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EXCLUSIVE AOMAR SURVEY

Total Compensation Rises for Owners & Staff as CPA Firms' Growth Continues

What are CPA firms paying their staff? And what are owners paying themselves? These are probably the most frequently asked questions that AOMAR receives, especially at this time of year.

Results from the 2008 CPA Firm Practice Management Survey provide some answers. Owners are reaping rewards in their pay and bonuses, a reflection of strong growth and profits for CPA firms again this year. Staff salaries and bonuses, too, are up overall, but not much over the previous year.

AOMAR's surveys include different CPA firms each year—so a direct comparison on a firm-by-firm basis is not part of our assessment—but trends can be seen by viewing each year's data side by side.

This year's finding that compensation has risen

with continued firm growth interested us, especially given the tight market for staff and the increased need for talent at the staff level. We offer suggestions in Sidebar 3 on how firms can balance competing demands for wisest use of the firm's profits.

Sidebar 1 and 2 contain background information about the survey respondents and definitions that will aid your use of the data.

Highlights from this year's results:

Owner compensation. The greatest change in this year's data is in owner compensation and bonuses. AOMAR breaks out owner compensation results into three groups: the highest-paid owners, the average-paid, and the lowest-paid. (See Tables 1 and 2.)

Sidebar 1. CPA Firm Practice Management Survey Vital Statistics

AOMAR received 111 responses to the 2008 CPA Firm Practice Management Survey from CPA firms throughout the United States. Key facts about the respondents:

Respondents, by gross fees:		Respondents, by number of personnel:		Organizational Structure:	
Less than \$1M	23.6%	1 to 5	11.9%	Limited Liability Partnership (LLP)	27.0%
\$1 M to \$1.99 M	12.3	6 to 10	14.7	Professional Corporation (PC)	20.7
\$2 M to \$2.99 M	14.2	11 to 15	10.1	S Corp	16.2
\$3 M to \$3.99 M	9.4	16 to 20	7.3	Limited Liability Corporation (LLC)	11.7
\$4 M to \$9.99 M	14.2	21 to 35	18.3	Partnership	9.0
\$10 M to \$19.99 M	11.3	36 to 50	8.3	C Corp	8.1
\$20 M and more	15.1	51 to 100	16.5	Sole Proprietorship	4.5
		More than 100	12.8	Other	2.7

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Two out of three owner groups in the analysis saw significant compensation gains: The highest-paid group averaged \$344,165 in this year's results, a 24.1% increase over last year's \$277,193. The average-paid group drew \$216,619, a 12.2% increase over last year's \$192,926. The lowest-paid group of owners received \$153,317, a decline of 5.8% over the prior year's \$162,759.

As expected, the highest compensation is paid to partners at firms with the highest gross fees billed. At responding firms with fees of \$20 million or more, average compensation has now reached \$631,119 for the highest-compensated partner group; it is at \$404,688 for the average-paid group; and \$202,364 for the lowest-paid group.

The data for the largest firms by number of personnel show similar trends. Pay for the three groups in firms with more than 100 people averages \$562,635, \$354,670, and \$186,386, respectively (see Table 2).

Staff compensation. While AOMAR finds the strong upward trend of pay levels for owners to be a sign of health, staff salaries are up only slightly over the previous year (see Tables 3 and 4).

Supervisors and managers are averaging \$77,234 this year among all responding firms,

just a 1.7% increase over last year's \$75,877. And juniors who have passed the CPA exam are receiving an average of \$46,003, compared to last year's almost identical \$46,087.

The only salaried category that appears to have made significant gains over the previous year is nonequity owners (technically, salaried employees who hold no equity in the firm). Their average compensation this year was \$140,851, compared to last year's \$116,364.

Though the 21.0% gain is impressive, it is important to note that many different types of leaders fall into the nonequity ownership area, including soon-to-be full equity partners. This may account for the large increases seen in this category.

