

CPA Firms Report More Flex Time, Telecommuting, and Administration Attention to HR & Benefits

Whether or not a firm has a staff shortage now, there's no denying that the issue of getting and keeping quality staff is still the top management concern at CPA firms.

Results of AOMAR's 2008 CPA Firm Practice Management Survey demonstrate that firms are taking the challenge seriously. They are devoting expert staff to HR and benefits issues (see Sidebar 1), trying to address retention issues, grappling with rising health-care costs, and trying to put in place the practices that can obtain new talent for the firm.

Staffing challenges. Among survey respondents, the severest shortages in staff are at years three through five (cited by 43.8% of responding firms) and six years and up (33.3%) (see Tables 1 and 2). Some firms (19.0%) are still having trouble obtaining entry-level staff, although others have told us that this particular hiring challenge is easing because more students than in the past few years are choosing the accounting major, so the entry-level supply pipeline is becoming fuller.

Table 1. Staffing Shortages, Overall & by Gross Fees

		Less than \$1M to \$10M or more						\$20M or more
	Overall	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$4.99M	\$5M to \$5.99M	\$6M to \$6.99M	\$7M to \$7.99M
No staffing shortages now	26.7%	54.2%	25.0%	20.0%	10.0%	17.6%	20.0%	14.3%
Shortage of entry level staff	19.0	20.8	50.0	26.7	20.0	5.9	10.0	NR
Shortage of midlevel (years three through five) staff	43.8	12.5	33.3	53.3	50.0	70.6	60.0	50.0
Shortage of senior-level (years six and up) staff	33.3	12.5	33.3	26.7	20.0	35.3	50.0	71.4
Shortage of administrative/support staff	5.7	8.3	8.3	13.3	NR	5.9	NR	NR

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

Overall, about a quarter (26.7%) of respondents say they do not have a staffing shortage at this time. This is especially true among the smallest firms in the survey: 54.2% of the firms with less than \$1 million in fees. Even more significantly, among firms with one to five people, 76.9% say there is no staff shortage at their firms now.

Hiring and retention tactics. Respondents told us that the best ways to acquire CPAs include internships (cited by 63.8% of respondents), by offering flex time (58.1%), and through established relationships with local colleges and universities (57.1%). We were very much interested to note that offering a higher starting salary was cited by just 12.4% as a hiring strategy that works.

When it comes to retention, CPA firms are finding the big winner is flex time: 66.7% cited it as the leading successful retention method (Table 3). More than half of the respondents (58.1%) indicated that their firms now offer flexible schedules for all—staff and partners.

Firms also are offering telecommuting opportunities (we define telecommuting or telework as work from home or another remote location that is not the office or the office of a client): 41% of respondents said their firms permit telework by professional staff and partners; 23.8% permit it for anyone at the firm.

Staffing solutions. There is no single answer that works for every firm to help retain and develop staff. But it is always helpful to hear what other firms are doing successfully. Perhaps some of the solutions below that are working for survey respondents—your peers—can help you.

“We created a ‘People committee’ that addressed team member concerns,” wrote the corporate staff accountant at a firm in the range of 51 to 100 people and gross fees of \$10 million to \$19.99 million. “We evaluated and implemented changes based on feedback from team members, and also continued implementation of new performance and career excellence program.”

Another helpful approach: revised performance reviews, noted by the chief financial officer of a firm with more than 100 people. The CFO wrote that “revision of performance appraisal process helped us to further align individual performance to organizational goals.”

Table 2. Staffing Shortages, 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
No staffing shortages now	76.9%	31.3%	18.2%	25.0%	15.0%	NR	18.8%	23.1%
Shortage of entry-level staff	15.4	25.0	45.5	37.5	10.0	10.0	12.5	NR
Shortage of midlevel (years three through five) staff	7.7	25.0	36.4	50.0	60.0	35.0	43.8	53.8
Shortage of senior-level (years six and up) staff	NR	12.5	54.5	12.5	40.0	25.0	43.8	69.2
Shortage of administrative/support staff	NR	12.5	18.2	12.5	NR	12.5	NR	NR

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

More responsibility assigned earlier can be an excellent way to give staff a sense of ownership in the firm. “We are providing managerial responsibilities to seniors and supervisors on a limited basis to take some of the load off our managers and to provide challenge and a jump start to these lower level staff members,” said the firm administrator for a firm in the range of 21 to 35 people and \$3 million to \$3.99 million in gross fees.

