thank you for your commitment to building the CPA pipeline in Texas!

The IRS in 2022: A Work in Progress

By Joshua D. Smeltzer, J.D.

Funding problems, dysfunctional notices, missing guidance and inexperienced auditors: What you need to know to guide your clients through audits.

"The first thing you need to know is everyone out there hates you. The second is that you are vital to tax administration." This was among the first advice I received as a new attorney at the Tax Division of the United States Department of Justice.

Working for the government is often a thankless job. Although I enjoy my private practice, I have great pride in my history representing the United States. The recent pandemic exposed cracks in the administration of the tax system that society was happily ignoring. Efforts are underway to increase funding and use that new funding to fix problems, but those efforts will take time. Taxpayers and their advisors, however, have problems that need resolution in the broken system. Doing so requires recognizing the limitations in the current system, navigating them effectively for clients and helping with the efforts to fix the problems permanently.

Funding the Unpopular: A More Efficient IRS

Nobody likes paying taxes and the thought of paying more for a better tax collector is always a hard sell. When budgets are made in Congress, the easiest budget to steal from is the IRS. Therefore, it is not surprising that the IRS budget has suffered multi-year reductions leaving the agency underfunded and understaffed. Oliver Wendell Holmes, Jr. stated that taxes are "the price we pay for a civilized society" and that civilized society cannot be achieved without paying for a certain amount of administration.

The pandemic has been an enlightening experience for many individuals, professionals and organizations. When you visit the [irs.gov website](https://www.irs.gov), you are greeted with smiling taxpayers and the phrase "helping people understand and meet their tax responsibilities."[i] However, many would likely dispute just how "helpful" the IRS has been recently. IRS personnel have been less available because of displacement from offices for over two years.

Mail sent to the IRS has piled up unprocessed and numerous taxpayers have received computer generated notices that are just wrong. When they call to ask about incorrect notices or to get "help" regarding their tax responsibilities, they are put on hold for hours and many calls are dropped multiple times. Taxpayers then turn to their advisors who are often not able to get any better results.

Although some may cheer fewer collection officers and auditors to pursue taxpayers, it also means that if you have a real problem, there is very little money to provide the services required to resolve it quickly and efficiently.

The good news is the IRS budget is set to increase to $14.1 billion. That increase is a start and will help with many issues currently facing taxpayers and their advisors – but only if it is spent wisely. Better enforcement is clearly necessary, but some nuts-and-bolts improvements in the services provided are a top priority.

In the meantime, taxpayers and their advisors must navigate the current broken system. Here are some things to consider and how to handle them while the IRS attempts to improve the process.

The Current Problem with Computer Generated Notices

The IRS computer system is probably the most antiquated of any organization within the government. The IRS processes over 253 million federal tax returns and other supplemental documents each year and then handles millions of paper and telephone correspondence on those returns in subsequent years.

One of these systems is the IRS Automated Collection Service (ACS) that sends out computer generated notices to taxpayers such as those indicating a balance due or unfiled returns. However, the IRS entered the filing season with several million original and amended returns unprocessed and the backlog means that the computer cannot reconcile due dates with the lack of entry of filed returns and return information. The IRS recently announced that they were suspending more than a dozen of these automated letters until the backlog is resolved.[iii] The IRS is essentially saying, "When the system can't be fixed, just shut it off."

Although the suspension will stop some incorrect notices, it cannot stop all of them. Nobody wants to receive a notice from the IRS, because it is usually bad news (i.e., alleged mistakes, amounts due, an audit or a threat of collection). In the current environment, if you try to call the IRS about a notice that you feel is incorrect, you are unlikely to get a quick response and often no response at all. If you do not respond, cannot respond or respond by letter that is not processed in time, the notice is elevated.

If the notice indicates a deficiency, then it could result in a statutory Notice of Deficiency (NOD), which has a 90-day deadline that cannot be extended. The only response to a NOD is to file a petition in Tax Court and if you don't, your rights are lost. Taxpayers holding a notice from the IRS of an alleged deficiency are currently on a time bomb that can require filing a lawsuit merely because nobody had time to consider, respond or even open attempts at written correspondence. Given the backlog, unprocessed returns and correspondence, and overall lack of recognition by the IRS, it is understandable many give up and start ignoring notices or stop responding to repeat notices as they arrive. Although it adds to the backlog, it is still good practice to respond to each notice in writing so that there is a record of not ignoring the notice.

The IRS Taxpayer Experience Office

On March 4, 2022, the IRS announced the establishment of a formal Taxpayer Experience Office to unify and expand efforts to improve service to taxpayers.[ii] It is part of the implementation of the Taxpayer First Act, passed in July of 2019, which includes a mandate to improve the taxpayer experience.

Many notices only have general processing phone numbers, but even if you have a number for someone and can leave a voicemail, it doesn't create a written record you can reference if there is a problem later. Showing a conscientious effort to respond and explain will be more effective than merely begging for forgiveness once someone is finally available to discuss the problem.

The permanent solution is for the IRS to not only upgrade their internal computer systems, but to invest in a true digital experience for taxpayers and their advisors. With the current online system, taxpayers and their advisors can only complete limited tasks online and often need to call an actual representative at the IRS – which in the current environment is an exercise in futility.

All other aspects of a taxpayer and a tax advisor's life are more digitally friendly. Correspondence is submitted and responded to online and it is the exception, not the rule, that an actual representative is required to complete transactions. The same should be true of the IRS and, hopefully, this will be a top priority for the new Tax Experience Office.

Enforcement Without Proper Guidance is Counterproductive

Taxpayers rely on their tax professionals (CPAs and tax lawyers) to provide guidance on how certain transactions will be taxed so they can both plan and avoid unnecessary surprises. This requires detailed explanations from the IRS in the form of regulations, revenue rulings or other guidance. Unfortunately, as problems pile up for the IRS, funds are directed to maintaining enforcement and not developing better and more timely guidance.

A recent example involves the guidance, or lack thereof, for cryptocurrency transactions. Although the IRS calls cryptocurrency a high priority, the priority has been on enforcement on non-reporting and not on keeping up with the new and fast-changing asset class.

The first substantial guidance on cryptocurrency came out in 2014[iv] and the next substantial published guidance did not occur until 2019.[v] The initial guidance, while appreciated, merely indicated that cryptocurrency is treated like property and tax rules related to property should apply.[vi] The 2019 guidance merely clarified one aspect of income recognition regarding hard-forks and air-drops.[vii] There has been less formal guidance in the form of FAQs, letters to taxpayers, and news reports and conference speeches from IRS officials. However, informal guidance is less useful to tax advisors since it cannot be cited as authority when taking a position in a tax opinion or with the IRS during an audit or challenge in court. The delay in official guidance on cryptocurrency has forced several issues into the courts to be decided.

Last year, taxpayers filed a lawsuit in federal district court seeking a refund and challenging the legal positions of the IRS regarding its definition of cryptocurrency as property.[viii] Although a decision by the court might have provided further official guidance, the government instead paid the refund amount and sought to dismiss the case and avoid a decision on the issues raised.

Also, some taxpayers took the definition of cryptocurrency as property as an opportunity to use the like-kind exchange rules available to other property only to have IRS Counsel issue Chief Counsel Advice that their cryptocurrency cannot be considered like kind.[ix]

As the cryptocurrency industry grows, issues, transactions and financial uses for the new asset will only increase while the guidance appears to remain stagnant. This will lead to an increase in disputes, pulling resources away to resolve them rather than focusing on further guidance.

Tax advisors must still provide help to clients despite the lack of clear answers from the IRS. This may mean getting legal opinions on topics that lack detailed explanations or other instructions and an argument for the proper treatment must be made using other resources. This is especially important when substantial amounts or important issues are involved. If a tax position is taken in an area with limited guidance, a taxpayer is more likely to receive a favorable result and avoid unnecessary penalties if they've already outlined their arguments.

The Real Fear of Tax Audits: Inexperienced Auditors

The IRS instituted new audit rules for partnerships that took effect in 2018.[x] As these audits increase, there is still limited guidance and, in some cases, revenue agents are indicating that they still do not have all the necessary forms for the audit process.

Further, beyond the new partnership rules, all audits are involving more inexperienced auditors. Many of the experienced revenue agents at the IRS have or are retiring. This is, in part, due to the aging workforce and lack of budget to hire and train replacements. It is also likely that the pandemic has led to employees choosing to retire instead of returning to work. Regardless, this means a less experienced workforce with new rules and insufficient funding for training. In short, it's a recipe for potential disaster.

The audit process is already a long and stressful endeavor. Confusion and delay add to both the cost and stress of this process. Inexperienced auditors, unfamiliar with the taxpayer's business, are overinclusive in their information requests and questions about the information.

My most recent experiences with audits included those with first time auditors, first time handling a BBA audit or first time ever auditing a company in my client's industry. This will likely be a continuing problem as the IRS uses new funding to hire entry level staff because it cannot compete with private industry salaries for experienced tax professionals.

Increasing government salaries, especially at the IRS, is unpopular and unlikely to change beyond small cost-of-living adjustments. Therefore, new hires who only stay a few years and a dwindling set of experienced auditors are likely the new normal.

Taxpayers and their advisors should know that a portion of their job at the beginning of the audit will be educating the auditor. Tax advisors should assume no knowledge of the industry and limited knowledge of the audit process from the very beginning to avoid confusion on either side. If Information Document Requests (IDRs) appear to indicate a lack of understanding of the industry or the process (i.e., strange or irrelevant requests), the tax advisor should call the agent immediately and try to resolve confusion and reach an amicable alternative.

The Inflation Reduction Act of 2022 was signed into law on August 16, 2022. It includes numerous tax provisions. TXCPA offers CPE programs that cover the provisions of the new legislation. To learn more and register, go to the Education area of the TXCPA website.

Auditors may not want to admit a lack of understanding or experience, so it is important for advisors to figure that out on their own and plan accordingly.

Also, tax advisors should be more deliberate with their responses to IDR requests. Although it may take some extra time to form a more analytical response, it will avoid an inexperienced auditor wading through general responses and overinclusive productions only to find more questions than answers.

In my experience handling litigation after the conclusion of the audit, some audits involve clear confusion on both sides. Many of these issues are ultimately resolved by agreement during litigation, but unnecessarily add to the time and expense involved in reaching resolution.

As the IRS and those dealing with the IRS assess the post-pandemic path forward, it requires recognizing the immediate and future needs of a functioning tax system. Nobody expects to love paying taxes or the tax collector, but we must all recognize that they are vital to a functioning tax system.

