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IS 150 TOO MANY?

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You need solutions to capacity challenges

With a low unemployment rate, fewer students attending college or sitting for the CPA Exam, and more work to fill client and company needs, accounting firms and corporate finance teams are feeling the talent crunch.

We've heard you loud and clear. With the help of a special Board of Directors capacity task force, we are developing resources to help you make sound decisions around talent and capacity.

In February, we released our 2022 Compensation & Benefits Survey results. The report is an invaluable tool help you evaluate your organization's salaries and benefit packages against similar organizations around the state. One anonymous comment encapsulates the survey findings: "New hire salaries [are] much higher; average raises for 2023 [are] significantly higher (10%) to account for increased inflation." You can read more about the findings on page 12 or visit **https://www.vscpa.com/2022-comp-survey**.

The Compensation & Benefits Survey is also useful to help you consider innovative options to finding capacity, such as outsourcing and offshoring. We're discovering a significant number of accounting firms are already outsourcing certain services — or at least thinking about it.

And for the first time ever, we've released a VSCPA Recruitment Guide. This 34-page document is easily navigable, allowing you to glean information in the areas you need the most help.

A large section on direct recruiting includes guidance on how to use online job boards and social media for job posting, as well as how to recruit students and more diverse hires. If you'd like to engage professional recruiters, we have tips on how to navigate the relationship.

If you have candidates but need help getting them over the finish line, a section on hiring dives into hiring practices, the interview process, assessments and onboarding. And if you'd like to think beyond the hire to alternative solutions, you'll find information on outsourcing, offshoring, creative hiring and upskilling. You can find this comprehensive resource in the Capacity Resource Center at **https://www.vscpa.com/capacity**.

Stay tuned; we know recruitment is only one half of the puzzle. A detailed Retention Guide is coming shortly. What else can we do to help you? I'm all ears! ■

Stephanie Peters, CAE, has served as VSCPA's president and CEO since 2007.

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An effective strategic plan can give your organization **clarity**, **focus** and **build trust** with your employees. As you start planning for the new year, now is the time to think about how your business will evolve and become a successful firm of the future. See how we can help!

VSCPA members receive special pricing. Visit **vscpa.com/VSCPAStrategicInsights** or contact Laura Cobb, CAE, at lcobb@vscpa.com or (804) 612- 9441 for more details.

Leveraging 30-plus years of leadership experience in Virginia's CPA industry, **Gary Thomson** guides CPA firms of all sizes in developing partner-level leaders, building innovative governance, and crafting leading-edge strategic plans.

The VSCPA brings more than 20 years of experience working on behalf of the profession with exposure to local and national trends and issues.

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SURVEYS SAY >>

Women are *breaking* up with their jobs, yet CFO equity increases

New research from LeanIn.org and McKinsey & Company prompted the companies to declare we are amid a "Great Breakup" — women and work are having a difficult moment.

The 2022 "Women in the Workplace" report collected data from 333 organizations and surveyed more than 40,000 employees to identify these trends:

- Women leaders are job changing at a faster rate now than anytime since the survey began in 2015 (and at a higher rate than men).
- Only one in four C-suite leaders is a woman, and only one in 20 is a woman of color. For every woman at a director level who gets promoted, two women are choosing to leave the company.
- Women leaders are twice as likely as their male counterparts to be mistaken as someone more junior.
- While 43% of women leaders report being burned out, only 31% of men say the same.

Why are women in management leaving in exodus? While women are still ambitious, "at many companies they face headwinds that make it harder to advance," the report says. "It's increasingly important to women leaders that they work for companies that prioritize flexibility, employee well-being, and diversity, equity, and inclusion."

Despite the LeanIn survey results, another study, the Crist Kolder Volatility Report, reveals the number of women CFOs hit an all-time high in 2022 (16%), and has doubled in the past 10 years. While only 8% of CEOs are women, that number is at all-time high.

To reconcile the data, both scenarios can be true: Women are filling more CFO roles than ever, *and* many capable women are leaving their jobs for a variety of reasons.

Find more statistics on "Women in the Workforce" at **leanin.org/women-in-the-workplace** and the Volatility Report at **cristkolder.com/volatility-report**.

The CPA is evolving — and so is the test

Beginning in 2024, prospective CPAs will sit for the CPA Exam and face a brand-new model for licensure. As the profession becomes more technology and data-driven, the CPA profession investigated how to properly devise a new licensing Exam to capture today's relevant competencies.

Through the CPA Evolution initiative, the American Institute of CPAs (AICPA) and National Association of State Boards of Accountancy (NASBA) worked with stakeholders to develop a new Exam and model for licensure.

In January, the 2024 CPA Exam Blueprints were released, debuting a different Exam format that allows accountants to demonstrate their strengths and interests. The blueprints define the subject matter eligible for the Exam.

The Exam core will be similar to the current Exam version: one section each for auditing and attestation, financial accounting and reporting, and taxation and regulation. Each candidate will then take a new discipline section of their choice: business analysis and reporting, information systems and controls, or tax compliance and planning.

Check out the blueprints for yourself at **evolutionofcpa.org**.

Educators: Learn more on CPA Evolution at our June 9 virtual Accounting Educators' Exchange; see **vscpa.com/accounting-educators**.

Students: Attend our free virtual CPA Evolution Lunch & Learns in June and July; **vscpa.com/college-students**.

TICKER

$42 MILLION

Profit received by the Virginia Lottery from the $2 billion Powerball jackpot in November 2022.

$3.75 BILLION

Record amount of sales reported by the Virginia Lottery for fiscal year 2022, resulting in $779.6 million in profits for K–12 education.

10

Number of states offering the option to buy scratch-off and other lottery games online, of which Virginia has the highest per-capita sales.

45

Percent of CFOs in 2022 for the largest corporations who majored in accounting.

26

Percent of CEOs in the financial sector who were promoted from the CFO position.

14 MILLION

Number of 2021 tax returns the IRS corrected due to adjustments from laws like the American Rescue Plan of 2021.

$1,232

Average refund received by taxpayers with corrected 2021 returns.

78

Percentage of CFOs who believe "quiet quitting" is a problem.

32

Percentage of CFOs who said accounting was the most important knowledge base needed on their teams, reflecting a shortage of finance team talent.

FOCUS ON DEI >>

VSCPA is an *Accounting+* partner

Promoting the CPA profession as an exciting career path for students — particularly minorities — is a major VSCPA priority. That's why we've committed to partnering with the Center for Audit Quality's (CAQ) Accounting+ initiative.

Accounting+ is a first-of-its-kind, national brand awareness campaign focused on reaching Black, Hispanic and Latino students at the high school and early college levels. The campaign communicates to students where they are — on social media and in classrooms — to provide access and support for accounting.

The VSCPA is proud to commit $15,000 over two years to Accounting+ to help the next generation of diverse candidates reimagine what it means to be an accountant. This is just one of our many DEI-focused initiatives to promote the CPA pipeline (see them all at **https://www.vscpa.com/dei-students**).

We're already making a difference! On March 22, 2023, three VSCPA members spoke to accounting students at an Accounting+ event, Accounting for Your Future, at H.D. Woodson STEM High School in Washington, D.C. **Courtney Arrington, CPA**, **Jessica McClain, CPA**, and **Jamil White, CPA**, shared their perspectives on how students can shine in accounting.

Check out more about the program at **joinaccountingplus.com** and **boldambition.org**.

As enrollment in Virginia's four-year public universities and private colleges fell overall from 2020–2022, two historically Black colleges and universities (HBCU) saw undergrad enrollment increase: Virginia State University by 18% and Norfolk State University by 7%.

A *celebratory* mood

The General Assembly addresses tax conformity and the PTE tax.

VSCPA members visited Del. Rodney Willett on CPA Assembly Day in January. From left to right: VSCPA PAC Chair Brett Sinsabaugh, CPA; Willett; VSCPA Board Vice Chair Aaron Peters, CPA; VSCPA Board Chair George Forsythe, CPA; and VSCPA Tax Advisory Committee member Elil Arasu, JD.

In 2019, the VSCPA began its campaign in earnest to make rolling income tax conformity a reality in the Commonwealth. VSCPA members were fed up waiting for the General Assembly to pass legislation year after year for emergency conformity to federal definitions of income — and that frustration was especially unwelcome during tax season.

But rolling conformity required a shift in legislators' mindsets, as well as communication and education about how such a law would affect Virginia's bottom line. Over the past several years and through COVID-related delays, we've had dozens of conversations with legislators and their staff about what conformity is, how it will affect taxpayers, how it will alleviate burdens on preparers and citizens, and how it could benefit Virginia.

Going into the 2023 General Assembly session, we knew the time was ripe for getting this legislation across the finish line. The House and Senate bills (HB 2193 and SB 1405) both provided for Virginia generally conforming to federal tax laws on a rolling basis, "meaning that Virginia tax laws incorporate changes to federal income tax law as soon as Congress enacts them on or after Jan. 1, 2023," the bills state.

The bills passed by each chamber, however, were not identical. The Senate version had a substitute for a $25 million impact threshold with a $75 million aggregate cap. The House version included a $10 million threshold. Ultimately, the bills were reconciled in conference to a $15 million impact threshold and $75 million aggregate cap, meaning Virginia will automatically conform to changes under the $15 million threshold but that automatic conformity is limited to an aggregate of $75 million worth of changes. Extenders to which Virginia already conforms will also be automatic and are not subject to either the threshold or the cap.

