

# ACCOUNTING OFFICE MANAGEMENT & ADMINISTRATION REPORT



ISSUE 06-12

WWW.IOMA.COM/CPA

DECEMBER 2006

EXCLUSIVE IOMA SURVEY

## What CPA Firms Are Paying Staff & Owners: The Latest Compensation & Bonus Data

Compensation and bonus levels at CPA firms are still high this year, buoyed by continued practice growth and excellent revenues, as shown in AOMAR's 2007 CPA Firm Practice Management Survey results.

The question for owners of how much to pay staff and how much to pay themselves is always a front-burner topic. But the perennial struggle for partners to balance the desire to increase their own financial rewards while putting sufficient funds back into the firm is now sharper, as compensation emerges

CONTINUED ON PAGE 5

IN THIS ISSUE

EXCLUSIVE IOMA SURVEY

What CPA Firms Are Paying Staff & Owners: The Latest Compensation & Bonus Data ..... 1

Is It Time to Raise Your Billing Rates? ..... 1

PERFORMANCE GOALS

How MPs & Firm Administrators Can Progress in 2007 ..... 1

Identifying & Weeding Out Those Who Lack True Leadership Potential.... 2

Structuring Staff Surveys: What to Ask to Get the Most Useful Information ..... 3

News Briefs ..... 8

- Boom times continue for mid-size CPA firms: Rosenberg survey
- Why SOX services are expensive: research from the client side
- And more...

AOMAR Calendar .... 14

AOMAR Accounting Office Cost Index ..... 15

### 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.

## Exclusive IOMA Survey

CONTINUED FROM PAGE 1

as a central feature of the competition for scarce talent.

The compensation and bonus information presented here from AOMAR's just-completed survey can help you make decisions about 2007 pay levels by showing you what other firms of your size are doing. Average compensation levels are pegged to ranges

in terms of both gross fees and numbers of personnel. (Note that we define compensation as base only; no benefits, bonuses, or perks are included. Bonuses are cash bonuses only.)

**Owners' compensation.** AOMAR's analysis breaks out owner compensation into three ranges: the highest-compensation group; the average- or midlevel-compensation group; and the lowest-compensation group. Owner-compensation data

**Table 1. Equity Owner Compensation\***

a) 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	
Highest comp per equity owner	\$277,193	\$144,674	\$155,354	\$207,130	\$240,234	\$252,033	\$567,717	
Average comp per equity owner	192,926	133,086	133,676	157,964	192,444	151,371	349,362	
Lowest comp per equity owner	162,759	122,235	100,028	134,647	147,743	137,678	275,210	
b) 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
Highest comp per equity owner	\$145,696	\$144,429	\$149,500	\$200,932	\$249,262	\$213,529	\$421,949	\$665,846
Average comp per equity owner	138,249	136,227	107,698	183,557	172,527	161,834	303,556	358,057
Lowest comp per equity owner	135,118	103,571	75,507	135,327	152,940	138,726	296,079	215,807

\*Compensation in all tables is base pay only; no benefits, bonuses, or perks are included in the figures.

(Source of all tables: AOMAR 2007 CPA Firm Practice Management Survey)

**Table 2. Staff Compensation, 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
Nonequity owners	\$116,364	\$75,000	\$80,000	\$60,667	\$92,517	\$96,875	\$179,143
Supervisors/managers	75,877	54,893	71,274	69,796	71,178	85,201	92,370
Seniors	56,332	59,204	51,094	52,615	51,343	60,207	63,554
Juniors	46,087	40,000	41,100	46,200	43,052	49,921	48,175
Juniors (not yet CPAs)	40,487	36,500	37,266	40,454	38,363	44,058	43,753
Consulting staff	71,082	—	60,000	43,500	64,625	62,384	85,275
Firm administrator	68,481	36,333	42,748	49,943	65,265	71,583	92,750
Marketing director	75,670	22,000	—	40,000	40,000	57,207	92,290
Marketing coordinator	44,261	—	—	19,390	43,600	60,000	45,151
MIS/systems manager	76,824	—	—	39,000	63,767	61,500	87,009
Network administrator	59,393	—	36,400	59,000	49,000	71,250	63,494
Secretaries/admin. ass'ts.	36,769	27,000	35,301	33,778	33,729	43,218	42,120
Billing clerks	39,100	—	48,000	—	33,553	43,610	39,180
Word processing clerks	34,888	—	—	—	31,719	38,156	36,816
Receptionists	30,134	21,708	35,150	28,700	26,333	33,876	32,754
Paraprofessionals	39,669	36,606	39,067	42,440	36,347	39,932	43,083

**ACCOUNTING OFFICE MANAGEMENT & ADMINISTRATION REPORT**

presented in Table 1 are for equity owners only, who are compensated differently from non-equity owners and staff (whose compensation information is in Tables 2 and 3). Bonus data for owners are included with

bonus information for all staff in Tables 4 and 5.

