

Deficiencies in the Code of Conduct: The AICPA Rhetoric Surrounding the Tax Return Preparation Outsourcing Disclosure Rules

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Abstract In this article, we examine the American Institute of Certified Public Accountants' (AICPA) efforts to conceal the offshoring of tax return preparation services by U.S. Certified Public Accountants (CPAs) through recommending an inadequate disclosure format for this type of work. We draw on Giddens' theory of trust and expert systems, the professionalism literature, and Flyvbjerg's concept of power to analyze the underlying agenda behind the revised ethics rulings (AICPA Ethics Ruling No. 112 under Rule 102, No. 12 under Rule 201, and No. 1 under Rule 301). Specifically, we examine (1) the AICPA leadership's stated professional justifications for outsourcing and its recommended client disclosures, (2) risks associated with outsourcing tax return preparation work overseas and the trust issues that result, and (3) the resistance to the AICPA leadership's recommended outsourcing disclosure rules within the rank and file of the CPA profession. We argue that our analysis reveals the AICPA's on-going promotion of their private interests, thus continuing to raise systemic concerns regarding the public's trust in the U.S. public accounting profession.

Keywords Tax return preparation · Outsourcing · Professional ethics · Public interest · Code of conduct · Disclosure

I understand that outsourcing of work has been going on for a long time, however, I do believe that this information should be made available to the client and his/her consent obtained prior to using a third party, especially if the third-party is located in a foreign country. If this information is not disclosed to the client, I believe this issue is a time bomb waiting to go off. It is only a matter of time before clients discover that outsourcing to foreign countries is being widely utilized, which will add another scar to the public image of CPAs. (Corey Bidne, CPA, AICPA 2004c)

Introduction

In the past decade, a wave of accounting scandals has damaged the American Institute of Certified Public Accountants' (AICPA) public image. Barry Melancon, President and CEO of the AICPA, explained that the AICPA is involved in many initiatives that demonstrate their commitment to the public interest, such as the financial literacy project, the establishment of new audit quality and audit committee effectiveness centers, and AICPA work regarding advocacy, image enhancement, and government involvement by the profession (Melancon 2009). Despite these overt attempts to enhance public trust in the accounting profession, we argue that the AICPA leadership continues to promote the U.S. public accounting profession's private interests over the interests of its clients and

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the public. In this article, we illustrate their continued self-interest focus by examining the AICPA's efforts to conceal the offshoring of tax return preparation services by U.S. Certified Public Accountants (CPAs) by recommending an inadequate disclosure format for this type of work.

Based on our analysis, we argue that the revised disclosure rules suffer from several inadequacies from a public interest standpoint. One egregious feature of the AICPA's revised ethics rulings is that no distinction has been drawn between domestic Third Party Service Providers (TPSPs) and TPSPs that are located overseas. The AICPA's blanket disclosure format seems to suggest that there are no significant differences between outsourcing domestically and offshoring and that detailed disclosure of offshoring is unnecessary and not a cause for concern. The public interest orientation of the profession dictates that clients have a right to know if their confidential information is being sent overseas outside the U.S. jurisdiction where privacy and security laws do not apply. The revised disclosure rules, we believe, reflect the AICPA's continuing systematic efforts to further profession's private interests over those of the public.

A number of the AICPA's past efforts to promote the CPA profession's private interests have been examined in hindsight, such as their attempts to expand the profession's jurisdiction by adding services such as WebTrust e-commerce seal of assurance (Gendron and Barrett 2004), CPA2biz (Woehlke 2002) and by launching projects such as the global credential project (Shafer and Gendron 2005) and the AICPA vision project (Fogarty et al. 2006). Our study provides an opportunity to examine an initiative that continues to have important public policy implications for the protection of clients. We contribute significantly to this stream of research by demonstrating how the leadership on the U.S. public accounting profession, even when setting policy over client advocacy work such as tax preparation services, privileges its own interests over those of their clients or the public. Further, by studying the profession's rhetoric in the tax preparation services area of practice, we see how arguments over policy are structured in a contested market where CPAs do not have a monopoly. Our study also provides policymakers with insights to review the adequacy of these disclosure rules and may induce regulators to recommend changes.

The paper is organized as follows. In the second section, we provide background information on the AICPA governance structure, previous controversies over the direction of the profession, the outsourcing of tax preparation work by CPAs and the general theoretical perspective taken in our study. "Research Methods" discusses our approach to analyzing the AICPA's recommended disclosures, which consisted of a latent content analysis of archival material supplemented by interview data. In the fourth section, we

present our analysis of three major critical issues that were present during the debates over the AICPA's revised ethics rulings. Specifically, we examine (1) the AICPA leadership's stated professional justifications for outsourcing and its recommended client disclosures, (2) risks associated with outsourcing tax return preparation work overseas and the trust issues that result, and (3) the resistance to the recommended outsourcing disclosures within the rank and file of the CPA profession. The final section contains the conclusions we have drawn from the study.

Background

In order to gain an informed understanding of the case's most critical issues, a brief background on the AICPA and outsourcing is needed. The AICPA is the premier national professional accounting association in the United States. This group, which generates about half of its revenue from membership dues, promotes awareness of the accounting profession; identifies financial trends; sets certification, licensing, and professional standards; and provides information and advice to CPAs (www.aicpa.org). While day-to-day governance of the AICPA is handled by the AICPA's 23-person board of directors, the 265-member AICPA Council makes final decisions regarding broad-based AICPA initiatives. Though the council is meant to represent the interest of the members, it has been the subject of organized debate within the rank and file membership of the AICPA. For example, a group called 'CPAs reforming our profession' (CROP) organized themselves during the time that the AICPA brought out two different initiatives. The first was the Global Business Credential, once called the "Cognitor" project. The second initiative was the "for profit" website CPA2BIZ.com. In presenting these two projects, this group voiced concern that the AICPA was not adequately representing the CPAs. They argued the need for a professional organization that followed a more democratic corporate governance framework (www.cpas4reform.com).

Similar concerns regarding the governing council of the AICPA were echoed by two state societies. The Massachusetts Society of CPAs, concerned over an apparent disconnect between Council and AICPA membership, made a formal inquiry into AICPA governance (Woehlke 2002). An instance of this disconnect was a proposed business credential, known as XYZ, which was rejected by the AICPA membership by nearly two to one in December 2001, while the Council endorsed the initiative by more than two to one during its October 2001 meeting. The 3-year \$5 million gambit to establish this new credential demonstrated to some state societies and individual members that the AICPA was not representing the interests of

its membership, leading them to raise concerns regarding governance issues (Woehlke 2002). The members of the California Society of CPA moved to have Society-designated Council members be put to a membership vote, while the Massachusetts Society of CPAs, in a May 8, 2002 letter to AICPA Chairman Jim Castellano, asked that Council take several matters into consideration. “We are requesting that Council devote time to the study of its own role, what it is, what it should be,” the letter states, specifically asking whether Council serves as an advisory body or exists to decide major issues (Woehlke 2002).

