NYSSCPA weighs in on not-for-profit reform bill

BY ROBERT BUSWEILER
Trusted Professional Correspondent

NYSSCPA members testified before the New York state Senate and Assembly’s Corporations, Authorities and Commissions committees last month, during the formal review process of a bill that, if passed, would be the first major overhaul of the state’s charities laws in more than four decades.

The bill, the Nonprofit Revitalization Act (A.7337-13/5.S5198-13), is expected to be put to a vote before the legislative session ends in June. It was proposed by New York State Attorney General Eric Schneiderman and has bipartisan support.

NYSSCPA Legislative Task Force Chair Kevin J. McCoy and Exempt Organizations Committee chair and Not-for-Profit Organizations Committee member Ethan Kahn testified on behalf of the Society. Their remarks reflected the NYSSCPA’s preliminary analysis of the legislation, as the Society is still reviewing the technical aspects of the bill.

Among other things, the bill, in its current form, would require that charity boards above certain revenue thresholds perform active oversight over financial audits. For instance, boards would be required to retain independent auditors and review the results of the audit. The bill also requires that transactions between a nonprofit and insiders who stand to benefit from them be fully disclosed, and that nonprofit boards determine they’re fair, reasonable and in the organizations’ best interests. All nonprofits would need to adopt conflict of interest policies, with those that see $1 million or more in annual revenue and have 20 or more employees also adopting whistleblower policies.

This is the second year in a row that Schneiderman has attempted to push forward with nonprofit reform legislation. The current bill fills in some of the holes that existed in proposals introduced earlier this year under New York state Senate bill S.3755-13. Most notably, the original legislation was missing guidance on fiduciary responsibility, audits, executive compensation and management of institutional funds. Absent this information, it did not provide adequate guidance for nonprofit CFOs and business managers to follow when drafting financial statements, according to an initial review of the legislation by the Society’s Not-for-Profit Organizations Committee.

During the hearing, McCoy and Kahn said that the Society was encouraged by the attempt to establish clear conflict-of-interest and whistleblower policies. Moreover, McCoy said that the enhanced definition of “related parties” would be a

Society recognizes outstanding financial journalists

BY CHRIS GAETANO
Trusted Professional Staff

As part of a long-standing tradition of recognizing those who bring clarity to the developments of the financial world, the NYSSCPA held its 30th annual Excellence in Financial Journalism (EFJ) Awards on April 30 at Manhattan’s Yale Club. It honored outstanding reporters from both national and local media outlets in 10 different categories.

Winners were selected by a panel of judges from the NYSSCPA and the New York Financial Writers Association, who ranked submissions on accuracy, quality and thoroughness of research. The ceremony included a speech from keynote speaker Michael Rapoport, an accounting reporter for the Wall Street Journal, who is himself a previous EFJ award winner. He talked about the need for greater transparency and thoroughness in the audit process, which he said was necessary in order to help investors make good decisions. At the moment, he commented, the demand for additional information from auditors exceeds the amount currently available.

“While companies do have to disclose which firm audits their books and how much they pay, for the most part, the audit of the financial information itself doesn’t contain much useful information for investors,” he said. “It’s boilerplate. … All it says is the company’s financial statements are represented fairly in all material aspects. … Generalizations like that don’t give observers indications whether the company is healthy or not.”

The first award, for books, was given to Kristen Grind, who wrote, The Lost Bank: The Story of Washington Mutual—The Biggest Bank Failure in American History, a detailed account of the massive bank’s collapse during the height of the most recent economic crisis. During her acceptance speech, she thanked the financial professionals who helped her to

See Nonprofit, on page 11

See Financial Journalists, on page 11
A time of new beginnings

Editor’s Note: The NYSSCPA installed J. Michael Kirkland as the Society’s 2013–2014 president at the 116th Annual Election Meeting and Dinner on May 16. Kirkland, a member of the NYSSCPA since 1982, is the second African American to lead the Society.

For those of you who may be unfamiliar with me, my name is James Michael Kirkland and I’m honored to be the president of the New York State Society of Certified Public Accountants.

There is no manual, handbook or game plan to prepare you for the job of Society president. However, I was extremely fortunate to be the president-elect under Gail M. Kinsella. I have often said that there must be something in the water in Syracuse because the city produces great leaders! Gail embodied the philosophy of putting members first, just as I intend to do. As president, she demonstrated a clear understanding of our values, history and traditions, but she also knew that in order to grow, we must be willing and able to change. Thank you Gail for being a transforming leader. I look forward to taking up your mantle.

Working closely with the membership and staff, my priorities this year include—
• ensuring the continued financial stability of the Society and the Foundation for Accounting Education (FAE);
• furthering diversity, which entails a stronger focus on the Career Opportunities in the Accounting Profession (COAP) program, and high school and college outreach;
• building up our government affairs program, in which our legislative efforts and comment letters play such an important role;
• encouraging an enhanced focus on ethics;
• establishing future education models for FAE;
• creating and maintaining programs for our Young CPAs; and
• bolstering communications between chapters and committees.

These responsibilities are not new. Each of our past presidents has worked toward these goals, and I will make these tasks the core of what I plan to achieve this year.

Being a CPA is more than serving a client or an employer. The CPA license is the gold standard. We are the country’s financial stewards, charged with educating and protecting the public. As members of the NYSSCPA, we are custodians of this great organization, as well. The title of this newspaper proudly exclaims that CPAs are the “Trusted Professionals.” As we are just that, I promise you that I will do all I can to enhance and protect our CPA designation.

We’re on the brink of an exciting moment in the Society’s history, and “change” will be the topic at hand over the next several months. If you have not yet heard, the NYSSCPA is moving this summer to new office space at 14 Wall Street, in New York City’s historic Financial District.

There are many ways to describe our move. I like to think of it as a new beginning, since the NYSSCPA is moving to a site directly across the street from where the Society was founded in 1897 (which, by the way, is now the home of the New York Stock Exchange). It will allow us to leave behind the dust of old ideas, while building on the history and traditions of our 116-year-old organization, and to prioritize our future, as we create new programs and reposition ourselves to better serve the generations of CPAs to come.

I would like to acknowledge and thank the NYSSCPA staff, as well as the Society’s past presidents, the Manhattan/Bronx Chapter, and all of the numerous colleagues and friends who have supported me on this marvelous journey. Congratulations to our President-elect Scott Adair. I know we will make a terrific team and I look forward to working with you.

My deepest desire is to be of service—to you, the membership, to the profession and to the public. I’d like to leave you with this quote by Mahatma Gandhi, which expresses my feelings about the coming year:

“Service which is rendered without joy helps neither the servant nor the served. But all other pleasures and possessions pale into nothingness before service which is rendered in a spirit of joy.”

As president, I intend to be your “joyous servant,” spreading the word of your good works.

J. Michael Kirkland

Are you an NYSSCPA member interested in writing for The Trusted Professional?

No matter what your practice area, The Trusted Professional might be interested in publishing your work. All published stories should be between 700 and 1,500 words in length and must follow Associated Press—not academic—style guidelines. Submitted stories should be geared toward the education and general interests of the readership. Articles written to sell a service or to promote a business or office will not be considered. Final acceptance of material submitted for publication is at the editor’s sole discretion. Interested members should email Nicole Saunders at nsaunders@nysscpa.org for more information about guidelines and the editorial process before submitting work.

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NYSSCPA supports inclusion of Overnight Index Swap Rate in hedge accounting

BY CHRIS GAETANO
Trusted Professional Staff

The NYSSCPA largely agreed with a proposal from the Financial Accounting Standards Board (FASB) that, if implemented, would allow entities to consider the Fed Funds Effective Swap Rate, also known as the Overnight Index Swap Rate (OIS), as a benchmark interest rate for hedge accounting, in addition to the U.S. Treasury rate and the London Interbank Offered Rate (LIBOR). The Society expressed its views in a comment letter released on April 22, in response to the FASB’s proposal, which was released on Feb. 21.

The concept of a benchmark interest rate, which the FASB defined as a widely recognized rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high credit quality obligors, is important when determining investment strategies like interest rate risk hedges. Currently, only the U.S. Treasury rate and the LIBOR are allowed to be used in such calculations. The proposal would allow the use of the OIS—that is, the weighted average rate of trades brokered by the Federal Reserve— to be used as a benchmark interest rate, as well.

Since the financial crisis of 2008, the demand for hedging the Fed Funds rate has significantly increased, due to heightened scrutiny of overnight interbank borrowings of surplus balances held at the Federal reserve rate; new regulations addressing systemic risk, including greater clearing of derivatives through exchanges or clearinghouses; and the increasing spread between the LIBOR and the OIS, according to the FASB exposure draft.

NYSSCPA Past President Margaret A. Wood, one of the letter’s principal drafters, said that prior to the crisis, the LIBOR rate and the OIS rate were similar enough that just using the LIBOR was fine for most situations involving variable rates (vs. the fixed U.S. Treasury rate). However, she added, since the crisis, particularly with the troubles that Europe is currently facing, the difference between the OIS and the LIBOR began to widen enough that they became distinct, and the marketplace is moving to OIS and demanding more OIS based products.

“Before, the two were really close together, so it didn’t make much of a difference,” she said. “But now that there’s a wider spread, OIS is more consistent and the counter-parties believe the OIS should be used. It makes sense using the OIS rate for accounting, as the marketplace is already using the OIS rate and has a demand for more OIS products.”

According to the FASB, allowing the OIS to become an acceptable benchmark index would bring more accurate and consistent hedge accounting.

“Including the Fed Funds Effective Swap Rate (OIS) as an acceptable U.S. benchmark interest rate in addition to UST [the Office of the United States Trustees] and LIBOR would provide risk managers with a more comprehensive spectrum of interest rate resets to utilize as the designated benchmark interest rate risk component under the hedge accounting guidance in Topic 816,” it said in the exposure draft. The Society, in its comment letter, agreed with this sentiment, noting that a subsequent improvement in hedge accounting would result in a valuation more consistent with the marketplace and the concept of fair value.

“This [measure] is very practical. We don’t expect to see anyone having an argument over it. It’s regulation better reflecting reality,” Wood said.

While an effective date, should the proposal be implemented, has not yet been determined by the FASB, the Society agreed with the board’s suggestion that it should align with the issuance of the final update and, if not, early adoption should be allowed.

NYSSCPA approves of FASB tax proposal

BY CHRIS GAETANO
Trusted Professional Staff

The NYSSCPA expressed agreement with a proposal from the Financial Accounting Standards Board (FASB) that, if implemented, would standardize the treatment of net operating loss carryforwards or tax credit carryforwards on financial statements. The Society made its views known in a comment letter published on April 22.

The proposal itself, Proposed Accounting Standards Updates—Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward or Tax Credit Carryforward Exists, is a consensus of the FASB Emerging Issues Task Force, was released to the public on Feb. 21. According to the FASB, it was developed to establish a consistent methodology for the treatment of unrecognized tax benefits on a business’s financial statement.

