

**TESTIMONY OF GEORGE WILLIE
BEFORE THE
U.S. DEPARTMENT OF THE TREASURY
ADVISORY COMMITTEE ON THE AUDIT PROFESSION**

**December 3, 2007
Washington DC**

Chairman Levitt, Chairman Nicolaisen, Members of the Advisory Committee and other guests:

My name is George Willie, and I am the managing partner of Bert Smith & Company, a public accounting firm based in the District of Columbia. My firm was started in 1948, and we employ more than 70 professionals in providing a wide range of comprehensive accounting and audit services to our clients, guided by a consistent focus on integrity in all our dealings, and by strict adherence to accepted accounting principles and practices.

I would like to thank you for the opportunity to testify today regarding the expanded need for human capital, specifically the need for greater minority participation in the audit profession. No doubt you have heard and will hear from many persons with different perspectives on the challenges we face, and I am honored to be one of the voices on this important topic.

Our Current State

With approximately 100 million ethnic minorities in the United States, the U.S. Census Bureau estimates that about one in three residents is a minority (*US Census Bureau, 2007*). According to the U.S. Bureau of Labor Statistics' (*BLS*) projections, the trends of minority population growth will continue to increase, and by 2050, minorities will account for nearly half of the U.S. population. Our economy, including audit clients and audit committees, will reflect these realities. In response to these demographic shifts, the CPA

profession must enhance existing strategies to continually attract and retain minorities within the profession.

The percentage of accounting graduates who are minorities is 22%, consisting of 10% Asian/Pacific Islander, 7% African American, and 5% Hispanic or Latino. New hires into the CPA firms mirrored this output with 23% of new hires being minority, but with some imbalance at 12% Asian/Pacific Islander, only 3% African American and 8% Hispanic or Latino. While these more recent graduation and hiring rates show some gains, there is another side to the coin. The professional staff employed by CPA firms at all levels is only 10% – 5% Asian/Pacific Islander, 2% African American and 3% Hispanic or Latino. Even more striking are the partner/owner numbers – 5% minority, consisting of 2% Asian/Pacific Islander, 1% African American and 2% Hispanic or Latino. And finally, of direct relevance to the audit profession is the percentage of licensed CPAs in the firms who are minorities – 8% total with 4% Asian/Pacific Islander, only 1% African American and 3% Hispanic or Latino.

What these data show is that while we are slowly attracting an increasing number of minorities to the study of accounting, we are not keeping them in the profession as CPAs and ultimately partners/executives. Of particular concern are the African American numbers – only 7% of graduates, 3% of hires, and 1% of CPAs and partners. The CPA designation is the building block for all segments of the accounting profession. Certification is the gateway to successful careers, careers that blossom in the public, corporate and governmental arenas. The profession can and must do better in order to sustain itself.

These numbers are especially disappointing given the millions of dollars in minority scholarships provided by the AICPA, the significant sums expended by the National Association of Black Accountants (NABA) and by the Association of Latino Professional Financial Accountants (ALPFA), and the aggressive and extensive diversity and recruiting programs at all of the major firms. In addition to the vast sums which have been expended, there are a myriad of continuing programs that have been developed by

NABA, ALPFA, the PhD Project, Inroads, Lead, and Beta Alpha Psi, and many more are in place to address improving the number of minorities in the accounting profession.

An Unacceptable Failure

Simply put, if the profession is to grow, and deliver the quality necessary in the marketplace, the attraction and retention of many more minorities are imperatives. To do this, universities must find ways to get more minorities through the critical pre-hire education path, and the firms must do more to retain and promote minority professionals. The efforts cited above have been commendable, but still insufficient to the task.

Throughout the history of our nation, minorities have had almost no presence in the accounting profession. We can't sit idly by, continuing to talk about the under representation of minorities in the profession, report on the issue, and not achieve results. This is unacceptable if we are to have a vibrant and diverse audit profession serving the public interest.

As has been noted, there has been a significant amount of work done by the CPA profession to attract students and faculty into the pipeline. However, success has eluded us. As another example and supplement to the numbers cited earlier, AICPA research in the 1990s revealed that in Caucasian-owned CPA firms, African Americans constituted approximately one percent of the professional staff, four in every one-thousand CPAs, and less than one in one thousand partners, with CPAs falling to the lowest level of African American representation in the professional workforce (*Hammond 137*). The earlier AICPA research was again confirmed by a recent survey done by the Center for Accounting Education at Howard University's School of Business.

