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Acting tax commissioner addresses driver’s license rule at FAE conference

By CHRIS GAETANO
Trusted Professional Staff

The New York State Department of Taxation and Finance (NYSDTF) is requiring taxpayers to provide driver’s license or state identification information along with their New York state e-filed returns this year, leaving some tax practitioners scrambling to educate themselves and their clients about the new rule, announced only 11 days before filing season began on Jan. 23. “…[T]hey are just getting around to telling people about this requirement now?” wrote one NYSSCPA member who turned to the Society’s Exchange Open Forum to express his frustration. “The tax season has already begun and is underway for some of us. How do they remotely think that this is ok?”

The outcry was large enough for NYSDTF acting Commissioner Nonie Manion to begin her session at the Foundation for Accounting Education’s (FAE) Jan. 19 Tri-State Taxation Conference with an unscripted Q&A addressing the new requirement:

“Let’s get the big elephant in the room off the chest, OK?” Manion said. “All right—the requirement for the number on the driver’s license: Let me tell you why this was required.”

Manion explained that the state added the requirement because it decided that driver’s license information was more secure than other identifiers. Unlike many other forms of identification, a driver’s license requires that someone be physically present in order to prove they are who they are, she said.

“The state added the requirement because it decided that driver’s license information was more secure than other identifiers. Unlike many other forms of identification, a driver’s license requires that someone be physically present in order to prove they are who they are, she said.

“Anything that does not require your physical presence is going to be breached, and they’re going to have it. … Where is the only place you have to go to physically

Beyond the spreadsheet: Technological changes mean industry innovations for CPAs

By CHRIS GAETANO
Trusted Professional Staff

Editor’s note: This is the first of a three-part series on how technology is affecting the accounting profession.

With business increasingly migrating out of the physical world and into the digital one, accounting firms are rethinking their practices in order to adapt to an era of big data, artificial intelligence and transactions verified through blockchain technology—changes that could have a disruptive impact on the profession as a whole. Whether these innovations are just picking up steam or are already widespread in the business world, they will have wide-reaching effects, ranging from what kind of work CPA firms do to how these firms are structured in the first place.

Part of this phenomenon is due to efficiencies in data collection that come from business becoming more enmeshed with information technology. Think of a typical audit of a large entity. For years, such engagements required a veritable army of entry-level auditors, many of whom were necessary to collect and process massive amounts of information. Whether this meant examining invoices at an office or counting boxes at a warehouse, much of the work was made up of rote tasks that required little judgment or initiative. Today, however, more and more of these rote tasks are being taken on by machines in all areas of business.

Robert H. Colson, a distinguished lecturer at Baruch College, where he directs the MS in Accounting program, noted that this is reflective of the increasingly data-driven environment of today’s business world. While technological advance certainly isn’t new to the profession, he said, this new environment has required firms to deploy technology in ways they never have before, which in turn has led to a changing demand for different skill sets.

“Just keeping pace with the amount of data, the sheer amount of data, that’s new. So, there’s a lot more demand for people who are able to do data analytics, also greater demand for people to do business modeling

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**PRESIDENT’S COMMENTARY**

Support the next generation of CPAs at the Moynihan Fund Gala, May 17

Thirty years ago, NYSSCPA Past President Bert N. Mitchell, founding partner of Mitchell Titus, the largest minority-owned CPA firm in the country, established the NYSSCPA’s Career Opportunities in the Accounting Profession (COAP) program after commissioning a study that documented the extent to which people of color were underrepresented within the profession. The program’s mission: to increase racial diversity within the accounting profession in New York by introducing young people of color to accounting early, and while still in high school, with the intention that the five-day, overnight college readiness course at some of the state’s top colleges and universities would serve as the first step to an accounting career for the next—and more diverse—generation of CPAs.

This May, we will honor Bert and his contribution to the profession in New York state with the NYSSCPA’s Career Opportunities in the Accounting Profession Scholarship, named to honor the memory of Bert N. Mitchell, who died last year, and one of the state’s top colleges and universities.

The Next Generation Moynihan Fund Gala will be held on Wednesday, May 17. It will be held at the Lighthouse at Chelsea Piers, a stunning event space along the Hudson River in midtown Manhattan. Attendees will enjoy cocktails on the waterfront, with sunset views of the Statue of Liberty, and then dinner prepared by one of New York City’s best-known celebrity chefs, Abigail Kirsch. They can also participate in a silent auction, which will raise additional money for The Moynihan Fund. As for entertainment, this year’s attendee will enjoy the hits of “Piano Man” Billy Joel, when members of the six-time Grammy Award winner’s own band perform as Mike DelGuidice & Big Shot.

