

The KENTUCKY CPA

A Monthly Bulletin for the 4,800 Members of the Kentucky Society of CPAs

August 2003 °

Thank You from Ben

To all the members of the Kentucky Society of Certified Public Accountants:

When I made some remarks at the wonderful retirement ceremony the Society provided for me on June 27 at the Caesar's Resort, I mentioned how I have always been proud to tell someone I served as the Executive Director of the Society. It has been a marvelous career, working for some of the finest people I have ever known, and I want to say a big "Thank You" to all of you for allowing Valerie and me to be such a part of your professional family for all these years.

Those who know me will remember that Louisville is my hometown, and thus it was an easy decision to decide to settle here when Valerie and I decided

to end my military career after 12 years and return home to start a new life. A wonderful man, William J. Caldwell, was retiring as the Executive Director of the Society and Executive Secretary of the Kentucky State Board of Accountancy, and the search committee made what I thought then was a wise choice and, as they say, the rest is history.

It has been a privilege and an honor to serve such a wonderful profession. I will admit that, even though I earned a MBA degree while in the Army, I was not that familiar with CPAs back in 1972.

Over the years I gained a deep appreciation for why you enjoy such a sterling reputation in the business community. Such words as honesty, integrity, objectivity and independence took on new meaning to me as

I came to realize they were the very foundation upon which this profession was built and has enjoyed such success.

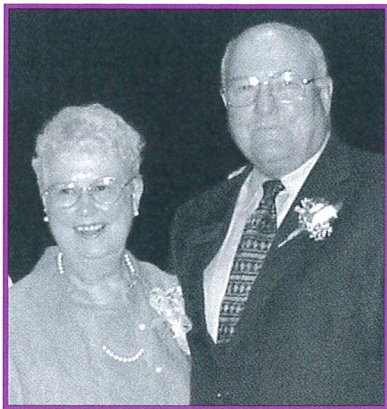
This foundation has been shaken a little recently, but I believe it is still strong and that it will be standing tall for many years to come. As our Vision Statement of a few years ago said, "CPAs do make sense out of a changing and complex world," and the need for our services has never been greater. The Society, supported by the AICPA, is in a perfect position to provide the knowledge, resources and leadership necessary for this profession to survive the anticipated onslaught brought about mainly by the Enron/Worldcom scandals.

Speaking of search committees, I also want to express my appreciation to the excellent search committee that selected Penny Gold to replace me. I have known Penny through our mutual association in the Kentucky Society of Association Executives and I don't believe the committee could have made a better choice. Knowing she is at

the helm makes leaving this organization that I have put my heart and soul into for 31 years a whole lot easier.

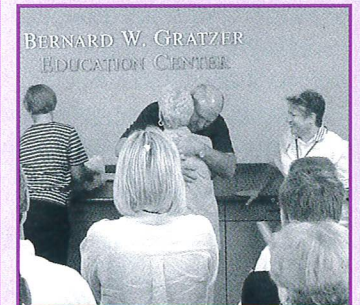
I never got to see Bob Hope in person, even through my two tours in Vietnam, but I'm sure he wouldn't mind if I stole his theme song for my last words to all of you, "Thanks for the Memories".

Ben



Ben and Valerie Gratzner thank the Society for allowing them to be a part of the CPA professional family for over 31 years.

Education Center Renamed to Honor Ben Gratzner



The KSCPA Education Center at Society headquarters in Louisville has been renamed the Bernard W. Gratzner Education Center. All classes and course materials that reference the center will be updated to reflect the change.

The change was part of a gift presentation to retired Executive Director Bernard "Ben" Gratzner from the Society staff. Gold-brushed and black letters adorn the wall behind the registration desk to identify the new name.

Ben expressed heartfelt gratitude for the gesture and described the gift as "perfect."

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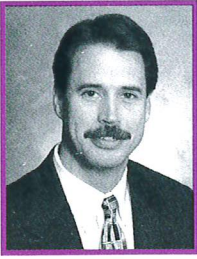
"The underlying threat to our profession is not regulation; it is the loss of trust in our profession."

- Society President **David R. Price**



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President's Message



KSCPA President
David R. Price

As I take on the role of president of the Society, I think it is only appropriate to ponder the question:

"What exciting things do we have to look forward to this year?"