About the Author: Joshua D. Smelter, J.D., is a tax litigator at Gray Reed and a former Department of Justice, Tax Division Honors attorney. He can be contacted at jsmeltzer@grayreed.com.

Footnotes

[i] https://www.irs.gov/ (visited on May 20, 2022).
[ii] https://www.irs.gov/newsroom/taxpayer-experience-office-formally-established-to-improve-service-across-the-irs.
[iii] https://www.irs.gov/newsroom/irs-continues-work-to-help-taxpayers-suspends-mailing-of-additional-letters.
[iv] See IRS Notice 2014-21.
[v] See Revenue Ruling 2019-24.
[vi] See IRS Notice 2014-21.
[vii] See Revenue Ruling 2019-24.
[viii] See *Jarrett v. United States*, Case No. 3:21-cv-00419 (M.D.Tenn. filed May 26, 2021).
[ix] See CCA 202124008 (June 18, 2021).
[x] The IRS replaced the long standing TEFRA audit rules with a centralized audit regime under the *Bipartisan Budget Act* (BBA). See https://www.irs.gov/businesses/partnerships/bba-centralized-partnership-audit-regime.

2021-2022 Outstanding Chapter Awards

To inspire chapters in their continuing work to elevate member service, TXCPA bestows Outstanding Chapter Awards to the small and medium-sized chapters. Selection is made by a group of past presidents from chapters of all sizes who understand the work involved in successfully leading volunteers. Here are a few highlights about the chapters honored for the 2021-2022 year.

Small Chapter – San Angelo
Michelle Perkey, President

To help develop the next generation of CPAs, TXCPA San Angelo maintains a strong relationship with their local university, Angelo State University. Outreach to students included hosting a CPA2B Bootcamp and new program called Finding Your Focus. These events gave students the opportunity to meet local CPAs, ask questions about the future of accounting and the steps to becoming a CPA, as well as insight regarding professional appearance and interviewing techniques. The chapter also exceeded their scholarship fundraising goal and gave scholarships through the TXCPA San Angelo Chapter Endowment Fund.

The chapter exceeded its CPE goal by offering 30 additional hours for a total of 94. The collaboration with Howard College was continued, providing 16 hours for members attending qualified seminars. The average attendance at chapter meetings and seminars was high and members were engaged with the organization in a variety of ways, including community service projects. Congratulations, TXCPA San Angelo!

Medium Chapter – East Texas
Tom Seale, President

The chapter hosted their annual golf tournament, achieving a 9% increase in net revenue. Money raised at the tournament is used to provide scholarships for outstanding accounting students from East Texas or attending East Texas universities. For the 2021-22 school year, the chapter awarded $26,000 in scholarships to 14 deserving accounting students at four local universities. Members made presentations or attended local career fairs at several high schools in the area and the chapter hosted a CPA2B Bootcamp at Stephen F. Austin State University.

The chapter hosted their first TXCPA East Texas Leadership Day. This program was designed for young and aspiring CPAs with less than five years of work experience (or working toward a senior level position) in both public accounting and business/industry/government. Congratulations, East Texas Chapter!

TXCPA Career Center

Do you need to hire talent? Or are you looking for a new job opportunity? Look no further than TXCPA's Career Center!

The Career Center gives members deep discounts on job postings. Plus, internship postings are always free! Members who are seeking jobs can review job postings and apply online, and they have free access to post a Job Seeker Profile.

Simply use your TXCPA log in credentials to get started.

AICPA Credentials Increase Your Opportunities and Earning Power

Many CPAs are leveraging the rapid growth of advisory services. AICPA offers exclusive credentials for qualified financial professionals that can differentiate you as having knowledge and expertise in a specialty practice area. Credentials include:

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- Certified Information Technology Professional (CITP®)
- Certified in Entity and Intangible Valuations (CEIVTM)

For more information on how you can become a credential holder, visit AICPA's website at www.aicpa.org/membership/join/credentials.html.

Accountants Confidential Assistance Network

If you're struggling with alcohol addiction, substance abuse or mental health issues, ACAN is here to help. ACAN provides a confidential conversation with CPA volunteers who have first-hand experience with these issues. ACAN helps you learn how to merge healthier living with your demanding accounting career and can provide referrals to professionals who are familiar with your unique challenges.

Don't hesitate to get the help you need today. Call 866-766-2226 or visit www.tx.cpa/resources/acan.

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Filling the Accounting Profession PIPELINE

Challenges Facing Students and Employers

By Brandon L. Howard, CPA, Bradley Flaum and Anna-Marie Parker

There's been one word on the minds of students, faculty, recruiters and firm leaders in the last year – pipeline. [AICPA's 2021 Trends Report] identifies key trends and provides important information on U.S. accounting enrollments and graduates, hiring in the public accounting sector, and CPA Exam candidates. The report reflects some downward movement in the profession. Enrollments are down. New hires are down. Candidates taking and passing the CPA Exam are down. Despite these trends, we believe not all hope is lost.

Stop me if this sounds like the beginning of a bad joke. A college professor, a recruiter and a graduate student sit down together to discuss their perspectives on the challenges facing students entering the pipeline and the employers trying to hire them. What follows is what we believe are some of those challenges and how we might be able to conquer them.

A disclaimer before we start – our experiences might not be your experiences. Texas is a big state and there are lots of folks in our professional community. While we hope you find some value from this conversation, we also welcome your feedback and unique perspective.

Let's begin our discussion with what's happening on college campuses.

Reduced Student Engagement

Student engagement is declining and many factors may be contributing to this decline. Even before COVID-19, new programs for student preparedness were exploding on campus. Students are consistently bombarded with communication and stimulus between email, peer conversations and good old-fashioned flyers posted on the wall. This has led, counter intuitively, to one of our authors seeing a smaller percentage of students participating in the campus student organization focused on their professional development as future CPAs.

When students receive upwards of five to 10 notices of campus programming each week, they quickly begin to ignore all of it. Helping students get streamlined communication on events and programming is going to be key in helping to increase engagement by simplifying the process.

Additionally, most programming tends to happen during the regular workday. Many minority and first-generation students are working part- or full-time jobs while attending school. They simply can't get away to participate in those programs. By creating evening and on-demand programming (for example, a recorded discussion on professional resume writing), we can help reduce barriers for all students and help them stay engaged.

Branding the Internship Experience

Many students need help learning the differences between the various kinds of firms or companies they can choose. Later, we will discuss helping candidates understand the variety of roles offered, but here we want to focus on the different kinds of firms or companies.

For example, an internship experience at a large regional firm is not going to be the same as the internship experience at a small local firm with only two CPAs on staff. The good news is that's OK! Those experiences need to be different. Too often, students only see the big bright lights of the biggest firms and are drawn in like moths to a flame. Helping students understand the variety of experiences, and how the differences can affect their ultimate career trajectory, will help retain that talent in the profession longer.

To help us get there, universities can begin to create more focused career preparedness programming. The University of Texas at San Antonio, the institution for two of your authors, has recently implemented a new set of courses to provide students an environment to explore those options. By including these issues in the curriculum, we can ensure all students are given equal opportunity to "see the field" before they have to start playing on it.

How TXCPA is Meeting the Pipeline Challenges

TXCPA has developed a new pipeline strategy to assist in growing the profession and expanding the CPA pipeline. A Pipeline Task Force was appointed by the 2021-2022 TXCPA chairman. The task force worked with TXCPA staff to develop a list of key stakeholders who have an impact on the CPA pipeline. They include:

- Candidates;
- College, high school, middle school and elementary students;
- Firms and companies; and
- Regulatory and legislative bodies.

Within each audience, key trends, messages, tactics and success metrics have been detailed. TXCPA, our 20 local chapters, and our member volunteers are working to provide student outreach and support accounting career education.

To learn more about the pipeline strategy, click here. All members can become involved in this outreach. Contact TXCPA or your local chapter for more information.

Reduce Barriers to Becoming a CPA

Recruiting students to take and pass the CPA Exam is becoming more difficult each day. In conversations with students, more of them are questioning the ultimate value of becoming a CPA and if they are ready to invest the time, effort and funds into taking the Exam.

The costs of purchasing quality study materials and the fees associated with testing are prohibitive to many students. While there are financial assistance programs and scholarships available, not enough students know about them. Helping to get the word out on how students can defer the costs of taking the CPA Exam will help us recruit more of them into the pipeline.

Under current rules in Texas, students must complete their entire 150 credit hours before they can even begin taking the CPA Exam. Except in rare instances, this requires graduation with two college degrees and a large amount of money spent before they can even consider testing. By reducing the hours to begin taking the Exam, students will be able to vet their decision earlier in the process and begin to move into that part of their journey to becoming a professional.

In addition, while accounting students are required to complete 150 hours and pass four sections of a difficult exam to land an entry level role paying on average $60,000-70,000 (don't forget busy season requirements), their peers complete 120 hours and land entry level roles of upwards of $80,000 - $100,000 in careers like consulting, data science or cyber security. This concept is not lost on these upcoming young

Campus recruiters often share many of the same frustrations no matter the size of firm or company they represent. Some of the most common topics are competition, campus rules, student engagement, intern and new hire compensation, and more recently, student integrity.

professionals. Nearly every other state has reduced this gateway to becoming a CPA. It's time for Texas to do the same.

From here, we turn to the experience of a current graduate student.

Work Experience Dilemma

The major struggle of not having the work experience requirements for an internship or entry-level job have affected the college student and graduate population at-large. Many students are often having difficulty securing interviews as they do not satisfy the professional work experience requirement of "one year or more" since they have been full-time students for the entirety of college.

Without being able to secure an internship or job under these circumstances, the student is left in a conundrum of not finding a job because they do not match the "required" section of the application. Ultimately, this requirement hinders the applicant from applying to most firms, resulting in a decreased chance of landing their "dream job."

Educational Requirement Dilemma

Another struggle that many students are experiencing, especially in the accounting field, is the timing of internships and jobs when it comes to educational experience at the university level. When posting their internships, many employers state that the student must be of "junior or senior standing," which results in fewer opportunities for younger individuals who want to gain the experience and see if they enjoy the subject before pursuing a degree in that field.

Meanwhile, these "juniors" and "seniors" are being forced into the profession as they are nearly finished with their degree and shortly matriculate out of the profession when they find another, different opportunity that they see better growth in. The inability to gain this exposure at a lower educational level has resulted in students struggling to find a job in the short period before and after graduation.

