NYSSCPA warns against changing definition of ‘fiduciary’

BY CHRIS GAETANO
Trusted Professional Staff

The NYSSCPA is urging Sen. Kirsten Gillibrand (D-N.Y.) to cosponsor a bill that would protect CPAs from being considered fiduciaries, that is, as someone responsible for the administration of property owned by others, under the Employee Retirement Income Security Act (ERISA). The Society made its appeal in a letter addressed to the senator on Aug. 16.

The bill, S.1232, was written in response to a proposed rule change from the Department of Labor (DOL) in 2010 that would expand the definition of fiduciary to mean one who provides investment advice to pension plans for a fee or other compensation. The DOL proposal is intended to protect plans, participants and beneficiaries from conflicts of interest, according to a press release issued at the time. The letter stated that the current rules inappropriately limit its ability to do so.

The NYSSCPA expressed its general support for a series of AICPA proposals regarding audit data, the simplification and clarification of compilation and review standards, and the association’s ethics standards, in three comment letters published in August and September.

The letter regarding ethics standards, which was drafted by the Society’s Professional Ethics Committee, was in response to the AICPA exposure draft Proposed Revised and New Interpretations and Proposed Deletion of Ethics Rulings, which was released in June. The draft is intended to address a perceived inconsistency within Interpretation 101-3, regarding the independence of the CPA.

Specifically, the AICPA is proposing to add a provision to its ethics rules that would emphasize how providing multiple non-attest services to a client could increase the significance of threats to independence, even if each individual service does not, itself, impair independence. The NYSSCPA, in its comment letter, expressed support for this addition, agreeing that the cumulative effect of providing multiple non-attest services can be problematic with regards to independence if there are not multiple safeguards to eliminate or reduce such a threat.

For example, the letter said, if a CPA provides multiple non-attest services to an attest client, it could be construed that the attest client has a dependency on the CPA. Conversely, based on the aggregation of non-attest fees, a CPA may lose or may be perceived to lose his or her objectivity.

“CPAs would be required to abandon the current purpose of their appraisal-attempting to find the most likely fair mar...

See Fiduciary, on page 4

Experts talk health reform at breakfast briefing

BY CHRIS GAETANO
Trusted Professional Staff

Though the Patient Protection and Affordable Care Act (PPACA) was signed into law in 2010, many of its more sweeping effects have yet to be implemented and, indeed, legal challenges made it uncertain whether major parts of the act would be implemented at all. The Supreme Court upheld the constitutionality of the reform act, for the most part, in June; however, GOP presidential candidate Mitt Romney has promised to repeal the law if he is voted into office. Whatever the outcome, the PPACA is leading to big changes in many areas of the economy.

The Society’s letter, however, warned that this might hold negative consequences for CPAs because their valuation activities in service of employee stock ownership plans could cause them to fall under the definition of a fiduciary, which would lead to a shift in the fundamental nature of their activities with such plans.

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For example, the letter said, if a CPA provides multiple non-attest services to an attest client, it could be construed that the attest client has a dependency on the CPA. Conversely, based on the aggregation of non-attest fees, a CPA may lose or may be perceived to lose his or her objectivity.

“If the practitioner provides too many permissible nonattest services, the cumulative effect may cross the line in the eyes of the DOL that the client is a fiduciary with respect to the retirement plan,” the letter stated.

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See Breakfast Briefing, on page 4
Society leaders met in Albany during September for the NYSSCPA’s first annual Governance Forum. As a focused event attending to the business of running the Society, the Governance Forum brought together members of our Board of Directors, FAE trustees, chapter presidents-elect and Political Action Committee trustees. By consolidating these important face-to-face meetings into two days, we were able to achieve significant cost savings and also create a streamlined and efficient program, allowing attendees to exchange ideas and build a rapport with one another through networking opportunities and targeted work sessions.

Attendees were armed with information on upcoming legislative issues the Society will be addressing, and resources to bring back to members at home. Incoming chapter presidents-elect received tips on chapter business and picked up some lessons on leadership from past president of the NYSSCPA, past president of the NYSSCPA.

The forum also featured an enhanced focus on the importance of the NYSSCPA’s Political Action Committee, which allows the collective voice of the NYSSCPA to be heard in Albany. (For more information on the PAC, talk to your chapter trustee, listed on the nysscpa.org website under the Government Affairs tab.)

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Newsmaker: Kevin R. Law, Bureau of Conciliation and Mediation Services director

BY CHRIS GAETANO

Trusted Professional Staff

CPAs engaged in a tax dispute with the state are likely to become familiar with the Bureau of Conciliation and Mediation Services (BCMS). An independent unit that reports directly to the commissioner of the New York State Department of Taxation and Finance, it was created to resolve taxpayer disagreements with bills or notices in a less costly and less formal setting than tax court. Though it’s not mandatory—CPAs can elect to go straight to the Division of Tax Appeals for a hearing—some 90 percent of all cases start here, with the bureau seeing upwards of 6,000 cases a year. Trusted Professional staff writer Chris Gaetano recently spoke with Kevin R. Law, BCMS director since 2011, about the ins and outs of the bureau and how it’s adapting to address taxpayer concerns.

What are the bureau’s biggest priorities right now and what is it doing to meet them?

My first priority is to move cases faster through the pipeline and, along with that, get them fully resolved at BCMS. Or, if they cannot be resolved, to narrow the issues that need to be addressed at the Division of Tax Appeals. Tax Appeals has quite a backlog of cases, and adding to it isn’t anyone’s best interests—not the state’s, not the taxpayer’s, not the tax department’s. The second priority is to have online filing capability, which we are testing right now. It should be up in a couple of months. As long as the taxpayer has an online service account, they would have access to a portal, and they can fill out a form, file a request for a conference online. The third priority is just to make sure that we give all taxpayers a fair shot if they get statutory notice they don’t agree with. The feedback we’re receiving now is very positive. When I first came on board, the feedback that the commissioner, the executive deputy commissioner and I were receiving was that BCMS was merely a rubber stamp of the audit division. While we are part of the tax department, BCMS is independent. We don’t report to the audit division—we report directly to the commissioner.

Were any changes made in response to that criticism?

I’ve spoken to the bureau’s mediators and told them, first and foremost, our job is to mediate a resolution. But if a resolution can’t be reached, then you are to make a decision. If you feel the tax should be sustained, then sustain it; if you feel it should be modified, then modify it; if you feel it should be cancelled, then cancel it. The mediators are the ones there to make the decision, not the auditors, not the taxpayer. They are to listen, keep an open mind and take the law and facts and principles of justice and equity into account, but they must make a determination. We’ve also gotten a lot of cooperation from the audit division. The director, Nonie Allison, has instructed her staff to be more amenable to resolving matters at the conference level because, as we said, it makes no sense to have these cases move any further than BCMS, although I understand that some just can’t be resolved for whatever reason.

What is the most common type of case that your department mediates?

About 45 percent of them are income tax cases, another 45 percent are sales tax cases, and the rest are a mix of corporate franchise and miscellaneous tax cases. Most of the cases that get resolved prior to conference are income tax cases, generally your desk audit type cases, itemized deductions, etc. The ones we see more of are your sales tax field audit cases. We see quite a bit of audits of bars, restaurants, delis—your typical cash-based businesses where taxpayers do not have books and records or adequate books and records, so the auditor is forced to resort to an indirect methodology.

How long does a mediation typically last?

Historically, it has taken us about three to four months to get a conference scheduled and assigned to a conference, and then two or three months after that to actually get some sort of resolution. Right now, we’re looking at two or three months to get a case scheduled, but it also depends on the case and the location as well. If it’s a case that’s in the new MetroTech area regional office, they won’t be out at two months, but a little longer than that.

What are some of the things you’re doing to speed up the process?

We try to get through cases a little faster as a matter of principle. We keep certain cases on a hold in the hopes that the audit division would resolve them without a conference. Human nature being what it is, sometimes taxpayers will ignore requests but then make them more of a priority once there’s an actual statutory notice out there with a dollar amount on it. That’s generally when a lot of information the audit division was initially looking for gets produced. Historically, we kept some of those cases on hold for a few months before scheduling, but we’ve cut that time in half. We’ve spoken with the audit division and said, this is what we’re going to do and let’s see if we can work together to get these things resolved.

How involved, generally, are you with cases?

There are 6,000 to 7,000 cases coming in, so I’m not involved in every one of them, but I have an open door policy if the mediators want to talk about a case. They are then to report back to me and the third priority is just to make sure that we give all taxpayers a fair shot if they get statutory notice they don’t agree with. The mediators are the ones there to make the decision, not the auditors, not the taxpayer. They are to listen, keep an open mind and take the law and facts and principles of justice and equity into account, but they must make a determination. We’ve also gotten a lot of cooperation from the audit division. The director, Nonie Allison, has instructed her staff to be more amenable to resolving matters at the conference level because, as we said, it makes no sense to have these cases move any further than BCMS, although I understand that some just can’t be resolved for whatever reason.

While speaking at a recent conference, Tax Commissioner Thomas H. Mattix said that the majority of cases that go before BCMS usually end up in favor of the taxpayer while, in contrast, the majority of those that go before the tax court usually end up in favor of the state. Why would you say this is so? Is it a difference in approach?

We’re going to try to resolve as many cases as possible at BCMS. We resolve almost all the easy cases and most of the tough cases. The ones that don’t get resolved—meaning either fully sustained or [where] there’s a modification that’s not good enough in the taxpayer’s mind—are going to tax appeals. That’s a very formal process, like court. Rules of evidence don’t generally apply, but there’s a court stenographer; you have to enter evidence into the record; there’s testimony, briefs, etc. and the burden of proof needs to be clear and convincing. If there are questions, generally, tax appeals will find the taxpayer did not meet the burden of proof.

Are the mediators mostly people with tax backgrounds?

Well, all of them were team leaders, which is not your first-line auditor, but they were supervising auditors and similar types of cases coming through. Sometimes, we’ll see cases we think aren’t in the best interests of the tax department, the state or taxpayers, and ask why do we keep getting these types of cases? We can work with the time that we will use to report back to the commissioner and the director of the audit division and say, here’s what we’ve been seeing, we don’t think this is either legally correct or we don’t think it works, and may someone should look at that and some new procedures should be set. Though we’re not bound to the audit division and we report to the commissioner, to an extent, we are involved in some of the policy making.

Can you give an example?

We were concerned with the earned income tax credit cases. With a lot of the taxpayers who were eligible for earned income tax credits, it seemed to us that the audit division was taking a very hard-and-fast rule on what was acceptable as far as documentation for proving income or expenses for dependent childcare credits. So, I went back to the commissioner with the taxpayer rights advocate, and a few changes were made. Right now, there is no taxpayer rights advocate, but the office is still functioning, so I will talk to staff there as well about cases.

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What’s one thing that every CPA should know about BCMS?

One thing everyone should know is that the time frames are absolute. On that statutory notice, there will be a time frame within which you must either request a conference or file a petition for tax appeals. One day late is not good enough. That’s the biggest thing; we see a lot of cases where the taxpayer does not file timely for whatever reason.

Kevin R. Law

Cgaetano@nysscpa.org

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plans bought on the health insurance exchanges shall be used as a one-stop shop for buying health insurance, with the health insurance exchanges only acting as insurance agents. They will not be able to sell policies directly to individuals, but will instead work with insurance companies to provide plans that meet consumers’ needs. The health insurance exchanges are intended to provide a one-stop shop for buying health insurance, with the ability to compare plans and prices from different providers. The exchanges are designed to make it easier for consumers to find the best plan for their needs and budget. The NYSSCPA has plans to eventually adopt the AICPA’s Code of Professional Conduct, as well as the NYSSCPA’s Technology Assurance Committee to evaluate the information technology infrastructure, which will have more patients but will also need to control costs in the face of far more medical device manufacturers and testing laboratories, because the impression people have is that there is too much costly testing in the system right now. Less clear, he said, are how things will work out for small businesses, due to the taxes and penalties that are matched with lower premiums, theoretically, as well as hospitals, who will have more patients but will also be more tightly regulated and controlled.