Consequently, in March 2003, the AICPA announced the establishment of a new task force to examine the role and responsibilities of the governing Council. In particular, the task force was instructed to consider the manner in which the Council representation is decided and the manner in which the Council administers its activities, with a distinct focus on communications and the relationship between the Council and the AICPA membership and board of directors. The task force presented its findings in October 2003 to the New York State Society of Certified Public Accountants’ (NYSSCPAs) Executive Committee. The task force proposed dozens of initiatives under the general categories of ethics, practice-monitoring and peer review including a recommendation that all AICPA Council and Board members should sign a Statement of Responsibilities upon accepting their position (www.accountingweb.com). At the Fall 2004 council meeting, each and every member of the council was required to adopt and sign the proposed “Statement of Responsibilities” which included the following excerpts:

Have a duty to be loyal to the organization, its staff and other volunteer leaders. While differences of opinion are sure to arise, I agree as a Council member to seek to keep disagreements impersonal.

Present the position adopted by Council plus the pros and cons of an issue after Council has acted on the issue. In addition, I have the right to express my personal views on the issue, whether in support of or in opposition to Council’s decision. (www.aicpa.org)

A position paper issued by CROP emphasized concerns about the above excerpts (www.cpa4reform.com). This group of CPAs interpreted the above proposal as one that demanded the Council members to publicly support the positions of the majority. This proposal would reduce or eliminate transparency to members and in fact may be a proposal to eliminate a legal imperative for dissenters to voice their opinions at the grass roots level. At the fall 2004 council meeting, one of the council members stated that any member who refuses to sign the statement of responsibilities should be terminated from membership of the

Council. Scott Voynich, chair of the council, responded to the effect that sanctions other than termination could be levied, such as withholding reimbursement of expenses for members who refused to sign. Pursuant to the announcement, all members of Council, but one, had signed the statement. The non-signing council member, a member of the CROP group, made the point that pledging loyalty to the Council seemed to be a conflict of interest with his responsibility to represent the interests of AICPA membership. The above discussion provides us insights into the debates that exist within the AICPA membership and the inner workings of their governance mechanisms. These types of governance conflicts were also present in the debates over outsourcing disclosure rules.

Outsourcing Professional Tax Services

The trend of outsourcing preparation of income tax returns overseas, particularly to India, began in the early 2000s (Soled 2005). Though there are many other stated benefits of offshoring such as staff utilization of core activities, lower costs, access to specialized best practice skills, little or no layoffs after busy season, reduced recruitment and training, the main benefit of offshoring is cost savings. The wage costs of employees in India are reportedly 25–35 % of the wages in the United States since the average Indian worker makes \$250–300 monthly (Harrington 2006). One of the greatest concerns about offshoring is the privacy and security risk of posting confidential client information such as social security numbers to a facilitator’s website. Clients may object to their information being sent to a third party who is not directly supervised by their CPA. Some CPAs and their clients may have service quality or patriotic concerns about the offshoring of tax preparation work (Robertson et al. 2004; Shamis et al. 2005). The offshoring of tax preparation services also raises several legal and ethical concerns. Legally, a key question relates to the potential liability the U.S. tax preparer incurs when hiring foreign subcontractors to process tax returns for U.S. taxpayers. Ethically, a primary question concerns whether the tax preparer has a duty to disclose to clients the use of offshore tax preparers (Bierce 2004a).

The offshoring of tax returns has invoked mixed reactions. Federal agencies, regulators, academics and the media have attempted to address the looming threats that accompany this fast-growing practice (GAO 2005; IRS 2006; PRC 2006; AICPA 2004b; Robertson et al. 2004; Soled 2005; Reeves 2004). Please refer to Table 1 to find a list of abbreviations.

The AICPA’s stance on the practice of offshoring is that it is an economic activity necessary for the continuing economic development of the CPA profession. The AICPA

Table 1 List of abbreviations

AICPA	American Institute of Certified Public Accountants
BSI	British Standards Institution
CPA	Certified Public Accountant
FDIC	Federal Deposit Insurance Corporation
GAO	Government Accountability Office
IRS	Internal Revenue Service
ISO	The International Organization for Standardization
IT	Information Technology
NYSSCPA	New York State Society of Certified Public Accountants
PEEC	Professional Ethics Executive Committee
PRC	Privacy Rights Clearing House
TPSP	Third Party Service Provider
CROP	CPAs Reforming Our Profession

describes offshoring of tax returns as an improvement of work processes and a step towards the adoption of global business practices (AICPA 2006a).

Theoretical Perspective

The theoretical perspective taken in this article draws from prior research on the public accounting professionalization literature, Flyvbjerg's concept of power, Giddens' work on trust, and related work in accounting on the commercialization of the public accounting profession. For example, an impressive stream of prior research has questioned the nature of concepts such as "professionalism", "independence", and public interest in accounting (Willmott 1986; Hanlon 1994; Radcliffe et al. 1994; Roberts 2001). The basic intention of this collection of papers has been, as Willmott (1986, p. 556) states to "contribute to the unmasking of the [accounting/audit] profession's technical image by examining the role of its professional associations in exploiting and regulating the power invested in the accounting function". From this perspective, professions are seen primarily as political bodies, as private interest governments seeking principally to defend and advance their members' interests (Willmott 1986). Symbolic traits of independence, trustworthiness, or altruism are treated as socially constructed concepts and exposed as professional mystiques that together with the existence of professional monopolies of labor and mutually dependent relationships with the state, serve to enhance the remuneration of members of professions. This approach provides a framework to help us understand the motivations underlying the actions of the AICPA revision of the ethics rulings.

We also rely on Flyvbjerg's concept of power to study the actions of the AICPA. Machiavelli and Thucydides, who had experience with the practical employment of

power worked out this insight reflectively and began developing a concept of power with an emphasis on power not only as an entity that is conquered and held based on force and law, but also on power as 'strategies and tactics' exercised in more subtle ways. The view of power as 'strategies and tactics' was advanced substantially in the interpretation of Nietzsche, who described himself as being closely related to Machiavelli and Thucydides (Flyvbjerg 1998, p. 5). In using the strategies and tactics approach to the study of power, we can focus on the less visible mechanisms of the operation of power across relationships among the leadership of the public accounting profession, the rank and file members of the profession, government regulators, and clients. Trust is especially important in professional/client relationships because of the knowledge and thus, power, differential between the professional and the client.

