

# MAIN STREET **PRACTITIONER**

The Magazine for Tax and Accounting Professionals

## Main Street Tax News

### Best Practices on Preparing for **Peer Review**

Taxpayers and  
Tax Preparers  
Targeted by  
Phishing Schemes

SSARS 21 is Coming!  
Part III

The Importance of  
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Checklist for Determining  
Minimum Essential Health  
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By Marilyn Niwao, J.D., CPA, ATA, CGMA

March 2015

### BIG NSA SAVINGS ON THE CONVENTION IN VANCOUVER, B.C.!

It is time to plan for the 70th NSA Annual Convention & Expo, which will be held August 19 - 22, 2015 at the Hyatt Regency Vancouver. Act now to enjoy big Convention savings! The Canadian dollar has fallen about 25% against the U.S. dollar since NSA selected the Hyatt Regency Vancouver Convention site two years ago. With the exchange rate now below \$.80 Canadian to \$1 U.S., the Hyatt Regency Vancouver Convention site is starting to look like an outright steal. (\$189 Canadian Convention room rate x .80 exchange adjustment = \$151.20 U.S. a night!) No one knows when the Canadian dollar will recover—maybe next month, maybe next year. But you can lock in your savings by reserving your Convention hotel room and making a sizeable deposit (see money-saving steps below).

The preliminary schedule includes plenty of fun activities, starting with an optional preconvention all-day tour to Victoria, B.C. and the spectacular Butchart Gardens on Monday, August 17, 2015. The Wednesday opening social event will be a “Don’t Miss” Vancouver Harbor Dinner Cruise. In addition to meetings, leadership training, business sessions, cocktail and dessert receptions, as well as the installation banquet, there will be stimulating continuing education offerings (Planning with Trusts, Circular 230 Ethics, International Tax, Business Financial Health Check-up, and Risk Management), plus an Expo with vendors offering products to help your practice.

What steps do you need to take now to plan for the Convention? Although you will have to make advance preparations, the trip to Vancouver, B.C. is well worth it because it is one of the most beautiful cities in the world, surrounded by mountains and ocean, and with typically sunny weather in August. I have been to Vancouver many times, and can attest to its beauty and fun activities. Summertime Vancouver ranks right behind Hawaii as a perfect vacation spot. (Of course, I’m biased.)

First steps to arrange for your Convention trip include:

- Check to see whether you have a credit card that offers no foreign currency exchange transaction fees. If you don’t have one, apply for one now to avoid these fees when you travel to Vancouver.
- Apply for a U.S. passport if you don’t have one.
- Make hotel reservations at the Hyatt Regency Vancouver for the convention dates and any additional vacation days needed to sightsee around the area. If you want to lock in the foreign currency exchange rates at

any time for your hotel room, you can leave a large deposit on your credit card to cover hotel costs by calling the hotel directly.

- Plan your sightseeing to include a visit to Stanley Park (including the Seawall and the Vancouver Aquarium), Granville Island Public Market, Capilano Suspension Bridge Park and Grouse Mountain. Also, don’t miss the old-world charm of Victoria, B.C., the colorful beauty of Butchart Gardens, or the unsurpassed outdoor adventures of Whistler Blackcomb.

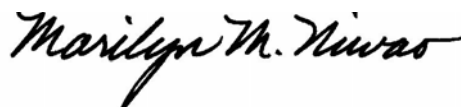
For more information concerning the NSA Annual Convention, visit [www.nsaannualmeeting.org/home](http://www.nsaannualmeeting.org/home). Vancouver is a world class vacation destination, so bring your family and join me there!

### THE NEW NSA GO-GETTER PROGRAM—AN INCENTIVE FOR ALL NSA MEMBERS

NSA’s new Go-Getter Program offers current members generous financial incentives to sign up new members and help grow NSA’s extended family. The more members we have, the more and better benefits for all members. Between October 1, 2014 and September 30, 2015, NSA members can receive their next annual membership free when they sign up just 3 new members. Members who recruit 10 new NSA members will also get a \$300 credit for NSA live or self-study education, which can also be applied towards NSA annual convention registration fees. (Note: For this new promotion, the new member recruited must pay at least \$179 in NSA membership dues, must not have been a member of NSA for at least one year, and must not have been recruited at the IRS Tax Forums.) [Click here for more information.](#)

I wish you a successful and prosperous busy season! Afterwards, come join me in Vancouver for some well-deserved fun!

With warmest aloha,



Marilyn M. Niwao, J.D., CPA, ATA, CGMA  
President  
National Society of Accountants





# SSARS 21 is Coming!

## Part III

By Joseph L. Santoro, CPA

*This is the third in a series of articles intended to provide NSA members with advance information about the AICPA's Statement on Standards for Accounting and Review Services [SSARS] No. 21 which was released on October 23, 2014. The first installment described a new level of engagement—The Preparation—which falls below the level of a Compilation as defined by the Accounting and Review Services Committee of the AICPA. The second installment discussed the changes to the Compilation level of service and offered comparisons between the new Preparation and the revised Compilation. This installment describes the changes to the new management representation letter for the Review level of service. The fourth and final installment will focus on the new Review Report and contrast it with the Preparation and the Compilation.*

### SSARS 21 is Coming! Summary of Parts I & II

On October 23, 2014, the Accounting and Review Services Committee of the AICPA released SSARS No. 21, which is the most significant change to the presentation of non-audited financial statements since SSARS was introduced in 1978. This standard—which is mandatory for reporting periods that end on or after December 15, 2015, but is available for early implementation—effectively expands financial statement presentation and reporting options to five:

1. The Audit
2. The Review
3. The Compilation with full disclosure
4. The Compilation in which substantially all disclosures are omitted
5. The Preparation

*The Preparation* is a non-attest service that can be provided by an accountant when financial statements have not been subjected to procedures required by an Audit, a Review, or a Compilation. The Preparation standards permit the accountant to provide financial statements to the entity that have no significant visible differences from those other service levels. However, when *The Preparation* level of service is provided, two very important distinctions are required: (1) the accountant is prohibited from including an accountant's report with those statements, and (2) each page of the financial statements must contain a legend clearly stating that "no assurance is provided" on the accuracy of those statements. Nevertheless, such statements may be forwarded to a third party to be used, as appropriate—even to obtain credit! And, since no report is issued, The Preparation level of service is expected to negate the need for peer review.

*The Compilation* under SSARS No. 21 is markedly different from prior standards. SSARS No. 1 [essentially in effect from 1979 to 2009] required the release of an accountant's report with a minimum of two paragraphs of explanation; SSARS No. 19 [essentially in effect from 2010 through 2014] required an accountant's report to have at least three paragraphs of explanation. However, the new SSARS No. 21 reduces the minimum number of paragraphs to one. Further, SSARS No. 21 requires the accountant to include this revised statement of the objective of a Compilation within the accountant's engagement letter:

"The accountant's objective in a compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with this standard without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework."

Note that phrase: "to apply accounting and financial reporting expertise." For the first time, an accountant who issues a Compilation report will state within the engagement contract that he or she is an "expert."

For more information on *The Preparation* or *The Compilation* under SSARS No. 21, please refer to previous editions of NSA's Main Street Practitioner.

[Click here to read Part I](#)

[Click here to read Part II](#)

*Continued on Page 4*

## AR-C Section 90: The Review Engagement under SSARS No. 21

The “new” standards for the Review level of service only apply to full operating cycle presentations. That is, when an accountant is engaged to provide a Review level of service for interim financial statements, the appropriate guidance is found at AU-C Section 930, Interim Financial Information.

