

Accountants For The
Public Interest

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"Public interest means the representation of those who are generally ignored or overpowered in our society."¹

Archaeologists, historians, and sociologists have all theorized on the prehistoric society's quest for survival. This quest depended on the group working as one unit. If one member became a weak link in the chain of subsistence, usually the whole group suffered a set back--the "common good" always outweighed the individual's needs.

The earliest record of an interest in "the public good" dates back to the time of the Classical philosophers and teachers. Plato, in The Republic, proclaimed to the citizens of Greece that contemplation of the "good of the whole" is an essential element in insuring the survival of a just and moral state.

In America, lawyers were the first to take up the cause of public interest. The American Bar Association's Code of Professional Responsibility states that:

The basic responsibility for providing legal services for those unable to pay ultimately rests upon the individual lawyer...every lawyer, regardless of professional prominence or professional workload should find time to participate in serving the disadvantaged. The rendition of free legal service to those unable to pay reasonable fees continues to be an obligation of each lawyer, but the efforts of individual lawyers are often not enough to meet [these] needs.

Early efforts to implement this pronouncement caused the creation of the first legal aid societies. At this point, legal aid was still considered a charitable act--not a

professional responsibility. Most legal aid cases had to be handled on a lawyer's own time--not the firm's time. Organizations such as the ACLU and the NAACP attempted to fill the gap between what was needed and what was supplied by the legal profession.

In 1964, because of pressure from the ABA, a legal aid component was included in the services offered by the newly created Office of Economic Opportunity (OEO). Free legal aid was provided to the poor by lawyers who were compensated for the work they undertook--helping the poor had been successfully removed from the realm of charity.

It was at this point, that lawyers became committed to the cause--not the constitutional rights of the individual client. The public interest law firm was created on the premise that attacking the larger issues such as civil rights, civil liberties, due process, and the like would as an end result greatly benefit the individual.

After the purely legal issues were dealt with, American society turned to more comprehensive issues such as campaign financing and spending controls, utility rate regulation, health care costs, school financing, and prison reform. These issues called for contributions from all professions and accountants--quickly took their cue.

CPAs have often served on school boards, or treasurers for churches, or for such organizations as the Boys' Clubs and the United Way. While these activities provided important services to the community, other deeper and vitally important elements

of the community such as minority businesses and tax assistance to the poor and elderly, were being completely overlooked.

The first organized efforts within the accounting profession was in the area of assistance to disadvantaged owners of small businesses. Volunteer CPA's were assigned to a client through a local agency funded by the Office of Minority Business Enterprise (OMBE). Each CPA retained complete control and responsibility for a client. If eventually a client became successful, part or full fees might be charged.

While the idea was a good one, many business owners did not know or request services until their situations were beyond repair. Many accountants found themselves reconstructing records and performing general bookkeeping services only to succeed in keeping the business alive a few more months.

Although the program failed miserably, it enlightened many individuals to the needs of the community beyond those of their own private practices.

During the same time period, programs began appearing that offered free tax assistance to the indigent and the elderly. Although none of these groups were connected, they had many similar qualities. They all used student volunteers from a local university, providing them with a means to gain experience by utilizing their newly acquired accounting knowledge. Most operated out of storefront locations in low income neighborhoods. Most of the participants were discouraged by the lack of response from the members of the communities they were attempting to help.

Despite the disheartening results of these groups, the first Accounting Aid Society (AAS) opened its doors in 1969. Its program offered assistance to nonprofit community groups and financial counseling to low-income individuals besides offering services to disadvantaged business-people and tax assistance to the poor. The program was started by an accounting student, John Neubaur, enrolled at Drake University in Des Moines. In an attempt to gain support from the faculty, he stressed that the program could serve as an internship as well as giving students a clearer understanding of community related problems. The AAS received early support from the Iowa CPA Society. The Society provided funding, leadership, and volunteers to supervise the students. Some of its initial funds came from the OEO but subsequent application for grants were denied because of cutbacks in federal spending. Because of its connection to a consumer activist group, the Iowa Society eventually withdrew its support, and in 1973, AAS closed its doors. Although the program in Des Moines failed, it had inspired four other organizations offering notably similar programs.

All the organizations mentioned thus far put forth commendable effort in helping needy individuals or small community groups. But none focused on the larger public policy issues that sometimes stirred controversy and affected a large portion of the community, such as health care costs.

"Unlike medicine and law, accountancy has no myth portraying its practitioners as crusaders charging forth to save society. The activities of the professional accountant offer no parallel to stirring courtroom appeals or life-saving emergency surgery."² Because accountants are independent and objective, they can provide much needed skills when approaching a public policy issue. Their proficiency at investigation and analysis of data can be used in the evaluation of the issues involved. The objectivity and independence of a CPA can be a vital element necessary to make an issue acceptable to the public.