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The full impact of the health care reform law remains to be seen, Lifsone said. “Things could change,” Lifsone said. “There are some things in this law that could lead to negotiation at a later date.”

“In the meantime, CPAs and advisers will need to create links with subject matter experts to navigate this responsibility,” he said, in much the same way as a practitioner might reach out to a fast-in, first-out expert if she takes on an auto dealer as a client. Bell agreed, saying that people need better education on the standards, small business tax credit, which, he added, not enough people know about.


cgaetano@nysscpa.org

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cgaetano@nysscpa.org
IRS unveils a more user-friendly website

BY CHRIS GAETANO
Trusted Professional Staff

Just in time for the final deadline of tax season, the IRS has unveiled the latest incarnation of its website, IRS.gov, with features the agency said had been designed to better reflect how people typically use the site, as well as deliver services at a faster pace.

The changes are part of an estimated $320 million the IRS intends to spend on its website over the next decade. According to a U.S. Government Accountability Office (GAO) report released last December entitled, “2011 Tax Filing: Processing Gains, but Taxpayer Assistance Could Be Enhanced by More Self-Service Tools,” use of IRS.gov has grown significantly over the past few years: The site recorded 250 million visits in 2011, vs. 168 million visits in 2007. Yet, the IRS has said that the site’s search capabilities will evolve as it is used more, and the agency identifies content to tag and deliver in search results.

In addition, the revamped site includes social media functionality, which will allow the IRS to share the latest information on tax changes, initiatives, products and services, and will feature YouTube videos, Twitter updates and podcasts. It also has non-English support on each of its pages for speakers of Spanish, Chinese, Korean, Vietnamese and Russian.

The GAO report criticized the IRS’s online strategy for not allowing taxpayers to access account information, but that component remains unchanged with the redesign. Several Society members said they were excited by the ease in navigation that the revamped website offers, including David Sands, a member of the Tax Division Oversight Committee. Sands said he’d thought that the older version had been “a little behind the times,” as it didn’t provide as many options on a page and required a number of clicks to get through.

“I like that it brings you a lot more quickly to the area you’re looking for … so that you don’t have to drill down as much, and that it gets to the most frequent issues that need answers,” he added.

Still, Jeffrey Gold, chair of the New York, Multistate and Local Taxation Committee, pointed out that the transition hasn’t been completely seamless, noting that, as of press time, some links, such as “Pros,” go to different pages depending on whether one clicks the screen or uses the drop-down menu. He also noted that the search function is still difficult to navigate and not very intuitive. The IRS has said that the transition to the website might cause some links to be out-of-date.

For More Information and to Register for This Conference: Visit www.nysscpa.org/nytax or call 800-537-3635.

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

cgaetano@nysscpa.org
BY RICHARD J. KORETO
Trusted Professional Correspondent

The New York State Department of Taxation and Finance (NYSDTF) recently announced three proposals and two adoptions on a wide range of tax issues, including fuel use tax regulations, real property tax administration, franchise taxes and hotel use. For the proposals, the department is inviting commentary from interested parties through October; summaries of the proposals as well as instructions for commenting by email or by printed letter are available at www.tax.ny.gov/rulemaker.

The end of the one-week rule

In this proposal, the state is suggesting the elimination of a one-week stay test that was used as one of the factors to determine whether the rental of a bungalow or similar living unit was subject to sales tax, according to a description on the NYSDTF’s site. As the department’s summary says, previously, a one-week test was used to determine whether the rental of a bungalow or similar living unit was essentially a “hotel occupancy” and, thus, subject to sales tax, or was to be considered the rental of real property, which is not subject to sales tax.

Earlier, a Division of Tax Appeals administrative law judge had struck down this test, and the department decided not to fight it but to incorporate the change into state tax law. (Visit our website, www.nysscpa.org/trusted prof, for more on this ruling.) This proposal is open for comments, but the summary notes that objections are not expected “because it merely repeals a regulatory provision that is no longer applicable to any person. …”

Leo Parmegiani, a member of the Hospitality Industry Committee, said that the ruling and regulation had to do with the line drawn between a rental space and a hotel space, which was why there had been a cutoff when it came to differentiating between the two. While he wasn’t certain what the effects of the proposal would be, he said that it would ease one more administrative burden on the hotel industry.

“It’s a policy to administer. … The state forces you to collect it until that time frame passes, then it becomes a credit,” he said. The NYSDTF is also using this opportunity to make the regulatory language more politically correct: References to hotel “maid services” are being changed to the gender-neutral “housekeeping services.”

Real property: new administrative changes adopted

According to the NYSDTF’s summary, Part W of Chapter 36 of the Laws of 2010 transferred various responsibilities relating to real property tax administration from the New York State Board of Real Property Services and the Office of Real Property Tax Services to the Commissioner of Taxation and Finance. Therefore, certain rules had to be renumbered, obsolete references had to be corrected and various other technical changes had to be made, according to the summary.

Among the terms included in definition changes are “arm’s length transfer,” which has been changed to conform to current forms and procedures, according to the summary, as well as “certified counties” and “certified school districts.”

Franchise taxes: a technical mix

These proposed changes are a hodgepodge of alterations. Some are mere code renumberings with relatively minor technical changes, but a few could be more significant. The NYSDTF is proposing—

• to amend section 3-2-2 of the regulations to eliminate language relating to foreign sales corporations (FSCs) because the corresponding Internal Revenue Code provisions relating to FSCs have been repealed,

• to delete language which provides that a foreign corporation not subject to tax will not be required to be included in a combined report unless inclusion is necessary to properly reflect the tax liability of one or more taxpayers in the group because of various reasons, outlined in the regulations (an example is given); and

• to add new language providing that where a corporation’s taxable year differs from that of the taxpayer parent, the applicable taxable year to be included in the combined report is the taxable year that ends within the taxable year of the taxpayer parent.

Fuel tax: adopted and proposed

These final and proposed changes relate to the sales tax component and the composite rate-per-gallon of the fuel use tax on motor fuel and diesel motor fuel for the third quarter of 2012, as well as possible rates for the fourth quarter.

The NYSDTF is keeping it simple: The adopted rules for the third quarter show that there are no rate changes from the second quarter, and the proposed rules for the fourth quarter show that the department is not planning on changing them going forward either. However, anyone who disagrees with the lack of changes in the fourth quarter is welcome to comment.

For More Information and to Register for This Conference: Visit www.nysscpa.org/banking or call 800-537-3635.

This is an FAE Paperless Event. Visit www.nysscpa.org for more information.
PCAOB looks to improve relations between audit committees and auditors

BY CHRIS GAETANO
Trusted Professional Staff

A pair of releases from the Public Company Accounting Oversight Board (PCAOB)—one a discussion paper aimed at audit committees, the other a standard aimed at auditors—looks to improve the quality of communications between the two on both sides of the conversation.

The publications, “Information for Audit Committees About the PCAOB Inspection Process” and “Communications with Audit Committees,” were put out in August. The former presents audit committee members with a primer on topics and issues they might wish to raise with auditors, while the latter creates new rules for what auditors must communicate to audit committees.

“Communications between the auditor and the audit committee allow the audit committee to become a well-informed party on accounting and disclosure matters, including the auditor’s evaluation of matters that are significant to the financial statements,” said PCAOB board member Jeanette F. Franzel in a statement of support for the new standard. “An informed and engaged audit committee will be better equipped to execute its oversight responsibilities.”

The Society voiced its own thoughts on the matter when the standard was first proposed. In a comment letter published on Feb. 28, 2012 and drafted by members of the Auditing Standards, Stock Brokerage and SEC Practice Committee, it voiced overall support for the proposal, noting that “audit committees fulfill an important role in enhancing audit quality and that this standard appropriately recognizes their contributions in this regard.”

On the auditor side, the new standard is the result of years of deliberation and outreach, it was first proposed in 2010 and then reproposed in 2011. It defines what an audit committee actually is—a committee or equivalent body established by a company’s board to oversee the accounting and financial reporting process—and expands the number of points that an auditor is required to go over with that committee.

For example, under AU sec. 310, the auditor is required to establish an understanding with the client regarding the services to be performed. But under the new standard, the auditor must establish an understanding of the terms of the audit engagement itself with the committee, and record them in an engagement letter.

The new standard also expands the required communications outlined in AU sec. 380 by requiring the auditor to talk with the committee about the company’s accounting policies and practices, the quality of the company’s financial reporting, information related to significant unusual transactions and the business rationale behind them, and any identified concerns about significant accounting or auditing matters that arise when management consults with another accountant.

In addition, auditors are required to communicate, among other things, an overview of the overall audit strategy, information about the nature and extent of the specialized skill needed in the audit, difficult or contentious matters and other matters that the auditor deemed to be significant to the oversight of the financial reporting process.

Anthony S. Chan, past chair of the SEC Practice Committee who also sits on its PCAOB subcommittee, said the new standard doesn’t represent a radical departure from what auditors have typically done in the past. As a practical matter, he said, most auditors already include such communications in their quarterly discussions and communications with audit committees.

For most auditors, it should not be a big change, as such communications have been conducted informally and orally during the quarterly discussion with the audit committee, he said. “It has [just] been formalized and written down.”

Steven Kreit, who is also on the committee and serves as an audit partner in his firm, made a similar assessment, noting that what the standard does is require that which had been previously offered by auditors on a voluntary basis. However, he said it will still be helpful, particularly for new audit committee members who may not be as experienced in interacting with auditors as some of their more seasoned colleagues.

“If [will] spur important conversations between audit committees, the board and auditors,” he said. “That’s a positive [that] I don’t think adds a significant burden to anyone. So it’s a lot of good without a lot of bad.”

The exception, he said, is the requirement that auditors discuss significant and unusual transactions and the business rationale behind them, which, he said, strays from what the auditor’s role generally is. It is the company that determines the business rationale, not the auditor, he pointed out.

“The auditor can certainly relay to the audit committee what management has told them, but … there’s not really a lot there that the auditors can add insight into because we’re not part of the decision-making process,” Kreit said. “So, that might be one area where the PCAOB is asking auditors to go beyond the scope of what they had [done] in the past.”

Empowering audit committees

On the audit committee side, “Information for Audit Committees About the PCAOB Inspection Process” was intended to be a primer for audit committee members on communicating with auditors, particularly about the PCAOB inspection process and their audit firms’ performance within it.

The document explains the nature of the PCAOB inspection process, including how it is performed and what the report on the inspection includes, and suggests possible questions that audit committee members can ask the auditor about it. For example, it says that audit committee members can ask whether the PCAOB identified deficiencies in the audit process, whether the firm agreed with the PCAOB’s findings, and if not, why and what topics are included in the Part II findings.

The purpose of the document, PCAOB Chair James R. Doty said in a press call when it was released, is to empower audit committee members, who have told the PCAOB that they desire more substantive and complete discussion with their auditors, by "giving them a primer on communicating with auditors, particularly about the audit firm," Doty said. "That's a positive that I don't think adds a significant burden to anyone. So it’s a lot of good without a lot of bad."
Temporary regulations change thinking on capitalizing expenses

BY CHRIS GAETANO
Trusted Professional Staff

Temporary regulations change thinking on capitalizing expenses

...Much of the new equipment [companies] got, [they] expensed, but now we’re in 2012 and it’s 50 percent this year.

— Anthony F. Dannible, Closely Held and S Corporations Committee member

For example, Dannible said, imagine that you’re putting a new roof onto a building. That would appear to be a betterment, meaning that it would have to be capitalized. If instead of a new roof, a significant portion of the old roof was repaired, it would still be considered a materially significant betterment and would be capitalized. However, if...
State Medicaid to undergo paradigm shift

BY CHRIS GAETANO
Trusted Professional Staff

ough New York State Medicaid Director Jason Helgerson has already made significant changes to the state’s public health system, netting billions in cost savings in the program during the last budget cycle, he’s not done by a long shot, he said in a speech at the NYSSCPA’s Healthcare Conference Sept. 13.