Gov. Glenn Youngkin did attach a technical amendment to the bill to address the transition from fixed-date to rolling conformity. At press time, the General Assembly was scheduled to reconvene on April 12, and we did not expect any issues in the bill ultimately getting approved and signed.

We could not have done this without you! 2022–2023 VSCPA Chair George Forsythe, CPA, made rolling conformity a top priority of his term, and a special Board task force on conformity addressed our opportunities and challenges. Members, leaders, volunteers, staff and legislative counsel all worked tirelessly over the past 18 months contacting legislators. VSCPA member Rep. John McNamara, CPA, sponsored the House legislation and educated his colleagues on conformity and why fixed-date posed challenges during tax season. And we had the largest number of members ever use our online advocacy platform, VoterVoice, to easily send messages to legislators.

In short, thank you.

PTE TAX LEGISLATION

If you're a Virginia tax practitioner relying on your software provider to make changes to incorporate the pass-through entity tax (PTET) form, this spring may have been stress-inducing. Several software providers did not make updates in a timely fashion — or at all. The VSCPA had multiple discussions with the Virginia Department of Taxation (TAX), but there will not be a waiver for the online PTET form submission. At press time, TAX had indicated plans to create an option to directly e-file through the Department's website, but said it will not be available until late summer/early fall. In the meantime, TAX is advising impacted practitioners to take advantage of the automatic extension.

The PTE issue began last year when we successfully helped push through legislation to adopt the ability to pay entity-level taxes for qualifying pass-through entities, i.e., the workaround for the State and Local Tax (SALT) cap. In December 2022, the VSCPA Tax Advisory Committee sent comments to the Virginia Department of Taxation on its draft PTET guidelines for the PTE tax. In addition to redlining the draft guidelines, the VSCPA asked for additional clarification related to the credit for taxes paid to other states as it relates to apportionment. The VSCPA strongly believed the definition of "qualifying pass-through entity" was too restrictive and disqualified more PTEs than intended by the General Assembly.

To fix the issue, companion bills were introduced to repeal the definition of "qualifying entity" and replace it with "eligible owner," and ensure the calculation of tax is based on the share of Virginia income, gain, loss or deduction attributable to the eligible owners. Prior to the legislation, a PTE could only make the PTET election if it was 100% owned by natural persons or persons eligible to be shareholders of an S corporation. As a result, PTEs owned in part or in full by corporations, other PTEs, and other entities were prohibited from making the election.

Ultimately, the bills were passed and signed by the governor on March 27, 2023.

On March 29, TAX released Tax Bulletin 23-3 to respond to the new law. The bulletin clarifies the new definition of "eligible owner":

> *Only a direct owner of a PTE who is (1) a natural person subject to Virginia's individual income tax or (2) an estate or trust subject to Virginia's fiduciary income tax may claim a refundable PTET credit. Consequently, all PTEs can make the PTET election, but only owners meeting the eligible owner requirement are eligible to claim refundable PTET credits.*

The changes made to PTET are in effect for taxable year 2021 and thereafter. The Bulletin provides further guidance on filing returns as well as the automatic six-month filing extension.

We'll continue to post updates in our Pass-Through Tax Resource Center at **www.vscpa.com/pte-tax**. ■

Your *secret* to high firm growth: Digital transformation

Want to improve client satisfaction by 70% and profitability of 61%? It's time for more than minor tech upgrades.

Lee W. Frederiksen, Ph.D.

Accounting firms have struggled to rise to the challenge presented by today's technological advances. This may come as a surprise to many in the profession, who can point to significant advancements in technology deployed to support activities like engagement management, tax return preparation, and online collaboration at their firms. These strides have taken many firms a few steps into the future, but they fail to keep pace with the overall rapid development of technology that can do so much more than most firms currently realize.

To take full advantage of the wide range of help technology can provide, firms need to execute a complete and coordinated "digital transformation" as opposed to the select implementation of upgrades to a few key systems.

WHAT IS A DIGITAL TRANSFORMATION?

As noted in the Digital Transformation Imperative, the Hinge Research Institute's most recent assessment of the state of digital transformation in the professional services sector:

> *"Digital transformation refers to the process of leveraging advanced digital technologies to create new — or vastly improved — business processes, organizational cultures, and customer experiences to meet changing business and market requirements."*

Many firms think their periodic updates to key systems keep them on top of technology, but they fail to realize these updates don't begin to scratch the surface. The benefits available to those who commit to newer, more advanced digital technologies are changing the way everyone does business.

Most firms settle for the business equivalent of updating software on their smartphones. In fact, technology exists that represents a quantum leap in processes — similar to the jump from cellular flip phones that could barely complete calls to today's smartphones.

The study of professional services firms in six disciplines, over half of which were accounting or consulting firms, showed that on the whole, digital transformation improved all key performance indicators relating to operational efficiency, profitability, revenue, brand awareness, and client satisfaction. Operational efficiency saw the greatest improvement with an average increase of 76%. Client satisfaction saw average improvements of 70%, and profitability 61%.

DIGITAL TRANSFORMATION AND HIGH-GROWTH ACCOUNTING FIRMS IN 2023

When compared with data gathered for the Hinge Research Institute's 2023 annual update to its High Growth Study of firms in the accounting and financial services sector, the results point to significant opportunities for firms that can commit to a full digital transformation.

Results from this study indicate more than 50% of no-growth firms identify themselves as being at the entry level of digital maturity, heavily reliant on spreadsheets and manual processes. Almost 30% of *high-growth* firms remain in this lowest category. High-growth firms do tend to outpace their low-growth competitors throughout the next several levels of development, but the numbers show tremendous opportunities for firms looking to supercharge growth through a commitment to digital transformation.

High-growth firms significantly outpace their competition when it comes to digitally transforming their marketing and business development processes. Their success with these new technologies relies on more than just the investment in the purchase of a new system. Their results also stem from a commitment to training and implementation support that ensures they get the best return on their investment.

One of the areas of greatest surprise is the use of new technologies to track and report on marketing and business development metrics. One-third of the no-growth firms surveyed, but also a quarter of the high-growth firms, do not track or report on *any* business development and marketing metrics. As the marketing process becomes more digital, firms that fail to take full advantage of the performance metrics that commonly tracked analytics can deliver will steadily lose ground to those who can use this information to better target strategic initiatives.

So many of the firms in the survey still rely primarily on historical data and pattern analysis to develop future plans — while their competitors adjust in real time based on website and social media analytics.

DIGITAL TRANSFORMATION CAN SPUR GROWTH

Another opportunity that arises for accounting firms that have taken on the challenge of a digital transformation is the opportunity to serve clients in this area from a position of experience. Firms that have undergone digital transformation in their own offices are uniquely qualified to support the transformation in other businesses through client advisory services (CAS).

Firms beginning this process should track their experiences, not only for the lessons learned regarding future implementations, but also to develop best practices they can recommend to clients. Of all the professional services we surveyed, accountants and consultants are best positioned to share the knowledge and experience gained through their own transformations as well as lessons learned from each new client engagement supporting those transformations elsewhere. ■

Lee W. Frederiksen, Ph.D., is managing partner at Hinge, the leading research-based branding and marketing firm for professional services. 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.

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New *accountants* see the money

VSCPA 2022 Compensation & Benefits Survey reveals CPA firms are increasing salaries and supporting new CPAs in efforts to recruit and retain.

As firms and corporate finance teams compete to hire the best accounting talent and keep up with unprecedented demand, the 2022 Compensation & Benefits Survey reveals CPA firms are increasing newer accountants' salaries and support for aspiring CPAs and exploring other solutions like offshoring and outsourcing.

In addition, the data showed little variance in salary for non-managing accountants working in corporate finance, government or nonprofit compared to public accounting.

The VSCPA conducted the biennial compensation and benefits survey to CPAs in Virginia in November and December 2022 in partnership with Whorton Marketing & Research. Findings included the mean and median salaries at all levels of employment, including breakdowns by geographic region, and investigated other issues related to benefits like paid leave and insurance. Other questions touched on remote work, outsourcing and offshoring solutions, and turnover.

"The results are clear — firms are doing everything in their power to attract talent and explore innovative solutions to reduce employee stress," said VSCPA President & CEO Stephanie R. Peters, CAE.

"We've heard from leaders since the pandemic began that firm capacity challenges are their biggest concern, and the survey shows they are increasing base salaries and offering more benefits — even at the expense of partner salary increases."

THE VSCPA RECRUITMENT GUIDE IS HERE!

Download your free, 34-page e-book full of recruitment tips and ideas, available at **https://www.vscpa.com/capacity**.

Respondents included 84 public firms, 17 sole practitioners, 133 accountants in corporate finance and industry, and 48 working in government and nonprofit. While a vast majority of firm respondents conduct tax services (95%), outsourced accounting or bookkeeping came in at 52%, audit at 45%, and consulting services 42%.

Overall, firms are not losing staff in frightening quantities. They report losing 5.2 staff and hiring 7.0, resulting in slight growth and a mean 12% staff turnover.

KEY COMPENSATION FINDINGS

It's a great time to be an accountant looking for an entry-level position. To attract more talent to the profession, firms now offer a mean salary of $59,022

— a 15.5% increase over 2020. Salaries increase from there, with first-level supervisors at a mean salary of $84,645 (a 12.7% growth) and senior managers at $118,635 (13.9% growth).

Partners report a mean of $211,733 — only a 0.5% increase, indicating that firm leaders are choosing to invest in the future of their companies by offering competitive salaries to younger staff at their own salary expense.