Awareness of Opportunities

Most students are not aware of the opportunities for growth and diversity within many firms and companies. These students go into the accounting profession not even knowing what the different fields within accounting are, and the employers typically do not give a clear-cut explanation of what each service line or sector does for the firm or company. This leads to a career of job hopping for the student as they try to figure out what field fits them best.

Another matter of the opportunity issue is that students have trouble finding which employer provides the career they are interested in while also differentiating themselves from competitors. When a professional is representing a firm or company, an effective strategy to help the student would be to explain what each service line or job entails to garner the interest of the student with the benefits of the true work environment.

Challenges for Recruiters

Finally, we turn our attention to the perspective of the recruiters trying to find and retain this talent.

Today's campus recruiting market brings a new set of challenges that differ from those of just two years ago in the height of a global pandemic while in peak spring recruiting. Campus recruiters often share many of the same frustrations no matter the size of firm they represent. Some of the most common topics are competition, campus rules, student engagement, intern and new hire compensation, and more recently student integrity.

In a post-pandemic campus recruiting world, the number one challenge for employers of all sizes and industries recruiting accounting talent is the decreased enrollment across universities, specifically accounting. Recruiters tend to think the number one challenge is the competition for trying to recruit the "ideal student," but this competition was in the market for years before 2020 and will remain for the foreseeable future. The truth is the population of "ideal students" and declared accounting majors is severely dwindling while employers are hiring talent across all levels at record high numbers.

Not only is it a challenge to compete for the same students, but the student engagement in recruitment activities in recent years has been lower in a post-pandemic world, whether it is a virtual event, office visit or on campus career fair. Campus recruiters often chalk up the lack of participation to students knowing they will receive multiple offers, most likely from an employer(s) of their choice with minimum effort. As a result, most firms have moved to one interview and offer in hopes to be the first of many offers a student will receive.

In addition to the dwindling accounting enrollment numbers and low student engagement is the lack of student integrity. Firm and company leadership and campus

> Helping students understand the variety of experiences, and how the differences can affect their ultimate career trajectory, will help retain that talent in the profession longer.

recruiters understand students are receiving many offers to try different firms, business units, locations and industry opportunities; however, student transparency does not appear to be as forthcoming compared to years past.

Students accepting multiple internships without disclosing or accepting an internship with a full-time offer acceptance, reneging on an offer close to their start date or worst of all, not showing up at all without any communication seem to be happening more frequently.

Universities have enacted rules to protect students and employers, but it is difficult to enforce these rules on both parties. One university in Texas has gone as far as making a rule stating a student cannot accept a second internship if they have already accepted elsewhere, unless it is a second internship with the same employer.

This rule seems extreme; campus recruiters are aware of the risk of a student with multiple internships and hope the student is transparent in their discussions to disclose any accepted offers. Ultimately, this should be the student's choice.

The same university also had employers making exploding offers and then sending communication to students that if they did not accept in the next few days, the offer would be rescinded.

The best campus recruiters accept the challenges of multiple offers, campus rules, compensation fluctuation and even student integrity, but all these challenges are heightened by the biggest challenge of all – lack of new professionals entering the accounting profession.

Communication is Key

We are not holding this out as an all-encompassing list of the challenges facing university faculty, students and recruiters. Rather, we hold these as, from our experience, the top challenges being faced today.

While we discuss several possible ways to address the challenges above, we have so far left out the most important one, communication. If each sector of the community – universities, students, employers – tries to solve these issues only in their own silos, none of us will ever win the fight. Rather, we need to make sure all parties are represented in discussions on finding possible solutions.

Our world is forever changed after the COVID-19 pandemic. If we don't put our heads together to think outside of the box, we might fade away. Even when we can clear these obstacles, new ones will emerge. Luckily that's what we do as CPAs, work together to find creative solutions to novel issues.

About the Authors: Brandon Howard, CPA, a native San Antonian, has worked with small business on accounting and tax matters for eight years. Currently, Howard is running his own CPA firm and looking to grow his business by partnering with local San Antonio ventures. He also teaches a full-time course schedule with the UTSA Department of Accounting and is the instructional lead for the MGR Tax Academy. Contact him at brandon@blhaccounting.com.

Bradley Flaum, a student in the Master of Accountancy program at The University of Texas at San Antonio, has experience in both public accounting and industry accounting. With a plan to start as an Assurance Staff member in the Summer of 2023 with EY, he is currently serving as an Internal Audit Intern with Frost Bank.

Anna-Marie Parker is the Texas Campus Recruiting Manager at Crowe, leading the recruiting team responsible for intern and entry level hire goals in Austin, Dallas and Houston. She is a 2010 student athlete graduate of Angelo State University in San Angelo, Texas, with a B.A. in Communications.

TXCPA's Upcoming CPE Programs

Mark your calendar now and plan to attend these upcoming CPE programs!

Texas School Districts Accounting and Auditing Conference
September 19-20
Webcast Replay

Governmental Accounting and Single Audits Conference
September 26-27
Sheraton Austin Hotel at the Capitol and Webcast

Accounting Education Conference
September 30 - October 1, 2022
DoubleTree by Hilton - Dallas Love Field

Financial Institutions Conference
October 17-18
Marriott Quorum Addison and Webcast

Advanced Franchise Tax Workshop
October 21
Webcast

Texas Sales and Use Tax
October 21
Webcast

Professional Issues Update
November 16
Webcast

CPE Expo – Houston
December 5-6
Westin Houston Memorial City
Webcast: Accounting and Auditing Track

CPE Expo – San Antonio
December 12-13
Norris Conference Center San Antonio
Webcast: Tax Track

CPE Expo – Dallas
December 15-16
Westin Galleria Dallas
Webcast: Professional Development Track

View the complete schedule and register now in the Education area of our website at tx.cpa/education/cpe or call the TXCPA staff at 800-428-0272 (972-687-8500 in Dallas) for assistance.

TXCPA's Annual Meeting of Members and Board of Directors Meeting

By Rhonda Ledbetter, TXCPA Volunteer and Governance Specialist

BOLD OUTLINE AND VISION 2022-2023

Commit to be **BOLD**:
Be intentional.
Optimize and protect.
Lead by example.
Drive growth.

Members and their guests gathered at family-friendly Kalahari Resorts & Conventions in Round Rock, Texas for the 2022 Annual Meeting of Members and Board of Directors Meeting, July 1-2. There was a special feeling of excitement about being together in person at the Annual Meeting for the first time in three years and members feeling connected and engaged in their professional community.

2021-2022 Achievements

Immediate Past Chairman Jason Freeman, JD, CPA-Dallas, outlined the work done in the 2021-2022 year and how TXCPA is making significant progress toward our Strategic Plan goals. For more details, read the Year in Review article in the May/June issue of *Today's CPA*.

2022-2023 Initiatives and Priorities

Chairman Sheila Enriquez, JD, CPA-Houston, CFF, CVA, encouraged volunteers to move forward with even more energy and focus to best meet the needs of current and future members. She explained: "We need to be willing to make the changes necessary to be relevant leaders in the profession. We need to commit to BE BOLD."

A **BOLD** outline and vision for the coming year have been created to help better communicate what is important for future success.

The Society will **b**e intentional about attracting and welcoming the next generation of accounting professionals. TXCPA will **o**ptimize and protect the value of the CPA license. The members **l**ead by example. CPAs will **d**rive growth in the professional community. TXCPA must be agile, flexible and constantly evolving to ensure we are delivering relevant offerings for current and future members.

Enriquez noted that CPAs have experienced tremendous change in their environment in the last few years and it will continue at a quicker pace in the future, so they need to be ready to quickly adapt as change increases.

CPA Pipeline

TXCPA, its 20 chapters and member volunteers have done significant work over the years to provide student outreach and support accounting career education. As the education landscape has evolved, TXCPA has recognized the need for a more proactive, coordinated and focused statewide approach with measurable outcomes. A Pipeline Task Force was appointed in 2021-2022. An update was outlined at the Annual Meeting by its Chairman, Mohan Kuruvilla, Ph.D., CPA-Houston.

> **"Let us continue building upon the momentum that has been started by leaders before us. Together, we can achieve great things!"**
>
> *Sheila A. Enriquez, JD, CPA, CFF, CVA*
> *TXCPA's 2022-2023 Chairman*

Please see the Chairman's Message and the cover article in this issue of *Today's CPA* for more information on TXCPA's pipeline initiatives.

Talent Acquisition and Retention

Perspectives on this topic were shared by Omar Choucair, CPA, chief financial officer of Trintech, and Mallory Herrin, SPHR, SHRM-CP, CPLC, CEO and principal HR consultant at HerrinHR. With TXCPA Chairman Sheila Enriquez, they addressed talent acquisition, engagement and retention, as well as repositioning the accounting profession to attract future CPAs.

Herrin stated that recent research by ManpowerGroup reveals the global talent shortage has almost doubled, with businesses around the world reporting significant difficulties attracting skilled talent. She also said that a recent Lever study showed almost 45% of employers face a problem with diversity, equity and inclusion (DEI), saying it is difficult to find diverse candidates for open positions.

Choucair said almost 75% of accounting professionals identified talent acquisition and retention as the biggest risks to their business over the next 12 months. A lack of standardized data and processes is the second-biggest risk.

He went on to say that, with a finite pool of skilled finance talent, employees have options about the companies and

2021-2022 AWARDS

See the Take Note section of the July/August issue of *Today's CPA* for the names of award recipients recognized at the meeting.

In addition to the individuals listed there, Special Recognition awards were presented to: Willie Hornberger, JD, CPA-Dallas; Mohan Kuruvilla, Ph.D., CPA-Houston; Gary D. McIntosh, CPA-Austin, CFF; Christi A. Mondrik, JD, CPA-Austin; Stephen G. Parker, CPA-Houston; and Tim Pike, CPA-Dallas, CFE.

Award descriptions and previous recipients

CPA-PAC CHAPTER AWARDS

Large Chapter Year Over Year Fundraising Increase

TXCPA Dallas
President: Sharon Lukich, CPA
Committee Chair: Terri Hornberger, CPA

Highest Percentage of Members Contributing

TXCPA South Plains
President: Greg Mason, CPA
Committee Chair: Mark Dickson, CPA

Highest Percentage of Fundraising Goal

TXCPA Southeast Texas
President: Jeremy Triska, CPA
Committee Chair: Josh LeBlanc, CPA

2022-2023 TXCPA LEADERSHIP

Executive Board
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Board of Directors
Go to the TXCPA website

work they choose. They're looking to play a strategic role in an organization and grow their skillset leveraging available technology tools. To stay competitive, employers must provide a work environment that empowers their teams to succeed.