The inaugural Moynihan Fund Gala last year raised more than $220,000; it was the single largest fund-raising event in NYSSCPA history. This year’s Gala is already shaping up to be more successful than in 2016. Our goal is to raise $500,000. Many of the tickets available will be spoken for by corporate and firm sponsorships. As a result, individuals will be limited to one per person. If you are interested in attending, please buy a ticket now. We anticipate that the event will be sold out, as last year we had to turn away last-minute orders. The $350 ticket price includes dinner, a 5–9 p.m. open bar and attendance at the performance by Mike DelGuidice & Big Shot. In the interest of encouraging young professionals to attend and recognizing that the cost should not be prohibitive, the fee for high school and college students is $150.

Those interested in corporate sponsorships, please contact Caj Ohr at cajo@nysscpa.org. Individual tickets may be purchased online at nysscpa.org.

I hope that many of you are making plans to attend the Gala, which promises to be an exciting evening for celebrating the profession and reconnecting with other NYSSCPA members. I also urge you to vote in the election; the nominated candidates and their bios are listed on pages 3–5 of this issue of The Trusted Professional, and all members will receive their ballots by April 17—via email if the Society has your email address on file, or by U.S. mail if we don’t. Please take this opportunity to provide the Society with your email address, if it is not already on file. In addition, this is the time when the NYSSCPA Board of Directors solicits votes on potential bylaws amendments. I urge you to watch for these proposed bylaws changes and vote on them as well. Once the proposed bylaws changes are available, we will post them to the Exchange.

For more information on submitting an article, email fzm@nysscpa.org.

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To submit an article for consideration in The Trusted Professional, please submit your article to the editor at 14 Wall Street, New York, NY 10005.
2016–2017 NYSSCPA NOMINATING COMMITTEE REPORT

JANUARY 17, 2017

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Harold L. Deiters III automatically succeeds F. Michael Zovistoski as President in accordance with Article VIII, Paragraph 5 of the Bylaws.

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Wei Wei & Co., LLP    CA Global Consulting Inc.

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Thomas S. Pirro, CPA, PC    Margolin, Winer & Evens LLP

ALL OF THE NOMINEES HAVE CONSENTED TO SERVE IF ELECTED.
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2017–2018 NOMINEES

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2017–2018 NOMINEES

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New cybersecurity proposal incorporates some Society suggestions

By CHRIS GAETANO

The New York State Department of Financial Services (DFS) released an updated version of its cybersecurity proposal for financial institutions, which incorporates some changes that the NYSSCPA suggested in its comment letter on the initial release.

The proposal, originally issued in September, is meant to protect bank customers by mandating that financial institutions implement certain practices and procedures with regard to cybersecurity. The regulations would cover entities overseen by the DFS, including banks and insurance companies, though entities with fewer than 10 employees (including independent contractors), less than $5 million gross annual revenue in each of the last three fiscal years, or less than $10 million in year-end total assets are exempt from many of its provisions.

Under the proposal, a revised version of which was released on Dec. 28, covered entities would need to maintain a cybersecurity program that will—

- identify and assess internal and external cyber risks by, at minimum, identifying the nonpublic information stored on their information systems, the sensitivity of such information, and how and by whom this information can be accessed;
- use defensive infrastructure and implement policies and procedures to protect their information systems and the nonpublic information stored on them from unauthorized access or other malicious acts;
- detect cybersecurity events;
- respond to identified or detected cybersecurity events and mitigate any negative effects;
- recover from cybersecurity events and restore normal operations and services; and
- fulfill all regulatory reporting obligations.

In addition, entities would also need to—

- implement and maintain policies regarding cybersecurity, third-party information access, in-house application use and incident response. Further, entities would be required to designate a qualified person to act as chief information security officer and have a staff to support that person; perform regular risk assessment and penetration tests; have audit trails capable of reconstructing past transactions and other events; limit user privileges to information systems; use multifactor authentication controls; encrypt data; implement training and monitoring for personnel; and periodically dispose of nonpublic information no longer necessary for business operations.

The Society, in a Nov. 11 comment letter, expressed overall support for the proposal, but did have some concerns as to the specifics. In particular, the NYSSCPA thought that a more risk-based and less prescriptive approach should be taken—the original proposal, according to the Society, cited specific controls as examples or explicitly required the use of specific controls. Given the pace of technology, the Society argued that specific technological mandates could lead companies to eventually establish ineffective or outdated controls.