Unsurprisingly, several respondents commented that their firm increased its overall fees to cover higher wages and account for inflation. And as one respondent said, "Hiring new employees costs more; we don't want employees to be poached away by other organizations because pay is uncompetitive."

Support positions in CPA firms also saw large salary increases. Most notably, the finance and IT positions saw growth of 34.5% and 21.8%, respectively, with HR at 12.5%.

Salaries are similar for accountants working in the private sector. In corporate finance, accountants, managers and executives earned a mean salary of $74,349, $102,466, and $183,839, respectively. Those same positions earn a mean of $66,000, $105,180, and $188,423 in government/nonprofit.

Raises increased for everyone on the whole since the 2020 results. The average raise percentage was a mean of 4% between October 2019 and 2020, and firms now report a 7.6% mean raise in 2021–2022. (They anticipate 6.6% for 2022–2023.)

Staff who work in specialty areas do earn more than generalists, and CPAs earn a mean of 17% more than non-CPAs.

KEY BENEFITS FINDINGS

The majority of CPA firms are offering flexible work hours, with a full 71% employing flexibility year-round. Accountants in corporate and government/nonprofit settings have even more flexibility, with 95% of industry and 100% of government/nonprofit offering some type of flexible hours.

Despite firms stepping up compensation to attract young employees, the percentage offering medical insurance for employees dropped 5% from 76 to 71 — while insurance coverage for dependents/family grew 7% to 67. Corporate and government/nonprofit employers are more likely to offer medical insurance (88% and 77%, respectively).

Other firm benefits include matching contributions for retirement programs (79%), professional membership dues (71%), professional license/credential reimbursement, and bonuses for passing the CPA Exam. Among corporate and government/nonprofit employers, the most common are also matching retirement contributions, membership dues, and professional credential reimbursement.

Fitting with the profession's national focus on attracting more talent to accounting, the number of public firms offering professional license/credential support increased by 12 percentage points over 2020, and tuition assistance increased 11 points.

CREATIVE SOLUTIONS

While the majority CPA firms are not yet outsourcing or offshoring to combat capacity challenges, the practices *are* in use — and growing. While 64% of CPA firms have never tried outsourcing and have no plans to, 18% are doing it and another 16% are exploring the approach. Those numbers increase when it comes to offshoring, with 20% of CPA firms already employing international help and 17% considering.

Corporate finance teams, governments and nonprofits report very minimal outsourcing and offshoring (only 5% of industry and 11% of government/nonprofit are outsourcing).

All firms that participated in the survey will get the full report. Non-participants can purchase the survey results ($199 for members/$249 for nonmembers). Call the VSCPA at (800) 733-8272 to purchase. Contact Laura Cobb, CAE, VSCPA director of innovation, at **lcobb@vscpa.com**, for more information.

WHAT'S IN THE FULL REPORT?

Visit **https://www.vscpa.com/2022-comp-survey** to find:

- An executive summary.
- Detailed compensation for each position level by geographic location, including salary, raises and bonuses.
- Information broken down by firm size: small (1–5 staff), medium (6–15) and large (more than 15 full-time employees).
- Demographic information on firms, including diversity programs and other recruitment and retention activities.
- Much more!

IS 150 *too* MANY?

With a slowing pipeline of professionals into the CPA profession, is the requirement for 150 hours of education to blame? A VSCPA special task force reviews the data and makes a recommendation.

Jill Edmonds

For nearly the past two decades, prospective CPAs in Virginia have had to undertake 150 hours of education before becoming licensed. But a declining CPA pipeline has accountants asking: Is the 150 now a barrier to becoming a CPA? Is it time to reimagine how we prepare CPAs for an increasingly evolving profession?

VSCPA members — CPA leaders across organizations of all sizes — are asking these questions. In September 2022, the VSCPA Board of Directors convened a special 150-Hour Task Force to gather data on the 150, review challenges to the CPA pipeline, and make a recommendation to the Board on if the VSCPA should change its standing position supporting the 150-hour requirement for licensure.

THE HISTORY BEHIND 150

Between the 1970s and 2020, every U.S. state and territory adopted the 150-hour educational requirement, an increase from 120 hours. As early as 1956, a Commission on Standards and Experience for Certified Public Accountants Report stated a graduate degree would be preferable for accountants.

"As leaders in the profession began to review educational requirements, they saw distinct advantages to requiring 150 hours," said Stephanie Peters, CAE, VSCPA president & CEO. "They identified that the CPA profession was marked by high-quality, knowledgeable accountants who were committed to personal integrity and ethics. They believed requiring more education would set them apart from their unlicensed counterparts."

Additionally, 150 hours was thought to increase CPA Exam success rates and attract the brightest talent to a prestigious profession.

In 1979, Florida became the first state to pass legislation requiring 150 hours, which became effective in 1983. By 1988, the American Institute of CPAs (AICPA) required new members after 2000 to have completed 150 hours. And in 1990, the AICPA and National Association of State Boards of Accountancy (NASBA) developed model rules to implement the requirement. Flexibility to obtaining 150 was urged to encourage non-traditional accountant students to enter the CPA profession.

The initiative really gathered steam in the 1990s, with dozens of states passing and enacting 150. Virginia passed it in 1999 as part of adopting the Uniform Accountancy Act model rules, with a 2006 effective date. By that point, many firms were only hiring CPAs who had completed 150 hours because they had cross-border work, and standards were different depending on the state. It became clear that substantial equivalency was necessary to ensure the stability of the profession.

Substantial equivalency allows CPAs from any jurisdiction to practice across borders as long as the states have similar education, experience and Exam requirements.

By the early 2000s, states began to roll back the 150 requirement to sit for the CPA Exam. Currently 43 states, including Virginia, allow 120 hours to take the Exam but candidates still need to fulfill their 150 hours before becoming licensed.

There are a variety of different paths to getting to 150 hours of education. Some students acquire a master's degree in accounting or business or an MBA. Others may build expertise in certain content areas by obtaining graduate certificates. Still another path is to double major in an undergraduate program and take additional coursework to get to 150. Nontraditional paths are allowed to obtain the required educational requirements, and there is flexibility.

Back in 2008, NASBA issued a discussion document about the 120-hour Exam-sitting requirement. The organization wrote, "Adoption of the 150-hour requirement was not done in haste. The quest for the 150-hour education requirement goes back to the time when NASBA was called the Association of CPA Examiners and the American Institute of Accountants (AIA) was still not a part of the AICPA. The requirement was brought about by many factors, including: the expansion of client services, the growing application of information technology (electronic data processing), the increase in accounting pronouncements, the recognition of the value of formal education over informal experience, and the desire for the recognition of accounting as a profession at least as demanding as law, engineering and architecture." ▶

A SHIFTING PROFESSIONAL LANDSCAPE

The genesis of educational requirements for CPAs makes sense. But two decades into a new millennium, things are changing — starting with basic numbers.

College enrollments are dropping

Before you can even discuss the number of accounting majors, you must review the stark numbers on college enrollment overall, and it's not pretty.

According to the National Center for Education Statistics and National Student Clearinghouse Research Center, between the fall of 2012 and the fall of 2022, the number of students enrolled in college dropped almost 10%, or nearly 2 million. The trend of declining enrollment accelerated during the pandemic, with nearly 8% dropping between 2019 and 2022.

This is not to say that college is no longer popular. While some people re-evaluated their career paths in light of the pandemic, dropping enrollment can also be related to declining birth rates.

Colleges and universities are acutely aware of an "enrollment cliff" expected in 2025. In that year, the college-age population will dramatically drop due to the plummet of babies born between 2008 and 2011 (the Great Recession). In 2025, 576,000 fewer students will enter college.

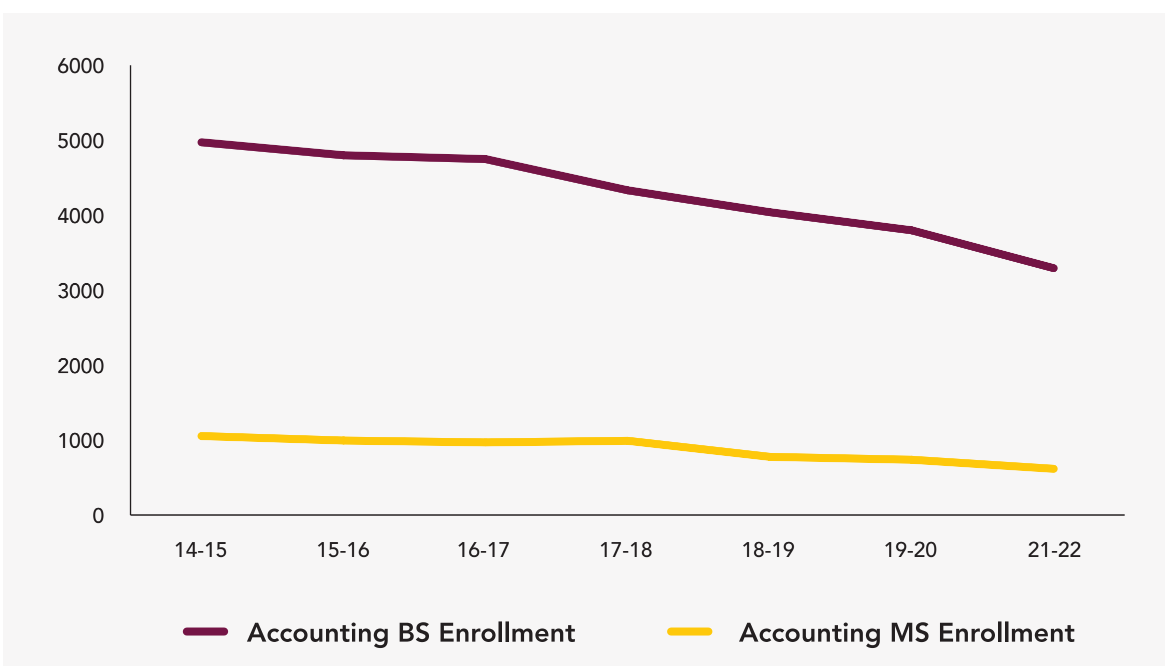
Fewer students are choosing accounting

With fewer students overall, that means fewer accounting majors. And it's important to note: The CPA profession is not the only prestigious credential fighting for talent. Doctors, lawyers, engineers … Everyone wants the best students, and all professions are trying to attract the brightest minds to their fields. Among this competitive environment, students are reviewing the data: Which fields hold the greatest career promise? Which choices yield the highest salaries?