Tried-and-true benefits like flexibility continue to be winners, a number of respondents wrote. “Flex time: As long as the work is done, they come and go as they please,” commented the president of a firm in the one-to-five-person range with less than \$1 million in fees. Another firm offers telework options, so that “staff have more family time available,” said the president and managing partner of a firm in the range of \$2 million to \$2.99 million in gross fees and 11 to 15 people.

Sidebar 1. Firm Administration Takes a Bigger ‘Seat at the Table’ at CPA Firms

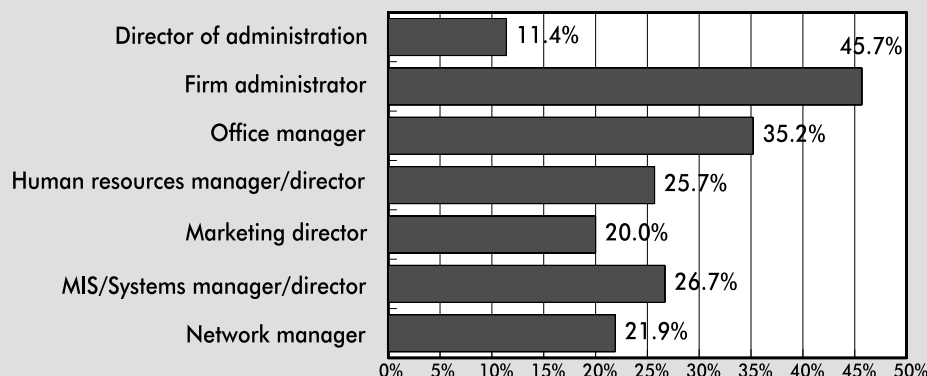
Increasingly, CPA firms are acknowledging the importance of staff and the need to put resources into obtaining and retaining them. Among firms that responded to AOMAR’s 2008 CPA Firm Practice Management Survey, the percentage that have a firm administrator is now 45.7%; this is more than twice the percentage (20%) of firms with a marketing director. And 11.4% have a director of administration (see the table).

For firms that do have a director of administration or firm administrator, two-thirds (66.7%) of respondents have invited these individuals to be on the management or executive committee of the firm—in HR parlance, this is a “seat at the table” of top-level leadership.

A number of firms also have a dedicated office manager (35.2%); MIS/systems manager/director (26.7%); and network manager (21.9%). These percentages are indicators of the increased complexity of running a CPA firm today—and of the growing commitment of firm owners to obtaining expertise to do so efficiently. This structure also frees partners to do what they do best.

Though firm administrators can and do handle HR responsibilities, a number of firms have added an official position to administration staff to focus specifically on HR: A quarter (25.7%) of respondents now have a human resources manager or director.

Key Administration Staff Employed by CPA Firms



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

A few firms have taken the flexibility quest to the next step. A firm with more than 100 people and fees in the range of \$20 million or more opened a regional office “in part to reduce commute time for employees and reduced turnover by 50%,” said the firm’s financial analyst.

Efficiencies are also effective coping mechanisms, quite a few firms told us. A firm in the range of 16 to 20 personnel and gross fees between \$2 million and \$2.99 million hired a firm administrator to free the partners from day-to-day firm management. Another firm, in the range of 21 to 35 people and gross fees of \$3 million to \$3.99 million established a cham-

Sidebar 2. Meeting the (Pricey) Health-Care Challenge

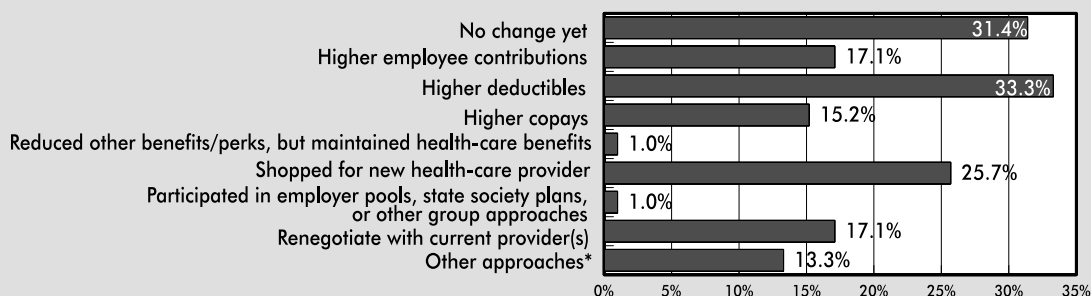
Health-care benefits costs continue to rise, although at a slightly slower pace now than in the past several years. CPA firms continue to struggle to provide these benefits and manage the costs.

AOMAR’s 2008 CPA Firm Practice Management Survey results show that higher deductibles are the most popular way to address the issue: 33.3% of respondents are using this method (often, in combination with other approaches; we asked respondents to tell us about all of their actions to control costs; see the table).