Matthew T. Clohessy, chair of the Technology Assurance Committee and one of the comment letter authors, said that he was pleased to see that the DFS had decided to take this critique to heart by including a less prescriptive multifactor authentication requirement and favoring a more risk-based approach. While the regulations still mandate some specific measures, they also require that each company assess its specific risk profile and design a program addressing its risks in a robust fashion.

“Overall, the updates to the [regulations] are directionally consistent with the recommendations that were made by the comment letter jointly issued by the Technology Assurance and Banking committees, and addressed several major concerns that were raised by our comment letter,” said Clohessy.

He added that he also liked that a parent company’s cybersecurity programs can now satisfy the regulation for covered entities, so long as they meet the requirements, and that third parties can be used to satisfy the new regulatory requirements as well.

The regulations are expected to become effective on March 1, according to a DFS press release. Covered entities will have 180 days to comply with them, and certain sections will have longer transitional periods, ranging from one to two years.

“New Yorkers must be confident that the banks, insurance companies and the other financial institutions that they rely on are securely handling and establishing necessary protocols that ensure the security and privacy of their sensitive personal information,” said DFS Superintendent Maria T. Vullo.

“This updated proposal allows an appropriate period of time for regulated entities to review the rule before it becomes final and make certain that their systems can effectively and efficiently meet the risks associated with cyberthreats.”

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Your workday is likely full of punching numbers and reviewing statements, but as you know, life outside the office goes far beyond figures and spreadsheets. The New York State Society of Certified Public Accountants (NYSSCPA) understands that your and your family’s worth doesn’t come with a price tag.
Members of transition resource group discuss
the FASB’s new revenue recognition standard

By CHRIS GAETANO
Trusted Professional Staff

I
t May 2014, the Financial Accounting Standards Board (FASB) issued a new standard on revenue recognition, which is set to take effect for public organizations on Dec. 15, 2017, and for nonpublic organizations on Dec. 15, 2018. These dates reflect a deferral by a year from the original effective dates; the FASB issued the deferral in August 2015. The revenue recognition standard is one of the major features of the joint FASB/International Accounting Standards Board (IASB) convergence project, which was intended to produce a set of high-quality international accounting standards that can be used within either framework. The product of six years of discussion, outreach, exposure and re-exposure, the standard replaces the myriad industry- and transaction-specific guidance within generally accepted accounting principles (GAAP), with a singular approach based on identifying, fulfilling and recognizing performance obligations within contracts.

In February 2016, the FASB also issued a new standard to address financial reporting for leasing transactions. That standard’s effective date for public companies is Dec. 15, 2018. Mary Mazzella, supervising project manager at the FASB, and Cullen Walsh, an assistant director at the FASB, are members of the FASB/IASB Joint Transition Resource Group for Revenue Recognition (TRG). The group’s purpose is to address stakeholder issues arising from implementation of the new guidance, inform both the FASB and the IASB about implementation issues, and “provide a forum for stakeholders to learn about the new guidance from others involved with implementation.” Mazzella and Walsh took the time to respond to questions from The Trusted Professional about how the implementation process is progressing.

A KPMG survey, taken at the beginning of 2016, showed that just 29 percent of firms had a clear plan to actually implement this standard, with 27 percent having taken no action at all to prepare. It’s now early in 2017, and there’s less than a year left before the standard becomes effective. What do you think is at the root of the difficulties that companies are having with preparation?

Cullen Walsh: Public companies have [slightly less than a] year until the mandatory effective date; however, it’s important to keep in mind that a majority of organizations—private companies and not-for-profits—have [nearly] two more years. The FASB understands that our work is critical to the overall success of a project. We know that quality implementation is critical to the overall success of a project.

What aspects of the revenue standard do you find people having the most trouble with today?

Mazzella: The most difficult questions we have received involve areas in which there exist challenges under current revenue guidance. Contracts with customers can be complex—particularly one as broad as the revenue standard. Most of the questions raised to the FASB staff have been good ones. The United States is fortunate to have a lot of dedicated accountants who are taking the revenue standard seriously and are being thoughtful about implementation.

What is a common misconception about the standard that you’ve had to clear up numerous times?

Walsh: I do not think there have been broad misconceptions. It is natural that stakeholders will have many questions about a new standard, particularly one as broad as the revenue standard. Most of the questions raised to the FASB staff have been good ones. The United States is fortunate to have a lot of dedicated accountants who are taking the revenue standard seriously and are being thoughtful about implementation.

What trends to surprise people the most about the new standard? Is there anything different that few have thought about?

Mazzella: Disclosures are an important part of the revenue standard. One of the objectives of the FASB and the IASB was to improve revenue disclosures. Financial statement users informed the boards that more transparent disclosures about revenue recognition under both GAAP and IFRS were needed.