Nationally, student enrollment in accounting programs has been on the decline since 2016. That trend holds true for Virginia as well (**see Figure 1**). Consequently, fewer CPA firms are able to hire accounting graduates, and more non-accounting graduates are filling jobs formerly held by CPAs.

The 2021 AICPA Trends Report, the most recent study of the supply and demand for accountants, found that accounting graduates trended downward in the 2019–2020 academic year (the most recent year that data was available), with declines of 2.8% in bachelor's accounting graduates and 8.4% of master's grads.

FIGURE 1: Virginia College Accounting Degree Enrollment



It's clear the 150-hour requirement is not currently meeting the profession's expectations. What we need to do now is figure out a way — on a national level — to review the requirement so that it is meaningful and provides value.

Fewer students are sitting for the CPA Exam

As expected, the trickle-down effect from fewer college students to fewer accounting majors means fewer CPA Exam takers. The 2021 Trends Report found that while the number of CPA Exam candidates decreased less than 0.5% between 2018 and 2019, there was a 17% decrease between 2019 and 2020. With Exam testing centers closed due to the pandemic, this was to be expected. The profession is closely watching for Exam candidate numbers to rebound, as a 6% increase occurred between 2020 and 2021. Still, numbers are significantly lower than before the pandemic.

Statistics from the Virginia Board of Accountancy (VBOA) reveal Virginia licensees in June 2022 were down 2% year-over-year. In that same period, inactive licensees grew 2.5% and are up 15% since 2019. CPA candidates decreased 6% since June 2021 and 33% since 2020.

A 2021 special report on the CPA pipeline from the Illinois CPA Society, Decoding the Decline, surveyed more than 3,000 accounting students and young CPAs to decipher the challenges the profession faces. Respondents said the largest barrier they faced to becoming a CPA was the time commitment needed to study for and pass the CPA Exam.

Additionally, among respondents who did not plan on becoming CPAs at all, 32% said they did not see the CPA credential as providing value or relevance to their careers, and 28% didn't believe they would see a return on investment.

The hiring landscape is ultra-competitive

These statistics are having a real and lasting impact on CPA firms and corporate finance teams who depend on CPAs to do the high-level, strategic accounting and financial work needed by their clients and businesses. In 2023, everyone who wants a job has a job; the overall national unemployment rate is 3.5%, and Virginia's is even lower at 2.8%.

The cutthroat hiring environment naturally has CPAs asking: If the 150-hour requirement were gone, would more candidates find the CPA designation attractive? That's certainly a solution being discussed in various parts of the country.

To truly analyze the issue and dig deep into the data, the VSCPA Board of Directors wanted to find out.

THE 150-HOUR TASK FORCE

Under the direction of 2022–2023 Board Chair George Forsythe, CPA, the 150-Hour Task Force convened to develop a draft position to present to the Board at its January meeting, with the ultimate goal of the Board voting on the position in April.

The Task Force comprised Board representatives and VSCPA Diversity, Equity & Inclusion (DEI) Advisory Council members, as well as other members and educators and a representative from the Virginia Board of Accountancy.

"Juggling the demands of the profession, along with limited capacity and scarce staffing resources, is the top issue right now facing firm and industry leaders," George said. "Chatter has begun swirling nationally indicating negative impacts of the 150-hour requirement. Empowering our members to thrive is the primary focus of VSCPA Board and staff, thus, we readily embraced this issue to resolve whether the 150-hour rule is creating barriers to entry."

Damon DeSue, CPA, a previous Board of Directors chair and member of the DEI Advisory Council, agreed to helm the Task Force. "I have deep concerns about the pipeline and the barriers we are self-creating for entrance into the profession," Damon said.

The group met four times last year to facilitate a robust and thoughtful discussion on the impact of the 150-hour requirement. The Task Force evaluated historical data, reviewed relevant statistics, surveyed VSCPA members about their thoughts and experiences, and spoke with students, experts, and other stakeholders. ▶

VSCPA 150-HOUR TASK FORCE

CHAIR: Damon DeSue, CPA, CGMA, PRA Group, Inc., Norfolk
JJ Edmunds, CPA, PBMares, LLP, Richmond
Milly Ikundi, CPA, McKinsey & Company, Washington, D.C.
LaToya Jordan, CPA, CGFM, Auditor of Public Accounts, Richmond
Jeffrey Kum, student, Virginia Commonwealth University, Richmond
Gabriele Lingenfelter, CPA, Christopher Newport University, Newport News
Andrew Martin, CPA, Corbin & Company, PC, Chesapeake
Kelli Meadows, CPA, Meadows Urquhart Acree & Cook, LLP, Henrico
Darry Newbill, CPA, Deloitte, Richmond
Jim Phillips, CPA, KPMG, Richmond
Brandon Pope, CPA, Vaco LLC, Richmond
Nadia Rogers, CPA, CGMA, Virginia Tech, Blacksburg
Jamil White, CPA, New Energy Equity, LLC, Annapolis, Md.

The Task Force considered if the VSCPA should maintain its position of support for 150 and if the VSCPA should actively work to influence the 150-hour requirement in Virginia or nationally.

To formulate its recommendation, Task Force members took a deep dive into the below areas.

VSCPA member survey data

In December 2022, the VSCPA conducted a survey of members to determine their perceptions of the 150-hour requirement — and they do believe it's a barrier.

Respondents identified these as the three strongest, potential barriers to the profession: time needed for CPA candidates to take additional 30 hours of education, cost of additional 30 hours, and impression of a CPA's workload. Conversely, members do not believe that starting salaries are a barrier; that ranked much lower on the list.

Approximately half (48%) believe the 150-hour requirement has not improved the quality of job candidates, and only 22% have seen a little or moderate improvement. As one respondent said, "I'm not convinced there is a difference, and I have a master's of accountancy degree. I teach masters' students at a university. My undergrads are often more attentive and do better work."

As a solution, a majority, 63%, are either interested or very interested in eliminating the 150-hour requirement. "Additional hours of school does not deliver better employees," says one member. But of those not in favor, there are concerns: "Going backwards will dilute the profession," says another.

Damon said he wasn't surprised by members' feedback. "CPAs in general have a big concern about the pipeline. They are the ones seeing what the universities are producing. They are not confident the pipeline can be sustained."

Other data of CPA's perceptions of the 150 have similar results. In a 2022 INSIDE Public Accounting survey to public accounting firm leaders of varying sizes, 81% said they thought the 150 hindered their firms' abilities to recruit accounting graduates. Nearly three-quarters said they still couldn't find candidates with the analytical skills their firms need.

Studies on the 150's effects on the profession

A few academic studies have investigated how the 150-hour requirement affected the overall pipeline. In 2019, the University of Chicago Booth School of Business revealed the number of first-time Exam candidates dropped by 15% after the 150 was implemented. Additionally, a 2020 working paper from Utah State University identified the 150 as a barrier to entry. Both papers did not find that 150 hours led to increased candidate quality.

But if you ask young and prospective CPAs, you'll find different answers. The Illinois study discovered the cost of obtaining the extra 30 credit hours to become a CPA was not a significant challenge at all. Neither new CPAs, those in the process of becoming a CPA or planning to, those who abandoned the process, nor students identified the 150 as a significant barrier. What is? The workload and personal time commitments to study for and take the CPA Exam. Whether or not a CPA candidate takes 120 hours or 150 hours, the daunting task of facing the CPA Exam is the biggest challenge — and that won't ever go away.

"The common assumptions that the costs associated either with obtaining the additional credit hours to meet the educational/licensing requirements or preparing for and taking the CPA exam are top barriers were proven to be misconceptions — these were not the top barriers cited among any respondent category," the report states. "In fact, these factors were ranked lower than we anticipated, which was interesting given how much emphasis we often place on them and how many resources we create to help deal with these expenses."

VSCPA member survey data shows that Virginia CPAs are concerned about the 150 as a time and cost barrier, but the Illinois study indicates those fears could be misconceptions.

The reality of business

Since the 150-hour requirement went into effect, a lot has changed in the professional environment. When the discussion of increasing educational requirements began in earnest in the late 1980s and early 90s, the Sarbanes-Oxley Act wasn't a glimmer in anyone's eye. Here are just a few of the many realities the profession and businesses now face:

- **Recruiting high-quality, analytical talent** who can understand and implement rules and regulations that change at lightning speed.
- **New and evolving skills needed.** (See the new CPA Exam and CPA Evolution model for what CPAs need to know now, like data analytics and technology.)
- **The cost of college** (massive student loan debt) and the changing perception of the ROI of college education in general.
- **A shifting belief that on-the-job training is more valuable** than college courses.