Helgerson, who delivered the conference’s keynote address, said that New York’s public health system faces considerable challenges—the state is the largest purchaser of medical services in the country, and Medicaid makes up one-third of its budget.

While he acknowledged that Medicaid has often been a “political football,” he said that the problems it faces in the state have made Albany eager to work with him to improve the system. Moreover, the Affordable Care Act, upheld by the Supreme Court this past summer, has sparked an overall national climate of reexamining health care.

Still, changing the system has never been, nor will it be, easy, he noted. “We not only have the largest program in the country but one of the most complex, so it’s not something you can turn on a dime,” he said.

According to Helgerson, state-level reforms will come in three phases. Phase one, finding $2.3 billion in savings in the overall program budget, has already been completed and was approved as part of the most recent budget. That gives the program some breathing room to begin working on more substantive and sustainable reforms for the long term, he said. Phase two is built around a five-year plan that will focus on improving care, lowering costs and improving health.

A central part of this phase will be shifting the Medicaid program from a fee-for-service model to managed care, a “major sea change” that is intended to realign incentives to encourage cost savings among health care providers. The current fee-for-service model incentivizes a mentality of “the more I do, the more I get paid,” whereas a managed care model makes providers ask, “how can I do shared savings around better population management?” he said. Because this represents a major change not only in the structure of the program but of the mindset and culture that comes with it, Helgerson said that “it can take generations,” and the state will need additional resources to help facilitate the transition among providers.

The switch to a managed care paradigm will essentially mean that the state Medicaid program will operate similarly to private health plans and, similar to what states like Arizona have already done, offer a variety of prepaid health care plans.

Annmarie Covone, a conference speaker who gave a presentation on the future of long-term care, said that the state has already been talking a lot about managed care with providers, noting that it “is really the buzzword now in long-term care.”

“The environment is changing [and] remuneration will change as time goes on,” she added. Managed care, she explained, deals with what she called “capitation,” which is a fixed monthly payment to a managed care organization for each member enrolled in the health plan. This means that “we don’t look at days and rates; we look at per member per month,” she said. Within this capitated payment structure, the provider must administer all medical services for each individual, whether it be nursing or hospital care or X-ray labs, or even support services like transportation and nursing homes—all with the allotment given by the state each month.

This, she said, shifts risks from the payer, as it is under a fee-for-service model, to the model, as it is under the managed care model. She said that the focus of long-term care is the member health status over the long term, which means oversight of chronic conditions, and providers will have to actively manage that patient’s care or else their risk will increase. This is contrasted with fee-for-service, which has episodic payments.

This active management of patient health is a major component of the overall reforms that Helgerson is seeking. He noted that a minority of patients, often with chronic illnesses, account for the majority of health care costs. This means that by actively managing the “most complex” patients, care can be improved, while significant cost savings for the rest can be made. Active management, though, will come with providers coming accountable for managing the needs of Medicaid’s highest cost patients. To give an idea of what kinds of costs are involved, he said that the 100 most expensive Medicaid patients cost about $54 million—roughly a half million dollars per person.

“If we can find some way to get these individuals moving in the right direction for the basic services we pay for, we can improve the qualities of their lives and lower costs,” he said.

In order to incentivize health homes to focus on these patients, he said that each of these organizations will not only be paid care payments, but if they are successful in lowering the costs of these individuals, they will be able to share in the savings generated.

“It’s a change in philosophy in how to pay for health care [that is] much more focused on outcomes than inputs, and we think this has merit for us moving forward,” he said.

All told, the various reforms that the state is planning to make to its Medicaid program will save the government about $17 billion over the course of the five years Helgerson estimates it will take to implement them. This leads directly into phase three, where the state will take these savings and reinvest them into the health care system itself in order to increase capacity and quality. The money will be funneled into areas such as increasing primary care services—which Helgerson said New York does not have enough of right now—health home development; technological improvements, particularly IT systems; and new care models.

The state will need these improvements if it is to be able to handle the effects of the Affordable Care Act, which he said will give insurance access to roughly 7 million New Yorkers for the very first time. The concern is that the health care workforce is not at a level to accommodate this increased demand, which, he pointed out, is what happened in Massachusetts when they implemented a similar plan.

“If we can make the system more efficient, we can free up capacity to meet that demand,” he said. “There are areas, particularly in primary care, where we do not have that capacity, and we must find a way to expand that capacity.”

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Private Company Council boasts three NYSSCPA members

BY CHRIS GAETANO
Trusted Professional Staff

n September, the Financial Accounting Foundation (FAF) appointed the first 10 members of the new Private Company Council (FASB), a standards-setting body for private companies. The roster includes three members of the NYSSCPA: Mark Ellis, a Westchester Chapter member who sits on the Chief Financial Officers Committee; Nassau Chapter member Neville Grund, a former Society vice president; and Lawrence Westrock, also from the Nassau Chapter.

The council will be chaired by Billy Atkinson, a Texan who previously served as chair of the National Association of State Boards of Accountancy.

The PCC’s main function will be to determine whether GAAP standards properly address the needs of the users of private company financial statements and, if not, to craft modifications and exceptions to these standards, which will be subject to review by the Financial Accounting Standards Board (FASB). In addition, it will also serve as the FASB’s main advisory body on matters related to private companies.

“Each of the new Council members has demonstrated a strong appreciation for the importance of independent standard-setting, and unwavering commitment toward greater clarity and well-informed decision-making in private company financial accounting and reporting,” said FAF President and CEO Teresa Polley. “Their diverse background and perspectives will provide valuable insights and leadership to the PCC and the FASB.”

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Trusted Professional Staff

SEC: public lacks financial literacy

BY CHRIS GAETANO

Most U.S. retail investors lack basic financial literacy—and their weak grasp of even elementary financial concepts is leaving them vulnerable to predatory investment fraud schemes, according to a study by the Securities and Exchange Commission (SEC).

The SEC was required to conduct the study, which was released to the public on Aug. 30, as ordered under Section 917 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The research, entitled, “Study Regarding Financial Literacy Among Investors,” was intended to not only assess how financially literate the investing public is, but to pinpoint ways in which that literacy might be improved so as to create a more informed market.

After undertaking quantitative and qualitative analyses, soliciting public comment and reviewing existing literature, the SEC’s assessment of how financially literate most people are is a bleak one: Research indicates that retail investors often do not understand concepts such as compound interest and inflation, the difference between a stock and a bond, or how investment costs impact returns. According to the report, certain demographics such as women, the elderly and the poorly educated have “an even greater lack of investment knowledge than the average general population.”

“Low levels of investor literacy have serious implications for the ability of broad segments of the population to retire comfortably, particularly in an age dominated by defined-contribution retirement plans,” the report said.

Financial professionals who work with the public share the SEC’s concerns. Catherine Censullo, chair of the Personal Financial Planning Committee, said that without the help of a professional, many investors are flying blind in the economic world and don’t seem able to make the decisions necessary to successfully manage a portfolio—if they even know which decisions need to be made in the first place.

“Many times, if they do have the advantage of some kind of retirement plan, they don’t necessarily understand the choices they have and how to diversify in a portfolio or [what] their risk-taking tolerance is,” she said. “And all those things are just very fundamental things for someone [who is] investing.”

Research indicates that retail investors often do not understand concepts such as compound interest and inflation, the difference between a stock and a bond, or how investment costs impact returns.

This same dynamic plays out even among people who may be business savvy in other ways, said Joshua DuBrow, chair of the Small Business Outreach Committee. The most common financial literacy problem when it comes to small businesses, he said, is in properly managing cash flow. Problems in this area generally occur when people wait too long to get a professional—and by the time they realize they need one, “it’s always, for the most part, too late,” he said.

In terms of investment, DuBrow explained that many small business owners have trouble because of the opaque nature of the various documents that come with it. The SEC, he said, gives investors a lot of protections by requiring myriad disclosures from filers, but the average investor has no clue what they mean.

The SEC itself makes a note of this in their report; it said that one change that could help investors understand investments better is to provide them with disclosures that are “concise, use plain language and common terminology, and incorporate some use of electronic delivery.” The report also suggested that the SEC change the timings of its disclosures, as the research indicates that investors would prefer to receive the information either before or at the time they make a decision on whether to engage a financial intermediary or purchase an investment product or service.

The report added that changes to how disclosure content is structured may also be a good way to help investors better understand what they are getting into, proposing a two-tiered disclosure framework where one layer would consist of a concise summary of the disclosure document, and the other would offer detailed information on fees and service charges, specific details of all arrangements in which the firm receives an economic benefit, and any other information needed to disclose conflicts of interest.

The report also mentioned the importance of easily accessible and efficiently delivered education programs that would be research-based and goal-oriented, emphasizing important investor education concepts that are relevant to target audiences. In particular, the report talked about creating, supporting or augmenting investor education programs targeted at young investors, lump-sum payout recipients, investment trustees, members of the military, underserved populations and older investors.

The Small Business Outreach Committee regularly holds financial education workshops, with one in particular this year catering to military veterans. DuBrow said that these sessions are meant to be an absolute beginner’s primer, with a special emphasis on learning how to ask the right questions.

“What we try to do,” he said, “is educate small business owners on the basics … not so that they learn how to do accounting and finance in one sitting, but really so they know the proper questions and can come away thinking ‘… I’ve got to reach out to an accountant or attorney or someone else because there’s no way I can do this on my own.’”

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HAA continued to perform work for PF, in spite of the company’s delinquent account. By the time HAA auditors finally learned about the bankruptcy of PF’s largest client, however, and about PF’s inability to settle its outstanding bill unless it could qualify for a higher credit limit, HAA’s fees had accumulated to over $100,000.

Loss prevention tips
• Do not allow fees to build up to the point where you can no longer walk away from them. Always include a stop-work clause in the engagement letter, and enforce the clause according to the terms in the letter.

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Good communication with a nonpaying client will either spur payment or set up circumstances that will make a potential arbitration clause for fee disputes, and make sure the letter is signed by the client. Claims experience shows that simple fee disputes are better resolved through mediation and arbitration given than through litigation. Mediation is recommended as a first step, and binding arbitration—for fee disputes only—as a second step. (Arbitration isn’t recommended for all disputes, because the limitations of the process may constrict and impair a legal defense when compared to litigation.)

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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.

BY RANDY R. WERNER, CPA, J.D., LL.M (TAX)
Q: How can I secure Microsoft Word documents?
A: There are a few basic protections that every Microsoft Word user can implement to enhance security. This includes employing the password and encryption features within the software, which Microsoft has strengthened in more recent versions, such as Word 2010. To locate them, pull down the "file" tab and select "info." You will be presented with a "protect document" prompt. Click on it to bring up a variety of access permission options that includes opening or modifying the file, to limiting further access permission options that includes removing hidden data and personal information from Office documents, available on the Microsoft website at http://office.microsoft.com/en-us/excelhelp/remove-hidden-data-and-personal-information-from-office-documents-HA010037593.aspx.

Keep in mind, however, that enforcing security on a particular document is dependent on a number of factors. For example, if the PC or server on which the document resides is not secure, it may be possible to override certain controls protecting the document. In that regard, any attempts to secure Word documents should be part of a larger, comprehensive security plan for protecting your entire computer system.

Q: My client has just been hacked. What should I do?
A: Ideally, your client has listened to your advice and has implemented the incident response plan that you recommended (see my column in the August 2012 issue of The Trusted Professional, p. 15). Unfortunately, this may not be the case, despite the profession’s best efforts to promote preventive measures.

CPAs should be very careful when providing guidance in this area. You’ll need to ensure that any instructions you provide comply with existing engagement letters and malpractice insurance carrier requirements. You may also need to consider intended future actions by the client, such as seeking criminal prosecution. To add to the challenge, responses may vary by industry and the uniqueness of the attack.