Editor's Note: For more insights on the current trends in DEI initiatives and issues impacting finding and retaining talent in the accounting profession, please see TXCPA's Accounting Industry Outlook Report.

The discussion turned to how organizations can engage their remote workers with a feeling of community. Choucair said that, after the COVID-19 pandemic, the hybrid workplace is here to stay. Management must think about how to help employees feel part of the team. Organizations should design policies and guidelines that show they are employee centric. He pointed out that for workers, it's often about more than just money – flexibility is important for them to feel valued. It all comes back to connection. If they don't have one, they'll probably leave.

Accounting Education Foundation

As part of the TXCPA Strategic Plan, the CPE Foundation was recently merged with the Accounting Education Foundation (AEF). After the merger, the Society now has one 501(c)3 entity, with a unified focus on education. A new AEF Board of Directors took office June 1 and will move forward with strategic planning for the consolidated entity. The Chairman of the AEF, Gary McIntosh, CPA-Austin, reported on the Foundation's work.

The Kenneth W. Hurst Fellows Awards were established in the 1970s after the former TXCPA president made a substantial gift to the AEF. The award is bestowed to members of the accounting profession who have given gifts of $5,000 or more within the past five years or made significant contributions to the AEF. Three individuals were presented with the award at the meeting: Jason Freeman, JD, CPA-Dallas; Kathy Kapka, CPA-East Texas, CGMA; and Lily Ang, CPA.

The Steve Tillinger Memorial Scholarship and the Willie Hornberger Scholarship funds were established within the AEF. At the time of the meeting, both had more than $30,000 toward the $50,000 goal for endowment.

A silent auction to support scholarships was held, with many items donated by chapters or members. Auction proceeds and meeting contributions were more than $27,000. As part of the AEF fundraising, a 50/50 raffle was held where half of the money raised was designated for the AEF and half was given to the individual whose name was drawn at the meeting. The raffle winner, Rene Pena CPA-El Paso, donated his share to the AEF. After the meeting, he said, "I hope that all members will take up the challenge to make a contribution."

CPA-PAC

Terri Hornberger, CPA-Dallas, chairman of the CPA-PAC Steering Committee, explained that the purpose of the CPA-PAC is to encourage members to participate in the Texas election process. Chapters play a large role in encouraging members to play their part, especially through donations.

Governance

Christi Mondrik, JD, CPA-Austin, chairman of the Bylaws Task Force, provided an overview of proposed bylaws amendments. The board approved presenting them to the members for a vote in August.

On behalf of the Governance Committee, its Chairman Stephen Parker, CPA-Houston, requested feedback on possible revisions to the Society's governance model.

Tim Pike, CPA-Dallas, CFE, chairman of the Membership Task Force, asked for input on potential changes to build a membership model based on individual choice.

Financial reports and budgets were presented by Treasurer Melanie Geist, CPA-San Antonio, and TXCPA's CFO Edie Cogdell, CPA-Dallas, CGMA.

Connections

To encourage interaction, a scavenger hunt was held where most of the "items" sought were fun facts about other attendees. There was a drawing of completed cards, with the prize of a two-night stay at the Sheraton in Austin for the Midyear Board of Directors Meeting and Advocacy Day in January. Kenny Broom, CPA-Dallas, was the winner.

Julie Sigety, CPA-Austin, won the drawing from names of first-time attendees. The prize was a one-year subscription to TXCPA Passport, an on-demand CPE bundle.

Plan Now for Future Gatherings

Advocacy Day will be Jan. 24, 2023, and the Midyear Board of Directors and Members meeting is planned for Jan. 25, at The Sheraton at the Capitol in Austin. Reserve your room now! Watch the weekly Viewpoint e-newsletter for meeting registration information.

The Worthington Renaissance Fort Worth Hotel is the site for the 2023 Annual Meeting of Members and Board of Directors Meeting, June 23-24. Make your plans now to be there!

'The Great Resignation'

Tips on Stemming the Tide of Employee Resignations

By Sharon Lukich, CPA

Where did everyone go? "The Great Resignation," "The Big Quit," whatever you want to call it, everyone has experienced it. All through 2021 and 2022, Americans have been quitting their jobs at an unprecedented rate.

According to the U.S. Bureau of Labor Statistics (BLS), an estimated 4.3 million people, 3% of all workers, quit their jobs in December 2021. From high-level executives to mid-level managers to entry level grads, "The Big Quit" has spared no one.

What's the result? A surge in hiring. Businesses need to become proactive, if they haven't already, in the area of their most important asset: their people.

So why are people quitting by the millions? Research shows that:

66% of employees who are looking for jobs outside of their organization say they're looking for better opportunities.

54% of workers feel current employers don't take their aspirations into account enough.

43% of workers say they're simply burned out.

74% of highly skilled workers feel there are better or more opportunities elsewhere.

What this research shows is that the "quit" is not just ONE thing. It's certainly not just about the desire for flexibility to work from home. The studies show that it's a combination of things. During the shutdown, we all had to deal with things that were different and we had to adapt with little to no warning. As a result, things have changed and they have changed forever.

Parents with young children suddenly had little to no childcare options available, but were expected to continue to perform at work. Many were working on their laptops at a make-shift desk consisting of an empty Amazon box propped up on the ironing board. Internet connections were spotty and Zoom was clunky. To make matters worse, professionals with young children suddenly had to juggle their own work while keeping their children focused and on-task with their schoolwork. Young professionals with no children to manage were suddenly stuck inside with little to no socialization with their peers.

It's no wonder that many people began to be reflective and consider their situations and what was and was not important to them. As a result, professionals have retired or started their own businesses and many two-parent households made a conscious decision for one of them to quit their job and stay home with the kids.

However, there are things that firms and companies can do to stem the tide of the Great Resignation.

1. Start off on the right foot.

Part of keeping people is a great on-boarding experience and that starts on day 1. It doesn't have to come with gobs of company swag, but with intention and demonstrated readiness. Is their computer ready? Do they have access to all of the systems they need to do their job? Does their team know they are coming and know a little bit about them?

Hopefully, some of the members of the team were involved in the interview process and if so, they will be vested in seeing the new employee succeed. Next would be a check-up meeting at the 30-day and 60-day mark – how are things going?

2. Really listen to your employees.

Everyone says this, but what can you really do about it? How about considering implementing a stay interview versus an exit interview – why wait until an employee leaves and it's too late? A stay interview should be conducted by an employee's supervisor and include a variety of questions. Ideally, the first stay interview would be conducted around the 90-day mark.

A stay interview should include a variety of questions. What do you look forward to each day when you come to work? What are you learning here and what do you want to learn? Why do you stay here? Have you ever thought about leaving and what prompted it? What can I do to make your job better?

3. Career pathing.

Employees want to know how they fit into the plans of the organization and how their aspirations align with where it is headed. Quarterly "state of the organization" meetings where past results and future goals are communicated keep employees informed and involved. When employers don't share results and future plans, employees are left to make assumptions on their own and we all know what we get when we assume.

4. Leadership training.

Whether it's for current managers or future leaders, leadership training is critical. We all took classes in accounting, financial statements and tax in college, but how many classes did we take that taught us how to lead and inspire people? Just because we are good auditors, tax professionals and corporate professionals, for example, doesn't necessarily make us good leaders. Investing in leadership training for your employees is good for the organization, the employee and the business.

It can be a challenge to shift your mindset and resources to investing in your employees in ways you haven't in the past. However, the employee experience you create and the culture that you promote can lead to resignation or retention. The choice is yours.

About the Author: Sharon Lukich, CPA, has been with Thomas, Edwards Group since 2001. In addition to being a partner with the firm, she helps direct the firm's business development efforts. She earned a BS in Accounting from the University of North Texas and is a licensed CPA in the state of Texas. She serves on the board of TXCPA and is the immediate past chair for TXCPA Dallas.

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The Great Resignation Survival Guide

Five Best Practices for Accounting Firms Facing Severe and Unique Challenges

By Lee Frederiksen, Ph.D.

Pundits call it the "Great Resignation" and professional services firms are among the hardest hit. The response to the pandemic and resulting shutdowns brought into clear focus ideas on work-life balance, remote work and the benefit of a shared cultural fit. Not all organizations have recognized this swing, but they are feeling the effects of it.

Accounting firms are acutely at risk during this time. Hinge's Employee Branding Study, conducted after the pandemic's onset, offers insights that will help your firm during this time of shifting landscapes and priorities.

To attract and retain top talent, accounting firms must rethink their employee engagement strategy. Now more than ever, a highly visible and robust employer brand will help you attract top talent.

Risks to CPA Firms During "The Great Resignation"

A growing shortage of CPAs has been brewing for more than a decade. Many Baby Boomers are leaving the workforce now that they have reached retirement age. At the same time, fewer young people are interested in becoming CPAs, leaving many firms with a small pool of qualified candidates. It's a perfect storm for accounting and tax firms.

Many young adults have grown up hearing stories of financial scandals and abuses, which doesn't fit their search for meaningful work and purpose. These young adults also fear senior leadership will overlook their accomplishments or potential because of their age.

This is a daunting challenge for accounting firms. Still, predictive patterns can help us recognize when the risk is most significant for losing star employees – and point to possible solutions.

Risk Factor One: Mergers and Acquisitions

Almost 40% of surveyed accounting and tax firms in the United States had a merger or acquisition in the last three years, the highest rate among professional service firms.[i] Mergers and acquisitions have become a popular way for CPA firms to find the talent and services they need to grow their bottom line. Yet, how a firm handles a merger can directly impact employee satisfaction and retention.

Of those surveyed, 24% in the accounting profession had a negative experience with a merger or acquisition. In our study, 69% of respondents cited a lack of a formal integration plan as the strongest driver of employee dissatisfaction. These individuals also called out a need for someone to oversee the merger (38%) and for clear communication with employees throughout the merger process (38%).

Employees whose firms have been acquired are at an increased risk of leaving. More than 40% of passive seekers – those who are not actively seeking jobs but are open to new opportunities – are more likely to seek employment at a new organization after an acquisition.

What Drives Job Seekers

Hinge Research Institute's [Employer Branding Study: Second Edition] was conducted during unusual times, but the principles for thriving during The Great Resignation are universal.

Now is the time to rethink your retention and recruiting strategy. Start by considering the factors

Risk Factor Two: Pandemic Response

At the onset of the pandemic, organizations worldwide had to come to grips with a new workplace "normal." Our study uncovered that virtually all active job seekers were dissatisfied with how their firms handled COVID-19, while most non-job seekers (66%) were happy with their firm's plans and communication.