In the highest-compensation range, the overall average compensation per equity

**Table 3. 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	More than 100
Nonequity owners	\$75,000	—	\$80,000	\$60,667	\$108,350	\$92,750	\$103,083	\$230,412
Supervisors/managers	53,850	79,046	57,267	68,500	76,173	84,552	83,232	93,044
Seniors	61,175	51,747	46,800	51,843	55,389	59,856	58,029	62,629
Juniors	41,000	44,000	41,000	44,550	45,956	53,367	44,317	48,605
Juniors (not yet CPAs)	36,500	38,813	38,267	38,945	40,926	40,784	42,887	43,610
Consulting staff	60,000	—	—	—	54,063	62,384	57,393	99,891
Firm administrator	51,333	39,748	41,000	55,767	66,965	61,125	75,786	106,250
Marketing director	32,500	—	—	40,000	—	57,125	76,624	88,825
Marketing coordinator	—	—	—	19,390	43,600	60,000	45,000	45,633
MIS/systems manager	53,000	—	—	40,000	55,178	70,000	75,840	94,560
Network administrator	—	—	36,400	63,500	56,429	61,667	63,667	63,364
Secretaries/admin. ass'ts.	27,600	39,758	30,000	34,158	38,047	36,296	38,464	43,976
Billing clerks	—	48,000	—	—	40,363	37,800	29,455	44,833
Word processing clerks	26,000	—	—	—	41,431	28,500	32,301	37,989
Receptionists	30,566	31,233	25,067	28,700	29,438	27,862	31,919	31,733
Paraprofessionals	41,927	38,708	35,333	39,189	39,070	43,100	38,485	38,997

**Table 4. Bonuses\*, 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 equity owners	\$46,391	\$16,679	\$12,074	\$59,493	\$42,620	\$79,618	\$89,632
Non-CPA owners	9,917	—	0	5,500	0	0	41,666
Nonequity owners	16,725	1,000	0	6,667	2,664	30,333	32,129
Supervisors/managers	6,043	2,650	3,230	8,500	5,089	5,212	8,508
Seniors	3,310	2,750	2,517	4,386	2,782	3,297	3,894
Juniors	2,053	1,667	500	2,307	2,025	1,320	2,516
Juniors (not yet CPAs)	1,391	250	829	1,817	1,898	1,625	747
Consulting staff	2,175	0	5,000	500	2,688	792	3,881
Firm administrator	4,909	750	1,250	1,625	7,200	3,667	6,325
Marketing director	4,617	250	—	0	1,534	1,200	8,177
Marketing coordinator	552	0	—	0	0	0	1,214
MIS/systems manager	2,155	0	—	500	—	0	3,990
Network administrator	1,156	0	700	0	400	3,167	1,108
Secretaries/admin. ass'ts.	1,267	667	1,838	1,020	1,428	1,449	927
Billing clerks	720	0	2,000	0	0	1,118	1,100
Word processing clerks	800	0	3,200	0	475	925	—
Receptionists	1,420	438	5,042	1,025	376	720	325
Paraprofessionals	1,903	1,900	3,389	1,386	2,030	650	1,497

\*Cash bonuses only.

owner is \$277,193 (see Table 1). The mid-level partner group averaged \$192,926, and the lowest-compensated partner group averaged \$162,759.

When looking at the data by gross fees, as you would expect, compensation rates generally tend to increase as the firm's gross fees rise. Divergences from this pattern occur in the compensation of midlevel partners, based on respondents' data.

Owners in firms with less than \$2 million in gross fees reported lower pay by a sizeable margin. For instance, compensation averages for the three owner groups in firms earning \$1 million to \$1.99 were \$155,354 (highest paid), \$133,676 (midlevel pay), and \$100,028 (lowest pay). Those rates in the firms earning less than \$1 million were, respectively, \$144,674, \$133,086, and \$122,235.

Firms with more than 100 people are paying owners sums that just a decade ago—another time when CPA firms were growing and revenues were high—would have seemed astounding. The most highly

compensated group at those firms average a base pay of \$665,846, while the midlevel group receive an average \$358,057, and the lowest-paid group of owners take home an average \$215,807.

Even the firms that once would have been considered small reported excellent compensation levels. Among owners in the group with 16 to 20 personnel, for instance, the highest-paid received an average of \$200,932; the mid-level owners averaged \$183,557, and the lowest-paid owners earned \$135,327.