That being said, the “new” standards for the Review level of service under SSARS No. 21 remain relatively unchanged from SSARS No. 19:

1. the accountant’s objective continues to be obtaining limited assurance as to whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework;
2. the accountant must still apply analytical procedures to evaluate the plausible relationships among both financial and nonfinancial data to render the opinion about material modifications; and,
3. the accountant can provide Review level services under generally accepted accounting principles [GAAP] or through the use of a special purpose framework such as cash basis, tax basis, or other acceptable alternatives to GAAP.

However, some of the more striking differences with respect to Review level services compared with prior SSARS standards involve (1) the tone and style of the management representation letter and (2) the formatting and appearance of the accountant’s review report. The remainder of this article discusses the new management representation letter.

*Note: Sample engagement letters for both the Preparation and the new Compilation were provided in the first two articles in this series. The SSARS No. 21 engagement letter for a Review is similar in approach and content to that of the Compilation. Consult AR-C Section 90 for an illustration.*

### Illustrative Representation Letter Under SSARS No. 21

(Entity Letterhead)

(To the Accountant)  
(Date)

This representation letter is provided in connection with your review of the financial statements of XYZ Company, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, changes in stockholders’ equity and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We represent that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of (date of the accountant’s review report):

*Continued on Page 5*

### **Financial Statements**

1. We acknowledge our responsibility and have fulfilled our responsibilities for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility and have fulfilled our responsibilities for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
6. Guarantees, whether written or oral, under which the company is contingently liable have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, Risks and Uncertainties, have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
8. All events subsequent to the date of the financial statements, and for which accounting principles generally accepted in the United States of America require adjustment or disclosure, have been adjusted or disclosed.
9. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
10. The effects of all known or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

[Any other matters that the accountant may consider appropriate]

### **Information Provided**

1. We have responded fully and truthfully to all inquiries made to us by you during your review.
2. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Minutes of meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

*Continued on Page 6*

- c. Additional information that you have requested from us for the purpose of the review.
  - d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain review evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
  4. We have no knowledge of fraud or suspected fraud that affects the entity and involves:
    - a. Management
    - b. Employees who have significant roles in internal control
    - c. Others when the fraud could have a material effect on the financial statements
  5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements as a whole communicated by employees, former employees, analysts, regulators, or others.
  6. We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
  7. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws or regulations whose effects should be considered when preparing financial statements.
  8. We have disclosed to you all known or possible litigation and claims whose effects should be considered when preparing the financial statements.
  9. We have disclosed to you any other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, Contingencies.
  10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
  11. No material losses exist, such as from obsolete inventory or purchase or sale commitments, that have not been properly accrued or disclosed in the financial statements.
  12. The Company has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
  13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  14. We are in agreement with the adjusting journal entries that you have recommended, and they have been posted to the company's accounts, if applicable.

[Any other matters that the accountant may consider necessary].

-----  
(Name of Chief Executive Officer and Title)



## Highlights of The Illustrative Representation Letter

1. While much of the content of the prior Review level representation remains, some of the changes are subtle. For example, in the third paragraph management is offered a form of disclaimer: although management purports to provide specific representations, it can make a soft landing when it uses the option to modify its liability with the phrase *“to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.”*

This caveat may work when management is at a level far above actual operations but may not be appropriate for an entity with few employees. At the smaller entity level, management cannot avoid taking full responsibility.

2. The representation letter has two new captions to delineate representations: one section deals with the representations directly applicable to the Financial Statements; the other section deals with the Information Provided. The prior representation letter made no distinctions with respect to the purpose or placement of management assertions.
3. Note also the positive nature of those assertions. In prior representation letters, management “acknowledged” its responsibilities. However, in the current version, management has greater accountability: it must affirm that it knows it has certain responsibilities *and* it has fulfilled those responsibilities. For example, at Financial Statement representations 1 and 2, above, management not only acknowledges its responsibility with respect to both financial statement preparation and the maintenance of an internal control system: management must make a positive statement of assurance that the financial statements are in fact fairly presented and that the internal control system it designed actually works.
4. In prior representation letters, management provided the accountant with all relevant documents related to the preparation and presentation of financial statements. In this letter, management must confirm that it provided *“unrestricted access to persons within the entity from whom you [the accountant] determined it necessary to obtain review evidence.”* The effect of this representation is to emphasize to the accountant that he or she was given access both to all data and to any person(s) necessary to provide limited assurance that the financial statements do not contain material modifications. Hence, the accountant cannot later claim that anything stood in the way of the accountant submitting complete Review level financial statements in accordance with professional standards. In a court of law, it is now more difficult for the accountant to contend that he or she was blindsided.
5. Other changes in phraseology and tone are present throughout this latest version of a management representation letter in the SSARS No. 21 exhibits. The accountant should exam the new phrases and grammatical nuances very carefully.

Download a copy of the Illustrative Representation Letter in the Resource Library, or [here](#).

In the next and final installment of the *SSARS 21 is Coming!* series, we focus on the changes to the accountant’s review report.

**Editor's Note:** These articles were written September 14, 2014 based upon the revised proposed SSARS No. 21 as of August 21, 2014. Subsequently, the ARSC Committee met twice more to make additional revisions that culminated in the release of SSARS No. 21 in December 2014. Readers are advised to check for themselves the final approved text of SSARS No. 21 for any differences between the proposal and the final standard. NSA will update these articles for those differences in the near future.

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Joseph L. Santoro is a certified public accountant, an AICPA member, and, since 1981, a member of the National Society of Accountants. In addition to an MBA degree, Mr. Santoro has earned credentials that include Certified Valuation Analyst, Accredited Business Advisor, and Master Analyst in Financial Statement Forensics. A former two-term NSA District 1 Governor, he has chaired numerous NSA committees, including Budget, Education, National Affairs, and Peer Review. He is the current chair of the NSA Accounting Standards Committee and also serves as a member of the Board of Directors for the Accreditation Council for Accounting and Taxation [ACAT], where he has for many years provided guidance as a subject matter expert for its credentialing examinations. Although retired from the CPA practice he founded more than 30 years ago, Mr. Santoro, known nationwide as an author and lecturer for Thomson Reuters’ Gear Up Brand seminars for the last twenty years, continues to provide lectures on accounting and taxation at more than 80 sites each year.

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[connect.nsacct.org](http://connect.nsacct.org) Today!**

Thomson Reuters Checkpoint released the following 1040 Checklist Covering Affordable Care Act Requirements for Tax Practitioners. This FREE 1040 Checklist is used to determine minimum essential health insurance coverage. Visit the NSA Resource Library to download your copy or [click here](#).

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## CHECKLIST FOR DETERMINING MINIMUM ESSENTIAL HEALTH INSURANCE COVERAGE

**Purpose:** This checklist can be used to determine if an individual had the required health insurance coverage during the year to avoid the individual shared responsibility penalty or qualified for an exemption from the penalty.

Name/ID: \_\_\_\_\_ Year: \_\_\_\_\_

Preparer's Initials and Date: \_\_\_\_\_ Reviewer's Initials and Date: \_\_\_\_\_

YES	NO	N/A COMMENTS

1

Did the taxpayer, spouse, and each family member who can be claimed as a dependent on the taxpayer's individual income tax return have minimum essential health insurance coverage for each month during the year?

If yes, is the box on Form 1040, line 61 (Form 1040A, line 38; Form 1040EZ, line 11) checked, indicating that each individual had adequate health insurance coverage for the entire year and, therefore, is not subject to the individual shared responsibility penalty?