For accounting firms, less than half of all respondents were highly satisfied with their employer's response to COVID-19. Forward-looking organizations actively planned for life after the pandemic, with contingency plans and open dialogue to understand their employees' fears and priorities.

that tip the scale for employees. While competitive salaries are the leading factor for employees looking for a job, there are other factors your firm should also consider.

In the Employer Branding Study, factors apart from pay that tipped the scale for job seekers were:

- A clear vision for the future and strong leadership,
- The team they will work with directly, and
- Good cultural fit and shared values.

Now that you have an idea of what candidates are looking for, it's essential to ensure your organization is visible to top accounting talent.

Five Best Practices for Building a Highly Visible, Robust Employer Brand

Your employer brand is your reputation as a workplace or employer, and it is essential to your recruitment and retention efforts. A successful brand sets your firm apart from competitors. It clearly articulates the vision and culture of your organization, which helps attract qualified candidates at all levels. There are five things to consider when putting together an employer branding strategy.

1. Take your business model into account.

Different models require different workforce profiles. Aligning the employer brand with business strategy will help you obtain management support for the branding effort.

2. Make your strategy visible and easy to understand.

A brand with key features that are hard to identify, let alone articulate, presents challenges to internal and external audiences. To your team, a complex brand is difficult to implement and raises the risk that people will carry out the wrong brand – a frequent issue with professional services firms.

To the outside world, a brand that lacks online visibility doesn't exist. Add to that complexity and the brand has little chance to draw the buyers and talent a business needs to grow. Your organization's story should be told across your website, social media channels and created content, giving future employees a glimpse into your organization. Pay close attention to search engine optimization (SEO) to make sure the talent you're looking for can find you and adjust when necessary.

3. Align your employer brand strategy with your corporate brand.

If your brand stands for expertise in performance audits for government markets, your employer brand should emphasize continual talent development in areas of expertise that meet the financial and compliance improvement challenges of government agencies. Your employer brand will help you fulfill the promise of your corporate brand.

4. Take a research-driven approach.

Branding should be based on research into your current and prospective talent, as well as referral sources. This approach will show you where the gap between your current and desired reputation lies and how to close it.

5. Monitor results so you can adjust your plan and implementation as needed.

Branding and rebranding are huge investments. You need to ask yourself two questions. Did we follow the plan? Did we achieve the results we expected from it?

Building a Strong Culture and Brand

What will potential employees find out about your organization when they conduct a Google search? It's essential to know the answer.

A well-coordinated and creative plan will put your organization in front of potential employees. It will set you apart from your competitors and engage current employees who might be considering taking another job.

Potential employees will not be the only ones who notice. Building a strong culture and brand will resonate with prospects and clients as well.

About the Author: Lee W. Frederiksen, Ph.D., is managing partner at Hinge, the leading research-based branding and marketing firm for professional services. Contact her at lfrederiksen@hingemarketing.com. Hinge conducts ground-breaking research into high-growth firms and offers a complete suite of services for firms that want to become more visible and grow.

Source

[i] Hinge Research Institute. (2020). The Employer Branding Study. Reston, VA: Hinge Strategies.

Related *Today's CPA* Article
How Your Organization Can Successfully Navigate 'The Great Resignation'
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CPE ARTICLE

Evaluating the Modernized SEC Rules Governing AUDITOR INDEPENDENCE

By Steven Mintz, Ph.D.

CURRICULUM: Accounting and auditing

LEVEL: Basic

DESIGNED FOR: Public practitioners and business and industry

OBJECTIVES: To discuss and summarize the Securities and Exchange Commission (SEC) adopted amendments for rules regarding auditor independence and Public Company Accounting Oversight Board (PCAOB) conforming amendments to eliminate differences and duplicative requirements that would exist between the SEC and PCAOB

KEY TOPICS: Purpose and motivation for the changes to Rule 2-01 of SEC Regulation S-X, overview of the general standard (Rule 2-01(b)), investor interest in the reliability of financial disclosures, providing non-audit services, audit quality controls, and using a materiality standard to judge independence

PREREQUISITES: None

ADVANCED PREPARATION: None

On October 16, 2020, the Securities and Exchange Commission (SEC) adopted amendments effective for certain rules regarding auditor independence requirements (known as Rule 2-01 of Regulation S-X). The Public Company Accounting Oversight Board (PCAOB) adopted conforming amendments on November 19, 2020, to eliminate differences and duplicative requirements that would exist between the independence requirements of the Board and the SEC. The effective date of the SEC's 2020 amendments to Rule 2-01 was June 9, 2021.[1]

The intention behind these amendments is to modernize the SEC's rules governing auditor independence and more effectively focus the analysis on relationships or services that may threaten an auditor's objectivity and impartiality, as well as reduce the effect that the independence rules can have on a company's ability to select an auditor. Exhibit 1 summarizes the primary changes in the rule.

Motivation for the Changes to Rule 2-01

In recognition of the critical importance of auditor independence to the reliability and credibility of our financial reporting system, the SEC's auditor independence rules require auditors to be independent of their clients both "in fact and appearance."

The amendments reflect the SEC's experience in applying the independence requirements, particularly in certain recurring situations where specific relationships and services triggered technical independence rule violations without consequently impairing an auditor's objectivity and impartiality.

The changes are intended to more effectively and efficiently identify transactions and relationships that could impair an auditor's independence. The SEC believes the changes will reduce compliance costs for both audit clients and their auditors by updating unduly burdensome requirements for relationships and services that are less likely to threaten auditor objectivity and impartiality. They will also diminish the effects of technical violations of the independence rule that has no bearing on objectivity and impartiality in meeting audit obligations.

The technical complications addressed in the rule are a symptom of a long-standing problem within the auditing firms – a lack

of discipline and accountability surrounding independence conflicts. The purpose of the changes to the rule is to "maintain the relevance" of the SEC's auditor independence requirements, to "evaluate their effectiveness in light of current market conditions and industry practices," and to "more effectively focus the independence analysis on those relationships or services that the Commission believes are most likely to threaten an auditor's objectivity and impartiality."[2]

The implication is that the rules are outdated or focused on non-essential matters, and this is true in limited cases. However, entirely ignored in the adopted rule changes is whether extensive evidence exists that audit firms' compliance with existing standards is inadequate, that lack of compliance undermines auditors' ability or willingness to approach the audit with professional skepticism, and that more fundamental reform is needed to strengthen the rules and increase accountability for violations. The SEC needs to keep independence on its agenda for more substantive changes.

The General Standard

Although several substantive amendments were made to the auditor independence requirements, what is known as the "general standard" (i.e., Rule 2-01(b)) did not change because of these amendments. The introductory text to Rule 2-01 indicates, in evaluating the general standard, the SEC will consider whether a relationship or service:

- Creates a mutual or conflicting interest with the audit client;
- Places the auditor in the position of auditing their own work;
- Results in the auditor acting as management or an employee of the audit client; and
- Places the auditor in a position of being an advocate for the audit client.

The intention behind these amendments is to modernize the SEC's rules governing auditor independence and more effectively focus the analysis on relationships or services that may threaten an auditor's objectivity and impartiality.

When applying these amended standards, companies must keep in mind the general standard, which further indicates that "an accountant is not considered to be independent with respect to an audit client, if the accountant is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not, capable of exercising objective and impartial judgment on all issues encompassed within the accountant's engagement."[3]

Therefore, even in circumstances when a service or relationship is not explicitly prohibited by the requirements under Rule 2-01, the general standard requires auditors, audit committee members, and management to evaluate a service or relationship from the perspective of a reasonable investor and determine whether there is a real or perceived impact on the auditor's objectivity and impartiality.

Investor Interests

The capital markets depend on the steady flow of timely, comprehensive and accurate information. Auditors have a central role to play in ensuring the accuracy of their reported information. Like the SEC rules on which they are based, the modernized independence rule would weaken auditor independence standards, further undermining investors' faith in the reliability of financial disclosures and putting the integrity of our capital markets at risk. Independence may take a back seat to objectivity and impartiality in assessing whether an auditor is independent of an audit client and management.

A persistent challenge exists because auditors are paid and supervised by the companies they audit so that investors can only trust in the reliability of those financial statements if auditors maintain their independence to the extent possible within this conflicted business model and approach the audit with an appropriate degree of professional skepticism. Oftentimes, auditors have failed to live up to this standard and investors have paid the price. In short, auditors do not always meet their gatekeeper obligation because of these conflicts, thereby placing their own interests and those of the client ahead of the public interest.

A persistent challenge exists because auditors are paid and supervised by the companies they audit.

Providing Non-Audit Services and Independence

Historically, and increasingly most recently, each of the Big Four firms have been found to have provided non-audit services to audit clients that violate the independence rules of the SEC and PCAOB. Therefore, it would seem the answer is to strengthen the requirement, not weaken it by relying mostly on objectivity and impartiality.

For example, current rules prohibit an auditor from entering into preliminary or other negotiations on behalf of an audit client, by promoting the client to potential buyers, or "with respect to subsequent audits of a client of the accountant renders advice as to whether or what price a transaction should be entered into."[4]

It is possible that with the modernized rules, an otherwise prohibited nonaudit service, such as providing advice and the implementation in mergers and acquisitions, would be permitted because the auditors judge that they can still be objective and impartial in providing audit services regardless of the merger and acquisition services.

Moreover, the auditor might judge that independence violations will be corrected as promptly as possible and, in most instances, prior to the effective date of the merger or acquisition thereby enabling the inadvertent violation. This seems to build a contingency factor into the determinations.

Audit Quality Controls

QC Section 20 of PCAOB standards describes the requirements for audit firms in developing and maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice. However, there are no regulatory requirements for auditors and audit firms to assess their own audit quality controls and report on them like management must do under the Sarbanes-Oxley Act (SOX) regarding its internal controls over financial reporting (ICFR).

The SEC and PCAOB should require auditors and audit firms to assess their own quality controls and report on them because they are the first line of defense to ensure that those systems are operating as intended, designed to ensure audit independence, and establish mechanisms to control for relationships and services that might pose threats to an auditor's objectivity and impartiality.

The purpose of these standards is to provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities. The public has a right to know whether these requirements have been met.

A review of recent PCAOB inspection reports shows, for example, that staff members routinely find deficiencies related to auditor independence, objectivity and professional skepticism, two cornerstones of an effective audit. In many cases, it was the absence of effective audit controls that enabled violations such as these to occur.