**Owners' bonuses.** With revenues high and sustained growth, owners paid themselves generous bonuses this year: The average equity-owner bonus among all responding firms was \$46,391 (see Table 4). Owners at firms with more than 100 people rewarded themselves with an average bonus of \$96,238 (see Table 5).

**Owners paid themselves generous bonuses this year.**

CONTINUED ON PAGE 10

**Table 5. 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	More than 100
CPA equity owners	\$11,929	\$29,769	\$15,833	\$77,202	\$47,057	\$76,167	\$67,125	\$96,238
Non-CPA owners	60	0	0	6,000	1,500	28,000	6,500	60,776
Nonequity owners	2,000	0	0	6,667	13,664	0	20,917	45,133
Supervisors/managers	3,688	4,544	4,648	5,833	6,527	4,682	6,635	10,989
Seniors	4,200	1,426	2,000	4,425	3,736	3,034	4,019	3,309
Juniors	1,667	500	0	2,764	1,643	1,500	3,674	1,981
Juniors (not yet CPAs)	250	750	1,160	1,479	2,321	824	1,876	695
Consulting staff	5,000	0	—	0	2,350	1,583	2,167	3,428
Firm administrator	2,250	1,000	500	3,667	6,538	1,900	7,000	5,250
Marketing director	750	0	—	0	0	14,224	6,380	3,254
Marketing coordinator	—	0	—	0	0	—	750	1,024
MIS/systems manager	0	0	—	0	261	0	4,000	2,725
Network administrator	—	0	700	0	1,900	1,600	833	1,013
Secretaries/admin. ass'ts.	1,250	1,758	1,167	920	1,789	669	1,669	535
Billing clerks	—	1,000	—	0	400	—	1,818	467
Word processing clerks	0	1,600	—	0	680	—	1,100	—
Receptionists	6,313	1,250	583	760	671	454	767	100
Paraprofessionals	5,000	2,204	1,525	1,217	2,259	805	1,733	845

## Exclusive IOMA Survey

CONTINUED FROM PAGE 7

Even the smallest firms' owners rewarded themselves well for a good year: At firms with one to five people, the average owner bonus was \$11,929; at firms with six to 10 people, the bonus averaged \$29,769. Owner bonuses at firms with less than \$1 million in fees averaged \$16,679; at those with fees of \$1 million to \$1.99 million, bonuses were slightly less, at \$12,074. The average bonus leaped to \$59,493 at the level of \$2 million to \$3.99 million in fees.

Non-CPA owners received an average overall bonus of \$9,917, and nonequity owners, \$16,725. Most non-CPA owners and nonequity owners tend to be at mid-size or larger firms. Firms with fees in the range of \$10 million or higher gave average bonuses of \$32,129 to nonequity owners and \$41,666 to non-CPA owners. The largest firms in terms of number of personnel also rewarded their nonequity owners well: The average bonus at firms with more than 100 people was \$45,133.

**Staff compensation and bonuses.** Talent continues to be in short supply at the staff level and the compensation rates reported by survey participants seems to indicate that firms are trying to hold onto staff with pay and bonuses.

Supervisors and managers averaged an overall base compensation of \$75,877 (see Table 2). At the largest grossing firms (\$10 million or more in gross fees) supervisors and managers brought home an average base pay of \$92,370 and at firms with \$6 million to \$9.99 million in fees their earning averaged \$85,201. The data by firm size reveal that even smaller firms are paying well at this level; for instance, the average pay for supervisors and managers at firms with six to 10 people is \$79,046.

Seniors are probably the staff level that

is hardest to find (and keep), and the base compensation shows that firms are trying to use pay as a way to accomplish those goals. Overall average base compensation for seniors is \$56,332, and runs as high as an average of \$63,554 at firms of \$10 million or more in gross fees and \$62,629 at firms with more than 100 people.

Juniors are more valuable staff now than they were years ago when there were plenty of entrants into the profession, and their base pay rates reflect that enhanced value. Those who have passed the CPA exam are rewarded with an average base pay of \$46,087, and it ranges as high as an average \$48,175 for those who work for firms with \$10 million or more in gross fees. All pay levels for juniors who are licensed have reached or exceeded the \$40,000 mark.

Firms are also paying more for the value that firm administrators bring. Their average pay is now \$68,481, and larger firms are paying them in the same ranges as supervisors and managers. They receive an average of \$92,750 at firms with \$10 million or more in fees, and at firms with more than 100 people, their average pay is \$106,250.