To date, some entities present unrecognized tax benefits as a liability unless they are directly associated with a tax position taken in a tax year, while others treat them as a reduction of a deferred tax asset. Under the proposal, an unrecognized tax benefit, or a portion thereof, would be presented in the financial statement as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward.

However, if the taxpayer is unable to recognize a tax benefit at the reporting date, because the carryforward is not available in the same jurisdiction or is insufficient to cover the full tax benefit, the net benefit would instead be presented as a liability. No new recurring disclosures would be required.

“The amendments in this proposed update would be an improvement to current U.S. Generally Accepted Accounting Principles because they are expected to reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits,” the FASB said.

“They will better reflect an entity’s ability to settle additional income taxes that would result from the disallowance of a tax position when not operating loss carryforwards or tax credit carryforwards exist.”

The Society, in its comment letter, agreed with the proposal on all fronts. It concurred that there needed to be a standardized way of treating unrecognized tax benefits, and also that there should be an exception for those who practice in a jurisdiction where the proposed treatment would not be allowed. Margaret A. Wood, an NYSSCPA past president and one of the letter’s principal authors, said that, in general, the proposal will bring both clarity and convenience to the process.

According to the FASB, the amendments in the proposal would be applied retroactively, with early adoption permitted. The board will settle on an effective date after it weighs all stakeholder feedback.

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NYSSCPA comment letters

The following list includes all comment letters released by the NYSSCPA between May 1 and May 31, 2013. To read all comment letters published by the NYSSCPA, visit http://www.nysscpa.org/page/society-comment-letters.

Proposed Accounting Standards Update—Financial Instruments–Credit Losses (Subtopic 825-15): File Reference No. 2012-260: Released May 31—The main objective in developing this proposal was to provide financial statement users with more decision-useful information about the expected credit losses on financial assets and other commitments to extend credit held by a reporting entity at each reporting date. These proposed amendments also would reduce complexity by replacing the numerous existing impairment models in current Generally Accepted Accounting Principles (U.S. GAAP) with a consistent measurement approach.

Proposed Accounting Standards Update—Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04: Released May 29—Stakeholders have raised concerns that certain disclosure requirements in paragraph 820-10-50-2 of the FASB Accounting Standards Codification®, which was effective for nonpublic entities for annual periods beginning after Dec. 15, 2011, would potentially provide proprietary information about nonpublic entities through the dissemination of their employee benefit plans’ financial statements on the regulator’s website. The amendments in this proposed update would address those concerns by permitting an indefinite deferral of certain quantitative disclosure requirements in paragraph 820-10-50-2(b)(6) for investments held by a nonpublic employee benefit plan in its plan sponsor’s own nonpublic equity securities.

Proposed Accounting Standards Update—Recognition of the Acquisition of and Related Amendments to PCAOB Auditing Standards and Rules—PCAOB Release No. 2013-002, March 26, 2013, PCAOB Rulemaking Docket Matter No. 40: Released May 28—The Public Company Accounting Oversight Board ("PCAOB" or "Board") is proposing a framework for reorganizing the existing interim and PCAOB-issued auditing standards into a topical structure with a single, integrated numbering system. In addition, the PCAOB is proposing certain conforming amendments to Rule 3101, Certain Terms Used in Auditing and Related Professional Practice Standards, and Rule 3200T, Interim Auditing Standards. The Board is also proposing certain related amendments to the PCAOB auditing standards and proposing to rescind certain interim auditing standards that the Board believes are no longer necessary under the proposed reorganization.

Comments to the FASB on a Proposed Accounting Standards Update—Financial Instruments–Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities: Released May 14—Comments on a proposed accounting standards update, the objective of which is to provide financial statement users with more decision-useful information about an entity’s involvement in financial instruments, while reducing the complexity in accounting for those instruments.
2013–2014 NYSSCPA COMMITTEE CHAIRS

The New York State Society of CPAs’ statewide committees provide members with forums to exchange ideas, sharpen skills and have an impact on proposed standards, regulations, legislation and other professional issues. The committees also play an integral role in sponsoring various educational, public service and networking events. Members represent all segments of the profession: local, national and international public accounting firms; industry; education and government.

The following 2013–2014 chairs began their terms June 1:

**Accounting and Review Services**
Joseph A. Caplan
Janover, LLC

**Anti-Money Laundering and Counter Terrorist Financing**
Victor Lessoff
Internal Revenue Service

**Audit**
Timothy P. Hedley
KPMG LLP

**Business Exit and Succession Planning**
Bernard Leone
Withum Smith+Brown P.C.

**Employee Benefits**
Kenneth J. Gralak
Buchbinder Tunick & Co. LLP

**Entertainment, Arts and Sports**
Madelyn R. Miller
JP Morgan Chase

**Estate Planning**
Kevin Matz
Kevin Matz & Associates PLLC

**Fashion and Furnishings**
Raphy Soussan
CBZ MHM, LLC

**Finance**
F. Michael Zovistoski
UHY LLP

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Jaime R. Cote
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**Health Care**
Janine E. Mangione
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**Hospitality Industry**
David J. Wolfson
Schulman Wolfson & Abruzzo LLP

**International Taxation**
James Cassidy
BDO USA, LLP

**Investment Companies**
Barry T. Goodman
Grassi & Company CPAs P.C.

**Member Benefits**
Rosemarie A. Giovannazzo-Barnickel
Rosemarie Giovannazzo-Barnickel, CPA
CFOs Committee boasts diverse membership

BY CHRIS GAETANO
Trusted Professional Staff

It might carry the title CFO in its name, but the NYSSCPA’s Chief Financial Officers Committee isn’t exclusive to senior-level executives. According to committee chair Jack Vivinetto, it’s open to anyone at the Society who’s interested in networking with financial professionals in private industry and in developing skills that would be relevant to CPAs who don’t work for public firms.

Vivinetto said the demographics of the committee, which is more than 20 years old, have shifted in recent years, with the group drawing financial professionals who tend to “wear many hats” from middle-market businesses, in addition to CFOs of large, multinational corporations. “While the name is ‘CFO Committee,’ in actuality, many of the newer members are more hands-on—controllers, staff members, treasurers and so on,” he said. Members also represent a broad range of industries, from manufacturing to financial services and everything in-between, he added.

Committee meetings begin with about a half-hour of what Vivinetto called “the roundtable,” where members discuss current events and trends within the profession, and get feedback on issues they’re facing within their own organizations. This, he said, is often followed by a CPE session on such topics as research and development (R&D) credits, the Sarbanes-Oxley Act, and developments. For example, he said, after the American Taxpayer Relief Act of 2012 was signed on Jan. 1, the committee was able to have an expert come to its meeting later that month and explain its major provisions.

“The committee is centered on members sharing ideas and knowledge. Having access to committee members who come from multiple industry groups provides a tremendous resource of talent to rely on,” he explained. “The committee is centered on members sharing ideas and knowledge. Having access to committee members who come from multiple industry groups provides a tremendous resource of talent to rely on,” he explained.

Vivinetto added that one of the strengths of this arrangement is that the committee is able to respond quickly to new events and developments. For example, he said, after the American Taxpayer Relief Act of 2012 was signed on Jan. 1, the committee was able to have an expert come to its meeting later that month and explain its major provisions.

“We react quickly to topics. If there’s a hot topic or current event, we want to get to it right away,” he said. “That’s the type of committee we are—anything new we will respond to within 30 to 60 days, with guest speakers who will give all the details.”

He felt this was of particular importance given the day-to-day responsibilities that some of the committee’s newer members have. He noted that while CFOs at very large companies would occupy a more broad, strategic role and delegate implementation of, say, a new revenue ruling affecting R&D tax credit to a staff member, at a middle-market firm, there tends to be less delegation and more direct engagement by high-level financial staff, making these sorts of talks not only interesting but often directly relevant.

“The increasingly hands-on nature of members’ work also underscores the importance of being able to use the committee as a sounding board, which Rosenblatt feels is a big part of its appeal. “I think it’s a great opportunity to meet with other professionals in similar roles to your own, exchange ideas about the challenges you face and discuss common issues,” he said.

Vivinetto himself admitted that he originally joined the committee mainly for networking purposes. “There’s no shortage of consultants for CFOs to go to and ask questions, but that’s different than talking to your peers,” he said, adding that many times, the middle-market CFO is a “lone wolf” when it comes to navigating the financial implications of his or her company’s decisions.

Edward C. Parisi, who joined the committee just last year, said it was for largely the same reasons articulated by Vivinetto.

“The committee is centered on members sharing ideas and knowledge. Having access to committee members who come from multiple industry groups provides a tremendous resource of talent to rely on,” he explained. “The committee is centered on members sharing ideas and knowledge. Having access to committee members who come from multiple industry groups provides a tremendous resource of talent to rely on,” he explained.

The committee’s conference will take place on July 17 and is slated to include talks about civil and criminal liability exposure, the Affordable Care Act, the employee versus independent contractor issue, accounting standards updates, and an economic overview update.

Society members interested in joining the committee should email Nereida Gomez, Manager of Committees and Administrative Services, at ngomez@nysscpa.org.

Correction: In the April 2013 story “Board approves proposed changes to bylaws and Code of Conduct,” Elliot A. Lesser was misidentified as the vice chair of the Professional Ethics Committee (PEC). Lesser is a committee member. We regret the error.

Upcoming Industry Committee Meetings

- Chief Financial Officers
- Construction Contractors
- Entertainment, Arts and Sports
- Fashion and Furnishings
- Internal Audit
- Investment Companies

This is a partial listing, which is subject to change. For a complete and updated listing of meetings, visit www.nysscpa.org, click on “About Us” and choose “Committees” from the drop-down menu.

Interested in joining a committee? Fill out an application online or contact Nereida Gomez, Manager of Committees and Administrative Services, at 212-719-8358 or ngomez@nysscpa.org, to find out more information.

Upcoming Conferences

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Keynote Speaker:
James E. Glassman,
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Best practices, tips, traps, and sound strategies on:
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Recommended CPE Credit: 8: 2 hours Accounting; 5 hours Advisory Services; 1 hour Taxation
Field of Study: Accounting; Advisory Services; Taxation
NYSSCPA Member Fee: $385 (In-Person); $285 (Live Webcast)
Nonmember Fee: $510 (In-Person); $410 (Live Webcast)

This is an FAE Paperless Event.

FOR MORE INFORMATION AND TO REGISTER FOR THIS CONFERENCE:
Visit www.nysscpa.org/CFO13 or call 800-537-3635.

To register for the Live Video Webcast:
Visit www.nysscpa.org/e-cpe or call 877-880-1335.

War Story: email fraud and business management

BY RANDY R. WERNER, CPA, J.D., LL.M/TAX

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.