Giddens (1990, p. 87) notes that trust mechanisms do not relate only to the connection between lay persons and experts. They are also bound up with the activities of those who are "within" abstract systems. Giddens distinguishes between trustworthiness in relation to system trust versus trustworthiness between individuals. First, trustworthiness can be established between individuals that are well known to each other and have substantiated their reputational reliability and credentials in each others' eyes. This involves what Giddens terms facework commitments or "trust relations which are sustained by or expressed in social connections established in circumstances of co-presence" (Giddens 1990, p. 80). Giddens indeed notes that while the basis of trust relations are increasingly in systems of expertise as opposed to face-to-face relationships, social actors such as professionals nevertheless are important "access points" between these systems and lay actors, representing institutionally certified standards of expertise. On the other hand, faceless commitments concern the development of trust in what Giddens terms abstract systems, including systems of expertise. Giddens (1990, p. 86) also notes that, at access points, a strict division is made between "frontstage" and "backstage" performances as "Control of the threshold between the front and backstage is part of the essence of professionalism." He argues that a clear distinction between front and backstage reduces the impact of imperfect skills and human fallibility that might otherwise undermine the expert's trustworthiness, which is something those working at access points will usually wish to minimize by concealing what occurs behind the scene and away from public view.

Abbott (1988) suggests that a better way of thinking about professional work is an object that is defined and redefined through continuous struggle between different occupational groups. Hence, the values and attributes of professionals are fluid and subject to change and struggle.

Hanlon (1994) argues that in the 1930s and 1940s, due to the preponderance of Fordist discourses, the dominant definition of professionalism was social service professionalism. In the 1970s and 1980s, this definition of professionalism came under attack and a competing definition called ‘commercialised professionalism’ gained increasing acceptance (Hanlon 1994). This version of professionalism stresses the need to have managerial and entrepreneurial skills (Freidson 2001) To date it has emerged most strongly in areas of the private sector such as accountancy and engineering (Hanlon 1994). This professionalism stresses three factors: one, technical ability which will allow one to practice in the profession but it will not guarantee career advancement nor success; two, managerial skill which is the ability to manage other employees and satisfy clients; three, the ability to bring in business or act in an entrepreneurial way. The extent to which one has all three skills determines how successful one will be in the profession. The debate concerning the use and disclosure of offshore entities to perform tax preparation services relates directly to the definitional contest between classic and entrepreneurial professionalism.

Research Methods

In order to examine the AICPA’s development of ethical rulings regarding disclosure of offshoring a client’s tax return preparation work, evidence was gathered through a latent content analysis of archival material supplemented with interviews. Within our work, we attempted to ensure the trustworthiness of findings in several ways. Multiple sources of archival material were examined whenever possible. Therefore, not only were AICPA releases and rulings examined, but also press coverage of these rulings. We also believed that it was important to include within this paper exact, relatively lengthy, quotes from archives in order to avoid the potential flaw of quoting out of context and to substantiate interpretations. Finally, we examined archival material until a point of evidential saturation was attained (Lincoln and Guba 1985; Van 1988). Archival material took the form of public records (Denzin 1978) as well as business press coverage of the events examined (Freidson 1984). Public material included: Exposure draft of omnibus proposal of professional ethics division interpretations and rulings; Comment letters received in response to the exposure draft; Ethics rulings under the AICPA code of conduct and IRS Revenue rulings; AICPA comments in response to the IRS proposed regulations; FDIC report, GAO reports; speeches by AICPA members; and Hearing Archives of the subcommittee on oversight of the House Committee on Ways and Means. Press coverage involved articles, editorials, and advertisements appearing

in the *CPA Journal*, *Accounting Technology*, *Insight*, *Newsreleasewire*, *Outsourcing Law*, *Market Watch*, *Accounting Today*, and *Journal of Accountancy*.

Articles were identified using on-line search engines on newspaper, trade journals, professional publications, academic journal websites, social sciences research network, and general searches on library websites. Further, we collected and examined information on the AICPA website for press releases and pronouncements in relation to the revised ethics ruling. The articles were organized by issue and were examined in detail to obtain an understanding of the core issues underlying the revision of the ethics rulings. The AICPA ethics rulings, press releases, comments made to other agencies and discourses surrounding these events were closely read using the theoretical lenses employed.

Because client confidentiality and information security were key considerations in the debates over disclosure rules, interviews were conducted with three leading TPSPs to obtain direct evidence regarding the security procedures in place for tax preparation work and other TPSP services. The providers are located in India. Since majority of the returns are offshored to India (Soled 2005), this site was considered the most relevant to the study. The three cases were selected from a list of 14 leading suppliers that provide finance and accounting outsourcing services, compiled by the FAO Research, Inc. (www.marketresearch.com). The criteria were that the companies provided full scale finance and accounting outsourcing services on a global basis for a number of years and demonstrated strong growth in the arena by winning multiple, brand-name engagements over the prior 2 years. We contacted all 14 providers and 3 providers agreed to participate in the study. Members of the top management team as well as managers at operational levels were interviewed. Table 2 lists the type of interviewee and the number of interviews.

The providers were assured that their responses would be anonymous and the interview transcripts would be sent to them for verification. The interviews were tape recorded and transcribed. After transcription of the interview data, they were given the opportunity to review the interview material to corroborate their verbal responses. The interviews were semi-structured and all interviews were face-to-face. The results of the interviews were used to corroborate the conclusions reached by conducting content analysis. The questionnaire consisted of a small number of open-ended questions. The typical interview was 60 min; the length varied from 30 to 90 min. Questions were directed at determining the specific risk reduction strategies that were adopted by the service provider to mitigate client’s risks associated with confidentiality of their data. The reading of the transcripts focused on identifying the risks involved with offshore outsourcing, and the measures adopted by the TPSPs to ensure that the information

Table 2 Third Party Service Provider interviewees

Interviewee	Interviewee number	Designation within organization	Number of interviews
Provider One			
Director Process and Quality	1	Top management	1
Vice President Global Services	2	Top management	1
Strategic Business Unit-Manager	3	Operations	1
Director Finance & Accounting	4	Top management	1
Provider Two			
Head—Solution Design & Implementation—Finance & Accounting	5	Top management	1
Principal consultant—Systems Design and Implementation	6	Operations	1
Provider Three			
Associate Vice President	7	Top management	1
Senior manager	8	Operations	1
Total			8

transmitted to them remains secure. The interview data represents procedures that are being followed at leading TPSPs but it is not necessary that all overseas TPSPs adopt similar measures. However, this interview data provides insights about what is presented as the best possible safety measures that can be adopted when returns are outsourced.

