

Professionalism in Governmental Accounting

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The CPA Vision Project “Looking Back to 1998”

A look back at the profession:

- CPAs found it easier to deal with short-term issues than to contemplate the long-term future.
- CPAs recognized that specific changes in the business environment affect the profession (i.e. information technology).
- CPAs felt pressure to expand their skills and services beyond traditional roles.
- CPAs valued their reputation for trust and credibility.

The CPA Vision Project “Looking Back to 1998”

A look back at the profession:

- CPAs believed that specialized knowledge is an important part of broader business issues that are affected by global economics.
- CPAs believed that quality and flexibility are key elements of the CPA designation.
- CPAs found passion and fulfillment in their work.
- CPAs found that traditional education and training for the designation lacked breadth of knowledge and skills required in the workplace.

The CPA Vision Process

- 177 Future Forums were conducted and included 3,353 CPA participants to identify the top five responses for each of the following:
 - **Core Values** – The essential and enduring beliefs that we uphold over time.
 - **Core Services** – The work we perform for a fee or salary.
 - **Core Competencies** – A unique combination of human skills, knowledge and technology that provides value and results to the user.
 - **Significant Issues** – How global forces affect the predominant factors we face in creating a viable, long-term future for the CPA profession in the wake of a global economy.

Core Values

1. Continuing Education and Life-Long Learning
2. Competence
3. Integrity
4. Attuned to Broad Business Issues
5. Objectivity

Core Services

1. Assurance and Information Integrity
2. Technology Services
3. Management Consulting and Performance Management
4. Financial Planning
5. International Services

Core Competencies

1. Communications and Leadership Skills
2. Strategic and Critical Thinking Skills
3. Focus on the Customer, Client and Market
4. Interpretation of Converging Information
5. Technologically Adept

CPA Vision Statement

CPAs are the trusted professionals who enable people and organizations to shape their future. Combining insight with integrity, CPAs deliver value by:

- Communicating the total picture with clarity and objectivity,
- Translating complex information into critical knowledge.
- Anticipating and creating opportunities, and
- Designing pathways that transform vision into reality.

Core Purpose

CPAs...Making sense of a changing and complex world.

Implications for the Accounting Profession

- A broader focus beyond “numbers” to “strategic thinking” will lead to increased opportunities.
- Expanded knowledge, education, experience, and the seamless use of technology will create more opportunities to provide value, communicate solutions, and enhance the attractiveness of the profession.
- Pre-and post-CPA education must be revitalized to meet the demands of the profession in the future.

Implications for the Accounting Profession...Continued

- More competition will require a more aggressive marketing orientation and increased capital needs.
- The profession’s culture will need to adapt in order to attract and retain highly qualified members.

Additional Questions for CPAs working in Government

- What are some ways in which you can enable government to serve its constituencies in a more effective and efficient manner?
- How can you engage CPAs from other segments of the profession to encourage and support meaningful governmental reform and reporting?
- What types of education and training will be necessary for you to demonstrate how you can improve government?
- What services and skills from other segments of the profession could be of value to government operations?

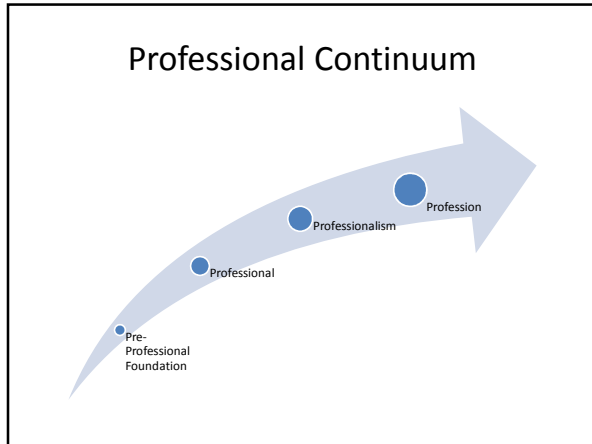
The Profession in 2011:
Are we there yet?

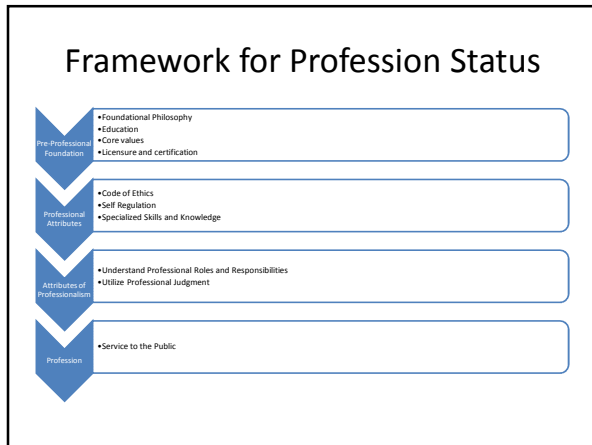
Key Definitions

- **Professional** – One who makes a profession or business of any occupation, art, or sport.
- **Professionalism** – Refers to the quality, character, method or conduct of a particular profession.
- **Profession** – Occupation, vocation or career where specialized knowledge of a subject, field, or science is applied.