Robert Stevens, a partner of the CPA firm Kinder and Stevens, had been providing business management services to Fred Richards, one of the firm’s high-net-worth clients, for several years. Stevens had broad control over Richard’s financial affairs, and was authorized to write checks to pay bills and to make transfers from one account to another when Richards requested them.

Richards had a long-standing agreement with Richards to pay bills and invoices by generating checks drawn on an account specified in the engagement letter, and signing those checks on Richards’s behalf—but only when the invoices had first been approved for payment by Richards. This arrangement worked well for many years and became so comfortable that Richards also approved invoices over the phone and, later, by email. Stevens delegated much of the bill-paying work to the firm’s account manager, Jane Oliver, who would obtain Richards’s approvals and prepare the checks for Steven’s signature. When Oliver planned to go on vacation, she trained fellow staffer Larry Smith to fill in for her in obtaining approvals and preparing checks. During Oliver’s most recent vacation, Smith received approvals for bill payments by email, and then received a series of email requests from Richards to transfer funds from U.S. accounts to accounts in Asia. This was not surprising, considering that Richards often invested in multinational businesses.

A day after Smith had made the wire transfers in amounts totaling over $100,000, he received a voice message from Richards stating that his email account had been broken into and that some of the messages from the past day or two had come from a computer hacker. A phone call later, Smith found out that the requests for the wire transfers had been from a cyberthief and not from Richards.

Richards had received an email message a day before the thefts from what looked like his email administrator, asking him to change the password on his account for security purposes. By complying with the request, Richards had unwittingly enabled the hacker to commander his account, read his email messages and learn about his business relationship with Kinder and Stevens. From there, it was just a matter of requesting the wire transfers of funds into the fake accounts.

Loss prevention tips
Billions of fraudulent emails are sent every day, and experts say that all it takes is a small fraction of them to succeed in defrauding people in order to feed what has become an underworld industry estimated to be worth several hundred million dollars a year.

Tens of thousands of email accounts have been compromised through various tactics used by fraudsters to obtain Internet users’ confidential identity information. These tactics are often perpetrated through elaborate and sophisticated hoaxes utilizing corporate logos, fake bank and credit card notices, and bogus websites.

A scheduled event, travel plans or user interests can be used to create what looks like a legitimate internal document that deceives users into performing an action, such as clicking a link or changing a password. The action then enables a hacker to launch an attack.

Security tips
As security tools become more sophisticated in preventing such attacks, the attackers become just as sophisticated. A safe rule of thumb: Do not open attachments or links if the email appears suspicious or questionable.

Email scams often appear to be from someone you know or some legitimate organization, and hackers are constantly developing new techniques to fool the end-user and spam filters. Be sure to use email spam filtering services from a reputable company that is constantly improving its spam filter engines.

Email requests for wire transfers should be verified by phone calls directly to the client by someone who knows his or her voice. Never rely on phone calls to an unknown party whose voice you don’t recognize—scammers sometimes set up phone lines that are controlled by the scammers themselves.

Once funds have been wired to an unknown bank account, they are usually irretrievable. Scammers can open pop-up bank accounts in other countries and then close them before the victims realize what has happened.

Pre-determined dollar thresholds and procedures should be pre-approved in order for a firm partner to approve a check or transfer. Also, in the case of married couples, consider whether both spouses should be notified when working with an individual client who is approving fund disbursements and transfers.

Randi R. Werner, CPA, J.D., LL.M (Tax), is a loss prevention executive with Camico (www.camico.com). She responds to Camico loss prevention hotline inquiries and speaks to CPA groups on various topics.

FOR INFORMATION ON THE CAMICO PROGRAM, CONTACT:
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716-949-8618

Downstate:
Dan Hudson
Chesapeake Professional Liability Brokers, Inc.
410-757-1932

Or call Camico direct at 800-652-1772.
Identity theft: The tax and financial implications

BY LAURA E. LAFORGIA, CPA, MST

by now, everyone is familiar with the phrase “identity theft” and probably knows someone who has been hurt in some way from it. Identity theft occurs when someone uses your personally identifying information, such as your name, Social Security number or credit card number, without your permission in order to commit fraud or other crimes. The Federal Trade Commission (FTC) estimates that as many as 10 million Americans have their identities stolen each year. Identity theft can be especially devastating when it comes to tax and finances, and it’s essential for CPAs to learn the basics of how to avoid it, spot it and fix the situation after it’s happened.

The FTC states on its website that identity theft “can wreak havoc with your finances, credit history, and reputation—and can take time, money, and patience to resolve.” Most people, however, overlook the ways that their personal information is vulnerable and can be exposed to the eyes of criminals. It’s not merely an issue of someone rummaging through your trash or stealing your mail (although that’s quite common). Criminals have kept up with technology in order to continually find new ways to steal your personally identifying information. Unfortunately, society has not kept up with criminals in blocking their schemes.

Here are just a few of the vulnerable areas:

• interview questionnaires
• credit and background checks
• medical and dental files
• online activities
• tax and financial documents
• poor computer security

The following are the kinds of techniques that thieves can use to steal identities, and some tips to help you avoid them:

• Skimming—using a device to read a credit card’s magnetic strip. A handheld device used at a retail outlet to make purchases or a device placed over the normal card reader of an ATM can steal your data when you try to withdraw money. Tip: Keep your eye on your credit card at all times. In addition, if an ATM or store terminal looks funny, don’t use it.

• Phishing—emails or phone calls designed to look like official messages from companies that ask you to update your account information. Tip: Think first, click second. Who is this company or agency requesting information? The email may say “state tax department,” but do the links actually go there? Generally, government agencies do not request sensitive information via email.

• Changing your address without your knowledge—your mail, along with your personal information, is redirected to the thief’s location. Tip: Pay attention to the mailing cycle of your bills.

• Stealing your records from companies’ storage.

• Pretending—pretending to be you or someone else with the intention of obtaining your personal information. (A recent, well-known pretexing case involves a woman arrested for pretending to be a relative of a child killed in the Newtown school shooting with the intention of scamming donors.)

And this is just the beginning. Fortunately, there is a wealth of free resources available to the public. You can find helpful information on the Federal Trade Commission (FTC) website. The IRS has a toll-free line specifically for this issue (800-908-4490), and you can find good information from them as well as from the Social Security Administration (SSA). Both the IRS and the SSA have written publications on this topic: IRS Publication 4553, Identity Theft Prevention and Victim Assistance, and SSA Publication 05-10064, ICN 463270, “Identity Theft and Your Social Security Number.”

Identity theft emergency response

As soon as you suspect identity theft, you need to act very quickly. Immediate action not only stops a thief from doing more damage, but it may shorten the amount of time it takes you to clean it up. Accountants can not only use the information described below to help themselves, but they can assist clients by working with relevant government agencies. (In such instances, it’s often necessary for clients to fill out and sign power of attorney forms.)

Here are some points to remember:

• Call your bank and credit card companies to alert them of your suspicions. If there has been fraudulent activity on your account, you will be required to complete an affidavit of fraud and submit documentation.

• Contact the fraud department of all three major credit bureaus to place an initial fraud alert on your credit reports, which is good for 7 years. Then you will need to follow up with the bureaus to remove the alert from your file.

• Contact the credit bureaus and ask that they place a fraud alert on your credit reports, which is good for 7 years. Then you will need to follow up with the bureaus to remove the alert from your file.

• If there is indication that your driver’s license or social security number has been misused, contact your state’s Department of Motor Vehicles (DMV) to complete a fraud report form. In New York, this form is DMV Form FI-17. You must have evidence of fraud in order to complete this form.

Long-term damage control

Good recordkeeping is very important during the long process of cleaning up the damage. The easiest way to stay organized and have everything ready for fast access is to keep an organized binder with dividers. The front of the binder should contain a daily log of all activity, such as phone calls, emails sent and letters mailed, along with case and reference numbers. Other sections of the binder should include your credit reports, correspondence and any evidence that you may gather.

The fraud alert placed on your account will slow down the perpetrators until they

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eventually move on. Be patient with the process. It is recommended that you sign up with a credit card service in order to watch your credit account. You will then be able to log on and review your records for unusual activity. In the beginning of the ordeal, you will want to do this at least daily. Sign up for alerts (delivered via text or email) from the service to notify you when someone has “viewed” your credit. (Companies do need your permission, but some may find a way to do this illegally without permission.) This is far more advantageous than waiting for new accounts to appear on your report.

Report the victim to your advantage to act quickly. It could take as long as two weeks for a new account to show up on your credit report; however, if someone views your credit, it will show up within two days. Be aware that your normal creditors will periodically review your credit, and you will get these “good” alerts as well—don’t panic every time you receive an alert. If you are not familiar with the company viewing your credit, it is worth a phone call to that company.

**Your rights as an identity theft victim**

You are not without recourse in the battle against identity theft. As the victim, you have the following rights:

- To place a 90-day initial fraud alert on your credit report
- To receive a free credit report from each of the three major credit reporting companies
- To dispute fraudulent information
- To ask credit reporting companies and businesses to block erroneous information you are disputing from appearing on your credit report
- To get copies of documents used by the thief
- To stop calls and letters from debt collectors
- To obtain an identity protection personal identification number (IP PIN) from the IRS to use on your returns

Every year you are entitled to receive a free credit report once a year from each of the three credit reporting agencies mentioned in this article. To get your free credit report, go to annualcreditreport.gov or call 877-322-8228. Do not contact each credit agency separately—this is the official website for receiving the legally mandated free credit report, and you will be asked several questions to verify your identity. Be wary of using any other website to order “free” credit reports, as many of these sites have strings attached. Unfortunately, this website is a bit confusing to navigate, but be patient—it’s worth it.

**Tax identity theft**

As the e-file mandate was phased in during the last few years, tax identity theft exploded. While electronic filing increases efficiencies of processing tax returns and issuing refunds, it also allows criminals to benefit from gaping holes in electronic security. It’s fairly easy for a criminal to obtain a real name and Social Security number, then file an income tax return using a fake W-2 or business income schedule, with the intent to obtain a fraudulent refund that is deposited right into the criminal’s bank account. Additionally, if the victim happened to pay estimated tax payments during the year that the criminal “forgot” to include, the IRS or state agency will be happy to point out the error and refund those payments to the criminal as well. While you will not be held accountable for fraudulent actions of others, it creates a time-consuming mess for you to clean up.