Analysis of Three Critical Issues Related to Tax Return Preparation Outsourcing

Based on our interviews and review of archival materials, we determined that there are three recurring critical issues associated with the debate over tax return preparation outsourcing. The first issue relates to the AICPA leadership's stated professional justifications for outsourcing and its recommended client disclosures. The second issue deals with unique risks associated with outsourcing tax return preparation work overseas and the trust issues that result, and the third issue revolves around the resistance to the AICPA's recommended outsourcing disclosures within the rank and file of the CPA profession. These three critical issues are examined explicitly in this section, appealing to theories of the professions, trust, and power to provide an analytical lens from which to base our critique.

Analyzing the AICPA's Stated Justifications for Their Recommended Disclosures

Past scandals and loss of reputation dictate the importance of reminding the public about the integrity, objectivity, competence, and professionalism of CPAs (Melancon 2009). While offshoring opens avenues for increased revenues and speedy delivery of returns, there may be

unintended consequences to modifying business processes which expose firms' offshoring tax returns to additional business risks. In this instance, the AICPA was faced with a business opportunity while concurrently managing its currently precarious public image. Therefore, unlike in the past, the AICPA decided to take action proactively and review the code of conduct regarding disclosure of outsourcing of tax returns to determine whether the code was sufficient or needed to be amended.¹

One of the frequently cited characteristics of a profession is the existence of professional codes, often in the form of codes of ethics. The purpose of such codes, in part, is to persuade the public that the formulation of ethical standards justifies trust. They also provide practitioners with considered opinions which are often very detailed and systematic, about the ethics of actions taken in the course of their work (Freidson 2001, p. 215). An important part of a professional code deals with potential conflicts of interest. Avoiding conflicts of interest is a critical test of professionalism as it helps ensure that a profession's monopoly over practice will not be used for selfish advantage (Freidson 2001, p. 215). Thus, ethical codes are promulgated with the manifest objective of facilitating professional self-control as well as expressing and strengthening the community orientation of profession members (Barber 1965).

¹ For instance, Barry Melancon (President and CEO of the AICPA) fought the SEC over auditor independence rules that Levitt and Turner (Arthur Levitt, former Securities & Exchange Commission chairman; Lynn Turner, former SEC chief accountant) claim would have stopped conflicts involving auditors selling consulting services to their audit clients. Douglas Carmichael, Director of the Center for Financial Integrity at Baruch College in New York, claimed that the AICPA did not tighten the rules such as requiring auditors to provide detailed documentation for an audit or to query lower-level management for problems (Macdonald 2002).

The AICPA's Professional Ethics Executive Committee (PEEC) appointed a task force in January 2004 to consider what changes, if any, should be made to their Code of Professional Conduct in connection with the use of TPSPs. Table 3 provides a chronological account of the events surrounding the revision of the AICPA code of ethics.

Concurrently, U.S. government agencies were conducting studies to address concerns regarding the impact offshoring may have on privacy of data (FDIC 2004; Committee on Ways and Means 2004). The Federal Deposit Insurance Corporation (FDIC) concluded that financial institutions that outsource data to domestic vendors should be aware when domestic vendors have in turn subcontracted out that same work to overseas or domestic third parties (FDIC 2004). In concurrence with the widespread agreement among various federal agencies over the increased risks that are associated with offshoring (PRC 2004; FDIC 2004), the PEEC maintained the position that outsourcing domestically and offshoring have been, and should be given, equal weight when developing ethical rules governing disclosure (AICPA 2004b). The AICPA actions suggested that the PEEC would use the same standards for outsourcing as they would for offshoring. This logic was evident in the following statement of the exposure draft:

Although the media and representatives of our federal and state governments have focused on the issue of 'offshoring', the committee believes that guidance concerning the use of third-party service providers should apply equally to service providers located domestically and abroad. (AICPA 2004b)

The following comment by Mr. Ochenschlager, Vice President of Taxation at the AICPA, resonated with similar intent that the disclosure of outsourcing should be extended to domestic service providers as well:

But under the AICPA rule, the outsourcing doesn't necessarily have to be overseas. If it's outsourced

anywhere, overseas or domestically, it has to be disclosed. (Coombes 2006)

However, as we discuss in the next section, the AICPA's revised ethics ruling over the disclosure of outsourcing clients' tax return preparation work did not embody the above intent to require disclosure.

Backstage Reasoning for Opaque Disclosures

The final language recommended in the revised rulings requires that the member 'should' and not 'must' disclose that a TPSP may be used thereby shifting the onerous concern of disclosing to the member's discretion. Further, the disclosure format requires that the member state that the return 'may' be outsourced to a TPSP. AICPA Ethics Ruling No. 112 under Rule 102 states:

Before disclosing confidential client information to a third-party service provider, a member *should* inform the client, preferably in writing, that the member *may* use a third-party service provider. (AICPA 2004a)

The disclosure is opaque since it clouds the two main features it is supposed to be comprised of, first; the AICPA member's intent to outsource and second; the identity and location of the TPSP. Although the member may be regularly outsourcing he or she can use the word 'may' in the disclosure which introduces the suggestion that the event may or may not happen. Such disclosure merely stating a possibility to outsource is misleading if the CPA firm is aware of their definite intention to outsource. Curt Eakin, CPA, Chairperson of The Professional Conduct Committee of the California Society of Certified Public Accountants, voiced the committee's concerns regarding the misleading disclosure format in the committee's comment letter to the exposure draft:

Table 3 Chronology of events

January 2004	The PEEC appoints a task force to study the issues associated with the use of third party services providers by members when providing services to clients
August 9, 2004	AICPA issues Exposure Draft: Omnibus proposal of Professional Ethics Division Interpretations and Rulings: Proposed Ethics Ruling No. 112 under Rule 102; Proposed Ethics Ruling No. 12 Under Rules 201 and 202; Ethics Ruling No. 1 under Rule 301
October 8, 2004	The Committee received 49 comment letters on its proposal
October 28–29, 2004	A public meeting was held to discuss the comments and further deliberate the relevant issues
January 26, 2005	New and Revised Ethics Rulings Under Rule 102, Rule 201 and Rule 202 are adopted
December 2005	The U.S. Internal Revenue Service (IRS) issued a press release entitled "IRS Issues Proposed Regulations to Safeguard Taxpayer Information"
April 6, 2006	AICPA testimony to the U.S. House Ways and Means Committee
January 1, 2009	New regulations under Internal Revenue Code Section 7216 (Disclosure or Use of Tax Information by Preparers of Returns) are passed

We believe that the method of disclosure should not be left to the discretion of the member. If we, as a profession are to maintain integrity and objectivity in the minds of our clients and the public, we need to not hide the fact that we are using a third-party service provider. If we fear that this disclosure will drive away clients and therefore do not wish to make it known as a profession, we are not acting in the public interest (2004a).