**Note:** Generally, minimum essential coverage includes coverage under an employer-sponsored health plan (that provides more than limited benefits such as vision and dental), Medicare, Medicaid, CHIP, TRICARE, or an individual insurance policy (that provides more than limited benefits such as vision or dental).



See Key Issue 34G of PPC's 1040 Deskbook and Section 202 of PPC's Guide to Health Care Reform for detailed information on minimum essential coverage.

**Note:** Individuals with adequate coverage under an individual policy purchased through a state insurance marketplace will have received a Form 1095-A (Health Insurance Marketplace Statement) reporting the coverage, and may qualify for a premium tax credit (see Checklist C113 in PPC's 1040 Deskbook and Chapter 3 of PPC's Guide to Health Care Reform). A copy of the form should be kept in the practitioner's workpapers. If the client had coverage through another source, the practitioner should document what evidence was reviewed to support the conclusion that the client and every family member had adequate coverage for the entire year. The IRS has stated that for 2014, an individual's statement that he or she had coverage may be sufficient evidence. However, practitioners are expected to use due diligence.

## CHECKLIST FOR DETERMINING MINIMUM ESSENTIAL HEALTH INSURANCE COVERAGE

2

For each individual who did not have minimum essential coverage for all 12 months of the year, was he or she eligible for one or more of the following exemptions for any month during the year:



See Chapter 2 of *PPC's Guide to Health Care Reform* for additional information on qualifying for exemptions.

- a. Household income or gross income below the filing threshold (see Table T301 in *PPC's 1040 Deskbook* and Appendix 2B in *PPC's Guide to Health Care Reform*)
- b. Unaffordable coverage (i.e., more than 8% of household income)
- c. Aggregate self-only coverage for two or more family members that was unaffordable
- d. Coverage was unaffordable based on projected income for the calendar year
- e. Short coverage gap (i.e., gap of less than three consecutive months)
- f. Gap in coverage at the beginning of 2014, but coverage beginning on or before May 1, 2014
- g. Gap in coverage at the beginning of 2014, but CHIP coverage effective in 2014
- h. Member of a recognized religious sect
- i. Member of a health care sharing ministry
- j. Incarceration
- k. Member of a federally recognized Indian tribe
- l. Enrollment in certain limited coverage Medicaid or TRICARE programs
- m. Enrollment in an employer-sponsored fiscal year plan that started in 2013 and ended in 2014
- n. Living abroad (or certain noncitizens)
- o. Resident of a state that did not expand Medicaid and household income was below 138% of federal poverty line
- p. Resident of a state that did not expand Medicaid and determined ineligible for Medicaid solely because the state did not expand Medicaid
- q. Unable to renew existing 2013 coverage in 2014
- r. Coverage under AmeriCorps, VISTA, or NCCC programs
- s. Hardship exemption

**Note:** A general hardship exemption can only be granted by the state marketplace. An individual may qualify for a general hardship exemption because of homelessness, being evicted, domestic violence, bankruptcy, substantial debt due to medical expenses, and many other factors. Hardship exemptions are discussed in Chapter 2 of *PPC's Guide to Health Care Reform*.

3

For each exemption that is being claimed in Part III of Form 8965 (Health Coverage Exemptions), has the practitioner reviewed appropriate documentation to determine that the individual qualifies for the exemption?



See Chapter 2 of *PPC's Guide to Health Care Reform* for additional information on qualifying for exemptions and guidance on completing Form 8965.

**Note:** The IRS has not determined what documentation a practitioner must have to prove the client qualifies for an exemption. Cautious practitioners will carefully document why a client qualifies for an exemption that was not granted by the state marketplace.

YES	NO	N/A COMMENTS

## CHECKLIST FOR DETERMINING MINIMUM ESSENTIAL HEALTH INSURANCE COVERAGE

YES	NO	N/A COMMENTS

- 4** Does the practitioner have a list of individuals who did not have adequate health insurance coverage or qualify for an exemption (with the applicable months), so that the individual shared responsibility penalty can be calculated (see Checklist C112 in *PPC's 1040 Deskbook*)?



See section 204 of *PPC's Guide to Health Care Reform* for guidance on calculating and reporting the individual shared responsibility penalty.

### REPORTING EXEMPTIONS

- 5** If an exemption is claimed for item d., h., p., q., r., or s. in question 2, is the information reported in Part I of Form 8965 and an Exemption Certificate Number (ECN) provided?

**Note:** A copy of the exemption certificate should be retained as part of the practitioner's workpapers.



See Chapter 2 of *PPC's Guide to Health Care Reform* for additional information on qualifying for exemptions and guidance on completing Form 8965.

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- 6** If an exemption was granted from the state insurance marketplace for item i., j., k., or o., is the exemption reported in Part I of Form 8965 and the ECN provided?

**Note:** A copy of the exemption certificate should be retained as part of the practitioner's workpapers.

If an exemption is claimed on the tax return for item i., j., k., or o., is it reported in Part III of Form 8965, with the appropriate code?

**Note:** These exemptions can be granted by the state marketplace or claimed when filing Form 8965.

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- 7** If an exemption is claimed on the tax return for item b., c., e., f., g., l., m., or n., is it properly reported in Part III of Form 8965, using the appropriate code?

**Note:** These exemptions can only be claimed by filing Form 8965.

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- 8** If an exemption is claimed for item a., because household income is below the filing threshold, is the "yes" box on line 7a of Form 8965 checked?

**Note:** This exemption, if applicable, applies to all family members for the entire calendar year.

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- 9** If an exemption is claimed for item a., because gross income is below the filing threshold, is the "yes" box on line 7b of Form 8965 checked?

**Note:** This exemption, if applicable, applies to all family members for the entire calendar year.

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# The Importance of Tax Season Marketing

*There is no “off-season” for Tax Practice Marketing*

**W**e know, we know—you are right in the middle of tax season, buried in tax returns, and the last thing on your mind is marketing your tax practice. You need to remember that marketing your tax practice is a year round job. As the tax business owner, you are the “face” of your tax business and people must get to know you and your firm’s capabilities before they will use your service or make referrals.

This is why networking is key to Tax Marketing success all year round but *especially* during tax season. Taxpayers have questions—and you have the knowledge and expertise to give answers—but they will seek you out even more if they can put a face to a name.

Below are four ways you can become known as the local “go to person” for tax help.

## **1 Research local networking opportunities**

From general interest to industry or population specific—your next client could belong to one of these groups and just not know about you. Depending on where you live, there can be a host of networking opportunities. You just need to know where to look.

Here are some potential places to check out:

- Local chamber of commerce
- Neighborhood associations
- Business Leaders or Alliance groups
- Jaycees
- Young professional groups
- Business Network International
- Co-working and shared office spaces
- Home-based business groups
  - o Mary Kay
  - o Stella and Dot
  - o Pampered Chef

## 2 Conduct your own tax seminars

You can hold seminars in locations close to your office or in locations where you wish to target clients. The following types of seminars created awareness of your expertise and built your credibility:

- Affordable Care Act
- Recruit and train tax preparers
- Tax planning
- Employee business expenses
- Tax law updates
- Small business topics

## 3 Give back to the community

Whether you give back by volunteering or serve on non-profit committees and boards, enriching the community where you live is good for business. When researching online in your area, by typing in “volunteer opportunities” and (insert your city/region), you will be able to find links to engage in meaningful volunteer opportunities within your area.

Some places for volunteering could include:

- Food Pantries
- Animal Rescue
- Habitat for Humanity
- YMCA
- Red Cross

## 4 You are your own PR person.

PR can be the most effective strategy to market your business, but people only know about your business if you take the time to make them aware of your expertise and willingness to discuss income tax topics. Local media relationships can pay big dividends. Recently, the CEO of the Income Tax School, Chuck McCabe, gave an interview on a local TV station on tax return identity theft that generated positive response for our local Peoples Tax offices. That opportunity happened because of the investment Chuck made in building key relationships with people in his community. Think about it this way: One organic newspaper, TV, or radio mention could be far more effective than paid advertising.