On the administration side, several categories got notable raises: MIS/systems managers now average \$80,714, compared to last year's \$76,824. Network administrators average \$64,371, up from \$59,393 a year ago. And marketing directors saw an increase to an average \$79,941 from last year's \$75,670.

Bonuses. This category also reflects large increases for owners. CPA equity owners' average bonus among all respondents is \$62,391 compared

Sidebar 2. Understanding AOMAR's CPA Firm Practice Management Survey Results

The definitions presented below will help you make the best use of the survey results. *Note:* Our information does not always follow the same CPA firms from year to year, so comparisons to previous years' results indicate trends only.

We also highly recommend that CPA firms consult multiple resources for benchmarks data, since it is the best way to enrich your firm's benchmarking and assessment initiatives.

- All information is annualized for the responding firm's most recent fiscal year.
- All responses are based on averages unless otherwise indicated.
- Nonequity owners are individuals with leadership responsibilities who are paid a salary and do not own any share of the firm.

- Non-CPA owners are true owners, holding ownership of the firm.
- Professionals are nonowner CPAs.
- Paraprofessionals are non-CPA accountants, bookkeepers, and any other individuals who bill time and do not fit into other support, administration, or professional categories.
- Gross fees are the total fees before write-ups or write-downs.
- Net fees are gross fees plus or minus write-ups or write-downs.
- Compensation is base pay or owner draw only, and does not include benefits, bonuses, overtime, or perks.
- Bonuses are cash bonuses only.

to last year's \$46,391 (see Tables 5 and 6). For non-CPA equity owners, bonuses average \$48,575 this year; last year, the average was just \$9,917 (as noted above, this category is undergoing change, which is the likely reason for some of the variances). Among nonequity owners, the average bonus this year is \$16,074, almost identical to last year's average of \$16,725.

Among staff, bonuses followed the same trend as compensation: small increases for some categories,

flat amounts in others. For instance, seniors received average bonuses of \$3,333, almost the same as last year's \$3,310.

For more information:

To place your order now for early December delivery of *CPA Firm Statistical Analysis Reference Handbook 2008*, contact IOMA Subscriber Services at 800-401-5937, ext. 2 and ask for product #2639M. Price: \$449. □

Sidebar 3. The Great Pay Debate

CPA firms are enjoying yet another profitable year. Nonetheless, the inevitable struggle to stay competitive with similar-size and larger firms conflicts with the need to put profits back into the firm, supply funds to feed the bonus pool, and provide rewards for the firm's owners who have assumed the risk for the growth and development of the entire firm.

This is always a balancing act for CPA firms. It is becoming an ever more challenging one as salaries continue to be a competitive factor, staffing shortages grow, and CPA firms simply need better talent and knowledge resources. Underlying all of this is the quest for the firm's future leaders—and the concern that if rising stars aren't adequately compensated, they will take their talent elsewhere.

How can your firm make progress in this seemingly never-ending debate? AOMAR suggests considering several ideas, both now and when your firm revisits its strategic plan after busy season:

- **Consult the budget—but be realistic.** Pay remains an important factor to employees of all ages, although it isn't the

only factor considered when staff choose to join your firm and to stay with it. Your annual budget should give you the leeway to provide rewards in compensation and bonuses to those who go above and beyond. This year's data on bonuses shows that while bonuses are generous at the owner level, there may be room to invest a little more bonus money at the staff level.

- **Compensation is about more than money.** A local firm can't expect to outpay a large national firm or one of the Big Four, but there probably are low-cost benefits staff would value that a larger firm may overlook.

The best way to learn what would motivate and reward your staff: Ask them. Then check into such benefits and see if you can manage the cost. Adding to your benefits offerings can make you stand out in a sea of cutbacks.

- **Check your culture.** Cultural issues are the true measure of a CPA firm as a workplace. If, for instance, your firm is emphasizing a flexible-hours work environment, know that this may be far more valuable to staff than a little extra money from a firm that is strict about "face time."