The final rulings do not require specific disclosure of offshoring since the PEEC noted that they believed it was appropriate to focus on the ethical issues when a member uses the services of a TPSP and not to address the specific risks associated with overseas outsourcing. Thus, the ruling merely called for disclosure in some general sense (“preferably in writing”) (Brody et al. 2006).

Concerns regarding the format of the disclosure were brought forth as well in comment letters to the exposure draft. Adrian G. Lyman, CPA, stated in his letter to the AICPA (AICPA 2004b):

In my opinion, the committee is too accommodating in its conclusion that ‘guidance concerning the use of third-party service providers should apply equally to service providers located both domestically and abroad’. To conclude that the public, the best interests of which our profession still purportedly serves, will make no distinction between domestic service centers and those located abroad is simply nonsense. Worse, it is a position which has potentially disastrous implications to the profession. The industry has taken some hits lately in consumer confidence, and the incomplete disclosures recommended by the foreign service centers offering off-shore “outsourcing” can only contribute to the perception that CPAs are more concerned about the letter of the law than its spirit”.

Rodney S. Conant, CPA stated in his comment letter:

I was proud until I read how you propose to allow a member to disclose his use of “third-party providers.” The use of the term “broad language,” which would inform the client that “a third-party service provider may be used” is utterly whimpish. Why waste your time and member dues coming to that conclusion? If a client has a right to know, we should be honest and candid with the client. While the AICPA uses the term “transparency” and “clear understanding” with clients while addressing issues such as independence and peer review, why now are you taking a position that the form of disclosure could be buried in small print in a document that has other purposes. If we are to be “honest and candid”

this disclosure should be obvious and clear. It should not be a part of an organizer or in the standard privacy policy letters that no one reads

Rule 301, ET 1 states that a member should enter into a contractual agreement with the TPSP to maintain the confidentiality of the client’s information, and should use reasonable care to determine that the third party has appropriate procedures in place to prevent unauthorized release of confidential client information to others. These provisions are challenging for several reasons that are brought forth in the following arguments. The members of Information Technology Executive Committee argued that members may lack the technical competence to review the procedures in place to prevent unauthorized release of confidential client information, and moreover, most TPSPs would not allow their procedures to be reviewed, as that would be considered a breach of “best practices” (AICPA 2004b). The Texas State Board of Public Accountancy believes that a confidentiality agreement with a TPSP is not an adequate substitute for client consent when services are to be rendered by the TPSP and that provider is outside of the jurisdiction of the United States legal system. Further, the board recommends requiring a confidentiality agreement between the member or member’s firm and an administrative support TPSP when that provider would have access to confidential client information, since there is no required disclosure of such arrangements to the client (AICPA 2004b). Thus, the AICPA may be free riding on claims of professional care, responsibility, and due diligence by passing on the responsibility to the TPSPs and may be taking advantage of the information asymmetries that exist due to the inability of the clients to monitor their activities.

Understanding the backstage of a practice is central to our understanding of the production of legitimacy for an activity. Power (2003) discusses a small number of relatively recent papers that question rationalized accounts of the audit process and explore the complex backstage of the practice. For example, Pentland (1993) observes and deems significant the preponderant use of expressive and emotional language in the audit process. According to him, the language of ‘comfort’ is more than just a metaphor but also a signal that hunch and intuition are formed from repeated collective interactions within the audit team. Further, Pentland (1993) takes as given that in many circumstances auditing is the ‘certification of the unknowable’ which requires ritual procedures to transform indeterminacy into institutionalized order. Therefore, who does the work is as important as what is done. This argument is particularly relevant to the AICPA’s argument that specific client consent to offshore returns should not be required. Refusal to procure specific consent is related to reproducing the

backstage. So long as the taxpayer is given the impression that the work is being performed under the control of the CPA firm, the mere presence of the CPA firm as supervising the process is a signal of work that has been satisfactorily done and an expression of the authority of the reviewer to discipline the work process (Power 2003). The AICPA's justifications for opaque disclosure rules were revealed most clearly as the leadership of the AICPA debated the disclosure issue with the United States Internal Revenue Service (IRS) and the United States Congress.

Revealing the AICPA's Justifications for Their Recommended Outsourcing Disclosures

Professional tax return preparers in the U.S. must be enrolled to practice before the IRS. Thus, CPAs performing tax preparation services must comply with IRS regulations as well as the AICPA Code of Professional Conduct. This arrangement complicates professional regulation over the provision of tax services. In December 2005, the IRS issued a press release entitled "IRS Issues Proposed Regulations to Safeguard Taxpayer Information". The stated purpose of the IRS regulations was to prevent offshore outsourcing of tax return preparation without the taxpayer's knowledge, as well as to "update" regulations that had not been revisited since the 1970s (Nolte 2006). The proposed rules had a separate customer consent provision that applied to return preparers who outsourced their work overseas. The IRS released final regulations in 2008 known as Treas. Regs. Sec. 301.7216-2(c)(2) requires a preparer to obtain taxpayer consent before disclosing any of the taxpayer's tax return information to another preparer located outside the United States, regardless of whether the preparers are related parties. In all cases, the consent must be knowing and voluntary, obtained prior to any disclosure, and signed and dated by the taxpayer. The efforts of the AICPA to proceed with the offshoring of returns would have been decidedly stalled by the proposed IRS regulations that were awaiting approval in 2005 because tax laws are a powerful tool for public policy and can promote or impede virtually any type of investment or commercial opportunity (Bierce 2004b). The IRS ruling was in direct conflict with the AICPA's interests and the AICPA in their comments to the IRS adopted a position that opposed the stance of full disclosure that the IRS was advocating.²

The AICPA was adamant in expressing its view that the IRS's new rules could potentially erode professional

autonomy and diminish their professional authority. Susan Coffey, AICPA Vice-President of Self Regulation asserted that AICPA members as professionals are ultimately responsible for all work performed for clients, and that each member has individual professional obligations that should govern disclosure.