So, how can you make that happen?

Relationship building with the following in TV, print, and radio goes hand-in-hand with being your own PR person:

- Business reporters
- Beat reporters for your community
- Station directors
- News directors
- Editors of the community paper

Remember, your reputation is a key component to your success. One of the ways people can find out about you is if you are an active member of your community year round.



For more help with tax office marketing, please visit [www.theincometaxschool.com/nsa-in-partnership-with-the-income-tax-school/](http://www.theincometaxschool.com/nsa-in-partnership-with-the-income-tax-school/)

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90%

of tax preparers offer  
free client consultations  
worth more than **\$100**

## TAX PREP FEE NATIONAL AVERAGES

**\$273**

Itemized 1040 with  
Schedule A & State Return

*No itemized deductions?*

**\$159**

Form 1040 & State Return

**\$447**

Itemized 1040 with  
Schedule C Business Income  
& State Return

## NATIONAL AVERAGES BY FORM

**\$68**

**Federal Form 940**  
(federal unemployment)

**\$634**

**Federal Form 1065**  
(partnership)

**\$457**

**Federal Form 1041**  
(fiduciary)

**\$778**

**Federal Form 1120S**  
(S corporation)

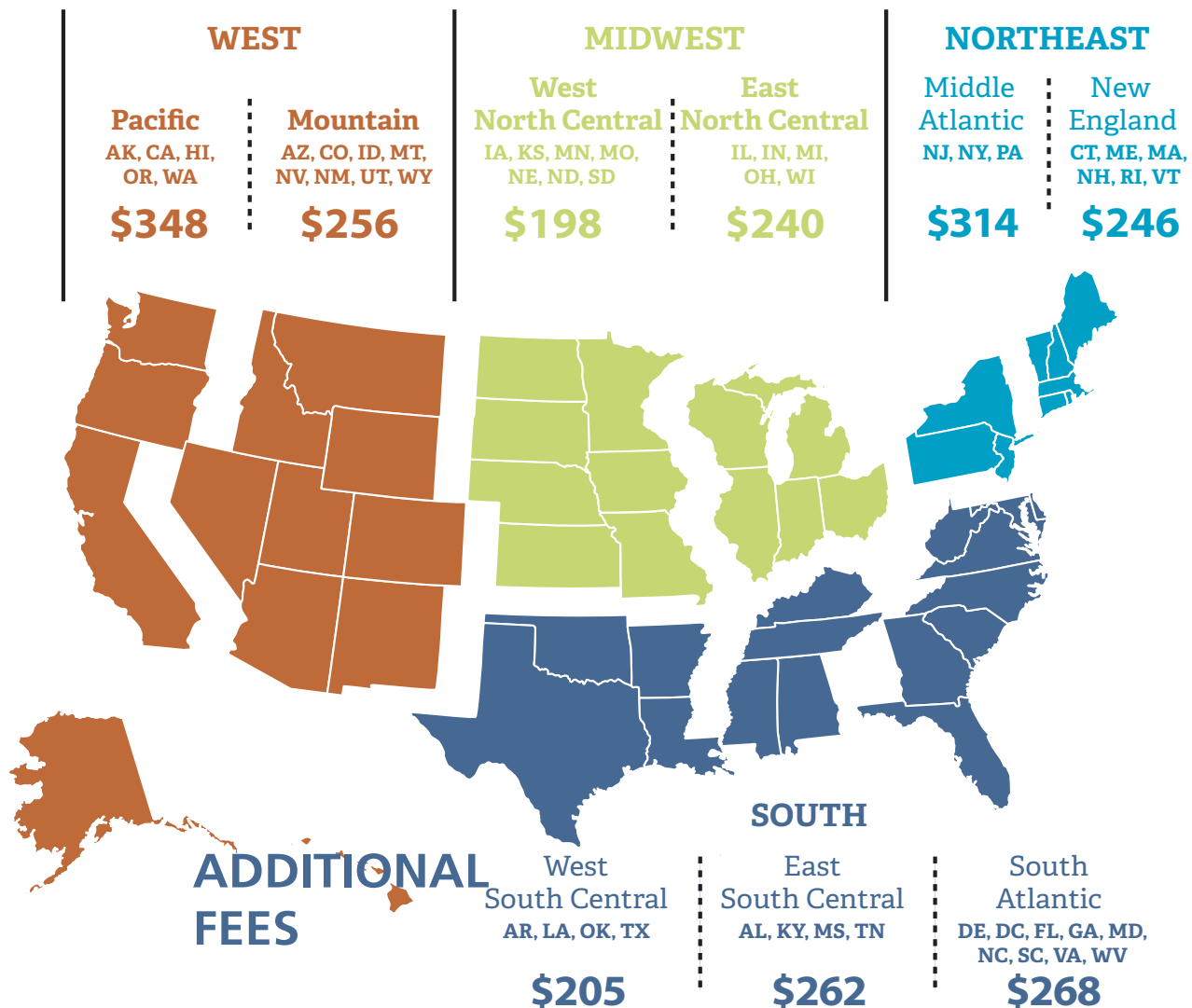
**\$817**

**Federal Form 1120**  
(corporation)

**\$688**

**Federal Form 990**  
(tax-exempt)

# AVERAGE FEES FOR ITEMIZED FORM 1040 WITH SCHEDULE A AND A STATE TAX RETURN



- **\$119** Average fee for an **Audit Response Letter**
- **\$144** Average hourly fee for an **In-Person IRS Audit**

**67%**  
of tax preparers increase fees an average of **\$114** for disorganized and/or incomplete paperwork.



**\$42** Average fee to file an extension

**\$88** Average added fee to expedite a return

**\$93** Average added fee if information is not provided at least two weeks in advance of a filing deadline

# Best Practices on Preparing for **PEER REVIEW**

**For Firms with  
Compilation and Review Practices**

**By Gregg Taketa, CPA**

**W**ith adequate planning and documentation, a CPA firm can successfully go through a peer review. There are two types of peer reviews: (1) system review, and (2) engagement review.

According to the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants (AICPA), CPA firms may have an engagement review if they provide compilation and review services but do not perform any of the following:

1. Engagements under the Statements of Auditing Standards
2. Engagements under the Government Auditing Standards,
3. Examinations under the Statements on Standards for Attestation Engagements,
4. Engagements performed in accordance with the standards of the Public Company Accounting Oversight Board

Unlike a system review, an engagement review does not include a review of the CPA firm's quality control document, administrative or personnel files, evidence of the firm's compliance with policies and procedures for monitoring its system of quality control, or interviews of selected firm personnel.

Because of the limited scope of an engagement review, the reviewer issues no opinion or any form of assurance on the firm's system of quality control. The reviewer's report with a rating of Pass only provides negative assurance based on the engagements reviewed.

An engagement review focuses on work performed on particular selected engagements, with the objective of determining whether the CPA firm issued reports and performed procedures appropriately in accordance with applicable professional standards.

When a CPA performs a compilation or review of historical financial statements, the following standards apply:

1. AICPA Code of Professional Conduct
2. AICPA Statements on Quality Control Standards
3. AICPA Statements on Standards for Accounting and Review Services

The peer reviewer selects a sample of engagements that provides a reasonable cross section of the CPA firm's accounting practice. The reviewer will read the financial statements or information submitted by the CPA firm and the accountant's report thereon, together with applicable documentation required by professional standards.