The new disclosure requirements are intended to help users understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. I see the disclosures as an opportunity for an organization to communicate useful information to its investors, lenders and other financial statement users. For some organizations, the main change resulting from the standard will be disclosures. I encourage organizations to make disclosures an important part of their implementation activities.

For a CPA, what is the most important thing to remember about the new standard?

Walsh: If you are struggling with an implementation question, the FASB has resources that may help you. For example, our website includes a variety of resources, including [the] TRG and other educational materials, to help you understand what is required by the standard. The FASB staff also helps stakeholders with questions on specific areas of the new standard through our technical inquiry line, accessible through our website. There are many other resources for companies and auditors to use, including informal industry groups and the AICPA’s industry working groups. The FASB’s revenue recognition website is a great resource for educational material. It also has contact information for FASB staff who are available to help.
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War Story: When a client fails to report a foreign bank account

By ANTHONY COOPER, J.D., M.B.T.

Whenever a situation arises where a client may suffer a loss from something the CPA allegedly did or neglected to do, the CPA should report the matter promptly to the firm’s carrier.

For more than a decade, Sidney Swenson, CPA, prepared tax returns for one of his more successful clients, Matt Morrow, a star salesman in the construction supplies industry. Morrow had taken a job five years earlier in sales at Acme Building Products and Supplies, headquartered in the British Virgin Islands (BVI). Morrow was a U.S. citizen and maintained his residence in the United States but lived part time in BVI.

Each year, Swenson sent his tax-return clients an engagement letter that included language advising them of their responsibility to comply with FBAR (Report of Foreign Bank and Financial Accounts). To help clients comply with FBAR, he also included a question about foreign bank accounts in their tax organizer.

Morrow never returned his tax organizer or engagement letter, but Swenson spoke with him over the phone each year to answer the organizer questions, sometimes in a cursory manner, just before the return deadline. Morrow always replied that he did not have a foreign bank account.

After about five years of this routine, the IRS notified Swenson and Morrow that one of Morrow’s tax returns was under audit. When the question regarding foreign bank accounts came up again, Morrow admitted that he did have an account in BVI but kept the account balance below $10,000, the FBAR reporting threshold, by transferring the funds immediately into his U.S. bank account. The only exception to this process occurred when he received extra commissions for exceeding certain sales targets, causing the balance to briefly go above $10,000 until he transferred the money out of the account.

Swenson was planning to represent Morrow in the audit, but when Swenson spoke with him about the FBAR-related question in the tax organizer, Morrow stated that he did not remember Swenson asking him questions about foreign bank accounts. He also stated that Swenson should have known about his FBAR obligations because of his residence in a foreign country, and that Swenson should have warned him about how significant the penalties could be.

Morrow realized too late that he should have required Morrow to sign and return the engagement letter, which included language informing the client of his FBAR reporting responsibilities. A signed letter would have documented that Morrow accepted his FBAR responsibilities and would have been Swenson’s first line of defense in the dispute.

What should the CPA do, now that the client has a delinquent FBAR?

If the CPA continues to assist the client and advise him about how to comply with the FBAR requirements, the communication and disclosures could put the client at risk. CPAs do not enjoy a confidential communication privilege, as do attorneys, and are not able to keep client disclosures confidential. The CPA should no longer assist the client with these issues and should advise the client to retain an experienced attorney, skilled in taxation and criminal law. Legal counsel will be able to protect privileged communications, manage the FBAR disclosure, and address any related state law issues and risks.

The CPA should also report the matter to his professional liability insurance carrier as soon as possible. This step will help assure coverage for a potential claim, and the carrier should be able to advise the CPA on the best course of action. Whenever a situation arises where a client may suffer a loss from something the CPA allegedly did or neglected to do, the CPA should report the matter promptly to the firm’s carrier.

By CHRIS GAETANO

SEC to revisit compensation ratio rule

O n Feb. 6, Michael S. Piwowar, acting Securities and Exchange Commission (SEC) chairman, said that the agency will be revisiting a rule that required companies to disclose the ratio of compensation between the CEO and rank-and-file employees, as a number of filers have reported unanticipated compliance difficulties. The rule, approved in August 2015 as part of the Dodd-Frank Act, requires companies to disclose the median of the annual total compensation of all its employees, except the CEO; the annual total compensation of its CEO; and the ratio of those two amounts.

“Based on comments received during the rulemaking process, the Commission delayed compliance for companies until their first fiscal year beginning on or after January 1, 2017. Issuers are now actively engaged in the implementation and testing of systems and controls designed to collect and process the information necessary for compliance. However, it is my understanding that some issuers have begun to encounter unanticipated compliance difficulties that may hinder them in meeting the reporting deadline,” said Piwowar, in his public statement.