This means that your very first step should be to determine whether your client has been appropriately qualified to address the problem. Recommending that your client consult with a credentialed and experienced computer forensic professional would be an appropriate action for the majority of CPAs to take.

The National Institute of Standards and Technology (NIST) provides more detailed guidance for responding to an incident in Special Publication 800-61, Computer Security Incident Handling Guide (csrc.nist.gov/publications/nistpubs/800-61rev2/SP800-61rev2.pdf). Of particular note is the report’s incident response life cycle and its Appendix G, which provides a high-quality, one-page checklist of key actions to take, such as documenting and preserving evidence, removing malware and returning systems to an operability ready state. The Federal Trade Commission has also published incident-response guidance for businesses, “Information Compromise and the Risk of Identity Theft: Guidance for Your Business,” focusing on customer notification to minimize the impact of identity theft-related breaches. It’s available at http://www.ftc.gov/bcp/edu/microsites/id theft/business/data/breach.html. And finally, last year the Wall Street Journal published an excellent executive-level overview of some of the key steps that should be taken when responding to an incident entitled, “What to Do if You’ve Been Hacked” (online.wsj.com/article/SB100014244531190426265404756566991567148576.html).

Q: What are some of the key issues that should be included in our IT vendor management oversight efforts?
A: CPAs and their clients are increasingly reviewing IT vendor performance and the vendor’s ability to meet compliance requirements as applicable. Traditionally, vendor management oversight has been considered one of the core competencies of the financial profession, especially for those performing controller responsibilities. It is the nomenclature and complexity of IT that has challenged these professionals when overseeing IT vendors.

The good news is that the best practices used to oversee other types of vendors can also be applied to IT vendors. Start by obtaining a complete list of your IT vendors, first by asking all your managers for the names of the vendors they contract with and then reconciling those names with payments made as recorded in the financial records (e.g., accounts payable). Depending on the particular business and the industry it serves, each IT vendor represents a different risk to the business, and given the reality of resource constraint faced by all companies, efforts will need to be prioritized. For example, a health care company that is subject to HIPAA [Health Insurance Portability and Accountability Act] requirements and would therefore need to comply with the security rules of the mandate, would classify any vendor with access to patient information as a higher risk requiring more thorough oversight activities.

In many, but not all situations, a thorough examination of the IT vendor’s Service Organization Control report (especially SOC 2) can facilitate the review. Appropriate contract provisions that specify expectations as to service delivery and right-to-audit are key. Preparing contract abstracts summarizing key contract provisions can also help with oversight efforts. Moreover, understanding IT vendor plans for security breaches and business continuity can help determine if the IT vendor will facilitate business operations in a crisis situation.

Although geared to banking, the Banking Information Technology Secretariat/Financial Services Roundtable has developed an excellent contract provision list focused on IT vendors, which is available at www.bits.org/publications/vendormanagement/BITSExitStrategy0505.pdf.

Finally, though very comprehensive but not specifically focused on IT, the Defense Contract Audit Agency’s “Contract Audit Manual,” available at dcaa.mil/cam.htm, is an excellent source of ideas, when it comes to developing IT vendor performance oversight programs.

These hidden data can reveal details about your company or about the document itself that you may not want to share publicly.

BY JOEL LANZ, CPA/CITP, CFF, CISA, CISM, CISSP, CFE

Tech Q&A for Today’s CPA
The right tools for the job
An ounce of prevention and a pound of cure: how to keep sensitive documents out of the wrong hands—and help clients bounce back after being hacked

Joel Lanz, CPA/CITP, CFF, CISA, CISM, CISSP, CFE, is the sole proprietor of Joel Lanz, CPA P.C., and an adjunct professor at SUNY-College at Old Westbury. He is a member of the NYSSCPA’s Technology Assurance and Banking committees, and The CPA Journal Editorial Board. He is a past chair of the Technology Assurance Committee. Mr. Lanz can be reached at jlanc@joelanzcpa.com.

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Q: I didn’t get a promotion I think I deserved. What should my next step be?
A: First, have a talk with your manager and find out why you were passed over for promotion. What were his or her expectations? What can you do differently to better meet the criteria for the position you seek? Communication is key, so ask your manager to be candid with you. Then, schedule a time to revisit promotion talks. For instance, if a promotion can’t be instituted now, ask if a midyear promotion is possible. But be sure to come to the conversation prepared—that means bringing along supporting documentations of accomplishments, contributions and instances in which you’ve met role competencies, in order to demonstrate that you’re able to take on additional responsibilities.

If there are areas in which you must improve in order to advance, work with your manager to create a mutually agreed-upon individual development plan that outlines your goals for meeting the requirements for promotion. As you work toward meeting the goals you’ve established, ensure that your manager and his or her manager recognize that you’re working toward a promotion. Monitor your progress frequently with them to ensure that you’re on track.

If the prospect of getting that promotion with your current employer doesn’t align with your career plans, you may need to explore other opportunities. No matter what your decision, continue to develop your skill sets.

Q: One of my clients is very aggressive and takes up a lot of my time with frequent phone calls and emails. How can I set better boundaries, while still providing good customer service?
A: To ensure good client management, it’s best to set expectations and also to foster a relationship where you can speak honestly. Express your desire to provide excellent service to your client—and make it clear that, in order for that to happen, you must ask that they work with you. It may help to establish a time frame during which you’ll respond to their inquiries—for instance, scheduling a regular conference call either once daily, or one to three times a week. Explain that you will be more effective and efficient when abiding by a timeline, and that while you can still email you the items they need your guidance on, or reach you quickly if there’s an emergency, allowing you to otherwise respond at a set time will give you an opportunity to prepare, research and formulate proper guidance.

Ask your client to communicate requests and deadlines in advance, when possible. If you are going to be away for a meeting, conference or vacation, let them know so they can plan accordingly. And do not hesitate to negotiate the delivery date with the client. There is more flexibility than you know. Everything is worth a conversation.

Further, good client management is knowing which clients are worth your time and which are not. If a client is sucking up so much of your attention that the situation becomes less than profitable, you need to evaluate whether you want to keep that client. Your energy may be better spent providing additional service to existing hassle-free clients, or sourcing and contracting a new client.

Q: I excel at the technical aspects of my job but want to show my colleagues that I have strong leadership skills, too. How can I get started?
A: Volunteer! One way to hone and demonstrate your leadership skills is to volunteer for special assignments, project teams, task forces or committees. Participate in professional organization, such as the NYSSCPA, and take on leadership roles. Serve on nonprofit boards. Or offer to mentor or coach staff. A leader has self-understanding; seeks every opportunity for improvement; is proactive, forward thinking and flexible; possesses good interpersonal and relationship skills; is a solid communicator; empowers and develops others; creates, aligns, translates and communicates his or her vision; has a holistic view; and thinks strategically about business. Look for daily opportunities at your workplace or in your personal life to develop and display these competencies. And most importantly, communicate your involvement to your colleagues and managers.

Professional Development
Finding your voice
How to position yourself for a promotion, handle difficult clients and shore up your leadership skills

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WITH A WIDE-RANGING SKILL SET AND THOROUGH UNDERSTANDING OF FINANCIAL STATEMENTS, CPAS CAN PLAY A MORE ACTIVE ROLE IN THE LEGAL PROCESS.

Why It Pays for CPAs to Have a Solid Grasp of Legal Principles

BY DANIEL G. MAZZOLA, CPA, CFA

Ed note: As part of an ongoing series, The Trusted Professional will be examining ways in which the traditional role of the CPA has changed, prompting both a shift in thinking about the profession and the need to expand skills. To submit articles for consideration, email the editor at nsaunders@nysscpa.org.

Electronic documents are becoming the dominant form of evidence requested for civil and litigation purposes. The nature of digital data makes it extremely well suited to investigation. Unlike paper documents that must be scrutinized manually, digital data can be electronically searched with ease; what’s more, it’s also difficult or impossible to completely destroy, particularly if it is embedded in a network. This is because data appear on multiple hard drives and because digital files, even if deleted, can be undeleted. The only reliable way to destroy a computer file is to physically destroy every hard drive where the file has been stored.

In the process of electronic discovery, data of all types can serve as evidence. This includes text, images, calendar files, databases, spreadsheets, audio files and animations. In 2006, the U.S. Supreme Court ruled that computer files are admissible as evidence. Federal courts and most state courts allow a computer file to be admissible as evidence.

During discovery, a CPA can play a key role in an attempt to “discover” pertinent facts. During discovery, a CPA can play a key role by ensuring that important financial facts are disclosed and all relevant financial documents maintained. However, CPAs will also need to understand the changes the process has undergone in the digital age.

Discovery can include depositions of parties and potential witnesses, questions and answers written under oath, and requests for documents. The scope of information obtainable through discovery is quite broad and not limited to what can be used in a trial. Federal courts and most state courts allow a party to discover any information calculated to lead to the finding of admissible evidence.

Electronic documents are becoming the dominant form of evidence requested for civil and litigation purposes. The nature of digital data makes it extremely well suited to investigation. Unlike paper documents that must be scrutinized manually, digital data can be electronically searched with ease; what’s more, it’s also difficult or impossible to completely destroy, particularly if it is embedded in a network. This is because data appear on multiple hard drives and because digital files, even if deleted, can be undeleted. The only reliable way to destroy a computer file is to physically destroy every hard drive where the file has been stored.

In the process of electronic discovery, data of all types can serve as evidence. This includes text, images, calendar files, databases, spreadsheets, audio files and animations. In 2006, the U.S. Supreme Court amended the Federal Rules of Civil Procedure to create a special category for electronic records that, for the first time, explicitly named emails and instant messages as likely records to be archived and produced when relevant. Text messages and email can be an especially valuable source of evidence because people are less careful in these exchanges than with hard copy correspondence such as memos and letters.

Metadata, the structured information about an electronic document that is embedded in the file, can be quite valuable, too. In fact, it has become a hidden threat when releasing information to an opposing party during the discovery process. Metadata is the digital DNA of a record—the data about the data. A skillful computer technician, with minimal effort, will be able to determine from the metadata when the document was assessed, who looked at it and if it was altered from its native format. The discovery amendments of 2006 explicitly recognize the existence and discoverability of metadata, and in establishing the facts of a case, metadata can tell a great deal about a record’s integrity and its subsequent reliability as evidence.

In a critique of the legal profession, attorney and New York Law School Professor Cameron Stracher posited that “with the noble intent of leveling the playing field so that no party has an under-informed advantage, the writers of the-discovery rules created a multilevel playing field where the information-rich can kick the information poor in the head and remain unscathed. ‘Discovery’ is anything but.” While we can debate the merits of Stracher’s conclusion, we can agree that discovery, due to the advances of the digital age, is an evolving field that gives rise to multiple legal, constitutional, political, security and privacy issues, many of which have yet to be resolved.