To ensure compliance with the Statements on Quality Control Standards, a CPA firm should document its system of quality control. This document should include the firm's policies and procedures for each of the following elements of quality control:

1. Leadership responsibilities for quality within the firm ("tone at the top")
2. Relevant ethical requirements (including independence and conflict of interest)
3. Acceptance and continuance of client relationships and specific engagements
4. Human resources (recruitment, training and advancement within the firm)
5. Engagement performance and monitoring

Firms should consider using the following engagement checklists to ensure compliance with the Code of Professional Conduct and Statements on Standards for Accounting and Review Services:

Checklists for compliance with the Code of Professional Conduct:

1. Client Acceptance/Continuation of Service Engagement Risk Assessment Form
2. Independence Assessment Form

Firms can get the standards and checklists from the AICPA or other third-party providers such as Practitioners Publishing Company (PPC).

The AICPA monitors peer reviews and identifies common examples of noncompliance with professional standards by firms that perform compilation and review services. The list is updated periodically and can be found at [www.aicpa.org/interestareas/peerreview/community/peerreviewers/pages/examplesofmattersinpeerreviews.aspx](http://www.aicpa.org/interestareas/peerreview/community/peerreviewers/pages/examplesofmattersinpeerreviews.aspx).

Some of the common examples of noncompliance include:

1. Accountant's reports not updated for SSARS 19
2. No headings on the accountant's report
3. Inappropriate financial statement titles
4. No explanation of the degree of responsibility the accountant is taking with respect to supplementary information
5. Failure to mention that substantially all disclosures are omitted
6. Failure to obtain an engagement letter or revise the letter for SSARS 19
7. Failure to note the lack of independence on a compilation report

THE AICPA MONITORS PEER REVIEWS AND IDENTIFIES COMMON EXAMPLES OF NONCOMPLIANCE WITH PROFESSIONAL STANDARDS BY FIRMS THAT PERFORM COMPILATION AND REVIEW SERVICES. THE LIST IS UPDATED PERIODICALLY AND CAN BE FOUND [HERE](http://www.aicpa.org/interestareas/peerreview/community/peerreviewers/pages/examplesofmattersinpeerreviews.aspx).

Checklists for compliance with the Statements on Standards for Accounting and Review Services:

1. Engagement Profile Form
2. Trial Balance and Workpaper Checklist
3. Reporting and Financial Statement Presentation and Disclosure Checklist
8. Engagement letters that referred to GAAP for financial statements presented in accordance with a special purpose framework
9. Representation letters for review engagements that were dated incorrectly or did not cover the appropriate periods
10. CPA firm's failure to establish and document in writing their understanding with the client with regard to non-attest services provided

Most of these noncompliance issues can be prevented by having pre-issuance reviews performed by someone within the firm who has no responsibilities with the compilation or review engagement. Sole-practitioners can implement similar procedures by performing a separate, “cold review” of their own work.

CPA firms planning their initial peer review should start early by documenting their system of quality control and by creating and using checklists at least one year prior to the year subject to the peer review. Firms should undergo an internal inspection of engagements performed in the preceding year to provide a “dry run” of the peer review and to monitor compliance with its system of quality control.

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*Gregg Taketa, CPA, CVA, of Hilo, HI, is a member of Taketa, Iwata, Hara & Associates, LLC. He directs the firm's assurance practice. He has 37 years of experience in auditing and accounting.*



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Free Registration For Buyers

## ★ 2015 IRS TAX FORUM SCHEDULE ★

Registration will open soon for the 2015 IRS Nationwide Tax Forums. NSA members can use the code **2015=NSA-\$\$10** during registration for a \$10 discount off the registration price. Click on the links below for more information on locations for the 2015 Forums. To stay informed, follow us on Twitter (@NSATax), or click on this link to visit the [IRS Tax Forum webpage](#).

### *Five locations to choose from*



**National Harbor (DC)**  
Gaylord National Resort &  
Convention Center  
**July 7 - 9**  
[See Hotel Details](#)

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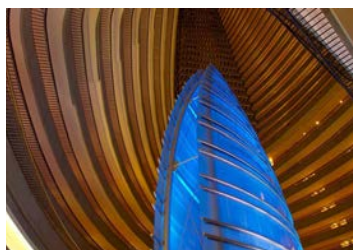
**Denver**  
Hyatt Regency Denver at  
Colorado Convention Center  
**July 28- 30**  
[See Hotel Details](#)

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**San Diego**  
Town and Country Resort  
**August 11 - 13**  
[See Hotel Details](#)

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**Atlanta**  
Atlanta Marriott Marquis  
**August 25 - 27**  
[See Hotel Details](#)

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**Orlando**  
Hyatt Regency Orlando  
**September 1 - 3**  
[See Hotel Details](#)

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Registration will be open in March at [www.irstaxforum.com](http://www.irstaxforum.com).

*See you at the Forums!*

# ▪ ALL AROUND NSA

## ▪ Resources for your business

### CALL FOR EDUCATION SESSIONS

NSA ConnectED Webinars are designed to provide tax and accounting professionals with comprehensive coverage of unique topics. Presented by industry experts, the webinars provide information that goes beyond just satisfying the continuing professional education (CPE) requirements necessary to maintain the various industry credentials. We are now in the process of scheduling our 2015 calendar of webinars. If you are interested in joining our presenting team, please fill out the submission form located [here](#). We look forward to working with you!



### NSA OFFERS ONLINE CALCULATOR FOR FEE ANALYSIS

The NSA Income & Fees Survey provides detailed fee, operating, benefit, and compensation information for tax preparation and accounting firms, broken out by state, region, and practice size. NSA members get full access to the survey results and analysis for free. Here is a sample of what is included:

- NEW for 2015: Online calculators to find specific fee information in a snap! [Click here to access the online calculator](#)
- National fee averages along with average minimum and hourly fees for federal tax returns by form and schedule
- State fee averages for federal tax returns by form and schedule
- National average hourly fees and average fixed monthly fees for additional client services, such as payroll
- Average hourly fees by state for additional client services, such as payroll
- Additional fee averages for IRS representation, expediting returns, extensions, etc.
- Practice management data, including average operating expenses, marketing, technology, and practice mix

Quick Links:

[Online Calculator](#)

[Survey Highlights](#)

[Income & Fee Survey webpage](#)

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## ACAT ACCEPTING REGISTRATIONS FOR THE NEXT TESTING WINDOW EXAM DATES: JUNE 1-30

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The Accreditation Council for Accountancy and Taxation (ACAT) is now accepting exam registrations for the next testing window from professionals seeking to earn the following four credentials:

- ABA Accredited Business Accountant/Advisor®
- Accredited Tax Advisor® (ATA)
- Accredited Retirement Advisor® (ARA)
- Accredited Tax Preparer (ATP)

Testing for these exams is held at PSI Testing centers, located throughout the country. The next testing window is June 1-30, 2015.

For more information and to register to earn one of these credentials, visit [acatcredentials.org](http://acatcredentials.org).

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## REPAIR REGS PLANNING NOTES AND FILLED-IN FORMS NOW AVAILABLE

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NSA members have access to new full coverage, detailed explanations, planning notes, comments, and examples of filled-in Form 3115s and its attachments, in Intelliconnect™ CCH's tax research platform.

You can access the documents through the NSA website. [Click here](#) to visit the CCH login page, or go to [www.nsacct.org/members-only/CCHTax](http://www.nsacct.org/members-only/CCHTax).