If you have been the victim of tax identity theft, contact the IRS. An agent will put you in touch with the IRS Criminal Investigation division, which detects and investigates tax fraud and other financial fraud, including fraud related to identity theft. In addition, you will be asked to file IRS Form 14039, Identity Theft Affidavit. After a scolding report from the U.S. Government Accountability Office in late 2012, the IRS has expanded, and will continue to expand, their identity theft efforts. They currently have more than 3,000 employees who work on identity theft cases. They are also working on internal controls to decrease the number of days it takes to resolve cases. For 2013, the IRS’s expanded efforts include:

- improving screening filters that spot fraudulent returns before refunds are issued;
- adding additional IRS criminal investigations;
- expanding a pilot program that allows state and local law enforcement agencies in 50 states to obtain tax return data from the IRS, with the victim’s permission, and assist in investigations;
- collaborating with more than 130 financial institutions to identify fraud schemes and block fraudulent refunds;
- permanently allowing truncated taxpayer identification numbers on some individuals’ payee documents.

The IRS will now issue an IP PIN for identity theft victims, as well as for those who could be exposed to identity theft. The service flags your account and uses the IP PIN to make sure your return isn’t being fraudulently filed. Unfortunately, even with this new system, your refund will still be held up for several months as the IRS sorts all the information out. The IP PIN is only good for one year and a new one will be issued each year for as long as the account is flagged. Obviously, your IP PIN should be kept private. In addition, if you need to file an extension, you will have to paper-file the extension. Earlier this year, New York State Department of Taxation and Finance (NYSDTF) updated its guidance on identity theft. It posted a clear outline on its website as to what to do in the event that you are affected. For example, if you are an actual victim, or suspect that you are a potential victim, the NYSDTF advises you to complete Form DTf-275, Identity Theft Declaration, and submit it with copies of your government-issued ID, proof of address, a statement explaining why you believe you are the victim of identity theft and any notice you may have received from the state.

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Where sales tax meets capital improvement

BY RICHARD J. KORETO
Trusted Professional Correspondent

Many New York State Department of Taxation and Finance (NYSDTF) advisory opinions hinge not only on rules and definitions in state tax law, but on how the petitioners have structured their particular situations. This is especially true of business petitioners, whose business practices can mean the difference between having to pay a tax or avoiding it. In a recent case, business practices were not only the crux of the issue, but they spilled over from what began as a sales tax query into the issue of capital improvement.

The petitioner in Advisory Opinion TSBA-13(11)S works in the construction business as a scaffolding company, installing, renting and eventually dismantling temporary pedestrian walkways at building sites. Typically, the petitioner issues contracts that include a charge for rental of the temporary walkway and all the labor needed to install and disassemble it. The contracts list a lump sum amount due, and the invoices note that the fees are for rental, installation, dismantling and permits. The petitioner collects sales tax on this total lump sum.

The questions from the petitioner are: Does it have to collect sales tax on any or all of the charges for its work if the work is related to capital improvements? And would installation charges for its work if the work is related to it have to collect sales tax on any or all of the total lump sum.

The petitioner collects sales tax on any New York state department of Taxation and Finance permits. The petitioner hires scaffolding contractors on a subcontracting basis, including the temporary walkways—was not subject to sales tax if such facilities were a “necessary prerequisite” to capital improvements. This is explained in 20 NYcrr, Section 541.8(a). The entire lump sum would be exempt from sales tax, ruled Liebman, but the petitioner would have to pay sales or use tax on the equipment it obtained in order to provide temporary facilities at construction sites—including pedestrian walkways—was not subject to sales tax if such facilities were a “necessary prerequisite” to capital improvements. This is explained in 20 NYcrr, Section 541.9(b)(1)(ii). The entire lump sum would be subject to sales tax.

Separate charges, separate rules
What if the petitioner, on its invoices, separately states the charges for the installation and dismantling of the temporary walkways that are a necessary prerequisite to capital improvements? In that case, the charge will not be subject to sales tax if the separately stated charges are reasonable in relation to the total price, Liebman said. However, the separate charge for the rental of the temporary walkway would be subject to sales tax.

So, the lump sum solution seems like a better deal for the petitioner in terms of sales tax. But that’s not the whole story.

In the “separate charge” scenario, when the petitioner purchases the components of the temporary walkway, it would be purchasing them for resale and, thus, it would be eligible to provide its supplier with a resale certificate in order to purchase the components without payment of sales tax. This is covered in 20 NYcrr, Section 541.9(b)(1)(ii).

Finally, Liebman explained that if it turns out that the petitioner had, in the meantime, collected sales or use taxes when it, in fact, did not have to, it can claim a refund or credit for any sales tax it has refunded to its customers. She reminded the petitioner to maintain documents to support any refund claims and to file these claims within three years after the date when the tax was payable.

As with all advisory opinions, this one applies only to the specific petitioner and situation. However, this ruling does have a lesson for a variety of businesses, as it shows how even apparently small changes in business practices can have a substantial impact on tax liabilities.

This ruling does have a lesson for a variety of businesses, as it shows how even apparently small changes in business practices can have a substantial impact on tax liabilities. Of course, the NYSDTF’s Office of Counsel doesn’t give advice on which choices a company should make, but the CPAs who work for or with similar companies will doubtless want to get out their calculators and figure out what choices are best for their employers and clients.

Trusted Professional Correspondent

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Financial Journalists

Continued from front page

get a handle on the story’s finer points and “explain very complicated financial instruments and transactions happening at this bank … that most people didn’t know about or understand on a daily basis,” she said. Fortune magazine’s David A. Kaplan accepted the award for the best news/investigative piece in a trade publication for his article, “Hostess Is Bankrupt … Again,” which analyzed the trials and tribulations of the famed baked goods manufacturer. He, too, noted that he relied on professionals like CPAs to help him make sense of the story.

“As is true of much of good journalism, it became a story about understanding the vocabulary. You couldn’t tell the narrative, understand the characters, until you [did],” he said. “Talking to the financial executives at companies is what the story required, and it succeeded in large part [because of it].”

Roger Parloff, also from Fortune, was named the winner of the best feature in a trade publication category, having written “The All-American Con Man,” which explored the life and times of Barry Minkow, a trader who is currently in prison for overseeing a $100 million Ponzi scheme. Parloff, who had spoken with Minkow on multiple occasions, said that he was struck by how friendly and disarming Minkow was, before pointing out that he wouldn’t have been an effective con man if he weren’t.

“He was a very charming guy and he had a lot of good qualities,” Parloff said. “It [became] painful at the end when I had to write him—at which point he was in prison—to say, ‘I like you, but I think there’s a reason you’re in prison.’

The award for the best opinion piece in a trade publication went to Rob Cox and Robert Cyran, both of Reuters Breakingviews, who together published a piece entitled, “HP Breakup Is on Tech World’s 2013 Agenda,” which argued that the best remedy for ailing tech giant Hewlett-Packard would be to break the company up and get rid of the parts that aren’t performing. Cox thanked the NYSSCPA, saying that it was gratifying to be recognized by those in the accounting world.

“Most of these awards come from our peers. It’s really important and meaningful to be given this accolade in the business of the world of accounting,” he said.

For the best news/investigative piece in a consumer publication, David Evans of Bloomberg News accepted the award for his piece “Duping the Donors,” which explored the relationship between nonprofits and the third-party fund-raisers they have become increasingly reliant upon, with most donors unaware of the extent to which these fund-raisers soak up their contribution. He, too, credited CPAs with providing him with the know-how to successfully navigate the world of nonprofit fund raising so that he could write the story.

“The first place I go to [when working on stories like this] is the CPAs: Where are the 99Ts, where are the 10-Ks?” he said. “I could not do it without the CPAs.”

David Voreacos, also from Bloomberg News, got the award for the best feature in a consumer publication for his article, “Inside Insider Trading,” a piece that examined the intricacies of the insider trading world from the point of view of the very people who committed the crime. During his acceptance speech, he talked about how he’d given a ride to someone who was about to plead guilty to a 17-year-long insider trading scheme, which got him started on the article itself.

The best opinion piece in a consumer publication, meanwhile, went to Susan Antilla of Bloomberg View, who wrote about the failures of the regulatory system to properly oversee the economy, both before the financial crisis and afterward.

“We learned more and more about how terrible the securities regulators have been at their job, both going into and through the crisis...” she said. “I took exception when I saw that not only did the regulators do a terrible job, but they had the chutzpah to come out and brag about how they were doing a good job! It’s kind of remarkable how bad the regulators are.”

Brian Ross, Rhonda Schwartz, Matthew Mosk and Megan Churchmach of ABC News received the award for the best television segment over 10 minutes for their piece, “The Money Trail 2012,” a news segment that looked at the Cayman Islands holdings of then-presidential candidate Mitt Romney. During his acceptance speech, Mosk noted that the great secrecy behind these offshore bank accounts turned into a great journalistic asset.

“The most surprising part of our story was the opaque nature of finances in the Cayman Islands. ... The secrecy of how these finances worked was on full display for the viewers,” Mosk said. Carole Zimmer, Mark Mills and Al Meyers of WBBR Bloomberg Radio accepted the award for best radio segment under 10 minutes for their piece, “The Postponement Generation Grows Up,” which looked at the struggles that recent college graduates face as they enter an uncertain market rocked by financial crisis and weak recovery. Zimmer said that, during the course of researching the story, she was struck by the resourcefulness of these young people in trying economic times.

“You come away with a sad story but also one of how ingenious they were … trying to recreate the American dream for themselves,” she said.

The same writing team also won the award for best radio segment under 10 minutes for the piece, “Space Exploration Goes Private,” which explained the rise of private space organizations, such as SpaceX (Space Exploration Technologies Corporation), away from government agencies, like NASA.

“NASA has been sidelined in a way, and now private enterprise is leading exploration into space,” Zimmer said.

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to see pictures that were taken at our 30th annual Excellence in Financial Journalism (EFJ) awards, visit www.trustedprofessional.com.

Nonprofit

Continued from front page

help to the audit process for CPAs working with nonprofits.

“Part of our audit work involves related-party transactions,” he said. “The clear definition of related parties here makes it a little easier for us to decide whether or not they fall under the purview of related parties, and also whether those conflicts have been vetted and whether the appropriate documentation has been put together.”

One of the more specific suggestions that came from the Society’s preliminary analysis was in relation to language in the proposed legislation that called for a corporation to provide an audit report at the request of the state attorney general’s office within 60 days. This time line, the Society said, is too short and would be too difficult for the average-sized firm to meet without compromising the audit due to the nature of scheduling and reporting time frames.

“Getting you the final product may exceed the 60-day window,” Kahn said, noting that the process to set up and conduct such an audit requires careful coordination and a thorough review of the organization’s financial statements.

Still, the Society believes the proposed legislation is a welcome first step in bringing the outdated guidelines that currently govern nonprofit organizations into the 21st century. Many of the NYSSCPA’s members provide accounting services within the state’s nonprofit sector, either as auditors hired by these organizations, as professional staff members or through volunteer service on their boards of directors.

The NYSSCPA will continue working with the state office of the attorney general and the bill sponsors beyond these public hearings in order to offer more technical comments.