The rule has been controversial, even within the commission itself, where the vote fell largely along partisan lines. Opponents, such as the Business Roundtable—an association of leading U.S. CEOs—said that the regulation imposes a significant administrative burden on companies in order to provide information that is largely immaterial to investment decisions. Supporters, such as a Republican, was vigorously opposed to the rule when it was approved. He said that it represents “nothing more than a sad example of surrendering the Commission’s agenda to politically-connected special interests and acquiescing to the bullying tactics of their political allies,” namely labor unions, and is far afield of the commission’s actual purpose of protecting investors; ensuring fair, orderly and efficient markets; or facilitating capital formation.

On the other hand, SEC Commissioner Kara M. Stein, a Democrat, said at the time that “it will allow investors to evaluate how this metric changes from year to year for individual companies. It also will provide valuable information to investors about how a company manages human capital,” and added that this information will be valuable for giving investors the ability to evaluate a company’s governance as it relates to executive compensation, particularly with regard to say on pay votes.

Piwowar said that he is seeking public input on any unexpected challenges that issuers have experienced as they prepare for compliance with the rule, and whether relief is needed. Comments may be submitted via the SEC website for 45 days after the release of his statement, or until March 23.

FAQ

For information on the Camico program, call Camico directly at 800-652-1772, or contact: (Upstate) Reggie DeJean, Lawley Service, Inc., 716-849-8618, and (Downstate) Dan Hudson, Chesapeake Professional Liability Brokers, Inc., 410-757-1932.

Clarification

The article, "Can a CPA Accept Commissions?" which appeared on page 9 of the January/February 2017 issue of The Trusted Professional, addressed situations where CPAs may accept commissions. A new AICPA interpretation (152.080) requires the disclosure of such commissions to a client to be in writing, and is effective for commissions arrangements entered into on or after Jan. 31, 2017. The original article, which was published prior to the new interpretation’s effective date, stated that disclosure is required but that written disclosure is preferred, but not required.
Speakers reveal the many hats of the nonprofit CFO

By CHRIS GAETANO
Trusted Professional Staff

C ybersecurity risks are just as real for small charities as they are for multinational corporations. Without the big budgets to spend on an advanced cybersecurity program, however, nonprofits face more challenges, particularly when it comes to protecting donor information. Fortunately, there are measures even small organizations can take to protect themselves that won’t break the bank. That was the message that Richard Nathan, a cybersecurity specialist, emphasized when speaking at the 39th Annual Nonprofit IT Conference on Jan. 12. The CFO is expected not only to keep operations running smoothly but also to implement strategic initiatives and be a trusted adviser to top leadership, such as the CEO, Ries said. “The CFO is really being asked to provide expertise not only on the numbers but also on how to analyze them, and really be a key member of the team.” — Ronald F. Ries

Cybersecurity expert: Best defense is common sense

By CHRIS GAETANO
Trusted Professional Staff

T here are secondary challenges, however, that can make it difficult to implement strategic initiatives. According to West, funding is increasingly tied to certain conditions and restrictions—for example, that donations go directly to programmatic, rather than administrative, areas. Right now, she said, there’s little to no funding for administrative overhead or infrastructure. This lack of funding, in turn, bleeds into other fiscal issues that seem to affect nonprofits in particular.

“We’re seeing many for-profit organizations with inadequate reserves, lack of a rainy-day fund—major organizations have a rainy-day fund of 20 days or less,” she said. Organizations, she explained, need to get out of the mindset that all funding is good funding: If a donation comes with too many restrictions attached, West said they should be confident enough to say ‘no.’”

She added that the not-for-profit world is too attached to underfunded programs. Organizations don’t do enough analysis on how to sustain programs that constantly lose money, she said: CFOs need to make it clear that their organizations won’t tolerate unsustainable programs, no matter how much people may like them.

So, what exactly should a CFO do to meet these challenges? West said that what’s vital is making sure that the organization has the right people. She noted that this can be a challenge for nonprofits, which, traditionally, don’t have that much money. West is a firm believer in “you get what you pay for.” Keeping good staff can be especially trying today, when young people are known for job-hopping, she said.

“Benefits in lieu of salary is a way to go. There are also nonmonetary benefits. You need to be creative. Invest in your staff. A lot of organizations do exit interviews; good organizations should also do ‘stay’ interviews: understand why people stay in your organization,” she said.

