

# ACCOUNTING OFFICE MANAGEMENT & ADMINISTRATION REPORT



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## Is It Time to Raise Your Billing Rates?

Billing rates in AOMAR's just-completed 2007 CPA Firm Practice Management Survey appear to have stayed fairly flat over the past year, as seen in comparison with rates reported by respondents in our survey last year. We found this a curious result at a time when many CPA firms have reported record growth and revenues. With the economic good times should come higher billing rates—so what's going on?

AOMAR has several theories, but the main conclusion we must reach in looking at these data is that CPA firms are still hesitant to raise billing rates

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## Who Should Not Be a Leader?

Not everyone has what it takes to be a good leader. In fact, some of the "squeaky wheels" at your CPA firm may not be the best candidates to manage the firm or practice groups. Turn to page 2 for more on how to identify those with true leadership potential—before you fork over training and coaching dollars on the wrong people.

### Billing Rates

CONTINUED FROM PAGE 1

significantly. Despite growth and more work than many firms are able to handle, many owners and firm leaders worry that clients just won't accept large fee increases.

A related trend is the continued pressure on the billable hour, the usual source of data in response to our questions about billing rates. The billing rate data simply track the hourly rates—and do not take into

account how much work is being billed at set fee rates or in other ways of billing. If this explains these results, it would be a very positive trend indeed, since it would mean that CPA firms are finally letting go of the billable hour as the measure of value.

Unfortunately, while firms continue to talk about value billing (or value pricing), not enough of them are doing it yet to make a difference in the research results. Nonetheless, the broadening trend toward restructuring CPA firms to emphasize stra-

**Table 1. Billing Rates\*, Overall and by Gross Fees**

	Overall	<\$1M	\$1M to \$1.99M	\$2M to \$3.99M	\$4M to \$5.99M	\$6M to \$9.99M	\$10M or more
CPA owners	\$214	\$167	\$200	\$190	\$209	\$236	\$287
Non-CPA owners	215	125	153	—	150	193	254
Nonequity owners	210	—	148	120	155	199	264
Supervisors/managers	152	131	123	129	140	160	203
Seniors	114	94	103	106	114	112	136
Juniors	94	74	88	81	96	90	110
Non-CPA juniors	86	65	86	77	80	88	97
Consulting staff	153	125	120	105	113	131	209
Firm administrator	109	55	60	90	107	101	181
Marketing director	140	45	—	70	78	130	181
Paraprofessionals	79	61	64	80	73	81	97

\*Average hourly rates

(Source for both tables: AOMAR 2007 CPA Firm Practice Management Survey)

**Table 2. Billing Rates\*, 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 owners	\$188	\$183	\$163	\$196	\$220	\$217	\$242	\$300
Non-CPA owners	138	210	98	—	220	218	197	247
Nonequity owners	—	—	148	120	183	155	246	255
Supervisors/managers	143	129	108	128	152	152	166	213
Seniors	94	105	96	103	124	120	122	125
Juniors	74	88	88	82	94	100	98	112
Non-CPA juniors	58	97	75	77	82	85	97	99
Consulting staff	123	—	—	100	114	111	171	181
Firm administrator	57	56	62	72	115	84	173	171
Marketing director	45	—	—	70	—	99	167	188
Paraprofessionals	66	61	66	82	79	82	83	96

\*Average hourly rates

tegic initiatives, goal setting, and accountability makes us believe we will soon see more information about value pricing.

In the meantime, if your firm is discussing the fee structure for the upcoming busy season and beyond, AOMAR suggests that you consider your current rates and what they should be for next year. The increased emphasis on strategy makes it very likely that you will have the information at your fingertips to justify the raises to your clients by being able to point out the enhancements in value and services that your firm offers.

If you do broach higher rates with clients, don't be surprised if no objections are stated and no explanations are expected; a strong client relationship makes fee sensitivity far less of an issue than many firm leaders may fear.