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As popularity of decentralized currency grows, so do concerns

BY CHRIS GAETANO

Trusted Professional Staff

Bitcoin, an anonymous electronic currency, has been allowing people to make untraceable online transactions since it was first introduced to the Internet in 2009. And as its profile grows, financial professionals are attempting to figure out how this new medium of exchange fits into the overall market.

The brainchild of an unidentified computer programmer working under the pseudonym Satoshi Nakamoto, Bitcoin was conceived in 2008 as an alternative to the dominant online commerce model, at a time when faith in the ability of financial institutions and the government to properly oversee the economy was badly shaken. On most websites, people pay for goods or services with credit cards, which are processed through a financial institution, or through companies such as PayPal that act as intermediaries in place of traditional banks. Meanwhile, the currencies behind these transactions are linked to national economies and overseen by central banks.

Bitcoin transactions, however, are linked to no one nation, are not regulated by a central bank, and transactions that use them are not processed by an intermediary financial institution. Because there is no intermediary, there are no records that could link the participants in a transaction, meaning that purchases are more or less unidentified.

The only thing that actually regulates Bitcoins are the algorithms programmed into them. Instead of having a central bank vote to expand the money supply, new Bitcoins can only be minted by solving complex computational problems—they are backed, essentially, by central processing unit (CPU) time. As each new Bitcoin is minted, the problem that must be solved in order to generate another becomes more complex and requires more computing power to solve.

Therefore, the more Bitcoins that are in circulation, the more time it takes to create a new one, which is meant to control inflation. In addition, unlike other currencies, there is a set amount of how many Bitcoins can be in existence at any one time: 21 million.

In December 2011, around 20,000 Bitcoins had been traded on what remains its largest online exchange: Mt. Gox. By the end of December 2012, that number had grown to just above 180,000.

Given the time and energy required to mine new Bitcoins, many people buy and sell them, turning them into a market for real currency (those linked to sovereign states) online and store them in electronic “wallets.” Using these wallets, people can make anonymous purchases from anyone who accepts Bitcoins as a valid medium of exchange. Because of the extreme difficulty in tracing these transactions, Bitcoins are ideal for illegal purchases, according to Victor Lessoff, vice chair of the Anti-Money Laundering and Counter Terrorist Financing Committee.

“It could be used for buying and selling child porn or drugs or personal identification numbers for people—any crime you could imagine,” he said. “Two people engaged in some sort of illegal trafficking could buy and sell totally anonymously, which would be the big advantage.”

He also noted that the anonymous nature of the currency means that it’s ideal for tax evasion, whether storing money in a virtual wallet to hide income from the IRS, or simply taking payment for goods and services in Bitcoins in order to avoid paying sales taxes.

At press time, spokespersons from both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) said that their respective organizations have not developed guidance in this area, and currently have no plans to do so, with Christine Klimmek, the FASB’s media relations manager, noting that the subject is still a very new one.

Still, the anonymity behind Bitcoins has concerned the Financial Crimes Enforcement Network (FinCEN), a regulatory body housed in the Treasury Department. On March 18 of this year, it released guidance regarding how virtual currencies relate to the Bank Secrecy Act, which the department enforces. First, it specifically differentiates virtually currencies from what FinCEN calls “real currency,” which is defined in the guidance as “the coin and paper money of the United States or of any other country that is designated as legal tender and that circulates and is customarily used and accepted as a medium of exchange in the country of issuance.” By contrast, a virtual currency is something that acts like a real currency in certain environments but lacks some or all of the attributes of real currency, according to FinCEN.

It then differentiates between people who use virtual currency to buy goods or services, and administrators and exchangers of virtual currency, who either accept and transmit bitcoins (like a wire service) or buy and sell them. FinCEN argued in its guidance that the Bank Secrecy Act’s regulations regarding money transmitters don’t differentiate between virtual and real currencies, and so administrators and exchangers count as money service businesses and are subject to the same regulations, which include registration with FinCEN.

The guidance does, however, say that because Bitcoins are not real currency, people can exchange real currency for them and still not be considered dealers in foreign exchange.

Auditing challenges

The anonymity behind Bitcoin transactions makes auditing anyone who frequently uses Bitcoins something of a challenge, with Lessoff pointing out that “you only audit what they provide to you.” However, Steven Wolpow, vice chair of the Auditing Standards Committee, noted that in most cases, someone has exchanged some sort of currency for their Bitcoins, meaning that there will be a disbursement from a bank account somewhere. However, the main audit challenge expressed by CPAs whom The Trusted Professional spoke to was not the anonymity of Bitcoins but their volatility. In the four years it has been in existence, the Bitcoin has been subject to massive swings in value. On April 10,
Currency

Continued from page 12

2013, for example, the currency's value fluctuated from $266 for one Bitcoin, to $105, and to $160—within the course of about six hours, according to the British newspaper The Guardian. With this level of volatility, a certified audit becomes a problematic proposition when Bitcoins enter the picture.

"The value fluctuates. It's speculative. How do you value it? Do you value it at historical value? At today's value? What is today's value? It's not a stock exchange type of deal, so where do you find today's value? And what is the risk involved? Today's value could be worth a lot less tomorrow," Wolpow said.

Joseph A. Caplan, vice chair of the Accounting and Review Services Committee, raised another point when it comes to finding the value of a Bitcoin during an audit: Because the exchanges are not governed—even the New York Stock Exchange (NYSE), he said, is governed by some sort of body—the values could be biased. Lack of some sort of governing body, he explained, represents a severe internal control flaw to him. He also expressed concern that the currency isn't backed by anything.

"I know the U.S. dollar isn't either, but the U.S. dollar is also governed by the Treasury Department. This isn't governed by anything, so there are way too many loopholes for a market valuation to determine the quantity owned," he said.

Taylor Lehmann, a member of the Technology Assurance Committee, added that this difficulty in properly valuing Bitcoins is a great limitation, from an audit perspective. He asked CPAs to imagine trying to do test sampling, look at suspicious documentation and value receivables for a business client that accepts Bitcoins.

The anonymity behind Bitcoin also plays a significant factor when evaluating risk, according to Lehmann. He noted that since there's no way to link two parties to a particular transaction, establishing who the parties are in that transaction will be difficult to establish, which means that counterparty risk is tough to assess.

He also brought up a risk regarding the infrastructure of the Bitcoin. Right now, he said, there are only a few players who will exchange Bitcoins for cash and vice versa, meaning that any type of disruption to those companies "could reset the values of these going to absolute zero."

"You could call it supply chain risk, but it's not really supply chain. It's the infrastructure of the economy, the lack of regulation, the volatility to and difficulty in determining the currency's value and, obviously, the counterparty transaction risk, where you don't really know who you're dealing with, in many respects," he said. "That can be obviously difficult from a financial accounting perspective in establishing the legitimacy of the transaction."

Beyond valuation, CPAs disagree over how the Bitcoin would even be classified. While the first instinct may be to just say it's currency, Caplan doesn't believe that's how they would be classified on the books; they're not as liquid as a cash equivalent, considering that they can't be exchanged as simply or as quickly as other currencies. While those interviewed agreed on what the Bitcoin isn't, there was considerable divergence over what it is.

"I would treat [Bitcoins] as a financial instrument, more as an investment, not a currency. I wouldn't hold them as cash or cash equivalent on the balance sheet," Caplan said.

But, then again, he explained that the Bitcoin acts a little like a collectible, such as a baseball card or antique stamp, in that it has market value and is traded, though Caplan admitted that the financial nature of Bitcoins makes this sort of classification problematic as well, and concluded that "it's so hard to describe. It's like a hybrid. It's like a financial instrument that's like a collectible, like a mint coin."

However, he also agreed with Lessoff's assessment that Bitcoin transactions are similar to barter.

Lehmann, meanwhile, said that while Bitcoins are "cash-like," he would still classify them as more of a "short-term investment," equivalent to what he said would be noninterest-bearing equity.

"It's not quite cash. It is liquid, but not extremely. So there are very few companies that exist to make it liquid again, and if one of those companies were to go under, it would be totally worthless," he said. "If you compare it to, say, some random Walmart equity, equity can be exchanged or sold very quickly, and if the NYSE were to go down, something would take its place quickly."

Given these issues with the Bitcoin, Lessoff said that a client even having a position in Bitcoins would raise red flags. While he noted that there could be legitimate reasons for dealing in Bitcoins, the fact that they're an anonymous, untraceable currency that is typically used for paying for illegal activities would make having a large number of them seem suspicious.

"I think most auditors would be suspicious of that," he said, adding that if he were an auditor on such a case, he would probably work with the client to figure out a way to properly show the assets, which may mean converting Bitcoins into a more stable, recognized asset.

Wolpow agreed, commenting that having a client with a significant position in Bitcoins would probably raise the question, "Is what the client's doing legal?" and noting that it would be prudent to get the opinion of the CPA firm's counsel on the matter when proceeding with an audit.

"If I found my clients dealing in Bitcoins, my question would be, why? If it's a legitimate transaction and business, what is the advantage of dealing in Bitcoins over dealing in regular and normal currencies we transact in?" he said. "And if they didn't come up with a pretty good answer, then that's a client I'd be very careful with."

Still, Lehmann said that "most modern economies were built through similar struggles," such as those the Bitcoin is currently going through with volatility and open questions about its suitability as a medium of exchange. Most currencies, he pointed out, were built in the absence of an existing, acceptable currency.

"It's a new currency that's struggling to establish itself, but I think it will be because of the anonymous culture the Internet demands," he said. "I don't think it's going anywhere."
Board outlines plan for upcoming year, schedules Fall CPE

ADIRONDACK

BY JACQUELINE E. MILLER
Adirondack Chapter President

O
n the unusually balmy 82º evening of May 13, Adirondack Chapter Board members, along with three NYSSCPA representatives, met in Lake Placid to plan for the upcoming year. We gathered at The Lake Placid Pub & Brewery and were surprised to see athletes already swimming laps in Mirror Lake. You never would have known that Lake Placid experienced three feet of snow just days earlier!

The group truly had a productive night. The session began with a thoughtful thank you to busy individuals who manage to support the Adirondack Chapter. Board members received the treasurer’s report from the prior year. We tentatively selected three dates for each fall CPE event. In September, the chapter will host a diversified Town Hall meeting. We are hopeful to hold the event at the brand new Hampton Inn overlooking Mirror Lake. The CPE event will begin with an update about the Affordable Care Act, and the day will conclude with an ethics session. The next event will hopefully be our annual international event with our Canadian Chartered Accountant neighbors. Originally, we planned to travel across the border to Cornwall, Ontario for the meeting; however, the Akwesasne Mohawk Casino has recently built a new state-of-the-art hotel and conference center. As a result, we are going to hopefully host the event state side.

The third Adirondack Chapter will be held on Oct. 10. The Adirondack Community Trust will sponsor a CPE luncheon for professional advisors to discuss charitable giving at Whiteface Lodge in Lake Placid. October will also be the month for the Accounting and Auditing Symposium. The final event of the year will be the annual tax conference, which we hope to hold at the Olympic Conference Center in Lake Placid. I hope to provide you with details on the upcoming events as they become available.