As PCAOB indicates in its October 2021 Staff Update and Preview of 2020 Inspection Observations, a review of the audit firms' quality controls identifies deficiencies in certain firms where "the engagement quality reviewers did not maintain objectivity in performing the review, as they assumed responsibilities of an engagement team member and performed audit procedures or had served as the engagement partner during either of the two preceding audits."

PCAOB also observed situations where identified deficiencies in inspection reports were not disclosed through an audit firm's internal inspection procedures directed to the same engagements. This suggests that the firm's quality control system "does

Exhibit 1 – Changes to Rule 2-01 of SEC Regulation S-X

Amends the Definition of "Affiliate of the Audit Client "and the "Investment Company Complex"

Adopts a dual materiality threshold, meaning that for the audit client to include a sister entity, both the entity under audit and the sister entity must be material to the common entity. If either the sister entity or the entity under audit is not material to the controlling entity, then the sister entity will not be deemed an affiliate of the audit client.

Amends the Definition of "Audit and Professional Engagement Period" to Provide Relief to IPO Companies

Changes the definition of "audit and professional engagement period" to shorten the look-back period for domestic first-time filers in assessing compliance with the independence requirements. The amended rules reduce the look-back period in an IPO to one year, regardless of the period of financial statements included in the registration statement.

Loan Provision Rule – Add Certain Loans to Categorical Exclusions List

Under existing rules, an auditor is not considered independent if specified persons within the audit firm, or their family members, maintain loans to or from an audit client. Currently, most automobile loans/leases, loans collateralized by insurance policies or cash, and mortgages obtained under normal market conditions, as well as credit card debt reduced to $10,000 or less on a current basis, are excepted from these requirements. The amendments add certain student loans to the categorical exclusions from independence-impairing lending relationships.

Business Relationships Rule – Replace Reference to "Substantial Stockholders" with Concept of "Beneficial Owners with Significant Influence"

The prohibition against certain business relationships between the auditor and the audit client remains the same while the prohibition against "substantial stockholders" of the audit client is replaced with a reference to beneficial owners (known through reasonable inquiry) that have significant influence over the audit client. The "significant influence" inquiry should be focused on whether influence exists at the entity under audit and not merely at an affiliate entity.

Mergers and Acquisitions – Create Transition Framework to Address Inadvertent Violations Resulting from Such Transactions

Replaces the outdated transition provision and introduces a transition framework to address inadvertent independence violations arising in a merger or acquisition transaction. For example, one or both respective auditors of two companies that agree to merge may find that they provide prohibited services to the combined company because of the merger. The framework addresses such situations, detailing the expectation that the independence violations will be corrected as promptly as possible and in most instances, prior to the effective date of the merger or acquisition. The transaction framework does not apply to merger or acquisition transactions that are in substance similar to IPOs.

not provide reasonable assurance that the audit firm's internal inspection program is suitably designed and/or being effectively applied."

Violations found at both the largest firms and at smaller firms have included:

- A failure to have adequate systems in place to provide investors with confidence that the audit firm was in fact complying with the independence rules and
- The existence of evidence that auditors were misleading audit committees by failing to provide them with the information they need to make informed decisions.

The importance of having an effective system of audit quality controls in making independence determinations was made clear on April 5, 2022, when PCAOB disciplined KPMG's former Vice Chair of Audit, Scott Marcello, for supervisory failures in connection with KPMG's receipt and use of confidential PCAOB inspection information. PCAOB's order found that Marcello failed reasonably to supervise KPMG personnel who engaged in a scheme to illegally obtain and use confidential PCAOB information in an attempt to improve KPMG's PCAOB inspection results.[5]

Audit quality controls should serve as the backbone for making proper assessments of objectivity and impartiality to ensure they are sufficient to overcome any deficiencies in audit independence.

Using a Materiality Standard to Judge Independence

As previously mentioned, the modernized rules adopt a dual materiality threshold to assess whether a sister entity should be included as part of the audit client. If so, the independence rule would apply to both clients as if they were one entity.

One area of concern addressed in the new independence rule is that problems can arise when otherwise permissible non-audit services are provided to a non-audit client that becomes an affiliate of an audit client. The independence rules then apply to both clients as if they were one entity.

Some firms are now using a materiality criterion to determine whether these non-audit services provided to an affiliate entity, which would be prohibited if the parent had provided them, violate the independence requirement in audit engagements. Applying such a materiality standard can have the effect of dismissing otherwise improper relationships.

Using a materiality criterion to determine whether non-audit services should be allowed raises certain questions such as:

- Is independence a standard best left to the individual judgment of the auditors or should it be based on SEC regulations and PCAOB standards?
- Where should the line be drawn in making materiality determinations?
- By applying a materiality criterion to affiliate relationships, is the SEC creating an ethical slippery slope where other areas of the audit might be judged by a materiality criterion?

An example of the ethical slippery slope might be the question of whether an audit firm should be allowed to accept contingent fees in audit engagements. The current ethics rules say 'no,' because it might violate the general standard. However, if the non-audit services are not material, would it then be acceptable to accept such forms of payment when auditing the client so long as objectivity and impartiality can be maintained?

Recommendations

1. The SEC and PCAOB should require auditors and audit firms to assess their own quality controls and report on them to the public to ensure that those systems are operating as intended, designed to ensure audit independence, and establish mechanisms to control for relationships and services that might pose threats to an auditor's objectivity and impartiality.
2. PCAOB should no longer allow audit firms to have one year to fix problems with their audit quality controls before these deficiencies are made public. Investors have a right to know about the deficiencies and make their own judgment on the quality of audit work in a timely manner. This would enhance assessments whether objectivity and impartiality have been maintained even if there are technical violations of independence.
3. The SEC should provide guidance to auditors (and the public) about how the materiality standard should be applied through a "Question and Answer" document.

It is troubling that the SEC may have given up in its efforts to make independence the cornerstone of audit engagements; instead, it may be over-relying on objectivity and impartiality under the guise of a materiality exception.

Moreover, subjective determinations of objectivity and impartiality have been elevated to a position that might enable an auditor or audit firm to engage in relationships or services that may threaten independence but still be allowed because objectivity and impartiality can be maintained in the judgment of the auditor.

About the Author:

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Endnotes

[1] https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/rulemaking/docket-047/2020-003-independence-final-rule.pdf?sfvrsn=43d58c7e_6.

[2] https://www.sec.gov/news/press-release/2020-261

[3] https://www.sec.gov/rules/final/2020/33-10876.pdf.

[4] https://www.sec.gov/rules/final/33-7919.htm.

[5] https://www.jdsupra.com/legalnews/the-pcaob-brings-first-failure-to-5499230/.

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CPE ARTICLE: EVALUATING THE MODERNIZED SEC RULES GOVERNING AUDITOR INDEPENDENCE

By Steven Mintz, Ph.D.

Today's CPA offers the self-study exam for readers to earn one hour of continuing professional education credit. The questions are based on technical information from the preceding article. If you score 70 or better, you will receive a certificate verifying you have earned one hour of CPE credit – granted as of the date the test arrived in the TXCPA office – in accordance with the rules of the Texas State Board of Public Accountancy (TSBPA). If you score below 70, you will receive a letter with your grade.

1. The modernized SEC rule that sets ethical standards for audit independence is?
A. QC Section 20
B. Rule 2-01 of Regulation S-X
C. SAS 99
D. AU Section 220

2. Under what circumstance does the new independence rule apply to both an audit client entity and a non-audit client?
A. When otherwise permissible non-audit services are provided to a non-audit client that becomes an affiliate of an audit client
B. When advisory services are provided to both entities
C. When the audit services provided to both entities are material
D. When a sister entity and audit client are separate

3. The intention of the changes in the SEC independence rule is to:
A. Establish a materiality standard to assess when the rules apply to audit clients
B. Add to the audit issues known as "critical audit matters"
C. Modernize SEC rules to focus more attention on auditor's objectivity and impartiality
D. Eliminate all violations of independence

4. The "Business Relationships Rule" replaces reference to "Substantial Stockholders" with the concept of:
A. Materiality
B. Sister entities
C. Beneficial owners with significant influence
D. Transition framework

5. The two factors that describe the critical importance of auditor independence to the financial reporting system are:
A. Materiality and objectivity
B. Impartiality and reliability
C. Integrity and credibility
D. Reliability and credibility

6. The purpose of the changes to the SEC's independence rule is to:
A. Effectively and efficiently identify transactions and relationships that could impair an auditor's independence
B. Reduce compliance costs for both audit clients and their auditors
C. Lessen the effect of technical violations of the independence rule that do not influence objectivity and impartiality in meeting audit obligations
D. All of the above

7. Which of the following is an important procedure to have in place in making independence determinations?
A. Audit quality controls
B. Professional skepticism
C. Be an advocate for the audit client
D. Audit procedures

8. Even though the SEC's new independence rule makes substantive amendments to the auditor independence requirements, which standard did not change because of these amendments?
A. Materiality determinations
B. Impartiality and objectivity determinations
C. The general standard
D. Requirements for relationships and services that might threaten auditor objectivity and impartiality

9. The purpose of QC Section 20 of PCAOB standards is to:
A. Establish a requirement for auditors to assess the client's internal controls over financial reporting
B. Provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements when discharging professional responsibilities
C. Assess whether fraud exists in the financial statements
D. Reduce compliance costs for audit clients and their auditors in assessing relationships and services that are less likely to threaten auditor objectivity and impartiality

10. According to the article, regulators should require auditors and audit firms to:
A. Assess their own quality controls and report on them to the public
B. Replace independence determinations with assessments of objectivity and impartiality
C. Avoid the ethical slippery slope
D. Split-off audit and consulting services into separate divisions

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$620,000 gross. Brownwood, TX area CPA. Nicely balanced revenues between 75% tax work, 15% accounting services, 10% payroll/compliance. Great cash flow to owner. TXN1534

$1,119,000 gross. Heart of Texas CPA practice. Tax prep is 85-90% of revenue yearly. 2/3 individuals. Business and trust make up remainder. Bookkeeping 10-15%. Tenured staff. TXC1077

$447,000 gross. Heart of Texas CPA firm. 80% tax, (78% inv., 13% bus., 9% other), 11% bkkpng, 9% audits/reviews, cash flow around 43%, staff in place, owner available to stay on as employee after sale if needed. TXC1078

$510,000 gross. NW of Dallas CPA firm. Tax 72%, accounting 28%, strong fees, solid cash flow, experienced staff in place, turn-key location in desirable DFW community. TXN1526

$634,000 gross. Wichita Falls CPA firm. 70% tax, 30% accounting, strong cash flow with 70% of revenues from business clients, experienced staff in place and owner available to assist with transition. TXN1557

$307,000 gross. North Texas CPA practice. Tax 65%, accounting 35%, solid fee structure, experienced staff and the perfect size starter or add-on practice. TXN1558

$839,000 gross. Fort Worth CPA firm. Highly profitable firm with cash flow to sole owner of approximately 60%. 76% tax and 24% accounting services. Premium client base includes many businesses. Experienced staff and seller available to work in transition. TXN1580

$730,000 gross. Northeast Texas CPA firm. Tax 55% and 45% accounting, solid fee structure, experienced staff and exceptional client base. Lots of room for growth, 80% total revenues from businesses. TXN1587

$480,000 gross. Fort Worth CPA tax practice. Strong cash flow to owner 55%, quality clientele, year-round income and amazing expansion ability with individual and business referrals. TXN1588

$1,125,000 gross. W. Houston CPA firm. 66% tax, 22% audit/review, 12% bookkeeping. Excellent cash flow to owner, premium clientele and experienced staff in place. TXN1246

$283,000 gross. Southeast Texas CPA firm. 60% tax and 40% bookkeeping. Building available for lease or purchase. Friendly and loyal clients, growth opportunities and owner assisted transition available. TXS1232.