Characteristics of a Profession:
The S.U.C.C.E.S.S.F.U.L. Model

- Service to the Public
- Understand professional roles and responsibilities
- Core values
- Code of ethics
- Education
- Self regulation
- Specialized skills and knowledge
- Foundational philosophy
- Utilize professional judgment
- Licensure and certification





Foundational Philosophy

“A profession is a systematic and organized way in which persons as a matter of their daily work can contribute an important *incommensurable* good to society.”

Commensurable good: A good which can be understood as some multiple of the value of another good.

Incommensurable good: A good which cannot be compared with another good as to relative value.

Foundational Philosophy...Continued

Whereas a business provides a commensurable good; a profession provides an honorable (incommensurable) good. Accountancy is a profession because it provides an incommensurable higher good than business. Accountancy provides for the conditions of **trust** in a market economy.

Professions and Honorable Goods

| Profession | Honorable Good |
|---------------|----------------|
| Medicine | Health |
| Law | Justice |
| Professoriate | Knowledge |
| Theology | Salvation |
| Accountancy | Trust |

Education

| Functional Competencies | Personal Competencies | Broad Business Perspective Competencies |
|--|--|--|
| Decision Modeling | Professional Demeanor | Strategic/Critical Thinking |
| Risk Analysis | Problem-Solving and Decision-Making | Industry/Sector Perspective |
| Measurement | Interaction | International/Global Perspective |
| Reporting | Leadership | Resource Management |
| Research | Communication | Legal/Regulatory Perspective |
| Leverage technology to develop and enhance functional competencies | Project Management | Marketing/Client Focus |
| | Leverage technology to develop and enhance personal competencies | Leverage technology to develop and enhance broad business perspective competencies |

Core Values of a Profession

- Core values are at the center of who we are and define us both as individuals and professionals.
- Attitudes and beliefs thought to uniquely pattern a professional culture.
- Core values are those vital few values that all members of a profession are expected to use, live by and demonstrate on a daily basis while executing professional responsibilities.
- Core values are a basic framework you can use to understand, analyze simple beliefs, or rules about what your profession represents and its practices.
- The core values of a profession are those values we hold which form the foundation on which we perform work and conduct ourselves.

CPA Vision Project Core Values

- **Integrity:** CPAs conduct themselves with honesty and professional ethics.
- **Continuing Education and Life-Long Learning:** CPAs highly value continuing education beyond certification and believe it is important to continuously acquire new skills and knowledge.
- **Competence:** CPAs are able to perform work in a capable, efficient, and appropriate manner.
- **Objectivity:** CPAs are able to deal with information free of distortions, personal bias or conflicts of interest.
- **Attunement with Broad Business Issues:** CPAs are in tune with overall realities of the business environment.

Licensure and Certification

- **Licensure** refers to the granting of a license, which gives "permission to practice." The official recognition by a governmental agency that an individual has met certain qualifications specified by the regulatory body, and is, approved to practice in an occupation as a professional.
- **Certification** is formal recognition by a professional body that an individual has demonstrated proficiency within, and a comprehension of, a specified body of knowledge and experience. It is a peer recognition, not registration or licensure.

Self-Regulation

- The process by which a profession arises from a trade or occupation is often termed **professionalization** and has been described as *“starting with the establishment of the activity as a full-time occupation, progressing through the establishment of training schools and university links, the formation of a professional organization, and the struggle to gain legal support for exclusion, and culminating with the formation of a formal code of ethics.”*

Self Regulation Characteristics

- **Self-Regulation:** Professional bodies tend to insist that they should be self-regulating and independent from government. Professions tend to be policed and regulated by senior, respected practitioners and the most highly qualified members of the profession.
- **Professional Association:** Professions usually have professional bodies organized by their members, which are intended to enhance the status of their members and have carefully controlled entrance requirements.
- **Code of professional conduct or ethics:** Professional bodies usually have codes of conduct or ethics for their members and disciplinary procedures for those who infringe the rules.
- **Licensed Practitioners:** Professions seek to establish a register or membership so that only those individuals so licensed are recognized as bona fide.
- **Exclusion, monopoly and legal recognition:** Professions tend to exclude those who have not met their requirements and joining the appropriate professional body. This is often termed professional closure, and seeks to bar entry for the unqualified and to sanction or expel incompetent members.

Code of Ethics

- **Definition:** A code of ethics is a set of guidelines that defines acceptable behavior for members of a profession or organization.
- **Purpose:** A code of ethics communicates reinforces the moral principles and commitments of an organization by spelling out acceptable and responsible behavior.
- **Importance:** A code of ethics and guide professionals who face novel ethical situations and serve as a statement of expectations for individuals who face situations with ethical dimensions.
- **Components:** A code of ethics consists of two parts: (1) a statement of what the organization or profession aspires to, and (2) translates the code of ethics into standards and procedures to be followed.
- **Enforcement:** A code of ethics describes specific mechanisms to enforce the code of ethics which impact an individuals behavior and decision-making.