Shopping for a new health-care provider was cited by 25.7% of respondents and was the second most cited way to address the issue.

Almost a third (31.4%) of firms have not yet tackled the health-care issue, despite the fact that 12.4% saw health-care costs rise 16% to 20% in the prior fiscal year, and 17.1% saw an 11% to 15% increase. A small number—5.7%—had increases in excess of 20%. This is a difficult question for any employer to address, and it is commendable that CPA firms are trying to hold the line—but this year may be the year to start considering options.

How Firms Are Addressing Health-Care Cost Increases



*Other approaches:

- Went to high deductible plan and established HSAs; firm contributes employee deductibles to HSAs
- Higher owner group contribution
- HSA & HDHP implemented in 2005
- Added HSA option to health plan
- Implemented HRA Plan to reimburse copays, deductibles, etc. annually up to per employee maximum
- Self-insure prescription drug plan

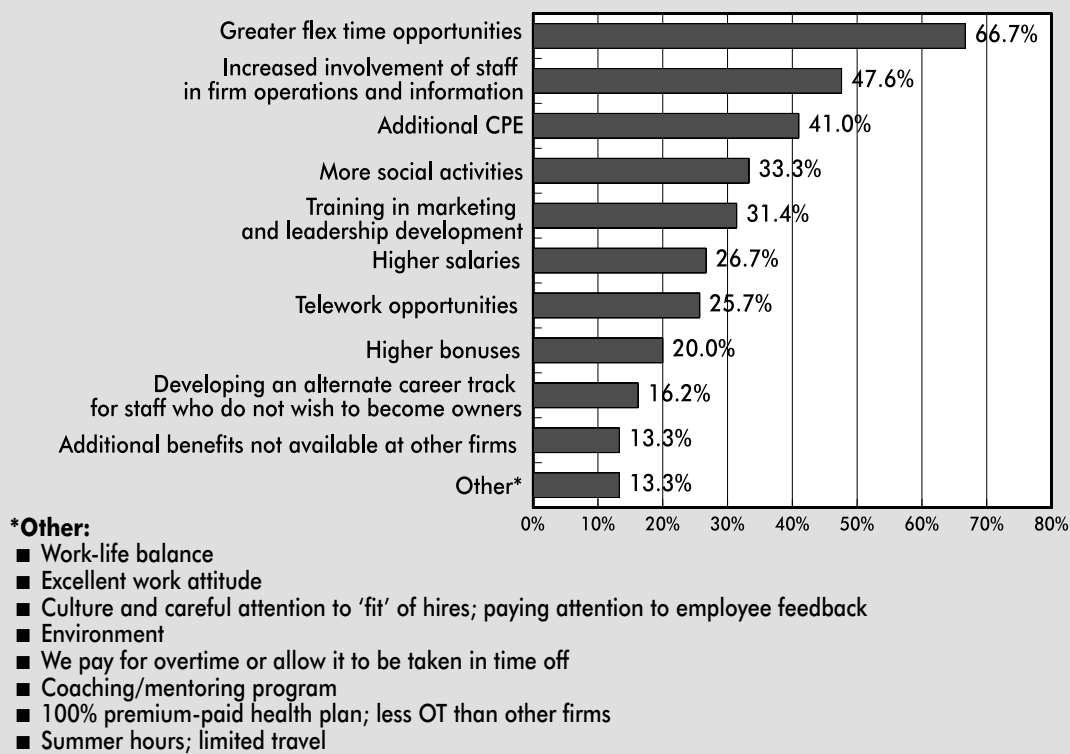
(Source: AOMAR’s 2008 CPA Firm Practice Management Survey)

pion within the firm for each piece of software. "That person is responsible for questions and concerns of the staff" regarding his or her software, the firm administrator explained.

Finally, adding financial incentives to help push staff to take and pass the CPA exam seems to be working for several of our respondents. "We now offer assistance with the cost of CPA exam study materials and pay a bonus when they pass the exam," said the firm administrator at a firm in the 51-to-100-person range and \$4 million to \$9.99 million in gross fees. "We also offer referral incentives if they assist in the recruitment of a new employee."

Another firm "modified our CPA exam bonus from one that paid a lump sum only upon passing all four parts to one that offers an advance up front and reimbursement along the way to help cover exam and study expenses," said the president and CEO of a firm with more than 100 people in the group earning \$20 million in gross fees or more. The total benefit increased from \$2,000 to \$4,000. These actions provide "greater incentive for candidates to pass the parts quicker."

Table 3. Best Retention Methods



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