But not everyone can stay, and Ries said that CFOs also need to think very seriously about succession planning. Something that organizations see too often is a key person departing and leaving everyone in the lurch, as they desperately try to adjust.

“One of the things we see so often is, suddenly, you have an accounts payable person, and they walk out the door. … The next thing is, ‘Who takes that person’s job?’ Every critical job function needs a backup, and it takes a lot of effort to do that,” he said.

Ries also said that it’s important for CFOs to plan over several time horizons. It’s not enough to think about what needs to be done that week. CFOs need to ask what they need to do in three months, six months or even a year, and make those plans part of the agenda for the C-suite and the board. It’s important, he said, to stay ahead of the curve as much as possible.

Finally, he urged, a CFO should try to maintain a sense of humor and a positive outlook. It’s important that there be a sense of confidence coming from the CFO’s office, which bolsters the team as a whole. The CFO, he said, should strive to be upbeat, given how many points now intersect at that position.

“The CFO is the go-to person internally, the go-to person for the board, and certainly the go-to person for outsiders. And the attitude the CFO brings to all those levels and colleagues sets the whole tone for the organization,” he said.

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In November, the IRS issued Notice 2016–66, warning people that using insurance contracts to reduce aggregate taxable income, a maneuver called a "micro-captive transaction," is now a "transaction of interest," and that people involved in such transactions may be subject to certain responsibilities and penalties as a result.

In a micro-captive transaction, a taxpayer enters into an insurance contract with a related business that both parties treat as a captive insurance company—basically, an insurance company wholly owned by those it insures. Alternatively, the captive insurance company acts as an intermediary that reinsures risk that is already covered. In either case, the taxpayer makes payments to the captive insurance company, which are treated as a premium for tax purposes, and therefore are deductible as an ordinary and necessary business expense. Because the captive insurance company can be taxed only on investment income, these payments are excluded from its own taxable income.

The IRS believes that some of these insurance transactions are being structured not for any real risk mitigation but, rather, for tax avoidance, fail to comply with applicable laws or regulations, fail to issue policies or binders in a way consistent with industry standards, have no defined claims administration procedures, lack adequate capital to actually assume the risk of defined claims, have illiquid or speculative assets usually not held by insurance companies, or transfer capital to the insured entities or affiliated entities, such as through a loan.

"The manner in which the contracts are interpreted, administered, and applied is inconsistent with arm’s length transactions and sound business practices," said the IRS notice. The IRS said that, in order for the taxpayer to actually claim tax benefits, the transactions with the captive insurance company need to actually be insurance payments, which must be used for administering and paying claims for the entities under contract. The insurance payments cannot, for example, be used to make loans to an insured entity.

"If the transaction does not constitute insurance, Insured is not entitled to deduct the amount of that payment under § 162 as an insurance premium. In addition, if Captive does not provide insurance, Captive does not qualify as an insurance company and Captive’s elections to be taxed only on its investment income under § 831(b) and be treated as a domestic insurance company under § 953(d) are invalid," said the IRS notice.

While the IRS acknowledged that related parties might use captive insurance companies for legitimate purposes, it believes there are cases where the entire point of the arrangement is to claim tax benefits, which, it said, is improper. Therefore, the IRS has classified this type of payment as a transaction of interest, defined as "a transaction that the IRS and the Treasury Department believe is a transaction that has the potential for tax avoidance or evasion, but lack sufficient information to determine whether the transaction should be identified specifically as a tax avoidance transaction."

One type of transaction of interest occurs when a captive insurance company makes an election to be taxed only on taxable investment income; the insured entities directly or indirectly control at least 20 percent of the captive; and, over the past five tax years, the amount of liabilities incurred by the captive is less than 70 percent of premiums earned by the captive or the policyholder dividends paid by the captive in the same time period.

The other type occurs when the captive has, at any time in the last five tax years, either directly or indirectly made financing available to the covered entity or to those related to it through a transfer of the captive’s capital in a way that did not result in taxable income or gain to the recipient. This could be done, for example, through a guarantee or a loan. Persons who have entered into these types of transactions on or after Nov. 2, 2006, must disclose those transactions to the IRS. The IRS also said that transactions that are the same as, or substantially similar to, these transactions may be subject to the same requirements.

The IRS will continue to study "potentially abusive § 831(b) arrangements" and may take action, including potentially removing the transactions from the transaction of interest list, designating the transaction as a listed transaction, or providing a new category of reporting transactions. In the meantime, the IRS may challenge positions taken as part of these transactions, or those that are the same as or substantially similar to them. It also asked for comments on how the transaction might be addressed in published guidance.