BUFFALO

President recognizes chapter’s past, prepares for its future

BY PATRICIA A. MCGRATH
Buffalo Chapter President

A
s newly elected Buffalo Chapter president, it will be my privilege to report on the many and varied events taking place in our chapter. Before speaking about the future of our chapter, however, it is important to give recognition to our past leaders. Our chapter would like to extend its recognition to our past leaders. Our chapter, however, it is important to give recognition to our past leaders. Our chapter would like to extend its recognition to our past leaders.

Our first board meeting of the fiscal year is Friday, June 7. It will be held in our office at 4:00 p.m. Our second meeting will be on Friday, July 12, and our third meeting will be on Friday, August 16.

I want to give special thanks to St. John’s University for hosting many of our chapter events, and to my fellow chapter members who are on the faculty there, especially immediate past President Mark Ulrich.

I hope to provide you with details on the upcoming events as they become available.

BUFFALO

Chapter looks forward to upcoming Installation Dinner

BY EDWARD F. ESPOSITO
Queens/Brooklyn Chapter President

O
ur chapter will be hosting its annual Installation Dinner on June 19 at Joe Abbiraccia-

mento’s Restaurant in Queens. All chapter members, as well as their colleagues, are invited. This is a great time to meet old acquaintances and make new connections with fellow CPAs, which is the primary purpose of our chapters. Having networking opportunities is one of the biggest advantages of becoming a member of the NYSSCPA, as is the ability to participate in your local chapter. (Speaking of which, we are still looking for two active members who would sit on the board.)

I received my CPA license in 1984, and have a forensic and valuation practice that specializes in divorce, estate and gift taxes, buy-sell agreements, shareholder disputes, and more. I am a court-appointed expert valuator for the New York State Supreme Court.

I am also the chair of the annual Business Valuation Conference, which was held last month at the Society’s offices. I was born and raised in Brooklyn—my family roots go back 100 years—so it is no wonder that my office is located there as well. Coincidentally, Queens/Brooklyn chapter Past President Jean G. Johnson recruited me in Brooklyn when my son noticed her New York state license plate with the words “CPA” written on it. I am deeply honored to serve as the current president of the chapter. This year, one of my goals is to host more networking and CPE events in both Queens and Brooklyn, and to promote them in The Trusted Professional.

I hope to provide you with details on the upcoming events as they become available.

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MANHATTAN/BRONX
The beginning of a new fiscal year

BY BARBARA A. MARINO
ManHudson/Bronx Chapter President

It is hard to believe that June has arrived and with it my term as president of the Mid Hudson Chapter! As a professor of accounting at Mount Saint Mary College (MSMC), I am truly grateful to have the opportunity to lecture at the University of Volgograd in Russia last spring. The students learned about the CPA examination and career opportunities, and discussed the current and future outlook of interest rate derivatives markets.

Additionally, Sherif Sakr provided an overview of the accounting for derivatives and hedging activities under U.S. GAAP (ASC 815). We appreciated the continued support and partnership with Citibank. This was a very successful and well-received event.

On May 3, the Promoting CPA Careers Committee, co-chaired by Fatime Ardolic and Steven B. Zelin, held its semi-annual Career Day for about 60 high school students. The students learned about the CPA profession through interactive activities such as “Accounting Jeopardy” and by talking to featured speakers who shared their past experiences and provided advice on various topics, including education requirements for becoming a CPA, college life, and resume writing and interview techniques. The speakers included Fatime Ardolic, Amanda Bieber, Jill A. Harris, Michael Kirkland, Barbara A. Marino, Joseph P. Maturano, Sarah Park, Nancy Poli, Jake Shapiro, John Paul Siruno and Steven B. Zelin. The students ended the day by going on tours of local accounting firm offices. Special thanks to our firm sponsors for helping with the refreshments and tours: Berdon LLP, CohnReznick LLP, Ernst & Young LLP, Grant Thornton LLP, KPMG LLP, McGladrey LLP, PricewaterhouseCoopers LLP and WeiszMazers LLP.

I look forward to meeting and working with you all over the next 12 months.

bm Marino@thehackettgroup.com

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MID HUDSON
New president hopes to encourage young CPAs

BY TRACEY NIEMOTKO
Mid Hudson Chapter President

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NASSAU
Nassau Chapter welcomes its 60th president

BY SCOTT SANDERS
Nassau Chapter President

A new year begins for the Nassau Chapter and I begin my term as the 60th president. I look forward to working with our dedicated and committed chapter officers, board and committee members.

I would like to thank all those who attended the May 9 Installation Dinner and helped to make it a successful event. This is the first of many such events for our chapter, and reflects our desire to give back to the profession. Take this moment to celebrate, not just us, but all those who helped and will continue to contribute to chapter events over the next year and, hopefully, in years to come.

I urge everyone to participate in the Ellen Gordon CPAs 4(a) Cause 5K Run/Walk to End Hunger on June 15. All funds raised will be donated to the hunger relief organization Island Harvest. In addition, I am committed to developing a new committee titled Financial Literacy, which will enable our chapter to introduce children ages 5 to 15 to the concept of managing and saving money after it is earned. I am having discussions with Capital One Bank about partnering with the committee on this project.

Over the past year Lisa A. Haynie, our immediate past president, and I have been very active in rejuvenating our Young CPAs Committee. This committee has organized some terrific events for our chapter and for Young CPAs, with several scheduled through the end of the year. I will be working closely with this committee in expanding our chapter’s membership to include even more Young CPAs.

From my past experience on boards, I know how difficult it is to be in a leadership position. That is why I developed the President’s Advisory Committee, which will enable me to seek advice and guidance on board issues from those individuals who have accepted committee co-chair positions. Thank you, Michael Gaines, Eric M. Kramer and Mark L. Meinberg— in total, they have more than 60 years of dedicated service to this chapter.

I know how frustrated our members can become at receiving too many or not enough communications about our chapter and committee events. That is why I am in the process of developing a Nassau Chapter Facebook page, where notifications can be placed on our home page and all of our members can view updates at their leisure. This year, I hope to develop more friendships and associations that will help to improve the chapter and benefit its members. With the support and resources of the Nassau Chapter, I intend to focus my energy on all the items mentioned above, and more. I look forward to a very exciting and productive year.

The items mentioned above, and more. I look forward to a very exciting and productive year.

ROCHESTER
Recap: Last year’s highlights

BY CHERYL YAWMAN
Past Rochester Chapter President

It’s hard to believe that I am already writing my final president’s message to all of you. This chapter year has flown by. I thought, with it being my second time around as president, that it would move more slowly but, as with many other things in life, it was over before I knew it.

I want to thank Rochester Chapter board members for their time and effort in putting together all of the events that we held this past year. Here are some of the highlights:

• During our annual Clambake/Ethics meeting, Virginia (Ginge) L. Guyer was inducted into our Rochester Chapter Hall of Fame. (Please start thinking now about whom you would like to nominate as this year’s recipient.)
• More than 125 professionals attended our annual Tax Institute, which is held in cooperation with the Monroe County Bar Association and offers the latest in technical tax updates.
• Our Young CPA Committee held a number of events, including a beer tasting at High Falls, a holiday charity event, a volleyball tournament, a golf outing and a college mock interview night. The committee currently has plans in the works to sponsor a “Habitat for Humanity CPA Build” home.
• More than 100 high school students attended our World of Accounting event, which includes tours of CPA firms, mock interviews, and speakers from industry, public, and government accounting who

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Then type in your email.

You will see a list of NYSSCPA publications. Just check The Tax Stringer—and any other NYSSCPA publications you’d like to receive—and the Tax Stringer will arrive in your inbox starting with the next issue.
ROCKLAND
Outgoing president bids adieu
BY DAVID R. HERMAN
Past Rockland Chapter President

I hope tax season went well for all the tax preparers out there—for some reason, this was a difficult one. This, of course, is my final message to you as I complete my year as chapter president. Overall, we had a very good year, CPE-wise. However, attendance was down at many events and our board is currently going through an analysis phase to determine what programs we should offer going forward.

Our first event this year took place on June 4 and covered the Patient Protection and Affordable Care Act, otherwise known as “Obamacare.” This was a three-hour seminar and offered a lot of great information.

We held our Officer Induction Dinner on May 7. Although we continue to hope that more CPAs will attend our functions, we did have a good turnout and inducted the following individuals for the upcoming term:

- Mitchell A. Davis as chapter president;
- Michael E. Milisits as president elect; myself;
- David R. Herman as vice president;

Lawrence Schaffer as treasurer; and Shari E. Berk as secretary.

Once again, we are asking all of you for suggestions on upcoming CPE. Additionally, we would like more CPAs to be involved with our board. Many of us have been in these positions multiple times, and only occasionally inject new blood. We need your input, and we need you to be active. Please contact any of the officers or board members listed on the website to get involved.

Finally, I want to thank all the officers and board members from this past year who continued to remain involved, helped with all of our events and were an absolute pleasure to work with. The high level of professionalism is evident at every meeting.

I leave you now with my final thought—remember, “Someday we’ll look back at this and it will all seem funny.” “Goodnight, Gracie.”

SUFFOLK
Let’s continue strengthening the chapter
BY LAWRENCE C. LUCARELLI
Suffolk Chapter President

As I begin my term as Suffolk Chapter president, I want to thank my immediate Past President Mark A. Cirelli, all the members of the Board of Directors, and all of the committee chairs for their hard work and commitment to the Society. Their list of accomplishments is extensive and includes outstanding growth in the membership and organizational capacity of the Suffolk Chapter.

My goals for this term are simple: to continue to strengthen the Suffolk Chapter and build chapter membership. I would like to thank all of our members for their ongoing support of the chapter. Without you, the NYSSCPA could not continue to make strides in Suffolk County. I encourage all CPAs to become members of the chapter, to frequently check our event schedule, which is posted on our website (www.nysscpa.org/suffolk), and to consider participating on a committee. We all share the same responsibility of ensuring that CPAs remain the most respected and trusted advisors to their clients and the public.

WESTCHESTER
Chapter urges greater member participation
BY GINA LINSS
Westchester Chapter President

I would like to thank all of you for allowing me this opportunity to serve as president of the Westchester Chapter. With your help, I am confident that we can grow our membership base, continue our outreach to local colleges and students interested in accounting, and increase our public exposure in the Westchester community.

Within the past two years, our chapter has been actively working on increasing the number of members. We must now take this goal to the next level. I welcome and strongly encourage all new, and not-so-new, members of the Society to get involved.