According to the AICPA, the proposed IRS regulations prescribe dramatic differences in the forms of consent; i.e., based on whether the professional services are rendered from within the U.S and its territories or are provided (in whole or in part) from overseas. By requiring clients to sign a form granting consent to offshore their returns, the IRS regulations were described as creating rules that are significantly out of step with modern business practices. The AICPA has frequently used such terms as 'modern' and 'competitive' when framing their policy arguments, thus depicting their response to market phenomena as a force of nature, neutral, unavoidable and progressive. However, calls to modernize may also be attempts at rationalization since rationality is a principal strategy in the exercise of power. The AICPA's actions can further be understood by appealing to Flyvbjerg's propositions relating to the exercise of power. The freedom to interpret and use 'rationality' and 'rationalization' for the purposes of power is a crucial element in enabling power to define reality (Flyvbjerg 1998, p. 228). In testimony before a U.S. House Ways and Means subcommittee on oversight, the AICPA Executive Tax Committee Chair expressed concern that the proposed IRS regulations fashion an entirely new 'consent' regime for any return preparation activities that involve parties located outside the borders of the United States. He further urged the IRS to engage the professional service provider industry in a substantive discussion prior to issuing final regulations about how to best ensure the requisite security of tax information in the context of today's global business practices. The following statement brings forth the above argument (Committee on Ways and Means 2006):

We recommend that, instead of the regime outlined in the proposed regulations, the IRS incorporate in the final regulations, the approach the AICPA has adopted for its members. Specifically, as described in our June 6, 2005 letter to IRS Commissioner Mark W. Everson, the AICPA has adopted two new and one revised ethics rulings, regarding a CPA's responsibilities when outsourcing services to TPSPs whether domestic or offshore. These provisions, as described in more detail below, provide a balanced approach for protecting taxpayer information while accommodating modern business practices.

The AICPA's opposition to the IRS amendment was based ostensibly on the premise that the proposed

² AICPA rules require compliance with IRS regulations. Thus, practicing CPAs who were affected by the new IRS outsourcing disclosure rules were instructed to reevaluate and amend their firm policies and procedures to ensure compliance. Specific changes in firm policy would be made based on the firm's interpretations of IRS rules (Jamouneau 2009).

regulations were drafted in a manner that added unnecessary and extremely burdensome steps to the current tax return processes utilized by many professional service providers. The IRS, according to the AICPA, while purporting to eliminate barriers to the achievement of its goal for increasing electronic filings and payments, was incongruously making it more complex for its partners, the professional providers of tax assistance and return preparation, to sustain their current professional business processes (AICPA 2006a). The tone of the AICPA's revised rulings apparently suggests that the AICPA members are aware of their professional responsibility to the client and remain responsible even when a TPSP is used, thereby reminding regulators, members and federal agencies of their position in the business community and their ability to self-regulate.

Professional autonomy was further emphasized by the AICPA by reminding regulatory agencies of the stature of the profession. The following statement, made by Thomas J. Purcell, then Chair of the AICPA Executive Tax Committee, in his testimony before the subcommittee on oversight of the House Way and Means Committee is reflective of the AICPA's attempt to assert its professional authority (Committee on Ways and Means 2006):

The AICPA is the national, professional organization of certified public accountants comprised of approximately 330,000 members. Our members advise clients on federal, state, and international tax matters and prepare income and other tax returns for millions of Americans. They provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses. It is from this broad base of experience that we offer our comments today on the IRS budget and the 2006 tax filing season.

In the following statement, the AICPA continued to exert their professional authority vis-à-vis the authority of other regulatory agencies (Committee on Ways and Means 2006):

The AICPA applauds Commissioner Everson's commitment to high standards for tax professionals and his efforts to upgrade the Office of Professional Responsibility. In this context, we have a long-standing track record of establishing high professional standards for our CPA members, including the AICPA Code of Professional Conduct and enforceable Statements on Standards for Tax Services.

Thus, the maintained contention of the AICPA centered on the professional commitment of individual CPAs to the ideals embodied in the AICPA Code of Professional Conduct.

Technical Aspects of Outsourcing and Issues of Risk

An important and recurring issue in the debate over tax preparation outsourcing disclosure rules was differing perceptions of client risks associated with outsourcing professional, expert work both domestically or overseas. Giddens (1990) highlights the role of risk in potentially upsetting the acceptance of expert systems such as professional tax work. Giddens envisages reliance on expert systems as a leap of faith (Giddens 1990). The revised rulings explicitly call for a leap of faith from taxpayers in accepting the offshoring of their returns without their specific consent.

The position of the AICPA regarding client's confidential information seems to endorse the view that the TPSPs are competent and have procedures in place to maintain security that are reliable. However, these assertions are debatable. As Giddens notes, experts can get things wrong, by misinterpreting or being ignorant of expertise they are presumed to possess (Giddens 1990, p. 86). A similar strategy to promote knowledge claims was witnessed in a study that examined the attempts by the AICPA to develop a new market in e-commerce assurance based on their claims to professional expertise through the WebTrust project (Gendron and Barrett 2004). WebTrust proponents rationalized the initiative by referring to market research data to convince the audiences of the seal's appropriateness. Accurate percentages and large numbers from market research were invoked as established facts to demonstrate that there was great demand for web assurance services. Proponents of WebTrust optimistically anticipated that the presentation of summary results from research and surveys would be sufficient evidence to entice audiences into trusting WebTrust yet subsequent events proved otherwise.

Examining the AICPA's Position on Outsourcing Risks

To a significant extent, the AICPA's position that offshoring tax preparation work is handled and covered by existing client confidentiality rules is an empirical argument. In order to examine the validity of the AICPA's claims regarding security and confidentiality of client information we conducted interviews with three leading TPSPs regarding the security and privacy measures that are in place in their organizations. The aim of the investigation was to obtain first-hand information about the systems installed and procedures followed by the TPSPs to ensure confidentiality and security of client information. Since the security of client information is at the heart of the offshoring controversy, in-depth interviews with service providers provided valuable insights which may not be revealed by a mere examination of archival documents.

The providers were located in India and because the majority of the returns are offshored to India, thus this site was considered most relevant to the study. When asked how the providers specifically deal with issues such as risk mitigation, business continuity, privacy, and information security, Provider 1 explained there were many ways one could mitigate risk associated with information security and privacy of data. Provider 1 stated that few other TPSPs implemented the standards as strictly as they did though a lot of TPSPs claimed to do so.³

A manager working for Provider 1 explained that the content of all e-mails coming into or going out from the organization through an external e-mail server is tracked; if the content is extremely confidential, the system would identify it and stop the mail before it leaves the server. Every person who enters the premises is required to go through a bag check via metal detectors. Moreover, any type of equipment entering or leaving the building is scanned by metal detectors (Desai and Mcgee 2010a, b). For most of this service provider's clients, employees work by virtually logging on to the client's networks, making them no different from an employee who is located physically in the United States and is working on the same network (Desai and Mcgee 2010a, b).