Coupled with new areas of focus like environmental, social and governance (ESG) reporting, financial planning & analysis (FP&A), and a myriad of technological changes including robotic process automation (RPA) and artificial intelligence (AI), today's businesses need employees with cutting-edge skills and experience.

The impact on attracting minorities to the profession

Increasing the diversity of the CPA profession is a consistent goal of accounting organizations nationwide, and the Task Force didn't want to overlook the potential negative ramifications the 150-hour requirement could have on recruiting diverse accounting talent.

The 2021 Trends Report shows that, while slow, the needle is moving. Hiring of new, diverse bachelor's and master's degree graduates increased by almost five percentage points during the 2019–20 and 2020–21 academic years. A wide array of programs on the state and national levels are making an impact,

but organizations must continue to make diversity a priority to continue the positive trend.

As investigated by the VSCPA DEI Advisory Council, there are many barriers minorities face when trying to enter the profession: lack of awareness about accounting, complexity of navigating college, cost, and more. The Illinois survey discovered higher percentages of minority respondents must pay 100% of their CPA Exam fees than their white counterparts, highlighting a need for further financial support by employers.

Multiple organizations and reports continue to highlight the accounting diversity challenge and offer solutions. (The Center for Audit Quality's Accounting+ initiative is one example of how the profession is responding.)

Salary data

As demand grows for professionals in data analytics, cybersecurity, and other hot fields, talented college students may be choosing careers other than accounting. There are concerns that starting salaries for new accountants aren't as competitive as those in other fields.

"If I'm a student nowadays," Damon said, "I'm going to be asking, 'Is it going to pay to get my CPA?'" The compensation increase for someone who obtains their CPA license is not drastic, he says. After students pay for education, many of them (and their parents) review the cost-benefit of what that degree will equate to in real-world wages.

The 2022 VSCPA Compensation & Benefits Survey does show that new hires and young accountants in Virginia are receiving higher salaries than before the pandemic. Firms are increasing fees and offering more competitive starting salaries. But these still must keep pace, or even exceed, other fields to attract the best talent.

SUPPORTING MOBILITY WHILE REIMAGINING THE 150

Any time a major licensing requirement changes, there are risks to the health of the profession. The Task Force discovered a significant detractor to rolling back the requirement to 120: CPA mobility. Currently, Virginia CPAs have no issues with mobility. Because all states have adopted substantial equivalency, CPAs can easily practice across state lines.

Ultimately, the Task Force decided the risk to Virginia's CPAs was too great for just a statewide 120-hour mandate. But that shouldn't be the end of the conversation.

The draft position the Task Force presented to the Board for consideration reiterates the VSCPA's previous position in support of substantial equivalency. However, the Task Force believes it's also clear the 150 does not meet the profession's expectations overall — and must be redefined.

At press time, the Board of Directors was slated to evaluate and pass the below strike and addition to its position at its April meeting (already approved by the Executive Committee):

> *The Society endorses substantial equivalency and practice mobility as established under the Uniform Accountancy Act (UAA). This includes maintaining the UAA minimum requirements for examination, education ~~(150 hours),~~ and experience for licensure. The Society further endorses redefining the education requirement and advocating for a combination of traditional course work and/or other approved programs and experience relevant to the newly licensed CPA. In addition, CPAs from other states should be permitted to practice in Virginia under the substantial equivalency doctrine.*

Additionally, the VSCPA set specific pipeline-related goals for 2023–2024:

- Work with Virginia colleges and universities and other entities to create programs that allow CPA candidates to attain the 150-hour education requirement through internships or other experience-related programs.
- Engage in a national dialogue to review the UAA and determine changes needed that reflect our current business and education environment.

Before beginning the Task Force's work, Damon said, "I don't think I had the depth or appreciation for how entrenched the 150 is in our profession. I did learn more about the origin." After review, he said it became clear that the profession *does* need to have something that requires a higher standard of learning.

"If we are going to be objective and do what's in the best interest of the profession," said Task Force member Brandon Pope, CPA, "We need to realize that the 150, as it's now implemented, poses significant challenges to furthering the profession's growth."

As many members pointed out in the VSCPA survey, the lack of direction to the extra 30 credit hours needed does not adequately train CPAs. Says one, "In Virginia, the extra 30 hours can be taken in any subject. That means the candidate is no better prepared than they would be at 120 hours. If we are going to require 150 hours, it would be better to require a master's of some sort. As experience is more valuable than schoolwork (after you learn the basics), having internship hours would add way more than classwork."

That member's feedback is just one way the 150-hour requirement could be shaped. And that conversation needs to happen at a national level so the entire profession is on board.

Task Force members did not come to this recommendation lightly. Some members were adamantly against supporting the 150, but after reviewing the data, realized the importance of maintaining substantial equivalency.

THE NATIONAL STAGE

In Virginia, we wanted to listen to our members and then have an open dialogue about the future of the 150 requirement and how it could be shaped to better meet the needs of a changing profession. CPAs in other states are asking similar questions, and other states have their own solutions.

The Indiana CPA Society also has a Board task force looking at the 150-hour requirement and other barriers to entry. The Minnesota Society of CPAs created legislation to return their state's requirement to 120 hours while increasing the experience requirement to two years. While this decision has been sharply criticized by the AICPA, Minnesota believes such a move is in the best interest of its CPAs.

The AICPA sees any legislation to make changes to the 150 as undermining the integrity of the CPA license. Instead, it's focusing on initiatives to increase the CPA pipeline via a draft Pipeline Acceleration Plan. Elements of its multi-part plan include implementing an Experience, Learn & Earn (ELE) program to help candidates get their final credit hours, addressing firm culture and business model challenges, implementing a 30-hour communications and awareness campaign, extending the 18-month Exam window, and tackling inconsistencies in state licensure pathways. The AICPA is actively seeking feedback from stakeholders on the acceleration plan. The VSCPA has already submitted comments and will remain involved in national initiatives focused on the pipeline.

The Big Four accounting firms have each made their own investments in promoting accounting careers, from funding scholarships to acceleration programs. EY offers a career path accelerator plan that allows its prospective CPAs to take their extra 30 course credits virtually at Hult International Business School plus experience hands-on learning at the firm. PWC has a similar program with an online master's degree offered via Northeastern University and also offers a partnership with Saint Peter's University in New Jersey that doesn't require getting a master's.

CONCLUSION

It's clear the 150-hour requirement is not currently meeting the profession's expectations. What we need to do now is figure out a way — on a national level — to review the requirement so that it is meaningful and provides value.

The VSCPA believes CPAs can protect mobility and substantial equivalency while reviewing if the 150-hour requirement in its current iteration in the UAA is the best path forward. Nationally, CPAs must consider if the extra credit hours need to be better defined, or if experience can stand in for some credits.

"There is no ability to push this under the rug," Damon said. "The conversation is here to stay."

The VSCPA plans to be a part of it.

Jill Edmonds, VSCPA communications director, has acted as managing editor of Disclosures magazine for the last 20 years. In addition to the magazine, she oversees the Society's content and communications strategies. She loves a good, color-coded planning spreadsheet.

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FAST-TRACK YOUR PRACTICE: 4 *capacity* SOLUTIONS

By making a few tweaks to how your practice operates, you can improve profitability — and possibly your life, too!

Brannon Poe, CPA

Finding staff feels impossible, and yet it's the best time ever to own a CPA practice. We realize this could be counter intuitive. Our prediction is that this challenge will put CPAs on a path to find solutions that end up transforming their firms for the better.

The accounting industry is not currently flooded with new graduates ready to sit for the CPA Exam. Pay for many staff accountants, while rising, is still considerably lower than fields like coding, cybersecurity, engineering, or other STEM-related fields. As someone in their early career, would you not choose to pivot to earn more and work less?

CPAs are also leaving the profession in high numbers. This is the bad news.

The *good* news is that you are in a high-demand service. Supply is very low and people need assistance with complex tax and accounting issues now more than ever, so demand is high. From a purely economic perspective, when industries experience an imbalance of supply and demand, the suppliers experience windfall profits. Philosophically this is not a bad thing. The higher profits then attract more people into that industry. This needs to happen for the long-term health of public accounting. It's a natural market signal to attract resources. Don't feel guilty by employing tactics that improve your bottom line. It benefits everyone in the profession, from the owner to the newly graduated staff accountants.

The industry is changing and the staff aren't out there — so the solutions are with *you*. Reducing your workload and focusing your practice is the path we've seen provide significant capacity improvements as well as improved profitability. This creates a positive upward spiral where improved profitability enables firms to offer higher pay and better hours, which further helps attract new staff and improve retention.

Here are four powerful strategies to help you create capacity.

1. ANALYZE AND PRUNE YOUR CLIENT LIST.

Where are you dedicating time, effort and money within your current list that is not benefitting your team and overall business? Review your service mix as well as individual clients within each segment.

Many firm owners consider themselves a "one-stop-shop." They may be doing primarily business returns, maybe bookkeeping and advisory, but they also do individual returns and some compilations and maybe even some audits. The issue here is that anything you are dabbling in, you probably aren't doing well. Part of building capacity is creating efficiency and specialization. Something you do sporadically is not going to be well systematized. It may even expose the firm to unnecessary risk if the work is not being done well. Therefore, some firms can entirely eliminate whole segments of their practices to gain significant capacity in one fell swoop.