Once logged in, search for the following documents:

TRC -Explanation: CCH Tax Research Consultant, BUSEXP: 9,099, Acquisitions of and Capital Improvements to Tangible Property: Accounting Method Changes

FED - Explanation: Standard Federal Tax Reporter—Explanations (2015), 13,709.0139, Capital Expenditures: Amounts Paid to Improve Tangible Property: Accounting Method Changes Under Final and Temporary Repair Regulations

## NSA Go Getter Membership Campaign is a WIN-WIN

For Go Getters:

- Recruit 3 new members and your next NSA membership renewal is free!
- Recruit 10 new members and also get \$300 credit on NSA live and self-study education!
- For every new NSA member you recruit, you'll be entered in a drawing to win a \$250 American Express gift card!

For New NSA Members:

- Get a free Quickfinder or TheTaxBook Web Library subscription plus an extra 3 months of membership or
- Save \$20 off NSA dues!





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## NSA SET TO LAUNCH NEW RESPONSIVE DESIGN WEBSITE

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In an effort to provide members with the very latest website technology, NSA will launch a new website this spring. This website will still be located at [www.nsacct.org](http://www.nsacct.org). Your login will **not** change. What will change?

- This new, responsive website will scale to fit on any screen, whether you are viewing on a computer screen, tablet, or smart phone.
- The website will be hosted by the same provider as the MemberConnect members site, where the resource libraries, discussion forums, event calendar, and other members-only content is housed. This will provide better search results, as all content is located in one searchable database.
- The new design is clean, easy to read, well organized, and it has a very user-friendly interface.

We are confident that you will find this a great enhancement to your membership and that the many improvements will make life easier for you in your practice. Watch for the specific launch date coming soon!

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## USE THE RESOURCE LIBRARY THIS TAX SEASON

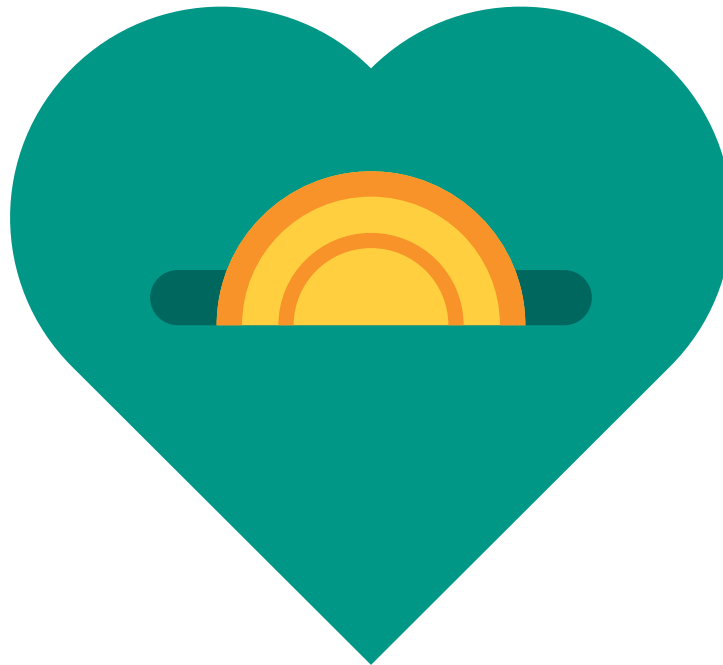
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View the many resources available to members in our libraries. Search through all the libraries, or delve into a specific one to find just what you are looking for. For example, there are over 500 sample client letters in the Client Letter Library. The letters are on a variety of topics, ranging from vehicle depreciation and deductions to farm business expenses. The collection includes both commonly used and some hard to find ones as well.

Separate libraries house sample tools and forms, such as engagement letters and articles on practice management, tax and accounting topics, and new technology information. Visit the Resource Library often to enhance your practice management efforts. Search for what you need by topic or by keyword. Remember to log in first so you have access to the members-only resources.

[Visit the Client Letter Library](#)





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NSA's tax research team is busy helping members answer the toughest Federal tax questions. Here are the 5 most common topics so far this tax season.

# Top 5 Tax Issues

**1. A new client walks in the door, sits down, and proceeds to tell you that they formed an entity in 2013 or 2014 and have not filed a return, or they have filed a Form 1120-S return and the IRS has sent them a notice telling them that they are not an S-Corporation and that no Form 2553 has been received. The client pulls out the Form 2553 and claims to have filed it, or looks at you with a blank face, at which point you know the Form 2553 has not been filed. Can you help them by filing a Form 1120-S to be considered an S-Corporation retroactively?**

Yes you can! Thanks to a consolidated new Rev Proc. 2013-30, entities that meet certain conditions can file for retroactive S-Corp status as far back as three years. The revenue procedure outlines several conditions that must be met as well as several options for filing the Form 2553, from filing it right with the current or late Form 1120-S return, to filing it separately, requesting approval for the S-Corp return filing before it is sent in.

This relief has been around for a while, but it just one of those issues that taxpayers try to do on their own or, despite all the good intentions of the parties involved, that Form 2553 just never gets mailed. So, there is relief and it appears that the IRS grants it without too much question.

**2. Another ACA provision, IRS Sec 6055, the individual mandate, requires that taxpayers and their families have health insurance. This provision requires that the Box on Line 61, on page 2 of the Form 1040 for 2014, be marked. This provision requires the tax practitioner to ask, or figure out, if the taxpayer and his or her family members have health insurance. The series of Form 1095s were designed to help with this. Why are we not seeing this form?**

The Form 1095-A, the Form 1095-B, and the Form 1095-C are not mandatory for the 2014 year. So, the information returns that were supposed to make life a bit easier for the tax preparer are optional for this tax season. The provisions under IRC Sec 6055 were postponed and will be mandatory in 2015.

**3. Under the individual mandate, taxpayers were required to acquire health insurance in 2014. In order to help, the government came up with subsidies—namely the advanced premium tax credit. If a taxpayer qualified, they would receive help with the health insurance premiums for insurance acquired through the exchanges. Do taxpayers have to pay any of this subsidy or credit back?**

Maybe. It is very possible that the estimated amounts used by taxpayers to acquire the subsidy will have been higher or lower than the actual premium tax credit calculated on Form 8962. Therefore, taxpayers may have to repay this advanced benefit. The repayment will take the form of an additional tax on the Form 1040, page 2, line 46. This amount will come from the bottom section of page 1 of the Form 8962. This amount can be the full amount of the subsidy (i.e. if the taxpayer exceeds 400% of the Federal Poverty Line, or may be limited to between \$300 and \$2500, depending on how much the estimated amounts used compare to the actual amounts for 2014.

**4. When a taxpayer inherits the personal residence of their recently deceased parent, can a loss be taken on the subsequent sale of that personal residence?**

Yes. A capital loss can be deducted by the beneficiary on the sale of a decedent's residence. When one makes use of IRC Sec 1014 and the basis step-up rules, the party or parties inheriting the home acquire a "basis" equal to the fair market value (FMV) of the residence at the date of death. Therefore, as long as a beneficiary does not either stay in the home or move in to it, a drop in value, some improvements, or closing costs can produce a capital loss upon the sale of the residence.

There is a side note to the issue of claiming a capital loss on the sale of a decedent's residence. If the personal residence becomes an asset of the estate instead of passing directly to the beneficiaries and a Form 1041, for the decedent's estate is required to be filed. If the residence is then subsequently sold inside the estate and reported on the Form 1041 as a capital loss, then there is an IRS opinion the practitioner needs to know about. In practice and discussing this situation with other practitioners, the answer does not seem to change. However, there is an "internal" opinion—a memo at the IRS (SCA 1998-012)—that states that it is the IRS's opinion that a "personal residence" that remains in the decedent's estate and is sold within that Form 1041's filing is still a "personal" residence and the loss would not be deductible under the "inherited" property rules. So, a bit of advice: If you, as the practitioner, have any say in where the sale takes place or whose name the property is titled in at sale, get it out of the estate, titled in the beneficiaries' name(s). This way, the SCA will not apply.