Provider 2 used similar provisions for information security as described by Provider 1. However, Provider 2 explained that simply asserting that data is safe and information security procedures are sufficient may not satisfactorily alleviate client concerns. Provider 2 explained that service providers can demonstrate the mitigation of risks through periodic certification (e.g., British Standard 7799; now ISO 27001:2005).⁴

The following excerpt describes the measures adopted by Provider 2 to ensure safety of client information:

In order to mitigate client concerns regarding information security satisfactorily, we have gone for certification. Certifying mitigates at least 80% of clients' concerns. Along with certification, we have to be assessed with BSI which involves a lot of compliances

³ The manager reminded the authors of the strict procedures in place, starting with what kind of equipment individuals are allowed to carry on to the premises. The authors were asked to check laptops and cell phones at the front desk and were allowed to bring in the voice recorder for the interview only after it was examined. They were checked thoroughly and did not have access to any of the client areas, and each part of the building had a variety of entry and access barriers.

⁴ International and British standards for management systems are recognized as providing best management practice in a number of key disciplines (Desai and Mcgee 2010a, b). The International Organization for Standardization (ISO) is the world's largest developer and publisher of international standards while BSI (British Standards Institution) is a United Kingdom-based global certification organization..

from IT perspective, physical security perspective, business contingency plan, and disaster recovery. The certification is like a check list of all the areas that we need to be complaint with. Moreover, assessments are done periodically, i.e. every six months (2006).

Finally, the following excerpt describes the measures adopted by Provider 3 to ensure safety of client information:

The way we have tackled identity frauds and data base hackers is, we do not bring any data into the premises. We restrict printing. There are clearly defined policies on printing and shredding. Secondly, no camera phones are allowed on the floor and no access is granted to 3rd party networks like yahoo or hotmail etc. We do not enable floppy drives nor do we enable our USB ports. The preferred mode is to work on CITRIX⁵ where we cannot store anything even on the local drives so we have shared drives at the client site. Everything is stored at the clients' site. We sensitize people to ensure they follow those policies and if they are not followed, there are rules for non-compliance (2006).

The above discussion seems to corroborate the AICPA's assertions about security of data but we must bear in mind that the above providers are three of the fourteen leading providers in India. As specifically mentioned by Provider 1, security measures followed at other TPSP may not be identical or nearly as rigorous as security measures in these organizations. The level of exposure to data security risks at the smaller providers has not been explored by any study and hence cannot be quantified with any certainty. While interviewees from each of the three service providers expressed confidence in their own company's data security processes, they questioned whether all providers had developed and implemented fail-proof data security systems.

Claims of rigorousness of the security structure of the TPSP enforce the front stage of the practice to help promote trustworthiness in the AICPA members' claims to expertise and reduce the impact of the possibility of human errors and imperfect skills. The relationship between frontstage and backstage is also discussed by Flyvbjerg (1998) where the frontstage is open to scrutiny but the backstage is dominated by power and rationalization. When discussing their rationale for their recommended disclosures, the AICPA used terms such as "responsible",

⁵ Citrix Systems, Inc. is a multinational corporation founded in 1989, that provides server and desktop virtualization, networking, software-as-a-service (SaaS), and cloud computing technologies, including Xen open source products.

“honest and candid”, “due care”, “balanced approach”, “modern business practices”, “productive economies”, “extremely burdensome”, “unnecessarily complicated”, and “global marketplace”, which help set up the frontstage for the offshoring practice.

Resistance Within the Rank and File of the CPA Profession

Giddens (1990) notes that trust mechanisms do not relate only to the connection between lay persons and experts. They are also bound up with the activities of those who are “within” abstract systems. He argues that codes of professional ethics, in some cases backed by legal sanctions, form one means whereby the trustworthiness of professional associates is internally managed. Problems of trust within the U.S. CPA profession are a clear feature of the peculiarly fragmented organization of the U.S. accounting profession (Fogarty et al. 2006). In many of the 49 comment letters received in response to the AICPA exposure draft proposing revisions to the ethics rulings, members of small firms that do not outsource tax returns and non-practicing members criticized the AICPA’s approach, arguing that it reduced the trustworthiness of the profession. Concerns voiced by Corey Bidne, AICPA member were:

As CPAs we are charged with restoring investors faith after the wake of Enron and MCI, telling clients upfront that a third party may be used as part of the process is a preventative measure that we should take. (AICPA 2004c)

Extending this view, Michael Cummins, CPA reasoned that:

I think a contractual agreement with a foreign entity such as a firm in India would not be possible to enforce as a practical matter. So I think any disclosure to a foreign entity should be required to be disclosed to a client. (AICPA 2004c)

James McKeown, CPA, stated that:

Disclosure to the client in ‘broad language’ is unacceptable professional behavior. Also telling them a third-party “may be used,” when one will be, is not the right thing to do. (AICPA 2004c)

Lawrence Yoder, CPA, observed that:

So I am commenting that this exposure draft is too soft on the profession. We all know that outsourcing leads to more return for large firms while costing jobs here in America. Why not outsource locally? Not overseas. (AICPA 2004c)

The above excerpts from the comment letters are indicative of the negative sentiment shared by the members of small accounting firms towards offshoring of returns. In contrast to the position of the small accounting firms is the position of the large accounting firms, who are not surprisingly, supportive of offshoring practice and opposed to specific disclosure. The large accountancy firms’ emphasis on commercial interests was evident in the argument forwarded by LBMC, the sixth largest firm in the Southeastern U.S. and the 54th largest firm in the United States. LBMC strongly opposed a specific disclosure requirement, describing it as an obstacle to practicing CPAs who are trying to be successful and competitive. David Morgan, a member of LBMC, stated:

I am very concerned about anything that makes practicing CPAs non-competitive. On the one hand we cry about workload compression, not being able to find staff and working to many hours. On the other hand, we keep making it harder for practicing CPAs to be successful and competitive by constantly focusing on the negative. (AICPA 2004c)

Also supporting this argument was Warren Averett, the largest locally owned CPA firm in Alabama that has been ranked by many groups as one of the Top 100 CPA firms in the United States. Their response to the exposure draft read in part:

Because of the positive effect outsourcing has on our firm, the improved quality of work life it allows us to provide to our employees, the enhanced review capabilities that lead to a quality end product and the extreme security measures taken by outsource providers, we believe that there should be no additional disclosure required by firms that utilize an outsource service provider. It is further our opinion that the proposed changes to this rule will change the nature of the ruling from its original purpose of protecting consumers from having their data misused. (AICPA 2004c)

The AICPA, acting in support of the large firms, forwarded the argument that the disclosure of offshoring is counter-productive and impedes economic development. Though accountancy firms distinguish their expert labor from competitors by appealing to claims of professionalism and ethical codes, they too are capitalist organizations whose success is measured by increases in fees and profits. Since making profits by “bending the rules” is a prominent feature of enterprise culture, accountancy firms may also be susceptible to such practices, especially as their “emphasis is very firmly on being commercial and on performing a service for the customer rather than on being public spirited

on behalf of either the public or the state” (Hanlon 1994, p. 150).

