

The Shortage of CPA Candidates

STEPHEN F. MCCARTHY, CPA, TODAY'S STAFFING

Recent surveys show that recruiting and retention of accountants is one of the foremost concerns of top management, whether in industry or in public accounting firms. The lack of new accountants in the pipeline compounds the problem. There is much discussion about what created this shortage but too little dialogue on how to fix it. Some blame the recent accounting scandals. Sarbanes-Oxley (SOX) certainly has had an impact on the accounting profession — and the profession may be held in high or low esteem for many reasons — but it is only part of the issue.

The Problem

According to the Federal Bureau of Labor Statistics, accounting and auditing jobs will grow at an annual rate of 3 percent through 2014 and represent one of the top 10 growth occupations in the U.S. The current number of accountants and auditors in New Jersey is 35,750, and this number is projected to increase at a rate of 1,000 per year. Unfortunately, this growth is more than the number of accounting students who will graduate from New Jersey colleges each year. Obviously, there is a mismatch between the supply and demand. Why is this occurring and why now?

The Causes

The growing complexity of accounting rules coupled with the compliance landscape are making it increasingly difficult to attract and train new recruits. This trend was established well before Sarbanes-Oxley. "SOX does underscore the importance and relevance of accounting as a profession and makes it imperative that we recruit high-caliber candidates. While SOX contributes some measure of complexity and much adverse publicity, the idea of needing to communicate accounting as a

respected, valued profession to potential candidates is not new," says Stephen J. Heil, CPA, Partner-in-Charge of Recruiting for Ernst and Young's Metro New York Area practice.

Many college students believe that accounting is both more arduous and less exciting than other fields. "The accounting curriculum is growing more demanding and structured, so students must choose accounting after their first year. This requires a conscious effort, extra steps and higher hurdles for students who choose accounting. They must be more committed earlier than those pursuing other majors. The added burden of 150 credit hours often means an additional year of college before getting a CPA designation," notes Frederick Kelly, Dean of the Monmouth University Business School. "Also, some universities have problems delivering a five-year program."

On the positive side, the number of students majoring in accounting has recently been increasing. Yet, this recent increase has been from a diminished base and is not enough to satisfy demand. The American Institute of CPAs reported that both enrollments and graduates in accounting programs are up 19 percent for the four-year period 2000–04. Another positive sign is the increased percentage of candidates passing the CPA exam, which has increased from 27 to 32 percent passing on the paper/pencil test to 40–45 percent on the computer-based exam. This is due to both the caliber of candidates and the availability of taking the exam in parts rather than taking the complete test at once.

However, the pipeline of talent is clearly too narrow and will restrict growth. The average age of accountants continues to increase. The inflow of young accountants must be greater than the outflow of retiring accountants if the overall number of active accountants is

to grow and serve client needs. Current growth trends are not enough. We must find a way to kick-start the process through a coordinated, comprehensive effort.

The Solutions

How can we broaden the aforementioned pipeline and make the flow of new talent more robust? It involves a renewed partnership between industry and academic institutions in recruiting new accountants. Until such time, industry must find more creative ways to outsource critical accounting work.

"Positive exposure of students during their first year to the relevance and value of the accounting profession would be an effective counterbalance to the perceived downsides of the profession," adds Heil. "Young accountants need to be ambassadors for the profession, especially at their alma maters."

Accounting firms and corporations need to partner with the state's colleges and universities that offer the graduate courses that satisfy the 150-hour education requirement. These institutions also need to provide scholarships to attract accounting students, tuition reimbursement, and flexible scheduling and time commitments to satisfy the 150-hour requirement for new hires. In 2006, the New Jersey Society of CPAs Scholarship Program provided 88 students more than \$320,000 in scholarships. Nevertheless, much more needs to happen in order to attract the best students.

In the meantime, we must use more innovative outsourcing strategies to fill the void. While many firms outsource tax preparation, one firm uses an innovative outsourcing twist. "Weiser has an affiliation with the international firm of Moores Rowland International (MRI). In the first quarter of 2006, MRI sent approximately two



no public accounting firms. If the accounting industry is to recruit this group of seasoned workers, it must address practices and policies relevant to them.

In some respects, there has always been a shortage of well-qualified accountants. Today's acute issues present a new challenge to the profession but not an impossible hurdle to overcome. We need a comprehensive approach, some innovation from industry and academic institutions, and a real partnership between them to satisfy the demand for accounting professionals. ■

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dozen chartered accountants from South Africa and Australia to work in New York City to support audits being performed by Weiser. We have used this method for the last five years to great success," reports John Porricelli, New York Director of Human Resources for Weiser LLP.

Another possible strategy is actively recruiting workers over age 50. The November/December 2005 issue of *AARP The Magazine* listed its 2005 "Best Employers for Workers Over 50." It evaluated workforce practices and policies beneficial to workers age 50 and above. Significantly, it cites

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The NJSCPA provides an Excel spreadsheet to help firms and companies keep track of their employees who take the CPA Exam. Visit www.njscpa.org/docs/CPAExamTracker.xls.

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