End of the road for Windows XP poses challenges for businesses

BY CHRIS GAETANO
Trusted Professional Staff

Microsoft plans to end support for its 12-year-old Windows XP operating system (OS) on April 8, which means that the company will no longer provide security patches, technical assistance and other forms of service for those still using the software—a development that could leave businesses at increased risk of cyberthreats and other glitches if they don’t upgrade.

Microsoft has been warning users about the April 2014 cutoff for the past two years, noting in a statement on its own website that it intends to put its “resources toward supporting more recent technologies.” Sales of PCs preinstalled with Windows XP ended in 2010, and retail sales of the XP software itself ended in 2008. Still, XP remains a fixture in homes and offices. In January, it comprised nearly one-third of the total operating system market share for desktop and laptop computers, according to the research firm Net Analytics. And as of last April, the operating system was being used by 45 percent of businesses, according to AppSense, an independent software vendor partnered with Microsoft.

Over time, those businesses that fail to upgrade their systems will become more vulnerable to threats like data breaches and malware, which could have an effect on their overall operations. Indeed, in a press release last fall, the Federal Financial Institutions Examinations Council, a governmental standards body that develops uniform reporting systems for financial institutions, warned that potential problems could “include degradation in the delivery of various products and services, application incompatibilities and increased potential for data theft and unauthorized additions, deletions and changes of data.”

Earlier this year, Microsoft did offer a concession, announcing that it will continue to provide updates for its XP Security Essentials antimalware tool through July 14, 2015, instead of terminating it next month. But the reprieve comes with a caveat: Security Essentials will not be available for download after April 8, so users would have to download it before that time. Moreover, it only offers partial protection, given that Microsoft will still be ending other services.

Consequently, businesses that rely on XP are now faced with a choice as to whether they want to upgrade to a more modern system or stay with the old OS and deal with the increased risk. Joel Lanz, a member of the NYSSCPA’s Technology Assurance Committee and a tech columnist for The Trusted Professional, acknowledged that the choice can be more complicated than it sounds: Upgrading something like an operating system is not a small matter, he said.

NYSSCPA reaffirms stance on revived PCAOB naming measure

BY CHRIS GAETANO
Trusted Professional Staff

In a comment letter published on Feb. 4, the NYSSCPA roundly criticized a revived effort by the Public Company Accounting Oversight Board (PCAOB) to require auditors to disclose the names of their engagement partners, as well as the names, locations and participation of any other experts who assisted the audit, in the audit report.

The PCAOB detailed the proposal in the exposure draft, “Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor’s Report of Certain Participants in the Audit,” released on Dec. 4, 2013. The draft marks the second time in five years that the board has advanced a measure to identify engagement partners and other audit participants in the audit report—a move, it says, that will increase transparency and accountability.

It first raised the issue in a 2009 concept release, which was followed by a 2011 exposure draft. That early draft, by the board’s own account, was poorly received—indeed, in a January 2012 comment letter, the NYSSCPA itself questioned how useful the naming measure would be and cautioned that it may lead the public to draw inappropriate conclusions about an engagement partner’s authority.

The reworked proposal, which the board...
Embracing the next generation of the profession

When the NYSSCPA moved into its new headquarters on Wall Street last summer, I said, among other things, that I was proud to be the Society’s president during such a marvelous time of change. I wasn’t just referring to our physical relocation, but to the systemic shift that has taken place at the State Society over the past several years. We have made a concerted effort not just to be leaders within the profession, but innovators, and to tailor our efforts as an organization with the future in mind. The move to Wall Street was one visible sign of this, but we also have several other exciting new initiatives that embody those ideals. One of them may have landed in your mailbox this month: NextGen magazine.

As our newest publication, NextGen: The NYSSCPA’s Professional Development Guide does what no other magazine can: It speaks exclusively to future and young CPAs, and arms them with a broad range of tools to help them take charge of their careers. (The magazine, which will be produced quarterly as of 2014, is available online at www.nysscpa.org/nextgen, is mailed to members 35 and under, and will also be distributed at Society events.) In an upcoming issue, the magazine will unveil the NYSSCPA’s newly formed Young Leadership Circle, a program that identifies rising stars within the profession and gives them opportunities to learn from and interact with Society officers. This year’s class includes the following members, chosen for their active participation at the chapter level: Emily L. Gardner, of the Southern Tier Chapter; Jaime L. Scott, from the Nassau Chapter; Amanda L. Sexton, of the Suffolk Chapter; and Matthew J. Taylor, of the Rochester Chapter. Next year, more promising young professionals will be selected to join. All of these efforts dovetail with our annual YCPA Conference, which features panels and presentations geared toward those at the start of their careers.

The issue of how to keep and grow young talent is one that our profession has grappled with for years. I have always maintained that our approach as a community needed to change—that the most important question isn’t how many people we can bring to the table, but whom can we entice to stay there. In other words, what good is it if we hire thousands of talented professionals, only to see many of them leave for what they perceive to be better opportunities elsewhere, or because they feel burnt out, unfulfilled or confused about how to move forward in their careers? NextGen magazine and Next Generation programming offer young CPAs help in finding—and keeping—their footing in a very competitive and global workplace. This is an opportunity for the Society to encourage and support future CPA candidates and young CPAs, and to demonstrate our commitment to their success.

The future looks bright, both for YCPAs and for the Society as a whole. I hope you’re as excited as I am about what lies ahead.

president@nysscpa.org

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By representing more than 29,000 members, the NYSSCPA acts as the unified voice for CPAs throughout New York State. While we are often able to use our strength in numbers to take action, political advocacy sometimes requires a more grassroots approach. This is why the NYSSCPA is inviting its members to become a part of its Key Contact Program. Much in the same way networking is vital to professional advancement, sometimes requires a more grassroots approach. This is why the NYSSCPA is inviting its members to become a part of its Key Contact Program. Much in the same way networking is vital to professional advancement, political advocacy development a strong political network of connections is important to any government advocacy program.

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Windows

Continued from front page

system, he said, entails more than just going to the store, picking up a box and passing it off to the IT department.

While the cost itself of getting a new OS can be managed, he said, of greater concern for companies is the long list of additional considerations that comes with such a move. “What freaks everyone out is if you move to a new OS, [you then have to ask,] ‘Does this mean we have to upgrade equipment? Will our software work?’” he said.

For example, companies considering a change from Windows XP to Windows 7 might find that if they do make the switch, they will also need to upgrade their payroll software, database software, server architecture and security software. In addition, Lanz said, executives would have to think beyond their own internal operations to the network of vendors they rely upon.

“Even if I go out and spend money, buy new computers and get the new operating system, to what extent will my other application vendors be updating their systems to run with my new software?” he asked.

But the bottom line, many experts feel, is that an obsolete operating system is “inherently insecure,” Lanz said. And if a company doesn’t upgrade right away, it’s just biding its time until some kind of situation forces it to—and it won’t always be a good one. “I know whenever I walk into an environment and see that they have one of these older operating systems, they fail on controls,” he said.

Moreover, while there are certain businesses where security might not be as crucial—a pizzeria that takes orders over the Internet for example—Lanz emphasized that CPA firms do not fit into that category. “A lot of CPA firms will play around and say, ‘I don’t need to do it.’ But guess what? You’re probably most vulnerable because you have confidential client information that you have to be careful to protect.”

A closer look at the upgrading process

Michael Pinch, also a member of the Technology Assurance Committee, knows all too well the challenges that Lanz is talking about: For the past year, Pinch has been overseeing a systems upgrade from Windows XP to Windows 7 for his entire company, a major health-care provider with more than 15,000 machines. While the risks for any company that fails to update its OS can be significant, Pinch said they’re especially pronounced in the health-care field. His organization, for example, has to comply with the Health Insurance Portability and Accountability Act of 1996, which contains numerous security standards to protect the confidentiality of medical records.

Upgrading an OS: A step-by-step process for firms

1) Determine your IT needs and assess your risks. What resources, in both time and manpower, will be required in order to upgrade? What, specifically, will need to be upgraded? What risks will you incur should you not upgrade?

2) Assess what elements beyond the OS itself will be affected by an upgrade. What software interacts with the system that might be impacted? Which hardware may not be able to run an upgraded OS? What will the impact be for end-users?

3) Meet with vendors to determine whether they have the ability to continue offering support, should you upgrade. See how an upgrade might affect the software they offer and how this will affect what software you will and won’t buy from them. Consider options for handling incompatible software, such as application virtualization or locking down one-off machines with firewalling.

4) Plan out an overall strategy for when your firm actually implements its upgrade. How will you phase the rollout? Who will you target first? Will you use in-house staff or hire outside personnel? And how will all these decisions affect operations?

5) Test thoroughly.

—C.G.
Guidelines are just that—guidance for auditors—and don’t have the same force as a law or regulation. But in the aftermath of the ruling, they’ve taken on a new significance.

The New York’s Gaied case has become a sort of standard in residency taxation—the benchmark for other guidance and disputes when lawyers and accountants decipher what the state means by “permanent place of abode.” Final guidance on this question may be coming, however, thanks to a recent ruling from the New York Court of Appeals. The state’s highest court has reversed a lower court and sided with appellant John Gaied, in what will likely be a landmark decision.

The Gaied case revolved on the question of whether John Gaied, a New Jersey resident who maintained a Staten Island home for his elderly parents, was a New York resident for tax purposes. Was he resident because his elderly parents, was a New York resident who maintained a Staten Island home for whether John Gaied, a New Jersey resident will likely be a landmark decision.

The Court of Appeals said that the matter needed to be remitted to the Appellate Division, “with directions to remand to respondent New York State Tax Appeals Tribunal for further proceedings in accordance with this opinion.” The Tax Tribunal had initially ruled in favor of Gaied, but in a rare reversal, sided with the tax department in a second ruling.

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BY RICHARD J. KORETO
Trusted Professional Correspondent

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Understanding the meaning

Gold sees this ruling very much in line with the state’s Nonresident Audit Guidelines, which he said were “widely construed to be a pullback from the harsh results of the initial Gaied decision, allowing taxpayers and the department to consider not just ownership and property rights but the relationship that a taxpayer has with a premises.”

Guidelines are just that—guidance for auditors—and don’t have the same force as a law or regulation. But in the aftermath of the ruling, they’ve taken on a new significance. Gold added that “although some factors listed in the Guidelines—such as the mere payment of bills or use of the address for business mail—may need revisiting after the Gaied appeal, others, like the storage of personal items, availability of accommodations, and use of the dwelling, can help determine if the taxpayer had what the court termed a ‘residential interest’ in the property.”