Daniel G. Mazzola, CPA, CFA, is a registered investment adviser for American Portfolios Financial Services, Inc.
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- Dec. 13 FAE’s Tax Ethics and Tax Practice in the 21st Century (4 Ethics; 4 Taxation) 8

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**FAE Learning Center—Long Island**

**Serving CPAs in the Nassau and Suffolk Chapters**

**Seminars Scheduled at the Melville Marriott Long Island**

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<td>Nov. 1 FAE’s Compilation and Review: In-Depth Analysis Using Case Studies</td>
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FAE Seminars

FAE Learning Center—New York City

Serving CPAs in the Manhattan/Bronx, Brooklyn/Queens, and Staten Island Chapters

Seminars Scheduled at the FAE Conference Center

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FAE Seminars

FAE Learning Center—Western New York

Serving CPAs in the Buffalo, Rochester, Southern Tier, Syracuse, and Utica Chapters

Seminars Scheduled at the Holiday Inn Rochester Airport

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FAE Seminars

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Oct. 17 The Best Individual Income Tax Update Course by Sculptor McCoy 8
Nov. 9 The Best S Corporation, Limited Liability, and Partnerships Update Course by Sculptor McCoy 8

FAE Learning Center

Location
Holiday Inn Rochester Airport
BUFFALO/NIAGARA MARriott
1340 MILLersport Highway
Amherst, NY 14221-2902

OFF-SITE LOCATIONS
Dublinto Hotel (formerly the Wyndham)
6301 Route 298
East Syracuse, NY 13057

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Dec. 7 FAE’s Individual Taxation: Review and Update for Experienced Practitioners 8
Dec. 17 Sculptor McCoy’s 1040 Tax Season Survival Guide 8
Dec. 19 Preparing Individual Tax Returns for New Staff and Paraprofessionals 8

FAE Learning Center Location
Doubletree Hotel, Tarrytown
455 South Broadway
Tarrytown, NY 10591-6002

For seminar details and to register, visit www.nysscpa.org/fae or call 800-537-3635.
Celebrating FAE40: 1972 Trivia Quiz

Have some fun in celebrating the Foundation for Accounting Education’s 40th Anniversary by taking our 1972 Trivia Quiz, where you can win a complimentary registration to attend a full-day FAE CPE Conference of your choice (in person or via live webcast)!

All Quiz entries with correct answers will be placed into a drawing, and one entry will be selected for the complimentary Conference registration.

DEADLINE
The deadline for submitting your 1972 Trivia Quiz entry is December 31, 2012, so don’t delay!

ENTER
To enter and to submit your Quiz answers, visit www.nysscpa/fae40. See website for Contest rules.

TRIVIA QUIZ
1. What product was banished to the history books with the introduction in 1972 of the first scientific handheld calculator, the HP-35?

2. The first financial derivatives exchange opened in May 1972. What is it called?

3. Which Broadway show won the Tony Award for 1972 Best Musical?

4. John Hicks and Kenneth Arrow won the 1972 Nobel Prize in Economics for their pioneering contributions in what areas?

5. Increased agricultural irrigation caused which major Chinese waterway to temporarily dry up for the first time in 1972?

6. What was the name of the first video game system that went on sale in August 1972 and sold 330,000 units before it was discontinued in 1975?

7. The Godfather was released in 1972. What actor plays a Vatican accountant in Part III of the movie series?

8. Who was governor of New York in 1972?

9. Which song won the Grammy Award for the 1972 Record of the Year?

10. Who became the first Foundation for Accounting Education president when FAE was established in 1972?

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Society Executive Board Adopts Ethics Interpretations

BY DEBBIE A. CUTLER
Professional Ethics Committee Chair

In August 22, 2012, the NYSSCPA Executive Committee (EC) adopted additional modifications to the ethics of Professional Conduct (“Code”) proposed by the Professional Ethics Committee (PEC) by unanimous vote. The following is a summary of the additional modifications to the Code. There are revisions to four interpretations: 101-2—Subordination of Judgment by a Member; 102-3—Performance of Nonattest Services; 203-1—Departures from Generally Accepted Accounting Principles; and 501-1—Response to Requests by Clients and Former Clients for Records. There are also three new interpretations: 203-5—Financial Statements Prepared Pursuant to Financial Reporting Frameworks Other Than GAAP; 505-4—Misleading Firm Names; and 505-5—Common Network Brand in Firm Name, and their related modification to interpretation 102-11—Modified Application for Engagements Performed in Accordance with Standards on Statements for Attestation Engagements under Rule 101.

Revisions to Independence Interpretations

The EC previously approved adoption of AICPA Independence Interpretations under AICPA Rule 101. The Society is providing notification of recent revisions to 102-3—Performance of Nonattest Services under Rule 102. (The corresponding AICPA interpretation is 101-3.) The revisions to 102-3 added clari ty to nonattest services guidance. Some of the changes include, but are not limited to, replacing the term “management functions” with a new term, “management responsibilities.” To facilitate understanding of this new term, an explanation of what management responsibilities implies was added (the term “general activities” was deleted), and examples previously referred to as general activities are now referred to as examples of management responsibilities.

There are also additions and revisions to the examples provided that would not impair independence. The AICPA revisions also include incorporating non-authoritative guidance that was in the FAQs. The AICPA also made a technical correction to Interpretation 101-11, Modified Application of Rule 101 for Engagements Performed in Accordance with Standards on Statements for Attestation Engagements, under Rule 101, which appears as Interpretation 102-11 in the Society’s Code.

An additional modification has been made to 101-2—Subordination of Judgment by a Member, that included updating the reference to professional standards, moving existing text to a footnote and deleting the reference to “as defined herein.”

Other interpretation revisions

Interpretation 203-1—Departures from Generally Accepted Accounting Principles under Rule 203, Accounting Principles, provides clarification that a member would not be in violation of Rule 203 when preparing or reporting on financial statements that have been prepared using a financial reporting framework that is not promulgated by a body designated by AICPA Council to establish such principles. Interpretation 501-1—Response to Requests by Clients and Former Clients for Records under Rule 501, Acts Discreditable, included several modifications including, but not limited to, revisions to defined terms solely for use in this interpretation, including a new category for member’s work product to address deliverables that result from an engagement by adding tax returns as an example of a member’s work product, edited the definition of member’s working papers to show that records that are prepared by the client for use in a specific member engagement are considered the member’s working papers, not client-provided records, and to provide additional clarity to the phrase “including hard copy or electronic reproductions of such records” was added to the definition of client-provided records, and deleting the terms client records prepared by the members and supporting records. The revision also clarifies members responsibilities for return of client records in situations where there are unpaid fees by adding a provision that failure to comply with the more restrictive provisions of the state board rules regarding a client’s request for records would constitute a violation of the interpretation, and moving the reminder to members to comply with the more restrictive provisions to the beginning of the interpretation. Guidance is provided for when a member is permitted to withhold the or her work product (e.g., if there are fees due to the member for specific work product; if the work product is incomplete; for purposes of complying with professional standards, or if threatened or outstanding litigation exists concerning the engagement or member’s work). Additional wording was added to clarify that a member is not required to convert records from one electronic format to another, although the member should provide records in the requested format if such records are already available in that format and in the member’s custody and control. In addition, when a member has created a document during an engagement, such as a spreadsheet that contains underlying formulas, the member is not required to provide the underlying formulas, unless the member was engaged to provide such formulas, or the formulas support the client’s records.

New interpretations

Interpretation 203-5—Financial Statements Prepared Pursuant to Financial Reporting Frameworks Other Than GAAP, under Rule 203, provides guidance that members are not precluded from preparing or reporting on financial statements that have been prepared in accordance with certain financial reporting frameworks. Interpretation 203-5 describes the types of financial reporting frameworks that a member may report on that are not promulgated by financial reporting frameworks generally accepted in another country, including jurisdictional variations of International Financial Reporting Standards (IFRSs), such that the

See Ethics, on page 26

In Memoriam

The Accounting and Review Services Committee bids farewell to one of its own

Lawrence A. “Larry” Wolff earned his accounting degree at Baruch College in the 1960s and got his New York state CPA license in October 1969. He joined Rosen Seymour Shaps Martin & Company LLP in 1984 and served in their quality review department. His responsibilities included reviewing financial statements and workpapers for compliance with the firm’s policies and professional standards, and assisting in the research of any auditing or accounting issues.

Larry had been a member of the NYSSCPA’s Accounting and Review Services Committee (ARSC) since 1988. He always attended the committee meetings, providing valuable opinions and comments about the latest developments in the profession. He was willing to share his experiences and insights with others. Indeed, he was always able to add vivid examples to the professional standards and pronouncements in order to make them more understandable, and he brought questions, scenarios and cases to our “practice issues” section. Although he was an experienced professional, he was open to hearing ideas and “best practices” from others. His presence added a lot of flavor and a number of vital ingredients to our plate.

“Larry was one of those people who you could always count on to see the humor in things, even accounting!” said Jay H. Goldberg, a current member and past chair of the ARSC. “He always asked questions that nobody else did, but most everyone agreed were insightful!”

While we mourn the loss of a great accounting professional, we will always remember Larry’s devotion and his valuable contributions to the committee and the Society.

–The ARSC

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LITTS/LITaxSymposium.org
More Details and Registration at WWW.LITPS.org

KEYNOTE SPEAKERS

Wednesday - Eliot Spitzer, Past Governor of New York
Dr. Pearl Kamer, Chief Economist, Long Island Association

Thursday - Thomas Mattix, NYS Commissioner, Department of Taxation and Finance

Friday - Mark Whitacre, FBI Whistleblower who is the subject of the film “The Informant!” starring Matt Damon

The Trusted Professional / October 2012 19

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CPA uses training, financial skills to help New Yorkers facing foreclosure

BY CHRIS GAETANO
Trusted Professional Staff

I t was the end of January and, like many CPAs, Queens/Brooklyn Chapter board member Edward J. Torres already had a full plate of the spring tax season ahead of him—there were clients to talk to, documents to update and reams of paperwork to fill out. But when the NYSSCPA contacted him to see if he’d be interested in doing pro bono work for a woman in dire need of competent financial services, the answer was easy: Torres said yes.

Since becoming a CPA in 1992, Torres has typically taken on 10 to 12 engagements a year pro bono or for a reduced fee. (Though he does not advertise pro bono services, he said that people are referred to him either by attorneys or other clients.) That he donates his time and expertise in this way, he said, is a reflection of his upbringing; it’s also the NYSSCPA in search of a CPA who could make sense of the figures the bank was throwing at him, Torres said.

The first thing Torres did was review a copy of the spreadsheet, which he found to be convoluted. What’s more, upon further examination, he noticed that the numbers literally weren’t adding up—though there were formulas in some cells, they were missing or incorrectly placed in others. He asked bank officials if he could review the official spreadsheet, with all of the formulas intact. But they refused, “and it [became] a contentious relationship,” he said.

Undeterred, Torres decided to recreate the transactions himself. The process of translating data from the paper documents into an Excel spreadsheet took about three months, he said, but brought about an important development in the case. “Once I started trying to recreate their formulas, it was easy to see that the numbers just didn’t work out,” he said.

In fact, Torres would eventually find that the bank had been overcharging the client. Confident in the calculations that he had produced, Torres offered to testify on the client’s behalf. However, he wouldn’t need to: The information he provided ultimately “turned the tables on the bank, and the client was then in a much better position to have the loan renegotiated to something [more] affordable,” he said.

In addition to the various pro bono engagements he takes on at his firm, Torres also helps to manage his church’s books as a member of the organization’s finance committee. Torres added that his church’s monsignor had hoped to bring on a CPA to ensure that money was spent wisely and that the budgets were appropriate because the church had experienced difficulties in the wake of the economic downturn.

Torres also helped to modify the tuition formula for the school that the church ran and spearheaded efforts to get a better rate of return on church investments by meeting with various bankers in the area. This, in turn, has led to improved facilities and a more efficiently run school “without hardship for anyone.”

Furthermore, since he joined the church’s finance committee, it’s been able to attract two other CPAs and several bankers, he said. “One of my favorite movies is “Pay It Forward,” and that’s kind of how I feel—that if I do my part and help people, somewhere along the line, those people will help others,” Torres said. “[Ultimately] we can push our society in the right direction with every little bit.”

cgaetano@nysscpa.org

HOW YOU CAN HELP

The NYSSCPA is currently working with the Lawyers’ Foreclosure Intervention Network (LFIN), a joint project of the City Bar Justice Center and the Federal Reserve Bank of New York, to provide homeowners facing foreclosure with free financial consulting. Many of the cases that come before the program require a CPA’s expertise in order to develop a comprehensive plan for assistance, according to Lynn Armentrout, LFIN’s director.