**5. A taxpayer loses a piece of rental property due to foreclosure or repossession in 2014. They then receive a Form 1099-A and/or Form 1099-C. What happens tax-wise? Is there any debt cancellation income (COD)? What happens to the rental property?**

With every foreclosure or repossession comes the possibility of two tax events. First, there is always a sale. A disposition of the property—the rental is gone, it is deemed to be sold. Since this is a rental property, there will be a Form 4797 in the Form 1040 for 2014. The second tax event, COD, will depend on the type of debt or mortgage. If the mortgage or debt is nonrecourse debt, there will never be any COD income. If the mortgage or debt is recourse debt, there is exposure to COD. If the debt (Box 2 of the 1099) exceeds the FMV (fair market value) of the property at the date of foreclosure or repossession, there can be COD—that is, if the "lender" has forgiven the balance or shortfall.



The key to handling any foreclosure, repossession, deed in lieu, short sale, or "walk away" is to gather more information. You will need more than what is on the Form 1099-A or C to resolve the issue. There is just not enough on the forms to know for sure what to do. Certainly, one needs the cost basis of the property, any improvements, and the accumulated depreciation up to the date the property was lost. A mortgage or debt history, including the amounts borrowed (there could be more than one loan), will help confirm the amount(s) in Box(s) 2. Does the FMV seem right—that is, in line with market conditions? There is case law that could allow one to challenge the fair market value of a property in this situation and that could affect the tax results.



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# Main Street Tax News

## IRS ANNOUNCES CHANGE IN IMPLEMENTATION OF TANGIBLE PROPERTY REGS FOR SMALL BUSINESSES

The IRS has reacted to the complaints of the small business community and recently issued Revenue Procedure 2015-20 outlining a simplified procedure for small businesses to comply with the final tangible property regulations. The simplified procedure is available beginning with the 2014 return taxpayers are filling out this tax season.

The new procedure does the following:

- allows small businesses to change a method of accounting under the final tangible property regulations on a prospective basis for the first taxable year beginning on or after January 1, 2014
- waives the requirement to complete and file a Form 3115 for small business taxpayers that choose to use this simplified procedure for 2014

“We are pleased to be able to offer this relief to small business owners and their tax preparers in time for them to take advantage of it on their 2014 return,” said IRS Commissioner John Koskinen. “We carefully reviewed the comments we received and especially appreciate the valuable feedback provided by the professional tax community on this issue.”

The new simplified procedure is generally available to small businesses, including sole proprietors, with assets totaling less than \$10 million or average annual gross receipts totaling \$10 million or less. A copy of Revenue Procedure 2015-20 has been posted on the NSA website and is also available [here](#).

Please note: the revenue procedure also requests comments on whether the \$500 safe-harbor threshold should

be raised for businesses that choose to deduct, rather than capitalize, certain capital expenses. I am sure NSA will provide comments.

A special thanks to the NSA Federal Taxation Committee for their efforts in providing comments to the IRS on the need to clarify the tangible property regulations.

[Read Notice 2015-20 here](#)

## IRS RELEASES THE “DIRTY DOZEN” TAX SCAMS FOR 2015; TAXPAYERS AND TAX PREPARERS ARE TARGETED BY PHISHING SCHEMES

The Internal Revenue Service wrapped up the 2015 “Dirty Dozen” list of tax scams today with a warning to taxpayers about aggressive telephone scams continuing coast-to-coast during the early weeks of this year’s filing season.

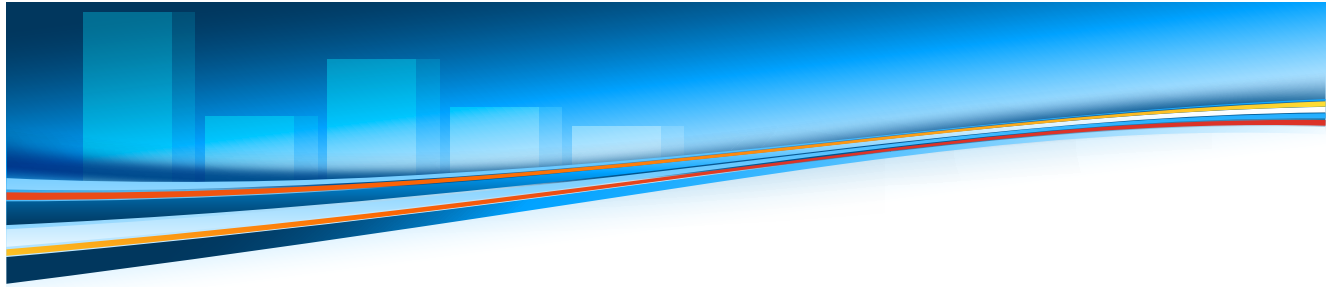
The aggressive, threatening phone calls from scam artists continue to be seen on a daily basis in states across the nation. The IRS urged taxpayers not give out money or personal financial information as a result of these phone calls or from emails claiming to be from the IRS.

Taxpayers are not the only targets of scams this year. Tax preparers have been warned of a recent influx of emails seeking updated personal or professional information that in reality are phishing schemes.

“I urge taxpayers to be wary of clicking on strange emails and websites,” said IRS Commissioner John Koskinen. “They may be scams to steal your personal information.”

Specifically, the bogus email asks tax professionals to up-





date their IRS e-services portal information and Electronic Filing Identification Numbers (EFINs). The links that are provided in the bogus email to access IRS e-services appear to be a phishing scheme designed to capture your username and password. This email was not generated by the IRS e-services program. IRS recommends preparers disregard these emails and not click on the links provided.

[Read the “Dirty Dozen” list here](#)

## **TAXPAYERS WHO RELIED ON WRONG HEALTH CARE DATA WILL NOT OWE ADDITIONAL TAX**

About 50,000 tax filers who relied on erroneous health care information from the federal government will not have to amend their tax returns, the IRS has announced.

The Centers for Medicare and Medicaid Services said February 20 that it issued incorrect forms to about 800,000 families and advised them to wait until March to file their returns. The Medicare agency made the error in a form issued to about 4 million families who received subsidies for their insurance premiums last year. In incorrect versions of the forms, the government misstated a benchmark health plan premium used to calculate the subsidy awarded to taxpayers.

However, about 50,000 people who had already filed their returns may have received an incorrect refund as a result.

Taxpayers who received incorrect health care information from the Federal Government and who have already filed will not have to amend their returns or repay the government because of the error, the IRS said in a February 24 statement. Tax filers who were penalized by the mistake, and received a smaller refund as a result, can amend their return if they want to, the IRS said.

“Individuals may want to consult with their tax preparers to determine if they would benefit from filing amended returns,” the IRS said.

## **FASB, PCC DISAGREE WITH AICPA ON UNCERTAIN TAX POSITION DISCLOSURES**

An AICPA technical practice aid (TPA) wrongly interprets current accounting rules as requiring disclosure of open tax years if there are no material uncertain tax positions, according to the Financial Accounting Standards Board’s Private Company Council.

TPA 5250-15 was issued by the AICPA Financial Reporting Executive Committee (FinREC) in May 2010 to address a disclosure requirement for uncertain tax positions under FASB’s ASC 740, Income Taxes. ASC 740 requires disclosure of years that are subject to examination by an entity’s tax jurisdiction.