The Westchester Chapter is inviting all members to our committee “kickoff,” open houses that each of our committees will be hosting during the upcoming year. We will be hosting our first one June 4 to introduce the Accountants in Industry and the Local Practitioners Committees. These two committees will be hosting a CPE seminar on Fraud Awareness, sponsored by website Bank in White Plains. To register for this event or request additional information, please contact me at the email address below or visit our chapter webpage (www.nysscpa.org/westchester).

Young CPAs are vital to our profession—the Young CPA Committee was my introduction to the NYSSCPA, and I view it as being a great introduction to our profession and the community as well. On May 2, our Young CPA Committee hosted a successful wine-tasting networking event, which was held to benefit the Blythedale Children’s Hospital. The young accountants who attended had the opportunity to network with other young professionals within the community. I would like to continue hosting such events and continue our outreach to local colleges and students majoring in accounting. Our chapter is currently hosting during the upcoming year. We will be hosting our first one June 4 to introduce the Accountants in Industry and the Local Practitioners Committees. These two committees will be hosting a CPE seminar on Fraud Awareness, sponsored by website Bank in White Plains. To register for this event or request additional information, please contact me at the email address below or visit our chapter webpage (www.nysscpa.org/westchester).

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Our strong, active and committed board, and dedicated and experienced committee heads, I hope to see an increase in member participation. Within the past two years, our chapter has been actively working on increasing the number of members. We must now take this goal to the next level. I welcome and strongly encourage all new, and not-so-new, members of the Society to get involved.

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UTICA
Chapter president details goals, plan for outreach
BY BRIAN REESE
Utica Chapter President

As I start my term as chapter president, I would like to briefly introduce myself. I work for Fitzgerald, DePietro & Wojnas, CPAs, and have been a member of the NYSSCPA since I was a student at SUNY Brockport 10 years ago—time has really flown by! Becoming a member so early on provided me with invaluable resources and support. One of my goals this year is to help current and prospective members take advantage and utilize everything the Society has to offer.

I would like to thank our immediate Past President Steve Surace, for his two amazing years of service. Steve put his heart and soul into making the Utica Chapter better in almost every possible way—hopefully I can continue the great progress he’s made. I would also like to thank everyone on the board who agreed to continue their service: President-elect Maria Suppa; Vice President Chris R. Lambe; and Secretary Eric D. Longway. I would also like to welcome Michael Wilk to the board as our new treasurer.

As the new chapter president, I have four initial goals that I would like to accomplish:

1) maintain the quantity and quality of technical CPE seminars;
2) increase industry membership and participation;
3) increase high school and college outreach; and
4) help members utilize all of the benefits offered by the Society.

I urge those who work in industry to reach out to their nonmember colleagues and tell them about the great benefits of NYSSCPA membership. Our board is working on trying to increase initiatives for industry members and professionals in order to further encourage participation. Future CPAs are sitting in our high school and college classrooms right now. We need to reach out and explain to these young minds that the accounting field is not just debits and credits. As a profession and as a society, we need to show them this is a very interesting and rewarding field.

I encourage and challenge our members to become more involved in chapter activities—whether it’s attending our monthly technical CPE seminars and social or community service events, or becoming active on our board and joining a statewide committee. If you have any ideas or suggestions, please feel free to contact me at the email address below. I am looking forward to a very eventful year.

Gina Linss
Westchester Chapter President

For more Chapter News, visit us online at www.trustedprofessional.com
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### Buffalo

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<tr>
<td>11th Annual Summer Symposium</td>
<td>Millennium Hotel Walden Ave., Cheektowaga</td>
<td>July 23–24</td>
<td>Greg Altman at <a href="mailto:GAltman@somerset1.com">GAltman@somerset1.com</a> or (716-932-6480)</td>
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### Nassau

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<tr>
<td>Nassau Chapter Annual Golf Outing</td>
<td>June 13, 10:30 a.m. (registration); 12 p.m. (shotgun start)</td>
<td>North Hills Country Club</td>
<td>Carol Pinto at <a href="mailto:cpinto@ck-co.com">cpinto@ck-co.com</a></td>
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<tr>
<td>Nassau Chapter Installation Party</td>
<td>June 19, 6:30 p.m.</td>
<td>Joe Abbacchiamento Restaurant, 62-96 Woodhaven Blvd., Rego Park</td>
<td>Edward F. Esposito at edcpa.me.com</td>
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### Queens/Brooklyn

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<td>Queens/Brooklyn Chapter Installation Party</td>
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<td>June 19, 6:30 p.m.</td>
<td>Greg Altman at <a href="mailto:GAltman@somerset1.com">GAltman@somerset1.com</a> or (716-932-6480)</td>
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<td>13th Annual Counselor’s Cup Golf Challenge</td>
<td>Eisenhower Place, Field #1</td>
<td>June 18, 8 a.m. (registration); 9 a.m. (shotgun start)</td>
<td>Mark Forte at <a href="mailto:mark.forte@fredmaxick.com">mark.forte@fredmaxick.com</a> or Brian Sauers at <a href="mailto:bsauers@daviekaplan.com">bsauers@daviekaplan.com</a></td>
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### Rochester

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<td>Southern Tier Young CPAs Picnic at the Binghamton Mets</td>
<td>NYSEG Stadium, 211 Henry St., Binghamton</td>
<td>June 14, 7–9 p.m.</td>
<td>Marisa Colonna-Garrow at <a href="mailto:mcolonna@pnlcpa.com">mcolonna@pnlcpa.com</a> or (607-729-9373)</td>
</tr>
<tr>
<td>Long Island Ducks Outing and Picnic</td>
<td>Bethpage Ballpark, Central Islip</td>
<td>June 21, 5:30 p.m.</td>
<td>Amanda Sexton at <a href="mailto:asexton@avz.com">asexton@avz.com</a> or (631-434-9500)</td>
</tr>
</tbody>
</table>

### Southern Tier

<table>
<thead>
<tr>
<th>Event</th>
<th>Where</th>
<th>When</th>
<th>Contact</th>
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</thead>
<tbody>
<tr>
<td>Supersized Networking Event–Remix</td>
<td>Hamlet Willow Creek Golf and Country Club</td>
<td>Aug. 8, 6–8 p.m.</td>
<td>Michael D’Onofrio at <a href="mailto:mdonofrio@liadvantage.com">mdonofrio@liadvantage.com</a> or (516-931-8400) ext. 42</td>
</tr>
</tbody>
</table>

### Suffolk

<table>
<thead>
<tr>
<th>Event</th>
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<tbody>
<tr>
<td>Annual Networking Bus Trip to Atlantic City</td>
<td></td>
<td>Aug. 8</td>
<td>Check chapter webpage updates.</td>
</tr>
<tr>
<td>Auditing 401(k) and 403(b) Plans</td>
<td>Sheraton Smithtown, 110 Motor Parkway</td>
<td>June 17, 8:30 a.m.–4:30 p.m. (check-in)</td>
<td><a href="mailto:felicia.paura@sheehancpa.com">felicia.paura@sheehancpa.com</a></td>
</tr>
<tr>
<td>Supersized Networking Event–Remix</td>
<td>Kodiaks, 1815 Broad Hollow Rd, Farmingdale</td>
<td>Aug. 8, 6–8 p.m.</td>
<td>Josh Sechter at <a href="mailto:jsechter@hrrllp.com">jsechter@hrrllp.com</a> or (631-719-3357)</td>
</tr>
<tr>
<td>Suffolk Chapter Young Professional Golf Classic</td>
<td>Hamlet Willow Creek Golf and Country Club</td>
<td>Sept. 26, 7:30 a.m. (breakfast and registration); 8 a.m. (shotgun start); 1:30 p.m. (cocktail hour followed by dinner)</td>
<td>Michael D’Onofrio at <a href="mailto:mdonofrio@liadvantage.com">mdonofrio@liadvantage.com</a> or (516-931-8400) ext. 42</td>
</tr>
</tbody>
</table>

### Staten Island

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### Westchester

<table>
<thead>
<tr>
<th>Event</th>
<th>Where</th>
<th>When</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westchester Chapter Young CPA Meeting</td>
<td>Citrin Cooperman, 709 Westchester Ave., White Plains</td>
<td>July 11, 8–9 a.m.</td>
<td>Heather Oboda at <a href="mailto:hoboda@citrincooperman.com">hoboda@citrincooperman.com</a></td>
</tr>
<tr>
<td>Young Professionals Quarterly Reception</td>
<td>Citrin Cooperman, 709 Westchester Ave., White Plains</td>
<td>June 19, 5:30–8 p.m.</td>
<td>Heather Oboda at <a href="mailto:hoboda@citrincooperman.com">hoboda@citrincooperman.com</a></td>
</tr>
</tbody>
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Long Island University is one of the largest and most comprehensive private universities in the nation with a network of more than 140,000 alumni.
How do you break bad news to a client?

PAMELA A. DIAMOND  |  NASSAU CHAPTER

I believe that a large part of our job is psychological. For one thing, many people have an emotional attachment to money, so I always try to stress that money is merely a tool to be used to achieve a specific goal. It should not be perceived as anything more or less.

I prefer to deliver bad news in person. Of course, most of us have clients living throughout the country, so that’s not always possible. A face-to-face conversation allows me to read their body language and vice versa. Sincerity is easier to visualize than to hear. Regardless, I like to warn my clients that a difficult conversation is forthcoming, both for them to hear and for me to deliver. I want them to know that I have a heart and that I empathize with them. We’re not cold and callous bean counters; we’re people and we understand the emotional side of issues.

I’ll begin with a positive statement, which helps put them at ease, and then I’ll follow with the unfortunate news. I try to speak slowly and I’ll ask for their feedback numerous times, to make sure they understand what I’ve said, what the ramifications are and what their options are. Sometimes, clients can “zone out” on negative news, and I want to ensure that my message has been heard. It’s important to give them a few moments to absorb the message. Many people underestimate the power of silence. Finally, I try to end on an optimistic note—whether it’s concerning their options or reminding them that the matter could have been worse. If there is absolutely nothing positive to say, I’ll acknowledge that as well by saying, “I apologize, but there’s absolutely nothing positive I can say about this. It’s a horrendous situation, but we will do our best to help you.”

diamondpamela@yahoo.com

MICHAEL G. D’AVIRRO  |  SYRACUSE CHAPTER

Most of the difficult conversations I’ve had with clients came about because there was some sort of past liability they had been putting off that suddenly became important. Estate tax and estate planning can also be very difficult subjects for some people, and there have been times when discussing potential cost savings with business clients has been an emotionally fraught experience. Regardless of the circumstance, objectivity is your main goal. If you’re objective, it’s easier to navigate the issue. I think it’s important to be up front and direct with clients, and really explain it from their standpoint—how is it going to either help them or hurt them. You always have to take a look at the next step and what’s important in order to resolve the issue, how the client is going to come out of it and what the potential outcomes are.