In October 1971, eleven professional accountants began meeting in San Francisco in the hopes of forming an organization that could meet the needs of organizations dealing in public interest issues. Over the next six months, the founding group of Accountants for the Public Interest (API) met several times to discuss organizational objectives and the scope of their activities.

The original premise was to provide their service to nonprofit organizations dealing in public interest issues, cases, and projects that contained a financial element.

They also considered offering three other types of services similar to those already provided by the AAS. These were rejected because the founding member felt no enthusiasm for working on the same things they did during the normal course of business. They also felt that expanding the scope to include these services could overwhelm the capacity of the volunteers involved.

Once the scope of the organization was selected, the criteria for selecting its clients had to be designed. These criteria were:

First, the client must be an organization involved in a charitable or educational endeavor.

Second, the client must be unable to pay for services needed.

Third, the client must accept the fact that the work will be performed in an objective and independent manner.

Fourth, the client must agree not to edit or excerpt from the report without prior permission.

Finally, the client must evidence a serious commitment to the project or issue involved.³

If an organization meets the criteria set, then other questions must be asked. The most important being: Is this a public interest issue, and does API have the time and capacity to handle the case.

Once the client is accepted, professional volunteers are recruited based on the scope of the case and time required to complete it. Student volunteers are used primarily for research, fact gathering and figure accumulations.

The uniqueness of the cases accepted was what initially attracted volunteers, and it helped to maintain their enthusiasm. The variety of issues required that the design of the approach taken with each case be individually planned and outlined.

Since strict adherence to an objective nonadvocacy approach was of prime importance, the final report was always the main consideration. Because of this, the flexibility to shift the direction of the approach was always maintained. API realized that to maintain their credibility they could not in anyway

take an advocacy position. Therefore all information in their report had to be supported by fact. Words and phrases that express an opinion are painstakingly avoided. "API's purpose was not to support [the] point of view [of the client] but to illuminate the issue for the public it affected".⁴

Along with nonadvocacy, independence was another key element to API's credibility. Since API received no fees for their work and client selection criteria was rigidly enforced, there was no evidence of client bias.

Another problem they faced was apprehension on the part of accounting firms fearing that API would offer them competition. Since API would only accept clients who met established criteria--especially that of inability to pay--competition was not a factor. The only exception to the payment rule was in the case of issues so controversial that the client would be unable to retain a CPA firm. As it turned out, API in several cases actually generated clients for CPA firms. Those who took the opposite stance to API's client found it necessary to hire a CPA firm in order to generate evidence to support their own view.

Because API retained the right to release their report if the client failed to do so, there was the question of client confidentiality. API's stance of one of nonadvocacy could only be supported if they were able to make the report available to the general public whose interest it affected. They were working for the public interest not the position of the client.

The issue of conflict of interest also created much debate. The conflict of a volunteer working on an issue opposing their firm's client was easily solved by the volunteer distancing himself from API until the project was complete. Another more difficult situation arose when there was a conflict of interest between API's client and the organization providing financial support. Here again the supporting organization gave their support because they believed in the overall purpose of API--not necessarily the individual issues.

Within the first five years, API handled cases concerning the accessibility of the indigent to health care, care of dependent and neglected children, political campaign funding controls, and the financial analysis of a community college district. Each case provided an exciting challenge to the participants who worked on it.

In the fifteen years since API first opened its doors in San Francisco, the organization has undergone many changes. Today it consists of nine affiliated organizations scattered throughout the United States. As new groups joined the organization, many of them accepted a broader scope of responsibilities, i.e., helping disadvantaged small business owners, helping the poor and elderly with tax preparation, and helping nonprofit organizations with internal accounting control.

Although API still adheres to its nonadvocacy stance, they take on very few controversial public interest projects anymore. Only the Chicago office still actively handles the

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public interest issues, recently checking into the Mayor's Slush Fund--at the Mayor's request. Because the majority of their funding today comes from the large national accounting firms, they are careful not to antagonize them.

Volunteerism over the years has fluctuated quite wildly at times--especially from January to April. While student volunteers are greatly appreciated, they have created a problem in their utilization. Students require a great deal of supervision, and scheduling them around their school obligations has proven rather difficult.

Over the years, there have been some changes in API's philosophies and direction. But times have also changed, and API has changed with them. Many of the burning issues that existed fifteen years ago have either been resolved or are no longer relevant. Therefore, today their main focus is on small businesses and nonprofit organizations--two groups that are vital to the economy of the communities in which they participate.

Footnotes

¹ Morton Levy, Accounting Goes Public (University of Pennsylvania Press, 1977), p. 4.

² Ibid., p. 23.

³ Ibid., p. 31.

⁴ Ibid., p. 35.

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