Gold gave the example of an out-of-state resident who has a New York apartment that he no longer wants and would like to get rid of, but can’t sell due to a down market. Previously, said Gold, the tax department would consider that apartment a PPA even though it wasn’t being used. “The new decision may allow that taxpayer to close down the apartment, remove personal items, terminate non-essential utilities, etc. and not have it treated as his PPA.”

Brian Gordon, another committee member, said that the new Gaied ruling matches the precedent set in the earlier Matter of Evans case from 1993. In Evans, a taxpayer occasionally resided with a priest in a rectory, and to reach a decision on whether that situation created a PPA, the Tax Tribunal looked at the physical nature of the abode and the taxpayer’s relationship before reaching a decision.

“They got it right this time,” said Gordon.

Gaied’s Lawyer Discusses the Case

Tim Noonan, the attorney who represented John Gaied, was of course pleased with the decision. In comments submitted to the NYSSCPA E-zine, he wrote: “The court said that the abode in question must relate to the

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Society raises red flags on SEC’s crowdfunding regs

BY CHRIS GAETANO
Trusted Professional Staff

The NYSSCPA expressed some concern that a proposal from the Securities and Exchange Commission (SEC) regarding crowdfunding—a fundraising tactic in which small amounts of capital are solicited from a large number of sources—could reduce transparency and security and may ultimately open up numerous avenues for fraud by unscrupulous entrepreneurs.

The Society sounded the note of caution in a Jan. 24 comment letter drafted by members of its Litigation Services Committee. The letter was in response to the proposalal “Rules Governing the Offer and Sale of Securities Through Crowdfunding Under Section 4(6) of the Securities Act of 1933,” which the SEC created at the behest of Congress and released last July.

The proposal supplies a road map for implementing Title III of the 2012 Jumpstart Our Business Startups Act (JOBS Act), which was intended to encourage funding of small businesses in the United States by easing various securities regulations.

Given the document’s considerable length—it spans some 176 pages—the Society opted to comment on select portions of the measure that the authors felt were relevant to the CPA community, particularly where risk management is concerned.

For example, one part of the proposal allows for exemptions to traditional requirements in the issuance of securities used in crowdfunding. While most crowdfunding today tends to give in-kind compensation to investors (such as a deluxe copy of a computer game under development or lunch with a celebrity), the proposal would allow for actual securities to be offered without the formal accreditation and registration that is ordinarily required.

The provision does have certain limitations. To remain eligible for the exception, no more than $1 million may be raised within a 12-month period and the aggregate amount sold to any investor by an issuer cannot exceed $2,000 or 5 percent of annual income (whichever is greater), or 10 percent of annual income or net worth in the event it exceeds $100,000. Moreover, the transaction must be conducted through a single SEC-approved intermediary and must take place exclusively through that intermediary’s web site or other online platform.

Excluded from the proposal’s scope are those issuers that are not recognized in the U.S.; those already subject to SEC reporting requirements; investment companies as defined by the Investment Company Act of 1940 and those that were excluded under that definition under that same act; any issuer that hasn’t filed with the commission and provided investors with ongoing reports required by the crowdfunding regulation during the two years immediately preceding the filing of the required new offering statement; any issuer that has no specific business plan or has indicated that it intends to engage in a merger or acquisition with an unidentified business or company; hedge funds; and anyone else the SEC deems appropriate.

If a startup, for example, meets all of these requirements and does not have any disqualifying aspect, it can offer securities through a crowdfunding mechanism online, provided that it files proper disclosures and regular reports with the SEC.

Overall, the NYSSCPA was concerned that the proposal as the SEC is currently offering it paves the way for risks for investors. This reduction in regulatory oversight, the Society said, would come at the expense of security and transparency, which can lead to dangerous situations.

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Trusted Professional Staff

PCAOB chair says board won’t push on audit rotation

BY CHRIS GAETANO
Trusted Professional Staff

During a Feb. 5 budget meeting with the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB) said that it was abandoning its efforts to mandate that public companies rotate audit firms every few years.

“We don’t have an active project or work going on within the board to move forward on a term limit for auditors,” PCAOB Chair James R. Doty said. “The move represents a significant shift from previous PCAOB goals. For years, the board had been exploring the concept of mandatory auditor rotation—essentially, term limits for audit firms—in the interests of increasing auditor independence. The PCAOB first posed the idea in an August 2011 concept release, writing that there was a fundamental conflict in the current auditor compensation model and that many audit failures it had observed sprang from a lack of professional skepticism and independence.

At the Foundation for Accounting Education’s Auditing Conference that same year, Doty further explained the reasoning behind the proposal by saying that long-term relationships that certain firms have with clients, regardless of which partner performs the audit, can have a damaging effect on the independence of that audit.

Beyond Doty’s statement at the February SEC meeting, the board has been tight-lipped on the issue, with a PCAOB spokesperson saying that there are no plans to speak any further on the subject. Doty did, however, say that the board will continue to think about other methods for enhancing auditor independence, adding that it might change its focus in order to do so.

The topic of auditor rotation gained mainly negative attention within the CPA community. The NYSSCPA itself penned the idea in a December 2011 comment letter, in which it argued that auditor rotation was highly impractical and could wind up doing more harm than good. While the NYSSCPA agreed that independence and objectivity are important, it argued that the PCAOB had failed to effectively link audit failures with any lack of independence. Even in cases where a lack of independence did impact the audit, the Society argued in its comment letter that the issue does not lay with the firm itself but with the engagement personnel.

The Society also cautioned that such a practice could have a negative effect on audits, as it takes time to develop and maintain the necessary skill set to properly audit an SEC-registered firm, especially in the case of specialized industries where there aren’t a lot of people who are familiar with how the companies operate. In cases like this, companies may find it difficult to find a suitable replacement when the audit firm’s tenure with that client is up.

Last April, this negative response prompted Congress to propose the Audit Integrity and Job Protection Act, which would bar the PCAOB from mandating audit firm rotation among public companies. The House approved the bill in July, and it is currently being considered by the Senate. In a Jan. 2 letter, the NYSSCPA urged Sen. Charles E. Schumer (D-N.Y.) to lend his support to the bill by co-sponsoring it.

NYSSCPA members reacted positively to the news that the PCAOB was abandoning its attempts to institute mandatory firm rotation. Julian E. Jacoby, the chair of the Auditing Standards Committee, said that he felt there are enough safeguards in place already to deal with independence issues within the firms themselves, and noted that there is already rotation of some sort in place among engagement teams.

“There is something to be gained by firm rotation, but you lose more than you gain,” Jacoby said, referring to the experience that auditors get from becoming familiar with how a company operates. He added that “if [the PCAOB] believes in its regulatory scheme and it works, then the firm rotation is a moot point, really.”

Steven Wolpow, the Auditing Standards Committee’s vice chair, expressed similar thoughts.

“I just never understood why they were going there to begin with, and I think that they wasted a lot of time and energy on something that was unnecessary,” he said. “The profession does a good job at regulating itself, and I thought that the argument that the [NYSSCPA advanced in its comment letter] was very persuasive. At least [the PCAOB] came to their senses,” he added.

NYSSCPA COMMENT LETTERS

The following list includes all comments letters released by the NYSSCPA between Feb. 1 and Feb. 28. To read all comment letters published by the NYSSCPA, visit nysscpa.org/page/society-comment-letters.

Comments to the PCAOB on Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor’s Report of Certain Participants in the Audit, PCAOB Release No. 2013-009, Docket Matter No. 029, Dec. 4, 2013: Released Feb. 4—The Public Company Accounting Oversight Board (PCAOB) is repposing amendments to its standards to improve transparency of public company audits, requiring disclosure in the auditor’s report of the name of the engagement partner and the names, locations, and extent of participation of other public accounting firms in the audit, and the locations and extent of participation of other persons not employed by the auditor.

Upcoming Industry Committee Meetings

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Preparation levels for lease standard proves mixed

BY CHRIS GAETANO
Trusted Professional Staff

ough the Financial Accounting Standards Board (FASB) is set to release its long-awaited overhaul of lease accounting rules sometime this year, many entities say they are still behind in efforts to prepare for the new standard. In a survey of 138 executives released by Deloitte in January, just 1 percent of respondents said that they were “very” or “extremely” prepared for the new standard, down 9 percent since the last time the firm took this survey in 2011. What’s more, nearly 80 percent of business leaders said that they expect to have difficulties complying with the new standard.

As it currently stands, the proposed FASB standard would divide leases into Type A and Type B categories, both of which would be expressed directly on the balance sheet. In the past, investors have complained that off-balance sheet leases can obscure the true face of a company’s finances. However, the new requirement has given some companies pause, since it would add complicating factors to everything from loan covenants to regulations that take what’s on the balance sheet into account. It also presents possible new IT challenges when it comes to classifying or reclassifying already existing leases.

Type A would generally consist of most nonproperty leases, such as vehicles, aircraft or equipment. If a lease is considered Type A, then a CPA would recognize the right-of-use asset and lease liability, initially measured at the present value of lease payments and, secondly, the unwinding of the discount on the lease liability as interest separate from the amortization of the right-of-use asset. By contrast, however, leases for assets such as land, buildings or parts of buildings would be considered Type B leases.

The proposed standard is part of the convergence project—a joint effort between the FASB and the International Accounting Standards Board (IASB) to produce a unified set of rules that can apply to both U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). It has gone through numerous revisions since it was first released in 2010; the original draft of the standard attempted to replace the current operating lease vs. financing lease model with a unitary “right-of-use” model for all leases, but was widely criticized as adding unnecessary complications. Indeed, in a Dec. 15, 2010, comment letter, the NYSSCPA said the initial draft added unnecessary layers that would be of little benefit to the end users of financial statements.

The standard was formally reproposed last May. It’s expected to be finalized within the first half of the year and take effect by 2017.

Creating a game plan

Some NYSSCPA members that The Trusted Professional spoke to said the key to helping clients prepare for the proposed standard is to take a proactive approach.