Depending on the severity of the issue, the meeting place is important, whether it’s at my office or the client’s place of business. I think the time of day is important, too, because depending on the client’s schedule and the issue at hand, you want to make sure the appropriate amount of time is allotted for the conversation.

mgd@bcpllc.com

TRACY BADGLEY  |  MID HUDSON CHAPTER

Whether you’re a doctor, a policeman, a lawyer or an accountant, you’ve got to follow certain protocols when giving someone bad news. You have to be honest and straightforward. It’s also something you should do in person—I would never do it by email. Clients want to see your face and know that you’re empathetic and sympathetic, and understand where they’re coming from. I’ve always conveyed to my clients that their problem is my problem and that we’ll work together as a team and get it right, no matter what.

It’s important to also present a solution and help them feel hopeful. So, you start by setting out the fact pattern, explaining how and why they got into the situation, but then you reassure them that you have solutions in place. You tell them, “Let’s analyze this and see what you need and how we can move forward.” It also depends on the client; each one is different, so you have to know your audience. Over the years, as we develop relationships with clients, you figure out how to be diplomatic with them; you get to know the personality you’re dealing with.

tbadgley@bkcpa.com

CATHERINE M. CENSULLO  |  WESTCHESTER CHAPTER

When there’s bad news, it’s important to keep the client apprised of what’s going on. Maybe it has something to do with the economy or the stock market; whatever the case, you want to make sure they’re aware of what’s happening and what the impacts are to them. So, it’s really a matter of looking at things from a planning perspective. How does what’s happening impact them, and what can we do so that it can have the best impact? What do we need to do? It may be reassessing their asset reallocation or maybe doing an updated tax plan to see if they need to be approaching their tax strategies differently. You also want to make sure that they view the situation from a long-term perspective. You need to impress upon them the importance of staying the course and thinking about their long-term goals, rather than just reacting to a short-term problem.

In most scenarios, the CPA should already be having an ongoing dialogue about that with the client. For example, I had a tax client who was considering buying into an assisted-living facility. She had not yet sold her house and had a reverse mortgage that needed to be repaid. But when we sat down and looked at the financials, I told her that she couldn’t afford to commit to the assisted-living unit because she hadn’t sold her house at that time and could not afford to carry both places. She would have moved forward if we hadn’t spoken about it.

catherine.censullo@cmccensullo.com
### FAE LISTINGS

**JULY 8, 2013, TO JULY 30, 2013**

**AICPA Pricing Schedule**

For AICPA-developed courses, the following pricing schedule applies.

<table>
<thead>
<tr>
<th>If you are:</th>
<th>8-hour course</th>
<th>16-hour course</th>
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<tbody>
<tr>
<td>A member of both AICPA and NYSSCPA:</td>
<td>$305</td>
<td>$475</td>
</tr>
<tr>
<td>Only a member of the NYSSCPA:</td>
<td>$335</td>
<td>$535</td>
</tr>
<tr>
<td>Only a member of the AICPA:</td>
<td>$430</td>
<td>$600</td>
</tr>
<tr>
<td>A member of neither AICPA nor NYSSCPA:</td>
<td>$460</td>
<td>$660</td>
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</table>

For 4-hour courses, see course description for price information. For details, refer to the registration information on www.nysscpa.org.

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### MANHATTAN/BRONX

**ACCOUNTING**

**07/08**

Locatello’s Not-for-Profit Industry Update and Major Accounting and Disclosure Issues

This program provides a 2013 update of the issues at the forefront of the industry. Participants will be able to apply these issues faced by not-for-profits which will help them to assess risk, recognize and deal with accounting and disclosure issues affecting their clients, prepare complete and accurate financial disclosures, and enhance transparency in financial reporting.

AC/8 34119411

FAE Conference Center

Locatello Associates

$335/$460/$305/$430

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### BUFFALO

**TAXATION**

**07/26**

Financial Forecasting and Decision Making

This course is designed to give participants an in-depth view of how projected financial statements are prepared and used. Participants will learn the differences between budgeting and forecasting, and will examine ways to determine a company’s maximum sustainable growth as well as predict its external funds requirements.

T/8 32497481

Buffalo Marriott Niagara

AICPA

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### ROCHESTER

**SPECIALIZED KNOWLEDGE AND APPLICATIONS**

**07/12**

Negotiating Skills for Finance

The ability to negotiate is a skill that grows with practice. This workshop will teach you the critical skills needed to ensure confidence during negotiations. This workshop will also help you develop an understanding of negotiation as a leadership tool. It will show you how to negotiate through various personality issues, and will demonstrate how to develop meeting environments that lead to “win/win” outcomes.

SK/8 32205471

Holiday Inn Rochester Airport

AICPA

$335/$460/$305/$430

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### NORTHEAST

**ACCOUNTING**

**07/17**

CFOs, Controllers, Treasurers and Financial Professionals Conference

AC/2, AD/5, T/1 25269411

New York City Bar Association

Foundation for Accounting Education

$385/$510

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**07/16**

FASB Industry Review

This overview of recent FASB pronouncements provides CPAs in corporate management with a high-level approach to financial reporting issues. Utilizing detailed descriptions and examples of the implementation of new standards, this course instructs participants on how to assess new and recent FASB guidance that have a major effect on all industries.

AC/8 32196441

Albany Marriott

AICPA

$335/$460/$305/$430

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### TAXATION**

**07/16**

Essential Skills for Finance

In order to respond to the challenges of a difficult economic environment, this course will teach you how to establish innovative techniques, manage the financial and cultural issues associated with long-term programs and acquisitions, and continuously improve the organization’s competitive position.

T/8 32196441

Holiday Inn Rochester Airport

AICPA

$335/$460/$305/$430

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### SUFFOLK

**ACCOUNTING**

**07/22**

FASB Industry Review

This overview of recent FASB pronouncements provides CPAs in corporate management with a high-level approach to financial reporting issues. Utilizing detailed descriptions and examples of the implementation of new standards, this course instructs participants on how to assess new and recent FASB guidance that have a major effect on all industries.

AC/8 32196421

Melville Marriott Long Island

AICPA

$335/$460/$305/$430

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and recent developments. Participants will receive information about current and emerging accounting guidance. This course provides attendees with information on the basics of accounting, which accounting standards are acceptable, which financial statements should be presented, and which disclosures are required. AC/8 32204421
Melville Marriott Long Island AICPA $335/$460/$305/$430

ETHICS

07/24 FAE’s Ethics Update 2013 This course gives you a basic understanding of the fundamental concepts underlying your ethical responsibilities and increases your awareness of critical standards and regulations. The course focuses on New York State (NYS) Education Law, Rules of the Board of Regents, and Regulations of the Commissioner of Education (NYS Regulations), but also addresses the myriad rules and regulations of the AICPA, Government Accountability Office (GAO), Department of Labor (DOL), and the Securities and Exchange Commission (SEC).
E/4 21277422
Melville Marriott Long Island Foundation for Accounting Education $170/$235

TAXATION

07/08 Essential Skills for Finance In order to respond to the challenges of a difficult economic environment, this course will teach you how to establish innovative techniques, manage the financial and cultural issues associated with long-term programs and acquisitions, and continually improve the organization’s competitive position.
T/8 32195421
Melville Marriott Long Island AICPA $335/$460/$305/$430

07/15 Critical Skills in Budgeting Learn how to build a set of decision-making processes early and how to use them to make smart allocation choices that benefit the entire organization. By evaluating your current methods, you should develop your budgeting and planning to a high level and solve many high-level budget problems after attending this workshop. Create budget action plans, cost initiatives, and a process for calculating the return on investment for expenditures and head count increase.
T/8 32398421
Melville Marriott Long Island AICPA $335/$460/$305/$430

SYRACUSE

ACCOUNTING

07/29 FAE’s Accounting Update 2013 This course provides attendees with information about current and emerging accounting guidance and recent developments. Participants will receive an overview of new and proposed relevant accounting guidance issued by FASB along with practical application of these Accounting Standards updates through a variety of discussions and questions.

AUDITING

07/23 Applying A-133 to Nonprofit and Governmental Organizations This course will help you plan for audits of governmental and nonprofit entities under A-133. It will also help you understand the relationship of these requirements to GAAS, Government Auditing Standards and the Sarbanes-Oxley Act Amendments.
AC/8 32294431
Doubletree Hotel Tarrytown AICPA $335/$460/$305/$430

WEB EVENTS

ACCOUNTING

07/09 Functional Expense Reporting and Allocation by Not-for-Profit Entities (WEBCAST) AC/1 35111442
Foundation for Accounting Education $45/$70

07/09 UPMIFA and Accounting for Endowments (WEBCAST) AC/2, AD/5, T/1 35269411
Foundation for Accounting Education $285/$410

WEBINARS

TAXATION

07/11 Nuts and Bolts of Expat Taxation (WEBCAST) T/2 37133405
Foundation for Accounting Education $45/$65

07/17 CFOs, Controllers, Treasurers and Financial Professionals Conference (WEBCAST) See course listing under Accounting

07/23 Nuts and Bolts of 1040NR Preparation (WEBCAST) T/2 37133405
Foundation for Accounting Education $45/$60

07/24 Closely Held and Flow-Through Entities Conference (WEBCAST) T/8 35602411
Foundation for Accounting Education $280/$410

ADVISORY SERVICES

07/17 CFOs, Controllers, Treasurers and Financial Professionals Conference (WEBCAST) See course listing under Accounting.

SPECIALIZED KNOWLEDGE AND APPLICATIONS

07/09 UPMIFA and Accounting for Endowments (WEBCAST) See course listing under Accounting.

07/17 CFOs, Controllers, Treasurers and Financial Professionals Conference (WEBCAST) See course listing under Accounting.

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**Nichols’ Notes: Tax-Exempt Organizations**
Thursday, June 20, 2013, 1:00–3:00 p.m.

**IRS Practice and Procedures Conference**
Wednesday, June 26, 2013, 8:50 a.m.–5:20 p.m.

**Private Company Accounting and Auditing Conference**
Thursday, June 27, 2013, 8:45 a.m.–5:00 p.m.

**UPMIFA and Accounting for Endowments**
Tuesday, July 9, 2013, 12:00–2:00 p.m.

**Functional Expense Reporting and Allocation for Not-for-Profit Entities**
Tuesday, July 9, 2013, 2:30–3:30 p.m.

**Nuts and Bolts of Expat Taxation**
Thursday, July 11, 2013, 8:30–10:30 a.m.

**CFOs, Controllers, Treasurers and Financial Professionals Conference**
Wednesday, July 17, 2013, 9:00 a.m.–5:10 p.m.

**Closely Held and Flow-Through Entities Conference**
Wednesday, July 24, 2013, 8:20 a.m.–4:50 p.m.

**Nuts and Bolts of 1040NR Preparation**
Thursday, July 25, 2013, 8:30–10:30 a.m.

To register, and for more information on these Web Events, please visit [www.nysscpa.org/e-cpe](http://www.nysscpa.org/e-cpe).