

While competitive compensation and benefit plans remain the top contributors to employee satisfaction, work/life balance initiatives also play a key role in being considered an employer of choice. Easily implemented retention strategies include:

- Professional development plans
- Leadership preparation
- Continued education and training
- Mentor programs
- Flexible work arrangements
- Leave options
- Concierge services

But don't forget the importance of simply fostering a pleasant and respectable work environment. The regular practice of acknowledging and celebrating employee successes goes a long way toward boosting morale and creating a loyal workforce.

FIGHTING THE FEAR

The implementation of a formal staffing program may seem overwhelming at first. Especially when employment is a pressing concern. But when you divide the process into more manageable steps, it becomes a less intimidating prospect. As with any new undertaking, the best way to get from point A to point B is with baby steps. And the same holds true in developing an effective and comprehensive staffing solution for your entire firm.

A QUICK STAFFING CHECKLIST

1. Appoint a staffing supervisor and elect a team.
2. Identify current and future staffing needs.
3. Construct comprehensive job descriptions for necessary positions.
4. Map out a recruiting plan.
5. Determine advertising venues.
6. Establish an official interview process.
7. Develop and distribute marketing pieces to promote your firm.
8. Institute a proper follow-up process.
9. Create a formal offer package for potential new hires.
10. Introduce employee retention programs.

Additional Resources

"Best Practices in Recruiting and Retaining Talented Staff," a white paper from the AICPA Private Companies Practice Section (PCPS), the AICPA Alliance for CPA Firms, available at: http://pcps.aicpa.org/NR/rdonlyres/B378FF7D-BDE5-4A3F-847F-10BD818EC060/0/PCPSWhitePaper_Staffing.pdf

DID YOU KNOW?

As a CPA EmployerGard policyholder, you can send your employment application to our Risk Management Specialists for a complete review — free of charge. Simply submit your application, and a Risk Management Specialist will provide you with feedback regarding the application's effectiveness and help you identify questions that may be prohibited.

For more information,
call CPA EmployerGard today at 1-800-221-3023!

Aon Insurance Services is a division of Affinity Insurance Services, Inc.: in CA, MN & OK, (CA Insurance License #0795465) Aon Insurance Services is a Division of AIS Affinity Insurance Agency, Inc.; and in NH & NY is a Division of AIS Affinity Insurance Agency.

The information, examples and suggestions presented in this material have been developed from sources believed to be reliable, but they should not be construed as legal or other professional advice. CNA accepts no responsibility for the accuracy or completeness of this material and recommends the consultation with competent legal counsel and/or other professional advisors before applying this material in any particular factual situations. This material is for illustrative purposes and is not intended to constitute a contract. Please remember that only the relevant insurance policy can provide the actual terms, coverages, amounts, conditions and exclusions for an insured. All products and services may not be available in all states. CNA is a service mark registered with the United States Patent and Trademark Office. Copyright © 2006 CNA. All rights reserved.

©2006, Aon Insurance Services. All rights reserved.

N-4166-506



EMPLOYERGuardian

EMPLOYMENT PRACTICES RISK REDUCTION STRATEGIES

SPRING • 2006

DEFINING PERFORMANCE: THE IMPORTANT ROLE OF PERFORMANCE EVALUATIONS

It's a tedious task. But somebody has to do it. And if you're a manager or supervisor, it's likely that evaluating employee performance all comes down to you.

Yes, performance evaluations are time-consuming and involved. And yes, you're probably too busy to schedule them. But if you take a minute to understand their importance within your organization, you'll probably realize you'd better make the time.

THE IMPORTANCE OF PERFORMANCE REVIEWS

Regardless of your firm's size, the implementation of an official performance review process is a business necessity. When executed properly, evaluations institute a standard system of measurement for company performance, nurture employee-employer relationships, and most importantly, help protect firms from increased employment practices liability exposure.

Setting Standards

Performance evaluations will enable you to establish consistent standards for each position within your firm. This, in turn, will help employees work toward meeting agreed-upon goals and objectives that can help your organization function more efficiently.

To establish performance review standards, begin by updating or creating job descriptions for each position within your firm. Current and accurate job descriptions not only allow you to define expectations and communicate responsibilities to employees, they also contribute to an effective defense in the event of a claim for wrongful termination.

Improving the Employee-Employer Relationship

Equally as important to both employers and employees, evaluations should — at the very least — be conducted once a year. From the employee perspective, the performance review is a personal event — it's a time to gain valuable feedback on performance, plan future career development, and discuss job compensation.

Annual reviews are extremely important to firm staff and should not be dismissed lightly. The continued postponement or cancellation of reviews reflects poorly on firm management and sends a negative message to employees that they simply aren't worth it. Although preparing evaluations can be a lengthy process, reviews present a golden opportunity to cultivate employee

relationships and improve overall team morale. In this respect, you can use reviews to establish an open line of communication with your staff to talk openly and honestly about all things job-related. This will not only make your employees happy, but will, in turn, improve productivity. Your employees will know what you expect from them, and they will want to deliver.