Adam T. Lazarus, a member who primarily serves clients in the real estate industry, said that his firm has been working to educate companies as to what the lease standard might mean for them, particularly when it comes to their loan agreements; even though they are private entities, he said, many still use GAAP for their loan covenants. He added that he has been advising clients drawing up new agreements to specify which GAAP they are using, so that even if the standard changes in the future, the loan agreement will still reference GAAP as it was when it was first drawn up.

“People going through loan agreements now should be adding ‘current GAAP’ to their loan agreements, [meaning] the GAAP currently in effect, because no one thought it would change like it is,” Lazarus said.

Another part of the client preparation process, said Frank Roman, who works at the same firm as Lazarus, has been to assist with procedures and policies, particularly in the realm of internal controls. This, he said, ensures that data are properly recorded, given that businesses following GAAP rules would need to differentiate between leases in a new way. He noted that some businesses automate this sorting; if they do, he said, the system will need to be adjusted so that it’s done in accordance with the new standards, when they are finalized.

Lazarus added that some of his real estate clients were already looking to move away from GAAP and that “this is just adding fuel to the fire.” For smaller entities without a lot of accounting resources, he said that filing in GAAP might not even be a possibility with the new standard, and they may drop it in favor of alternative bases of accounting.

Victor J. Mizzaro, a member of the Real Estate Committee, said that his firm has also been examining when it might be more
NYSSCPA session demystifies Affordable Care Act

BY RICHARD J. KORETO
Trusted Professional Correspondent

The Affordable Care Act is always making news, whether because of court challenges or technology issues. But getting relatively little attention have been the details of how it works—who needs to sign up and how, what subsidies are available and the costs and variations among the plans. Daniel G. Mazzola, CPA, CFA, a member of the NYSSCPA Personal Financial Planning Committee, took a step to rectify this in a Feb. 11 presentation for CPAs titled, “How Will the Affordable Care Act Affect Me?”

In his presentation—which was covered by NY1 News—Mazzola cut through the hype and misinformation that surrounds the ACA to talk about how the new healthcare system really did work. He started by noting the fundamental principles of how insurance worked before the act: no one can be turned down, and coverage—through an employer, for example. Prices are kept in check through competition, as multiple insurance companies within an exchange can set their own rates. However, they must follow ACA guidelines on cost-sharing and premium ratios between different groups of covered individuals. New York has a state-based marketplace titled “NY Health Benefit Exchange.” Details are available at http://info.nystateofhealth.ny.gov.

Exchange plans are available at four levels: platinum, gold, silver and bronze. They differ in the percentage of the value of benefits paid, but Mazzola explained that each plan offers the same benefits, rights and protections.

When choosing a plan, Mazzola stressed that consumers have to be careful shoppers, because there is a wide range of costs even within one level in one exchange. For example, he showed how five different insurers in the New York plan vary their costs from one another and from location to location, even within one level. GHI charges $569.66 for a silver-level single adult in Albany, but $656.27 for that same person on Long Island. Looking for a better rate? NY Fidelis is $342.05 in Albany and $360 on Long Island.

The huge difference in prices may be due to different actuarial assumptions and market share strategies. But Mazzola said the main reason for price differences is that different plans use different networks of doctors and hospitals to provide care at an agreed-upon price. “Less expensive silver plans are likely to offer access to a narrower network,” he said.

Exchanges do more than provide a marketplace, continued Mazzola. They also allow purchasers to take advantage of tax credits and cost-sharing subsidies, if they fall within certain thresholds as determined by a ratio with the federal poverty level (FPL). For example, a family whose income falls between 300 percent and 400 percent of the FPL does not have to pay more than 9.5 percent of its income on insurance. Cost-sharing can reduce the out-of-pocket maximums for households earning up to 400 percent of the FPL.

Ultimately, said Mazzola, the new exchange system will force taxpayers to pay closer attention to their spending on medical services. “A trend towards Americans becoming knowledgeable and engaged consumers of health care rather than passive beneficiaries,” he said, “is a positive development.”

Much of Mazzola’s talk centered on the exchanges, the insurance marketplaces where individuals can buy policies. Exchanges are simply places where individuals and small businesses can buy insurance, explained Mazzola. Their primary purpose is to help consumers who otherwise don’t have any coverage—through an employer, for example. Prices are kept in check through competition, as multiple insurance companies within an exchange can set their own rates. However, they must follow ACA guidelines on cost-sharing and premium ratios between different groups of covered individuals. New York has a state-based marketplace titled “NY Health Benefit Exchange.” Details are available at http://info.nystateofhealth.ny.gov.

Exchange plans are available at four levels: platinum, gold, silver and bronze. They differ in the percentage of the value of benefits paid, but Mazzola explained that each plan offers the same benefits, rights and protections.

When choosing a plan, Mazzola stressed that consumers have to be careful shoppers, because there is a wide range of costs even within one level in one exchange. For example, he showed how five different insurers in the New York plan vary their costs from one another and from location to location, even within one level. GHI charges $569.66 for a silver-level single adult in Albany, but $656.27 for that same person on Long Island. Looking for a better rate? NY Fidelis is $342.05 in Albany and $360 on Long Island.

The huge difference in prices may be due to different actuarial assumptions and market share strategies. But Mazzola said the main reason for price differences is that different plans use different networks of doctors and hospitals to provide care at an agreed-upon price. “Less expensive silver plans are likely to offer access to a narrower network,” he said.

Exchanges do more than provide a marketplace, continued Mazzola. They also allow purchasers to take advantage of tax credits and cost-sharing subsidies, if they fall within certain thresholds as determined by a ratio with the federal poverty level (FPL). For example, a family whose income falls between 300 percent and 400 percent of the FPL does not have to pay more than 9.5 percent of its income on insurance. Cost-sharing can reduce the out-of-pocket maximums for households earning up to 400 percent of the FPL.

Ultimately, said Mazzola, the new exchange system will force taxpayers to pay closer attention to their spending on medical services. “A trend towards Americans becoming knowledgeable and engaged consumers of health care rather than passive beneficiaries,” he said, “is a positive development.”

Leases

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Appropriate to move to tax basis reporting instead of GAAP, as “it can be less expensive for the client.”

Still, Lazarus felt that since the proposal has been somewhat stop-and-go since it was first released in 2010, it may have given entities a sense of uncertainty about whether now is the time to actually start major preparations. Abraham E. Haspel, a member of the Financial Accounting Standards Committee, said that many of his clients have taken a wait-and-see approach.

“The consensus among my clients is that they are waiting for the lease standard to be finalized because of the surrounding controversy and the likelihood that the standard for private companies will require implementation after 2017,” Haspel said.

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The audit report is not the place to put that information. There are plenty of places where it would be more appropriate.” — Julian E. Jacoby, Auditing Standards Committee

PCAOB
Continued from front page

said took previous public comments into account, does include some concessions: While the initial version called for the engagement partner to sign the audit report alongside the audit firm, the current version requires only that the partner’s name be disclosed. The board also increased the disclosure threshold for listing other audit participants from 3 percent to 5 percent of hours worked. What’s more, the disclosure requirement no longer applies to offshore work within the same firm (i.e., Deloitte China would not count as an outside firm). Firms would, however, need to disclose experts who participated in the audit and have a specialty in an area other than accounting or auditing. Those professionals had previously been excluded from the measure.

In a January interview with The Trusted Professional, PCAOB member Lewis H. Ferguson said that several key factors have changed since the board first made its pitch a few years ago, which might help the latest version of the proposal to be better received. Among other things, Ferguson said, in recent years, there has been more academic research encouraging the idea of including the engagement partner’s name in the audit report, and many nations, such as the European Union, Japan and Australia, already require it.

But in the NYSSCPA’s Feb. 4 comment letter, authored by members of its Auditing Standards and SEC committees, the Society said that it holds the same position today as it did in 2012 and had not been persuaded by the current release to alter its view.

“We do not agree with the basic premise that disclosure of the name of the engagement partner on the audit would constitute useful or meaningful information of any significance to investors or other financial statement users,” the Society said. “We find the arguments put forth by investor groups and other proponents of the re-proposal as summarized by the board in the current Release unconvincing.”

Moreover, it stated that the PCAOB had formed a conclusion about the usefulness of such information primarily through the use of surveys, which aren’t necessarily a good indicator of how effective the measure will be.

“The empirical work of the surveys is questionable, and doesn’t improve the case being made,” said Julian E. Jacoby, chair of the Auditing Standards Committee and one of the authors of the comment letter. The Society argued that if the PCAOB really wants to increase investor confidence in other firms participating in audits, it might be better for the board to strengthen group audit standards, noting that its current one, AU Section 543, is outdated. Strengthening the standards would create more robust requirements with regard to audit planning, performance, supervision and review. Any enhanced standard, the Society said, should also strengthen required communications with audit committees regarding the participation of others and the oversight applied by the primary auditor.

In general, the Society said it was doubtful that readers of the audit report would be able to sufficiently assess the capabilities, integrity and ethical values of the hundreds—or even thousands—of people who audit public companies. Even if readers were to recognize the name of a particular engagement partner, it explained, that doesn’t necessarily mean they would be able to evaluate that person’s ability to coordinate an audit engagement.

The Society was similarly skeptical of whether the disclosure of outside professionals taking part in the audit would be particularly useful, as there can be complex organizational issues that might make such disclosures problematic.

“The experts may just be a small piece of the engagement. They may not play a substantive role, on some occasions,” Jacoby said. “The Society also felt that if the PCAOB is intent on making audit participants’ names publicly available, they would be better placed in the PCAOB’s periodic reporting forms, rather than in the audit report itself. “Our main objection is that the audit report is not the place to put that information,” Jacoby said. “There are plenty of other places where it would be more appropriate.”
FAE speaker: cloud computing tax laws out of step with technology

BY CHRIS GAETANO
Trusted Professional Staff

In the old days—when tweeting was something birds did and a “face book” was merely a student directory distributed at colleges—software transactions were relatively simple: You walked to the store, picked out the program you wanted—perhaps on a 3.5-inch floppy disk—went to the checkout counter and brought it home.

But in 2014, it is decidedly more complicated. Thanks to the wonders of cloud computing, in which massive, remote servers host multiple websites and store and manage data, a company in Finland can hire programmers in Estonia to write software that’s stored in the Netherlands and ultimately downloaded by consumers in the United States. It’s a new frontier—and one that can lead to ambiguities about how income derived from software should be treated for tax purposes, according to Remy Farag, a tax lawyer and the international editor for Thomson Reuters.