Table 1. Owner Compensation, Overall & by Gross Fees

	Overall	< \$1M	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$9.99M	\$10M to \$19.99M	\$20M +
Compensation per equity owner								
Highest	\$344,165	\$155,761	\$217,797	\$229,589	\$173,364	\$332,392	\$563,442	\$631,119
Average	216,619	111,300	188,916	191,224	122,456	248,636	342,840	404,688
Lowest	153,317	83,019	127,406	143,416	96,457	176,716	175,222	202,364

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 2. Owner Compensation, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 20	21 to 35	36 to 50	51 to 100	> 100
Compensation per equity owner								
Highest	\$153,800	\$214,123	\$191,814	\$237,857	\$279,513	\$298,705	\$566,953	\$562,635
Average	86,333	161,137	163,360	191,750	202,499	206,996	330,288	354,670
Lowest	62,500	149,117	128,833	127,000	159,465	134,685	182,454	186,386

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 3. Staff Compensation, Overall & by Gross Fees

	Overall	< \$1M	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$9.99M	\$10M to \$19.99M	\$20M +
Nonequity owners	\$140,851	\$71,800	\$77,000	\$119,167	\$104,000	\$125,819	\$154,200	\$184,950
Supervisors/managers	77,234	65,133	61,976	73,572	69,387	81,821	81,856	92,391
Senior CPA	57,222	54,745	48,871	57,467	48,940	60,682	57,530	63,154
Junior CPA	46,003	41,257	40,750	42,214	36,901	47,500	47,581	57,890
Juniors (not yet CPAs)	42,596	35,857	40,476	41,445	36,287	46,260	45,322	48,349
Consulting staff	79,426	55,500	41,430	45,000	76,934	87,000	77,520	111,842
Firm administrator	66,578	44,640	49,985	54,674	47,125	67,251	95,811	89,866
Marketing director	79,941	65,000	71,078	NR	NR	55,517	73,750	93,640
Marketing coordinator	44,021	33,000	NR	NR	NR	29,000	51,500	42,206
MIS/systems manager	80,714	79,000	NR	50,000	67,000	68,367	88,888	87,200
Network administrator	64,371	NR	NR	51,500	40,812	73,250	59,250	72,063
Secretaries/administrative assistants	37,037	30,971	34,216	33,082	33,760	40,247	42,318	41,724
Billing clerks	39,724	18,000	NR	33,500	NR	43,634	35,304	46,965
Word processing clerks	37,794	23,000	NR	24,000	37,000	43,457	48,000	NR
Receptionists	29,098	21,491	27,250	29,732	25,841	32,189	33,201	32,113
Paraprofessionals	41,149	38,002	39,188	39,909	38,167	42,842	46,363	43,521

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 4. Staff Compensation, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 20	21 to 35	36 to 50	51 to 100	> 100
Nonequity owners	\$92,500	\$126,000	\$115,000	\$149,800	\$131,200	\$136,276	\$149,475	\$183,566
Supervisors/managers	65,970	66,272	66,981	72,719	71,290	87,920	80,845	88,617
Senior CPA	50,382	56,816	56,034	54,257	53,102	58,400	58,010	61,446
Junior CPA	37,500	42,900	39,240	41,940	42,792	42,139	49,365	55,854
Juniors (not yet CPAs)	37,686	40,071	49,346	39,396	39,519	38,659	45,550	48,431
Consulting staff	NR	NR	NR	NR	80,331	95,000	71,520	94,536
Firm administrator	47,370	54,571	48,066	54,270	60,856	61,483	86,462	87,507
Marketing director	NR	NR	NR	67,750	75,100	NR	69,107	94,553
Marketing coordinator	NR	NR	NR	31,500	29,000	NR	42,500	48,825
MIS/systems manager	NR	NR	NR	61,500	67,420	65,920	82,760	88,961
Network administrator	NR	70,000	50,000	NR	56,017	75,628	59,250	66,222
Secretaries/administrative assistants	34,741	37,245	34,258	29,423	35,529	40,219	40,774	40,989
Billing clerks	NR	18,000	NR	43,000	28,500	47,179	35,304	46,965
Word processing clerks	16,000	NR	NR	NR	39,000	57,000	34,000	27,739
Receptionists	19,450	26,933	29,063	26,154	30,272	28,441	31,143	32,476
Paraprofessionals	44,171	43,212	42,004	33,829	39,416	32,462	46,385	43,569