Reinforcing Risk Management

Instituting mandatory performance evaluations is not only smart business, it's good risk management, too. In many cases, terminated employees sue CPA firms, claiming that they did not understand job expectations and therefore cannot be held accountable for performance failures. Regardless of whether a suit is warranted, courts often find in favor of claimants, citing that poor corporate communication is unjust and unfair. When you maintain current job descriptions, conduct annual performance evaluations, and document employee interactions, you have laid the groundwork for a solid defense in the event of such employment practices allegations.

In addition to helping to defend your firm against wrongful termination suits, performance evaluations also help provide protection against failure-to-make-partner claims. Honestly evaluating performance can help you determine which staff members qualify for promotions and who is in need of improvement. In the case of failure-to-make-partner accusations, properly documented and communicated performance issues will help support your business decisions.

EVALUATION ESSENTIALS

Although the thought of conducting performance evaluations for all of your employees may seem daunting, a formal review process can be relatively easy to implement within your firm. As you begin to develop your own system, remember to include these key components.

The Job Description

Any human resources expert will tell you that the foundation of all performance evaluations is an accurate job description. If you don't have current descriptions for all positions, start here. Detail what each job entails and what you expect from your employees. Not only will this provide structure for your organization, but it will give employees the knowledge they need to succeed within your firm.

(continued on next page)

Visit us at: www.cpai.com

The AICPA Professional and Personal Liability Insurance Programs Committee objective is to assure the availability of quality insurance products at reasonable rates for local firms and to assist them in controlling risk through education. For information about the AICPA Program, call your Regional Representative or the national administrator, Aon Insurance Services, at (800) 221-3023, write Aon at Aon Insurance Services, 159 East County Line Road, Hatboro, PA 19040-1218, or visit the AICPA Insurance Programs website at www.cpai.com.



Planned Meetings

The hardest part about performance reviews is finding the time to conduct them. And the only way around this dilemma is to schedule a meeting and stick to it. Scheduling and adhering to reviews, whether on an annual or semi-annual basis, shows that you are dedicated to your employees' professional development and that you care about the progress of your firm.

Honest Feedback

Performance reviews are only valuable if you're honest. Although confrontation can be difficult, it benefits you and your employees to provide open and truthful feedback. Avoiding performance issues will create false evaluations that can harm your firm in the event of an employment practices claim. Additionally, withholding constructive criticism from your employees denies them the opportunity to improve.

Objectivity

When establishing review standards and evaluating your employees, stick to the job at hand. Evaluate employees strictly on the requirements set forth in their job descriptions. Discussing subjective criteria can be discriminatory and could leave your firm exposed to employment practices liability claims.

Two-way Communication

Always afford the opportunity for your employees to respond to your evaluation. Encouraging an open exchange of ideas promotes employee relations and improves overall corporate communication. Employee feedback also provides an opportunity to gain insight into an employee's goals and aspirations and to learn how you can capitalize on them to improve as an organization.

Professional Development

After all is said and evaluated, take the time to construct career development plans for your employees. Chart a course for their success, and determine what resources you can provide to help them improve. A vested interest in your employees will repay you greatly in terms of employee satisfaction and loyalty.

MAKING THE TIME

In the end, the benefits of performance evaluations far outweigh the unpleasantness of preparing them. If you're still on the fence about implementing a program for your firm, it's time to reconsider.

The risk management benefits alone are well worth the time it takes to execute an employee review. If your firm is ever named in an employment practices lawsuit, performance evaluations could be your first line of defense. Ultimately, the time it takes is a small price to pay for improved productivity, employee satisfaction, and most importantly, a foundation for defense of an employment practices claim.

Additional Resources

"Management of an Accounting Practice Handbook", chapter 307, an AICPA publication, available at: <https://www.cpa2biz.com/CS2000/Products/CPA2BIZ/Management+of+an+Accounting+Practice+Handbook.htm>

Effective Evaluations

A CPA firm functions more effectively when information concerning staff performance is communicated on a regular basis throughout the year. An effective evaluation and appraisal system should:

- Improve employee understanding of the job in relation to firm standards
- Measure how well standards are being met by employees
- Link evaluations to the firm's business objectives
- Motivate employees to improve
- Assist in the development of action plans for improvement
- Improve recruiting and retention of top performers
- Leverage employee strengths
- Provide a basis for periodic salary adjustments
- Aid management in selecting the right people for promotion, transfer, or training
- Provide safeguards of objectivity and fairness in the assignment of personnel

Adapted from "Staff Evaluations" by Dennis L. Faurote in *Management of an Accounting Practice Handbook* (New York: American Institute of Certified Public Accountants, 2004)

AON TRACK

THE RIGHT TRACK FOR EFFECTIVE EMPLOYMENT PRACTICES MANAGEMENT

Visit www.aontrack.com today for quick and easy access to valuable employment practices resources. Available exclusively to CPA EmployerGard policyholders, Aon Track is your one-stop shop for employment practices risk management assistance.