Speaking at the intermediate/advanced session of the FAE’s International Taxation Conference on Jan. 31, Farag said that while the means for acquiring software are rapidly evolving, the laws for taxing them have not kept up.

“What makes cloud computing such a relevant and challenging area is the fact that the technology is moving so quickly, as compared to the tax rules we’re still using to address some of these transactions,” he said. “This puts a tremendous burden on tax departments because they’ve got to apply sometimes archaic rules.”

Part of the issue, he explained, is that it can be difficult to know what is even being sold, with the lines between content and service often appearing blurred. He used the Thomson Reuters online tax research system Checkpoint, which offers guidance, libraries, software and other tools as an example.

In subscribing to a website like Checkpoint, he said, “are we buying the content … or are we paying for a service, the ability to search things to get answers for our clients?”

Taking a closer look

To better illustrate the complexities in assessing taxes on cloud computing revenue, Farag walked the audience through a case study involving a fictional company called Cloud Co. This company, he said, is based in a country that does not have a tax treaty with the United States, has no employees or offices in the United States, has no servers in the United States, offers its products as both a website and an app, and retains all rights to its intellectual property, which was also developed outside the United States. People access the website for a subscription fee and download the app for an additional fee. The app is available in traditional online venues, such as the Apple Store and Google Play.

Farag noted that foreign persons are subject to U.S. taxes when they have U.S.-sourced annual or periodic income, or income effectively connected to a U.S. trade or business. They are also subject to U.S. taxes when they satisfy a substantial presence test. To determine whether Cloud Co. meets these criteria, he said, it’s important to look at the source and character of that income.

According to Farag, these two factors form the basis of all analysis on this matter. “If we get that wrong, it won’t matter if the rest of our analysis is correct,” he said.

To get started sourcing an entity’s income, Farag recommended looking at Internal Revenue Code (IRC) sections 861, 862 and 865. Each of these, he said, provides for different approaches for sources, depending on how the underlying income is characterized. According to the regulations, services will generally be sourced where the service is provided, sales will generally be sourced based on the seller’s country of residence, inventory is to be sourced where the title passes and rents and royalties are to be sourced at the location of the property where the license or lease is located.

For income to be taxed in the United States, it must be considered effectively connected to a U.S. trade or business. Noting that the Tax Code does not give a clear definition of what that connection is, Farag said that, generally, if you give a service in the United States, it will give rise to a U.S. trade or business, though practitioners should look for additional guidance and case law and

SPECIAL CONFERENCE COVERAGE

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Cloud Computing

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Determining character

While reiterating that the regulations have not fully caught up to the technology, Farag said that Section 861 and Section 7701 of the IRC are good starting points when trying to determine the character of cloud computing income. Generally, he said, Section 861 classifies software as either a sale, a license, a lease or a service. If the transaction is considered a sale, then it gives rise to sales income, while a license would be considered royalty income; everything else falls into the rental income category. But sometimes, a software transaction can be both a sale and a service, such as when one pays for an app that also has a subscription fee (as with Cloud Co.).

In this case, Farag pointed out, it might be prudent to look at Section 7701, which determines whether a transaction is a lease or a service. A transaction is usually found to be a service when there is no physical possession of the property, no control of the property and no significant economic or possessory interest in the property. The transaction is also more likely to be considered a service if the customer does not risk substantially diminished receipts or increased expenses when there is nonperformance. Essentially, when it’s just a payment in exchange for access, it’s usually considered a lease. Other publicly display the program. By contrast, in the case of a copyright article, the customer only has the right to use the software. Because Cloud Co. retains all rights, the scenario points to copyright articles, rather than copyright rights.

What if the customer downloaded the software using the app store on his or her phone? That, Farag explained, would probably entail a transfer of a copyright article—

In looking at the current environment, Farag said that while the United States is, at the moment, unclear on how to determine if the use of cloud computing is connected to a U.S. trade or business, it might wind up taking its cues from the Organisation for Economic Co-operation and Development (OECD), which has begun to tackle this issue. Under OECD rules, if a taxpayer owns or leases a server,
NYSDTF offers sales tax guidance for ‘Mad Men’ agencies

BY RICHARD J. KORETO
Trusted Professional Correspondent

The New York State Department of Taxation and Finance (NYSDTF) recently stepped into the world of Don Draper, the troubled creative genius from the television show “Mad Men,” with guidance on sales, purchases and other financial issues affecting advertising agencies. In Tax Bulletin TB-ST-10, Advertising Services, issued earlier this month, the NYSDTF clarified what advertising products and services are taxable. The difference between taxable and nontaxable transactions can be subtle.

Generally, advertising sales are not subject to sales tax. The department defines these services as consultation and development of advertising campaigns and the placement of advertisements with the media. Expanding on this, the department further notes that any advertising materials that an agency creates and then sends to customers by intangible means (such as by electronic media) are not subject to sales tax. Any tangible materials an agency uses to furnish content to the media and turns over to the customer after use are incidental to the sale of advertising services, according to the bulletin, and are also exempt from sales tax.

But the NYSDTF draws a line: If an advertising agency sells tangible personal property—such as layouts or artwork—to a customer before giving it to the media, the agency is making a sale that is subject to sales tax. Indeed, any outright sales of tangible personal property, including printing plates or films contained on tangible media, are subject to sales tax.

Other services, other rules

The tax department also found that an ad agency’s work can fall into its definition of information services. An agency’s sale of a personal report containing material derived from information services is not the sale of a taxable information service, said the bulletin. However, if an agency charges only for the purposes of conducting a survey, or if one of its clients authorizes and accepts a bill for such a survey, then the agency has made a sale of a taxable information service.

Purchases that an agency makes fall into another category: When they’re used for performing its services, they are retail purchases subject to sales tax. For example, said the bulletin, consider an agency that designs billboards for a customer. Any purchases the agency makes that are used to create the billboards are subject to sales tax. And even though the advertising services themselves are nontaxable, the agency must pay sales tax on purchases of printing services, for example, used to create those billboards.

For further information on taxation in the advertising industry, the bulletin recommends the following official publication:

- TSB-M-92(4)S, The Sales and Use Tax and Promotional Materials
- TSB-M-92(4.1)S, The Sales and Use Tax and Promotional Materials
- TSB-M-97(6)S, Expanded Sales and Compensating Use Tax Exemption for Promotional Materials
- TSB-M-10(7)S, Sales and Compensating Use Tax Treatment of Certain Information Services
- Exempt Use Certificate (TB-ST-235)
- Newspapers, Periodicals, and Shopping Papers (TB-ST-620)

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NYSDTOF Office of Counsel finds itself at sea with sales tax

BY RICHARD J. KORETO
Trusted Professional Correspondent

When you buy certain items or services, sales and use taxes are due—that’s pretty straightforward. But what if you buy something that moves, not just when you purchase it, but continually throughout its existence? That was the question before the New York State Department of Taxation and Finance’s (NYSDTOF) Office of Counsel in Advisory Opinion TSB-A-14(58). The petitioner is a New York company purchasing a commercial ship, and it wanted to know if the ship’s time spent in New York waters determined whether its purchase was subject to sales tax. The ruling isn’t wide-ranging—that isn’t a common purchase—but the opinion provides a valuable lesson in working with the tax department and navigating the rules.

The ship under consideration is certified to carry 149 passengers for hire. The petitioner plans to operate it between the East Coast of the United States and the Caribbean. Each spring, the ship would arrive in New York City and might depart from the state one or more times each summer, while serving as a chartered vessel. Each fall, the vessel would set sail for the Caribbean, also for charter service during the winter months. The ship would be in New York waters less than half the year. The petitioner might put “New York, NY” on the vessel’s stern—this “hailing port” label is an old seafaring tradition, as well as a U.S. Coast Guard requirement.

NYSDTOF Deputy Counsel Deborah R. Liebman first addressed the residency issue, noting that in general, a purchaser in such a situation would be liable for sales and use tax, based on residency status: The petitioner has a place of business in New York and would be using the product—the ship—in New York. (The advisory opinion did not note whether the petitioner was purchasing the boat within New York or outside the state.) Said Liebman, the “petitioner’s charter business within the state would be an additional basis of residency for tax purposes.”

Tax department specific on product and “intent”

But all that is “in general.” The state actually has specific rules for ships—perhaps a legacy from New York City’s long history as a seaport. According to state tax laws 1115(a)(8) and 1118(3), commercial vessels primarily engaged in interstate or foreign commerce are exempt from sales and use taxes, Liebman pointed out. Various rules and laws define how such commerce is calculated. Basically, at least half of the receipts from a vessel’s activities have to be derived from interstate or foreign commerce. Liebman stressed that receipts are what count, not the amount of time spent in each place.

As the ship has not yet been purchased, Liebman said the subtle issue of intent also comes into play. If the petitioner intends, at the time of purchase, to meet that 50 percent threshold, it may purchase the vessel exempt from sales and use taxes. So, the Office of Counsel is tentatively saying that no sales or use taxes are due, if it’s a correct assumption that the 50 percent threshold is met.

However, if that’s not the case, the taxation issues become complex, largely because the petitioner apparently did not provide the Office of Counsel with full details. In two paragraphs of the advisory opinion, Liebman used the word “if” six times, in order to cover all the possibilities. For example, if sales tax is applicable (because the 50 percent threshold is not met), the ship’s primary pier in New York would be considered its jurisdiction, for tax purposes. Brief trips elsewhere in the state would not generate a taxable event within those other jurisdictions, as clarified in case law.

However, if the petitioner can show that it used the vessel outside New York for more than six months before its first use within New York, the state will calculate the use tax based on the market value of the vessel at the time of its first use within New York.

It pays to read the details: Tax laws and rules are full of special exemptions—such as one for hotels—under the right circumstances. A few hours of research can pay off handsomely.

Hotel or club? State rules on what is being taxed

BY RICHARD J. KORETO
Trusted Professional Correspondent

As the old saying goes, in real estate, the three most important things are location, location and location. It can be the same thing in sales tax rulings: Exactly where is the sale occurring? Novel business models can provide all payments for the hotel reservation, or athletic club memberships or figure out how much was being spent on club dues, cruises or hotels. The main point was that sales tax on hotel room occupancy in New York, which is governed by state Tax Law Section 1105(c)(1), applies only to occupancy in New York. Since the petitioner and Company B have no deals with New York hotels, the other questions are moot.