**Rates overall and by gross fees.** The average hourly billing rate for CPA firm owners (those with equity/ownership in the firm) among survey respondents was \$214 (see Table 1). For non-CPA owners, the average came to \$215 and for nonequity owners the average was \$210. (Nonequity owners are those in leadership positions who do not own any shares in the firm; they may be high-level staff functioning in a "pre-owner" capacity or top administrative leaders such as firm administrators or marketing directors.) As noted above, the data in this category represent hourly billing rates and may not take into account revenues earned for work billed on a project or engagement basis (set fee) or other value-based formula.

As you would expect, the averages varied fairly consistently by firm size, measured both in terms of annual gross fees and number of personnel. The firms earning \$10 million or more in gross fees averaged \$287 per hour for CPA owners, \$254 for non-CPA owners, and \$264 for nonequity owners. By comparison, firms grossing \$1 million to \$1.99 million in

fees averaged billing rates of \$200 per hour for CPA owners, \$153 for non-CPA owners, and \$148 for nonequity owners.

As always seems to happen due to variances among individual firms, firms with gross fees of \$2 million to \$3.99 million come out lower in most billing rate averages than the firms in the income groups above and below them in the table.

Billing rates for staff followed similar trends. Juniors who have passed the CPA exam are being billed at a range from \$74 an hour at firms with less than \$1 million per year in gross fees to \$110 an hour at firms with \$10 million or more in annual gross fees.

**Rates by number of personnel.** In past years, reported billing rates broken out by numbers of personnel have shown a correlation with rates broken out by annual revenues, the larger firms by each measurement having the highest rates, and so forth in a more or less parallel progression.

However, in this year's results, there are some interesting new findings—and some divergences—so we suggest that readers take a careful look at the data for both their gross-fees group and for their firm-size group by personnel numbers (Table 2).

For instance, the average billing rates for firms with more than 100 people is higher for CPA owners, at \$300; for non-CPA own-

### Coming in future issues of AOMAR

- Make It a Truly Happy New Year: 10 Trends to Consider in This Year's Firm Operations
- More Highlights From AOMAR's 2007 CPA Firm Practice Management Survey
- How to Avoid the Busy-Season Blues
- Busy-Season Marketing: Why It Is More Important Than Ever to Enhance Your Relationship Ties With Clients Now
- Design Your Staff-Satisfaction Survey in Time for Post-Busy Season

ers, at \$247; and for nonequity owners, at \$255, than rates in the “corresponding” gross-fees groups of \$10 million or higher and \$6 million to \$9.99 million in earnings. Why? Firms with fewer people are making more money, plain and simple, and that is changing some of the ways in which you should consider the data.

More billing-rate data for owners and for CPA firm staff appear in Table 2. Be sure to look at how the staff rates vary by number of personnel in addition to the gross-fees breakouts to get some range information for your firm’s positions.

For more information about the 2007 AOMAR survey, see the sidebar “Vital Statistics & Definitions” accompanying the article titled “What CPA Firms Are Paying Staff & Owners: The Latest Compensation & Bonus Data.”

More highlights from the survey will be published in upcoming issues of AOMAR. To obtain all of the results, order the *AOMAR 2007 CPA Firm Statistical Analysis Reference Handbook* from IOMA by calling 212-244-0360, x2. Cost: \$379 plus \$9.95 shipping/handling. □

## AOMAR Calendar

*National Business Valuation Conference*, Austin, TX, Dec. 3-5. Contact: AICPA, 888-777-7077; [www.cpa2biz.com/conferences](http://www.cpa2biz.com/conferences)

*Employee Benefit Plans Accounting, Audit and Regulatory Update*, Washington, DC, Dec. 7-8. Contact: AICPA, 888-777-7077; [www.cpa2biz.com/conferences](http://www.cpa2biz.com/conferences)

*National Construction Industry Conference*, Scottsdale, Dec. 7-9. Contact: AICPA, 888-777-7077; [www.cpa2biz.com/conferences](http://www.cpa2biz.com/conferences)

*National Conference on Current SEC and PCAOB Developments*, Washington, DC, Dec. 11-13. Contact: AICPA, 888-777-7077; [www.cpa2biz.com/conferences](http://www.cpa2biz.com/conferences)

### IN 2007:

*Personal Financial Planning Conference*, Las Vegas, Jan. 7-10. Contact: AICPA, 888-777-7077; [www.cpa2biz.com/conferences](http://www.cpa2biz.com/conferences)