“The main issue is reading and deciphering payment histories because they are really impenetrable to understand, from a layperson’s perspective,” she said. CPAs interested in volunteering should contact Robert Busweiler at rbusweiler@nysscpa.org.
DOMENICK DEL ROSSO
Mid Hudson Chapter
Specialty: Tax

PATRICIA A. McGRATH
Buffalo Chapter
Specialty: Audit

JACK VIVINETTO
Nassau Chapter
Specialty: Private Industry

When I graduated from college and started my accounting career, I found that I gravitated toward the tax side of the profession, as opposed to the audit side, because I felt that I learned more in that area than I did doing standard audit work. At my firm, we all do a little bit of everything, so I was able to compare the two.

This eventually led me to start specializing in tax, which I’ve done for about six or seven years at this point. It’s a great mental challenge. I don’t really focus on any particular area of tax—I’m an all-rounder. I do everything from corporate to partnership to individual. All of them, though, can be like putting together a great big puzzle. All the research—going through the volumes of paper and books—is worth it when things start to fall into place.

Of course, this means that you must be extremely detail oriented—the mindset of a tax specialist is that of someone who can be creative and meticulous at the same time. The devil is in the details, and so you have to have a good grasp of what’s going on with the rules and regulations, as well as what’s going on with your client. Still, my advice would be to try a couple of different things and see what you like best, because everyone is different.

ddelrosso@jgspc.com

When I went to school, I went into accounting, and public accounting firms were the first to come onto campus to interview. I was lucky enough to get a job at what was then Price Waterhouse, and I just slid into the audit department at the Buffalo office. My first audit was an initial audit of a large retailer in western New York, so I got the joy of documenting controls and assessing deficiencies. I wasn’t updating prior years’ audit workpapers, because there were no prior years, so I had to learn very quickly and work independently, and be responsible for my audit section. This, though, led me to realize that I really enjoyed audit. I learned from it and loved doing what I did. I love understanding why the pronouncements are what they are and discussing the impact with our clients and staff. It may sound weird, but I love assessing audit risks, scoping out projects and really thinking outside the box, as it relates to a particular client. Also, I work with some really talented professionals—people [I’m glad] to know.

If someone wants to specialize in audit, beyond getting a job at a respected public accounting firm that will provide you with training (my own at Price Waterhouse was amazing), an auditor needs to be able to work independently, learn new accounting systems very quickly, be a quick read on things and enjoy working with the public, particularly clients

pmcgrath@dkscpas.com

I’ve been a CPA in private industry for about 30 years now. I’d always had an interest in accounting—I was good with numbers from a young age and, according to my mother, when my teacher asked what I wanted to do as far as a career, I said I wanted to be an accountant. To me, it was natural. I took my first accounting class in high school, loved it and majored in it in college.

After graduating from college, my thought process was, what industry would be most supportive to my needs, so that I could learn everything I could? Public accounting seemed perfect at first because, well, that’s their product. But after a few years, my thought pattern changed. I wanted to go from being a provider of services to a buyer of services. As an auditor, you provide services and, in the long run, I thought it would be better to be a buyer, like you would be at the CFO level, where I am now. It’s easier and the learning curve is better. You can reach out to a specialist, as opposed to being pigeon-holed into one area.

My perception of public accounting is that your scope of responsibilities can be narrow at times; auditors, consulting, bankruptcy—these are all very practical but they all just [speak to] one particular area. In a CFO’s role, you’re getting into everything you can imagine, from accounting to reporting to taxes to all the specialized practices that CPA firms have in their consulting wings, plus the product that the company itself sells.

With this in mind, I thought I would have a better career path—as far as knowledge and learning goes—in private industry. For those interested in a lifetime of learning, the CFO role is a rich path.

jvivinetto@sugarfoods.com
Syracuse Chapter supports food bank with 10th annual drive

By CHRIS GAETANO
Trusted Professional Staff

The Syracuse Chapter marked the 10th anniversary of its annual food drive benefiting the Food Bank of Central New York, by collecting twice as much in cash donations and nearly 100 pounds more in food donations than they did last year.

With the help of seven area firms, the chapter’s Young CPA committee gathered 231 pounds of food and $1,035 in cash for the drive, which was held in August. Members spent a month collecting boxes of nonperishable goods such as oatmeal, canned vegetables and pastas, according to Alanna J. Abreu, who coordinated the action for the second year in a row. Last year, the chapter secured $500 and 135 pounds of food.

“Everyone is willing to collect food during the holiday season, but [they] forget about it during the regular months,” Abreu said. “That was one of the reasons, when I started taking on the food drive, that we moved it to the summer—to help [the food bank] when they are low.”

The annual drive is the chapter’s biggest volunteer project. Firms that participated in this year’s effort include Green & Seifter Certified Public Accountants, PLLC; Bowers & Company CPAs PLLC; Dermody, Burke & Brown, CPAs, LLC; Testone, Marshall & Discenza, LLP; Fast Charles Chambers LLP; certified Public Accountants; Firley, Moran, Freer & Eassa, CPA, P.C.; Dannible & McKee, LLP; and Daley, LaCombe & Charette PC.

The Food Bank of Central New York provides more than 10 million meals a year according to its website, but without local volunteers, it “would be unable to ensure that all families throughout Central and Northern New York have the food they need,” said Brian McManus, the organization’s Community Relations Coordinator. “The recent food drive by the New York State Society of CPAS in Syracuse is an example of the kind of community involvement that allows us to ensure that no one need be hungry in our community,” he said. “We are very grateful for the support.”

cgaetano@nysscpa.org

FAE 2012 Technical Sessions

Annual Accounting and Auditing of Broker/Dealers Technical Sessions

Learn about the recent developments in the industry

Friday, November 30, 2012
FAE Conference Center
3 Park Avenue, at 34th Street
19th Floor
New York, NY 10016

Hear from industry leaders on important updates for broker/dealers including:

- Basics of broker/dealer audits
- Reporting requirements
- Introduction to net capital
- Unique problems of auditing broker/dealers
- Dealing with regulatory changes
- Current developments
- Case study

For More Information and to Register for the In-Person Sessions: Visit www.nyscpa.org/fae or call 800-537-3635.
To Register for the Live Webcast Sessions: Visit www.nyscpa.org/e-cpe or call 877-880-1335.

This is an FAE Paperless Event. Visit www.nyscpa.org for more information.
ARMONDACK

Adirondack Chapter Accounting and Auditing Update
When: Oct. 22, 9 a.m.–5 p.m. (8:30 a.m. check-in)
Where: Crowne Plaza, Lake Placid
Cost: $200 per person
CPE: 8 (4 accounting, 4 auditing)
Course Code: 111234
Contact: Dan Fordham at fordham@westelcom.com or (518-563-7717 ext.122)

Mid Hudson Annual Tax Conference
When: Nov. 28
Where: Crowne Plaza, Lake Placid
Cost: TBD
CPE: 8 (taxation)
Course Code: 28612341
Contact: Barbara Dwyer at bsdadk@roadrunner.com

BUFFALO

10 Things You Need To Fix Before the 2012 Audit Season ... and maybe more
When: Oct. 24, 8–10 a.m.
Where: Canisius Amherst, 300 Corporate Park
Cost: $50 members; $75 nonmembers
CPE: 2 (auditing)
Course Code: 29010302
Contact: Greg Altman at GAltman@somersetll.com

MANHATTAN/BRONX

Manhattan/Bronx Chapter Annual Golf Classic
When: Oct. 18, 9:30 a.m. (check-in and breakfast); 11 a.m. (shotgun start); 4:30 p.m. (reception); 5:30 p.m. (awards dinner)
Where: Plandome Country Club, 145 Stonytown Road, Plandome
Cost: $350 golf attendees; $150 reception/dinner only
Contact: Gene Shear (212-372-1202) or go to nysscpa.org/dmbjday.com

Developing Manager Skills (Part of a five-session series)
When: Oct. 22, 6–8 p.m.; (5:30 p.m. check-in)
Where: PACE Conference Center, 3 Park Ave., 19th floor
Cost: $20 members; $25 nonmembers; $30 walk-ins
CPE: 2 (specialized knowledge and application)
Course Code: 29150303

Developing Leadership Skills (Part of a five-session series)
When: Oct. 22, 6–8 p.m.; (5:30 p.m. check-in)
Where: PACE Conference Center, 3 Park Ave., 19th floor
Cost: $20 members; $25 nonmembers; $30 walk-ins
CPE: 2 (specialized knowledge and application)
Course Code: 29150305

MI  D HUDSON

Mid Hudson Chapter Golf Outing
When: Oct. 4, 11:30 a.m. (shotgun start)
Where: Wiltywck Golf Club, Kingston
Cost: $75 per person
Contact: Marc Scharn (845-255-5888)

Accounting and Auditing/Comp & Review
When: Oct. 19, 8 a.m.–4:30 p.m.
Where: Ramada Inn, 542 Route 9, Fishkill
Cost: $160 member; $210 nonmember
CPE: 8 (4 accounting, 4 auditing)
Course Code: 28102322
Contact: Marryle Reilly at mreilly@darangelo.com or (845-475-7774)

Banker, Attorney and CPA Dinner
With Special Guest: Baseball Star Darryl Strawberry
When: Oct. 24
Where: The Grandview, 176 Rinaldi Blvd., Poughkeepsie
Cost: $85 per person
Contact: Jeannie Hudson at jeannieh@lycaps.com or (845-695-6800)
RSVP by Oct. 18.

SOUTHERN TIER

Southern Tier Annual Taxation
When: Oct. 25, 8:30 a.m.–5 p.m.; (8:30 a.m. check-in)
Where: Holiday Inn Downtown Arena, 8 Hawley St., Binghamton
Cost: $175 members; $250 nonmembers
CPE: 8 (taxation)
Course Code: 28606361

Chapter CPA Ethics Update
When: Nov. 2
Where: Casa Mia Manor House
Cost: TBD
CPE: 8 (ethics)
Course Code: 42773317
Contact: Michael Milisits at mem@thehuntergroup.com

STATE  I  N  A  N

ACOUNTING AND AUDITING UPDATE
When: Oct. 2, 6–8:30 p.m.
Where: Angelina Ristorante, 399 Ellis St.
Cost: $50 members and nonmembers
CPE: 2 (1 accounting, 1 auditing)
Course Code: 29070301
Contact: Anthony Tanzi at anthonyt@delreyaccountants.com

Mid State Annual Taxation Conference
When: Nov. 16, 8:30 a.m.–4:30 p.m. (8 a.m. check-in)
Where: Hilton Garden Inn, 1100 South St.
Cost: $150 members; $250 nonmembers
CPE: 8 (taxation)
Course Code: 28607321

World of Accounting
When: Oct. 19
Where: Joint Chapter of State of Island
Contact: Cynthia Scarnici at cascarnici@aol.com

Education Night
When: Oct. 25
Where: Li GreClr’s Staten, 697 Forest Ave.
Contact: Cynthia Scarnici at cascarnici@aol.com

Chapter CPA Ethics Update
When: Nov. 29, 7–9 p.m.
Where: Staten Island University Hospital, 475 Sea Ave.
Cost: $25 members; $50 nonmembers
CPE: 2 (ethics)
Course Code: 27737303

State Island Chapter Bowl-a-thon
Chapter CPA
When: Nov. 3
Where: Rabs Country Lanes, 460 Hylan Boulevard
Contact: Gerard LoVerde at gloverde@clcpasi.com

Chapter CPA Ethics Update
When: Oct. 3, 6–7 p.m.; 7–9 p.m.
Where: Irish Coffee Pub, 131 Carleton Ave., East Islip
Cost: $40 members; $50 nonmembers
CPE: 2 (ethics)
Course Code: 27737308
Contact: Mark A. Cirelli at mciere@nysscpa.org

Suffolk Exciting Themed Events:
What the Practitioner Should Know
When: Oct. 19, 8:30–11 a.m.
Where: SCBA Center, 560 Wheeler Road, Hauppauge

Chapter CPA Ethics Update
When: Oct. 25, 3 p.m. (check-in);
3:30–5:30 p.m. (ethics); 5:30–6:30 p.m. (networking/cocktails); 6:30 p.m. (ball of fame presentation); clambake and dinner immediately following.
Where: Oak Hill Country Club, 145 Kilbourn Road
Cost: Ethics: $25 members; $50 nonmembers; Dinner: price TBD
CPE: 2 (ethics)
Course Code: 27737305

47th Annual Rochester Tax Institute
When: Nov. 16
Where: Rochester Plaza Hotel, 70 State St.
CPE: 8 (taxation)
Contact: Michael Desmond at mike@beeroncpa.com
Check the chapter website for updates.