What about the cruises? Does it matter if the cruises are to the Caribbean, for example, or in New York waters, such as on Long Island Sound? Liebman noted that a 1998 advisory opinion already took care of that, ruling that cruises are generally not subject to sales and use tax no matter where they are. (That ruling is lengthy and complex, and worth a read for CPAs with clients or employers in the hospitality industry.) The bottom line? No sales and use tax is due in the petitioner’s travel club.

Of course, the word “club” itself can be a red flag, as some club memberships do generate a taxable event: Section 1105(f)(2) explains that membership fees to social or athletic clubs are taxable. However, the petitioner has not created a club, under the meaning of the law. If there was any doubt, Liebman cited New York Codes, Rules and Regulations (NYCRR Sec. 527.111(b)(5)), which made it clear that the petitioner’s members are real customers and not members of a club in a traditional sense: They do not possess any proprietary interest in the petitioner, control any social or athletic activities, or participate in the selection of members or club management, she noted.

Like all advisory opinions, this one applies only in this particular instance. Nevertheless, it communicates a strong general lesson in paying attention to the relevant facts. As is typical in sales tax cases, there are a lot of issues to sift through, but Liebman’s ruling showed the importance of keeping your eye on the ball. What’s significant is that a hotel room is being sold, and that hotel room isn’t in New York, so everything else is largely irrelevant.
With residency tax issues, it’s not just about the address

BY RICHARD J. KORETO
Trusted Professional Correspondent

Most residency taxation issues appear to be about where a dual-household taxpayer really lives, but that’s not the only possible problem. In Advisory Opinion TSB-A-13(9), the state addressed the question of where the income comes from, specifically, when it’s an insurance payout. The answer proved to be particularly complex, and especially illustrative of the New York State Department of Taxation and Finance’s (NYSDTF) insights.

From 1998 to 2010, the petitioner was a New Jersey resident, working in the New York City offices of his multinational employer. In 2010, the petitioner suffered a stroke and could not return to work. For six months, he collected short-term disability benefits from his employer; he treated these benefits on his New York state income tax returns as New York–source income. Subsequently, the petitioner started collecting long-term disability benefits under a noncontributory insurance policy. The employer paid all of the premiums, despite the employer paid all of the premiums, the petitioner never returned to work because of the stroke, he could collect the disability benefits until 2016, when he will be eligible to collect his employer’s retirement benefits and Social Security.

The question is whether the long-term disability benefits that the petitioner is receiving under his noncontributory insurance policy are New York–source income subject to New York state personal income taxes.

NYSDTF Deputy Counsel Deborah R. Liebman began her analysis by explaining that, generally, nonresidents are subject to New York income tax on New York–source income that enters into their federal adjusted gross income (FAGI). She then clarified that New York adjusted gross income (NYAGI) included income that entered into FAGI and resulted from business carried on in New York. NYAGI includes compensation paid to a nonresident individual for personal services rendered in the state if the compensation is included in an individual’s FAGI.

First the details, then the questions

By defining the terms, Liebman was able to ask two detailed questions that would allow the Office of Counsel to present an answer to the petitioner: Were the long-term disability benefits that the petitioner is receiving under his noncontributory insurance policy New York–source income. These will be taxable “to the extent such benefits are included in his FAGI,” Liebman wrote. But are they? Liebman said that, generally, disability benefits paid pursuant to a noncontributory insurance policy would not be included in FAGI unless the amounts are attributed to contributions by the employer which were not includable in the petitioner’s gross income or were paid by the employer.

It sounds confusing, made more so because the advisory opinion notes that although the employer paid all the premiums, the petitioner did not say whether or not the premium payments were includable in the petitioner’s federal gross income—and that makes all the difference. Liebman said that if the premium payments—which were made by the employer—were not includable in the petitioner’s federal gross income, then the benefits received will be included in petitioner’s federal gross income and will flow through to his or her NYAGI. Thus, they will be subject to New York state personal income taxes.

If the distinctions on premium payments seem almost arbitrary, Liebman cites federal guidance on premiums in such situations: IRS Revenue Ruling (Rev. Rul.) 2004-55. It’s worth a review by any CPA involved in insurance issues.

The lessons here are multiple, even though this opinion, like all opinions, is applicable only to this situation. First, residency issues are about more than where your vacation home is; they can affect other aspects of a taxpayer’s financial life. Second, insurance laws and regulations are complex. And third, always be sure to give the Office of Counsel all the details in order to avoid a conditional answer, as was necessary here.

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War Story Quiz:
When longtime clients split up, what’s the best course of action?

BY SUZANNE M. HOLL, CPA

Editor’s Note: “War Stories,” drawn from Camico claims files, illustrate some of the dangers and pitfalls in the accounting profession. All names have been changed.

John and Karen Smith, long-term clients of your firm, are in the midst of a divorce. John is an old friend from college, and you have advised him on tax and accounting matters for more than 15 years. When he and Karen wed 10 years ago, you began to provide services to them as a couple. Your family and theirs are quite close, and you are deeply saddened by the news of their impending split.

As part of your “high-touch” client service philosophy, you had been meeting quarterly with the couple to discuss their business and individual tax needs. John and Karen own a popular upscale restaurant, which has been extremely successful and was rated one of the top 10 restaurants in the area.

The couple have asked you to help them navigate this troubling time, and you have agreed to do so, given your long relationship with them. You are impressed by the spirit of cooperation they display and their willingness to settle the divorce amicably and in the best interests of their children. Not anticipating difficulties, you don’t request that they sign a conflict-of-interest waiver.

In recent months, however, the negotiations between John and Karen have steadily deteriorated, and they are now communicating with each other only through their attorneys. You are in the process of finalizing the preparation of their joint federal and state personal income tax returns as requested, which are due in 12 days, when you receive a disturbing email from John. The email indicates that he has advised him to file a return as Married Filing Separately instead of Married Filing Jointly, as he and Karen had previously agreed.

John also states, among other things, that he is “done taking care of Karen. She will need to figure out her own tax situation with her louse of an attorney…. You are my advocate, not hers.” In reading the cryptic message, you are not sure what John means by it and, more importantly, how it may impact your relationship with Karen and the services you have agreed to provide for them both.

What do you do now?

A. You send a disengagement letter to Karen and request that she gather her documentation and engage another tax professional as soon as possible in order to complete her returns in a timely fashion.

B. You contact your risk adviser or legal counsel for assistance.

C. You immediately send both John and Karen a conflict-of-interest letter and require both parties to sign their acknowledgment before deciding what to do next.

D. You ask your spouse to speak with John “as a friend” to help diffuse the tension and conflict between John and Karen.

Answers

A. Incorrect. Ultimately, you may need to disengage from one or both parties, but if you don’t seek advice from your risk adviser or legal counsel first, you may inadvertently create even more risk exposure for yourself. For example, Karen may allege that you favored John in the tax filing. She could argue that you abandoned her a few days before the tax deadlines and, to her detriment, took an adverse filing status position. Divorce situations necessitate that CPAs treat each spouse equally, regardless of any prior relationships or which spouse has more marital assets or is paying the fees.

B. Correct. This is a highly charged situation. Divorcing couples—and partners in litigation with each other—often try to assert that the work of the CPA benefited one spouse/partner more than the other. It may be appropriate to disengage from one or both parties, even though that creates challenges, too. If you disengage before completing work for one spouse, and a successor CPA is unable to finish the returns by the deadline, the delay could cause the disengaged spouse to incur penalties and/or miss a tax opportunity. Your risk adviser or legal counsel will assist you in determining the extent of your conflict through the use of the “reasonable person” test—i.e., posing the question, “What would a reasonable person think in this situation?” An adviser will also help you evaluate alternatives in light of your professional obligations to each spouse. No one solution fits all divorce scenarios.

C. Incorrect. Although this might be one option in managing the exposure, it won’t be easy to get the parties to sign waivers now that the relationship has deteriorated. John has already made the statement to you that you are his “advocate,” so he has staked claim to your professional expertise. Although representing both spouses is not prohibited, this scenario illustrates why it is rarely advisable. However, if you do decide to represent both spouses, always inform both parties and have each acknowledge your potential conflict of interest as a form of protection before proceeding.

D. Incorrect. It is extremely important to keep your professional relationships separate from your personal relationships during the normal course of business, and this type of scenario is no exception. You are already in “murky water” and don’t want to make matters worse by risking an allegation that you breached client confidentiality by sharing private information with a third party (e.g., your spouse).

Suzanne M. Holl, CPA, is vice president of loss prevention services with Camico (www.camico.com). With more than 18 years of experience in accounting, she draws on her Big Four public accounting and private industry background to provide Camico’s policyholders with information on a wide variety of loss prevention and accounting issues.

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February issue brings the year-end audit season to a close and, with it, a familiar routine: Firm partners will either be spending their days reviewing workpapers prior to issuing reports or, if the reports have already been issued, conducting postmortems. They’ll engage in discussions about audit risk and attempt to identify how the audit team can place increased reliance on the client’s business processes to effectively achieve audit objectives. Then, in all likelihood, the talk will turn to the importance of IT in achieving these controls—and for many, this is where the disappointment sets in. Though conversations about audit risk increasingly zone in on IT concerns, all too often promises and commitments to shore up this area made at the start of the year get waylaid by the end, for one reason or another.

How successful was your team at maintaining its information technology risk commitments this past audit season? Use the questions below as a gauge.

1. Is the team storing all electronic client materials, especially those that contain nonpublic personal information (e.g., payroll) according to firm policies?

   Before we consider the strength of a client’s controls, it may be wise to check our own. Audit teams gather very sensitive documents during the audit and many, if not most, firms require that these documents be maintained securely (e.g., using the firm’s electronic workpaper repository or some form of encryption.) Unfortunately, we continue to read or hear stories in the media about firms that have lost laptops containing such information due to a lapse in policy or a staffer’s failure to adhere to guidelines. This is one risk that is very much in the control of the audit team and firm to mitigate or reduce to the appropriate level.

2. How well did the team employ computer-assisted audit techniques during the audit?

   Each of the major vendors used by CPAs when performing computer-assisted audit techniques issued some type of update during 2013. Partners should ask their team how these new features were employed to make the audit more effective. (My personal favorite is using some of the new statistical features available in many software tools already owned by CPAs to analyze revenue cycle transactions. See Mark J. Nigrini’s Forensic Analytics for other ideas on how to use common software.) Remember, it’s not just about using the technology, but using the technology effectively in order to reduce the audit risk to the extent necessary.