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 5. Bonuses, Overall & by Gross Fees

	Overall	< \$1M	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$9.99M	\$10M to \$19.99M	\$20M +
CPA equity owners	\$62,391	\$31,002	\$41,250	\$68,005	\$62,253	\$61,237	\$80,290	\$144,563
Non-CPA owners	48,575	7,449	NR	NR	NR	6,587	35,000	139,600
Nonequity owners	16,074	2,200	NR	12,333	10,000	15,063	13,627	32,143
Supervisors/managers	6,254	3,309	6,214	5,353	8,263	3,596	7,073	10,891
Senior CPA	3,333	3,109	4,900	3,821	3,533	2,474	2,424	2,569
Junior CPA	2,127	1,288	3,167	2,393	2,690	2,142	1,802	1,522
Juniors (not yet CPAs)	1,476	1,039	2,125	1,734	1,822	1,176	1,202	1,429
Consulting staff	2,133	1,179	NR	500	3,333	1,667	2,788	3,371
Firm administrator	5,059	3,125	4,550	2,169	5,050	3,357	12,167	6,733
Marketing director	4,246	1,167	NR	NR	—	3,060	3,875	8,476
Marketing coordinator	3,200	125	NR	NR	—	12,333	1,625	1,700
MIS/systems manager	3,867	1,250	NR	—	720	1,350	6,857	7,233
Network administrator	1,274	—	NR	2,050	584	1,440	1,725	1,500
Secretaries/administrative assistants	948	905	1,500	1,110	1,160	656	936	986
Billing clerks	647	250	NR	1,300	—	438	425	2,300
Word processing clerks	304	125	NR	NR	—	413	500	NR
Receptionists	638	350	767	1,150	350	453	458	1,023
Paraprofessionals	1,216	755	1,667	1,760	454	788	1,435	1,941

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 6. Bonuses, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 20	21 to 35	36 to 50	51 to 100	> 100
CPA equity owners	NR	\$30,908	\$39,716	\$93,500	\$60,714	\$30,139	\$68,392	\$135,359
Non-CPA owners	NR	7,449	NR	NR	17,000	NR	5,891	121,075
Nonequity owners	\$6,000	15,000	NR	NR	12,625	9,750	19,013	33,207
Supervisors/managers	4,000	5,389	5,392	10,000	5,391	3,634	6,668	8,958
Senior CPA	3,400	5,420	5,276	4,100	2,833	2,482	2,244	2,485
Junior CPA	1,000	3,401	2,833	3,510	2,094	2,067	1,476	1,475
Juniors (not yet CPAs)	667	1,718	1,720	2,283	1,945	1,608	991	1,203
Consulting staff	1,000	NR	NR	NR	3,892	NR	1,990	2,959
Firm administrator	5,083	4,000	5,140	1,988	3,563	2,500	8,286	8,085
Marketing director	—	NR	NR	NR	NR	3,060	3,800	7,952
Marketing coordinator	—	NR	NR	NR	NR	NR	400	2,440
MIS/systems manager	—	NR	NR	NR	860	1,133	5,375	7,049
Network administrator	—	1,000	2,100	NR	567	1,542	1,380	2,111
Secretaries/administrative assistants	1,130	1,460	1,250	944	894	813	756	1,008
Billing clerks	—	1,000	NR	1,300	375	333	300	1,700
Word processing clerks	—	NR	NR	NR	550	NR	400	NR
Receptionists	—	642	500	1,525	698	333	472	724
Paraprofessionals	1,340	1,304	1,550	1,638	1,126	574	991	1,895

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

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