ROCKLAND

Chapter CPA Ethics Update
When: Nov. 2
Where: Casa Mia Manor House
Cost: TBD
CPE: 8 (ethics)
Course Code: 42773317
Contact: Michael Milisits at mem@thehuntergroup.com

SYRACUSE

Understanding Transaction Value
(Phase of a four-session series)
When: Oct. 17, 9 a.m.–12 p.m.
Where: Mohawk Global Logistics Offices, North Syracuse
Cost: $40 member; $60 nonmember
Take all four parts for only $120 member; $180 nonmember
CPE: 3 (2 accounting, 1 specialized knowledge)
Course Code: 29090303
Contact: Chuck Miller at CMIller@mohawkglobal.com

Cost of Customs & Trade Compliance
(Phase of a four-session series)
When: Nov. 14, 9 a.m.–12 p.m.
Where: Mohawk Global Logistics Offices, North Syracuse
Cost: $40 member; $60 nonmember
Take all four parts for only $120 member; $180 nonmember
CPE: 3 (specialized knowledge and applications)
Course Code: 29090304
Contact: Chuck Miller at CMIller@mohawkglobal.com

Syracuse Chapter Annual Tax Conference
When: Nov. 27, 8:30 a.m.–4:30 p.m. (8 a.m. check-in)
Where: Crowne Plaza Hotel, 701 East Genesee St.
Cost: $250 members; $250 nonmembers
CPE: 8 (taxation)
Course Code: 28609351
Contact: Eric Longway at nysscpa.utica@gmail.com

UTICA

Pass Through Taxation for Partnerships, S Corporations and LLCs
When: Oct. 4, 8:30–4:30 p.m.
Where: CFC Chartered’s, 100 Depue St., Rome
Cost: $225 per person (group discount: $200 person for four or more attendees);
lunch included
CPE: 8 (taxation)
Course Code: 2866312
Contact: Eric Longway at nysscpa.utica@gmail.com

Auditing and Accounting Update
When: Oct. 31, 8 a.m.–4 p.m.
Where: Radisson Hotel
Cost: $225 per person; (group discount: $200 per four for more attendees)
CPE: 8 (4 accounting, 4 auditing)
Course Code: 11112353
Contact: Eric Longway at nysscpa.utica@gmail.com

WESTCHESTER

Chapter CPA Ethics Update
When: Nov. 7, 6–8 p.m.
Where: 800 Westchester Ave., Rye Brook
Cost: $25 members; $50 nonmembers
CPE: 2 (ethics)
Course Code: 42773311

The Trusted Professional  October 2012 23
NASSAU

Student mentoring, wine tasting on tap for Nassau Chapter

By LISA A. HAYNIE
Nassau Chapter President

The last major deadline of tax season will soon be behind us, and the Nassau Chapter is gearing up to offer members several informative, educational and professional networking events. These events will surely spark your interest and satisfy your CPE requirements. On Sept. 19, along with the Suffolk Chapter, we hosted “An Evening of Networking” for bankers and other professionals at the Crest Hollow Country Club. I would like to thank Suffolk Chapter President Mark A. Cirelli and committee chair James LaRocca for organizing this well-attended event.

On Oct. 17, please join us for our chapter meeting, which will carry the theme “Mentor-a-Student Night” and will be held at the Chateau Briand in Carle Place. We encourage all professionals to come and meet future accountants from local Nassau County colleges. These students look forward to networking with you and learning about your experiences. It will be a terrific opportunity to share your wisdom and your stories, and give back to the profession. Many thanks to Abby Lucrezia and Caroline Falconetti, who cochair our Cooperation with Educational Institutions Committee. They organized this great event in conjunction with Nassau County college administrators and students, as well as industry and public accounting CPAs.

The annual half-day Tax Conference, worth four CPE credits in taxation, is scheduled for Oct. 27 at the Long Island Marriott Hotel in Uniondale. Our Tax Committee chairs, Robert J. Schaffer, Robert Barnett and Iola Damante, are planning an informative seminar with outstanding speakers to prepare you for year-end tax planning. Some of the topics to be discussed include federal and state tax updates, the Health Care Act and its impact on small businesses, a sales tax update and year-end tax planning. Save the date!

Our annual wine-tasting extravaganza with local bar associations will take place on Nov. 28. Please mark your calendars and join us at the Crest Hollow Country Club from 6 to 8:30 p.m. What a great way to spend an evening—reuniting with old friends and perhaps making some new ones, all while enjoying a glass of your favorite wine. Many thanks to Neil D. Katz, Jill S. Scher, Kristina M. Altarella, Christina Vaccarino, Christopher Bourell, Alan Z. Schwartz, Wayne Steinberg and Craig S. Wolman for putting together this spectacular event!

We look forward to the upcoming holidays and spending time with family and friends, and tackling the post-Oct. 15 list of days and spending time with family and friends. Many thanks to Abby Lucrezia and Caroline Falconetti, who cochair our Cooperation with Educational Institutions Committee. They organized this great event in conjunction with Nassau County college administrators and students, as well as industry and public accounting CPAs.

On Nov. 28, we’ll be holding our annual holiday party and Toys for Tots night to look forward to as well. Please keep up-to-date with the chapter webpage at www.nysscpa.org/rockland, or contact either myself at the email below, or the continuing education cochair Shari E. Berk at seberkcpapc@netscape.net. As always, we are looking for ideas, so please contact us with your thoughts for new programs.

ROCKLAND

Rockland plans fall events, CPE programs

BY DAVID R. HERMAN
Rockland Chapter President

Hi all, and welcome to the fall season. Football is under way and the Rockland Chapter is starting a couple of ambitious CPE programs. First, our Aug. 9 seminar that included eight IRS agents was a very good program. As usual, you got to meet actual agents, get their business cards and walk away with some solid information.

On Oct. 3, we are having our annual sponsor thank you dinner. It is a fun evening, and each year it gets better and better. We have been lucky to have sponsors and local professional speakers support our chapter, and we greatly appreciate their help.

On Nov. 6 (yes, Election Day), we are partnering with Rockland Community College to present an all-day Auditing and Accounting Update, worth 4 credits in auditing, 3.5 credits in accounting and .5 credits in ethics. This should be a great program, and we are very much looking forward to it.

On Nov. 28, we’ll be holding our annual ethics update and officer visitation. This three-credit event will be held at Casa Mia Manor House in Blauvelt. There will be a charge for the ethics program, but dinner is on the chapter.

On Dec. 5–6, we will be partnering again with Rockland Community College to present the first-ever two-day Individual and Corporate Tri-State Regional Tax Update, worth 16 CPE credits. Speakers will present on federal updates, New York updates and Connecticut updates. The New Jersey Department of Taxation will also be attending the event, along with the New York City Department of Finance, and a representative from the New York Workers’ Compensation Compliance Board. Although it’s still in the planning stages, we have our annual holiday party and Toys for Tots night to look forward to as well.

Please keep up-to-date with the chapter webpage at www.nysscpa.org/rockland, or contact either myself at the email below, or the continuing education cochair Shari E. Berk at seberkcpapc@netscape.net. As always, we are looking for ideas, so please contact us with your thoughts for new programs.

FROM THE PRESIDENT

FROM THE PRESIDENT

Public Schools Accounting and Auditing Conference

Gain the tools you need to face unprecedented challenges affecting New York State school districts

Monday, November 5, 2012
Albany Marriott
189 Wolf Road
Albany, NY 12205

IMPORTANT ISSUES TO BE DISCUSSED INCLUDE:
■ Current Activities from the OSC
■ Use of Reserves: The Hows, Whys, and Whens
■ School District Financial Conditions
■ School District Reorganizational Results
■ On-line Banking: Best Practices to Minimize Fraud Risks

CONFERENCE INFORMATION

Course Code:
25152341 (In-Person);
35152341 (Live Video Webcast)
CPE Credit Hours: 8:
1 hour Accounting;
3 hours Advisory Services;
4 hours Auditing
NYSSCPA Member Fee:
$345 (In-Person);
$245 (Live Video Webcast)
Nonmember Fee:
$470 (In-Person);
$370 (Live Video Webcast)

For More Information and to Register for This Conference: Visit www.nysscpa.org/publicschools or call 800-537-3635.
To Register for the Live Video Webcast: Visit www.nysscpa.org/e-cpe or call 877-880-1335.

This is an FAE Paperless Event. Visit www.nysscpa.org for more information.
An era of rapid change for the profession

By SHERIF SAKR
Manhattan/Bronx Chapter President

S
ome argue that the landmark Sarbanes-Oxley Act of 2002 (SOX), now entering its second decade, was the driver for one of the most active eras of the accounting profession as a result of its impactful changes and implications for U.S. public company boards, management and public accounting firms. SOX was enacted in an era remembered for its major corporate and accounting scandals, and was aimed at restoring public confidence in the credibility of corporate financial reports.

But our current era is probably no less regulated than it was at the height of the SOX days; it simply has a different emphasis, competing objectives and various directions. Among the many examples of the extensive activity the profession is directly and indirectly dealing with are sweeping regulatory changes focusing on risk, accounting changes meant to achieve long-aspired convergence goals, and tax regulations that are designed to close loopholes in the current Internal Revenue Code, but don’t make the Code shorter or any less complicated.

Take the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, another well-known bill designed to enact regulations that address the shaken public confidence brought forth by the last financial crisis. Dodd-Frank, now in its third year, proposed sweeping changes in the financial regulatory environment in the United States that affect all federal financial regulatory agencies and almost every part of the financial services industry, with global implications.

Converging U.S. Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS)—a goal long aspired to by many in the profession as well as users and preparers of financial statements—has been in the works for 10 years with some progress, but certainly less than what many would have hoped for. The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have been working on trying to converge what we call the “Big Three”—leases, revenue recognition and financial instruments. The leases project will get rid of the current rule-based leasing model and the overly prescribed rules defined by bright-line thresholds in U.S. GAAP, and replace them with a sub-

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MIC HUDSON

Mid Hudson Chapter President

By WILLIAM F. BERARDI

The summer here in the beautiful Hudson Valley has passed, but the fabulous fall has taken its place. (Come see the foliage! You can take exits 17 through 20 off of Thruway 87, counties of Dutchess, Putnam, Orange, Sullivan and Ulster.) Meanwhile, the work and planning of our Board and committee members have organized a fabulous networking and recognition event.

On Oct. 4, we’ll be holding an informal golf outing for CPAs, friends and associates at Wiawocay Golf Club in Kingston. This outing is always fun and gives us a chance to help raise money for a local charity. Contact Marc Chalofsky at mchalofsky@chadbourne.com for further information. And join the Golf Committee to help plan next year’s event, tentatively scheduled for Sept. 16, 2013.

I would like to thank our Accounting and Auditing Committee for planning a timely, affordable and quality eight-hour Accounting and Auditing CPE Review. This event will take place on Oct. 19 at the Ramada Inn, in Fishkill, and will feature Mid Hudson’s favorite presenter, Mel Crystal. For more information, please do not hesitate to contact Marguerite Reilly at mreilly@dayseckler.com. Also in October, our enterprise Relations with Bankers and Attorneys Committee has organized a fabulous networking event for chapter members. It will take place on Oct. 24 at The Grandview in Poughkeepsie, and will feature former Yankees/Mets baseball star Darryl Strawberry as a special guest speaker. To attend this exciting event, please RSVP with Jeanne Hudson at jeanneh@lyacpas.com.