The Sarbanes-Oxley Act will be in effect for the first time for our members working with and for public companies. The GAO will likewise restrict CPAs' ability to do work for entities subject to Government Auditing Standards. And the cascading effect will continue to impact those in public accounting who do work for private companies, as well as CPAs in industry, government and education. Our 25-year system of self-regulation is in jeopardy. Public confidence in our profession is shaken. The economy is still struggling, as members will critically weigh the value of their dues dollars. And to top it off, we won't have Ben Gratzner to guide us through the storms.

Does this sound like a challenge? Absolutely.

It's been said, "With any challenge comes opportunity." If that's the case, then this must be the year of great opportunity. The truth is, we do have serious challenges ahead as to how we practice, what we practice and for whom we work. We're currently experiencing one of the greatest public attacks in the history of our profession.

And the truth is, we do have some of the greatest opportunities our profession has ever seen. But it is up to us to take advantage of those opportunities.

First, we have an opportunity to embrace change and capitalize on the positive energy that comes with it.

We have new leadership for our organization, as Penny Gold is only the third Executive Director of the Kentucky Society of CPAs in its 79-year history. Penny brings a new perspective and a "fresh look" at how we manage our association and how we serve our members. We in turn, need to share her enthusiasm and take an objective look at ourselves.

Public accounting firms

will have to adapt to change by taking advantage of opportunities in a changing marketplace. They must be open to building strategic alliances and relationships with other CPAs in order to serve their clients and still maintain market share.

Secondly, and most importantly, we have an opportunity to re-establish and solidify CPAs as the symbol of business integrity. Maintaining the public interest is the hallmark of our profession. It means being individually accountable to our clients, to the public, to your organization, and to each other. This is true whether you're in the practice of public accounting or in industry, government or education.

The underlying threat to our profession is not regulation; it is the loss of trust in our profession. And, individual action is the only means to restore public trust in our profession. This is the responsibility of each and every CPA.

If we are to remain a viable profession, we must be committed to our core values of integrity, objectivity and

competence. And if we don't actively demonstrate these values, we lose the opportunity to differentiate ourselves as professionals.

While it's true that our profession has suffered a serious blow, recent polls have clearly shown that the vast majority of individuals, who work with their CPA, believe their CPA isn't part of the problem. And individually we're probably not responsible for the setbacks to our profession. However, we all need to be part of the solution. Individually we must say no to unsound accounting practices. Individually we must take responsibility for our own professional competency. Individually we must draw a line when it's gray. Simply put, we must, as individuals, do the right thing.

I believe we're going to have an exciting and challenging year ahead us. I'm very honored and proud to serve you and represent you, and I look forward to working with you and Penny to meet these challenges.

Does the Peer Review Focus Only on Statements and Reports Issued by the Firm? (This is the second in a series of articles on peer review issues.)

By Roger D. Johnson, CPA
Technical Reviewer for
KSCPA Peer Review Program

Some matters have been lingering in the clutter on my desk for a while from reviews otherwise forgotten. But they resurface routinely and involve issues that aren't understood very well.

Does the peer review focus only on the quality of statements and reports issued by the reviewed firm? Yes, and no. "Yes," if the peer review is an engagement peer review or a report peer review. Generally, engagement peer reviews are permitted for a

firm with no audit practice but that has a review and/or compilation practice. However, a firm that only reports on compiled financial statements without disclosures may have a report peer review. (This is very general guidance. Attest engagements, "SSARS 8 compilations", and other services may affect the type of peer review.) Ordinarily, engagement and report peer reviews involve the reviewer selecting two or more engagements for review. Results of reviewing the statements and the accountant's report and their consistency

with applicable professional standards dramatically influence the peer review report. For reviews of financial statements, the peer reviewer must also examine documentation required by the professional standards. The presence of significant departures from the relevant professional standards always results in a modified or an adverse report in engagement and report peer reviews.