3. In assessing the risks of IT on financial reporting, was too much focus and effort expended on a central system or module used to produce financial reports rather than source systems or modules used to generate revenue cycle transactions?

   Frequently, audit teams that have a limited appreciation of the role information technology plays in organizations today focus their efforts on those systems that are the last direct link to the production of financial statements. What they fail to realize is that much of the risk of the data contained in the systems comes from source systems or modules. For example, the audit team might focus exclusively on the general ledger module and not consider the risk associated with the revenue cycle model that generates the transactions. In addition to considering completeness and accuracy controls of the final module, the edit and validation checks of the source module should be considered as well.

4. Does management use information from its accounting systems when making business decisions?

   This question is a bit more complex than it first appears to be. The tricky part: determining if the information maintained by the accounting system is sufficiently reliable so that it can be used in decision-making. Audit teams should be aware of the telltale signs that suggest the information may not be accurate. This includes the use of end user tools, such as spreadsheets, to compensate for inaccurate or incomplete data produced by the system; the inability of management to generate and use reports that are pre-programmed and provided by the vendor (and used by others in the industry without problem); and a delay in producing reports due to the need to have the accounting department review for accuracy and completeness.

4. As part of our fraud risk assessment, how did we consider the potential for computer-facilitated fraud, including threats from both external and internal sources?

   All of us are well aware of the red flags or fraud risk factors identified in the Public Company Accounting Oversight Board (PCAOB) standard AU 316, Consideration of Fraud in a Financial Statement Audit. In fact, many audit teams use these red flags as a basis for their fraud risk brainstorming discussions. Unfortunately, these teams sometimes operate by the letter of the law but neglect its spirit, and fail to consider how the use of technology can facilitate the circumvention of established organizational controls. It is important to consider fraud mitigation strategies both from a manual perspective as well as through an IT lens.

   So, how did your team do? Hopefully, you do not find yourself in a ‘wait till next year’ situation!

   Joel Lanz, CPA/CITP, CFF, CISA, CISSP, CFE, is the sole proprietor of Joel Lanz, CPA PC, and an adjunct professor at SUNY–College at Old Westbury. He is a member of the NYSSCPA’s Technology Assurance Committee and The CPA Journal Editorial Board, as well as a past chair of the Technology Assurance Committee. Mr. Lanz can be reached at jlanz@joellanzcpa.com.

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How happy are your employees?
Five strategies firms can use to boost their retention rates

BY PEI-CEN LIN, CPA, SPHR

Here’s some sobering news for hiring managers: According to a recent online survey by CareerBuilder.com, one in five workers will be shopping for a new job this year. The website polled 3,008 full-time employees across industries and found that 21 percent planned to change employers in 2014, up from 17 percent in 2013. Researchers linked the increase to a drop in job satisfaction, with the unhappiest workers complaining most about their salaries and grumbling that they felt undervalued. Those findings are in line with the research report “Predictions for 2014: Building a Strong Talent Pipeline for Employment,” released by the HR specialists Bersin by Deloitte in December 2013. It noted that “while unemployment remains high among many groups, highly skilled workers are in great demand, making it critical for organizations to become a ‘talent magnet.’” In other words, if members of your team want to hop over to another employer, they stand a good chance of being able to do so.

It can be painful for any firm that has invested time in training staff and dollars in recruitment to lose good employees. But with a clear strategy in hand, you can improve employee retention and keep the best and brightest staffers around for the long run. As a starting point, I’ve listed several key action steps below. Keep in mind, though, that they have the most impact when they are executed together. As Bersin by Deloitte notes, “We need to think of all of the elements of talent management as one integrated system—each working together, but fitting into a total employee environment.”

1. Engage, empower and enrich
As a key measure for employee retention, the Bersin by Deloitte report recommends ensuring that management is focused on coaching and development, not just performance. The simple phrase above embodies that ideal. Engage means to involve your employees—by soliciting their feedback; by bringing them in on the organization’s big-picture plans and explaining how their individual roles fit into it; and by establishing meaningful exchanges through initiatives like inter-department committees. By engaging your employees and keeping them in the loop, you demonstrate their value to you. Empower means to give your employees the autonomy to make decisions; good employees need to feel a sense of ownership when it comes to their work. And enrich means to nurture your employees, by providing a positive, encouraging work environment that they will enjoy being in. When you embrace your employees in this way, they will appreciate it and reciprocate.

2. Prioritize mentoring
Research suggests that companies with strong mentoring programs have an edge in employee retention. Why? Because employees who are being mentored not only have an opportunity to pick up important technical knowledge from a more seasoned colleague; they essentially have a lifeline to the company—someone who can help them understand the corporate culture and office etiquette. (This is especially key for new and young employees). Make mentoring a priority at your office from the top down. Connect staff members with people they can look up to, aspire to be and want to follow.

3. Offer learning opportunities, as well as opportunities to shine
A good challenge makes for great motivation. Pique your employees’ interests by giving them goals and opportunities for continued growth and learning (i.e., classes and workshops), both formally and informally. Institute a robust learning development program that enhances both the employee’s technical knowledge base and soft skills, such as interpersonal skills and leadership skills. But this must also be coupled with opportunities for employees to practice what they learned. Leverage their strengths, passions and interests by encouraging them to take on special projects and explore other possible roles within the organization.

4. Formalize recognition and rewards programs
Maslow’s hierarchy of needs suggests that we all want to feel valued. That’s where recognition (receiving feedback and having accomplishments acknowledged and appreciated) comes into play. Indeed, according to Bersin by Deloitte research, “companies with a ‘recognition-rich’ culture have a 31 percent lower voluntary turnover rates than their peers.” Top performers, it said, “are looking for growth, recognition, career opportunities, and learning.” Among the professionals in the CareerBuilder.com survey who were most satisfied with their jobs and had no intention of leaving, 29 percent said that they felt valued at work and regularly had their accomplishments recognized. At your own firm, ask yourself: do your executives thank staff members for good work—or think the team should simply be happy to have jobs? Is there a formal program for recognizing achievement? How do you celebrate team performance? If you can’t launch a full-scale program, think about smaller steps that you can take to recognize employees.

5. Create a flexible, engaging work environment
Time and again, surveys have suggested that employees, especially younger ones, prize flexibility. Indeed, CareerBuilder.com found that 50 percent of employees who wanted to stay with their company said it was because they have a good work/life balance there. Last year, an international study of 4,100 professionals by the consulting company Accenture found that a good work/life balance was respondents’ top criterion for defining success—what’s more, 52 percent said they had turned down a job because they were concerned about its affect on their home lives. Firms must recognize that what matters most is the quality of the work and that it gets done and delivered on time—and not where and when the work is performed. Moreover, as Bersin by Deloitte suggests, given the long hours people spend at work, employers should consider “redesigning the work environment to make it more enjoyable, collaborative and fun.” Google mastered this strategy with the launch of yoga classes, free breakfast and lunch and other perks at its Mountain View, Calif. campus. If a yoga studio isn’t in the cards for your organization, think of other ways in which you might restructure the office to convey that employees are valued.

Pei-Cen Lin, CPA, SPHR, is a strategic talent management and organizational development professional in the human resources field. She is also a past chair of the Human Resources Committee. She can be reached at pei-cen.lin@nysscpa.org.
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- Networking events
- Community outreach
- Committees and task forces
- Professional education and CPE

Every chapter of the New York State Society of CPAs has a Young CPA committee, and extends membership to young CPAs throughout the state.

Find out how to become involved by contacting Tekecha Morgan at tmorgan@nysscpa.org or call 212-719-8425.
Chapter leadership roles offer great rewards and opportunities

BY PATRICIA A. MCGRATH
Buffalo Chapter President

It is very hard to believe that I am 10 months into my year as president of the Buffalo Chapter! It has been an extremely interesting and rewarding year so far, and I have met some very interesting professionals, both at the chapter and state level. I am bringing this observation to your attention so that you will consider taking on a committee, director or officer position for the Buffalo Chapter. Our nominations committee, which is led by Gregory J. Altman and includes Franca Trincia, David A. Arcara and Sherry L. DeBello, has been contacting our membership over the last few months to fill several open positions. By the time you read this article, these positions will have been filled; however, this is still a great time to let us know if you have an interest in any of these roles. Please contact me at the email address below and I will be sure to make your interests known. It is really a rewarding experience for everyone.

Furthermore, if you have an interest in joining the board of another not-for-profit, I highly recommend the Board Leadership Training course sponsored by the United Way of Buffalo and Erie County. The course is comprised of four Thursday classes and commences April 24. It is a great opportunity and will help you to understand what the responsibilities are as a CPA serving on a not-for-profit board. I participated in this course several years ago and found it enlightening and interesting. See http://www.cvent.com/d/ylqpmj/4W or contact Bernie Miltenverger at 716-887-2746 for further information.

Thank you for supporting our chapter’s CPE sessions and other events

BY BARBARA A. MARINO
Manhattan/Bronx Chapter President

I am very proud of the turnout we had for our first three events of 2014. Because we were coming back from the holidays and facing record low temperatures, we thought we were going to have to postpone at least one session. Fortunately, our members, as well as some nonmembers, came through and we successfully held all three events as planned, which was great since we had wonderful topics, sponsors and speakers.

Financial Forensics — Part Two of a five-part series

On Jan. 9, your chapter held the second of five events that comprise its Financial Forensics Series. The two-credit CPE session focused on providing the audience with an understanding of litigation, investigation and valuation services in the financial forensics area of practice for CPAs. The event proved to be an interactive one, with strong participation from an audience that included everyone from students exploring accounting services niches to CPAs who recently transitioned to financial forensics.

The distinguished panel was moderated by Past Chapter President Roman Z. Matatov and consisted of Jorge A. Amador, director at Rosenfarb LLC; Raymond Ghebardi, director of Valuation Services at GBQ Consulting; and David S. Zweighaft, a partner at DSZ Forensic Accounting & Consulting LLC, the former chair of NYSSCPA’s Litigation Services Committee and an editorial advisor to The CPA Journal.