The AICPA explained that firms with global capabilities have adopted an entire range of sophisticated business protocols to ensure that they can enter and enforce an entire range of contractual obligations and duties. To suggest otherwise, particularly in the explicit fashion described by the proposed IRS revenue procedure is, to badly misrepresent the capabilities and motivations of the vast majority of firms engaged in providing tax services and filing support across international boundaries (AICPA 2006a, b). The AICPA expressed concern in its comment on the proposed IRS regulations, REG-137243-02, which recommended disclosure of offshoring of tax return preparation. The AICPA argued that the proposed regulations as currently drafted did not recognize or adequately reflect the various forms under which large accounting and legal firms are organized in today’s global marketplace; a circumstance that complicates both the domestic disclosure and potentially the offshore disclosures (AICPA 2006a, b).

The AICPA seems to be concerned about the complicated circumstances the large firms operate in and it is not clear how changing the form of disclosure will uncomplicate those circumstances. The AICPA encouraged the IRS to skirt the issue by requiring the disclosure to be in a form that can be conveniently buried in the engagement letter or the tax organizer. Thus, the AICPA reproduces the front stage within the abstract system of the profession by managing the trust and distrust relationships between the small and large accounting firms to promote the overall trustworthiness of the profession. The altercation between the small and large accountancy firms can also be interpreted and understood by appealing to power relations between groups. Where power relations take the form of open antagonistic confrontations, power to power relations dominate over knowledge-power and rationality-power relations; that is, knowledge and rationality carry little or no weight in these instances (Flyvbjerg 1998, p. 232). The AICPA and the large accountancy firms try to use rationalizations by describing their actions as ‘competitive’ and ‘improving quality’ to persuade their audiences. However as Flyvbjerg (1998) explains the exercise of power in an open confrontation amounts to taking actions that are dictated by what works most effectively to defeat the adversary in the specific situation. In such confrontations, use of naked power tends to be more effective than any appeal to objectivity, facts, knowledge, or rationality, even though feigned versions of the latter, that is rationalizations, may be used to legitimize naked power. The AICPA ignored the concerns raised by the small firms and framed the disclosure format to suit the needs of the larger firms.

Conclusions

This article examines an attempt by the AICPA to obfuscate the offshoring of tax return preparation work by CPAs by recommending a weak disclosure format in their revised ethics rulings. Our study is informed by the work by Giddens concerning theory of trust and expert systems, the professionalism literature, and Flyvbjerg’s concept of power to help us analyze the agenda underlying the revision of these ethics rulings. Specifically, our article explores the rhetoric employed by the AICPA in their advocacy of these ethics rulings, the responses of the rank and file members of the profession to their rhetoric, and the insights that can be gained by studying the manner in which the code of ethics is used by the profession’s leadership as a legitimation device.

Preston et al. (1995) conducted a study which explored two distinct periods: the turn of the century, during which time the first code of ethics of the profession was formulated, and the 1980s when the current code was constructed. While the accounting profession in the U.S. has claimed to be a moral or ethical body throughout the twentieth century, its moral schema and code of ethics have in fact undergone a number of changes. Their paper argues that the codes of ethics (or professional conduct), and the discourses surrounding them, appeal to meta narratives of legitimation and that through this appeal the profession seeks to legitimize itself within the social realm. Our analysis shows that the profession continues to use the code of ethics as an instrument to advance their self-interest even if it harms the public interest.

In this study, we examine (1) the AICPA leadership’s stated professional justifications for outsourcing and its recommended client disclosures, (2) risks associated with outsourcing tax return preparation work overseas and the trust issues that result, and (3) the resistance to the AICPA leadership’s recommended outsourcing disclosure rules within the rank and file of the CPA profession. Our analysis highlights trust issues faced by the accounting profession. First, the analysis of trust issues between lay persons and expert systems suggests that the AICPA has committed a breach of trust by taking active steps to conceal the offshoring of tax return preparation work instead of requiring its explicit disclosure. The AICPA actively campaigned on behalf of the larger firms to convince other regulatory agencies such as the IRS that the disclosure format adopted by the AICPA was comprehensive. However, our analysis demonstrates that the format does not reveal the geographical location of the service provider, does not mandate explicit disclosure, leaves the form of disclosure to the discretion of the member, and does not recommend any specific format. Thus, the revised ethics

rulings do not seriously address this public interest concern.

Second, the use of the concept of power to analyze trust issues within small and large accountancy firms provides an increased understanding of the ongoing struggle between these groups. The AICPA managed trust relations within the small and large firms to present a unified front to the public, never compromising their position even though small firms expressed serious ethical concerns over the recommended disclosure. Internal resistance within the CPA profession is not new, however, our study demonstrates this continuing struggle in an important and traditional segment of small firms' practices and a segment in which these firms have historically competed and continue to compete against other types of tax service providers.

This study is limited by data since much of the analysis relies on material from the frontstage domain. Gathering data by conducting interviews with key actors would add significant information about the backstage which may reveal significant insights. The trend of commercialization of the accounting profession witnessed in the last decade (Kornberger et al. 2011; Gendron and Spira 2010; Barrett and Gendron 2006) is the consequence of the pursuit of self-interest and its aftermath, the loss of trust. The AICPA wanted to continue outsourcing tax return preparation work to a foreign country primarily for commercial reasons. Power, quite simply, often finds ignorance, deception, self-deception, rationalization, and lies more useful for its purposes than truth and rationality, despite all costs (Flyvbjerg 1998). As stated by Jim Rigos, CPA in his comment letter to the exposure draft: "For once we had the chance to be on the right side and demonstrate that the AICPA serves the public interest by being ahead of the curve. I am disappointed (AICPA 2004c).

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