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William T. Brennan, managing partner for assurance transformation at PricewaterhouseCoopers LLP, said that his own company has software that can, rather than just sample information, take almost the totality of someone’s transaction flow for a particular time period, whether it’s a day, a week, a month or a year.

“We have our teams doing that with clients today. So, rather than pulling paper, pulling invoices, we’re able to take our client’s data, and as long as you’re comfortable with the security of that data and the configuration of that system, you can extract data points, match them and contribute them to the quality of your audit,” he said.

Brennan added that journal entry analysis—a major part of any audit—has also been largely automated. Today, he said, software can take 100 percent of populated journal entries and see where exceptions or certain risk profiles exist, which can help auditors spend more time exercising professional judgment and less time with routine data processing.

“I can also say [to my client], ‘Do you realize that 60 percent of your journal entries are created after the end of the month?’ The creation of the ultimate set of financial statements is fraught with all sorts of journal entry interventions, and that’s not a very good fact pattern,” he said. Brennan commented that he would then question the client about what was behind those suspect journal entry interventions.

But as complex as some engagements have become, and as advanced as the technology to do them is, the fundamental nature of the work is still largely the same, according to Gerald S. Silberstein, an accounting professor at Sage College of Albany.

“The transactions themselves will be, in a large part, relatively similar to what you expect today, and the nature of a transaction hasn’t changed since the days of Luca Pacioli—the substance can, the complexity can, but the nature of the transaction itself is [the same]. Double-entry bookkeeping is a wonderfully flexible instrument,” he said.

A blockchain revolution?

What could disrupt this status is blockchain. Today, it’s most well known as the technology undergirding Bitcoin and other virtual currencies. Over the past few years, though, there has been a rising interest in applying it to other areas, such as banking, inventory control and financial audits.

A blockchain, in its simplest form, is a distributed collection of databases, called nodes, all holding the same information. Changes in one node must be confirmed as valid by the other nodes, and only then can new information be written or existing information altered. In this way, it is nearly impossible to tamper with data in a blockchain. Amanda Wilke, chief information officer at WithumSmith+Brown, PC, said that this technology will create fundamental changes to the nature of the audit.

“I’d say in 10 years, the way we store transactional data and the way we verify and audit that data is going to change tremendously, so I think the industry will look completely different in the next 10 years,” she said.

Deloitte, in a March 2016 report, “Blockchain Technology: A game-changer in accounting?” used the term “triple entry accounting” to describe the implications that blockchain technology could have on accounting practice. As it is now, with a double-entry system, audits are a costly and time-consuming exercise that ties up a company’s accountants and other professionals for a considerable length of time. The Deloitte report said that because blockchains are so difficult to tamper with, the widespread use could make audits far more efficient.

“Instead of keeping separate records based on transaction receipts, companies can write their transactions directly into a joint register, creating an interlocking system of enduring accounting records. Since all entries are distributed and cryptographically sealed, falsifying or destroying them to conceal activity is practically impossible. It is similar to the transaction being verified by a notary—only in an electronic way,” stated the Deloitte report.

Deloitte & Touche LLP’s Chief Innovation Officer Jonathan W. Raphael said his firm already has a number of partners developing prototypes for blockchain applications for activities such as cross-border payments, digital banking, loyalty and reward programs, investment management, insurance and even tax planning, all in the hope that they can eventually bring this technology to bear for their clients. But he admitted that, right now, the future of blockchain and its potential applications is still open, and the impact it will have on the audit will largely depend on which sectors of the market adopt it.

“You can get a bunch of auditors to talk about how they leverage blockchain, but the real thing will come from the market and major entities, Wall Street and Main Street using blockchain for their transactions—that is the best accelerator,” he said.

So, if blockchain is able to collect all the information, and if that information is known to be all but impossible to alter without authorization, what exactly is the rule of the auditor? Will there still be one? Wilke says yes, though she believes that the nature of the job will be different. The auditor, she said, will become more of an advisor—someone who can provide information and guidance for a client using the data collected from the blockchain.

I’d say in 10 years, the way we store transactional data and the way we verify and audit that data is going to change tremendously, so I think the industry will look completely different.”

— Amanda Wilke, CIO, WithumSmith+Brown, PC

Still need managers making estimates and auditors reviewing that,” he said.

Other areas that will still require human judgment, according to Raphael, include matters internal to the company like goodwill impairment—which, he said, requires a lot of entity-specific judgment—presentation of financial statements and even basic things like revenue recognition.

“It’s complex. There are components and timing decisions, and some of it is quite judgmental. … I don’t see in the short term being able to standardize that in such a way it will be scalable,” he said. “But long term? Who knows?”