Our Immediate Past President Tracy D. Tarsio and Beth Vought, both cochairs of the chapter’s Sponsorship Committee, have worked hard to streamline the handling of important sponsorships that help make all of our events possible. Please contact them at ttarsio@dayseckler.com and bvought@tgkcpa.com with any offers of assistance and for event information. Gary J. Castello, another past president, is also heading up our Membership and Revitalization Committee. He can be reached at garyc@tgkcpa.com. Please get in on the action to help our chapter.

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ADIRONDACK

Adirondack encourages CPAs to become tech savvy

By JACQUELINE E. MILLER
Adirondack Chapter President

All is when the Adirondack Chapter hosts the majority of its events. We’re looking forward to upcoming CPE opportunities as well as member networking and interaction.

Be sure to see you all Monday, Oct. 22 at the Audit and Accounting Symposium hosted by Renee Rampulla, CPA. At our previous Accounting and Auditing Update last October, our speaker pointed out that only one CPA in attendance had brought an iPad to pull up course materials with, while others had simply printed off a hard copy of the e-mail attachment that was sent in advance of the event. With this in mind, I want to take a moment to thank Buffalo Chapter President Patricia A. Johnson, for sharing her Apple Higher Education contact with us.

I can remember, years ago, when tax returns were prepared by hand. Today, the year-end brokerage activity is imported into Schedule D using tax software. In just a quarter of a century, the efficiencies in technological advances have grown beyond expectations. Who would have imagined that we were so close to where we are in our environment? It will be interesting to see what new tools and techniques will continue to facilitate our daily tasks and increase CPA efficiencies!

As always, please continue to check our chapter website for updates (www.nysscpa.org/adirondack), and do not hesitate to contact me, at the e-mail address below, with any questions, concerns, or ideas.

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CHAPTER NEWS
entity’s financial statements do not meet the requirements for full compliance with IFRSs as promulgated by the International Accounting Standards Board; financial reporting frameworks prescribed by an agreement or a contract; or an other comprehensive basis of accounting, including statutory financial reporting provisions required by law or a U.S. or foreign governmental regulatory body to whose jurisdiction the entity is subject. When reporting under such financial frameworks, the member must make clear the financial reporting framework(s) used.

Interpretation 505-4—Misleading Firm Names, and Interpretation 505-5—Common Network Brand in Firm Name under Rule 505, Form and Practice Name provide guidance on when firm names would be considered misleading. The new interpretations are consistent with the guidance contained in the revised Uniform of Accountancy Act and Model Rules Section 14(i), revised in August 2011 (http://www.nasba.org/files/2011/09/2011_UAAModel-RulesRevised.pdf). Under 505-4, a firm name would be considered misleading if the name contains any representation that would likely cause a reasonable person to misunderstand, or be confused about, the legal form of the firm or who the owners or members of the firm are, such as a reference to a type of organization or an abbreviation thereof that does not accurately reflect the form under which the firm is organized. In addition, members are reminded to consider the rules and regulations of their state board(s) of accountancy concerning misleading firm names that may be more restrictive than the requirements in this interpretation. Interpretation 505-5 states that a firm’s use of a common brand name as part of the firm name would not be considered misleading, provided the firm was a network firm as defined by the Society’s Code. However, in order for a firm to use a common brand name as the entire firm name, it would need to meet the definition of network firm and share one or more of the other characteristics of a network, such as common control or a significant part of professional resources, in addition to sharing a common brand name.

Upon the last day of the month of the publication of this article, unless noted otherwise in the interpretations, the approved interpretations will go into effect.


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**Course Details:**
- **Field of Study:** Accounting
- **Course Code:** AC/8
- **Venue:** FAE Conference Center
- **Fees:**
  - AICPA:
    - 8-hour course: $335
    - 16-hour course: $460
  - NYSSCPA:
    - 8-hour course: $305
    - 16-hour course: $430

#### Auditing

**Course Details:**
- **Field of Study:** Accounting
- **Course Code:** AC/8
- **Venue:** FAE Conference Center
- **Fees:**
  - AICPA:
    - 8-hour course: $335
    - 16-hour course: $460
  - NYSSCPA:
    - 8-hour course: $305
    - 16-hour course: $430

### TAXATION

**Course Details:**
- **Field of Study:** Accounting
- **Course Code:** AC/8
- **Venue:** FAE Conference Center
- **Fees:**
  - AICPA:
    - 8-hour course: $335
    - 16-hour course: $460
  - NYSSCPA:
    - 8-hour course: $305
    - 16-hour course: $430

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**Course Details:**
- **Field of Study:** Accounting
- **Course Code:** AC/8
- **Venue:** FAE Conference Center
- **Fees:**
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    - 16-hour course: $460
  - NYSSCPA:
    - 8-hour course: $305
    - 16-hour course: $430

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**Course Details:**
- **Field of Study:** Accounting
- **Course Code:** AC/8
- **Venue:** FAE Conference Center
- **Fees:**
  - AICPA:
    - 8-hour course: $335
    - 16-hour course: $460
  - NYSSCPA:
    - 8-hour course: $305
    - 16-hour course: $430

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<table>
<thead>
<tr>
<th>If you are:</th>
<th>8-hour course</th>
<th>16-hour course</th>
</tr>
</thead>
<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>
</tr>
</tbody>
</table>

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

Accounting

Public Schools Conference
AC/1, AD/3, AU/4
28626322
St. John's University
Foundation for Accounting Education
$100/$150

11/03 Joint Nassau/Suffolk Accounting and Auditing Conference
AC/4, AU/4
28603322
Sheraton Long Island
Foundation for Accounting Education
$150/$250

11/1 AUDITING
Joint Nassau/Suffolk Accounting and Auditing Conference
See course listing under Accounting.

TAXATION

Choosing the Best Entity Structure Under the New Tax Law
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T/8 28603324
Holiday Inn Albany-Wolf Road
Surgent McCoy CPE LLC
$335/$460

11/14

ROCHESTER

Accounting

Public Schools Conference (WEBCAST)
AC/1, AD/3, AU/4
35152241
Foundation for Accounting Education
$249/$370

11/01

ADVISORY SERVICES
Public Schools Conference
See course listing under Accounting.

11/05

FAE's Financial Statement Disclosures for Small- to Medium-Sized Businesses
This course will familiarize you with the most frequently encountered measurement and disclosure issues associated with preparing financial statements for nonpublic small- to medium-sized businesses, including the discussion of and solution to problems that may arise.
AC/8 21223341
Albany Marriott
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$335/$460

11/26

FAE's New York State Taxation Workshop Update 2012
This course will update you on the latest New York State tax laws, including the lowest individual tax rates in recent years.
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FAE Conference Center
Foundation for Accounting Education
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11/01

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11/05

FAE's Ethics Update 2012
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E/4 21227341
Albany Marriott
Foundation for Accounting Education
$170/$235

11/16

Mid Hudson

TAXATION

Mid Hudson Annual Tax Conference
T/8 28603331
Ramada Inn at Newburgh
Foundation for Accounting Education
$150/$250

11/09

NORTHEAST

ACCOUNTING

Public Schools Conference
AC/1, AD/3, AU/4
25152241
Albany Marriott
Foundation for Accounting Education
$345/$470

11/05

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AICPA
$335/$460/$305/$430

11/19

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Albany Marriott
Foundation for Accounting Education
$335/$460

11/26

Public Schools Conference (WEBCAST)
See course listing under Accounting.

11/05

Nassau

ACCOUNTING

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T/8 28603324
Holiday Inn Albany–Wolf Road
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11/14

AUDITING
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TAXATION

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Holiday Inn Rochester Airport
AICPA
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10/30
11/03 Joint Nassau/Suffolk Accounting and Auditing Conference AC/4, AU/4 28303322
Sheraton Long Island
Foundation for Accounting Education $335/$460

11/14 Not-for-Profit Accounting and Reporting: From Start to Finish
This course trains you on not-for-profit accounting and reporting in an efficient and effective manner.
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Melville Marriott Long Island AICPA
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11/07 Determining How Much Money You Need to Retire, and Tax Ideas and Money Management in Retirement
The purpose of this course is to give CPAs the tools and knowledge required to help their clients implement tax-effective investment and portfolio strategies for successful wealth accumulation and real after-tax retirement income maintenance. The course discusses specific investment tax planning and money management issues and topics, both before and after retirement.
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Doubletree Hotel Tarrytown AICPA
$170/$235

11/11 Multistate Taxation of Corporations: Theory, Practice, and Compliance
Recent economic turmoil in the U.S. economy has caused a search for revenue by most states. This program explains and illustrates how to avoid becoming subject to excessive state taxation.
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Doubletree Hotel Tarrytown
Nichols Patrick CPE, Inc. $335/$460

11/13 Choosing the Best Entity Structure Under the New Tax Law
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T/8 33632331
Doubletree Hotel Tarrytown
Surgent McCoy CPE LLC $335/$460

11/12 Closely Held Business Taxation: Smart Strategies to Slash Taxes
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$335/$460/$305/$430

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Doubletree Hotel Tarrytown AICPA
$335/$460

11/01 Multistate Taxation of Corporations: Theory, Practice, and Compliance
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T/8 32683331
Doubletree Hotel Tarrytown AICPA
$335/$460/$305/$430

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Two retirement-minded partners looking to affiliate with energetic sole practitioner for future buyout. Our firm is well established in Putnam County, with a diversity of clients. Contact: info@bolnickandsnow.com

Small full service LI CPA firm looking to acquire practice with revenue of at least $250K. We are ready to help the right individual(s) in transition and acquisition of your practice. We have extensive experience in tax and financial statement reporting and will take great care of your clientele. Contact: Ellicpas@gmail.com

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Goldstein Lieberman & Company LLC one of the region’s fastest growing CPA firms wants to expand its practice and is seeking merger/acquisition opportunities in the Northern NJ, and the entire Hudson Valley Region including Westchester. We are looking for firms ranging in size from $300,000 - $5,000,000. To confidentially discuss how our firms may benefit from one another, please contact Phillip Goldstein, CPA at philjie@ckp.com or (800) 839-5767.

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Highly successful, $3.5 million, midtown CPA firm seeks merger with firm/practitioner grossing $1.7-5 million for continued growth and profitability. Steady growth and attractive offices make for unique opportunity. E-mail nyccpaoppty@yahoo.com

Accounting practice for sale in Buffalo area. Gross 300-350K. Reply to plvwy@gmail.com

Central Jersey CPA firm seeks an individual, preferably with a small practice for future partnership with retirement minded partners. E-mail bam4711@yahoo.com.

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Why I’m a Member

Name: Mark Ulrich, CPA
Joined: 2007
Chapter: Queens/Brooklyn
Current position: Director of Budgets and Compliance and Adjunct Assistant Professor of Accounting and Taxation, St. John’s University

Society highlights: Queens/Brooklyn Chapter President-elect; St. John’s COAP Advisory Board Chair
Hobbies/activities: Traveling. Has been to Israel, Japan, India, Jordan, Mexico, England, France, Argentina, Poland and the Czech Republic, always for pleasure, never for business. Also, is a big Yankees fan.

Fun fact: Briefly lived in Tel Aviv after leaving KPMG.

Why I’m a member: “Membership has allowed me to give back to the community. Being involved in the Career Opportunities in the Accounting Profession program over the last five years has allowed me to provide local high school students with the tools they need to become involved in the profession and be successful. The Society enables me to use my knowledge and professional network to put on this wonderful event at St. John’s University.”

Personal quote: “We’re lucky to be in a profession that affords us good opportunity. I’m able to do meaningful work in the higher education industry, while others work in public, private and government. The Society has given me a wonderful platform for networking and also a venue through which I help the community and profession by taking part in the COAP program.”

To become a member, visit www.nysscpa.org/join or email Cara Patterson at cpatterson@nysscpa.org.