When you unveil the mix of services that do not suit your bulk of expertise, you need to pass them along to other firms. This is not easy for most. It seems unnatural to eliminate work, but rest assured, any capacity created can be filled quickly with better engagements.

As you analyze individual clients, you will likely notice missed opportunities for more services with many clients where you simply haven't had the time to focus on exploring their wants and needs. You likely also have many clients who you actually lose money on when you factor in overhead and hours not spent on more lucrative work — your opportunity cost. Those clients should be let go of or "pruned."

There are always exceptions to this, of course. Be thorough in your analysis. You may be able to improve the client relationship with a combination of clearer expectations for client-provided information or higher pricing (as discussed below), or even offer more services to these clients. Some might bring in thousands of dollars through referrals — in which case, they make sense to keep.

Analyzing your client list needs to include a review of any clients you simply don't like working with or who waste your time. In our own business at Poe Group Advisors, we are selective about who we take on as clients. When you have a really difficult client it affects team morale, and keeping company culture respectful is an important aspect of building and maintaining capacity. ▶

If you can properly prune the number of problem clients you have and the number of services you provide, you'll increase profitability and time off for your entire firm.

Pruning well has the potential to turn your firm into an incredible place to work, where staffing problems aren't top of mind because you're not swamped, and you're only doing the most profitable and easiest work to manage. That's a work environment employees not only enjoy but tell others about — which, who knows, might bring in high quality staff down the road.

For more help culling your client list, check out "5 reasons you need to let difficult clients go" from the winter 2023 Disclosures issue at **vscpa.com/article/5-reasons-you-need-let-difficult-clients-go**. You'll also find a good-bye letter template at **poegroupadvisors.com/accounting-practice-academy/resources**.

2. INCREASE PRICES.

A lot of firm owners increase prices for their services in hopes of cutting back their client list. We have found that price increases rarely reduce your book of business to the extent you might expect. In the current market, a lot of firms are not accepting new business. The fact of the matter is, your clients are service-sensitive, not fee-sensitive.

Pricing is very much a trial-and-error process. Determining your optimal pricing is going to take researching firms in your market area or other virtual firms offering your niche of services and quality. Once you land on an appropriate price, quote it to your new leads.

A lot of owners feel safe in quoting potential new business far in excess of what they are currently charging existing clients. Many people are shocked to find they still get the new client despite substantial fees. This sort of experimentation is what leads to a major increase in your confidence to charge higher fees with current clients.

When you are feeling confident, the next step is to select a portion of your existing list to increase fees on a value-based pricing model (in contrast to hourly pricing). Once you have refined your pricing on a small sample of clients, you can roll out that new pricing model practice-wide. This eliminates much of the risk. You don't need to increase everyone all at once.

Again, experiment. Practice different scenarios. If a few clients don't leave, you did not raise your fees enough. Your goal should be to increase revenue while decreasing staff hours. You'll likely have a queue of new referrals who would happily fill any excess capacity you may gain by losing any clients who refuse to pay you your worth. In truth, our experience has been that clients expect fees to increase and most happily pay.

We've never spoken to a CPA who regretted raising fees. Ever. Our experience has been quite the opposite. Fee increases are generally far more well received than anticipated. In fact, we had one past coaching client who doubled fees and lost less than 10% of his entire client base. There is no doubt an art to pricing and this column can't cover that in a few paragraphs.

A CASE STUDY

This is an outlier story. We wrote a growth guide, a case study around Rob Siegfried — a CPA who grew his firm from scratch to where it is now, doing more than $100 million in revenues with a national footprint.

In the guide, Rob tells a story about how he had a mentor early in his career. The mentor didn't have a public accounting background and was a former General Electric executive.

Despite his lack of accounting experience, the mentor shared timeless insights into managing and growing a business that Rob took and implemented into his accounting firm. Because of this guidance, Rob eventually delegated himself down to zero billable hours as a managing partner.

Most CPAs think, "Oh, gosh, zero billable hours, how can that be?" It's an extreme example, but you can literally grow yourself out of all client work and become the managing partner, overseeing the vision of your practice, protecting the practice, and managing change and team development. That's an extreme example of delegation, but it doesn't make the principles of delegation any less valid.

Now Rob's working on the fun stuff, and he enjoys working. There's nothing wrong with working hard if you enjoy it. He does the things he wants to do, needs to do, and likes to do.

Remember, you can start really small and work your way up. Find the full story in the guide, available at **poegroupadvisors.com/accounting-practice-academy/resources.**

For a deeper dive on pricing, check out our *Accountant's Flight Plan* podcast with Ron Baker at **poegroupadvisors.com/blog/cpavaluepricingpodcast**.

3. LEARN TO LET GO.

Analyze what partners and professional staff can delegate. Most firms find that a lot of capacity can be created by either hiring new administrative staff or through improved delegation to the current support team.

We have an incredibly simple tool for this called the "three-bucket tool" to help you and your staff realize how to rearrange tasks and projects so they suit everyone on the team. In the tool, we have three columns. Column No. 1 is for "things you want to keep" — the type of work you want to continue doing for the foreseeable future. Column No. 2 is "work you want to give up one day." Maybe you want to delegate because you don't like doing it, but you don't have someone currently in your office who can capably take on the work. Finally, there are "things you can delegate right now." It's simple, but it's the most effective way to get perspective quickly. Just take an inventory of what you do, categorize it, and delegate.

Give this tool to your key staff and help them reorganize their work as well. Things you might hate doing could be a growth opportunity for one of your staff accountants.

4. FOCUS ON THE CULTURE OF YOUR ACCOUNTING PRACTICE.

No one will want to work in a practice that does not respect their personal life. Family will always matter more than work for people who are not vested in your business and respecting that will help you retain and hire key employees.

There are three interwoven things you must offer today's workforce:

- Higher salaries that compete across industries.
- Better work hours (40 hours or less).
- Flexibility (remote work capabilities).

A good salary is crucial, but it may not be enough by itself. It's a given if you want to retain good people. Recently, we were at a state conference and a woman voiced her issues with finding staff. She said something like, "We are offering pay that is competitive with other firms in the area and we only work 60+ hour work weeks during tax season. We can't fill the positions."

That's not as appealing of a position as she may have thought. Geography is no longer a barrier for CPAs. Today's workforce has remote options nationwide. You are no longer exclusively competing with your metro area, but anyone offering remote work. Someone in Denver might be willing to pay 20% more for remote work and six weeks of annual vacation.

The solutions come from first making changes to your firm. Make it a practice you and existing employees can enjoy working in while earning appropriate compensation. Consider remote work options. Pay at or above market salaries and protect everyone's personal time. (For market salary information, see page 12 for data from the VSCPA 2022 Compensation and Benefits Study.)

Boundaries around time profoundly affect firm culture. Unfortunately, many owners have very poor time boundaries — and the team feels inclined to mirror the firm leaders. It's imperative to start at the top.

You may not need another hire; you may need to rearrange how you currently run your practice. Capacity fills very fast in most firms. Create more of it and fill it up with profitable work that suits you and your team. Enjoy the upward spiral!

CONTINUE READING

- "What Would Happen if You Started Working Less?": **poegroupadvisors.com/blog/working-less/**
- "5 reasons you need to let difficult clients go": **vscpa.com/article/5-reasons-you-need-let-difficult-clients-go**
- "Create capacity with tax document automation": **vscpa.com/article/create-capacity-tax-document-automation**
- VSCPA Recruitment Guide: **https://www.vscpa.com/capacity**

Brannon Poe, CPA, is the founder of Poe Group Advisors and the creator of Accounting Practice Academy. He is the author of several books including "Accountant's Flight Plan: Best Practices for Today's Firms" (published by the AICPA and CPA Canada). Brannon has worked with some of the most successful and seasoned CPAs in the industry and has been privy to the behind-the-scenes methods they've used to build highly profitable practices along with capable and independent teams.

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GO *all in* ON CAS

Review your clients' needs and offer your strategic eye through client advisory services (CAS).

Tori Smith

The word holistic is derived from the Greek word *holos*, which means "entire" or "all." A holistic approach is used in the practice of medicine, observing all parts of the body, not just physical symptoms.

But the holistic approach can apply to more than just people: CPAs can look at clients the same way.

"An organization is a living organism," said Natalya Yashina, CPA. "You can't just look at one arm and not at the other."

Through client advisory services (CAS), CPAs can take a holistic approach to a business's structure, processes, needs and wants by offering meaningful services.

Although services differ for each client, Natalya said it's a "transactional service with a trusted advisor that helps the client plan for its future."

Natalya, who started performing CAS services amid the COVID-19 pandemic, came from a background with audit experience. She said she enjoyed getting to know the challenges of a client and creating relationships.

Natalya's passion sits in nonprofits, and she recently performed CAS services for one. The first step was to figure out the organization's main priority before completing a holistic diagnosis of its challenges and creating an action plan.

"Companies want high-impact solutions," Natalya said. "They want solutions that solve specific problems. Everything is ever-changing after the pandemic, and you need to think of outside-of-the box solutions."

Natalya recommends companies revisit their mission, vision and values every three years to make sure their actions align with their statements.

"There's always time for improvement," she said.

Edward Warren, sales and marketing leader at Sage, said three tipping points increased the popularity of CAS:

1. The pandemic
2. The "Great Resignation"
3. The recognition of a "new normal"

Edward also agreed with Natalya that CAS is a holistic diagnosis, stating that CAS is maintaining the "health of their business."