$1,700,000 gross. N. Houston CPA practice. Great service mix to provide year-round revenue with heavier workload during Sep/Oct deadlines. Strong, experienced staff in place. TXS1264

$116,000 gross. The Woodlands area CPA firm. Operates remotely from anywhere in Houston. Excellent cash flow, high-income clients. TXS1291

$567,000 gross. NE of Houston CPA firm. Owner looking to semi-retire and will assist buyer as agreed. Great service mix of tax, bookkeeping and payroll/consulting. Turn-key opportunity with experienced staff in place and office available for lease. TXS1283

$905,000 gross. Semi-virtual, Texas-based CPA firm. Multiple location firm with possibility to be completely virtual over time. 66% tax work and 27% accounting and 7% payroll. Year-round income with about 55% income derived from businesses. TXN1606

$255,000 gross. North Dallas CPA tax clients. Loyal clients from a variety of businesses and industries. About 80% of business done by portal, making it an easy acquisition for an existing firm. Option to maintain space for seamless transition. TXN1605

$533,000 gross. East Texas CPA firm. Highly regarded firm offers bilingual services to businesses and business owners. Revenues 50/50 tax work and accounting services. Strong cash flow over 50% gross income. TXN1601

$123,000 gross. South DFW (Waxahachie, TX) Bookkeeping practice. Solid fees and minimal overhead yields high cash flow over 80% gross income. Balanced revenues 50/50 between bookkeeping and tax services. TXN1599

$154,000 gross. Northeast Dallas CPA practice. Unique, niche tax preparation. Revenues from tax preparation for individuals and small businesses make up 70% revenues. Excellent fee structure yields cash flow that is 80% gross income. TXN1593

$375,000 gross. Carrollton CPA practice. 81% tax work, 10% accounting services, 8% payroll. Outstanding cash flow to owner with over 95% gross revenues. Operated out of home office and seller will assist for smooth transition through first tax season. TXN1600

$3,560,000 gross. North Texas CPA practice. Well established and growing firm that is exceptionally profitable for a firm its size due to fee structure and high realization rate. 50% auditing services and 45% tax work. Complete with long-term staff and partners to aid in transition. TXN1597

$424,000 gross. Garland CPA practice. Long standing practice with quality client base. Desirable mix of revenues for year-round income. 68% tax work, 22% accounting and bookkeeping, and 8% payroll services. TXN1596

$439,000 gross. Flower Mound CPA practice. Reputable practice has grown through word of mouth. Strong fee structure. 59% tax and 39% accounting with other services to provide year-round income. Owner willing to assist in transition. TXN1598

$191,000 gross. East Texas (Cedar Lake area) CPA practice. Well established and rapidly growing practice. 80% tax preparation and 20% bookkeeping and payroll services. Excellent cash flow of 64% gross revenues and experienced staff to aid in transition. TXN1590

$477,000 gross. NW Houston CPA firm. Revenues made up of accounting 74%, tax 24% and other 2%. Year-round cash flow and knowledgeable staff. Owner willing to assist with smooth transition. TXS1300

$1,040,000 gross. South Texas CPA firm. Nicely mixed revenues 43% accounting, 38% tax and 19% other services. Year-round cash flow and knowledgeable staff. TXS1298

$650,000 gross. West Houston accounting firm. Service mix 93% accounting and bookkeeping and 7% tax. Nice location for buyer with extra room to bring in additional staff. TXS1297

$1,013,900 gross. SW Houston CPA firm. Desirable location and cash flow. Well trained support staff already in place. Services desirably mixed 67% tax, 12% accounting, 15% reviews and 5% audits. Seller assisted transition. TXN1295

$354,000 gross. NW Houston CPA firm. Predominately made up of complex tax returns. Nice cash flow and high-income quality clients. Excellent staff ready and able to assist. TXS1296

$316,000 gross. Galveston County CPA. Service mix includes 67% tax, 14% audit/review and 6% other. Year-round work provides excellent cash flow. Prime location with loyal clients. TXS1287

$2,201,000 gross. West Texas firm. Highly motivated multi-owner CPA firm. Revenue mix is 14% accounting services, 29% tax preparation (49% individual, 41% business, 10% other and 57% attest services). Large tenured staff and long assisted transition by owner. TXW1030

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SPECIAL REPORT:

Desirable Internships Lead to Successful

CAMPUS TALENT ACQUISITION

By Daniel Shallcross, CPA

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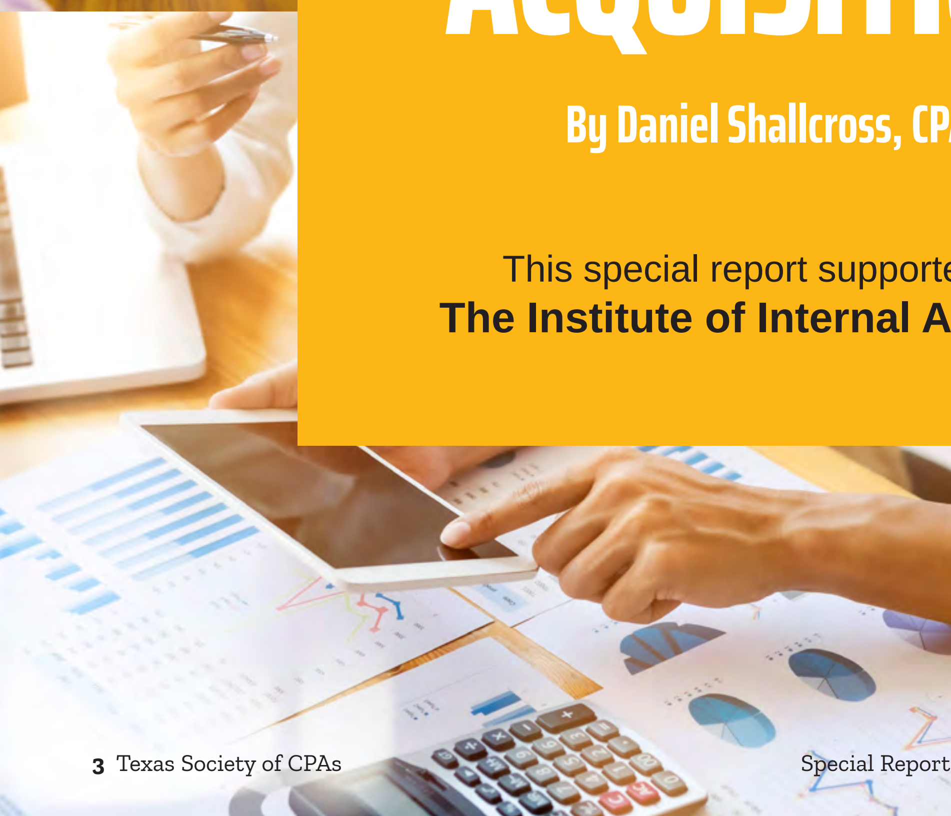
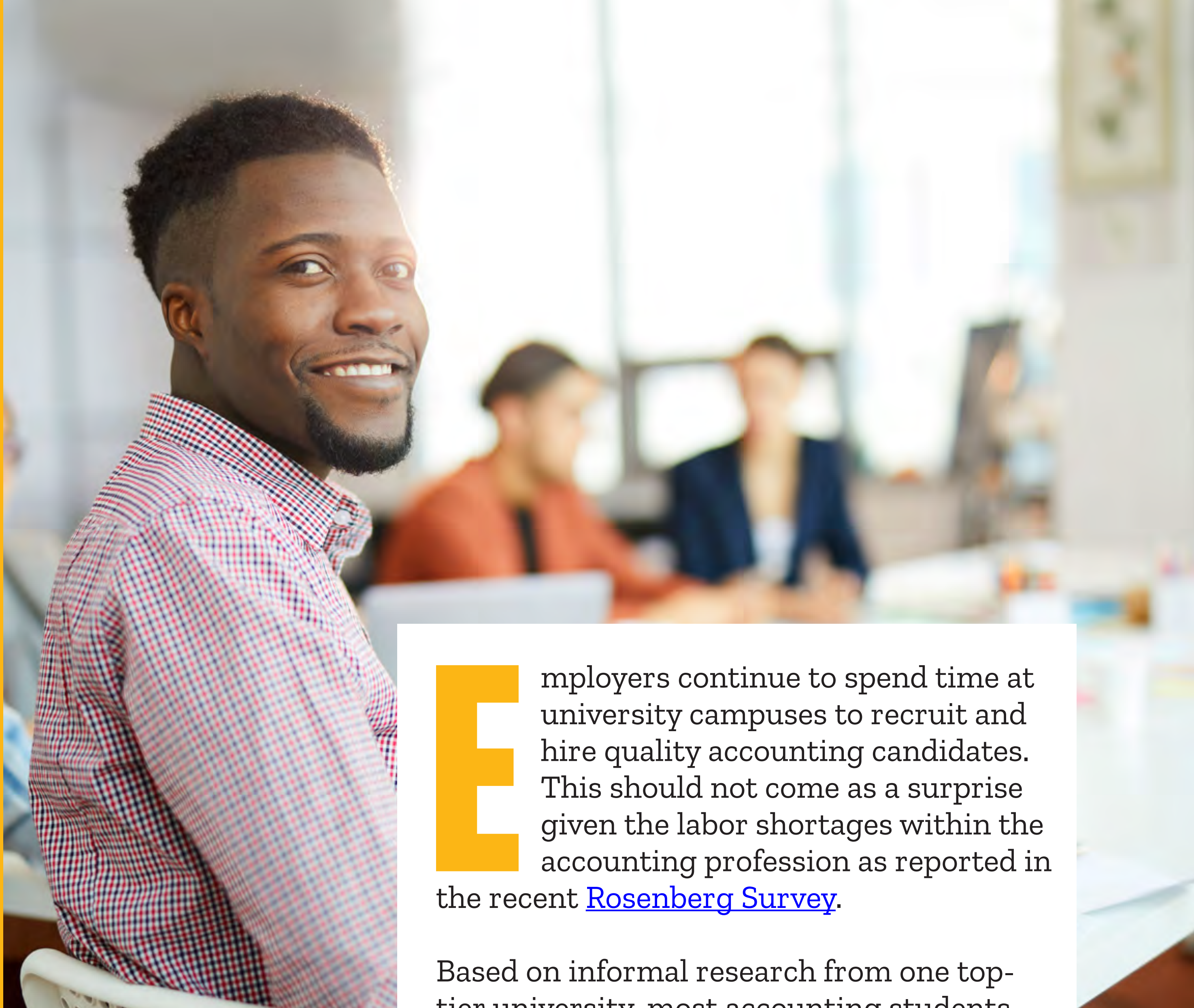