The discussion covered a range of topics, including how forensic accounting services are defined and categorized by the AICPA; how and why a practitioner would begin specializing in such services; and several detailed case studies exemplifying litigation, investigation and valuation services that a Financial Forensics professional may choose to focus on. The panel also shared client service practices. Audience members posed thoughtful questions about the kinds of tools that are available when performing a forensic investigation and the impact a service-focused professional’s work has on the outcome of a litigated matter, among other things. They also shared stories about divorce and investigation matters that they themselves have handled.

Your chapter looks forward to seeing you at the next two events in this year’s Financial Forensics series:

• April 2014—practice management issues
• May 2014—the outlook specific to this rewarding, fun, and challenging practice niche.

“Land the Job! How to Communicate with Power, Purpose & Confidence”

On Jan. 13, the Manhattan/Bronx Chapter held an evening seminar titled “Land the Job! How to Communicate with Power, Purpose and Confidence” at the Foundation for Accounting Education’s conference center. Jayne Latz of Corporate Speech Solutions was the presenter. Jayne is a speech-language pathologist who has been licensed for more than 20 years.

The two-hour seminar covered:

• How to speak with clarity and enthusiasm, and how to be clear and concise so that one’s meaning is not lost in wordiness;
• How to be an active listener and retain valuable business information, and how to insert brief pauses after expressing important ideas to allow the listener to process and absorb the information for a more lasting impression;
• How to power up your voice to exude confidence on the telephone and in business meetings; and
• How to eliminate verbal fillers (e.g., “um,” “you know” and “like”) and enhance the verbal message in any professional setting.

Although this is the eighth time that Jayne Latz has presented to our group, her enthusiasm and presentation skills made it seem like we were hearing her for the first time; the two hours flew by. The seminar was well attended and Jayne maintained the same high energy, dedication and professionalism as she did in her past events. Her patience and non-critical demeanor kept the attendees engaged and encouraged them to participate and interact with each other. The Manhattan/Bronx Chapter looks forward to having Jayne present to the group again next year.

SEC Enforcements

On Jan. 14, Becker Professional Education and the Manhattan/Bronx Chapter held an informative session about SEC enforcement matters. The discussion included such topics as Dodd-Frank, the Financial Stability Oversight Committee, PCAOB, SOX and other current developments. Our speaker, Timothy F. Gearty, Becker’s national lead instructor and the national director and editor-in-chief of the Becker CPA Exam Review, also provided several updates regarding the SEC’s position on IFRS convergence. (The SEC Division of Corporate Finance continues to converge between GAAP and IFRS.)

Every year there are SEC enforcement actions to help bridge the gap in financial reporting. It’s important to understand these updates in order to help ensure your company’s compliance. The Dodd-Frank Act is responsible for the whistleblower rules that provide incentive to companies’ employees to monitor compliance. Under Dodd-Frank, “whistleblowers” would receive between 10 and 30% of fines charged to firms that have violated regulatory rules. During his talk, Tim provided examples of violations impacting firms in today’s business industry.

Tim’s experience and dedication were apparent—he easily captured the attention of everyone in the room during his discussion of accounting topics such as balance sheet misclassification. Thank you Tim, for donating your time and expertise to the Manhattan/Bronx Chapter’s continuing professional education course.

Future events

Your chapter board is always trying to think of new topics and venues for our events. On Jan. 16, Digant Bahl (chapter vice-presi-
Rochester shines spotlight on the future of the profession

BY MICHAEL D. DESMOND
Rochester Chapter President

The start of spring means it’s time for one of the Rochester Chapter’s premier events: the Outstanding Accounting Student Night Award. The Cooperation with Educational Institutions Committee organizes this event each year, recognizing one graduating student from Alfred University, Nazareth College, Rochester Institute of Technology, University of Rochester, SUNY Brockport, SUNY Geneseo, and St. John Fisher College.

This year’s keynote speaker will be Timothy C. Hungerford, the owner of Hungerford Vinton, LLC. Hungerford will be the owner of Huntington Corporate Services, LLC. Hungerford will speak about fraud examination and forensic accounting. His firm performs specialized audits, such as contract compliance, fraud examination and internal controls, and his work experience includes both the public and private accounting fields.

The Rochester YCPA Committee also organized a new event, Behind the Software: Training on 1040 Preparation by Hand, held at Monroe Golf Club on Jan. 11. The training was an opportunity for entry-level tax return preparers to proactively prepare a complex 1040 by hand. The idea was to bridge the gap of input and output; since most preparers learn to prepare returns using software, few understand the output of the information on the actual tax return forms. With 23 participants and their very positive feedback, the YCPA Committee hopes to organize additional trainings in the future.

We appreciate the efforts of Heidi R. Tribunella from the Cooperation with Educational Institutions Committee, Michelle L. Towne from the Young CPA Committee and their committee members for making these events a success.

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ACCOUNTING PRACTICE SALES
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Rochester introduces students to the “World of Accounting”

BY THE ROCHESTER CHAPTER WORLD OF ACCOUNTING COMMITTEE

In November, nearly 200 high school students from the Rochester region gathered in the auditorium of the HSBC building to learn about the vast array of careers in the accounting profession, as part of the World of Accounting (WOA) XVI. Sponsored by the NYSSCPA Rochester Chapter, the event was once again hosted by Mengel Metzger Barr and Co., LLP, and included a tour of the firm’s main office. (Yes, all 200 students charted their way through the offices right before lunch.)

WOA, which has been held at least once each year since 2004, brings together a large group of potential future CPA’s with a distinguished group of local practitioners. The day began with introductory remarks from three members of the WOA Committee: Kenneth O. Hall, and chapter Past Presidents, Thomas C. Zuber and William H. Dresnaak. The students were then treated to a panel presentation of current accounting students, led by Harry Howe, a professor and MS program director at SUNY Geneseo, who is also a member of the WOA Committee. Student panelists included Dan Agan and Kathleen E. Fandrich of St. John Fisher College, Jonathan Corana of Canisius College, Emily Haggary of SUNY Geneseo and Daniel Whalen of RIT.

These Canisius outstanding future CPAs regaled the students with stories about the reality of studying accounting in college and the great experiences they had, including their internships. One student attendee stated in a thank you letter that the student panelists helped her realize that getting a degree in accounting is feasible for anyone who is dedicated and puts in the time.

The students also got to hear from and ask questions of recent graduates now working in the profession, including Blake Sanderson and Vincent Manwaring Jr., of Mengel Metzger Barr and Co., LLP, and Cheryl L. Yawman, a member of the WOA Committee. Final comments were offered by Michelle M. Cain, the new WOA Chair.

Planning for WOA XVI is underway. We’ll order more cheese muffins and many more sandwiches. We hope to continue to secure bright, motivated young people into our profession.

Man/Bx

Continued from page 20

Man/Bx welcomes the addition of Margaret M. Hannon (chapter treasurer), Todd K. Ichihara (past chapter president), Matatov, Peter Princetine of Pimco, Matthew Gerhson of Morgan Stanley and I went to the New York Stock Exchange (NYSE) to discuss the feasibility of holding future events there. From left: Peter Princetine, Matthew Gerhson, Margaret M. Hannon, Donald F. Colinovo, Barbara Marine, Roman Matetov, Todd K. Ichihara and dignan Rahl.

Please check our website regularly for updates, as well as our Facebook page (facebook.com/ks/welcome?1/ManhattanBronxChap-
ter). Select “Events” to see upcoming activities.

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Progress report yields high marks

BY SCOTT SANDERS
Nassau Chapter President

As we approach the middle of tax season, I would like to update you on our progress for the year-to-date.

On Jan. 15, we held our annual CPA Ethics meeting, along with our Managing Partners meeting, at the Chateau Briand in Carle Place. We had a very good turnout for the ethics meeting and excellent dialogue at the managing partners meeting. On Jan. 30, we held our joint Nassau/Suffolk bankers meeting and received a very good response from our friends, the bankers. On Feb. 18–19, we held our annual web chat at Newsday. We had 16 volunteers attend. I would like to thank Alex Resnick, Jill S. Scher, Jeffrey J. Kravitz, Dov Zaidman, John P. Spinnelli, Cari Mantegna, Donald R. Croty, Pamela A. Diamond, Gary M. Goldberg, Ruth Betz, Phyllis S. Dent, Christopher G. Farrell, Elliott Lavietes, Jacquelyn Paccione and Robert J. Schaffer who, along with myself, assisted Newsday readers with the simplest to the most complex issues regarding their 2013 tax filings. This was our third year helping and I was pleased that the Nassau and Suffolk chapters were once again able to lend a hand.

Now for some upcoming events:

Please register for our first Family Financial Literacy Fair, being held on May 3 at the Commerce Plaza in Levittown. Bring your kids down for lots of fun activities and live entertainment and help support our newly formed Financial Literacy Committee chaired by Karen J. Tenenbaum. On May 8, our President-elect Robert S. Barnett will become the 61st president of the Nassau Chapter during our Installation Dinner at the Crest Hollow Country Club in Woodbury. The event will feature CPA community outreach in recognition of Island Harvest and the Long Island Community Foundation. The Long Island Community Foundation will assist our chapter by distributing the funds we raise to various charities such as Island Harvest, our partner in many events throughout the year. Please visit our chapter web page and newsletter at nysscpa.org/nassau to register.

Many thanks to our terrific Newsletter Committee—Lynne M. Fuentes, Michael Gaines, Lisa A. Haynie, Edwin Kleigman, Shannon Stevens and Vivian Levy—for a stellar job in approving all of our members’ and contributors’ content, for getting it to press in a timely manner and for meeting all of our deadlines.

On behalf of all of our members, I would like to give a special thank you to Vivian Levy, who not only assists all of our sponsors during the year with event registration, but also monitors our new Facebook and LinkedIn pages and uploads timely content so our members can stay informed of all of our events.

Lastly, I would like to remind our members about the NYSSCPA 100% Membership Program and benefits. Please contact Alex Metz at 212-719-8635 for more information.

Remember, there is always an extension you can file on March 15. It may not be so easy at times, but try to get your clients to understand that Good luck and may the Force (and Form 4868) be with you!

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CHAPTER EVENTS AND CPE

BUFFALO

Buffalo Chapter Education Night & CPE Session
Hot Topics for Non-Profits

Where: April 22 (3:30 p.m. CPE; 5:30 p.m. reception, dinner and awards)

Contact: Roman Matatov at romanmatatov@yahoo.com

CPE: (pending)
Course Code: (pending)

Financial Forensics Series: 5. Capstone Event

Where: May 21, 6–8 p.m. (5:30 p.m. check-in)

Where: FAE Learning Center, 14 Wall Street

Cost: $20 members; $30 nonmembers;
$40 walk-ins

CPE: (pending)
Course Code: (pending)

Contact: Roman Matatov at romanmatatov@yahoo.com

NASSAU

Family Financial Literacy Fair

When: May 3, 10 a.m.