That's not the case for system peer reviews. System peer reviews, applicable to a firm with one or more audits (and in limited other situations),

are focused on a firm's system of quality control. A system of quality control is described in the Statements on Quality Control Standards (SQCS). The SQCS are applicable to every firm with an audit and/or accounting practice. This includes "moonlight" practices. In a system peer review, errors or deficiencies identified in statements, reports or underlying work papers must be viewed through the lens of the firm's quality control system. When the reviewer encounters significant failures to follow professional standards, there
(continued on page 3)

Successful Candidates Posted

The list of those who passed the May Uniform CPA Exam is posted on the Society website under the current-events section. Ninety-two candidates passed the exam out of the 568 candidates who sat in Kentucky. Fifteen of the exam-passers passed on the first attempt. Grades were mailed to candidates from the State Board of Accountancy on August 4.

This was the last May "paper and pencil" exam. The Uniform CPA Examination will be delivered in a computer-based format beginning **April 5, 2004.**

Computer-Based CPA Exam Test-Takers Needed

The Uniform CPA Examination will be a computer-based test as of **April 2004.** The test will contain revised content and a new format to reflect changes in the accounting profession.

The following Universities will be hosting CPA Exam pre-tests on the dates indicated below for accounting students that meet minimum requirements*:

Northern Kentucky University
September 4-5, 2003

University of Louisville
October 17-18, 2003

Western Kentucky University
November 20-22, 2003

Volunteers will make a significant contribution to the accounting profession and help protect the public interest by helping to ensure that the CPA examination appropriately assesses the knowledge and skills required of entry-level CPAs. In addition, volunteers will benefit from the excitement of working on a groundbreaking initiative for the profession, and recognition as a contributor to this important effort.

For more information, please contact Jenni Buckner at 800.292.1754 or jbuckner@kycpa.org.

You can also check out the exam website:

<http://www.cpa-exam.org/cpa/computer.html>.

*Preference will be given to the host school students.

CLASSIFIEDS

Guidelines for Classifieds
- Rates are 50 cents per word (\$30 minimum), add \$5 for blind box ads. The deadline for placing ads is the 10th day of the previous issue month. Please send your ad and billing information via email to pr@kycpa.org, fax to 502.736.2768 or mail to the attention of Kimberly Morris, KSCPA, 1735 Alliant Avenue, Louisville, KY 40299-6326. Replies to blind box numbers should be sent to that number, care of The Kentucky CPA, KSCPA, 1735 Alliant Avenue, Louisville, KY 40299-6326. All replies will be forwarded unopened to the purchaser of the ad. All classified ads will be posted on the KSCPA web site kycpa.org. For more information, contact Kimberly Morris at 502.736.1363 or email at pr@kycpa.org.

FOR RENT – KYCPA Multi-Media Education Center available to members and non-members. Call Carolyn Bowen at 502.266.5272.

SECURITY THAT PAYS FOR ITSELF In October of 1996 CBI Systems, Inc. installed a Facility Management System in the KSCPA Office. The "Silent Manager" System controls the existing HVAC units as well as the building's security. Energy Savings from the "Silent Manager" have more than paid for the system two times over and at the same time provided a state-of-the-art security system. Outdoor temperatures are monitored by the "Silent Manager" so that the buildings energy usage is minimized, but always safe and comfortable when the staff arrives for work. For more information call CBI at 493.0386 or visit cbisystems.com.

WANTED TO PURCHASE: Lexington CPA firm with over 20 years experience in public accounting wishes to expand through acquisition. Contact by fax 859.223.5875.

SOCIETY NEWS

Committees In Motion



The Relations with Bankers and Lawyers Committee is working on its annual Financial Institutions Conference. The committee will be working with the Kentucky Bankers Association to bring more bankers to the conference.

The Public Relations and Communications Committee has approved an advertising budget for purchasing space for image-enhancement ads. The committee

is also working on several projects including increasing publicity efforts and creating a community-building effort to promote CPAs giving back to their communities.


Members In Motion

Mike Fiechter, CPA attended a job fair for middle and high school summer school students at South Laurel High School on Friday, July 18, 2003. He spoke to students about the importance of the accounting profession and the many career opportunities available for CPAs.

Alesha Graves, has joined Dean, Dorton & Ford, P.S.C. as an Associate.

thy Jaeger, CPA has become a shareholder in the firm Dean, Dorton & Ford, P.S.C. She has been with the firm since 1994.


Jennifer Rader has joined Louis T. Roth & Company as a Staff Accountant



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