Employers continue to spend time at university campuses to recruit and hire quality accounting candidates. This should not come as a surprise given the labor shortages within the accounting profession as reported in the recent Rosenberg Survey.

Based on informal research from one top-tier university, most accounting students accept full-time positions with an employer they previously interned with. Furthermore, most accounting students complete an internship for college hours credit.

...most accounting students accept full-time positions with an employer they previously interned with.

As part of a credit-bearing internship course, students were asked to complete a post-internship survey. More than 99% of these students communicated they received a full-time offer resulting from their internships or were still waiting to hear about a potential offer. Nearly 80% of students who received a full-time offer accepted it or had plans to accept it.

continued on p5

Most of the remaining students were unsure about what they would decide. This left less than 10% of students with plans to reject their offers.

What can we take away from this information? Internships serve as the lifeblood of campus hiring for entry-level full-time positions. A desirable program is essential in talent acquisition across college campuses. As such, this article provides insight to firms and companies as they look to build internship programs that resonate with college students.

Consistently Keeping Interns Connected

Firms and companies need to know that interns want to feel connected and valued. The increased use of virtual or hybrid internships resulting from the response to COVID-19 made this need even more apparent.

Several students recently returning from hybrid or virtual internships communicated a preference for in-person work environments/activities and as the Pew Research Center reported earlier this year, six-in-10 U.S. adults new to working from home say they "feel less connected to their co-workers."

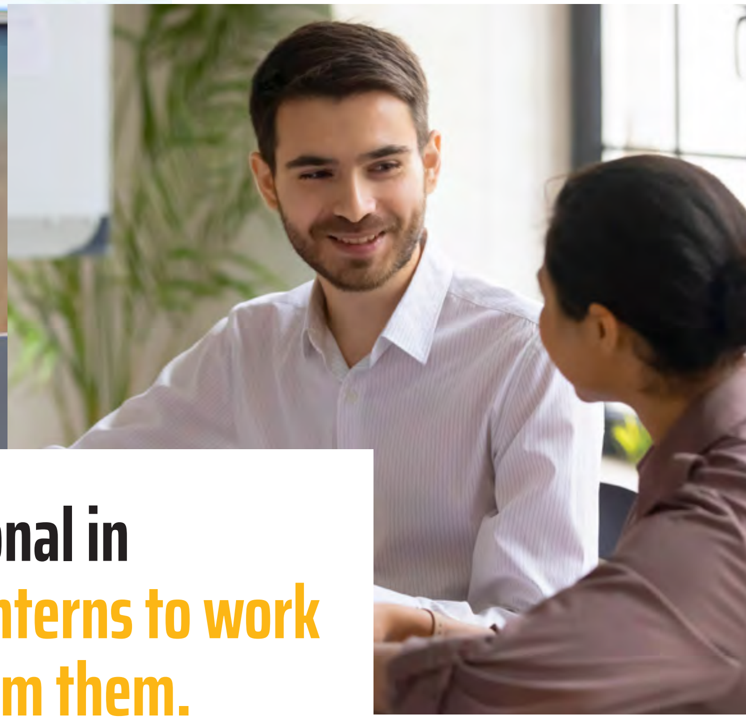
In general, accounting students seeking internship opportunities also desire in-person experiences. As an example, one student who was recently recruited by multiple employers for an internship said, "prospects of a virtual internship negatively influenced my decision."

Regardless of whether it's entirely in-person, virtual or hybrid, it is essential to create an environment where interns don't feel forgotten. This requires a team effort by several professionals across multiple departments and it means that the same campus recruiters who previously built a relationship with current interns need to continue to foster relationships during the internship. The connection may involve regularly communicating via email/company messaging software or informally inviting an intern or group of interns to lunch/coffee.

The professionals (who typically stem from HR) involved in onboarding, planning activities/events and training should also regularly connect with interns during planned activities and throughout the program. Employees working in the service line or department of an intern should share the responsibility of making them feel connected too.

Participation from staff, supervisors and leaders of the organization is needed. A great way to make sure this occurs is by creating "buddy" and "mentor" programs. These programs involve assigning a less seasoned professional, as well as a leader in the organization,

In general, accounting students seeking internship opportunities also desire in-person experiences.



Employers should be intentional in providing opportunities for interns to work with individuals different from them.

to each intern. These professionals then have the responsibility to check in with their intern(s) weekly, both informally and formally.

All the full-time employees connecting with interns should do their best to create an environment that encourages networking. Individuals will feel more connected and valued if they are encouraged to proactively reach out to buddies, mentors and random other employees across the organization.

Most connections between full-time professionals and interns will be informal; however, prearranged group activities and events are also important in creating a fun and desirable internship. Happy hours and activity-based events (like Topgolf or bowling) are helpful in team bonding and fellowship.

Planned "intern-only" activities/events are necessary too. This provides a safe place and time to network with peers. Numerous students have communicated that they wish they had more time to meet other interns. It's worth considering adding several of these activities while they receive training at the beginning of their internships. And yes, a formal training program is necessary. It may even be beneficial to have a training at an off-site location where social activities are easy to plan. Providing opportunities to socialize and network on the front end will increase the likelihood that they will connect with each other throughout the internship.

Creating Learning and Personal/Professional Growth Opportunities

Offering training will not only help foster relationships among peers but also contribute to creating an environment that allows interns to grow personally and professionally. College students desire programs that provide learning opportunities. There are several actionable steps employers can take to encourage personal and professional development.

Employers should be intentional in providing opportunities for interns to work with individuals different from them. This may involve working with professionals from various cultural backgrounds.

As an example, following an internship, one student communicated that a coworker was of a different ethnicity than she was and she was able to "learn a lot about his culture and background." She communicated

Assigning tasks to interns with context and how it helps the employer, its clients and others fulfill their missions can provide more motivation to complete the work.

that the opportunity provided "a completely new perspective on life!"

Quality internship programs will also enable supervisors to provide constructive feedback through formal and informal channels. This means regular (possibly bi-weekly) meetings where interns receive feedback and a plan to improve their performance. Furthermore, these meetings are a great time to give them a chance to provide feedback about their experiences. These meetings ultimately provide the intern and employers the opportunity to adjust where necessary to create a mutually beneficial experience.

Taking time to provide education on the big picture and the "why" behind their work further cultivates learning and increases the likelihood they will feel valued, since they may gain additional understanding of how their work is meaningful.

For example, it is as easy as communicating to an external audit intern how testing for unrecorded liabilities fits into providing an unqualified audit opinion, allowing investors of the audited company to rely on its financials to make sound investment decisions. These sound investment decisions can lead to healthy returns for the investor that may be used to help the economy through reinvestment and/or provide the investor the ability to use the resources for non-profit work.

Assigning tasks to interns with context and how it helps the employer, its clients and others fulfill their missions can provide more motivation to complete the work.

Desirable Internships Offer Challenging and Diverse Work Assignments

If an intern is tasked with meaningful jobs, this likely means the work will also be challenging. This is much better than primarily offering menial/easy tasks. However, employers should be careful to provide enough guidance and help while still allowing their interns to problem-solve and think independently. There are times when students return from internships disappointed or excited due to the type of projects they were assigned and/or how they felt supported with the work.

Students are also attracted to internships that advertise the opportunity to work in multiple areas or offer work variety. It is worth considering designing internships that include a rotational program and/or the ability to work with a team of fellow interns on a special project.

For example, there are public accounting employers that offer internships with a rotation in both audit and tax while others have included week-long projects providing the opportunity to work together to present useful information/solutions to executives of an employer.

Work variety may also take shape using various technologies. Allowing them to utilize and learn more about the emerging technologies and platforms used by the firm or company may be advantageous to the perceived quality of the internship.

Providing an Appropriate Amount of Work and Competitive Pay

It should be apparent that firms and companies need to be thoughtful when planning the type of tasks and project assignments. The quantity of work matters too. It is important to keep interns busy while still not requiring them to work several hours of overtime. Former accounting interns have complained about being underutilized and overworked. As best as possible, plan out the work schedule. If it is possible an intern will be underutilized, designing on-demand continuing education training can be helpful.

Finally, competitive compensation is necessary to attract quality candidates. In the current market, it is uncommon for students to only have one internship offer. Based on experience, most public accounting internships offer an hourly rate that is equivalent to what a first-year staff earns.

Ensuring a Pipeline of Quality Entry-Level Talent

Since most full-time hiring for entry-level candidates stems from internship programs, companies cannot become complacent when designing a program that is desirable to college students. Superior programs are intentional in keeping interns connected. It should be a time for them to develop new and lasting relationships with professionals and peers.

Offering training will not only help foster relationships among peers but also contribute to creating an environment that allows interns to grow personally and professionally.

Given the number of factors to consider, it requires thoughtful consideration when planning the perceived quality and quantity of work and activities. The programs are often used as a vehicle for employers to further interview their interns and interns to interview the firm or company. Employers that don't consider the internship program as another recruiting pitch for full-time entry-level hiring may later find themselves understaffed or without a pipeline of exceptional young talent.

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