As a CPA EmployerGard policyholder, you can access Aon Track 24 hours a day, seven days a week — at no additional charge. And once you log on, you can take advantage of practical employment practices tools, including:

- Sample policies and forms
- Employee training programs
- Management advice
- Relevant articles
- Claims exposure information
- Best practices recommendations

And much more!

Plus, as an additional benefit, you'll receive weekly training bulletins on important, timely topics, such as employment practices law, workplace relations, and management and leadership.

Don't let this valuable resource go to waste! Simply call (800) 205-5262.

Just mention you are a CPA EmployerGard policyholder, and get started on the right track with Aon Track today!

CPA FIRM STAFFING — SOLVING THE ETERNAL DILEMMA

Once again, staffing and recruiting remain major concerns for the nation's CPA firms. In fact, according to a recent study conducted by the Private Companies Practice Section of the American Institute of Certified Public Accountants, research shows that staffing is the biggest management challenge for non-national firms and has been for the last several years.

The current overabundance of SOX-related work has ignited a countrywide CPA shortage, and the resulting lack of resources has made staffing a major challenge for CPA firms of all sizes. But finding the right talent doesn't have to be an issue. With the proper planning, even the smallest firms can incorporate successful staffing programs into their overall business plans.

SIMPLIFYING STAFFING

Establish a Team

The ultimate goal of staffing is to find the right people for the job. But first things first. What positions are you trying to fill? Do you want a CPA with a heavy tax background? Or are you in the market for an audit expert? Before you cast your line into the sea of CPAs, determine exactly what you're looking for.

Start by appointing a staffing supervisor and electing a staffing team. These individuals will share the responsibilities of identifying employment needs, attending recruiting events, promoting the firm, interviewing applicants, and hiring qualified candidates. Your staffing team should create solid job descriptions for the positions you'd like to hire and set clear and realistic goals from the beginning of your search to help ensure that you get what you're looking — *and paying* — for.

Advertise

After you determine your staffing needs, spread the word wherever you can. Use technology to your advantage. Post your job descriptions on state society job boards and other websites that specialize in accounting employment. Consider advertising in industry magazines and national newspapers. If you're on a tighter budget, never underestimate the power of word-of-mouth. Establishing a broad promotional platform will expand your search and provide you with a more diverse talent pool.

Interview

Once you start promoting job opportunities, get ready for interviews. Develop a list of pertinent questions that will help you determine which candidates are the best people to fulfill your needs. As you create questions, take time to review your employment application and remove any discriminatory questions. Certain questions, like inquiring about the year in which an applicant graduated from high school, can create the potential for age discrimination lawsuits.

Throughout the interview process, don't forget that candidates are also interviewing you. Remember — competition is fierce, so you have to convince top prospects that your firm is the only one

worth working for. In this respect, it's a good idea to distribute a firm brochure or develop a highlight sheet that outlines the benefits of securing employment with your firm.

Make an Offer

For applicants who don't quite make the cut, inform them of your decision in an official letter. For those shining stars, create a formal offer letter and follow-up process. This will show prospects that you're serious about adding them to your team.

MASTERING METHODS

The College Connection

While many prospects will come to you, it's important to get out there and do some talent scouting yourself. Recruiting is a highly successful staffing tool, predominantly in the collegiate arena. The 2005 Report on the Supply of Accounting Graduates and the Demand for Public Accounting Recruits indicates that enrollment in accounting programs continues to climb. This means that new crops of CPAs are sprouting up each year, and some are already ripe for the picking.

Developing relationships with universities, especially those known for their accounting programs, is a great way to channel new recruits your way. Participating in career days or recruiting fairs is an easy way to gain access to this gigantic talent pool and an excellent opportunity to conduct initial employment screenings.

If you don't have time to hit the recruiting circuit, there are other creative ways to forge the college connection. For instance, you could befriend local accounting professors or offer to appear as a guest lecturer. Both techniques are excellent networking opportunities and clever ways to attract new recruits.

Internships

In addition to providing affordable labor, internships open the door to several staffing positives. First and foremost, interns present the opportunity to promote your firm throughout the CPA population. Happy interns are likely to spread the word that your firm is a great place to work, which in turn will motivate qualified CPAs to seek employment with your firm.

Secondly, interns typically return year after year and are often highly qualified potentials for future, full-time employment. The National Association of Colleges and Employers (NACE) reports that nearly 80 percent of employers who responded to the 2005 Experiential Education Survey cite higher retention among their college hires who have internship/co-op experience. This type of loyalty is something money cannot buy.

Retention, Retention, Retention

The best way to avoid staffing issues is to keep the staff you already have. As much as you focus on recruiting and hiring, you must pay equal attention to employee retention. This is especially important in retaining exceptional and experienced staff.

(continued on next page)

Help is Just A Telephone Call Away

For immediate legal advice on employment law and practice management issues such as performance evaluation and CPA firm staffing, call (800) 569-3679. As a CPA EmployerGard policyholder, your firm is entitled to 30 minutes of legal advice per month from experienced attorneys at the national employment and labor law firm of Ford & Harrison, LLP (at no additional charge). Please have your CPA EmployerGard policy number handy.