PCC and FASB members said February 13, however, that the AICPA interpretation developed under the TPA does not conform to their understanding of generally accepted accounting principles.

Specifically, the disclosure requirements under Topic 740 related to uncertain tax positions do not require a disclosure of the open tax years when there are no unrecognized tax positions, members of both boards said.

Members of both the PCC and the FASB have stated that they intend to clarify the issue because it adds cost to financial reporting. “Is it a huge deal?—no; is it an added cost to the system?—yes it is,” said Thomas Groskopf, director and owner of Barnes, Dennig & Co. Ltd. in Cincinnati.

“And it’s not just changing digits in reports because there are different tax jurisdictions with different statutory closures,” and it “does require some extra effort and I’d like to see this clarified so that it isn’t a practice issue,” Groskopf said.

FASB said it will contact the AICPA’s FinREC to flag the issue.



# PREVENTING CRISIS PART III

By Mark H. Fowler, CMC, CPA (Inactive)

## HELPING CLIENTS IN SPITE OF THEMSELVES

**T**his article is the third in a series focused on helping practitioners to help their clients avoid undue chaos in the face of challenges. The first two articles addressed the importance of client well-being and our inherent desire, as accountants and financial advisors, to help clients to be more effective and successful. In addition, we explored the importance of a consultative approach to client discussions and to advancing client/project goals with a sense of urgency and importance. Now, we will address the subject of helping clients handle difficult situations from a more “boots on the ground” perspective.

Often when companies fall into misfortune, they just slip and slide until they get back on track—if they get back on track. As professionals, one of our biggest challenges is to actively reach out to clients who are facing difficulties. In addition, it can be a bit of a guessing game to find a comfortable entry point for a constructive dialogue. Finally, finding out what is really going on for the client can be a mystery tour and we do not want to leap in, in our enthusiasm to serve, to solve a problem that does not exist.

For these reasons, we will present our approach in three sections: 1) strategic concepts and core services; 2) key areas of change or analysis that fall into the traditional, tactically-driven consulting

projects; and 3) additional considerations for enhancing client connection and interaction for continued success.

Facing client situations can be a bit unsettling. Do we know enough? Will the client listen? Do we have the time to help? Are there other resources that would add value to the process? What questions should we be asking? And on and on. Some quick answers: yes, we know enough to start; a given client will listen initially as well as that client listens now; there are resources to help; and dialoguing will shed light on additional critical information. Most importantly: we have unique qualities that make our participation effective and indeed almost mandatory. Consider the following:

We are the “trusted advisor.” Although we may not be experts in the particular areas of challenge the client is facing, clients do know that we can help and they want us to help, even though they may not ask for it. (After all, that might cost them some dollars!)

We have extensive knowledge about the client/company, the owner/managers, and how this client makes and follows up on decisions.

As service providers, we have an inherent desire to help clients and have a history of doing so—thus we have a strong basis of trust for communication.

As team players, we can be more than just another cost. In fact, we may actually be a cost mitigations resource, and even in some cases a moneymaker.

Because of our client knowledge, we can also serve as a coordinator of resources inside and outside the client’s company.

Clients may be unaware of these distinctive qualities, especially if we haven’t taken the time to educate them. A possible crisis on the horizon is as good a time as any to start the dialogue and the education process.

### STRATEGIC CONCEPTS AND CORE SERVICES

The major ingredients for creating a strong strategic approach are:

- Information that is current, important, and usable
- A roadmap or plan that helps drive the process
- A team environment that engages everyone and creates a proactive atmosphere with all team members moving forward on the same page
- A feedback loop to keep everyone informed on how the plan is working and to allow for analysis and course correction

These four components help create a structure, an organizational landscape, and a mind-set that foster a company-wide discipline, all of which set the stage for action and accomplishment. Getting things done, especially the most important items, helps create an environment geared for success and less prone to failure and distress.

Three service areas are essential in trying to help clients avoid crisis in the first place. Strategic and organizational protocols are the most effective in this regard because they help clients anticipate trouble and modify their plans before bumps in the road knock the business off its path. These areas of service are:

**Business Planning.** This can mean a complete business planning project/program or a simple one-month or even one-week operational plan. We try to keep even major project endeavors to a one-page business model—or sometimes a graphic version. The easier the steps in the plan, the more the company is likely to accomplish

**Organizational Development.** Organizational development efforts allow an organization to consider changes that will improve their effectiveness. From establishing a formal board of directors to creating job descriptions for all key team members, any meaningful steps forward to create an organizational foundation equate to a stronger company. In the small- to medium-sized business, where the pace can range from hectic to hurricane-like, helping clients to develop form within their companies is a blessing all around. This is an area where our leadership influence can be extremely meaningful.

**Feedback Process.** When plans, action items, or global imperatives are set in motion, follow-up is a key ingredient in success. Any plan can be fraught with challenges, misinformation, and skewed assumptions. It is, of course, just a plan. Even when implementing what might actually be a great plan, there will still be course corrections, perhaps as soon as one week in. New information, assumptions that don't live up to expectations, erosion of team member support, and many other factors come into play. Therefore, it is necessary to

establish benchmarks—both operational and developmental—create detailed action plans with due dates and follow-up points, and analyze internal and external data (employee responses, customer impressions, public awareness, how individuals and groups in the organization are embracing the changes, et cetera). Waiting until something goes wrong is an inappropriate benchmark, despite the fact that many people operate this way.

## CREATING THE TEAM

We often feel that we must be the “be-all and end-all” to our clients. Our role is essential, but realistically we are an integral part of a more comprehensive team to address all the needs of the client. This fact is extremely clear in the crisis or turnaround environment. In these complex and chaotic situations, it might seem obvious that lawyers, accountants, bankers, information system gurus, employee benefit professionals, insurance advisors, and so forth must be called upon. But the same is true for smaller projects, where we as professional advisors are trying to keep our client organizations on the straight and narrow.

When we look at some of the major areas where companies commonly need assistance, we can appreciate that we, as financial, accounting, and tax professionals, may need help from others in order to serve effectively, just as our clients need assistance from us in order to achieve their business goals. Let's take a look at some of the areas where we may need help in serving our clients:

- Organizational development
- Systems and procedures
- Legal assistance:
  - o Corporate governance
  - o Employee relations
  - o Intellectual property
  - o Trusts and estates
  - o Lawsuits
  - o Transactions, i.e. mergers, purchases
- Human resources
- Corporate finance
- IT
- Insurance
  - o Professional liability
  - o D&O
  - o Workers' compensation

- o General insurance
- Re-engineering services

Seeking assistance in these areas is not to say that we can't help with some or many of them, but if these are services we do not perform on a regular basis, someone else should. In fact, we can't allow ourselves the luxury of *not* using other professionals who have the specific knowledge and experience to address the subjects in question. Clients deserve the best—and our best.

The prime advisor sits in an essential place at the consulting table. The role of prime advisor belongs to whoever has the most extensive history with the client. He or she has a relationship with and the trust of the client, which is essential in making change work. Choosing the right person to take on this role can save months of wasted time. The client tends to advance the process faster and more effectively just by the advisor being in that senior role. Trust is a powerful ingredient for change.

The first responsibility of the prime advisor is to help the client to understand what is going on and to appreciate that all the people in play are there for important reasons. Secondly, whether working with one other professional or with ten-plus, the prime advisor's duty is help everyone stay on the same page. It can be a nightmare if each professional believes that he or she is in charge—the client can't win. We are the client's most knowledgeable and most trusted advisor. It makes sense, then, for us to assume the role of primary advisor.

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