Competition/Opportunities

The competition to recruit and retain top talent is fierce in the professional labor markets, including accounting, with many firms seeking to enhance staff diversity in order to meet both staffing needs and client expectations. Changing market demands, client relationships, and regulatory initiatives such as Sarbanes-Oxley create the need for

greater numbers of qualified auditors. To make the profession more representative of the population, the AICPA and the firms must enhance existing strategies to continually attract greater numbers and integrate minorities into the profession.

Having a diverse workforce not only contributes to the overall growth and success of firms and the profession, it is also smart business sense. National studies have shown that more and more individuals entering the workforce will be from a minority background, and serving their needs will be a considerable opportunity. The bottom line is that we need to do a better job of reaching into minority communities, and the issues are threefold, all relating to pipeline expansion: creating student awareness, recruiting students into accounting programs and then into firms, and ensuring that we have sufficient faculty to meet capacity needs.

Other compelling reasons for enhancing minority recruiting include promoting diverse points of view in innovation and decision-making (53%), and making the workforce more representative of the population (39%) (*Lockwood & Victor, 2007*). Long seen as a “white profession,” accounting faces real obstacles that demand effective and practical solutions, to promote awareness and integration of the accounting profession to ethnically diverse populations. Many firms say their clients are insisting that they hire a more diverse staff in order to meet specific needs (*Hammond 144*). The face of America is changing and the face of the profession must change with it.

It is important to help prepare the next generation for challenges of tomorrow in their academic, personal and professional lives through partnerships between the CPA profession and educational institutions. In the past decade, technology has revolutionized virtually every aspect of every position in the financial services industry and hundreds of thousands of low-skilled jobs have been consolidated into fewer, more demanding positions. Today, the demand for talented applicants who have mastered the ‘soft skills’—the ability to communicate effectively, work as team members, and solve problems — is unabated and likely to continue to grow. In another survey, Howard University’s Center confirmed that young minority professionals at the major firms believed that there are

three important factors for success in the accounting profession: strong communication skills, strong technical skills and strong interpersonal skills. Opportunities abound; professional and technical knowledge are more critical than ever to enter the world of work.

Recommendations

I see the effort to diversify the accounting profession as a combination of initiatives. First, educators have to be an integral part of our recruiting efforts. There has to be an intensified outreach program by academia to prospective accounting majors. Second, the families of minority students must promote commerce, accounting and finance as alternatives to the ministry, medicine and law as important professions. Third, and critical, is the involvement of mature and accomplished accounting professionals. Whether as community leaders, guest lecturers, or participants in adopt-a-school programs, CPAs of ethnic minorities are clear evidence that with hard work, the right relationships and the proper focus, there is much to be attained in the accounting profession.

How effective can we be at encouraging youth to pursue the CPA profession if all groups that have outreach programs and initiatives in place are not working together to project a unified message? Efforts such as those undertaken by Howard's Center are the minutest of steps. Howard's Center, funded in a large part by the major accounting firms, some minority owned firms, NABA and the AICPA, was launched to address the issues of increasing the number of minority CPAs and to improve the retention rate of minorities within the accounting profession. There are intelligent people invested in this initiative, but there is not a strong, collective message being projected. The lack of a unified message creates the appearance of competitive efforts, rather than a group of collaborative programs being leveraged by all.

Research must be done (and completed) and actionable items must be put in place that will not only make a statement on paper, but will also make a statement for action.

Conclusion

I recently said in an interview with *WebCPA* that critical mass is key. When the faces in the hallways of the large and mid-sized firms mirror the variety of the faces you see walking down the street, then we've achieved critical mass. As long as African Americans or Latinos or Asian Americans, or other cultures, are not exposed to accounting as a career choice, then we'll continue to experience a shortage of these groups in the field as a whole. We have a responsibility as a profession to engage one another and make a difference toward critical mass. There are documents upon documents saying that there is a problem, but these are just words on paper. We need to take action in order to make a difference. As a profession, we have a responsibility to engage one another in order to 'pay it forward' and invest in the future. The time for action is now.

Again, thank you for the opportunity to testify today regarding one of the important human factors – that is, minority representation - facing the public company auditing profession today.

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