Edward learned about the power of CAS through independent consulting, and if clients can afford this level of advice and strategic insight, he said they should take it.

"It's truly the best of both worlds," he said. "The work is steady all year and there is revenue every month."

The largest challenge Edward has seen with clients is ongoing staff challenges leading to an uptick in offshoring.

"They can't just continue doing things they used to," Edward said. "You need to be agile and figure out what to do with CAS, AI and other tools."

Gary Thomson, CPA, managing partner of Thomson Consulting, LLC, said although there are more traditional roles being used in CAS like basic bookkeeping, financial reporting, sales tax, and bill paying, advisory services are evolving.

> "[CAS] work is steady all year and there is revenue every month."
>
> — Edward Warren, Sage

"What's evolving includes fractional and virtual controllers, CFO services, key performance indicator analytics, cash flow forecasting, and other advisory services," Gary said. "They aren't technical in nature but are important elements to allow financial groups within our clients to function well. We're seeing a growth in CAS as a part of the 'family office' and I see that trend continuing."

Gary said CAS is in "fast-paced innovation" due to new technology, improved processes and utilization of outsourced professionals.

Edward agrees. He predicts a major shift in small and medium-sized businesses.

According to the 2022 Tax Professionals Report from the Thomson Reuters Institute, 95% of accounting firm leaders say their clients want more business advisory services, but small and medium-sized companies may not have the finances available to afford it, or at least they think they don't.

CPA Practice Advisor recommends CPAs get over the accounting-only mindset and consider the value of CAS services. ▶

6 TIPS FOR STARTING AN ADVISORY PRACTICE

Looking for quick tips to start your own advisory practice? Here are six from the VSCPA!

1. Commit to spending the time it takes to develop an advisory service practice.
2. Identify your target audience.
3. Reassess your fee structure.
4. Consider the technological investment that advisory services require.
5. Follow any applicable standards and regulatory and compliance requirements of your advisory service area.
6. Obtain a credential in your advisory area.

"Our profession is changing drastically," concurred John Minnich, CPA, CGMA, from Oodles of Help, in a 2021 VSCPA conference presentation.

It's not a surprise that CAS has continued to grow and evolve with everything that clients desire.

John said that traditional compliance has been based on what clients need — services like regulatory and compliance, adhering to rules and standards, audits, reviews and taxes.

His practice of interactive and innovative strategic business advisory focuses on more than what clients need — it's what they desire.

He said strategic business advisory is based on a "holistic, complete business model that's in addition to financial services" — a blend of clients' needs and wants that takes a facilitative, proactive approach focusing on the client's drives, passion and mission.

John said using a strategic business advisory approach is like adopting a CFO mindset, consistently looking future-forward.

Although CAS could show up in many ways for a variety of clients, John offers these five steps as you start advising clients.

STEP 1: FOUNDATION MEETINGS

These meetings are short and exploratory sessions that act as an introduction to your client (if you don't previously know them). These meetings might look at areas of strategic and business performance to highlight where the client wants to start.

STEP 2: DISCOVERY MEETINGS

Often facilitated on an annual basis with the client to communicate about their financial situation, these meetings are an opportunity to communicate your immediate observations.

STEP 3: PLANNING FACILITATIONS

This step acts in two parts: an annual strategy plan and quarterly meetings with the client. Use the facilitations to discuss the business's and owner's wealth generation.

STEP 4: IMPLEMENTATION FACILITATIONS

This step also presents itself in multiple ways, whether that is management meetings or coaching opportunities. These meetings are tailored to the client's wants and needs.

STEP 5: PERFORMANCE REVIEW

There are many different types of reviews that could be performed, such as risk management review, top-line growth review, or people performance review, but what John sees most is a key performance review. A key performance review facilitates a greater understanding of your client's key performance factors, helping them manage and measure their results.

Of course, this is a beneficial service for clients, but what's in it for you? You or your firm will be the client's most trusted advisor. There is an enhanced perception of value, fulfillment and rewards, in addition to recurring fees at higher rates. There are multiple opportunities for revenue, including advisory, coaching, compliance, consulting, facilitations, mentoring and training.

Advisory services complement the existing traditional compliance model, making it a truly holistic approach.

Tori Smith is the VSCPA summer communication intern. She is a student at Ball State University in Indiana.

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CONTINUE LEARNING

- **Article —** "6 tips for starting an advisory practice": **vscpa.com/article/6-tips-starting-advisory-practice**
- **CPE webinar —** "Pricing Client Accounting Services 2023": **vscpa.com/events/webinar/pricing-client-accounting-services-2023-0**
- **Recorded conference session —** "Position your firm as your client's most trusted business advisor": **tinyurl.com/AABusinessAdvisorySession**

Case study: A *holistic* approach to employee wellness

Learn how one firm supports employees while fostering company culture.

Keiter

BE RESILIENT

Keiter defines employee wellness as meeting the diverse needs of our team. We believe that promoting initiatives in physical, social, emotional, financial and career health are all essential for our team to be successful. Our wellness and work/life initiatives strive to support each of our team members in reaching their full potential while pursuing their purpose — at home, at work, and in the community.

Keiter recognizes that our team members have unique needs but want to be part of a shared experience. That is why we provide various tools and resources for employees to be their best selves.

DEVELOPING COMPREHENSIVE BENEFITS

Wellness encompasses so much, and it can vary from person to person or even year to year. Our HR team members are active listeners in individual and group conversations regarding wellness and benefit concerns. HR also works closely with firm leadership to communicate the new and changing needs of team members.

"Like any accounting firm or business, change can raise concern or resistance for a variety of reasons," said Lauren Andrews, Keiter human resources manager. "I think what differentiates Keiter is our ability to keep an open line of communication with leadership. It will likely take more than one conversation to get buy-in for a change or new idea. And that's how it should be. We are thoughtful in making changes that are best for the firm and the team. Our approach is to be innovative while avoiding change for the sake of change."

These collaborative conversations help to drive innovative and relevant benefit offerings. The result for our firm is a comprehensive benefits package that encourages smart planning for financial and health well-being while considering the time needed to recharge throughout the year.

Keiter had to innovate its benefits package in response to the pandemic. "During the COVID pandemic, many of our team members needed to take time off to care for family and/or themselves beyond what our paid leave and the COVID leave allowance provided. Additionally, many daycares were closed during the pandemic which left parents needing to stay home with their children," Lauren said.

To address this challenge, HR worked with leadership to gather information on program options, answer questions/concerns, and create a program that fit our team's needs. Our caregiving leave program provides an additional two weeks of paid leave per year for an FMLA qualifying event, which includes mental health matters. Keiter's caregiving leave is available to all staff for welcoming new children into the family, caring for a spouse, parents, and family members who may be experiencing a special need due to an illness.

HEALTH AND FINANCIAL WELL-BEING

One of our ongoing challenges is keeping health care costs manageable for the firm and team. To address this issue, we leaned into our approach of open conversations and idea sharing to

"Our focus on delivering high-quality client services often means extra hours on time-sensitive projects. We really appreciate our team's efforts and strive to foster a culture that provides a healthy balance of work, fun, and time off to recharge."

— Gary Wallace, CPA, managing partner

"During busy times it can be hard to take time for yourself. Keiter provides opportunities in the office to help us stay physically and mentally healthy as well as have some fun with our colleagues."

— Alisha Valentine, CPA, tax manager

identify possible solutions. Ultimately, the firm decided to leverage the insights of a benefits and compensation consultant. One of the significant impacts of using this outside resource was moving to a self-funded health care option. We are now able to manage health care costs more efficiently as well as see trends such as commonly used medications. We refer to these trends to make informed decisions on competitive benefits.

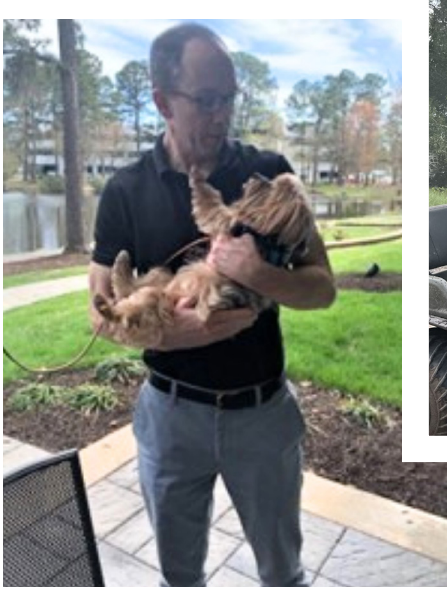
Over the past several years, we have added coverage for situations critical to the entire team. Specifically, we offer high-deductible plans in conjunction with contributions to individual Health Savings Accounts (HSAs). The HSA account is set up for eligible team members who are interested in paying for medical, dental, and vision with tax free dollars. These HSA contributions help employees plan for the future.

WORK/LIFE INTEGRATION

Keiter encourages our team to explore flexible scheduling and provides remote work options to create the best fit for their professional and personal needs. Some of our other work/life integration resources include remote work technology, mobile phone reimbursement, "dress for your day" attire, and concierge services. Keiter also offers time off to study for the CPA Exam, time for volunteer involvement, generous leave and holidays, caregiving leave, and sabbatical leave.