Code of Ethics Example

Business Ethics

Employees of Enron Corp., its subsidiaries, and its affiliated companies (collectively the "Company") are charged with conducting their business affairs in accordance with the highest ethical standards. An employee shall not conduct himself or herself in a manner which directly or indirectly would be detrimental to the best interests of the Company or in a manner which would bring into question the good-will, reputation, financial status, or direct competence of him or her employment with the Company. Should an employee fail to meet these standards, the Company reserves the right to take such action as it deems appropriate, which will reflect poorly on the Company's name.

Products and services of the Company will be of the highest quality and an appropriate advertising and promotion will be utilized, not contingent on receiving.

Agreements, whether contractual or verbal, will be honored. No bribes, kickbacks, lavish entertainment, or gifts will be given or received in exchange for special positions, price, or profit.

Employees will maintain the confidentiality of the Company's sensitive or proprietary information and will not use such information for their personal benefit.

Employees shall refrain, both during and after their employment, from publishing or making written statements about the Company or any of its officers, employees, agents, or representatives that are defamatory, libelous, or defamatory; or that disclose private or confidential information about their business affairs; or that constitute an intrusion into their exclusive or private lives; or that give rise to unreasonable publicity about their private lives; or that place them in a false light before the public; or that constitute a misrepresentation of their name or likeness.

Relations with the Company's many publics - customers, stockholders, governmental agencies, suppliers, press, and bankers - will be conducted in honesty, civility, and fairness.

Specialized Skills and Knowledge

- **Skill based on theoretical knowledge:** Professionals are assumed to have extensive theoretical knowledge and to possess skills based on that knowledge that they are able to apply in practice.
- **Continuing professional education (CPE):** The means by which members of professional associations maintain, improve, and broaden their knowledge and skills and develop personal qualities required in their professional lives.

Public Expectations of a Profession

- **Essential Features**
 - Extensive Training
 - Provision of important services to society
 - Training and skills largely intellectual in character
- **Typical Features**
 - Generally licensed and/or certified
 - Represented by organizations, associations and institutes
 - Autonomy
- **Foundation of Ethical Values**
 - Significantly delineated by and founded on ethical considerations, rather than techniques or tools.

Professional Roles and Responsibilities

- Ability to hold oneself out as a designated professional to render fiduciary services.
- Self-regulation and discipline based on codes of ethics and conduct.
- Commitment to place the needs of the public, the client, the profession, and the employer or firm before one's own self-interest.
- Demonstrate professional values necessary to discharge duties and responsibilities:
 - Honesty and Integrity
 - Objectivity based on independent judgment
 - Desire to exercise due care
 - Competence
 - Confidentiality

Utilize Professional Judgment

- Professional judgment lies at the heart of the accounting profession, because accounting is essentially subjective because few measurements, recognitions and aggregation of accounting data can be undertaken in an objective fashion.
- The application of basic accounting conventions require the application of professional judgment:
 - Conservatism
 - Realization
 - Matching
 - Consistency
 - Materiality
 - Objectivity
- Professional judgment develops from the interaction of education and experience.
- Challenge of "rules vs. principles." The accounting profession has taken the route of attempting to improve judgment by increasing the uniformity of accounting standards.

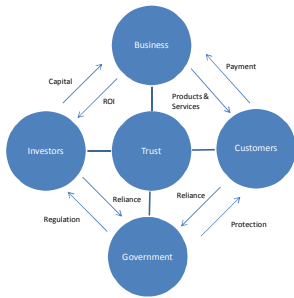
Word From the Wise: Robert H. Montgomery

"I do not ask for standardization of accounting practice or procedure. That would mean the substitution of fixed rules for opinion and discretion."

Service to the Public

- Accountancy is a profession because it provides an incommensurably higher good than business. Accountancy provides for the conditions of **trust** in a market economy.
- Trust, as the condition for the procurement and possession of commensurable goods generally, is the honorable good provided by accountants to society.

Trust in a Market Economy



Definition of a S.U.C.C.E.S.S.F.U.L. Profession

The Australian Council of Professions (2004) defines a profession as follows:

A profession is a disciplined group of individuals who adhere to ethical standards and uphold themselves to, and are accepted by, the public as possessing special knowledge and skills in a widely recognized body of learning derived from research, education and training at a high level, and who are prepared to exercise this knowledge and these skills in the interest of others.

It is inherent in the definition of a profession that a code of ethics govern the activities of each profession[al]. Such codes require behavior and practice beyond the personal moral obligations of an individual. They define and demand high standards of behavior in respect to the services provided to the public and in dealing with professional colleagues. Further, these codes are enforced by the profession and are acknowledged and accepted by the community.