Where: YES Community Counseling Center, Commerce Plaza, Massapequa

Course Code: 45030413

Contact: Karen Tenenbaum at ktenenbaum@litaxattorney.com

Nassau Chapter’s 61st Annual Installation Dinner

When: May 8, 6:30 p.m.

Where: Crest Hollow Country Club, Woodbury

Course Code: 45030414

Contact: Ashley Flynn at aflynn@cbmslaw.com

RSVP by May 1

WESTCHESTER

Annual Golf Outing and Networking Event

When: May 13

Where: Glen Arbor Golf Club, 234 Bedford Center Road, Bedford Hills

Contact: Jeff Schwartz at jeff@stantonandleone.com

Check the website for pricing.

ROCHESTER

Outstanding Accounting Student

Award Night

When: April 24, 5:15–6:15 p.m. (cash bar and reception); 6:15–8:30 p.m. (dinner and guest speaker Tim Hungerford, Owner or Hungerford Writen LLC)

Where: Irondequipt Country Club, 4045 East Ave.

Cost: $35 per person

Course Code: 45050407

Contact: Phyllis Bloom at phblom7@naz.edu

YOUNG CPA WINE TASTING EVENT

(Hosted by the Long Island Young CPA’s and Community Foundation)

When: May 21, 6–8 p.m.

Contact: Heather Obodlo at hobolu@citrinecooperman.com
Meeting the tax crunch head on

BY BRIAN REESE
Utica Chapter President

A s we reach the heart of tax season, with the corporate deadline fast approaching, the “madness” is beginning and stress levels are soaring. In order to avoid burnout during this busy time, try to maintain a good work/life balance—make sure “me time” is a priority and continue gym routines, leisure pursuits and hobbies to help blow off steam.

Here are a few other tips for staying healthy and sane during the remainder of tax season:

• Eat well and don’t skip meals. Try to eat three good meals a day. This will keep your energy up and prevent you from filling up on junk food.

• Bring healthy snacks to work such as fruit, yogurt or nuts instead of candy bars, chips and soda.

• Drink plenty of water to keep yourself hydrated and alert. Water is much better than sugary energy drinks that only help short term.

• Get up and walk around the office every so often to get your blood circulating.

• Make time for exercise, whether it is going to the gym or doing a quick workout at home. Yoga and breathing exercises can also alleviate the stress of tax season.

Employers/ bosses can help employees during the tax crunch, too. Some ideas include stocking the break room with snacks (healthy of course), having lunch brought in a few times a month and randomly cancelling a Saturday at the office. Keeping morale up in turn keeps productivity high—burnout reduces the efficiency and effectiveness of the hours employees put in.

Finally, breathe in and exhale slowly—the end of busy season is near.

BY DENNIS ANNARUMMA
Staten Island Chapter President

Staten Island begins planning for another successful COAP program

BY DENNIS ANNARUMMA
Staten Island Chapter President

Staten Island Chapter officers and board members met at the end of January to reflect on our accomplishments over the last year and, more importantly, begin planning for the upcoming year. While the chapter will not be offering CPE sessions during tax season, our CPE Committee will be hard at work planning for upcoming sessions that will begin in early May. You will be receiving email correspondence informing you of the CPE session details.

I would also like to thank our current CPR Committee chairperson Cynthia A. Scarinci and our sponsorship coordinator Anthony J. Maltese for their hard work and the tireless hours they spent to make last year’s CPE events so successful.

In February—even as the snow was still falling—our COAP Committee held its initial kickoff meeting for the 2014 COAP program, which will again be held on the Staten Island campus of St. John’s University. In coordination with other local area programs, the program dates have been set and the student applications will be sent out by the Society in the coming weeks.

St. John’s University informed us that four of our participants from last year’s program have been selected to attend St. John’s and have chosen accounting as their main course of study. Last year’s program was difficult to top, but our committee is hard at work with their various contacts to make this year’s program even more enjoyable and exciting for participants. The dates of this year’s program are June 28, 29, 30, July 1 and 2. We will again be asking members to volunteer and help us out with this great event. Additional information will be provided over the next several months.

I would also like to congratulate Doreen M. Inserra, a member of the Staten Island Chapter, for being recognized as an honoree of the Louis R. Miller Business Leadership Award. Doreen is one of eight Staten Island business leaders to be recognized for their business leadership with this award.

Westchester gears up for popular tax hotline, annual scholarships

BY GINA LINSS
Westchester Chapter President

Even though it is tax season and April 15 is right around the corner, the Westchester Chapter plans to keep going and stay active throughout these busy months.

The Westchester Chapter, in cooperation with The Journal News, will host its annual tax hotline on March 1 at The Journal News offices at 1133 Westchester Ave., White Plains. We are looking for volunteers to answer phone-in and web chat questions. This is a wonderful way to provide community service and to get publicity for our profession. We need your assistance in helping our county residents with any tax questions they may have. Volunteers will be asked to participate in two-hour time slots: 10 a.m.–12 p.m. and 12–2 p.m. If you are interested in participating, please contact Robert M. Winton at twinton@citrincooperman.com or 914-949-2990, ext. 3326. Make sure that you include your name, address and telephone number, along with the time slot you are interested in; we will contact you with more details. We will also let you know what materials to bring that past volunteers found helpful to refer to when answering questions. The Westchester Chapter appreciates your help.

We launched our annual scholarship drive in February and will be accepting applications for scholarships shortly. The Westchester Chapter has been awarding scholarships to deserving Westchester high school seniors for more than 10 years. Anyone who knows a Westchester high school senior who intends to major in accounting should have them contact Mark G. Leeds at 914-468-7313 or their guidance counselor for more details.

Save the Dates:
April 2014 — CPA Examination Overview (date and location to be determined)
May 2014 — President’s dinner and scholarship presentations (date and location to be determined)
May 5 — All-day Estate and Financial Planning Conference, Citigroup Conference Center, Armonk
May 13 — Annual golf outing and networking event, Glen Arbor Golf Club, Bedford Hills
May 15 — Young CPA wine tasting event to benefit Blythedale’s Children’s Hospital

The Young CPAs are beginning to start work on their annual Wine Tasting/Networking Event to benefit Blythedale Children’s Hospital. They are currently looking for volunteers to help organize the event. In addition, they are looking for donations of raffle items. Last year they were able to raise more than $1,200 in raffle ticket sales, which went directly to the hospital. If you are interested in helping please contact Heather M. Oboda at hoboda@citrincooperman.com.
How do you use your CPA skills in a non-CPA context?

(We bet it involves calculating tips.)

JOHN W. HERMUS, Suffolk Chapter
It’s great to be able to help family and friends with tax advice when needed. On the other hand, there’s one perceived “skill” that accountants always seem to be relied upon for—the ability to split a bill whenever we’re dining out. We’ve all had it happen. Say you’re out with 10 friends. The bill comes, and someone will inevitably slide it down to your end of the table and say, “Give it to the accountant—he can figure it out.” Let’s get real; it’s not that hard!

jhermus@sheehancpa.com

EMILY GARDNER, Southern Tier Chapter
Besides being good with numbers, being a CPA makes you a great problem solver and complex thinker—it helps you to figure out how to approach a situation and resolve it efficiently. This comes in handy for just about every aspect of life, from small things like personal budgeting, to bigger decisions like whether it’s better for you to buy or lease a car, or how to navigate a mortgage agreement. Your accounting knowledge can also make you a huge asset to your community. I’ve served on nonprofit boards in the past, and they often need that sort of knowledge and expertise. One board I was on until recently, for example, didn’t understand the idea of net assets vs. cash—they just assumed that net assets meant money they had available. I helped them to clarify things in order to make better decisions.

Finally, as a less “high-stakes” example, I find that I’m usually the one people turn to when they need to figure out how to split the bill. It’s funny because I have a few girlfriends and we’re all CPAs, and when we go out and we’re trying to split the bill, we always joke, “Hey, I’m not getting my standard billing rate here.”

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JORDAN S. FREY, Manhattan/Bronx Chapter
The first thing that comes to mind would be to budget my daily expenses and to stay organized in my everyday life—if an accountant can’t manage his own money, what message would that send to a client? A less intuitive answer, though, involves communication skills. At work, I need to deal with a wide variety of people every day. Some clients are older, while others are young; some are sophisticated and savvy, while others aren’t sure what this whole 1099 thing means. They’re people from all sorts of different fields and backgrounds whose only common point, it seems, is the need for accounting services. You learn that you can deal with a lot of different types of people and are able to start conversations with people just about anywhere. And, of course, every accountant knows that when you’re out to eat with friends and the bill arrives, everyone will turn his or her head and look at you expectantly and say, “You’re the accountant—trusted advisor, right?”

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MARIA SUPPA, Utica Chapter
When I use my accounting degree outside the normal course of work, it’s usually because people are asking me tax and investment questions. I get a lot of questions from family and friends along the lines of, “How should I handle this?” and “What’s the best way to do that?” Of course, I always have to give the disclaimer that I don’t work in public accounting and don’t do taxes anymore, because lots of people assume that you know the ins and outs of taxes. I do financial statements and valuation claims, and yet around this time of year, people will still say, “Oh, you’re in your busy season right now!” when I really haven’t worked in public accounting or done taxes in seven years.

Of course, when you’re a CPA, it does make you more aware of your own personal finances, and you can definitely keep track of things better and help your family to do the same. I do find that I help my family in this area, especially when they make spending decisions like buying a house.

And, of course, there is splitting the bill. I’m always the one who gets stuck doing it. Sometimes, when I go shopping with my sisters, they ask, “If this is 20 percent off, what would that be?” I get the sales percentage question every time I go shopping.

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BRUCE A. LAMARCA, Nassau Chapter
One area outside the office where it’s handy to be in the accounting profession is when family members call me up and ask me questions—which can happen quite often. They ask things like, “What forms do I have to file if I want to claim this?” or “Is this taxable, is this nontaxable?” or “So, I was wondering whether or not I can write this off—could you help me out?” I let my experience guide me in helping them.

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