FOSTERING A FUN FIRM CULTURE THROUGHOUT THE YEAR

Firm leadership takes a top-down approach to ensure our team feels supported and encouraged to take time off to recharge and spend time with family and friends. For example, Managing Partner Gary Wallace, CPA, launched the #CPAVACAY initiative in 2022. Team members were asked to take a picture of how and where they spent time off while wearing their favorite Keiter swag. The firm incentivized participation with four $500 cash prizes. Each week during the summer, new #CPAVACAY picture submissions were shared on the firm's Microsoft Teams channel. All team members who submitted photos were entered into the



Keiter fosters a fun firm culture throughout the year. These VSCPA members demonstrate their #CPAVACAY time off (left to right): John Murray, CPA, tax partner; Alanna Johnson, campus recruiter; and Ginny Belcher, CPA, tax senior manager.

prize drawing and winners were announced at our fall tailgate party. We shared our team's summer adventures with friends of the firm and alumni on our blog and Facebook page.

One unexpected result of the initiative was to foster our culture of inclusivity. The pictures sparked 'around the water cooler' conversations and identified shared interests and experiences with team members from different departments.

During busy season, Keiter provides perks to alleviate stress for team members. These include food truck visits for lunches, snack stations, on-site chair massages, post-deadline firm celebrations, weekly on-site workouts, yoga instruction, puppy visits from local rescue organizations, a "Zen Zone" meditation room, busy season meal reimbursement, and firm-catered meals for late nights.

CAREER PATH

Traditionally, the expected accounting firm career path is a direct line from associate to partner. Keiter recognizes and embraces individual strengths while also pursuing our mission to help people achieve their full potential. We realize that there is no "one-size-fits-all" career path. Because of this, team members can decide to develop in place or develop for growth.

Defining the future of our firm's career path is another area where we continually gather information, talk to our team, and receive input from leadership in order to move beyond the straight-lined career progression.

"It's exciting to work on developing new ways for our team to reach their professional and personal goals while meeting the firm's needs now and in the future," Lauren said. "It's definitely an ongoing conversation. Our goal is to provide our team with career options that fit their needs while leveraging their unique skill sets."

Ultimately, we want to offer the tools, resources, and benefits for each of our team members to have a fulfilling career and life.

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All in the *accounting* family

These three CPA families discuss their love for each other and accounting.

Tori Smith

THE SAUNDERS FAMILY

Sarah Saunders Marzilli originally started working in business marketing — but she didn't truly enjoy the sales side of the profession. Then she decided to dip her toes in exercise science.

"It was pretty tough to keep my clients regular," she said. "That's why my mom suggested tax season — and then it just snowballed."

Sarah's mother, Stephanie Saunders, CPA, has been involved with the profession (and a VSCPA member) for more than 40 years. But just like her daughter, her journey into the profession wasn't linear.

"I didn't even know what a CPA or an accountant was when I started college," Stephanie said.

She was a math major, but after her freshman year, she decided she didn't want to teach high school kids. She went on to earn her bachelor's in accounting from Strome Business College and began working at an accounting firm where she met her husband, Tim Saunders.

She said it was enjoyable having someone to talk to about her work.

"When I started dating guys out of college, their eyes just kind of glazed over. But when I met my husband, I could talk about what I did," she said.

Tim had a straightforward path into the profession; he was good at math growing up, so his father told him to be an accountant. That's exactly what he did, by earning his bachelor's in accounting from Jacksonville University.

In 1985, Stephanie and Tim merged their skills to create their own accounting firm, Saunders & Saunders, in Virginia Beach. Their daughter, Sarah, began doing the bookkeeping, then tax returns and more.

"It's like every year I add on more that I'm doing," Sarah said. "I enjoy it more than I ever thought I would."

Sara Marzilli, CPA, on her wedding day with her CPA parents, Stephanie and Tim Saunders.

Saunders & Saunders has stopped taking on new clients in to slow down the business. They plan for Sarah to eventually take over the practice.

Stephanie and Tim have more than 10 grandchildren, who are all trained on how to answer the phone at the at-home practice.

THE LINGENFELTER FAMILY

Gabriele Lingenfelter, CPA, originally came from Germany to the United States, settling in a small town in Oklahoma. She had a foreign language degree with knowledge in English and French, but there was no need for her degree here. She decided to enroll in a math class, and the rest is history.

At the beginning of her career, Gabriele worked in industry, but then spent more than 25 years as a university professor — most recently at Christopher Newport University. And while Gabriele was teaching, there was a second grader sitting in the back of her classes learning about profit versus revenue — her daughter, Sabrina.

Sabrina's pipeline into the profession was not linear. She was originally a dance and drama major. "I kind

Gabriele Lingenfelter, CPA, and CPA daughter Sabrina.

Jennifer Theimer, CPA, and CPA daughter Rebecca.

of got sick of it," she said. "I realized I was sitting in rehearsals and got kind of bored. That was personally really hard. I was like, 'Oh wait, a fundamental change in what I want to do.'"

Gabriele suggested Sabrina explore the idea of working in business. Today, Sabrina has been with KPMG in New York City for two years.

She is very passionate about the environment and does mostly sustainability work at the firm.

"I'm working on 60% ESG [environmental, social and governance] and sustainability, focusing on percentages of diversity and inclusion and also greenhouse gasses. 40% is traditional number work," she said.

Gabriele said the pair can communicate with one another regarding the profession, whether that be Sabrina's firm side or Gabriele's education side.

"It's kind of fun to be able to discuss that," Gabriele said. "We speak the same language. I bounced some ideas off of her about a curriculum."

The pair loves to exercise together, from Crossfit to walking in Central Park.

THE THEIMER FAMILY

Both Jennifer and Rebecca Theimer enjoyed math when they were young. On Saturdays, Jennifer helped a family CPA friend during tax season, and Rebecca assisted her aunt at her bookkeeping business. Fast forward a few decades, and this mother-daughter duo is now working at the same accounting firm, Brown Edwards & Company in Roanoke.

Jennifer, a CPA, earned her bachelor's degree in accounting from Virginia Tech. A favorite professor connected her with Brown Edwards. And while Rebecca wanted to major in something business-like, she knew with accounting she would be able to easily find a job.

While touring colleges for business, Jennifer remembers telling Rebecca about accounting: "Whatever direction you choose to go, it's not going to let you down. It's going to help you for your life, but it's also going to give you a great foundation."

Although Rebecca remembers her mom working long hours, that is not what she focused on.

"For me, it was that she loved what she did and gave her job everything," she said. "I wanted to take that approach. My mom is my hero and mentor in life."

Both Jennifer and Rebecca say they can "talk shop" with one another. Rebecca likes to talk to her mother about the profession because her friends might not understand what she is going through.

"It's nice to talk to her and say, 'This is what happened today,'' and 'This is why I'm excited.' Or, 'This is why I'm frustrated.' Because usually, we get excited or frustrated about the same things," said Rebecca.

Rebecca is a football fanatic, while Jennifer is a fanatic about her kids.

Tori Smith is the VSCPA summer communication intern. She is a student at Ball State University in Indiana.

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Thank you, VSCPA FY 22–23 VOLUNTEERS

#CPAsGiveBack

This year, VSCPA volunteers mobilized to accomplish one of our highest priorities — getting rolling income tax conformity passed! We could not have done it without the strong support of our members

—George Forsythe, CPA, 2022–2023 VSCPA Board of Directors Chair

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The VSCPA *congratulates* new 40-year members

The VSCPA welcomes 74 new 40-year members this year. This designation is bestowed upon members in their 41st year of consecutive membership. These members will be celebrated at the in-person annual business meeting at 1 p.m. on May 18 at the VSCPA Learning & Innovation Center.

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The VSCPA's Annual Meeting will be held at 1 p.m. on Thursday, May 18, at the VSCPA Learning & Innovation Center in Richmond. During the meeting, the Nominations Committee will present the following members for election as 2023–2024 officers and directors.

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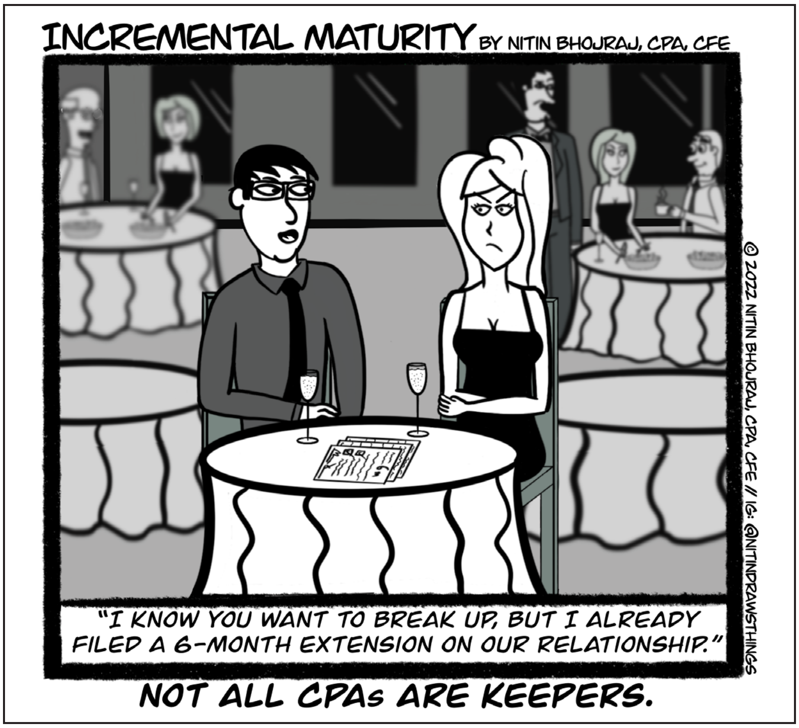

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