Nonequity owners are a relatively recent addition to the AOMAR survey. Not that many firms have them yet, but their numbers are growing. These individuals can include high-level leaders such as firm administrators and marketing directors, or may be supervisors or managers in a transitional state between staff and full ownership. Their pay is technically staff pay; that is, they do not hold equity in the firm (although their bonuses tend to be "partner-sized," which is why they are discussed along with owners' bonuses above). Average pay for nonequity owners is \$116,364.

**For more information about the 2007 AOMAR survey,** see the accompanying sidebar. More highlights from the survey will

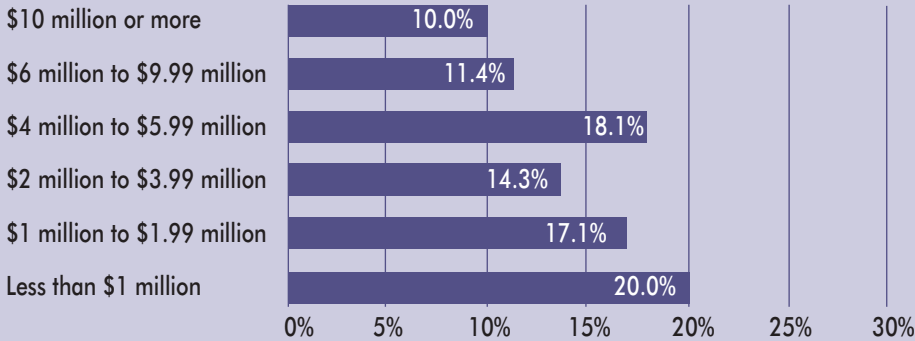
be published in upcoming issues of AOMAR. To obtain all of the results, order the AOMAR 2007 CPA Firm Statistical Analysis Reference

Handbook by calling IOMA at 212-244-0360; or e-mail [subserve@ioma.com](mailto:subserve@ioma.com). Cost: \$379 plus \$9.95 shipping/handling. □

**Vital Statistics & Definitions**

The AOMAR 2007 CPA Firm Practice Management Survey was conducted among U.S. CPA firms of all sizes during the summer and early fall of 2006.

**Respondents by gross fees**



**Definitions**

**Gross fees** = Total annual revenues before any adjustments for write-downs or write-ups.

**Compensation** = Base pay (or draw or distribution for owners) only. No benefits, bonuses, or perks included.

**Bonuses** = Cash bonuses only.

**Owners** = Owners are equity owners and are CPAs unless otherwise identified. For instance, the survey tracks some data about nonequity owners (who are technically not "owners"—they are paid employees who own no share in the firm, with top-level leadership responsibilities) and non-CPA owners (equity owners who are not holders of a CPA license).

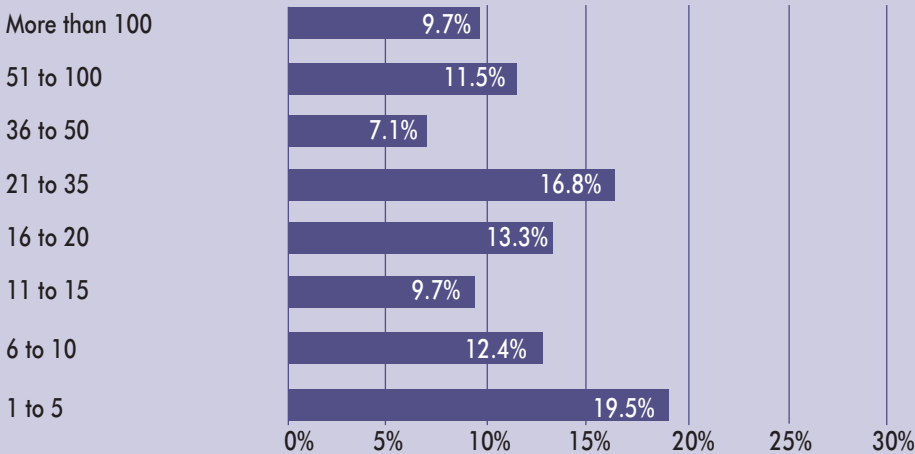
**Paraprofessionals** = Include non-CPA accountants, bookkeepers, and any other individuals who don't fit other support, administration, or professional categories.

**Averages** = Responses are based on an average of the number of firms that responded to each question, not the total number of firms.

**Percentages** = Where percentages don't total 100, it is due to rounding, multiple responses, or "not applicable" or "no response."

**Annualized data** = Respondents were asked to annualize data for their firms' most recent fiscal year.

**Respondents by number of personnel**



**Firm organization structure**