The answer to that question could be IBM’s Watson and rudimentary artificial intelligence (AI) systems like it. In March 2016, KPMG announced that it had formed an agreement with IBM to apply the system—which became famous for defeating two record-breaking “Jeopardy!” champions—to its suite of professional services.

KPMG LLP’s Cognitive Technology Audit Leader Marc T. Macaulay said that his firm sees cognitive technology like the Watson system as a way to keep up with what he said was an explosion of data in recent years; whether it’s YouTube, LinkedIn, Twitter, smart cars, smartphones or smart appliances, he said, nearly everything today produces data, and some of that data needs to be audited.

“It’s no longer a manual ledger—a 16-column, as we used to call them—where you had professionals looking at them to make the books and records of a company. Auditors are looking to audit those records, [but] now you have this explosion of data… We need these tools to be able to continuously improve audit quality and to provide deeper and more insightful information for our clients, for our audit committees and for our marketplace more generally,” he said.

Macaulay said that Watson and programs like it will have a transformational effect on the industry—cognitive computing platforms are trained to recognize patterns, generate hypotheses and provide reasoned

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Disclosing Driver's License Information

Technology

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outcomes in a way that is similar to a human being. It’s not simply taking structured data and applying structured routines to structured results that will differentiate and provide those insights...but to engage cognitive technology to evaluate unstructured data and provide these reasoned outcomes," he said.

He added that his firm expects to begin deploying this technology over the course of the next year. Macaulay believes, however, that even then there will still be a place for people in the process, as he thinks of it as what he called "supervised technology." People will still be necessary to take those insights that Watson finds, whether risk anomalies or analyses, and do something with them.

Brennan made a similar point, saying that his own firm has an AI platform that can scan and analyze lease agreements. By doing this, it’s possible to find which ones, out of hundreds of leases, have escalation clauses or percentage lease agreements, and detect areas where there are inconsistencies. As an example, he said, imagine that the program finds six contracts with escalation clauses that it flags as needing a closer look.

Driver’s license rule

Continued from page 1

to prove you are [you]? Motor Vehicles," she said. "You can renew online, but every several cycles, you have to go there." She clarified that it doesn't necessarily have to be a driver’s license: Any identification that comes out of the New York State Department of Motor Vehicles (DMV) will do, as long as it has numbers. She added that if someone has a license but not a New York state license, then the preparer should just check the "No Applicable ID" box for now; while the state wants to eventually be able to reference information from any state, right now, it can do so only for New York. She also noted that the driver’s license information won't be used as an identity verification check on every tax return—it is just one of thousands of checks that the state tax department may use to verify identities.

"I don't think it's as secure," she said. She added that the tax department does not have access to DMV files.

"We have to send it to DMV to do the check," she said. In response, one attendee declared that if hackers can get to the IRS, then "they can get to New York state."

"I beg to differ," countered Manion. "We had two of the people running for president this year, and we have all of that information. Do you know how much money was being offered for those tax returns? We also have a state-of-the-art data center and huge security around our systems."

Some in the audience, however, said that clients may not necessarily feel reassured by these security measures and could decline to disclose their driver's license information.

"So, [here's] a good example of where humans come in: I'd need to pull and focus on those half a dozen contracts and read all the words in that escalation clause...The A1 model would never look at an entire 50-page agreement, but it may direct you to what needs to be focused on because this element of a contract could cause an issue. So, it’s helping focus," he said.

Overall, Macaulay was excited for the future of accounting and the ways in which it will be affected by programs like Watson. "It’s an exciting time. This is about innovation; it’s about being able to take advantage of cognitive technology to improve audit quality, to then provide deeper and more meaningful insights to our clients and audit committees and, importantly, to provide a rewarding and differentiated career experience for our people," he said.

But what do these changes mean for younger accountants who either have just entered the working world or are just about to? What kind of professional landscape will they be entering? And how can they best prepare themselves to effectively navigate it? We'll explore these questions in the second part of this series in the next issue of The Trusted Professional.

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State board audit finds 50% of CPAs noncompliant with ethics CPE requirement

By RUTH SINGLETON
Trusted Professional Staff

A recent New York State Board for Public Accountancy audit of state-licensed CPAs’ continuing professional education (CPE) compliance in 2016 revealed that only 50 percent of New York-licensed CPAs had fulfilled the state’s professional ethics CPE requirement.

“That’s a systemic issue, and I feel that we as a board should have a discussion about it and what we do to do about that,” said Jennifer Winters, executive secretary, of the New York State Board for Public Accountancy, at the board’s Jan. 18 meeting.

In New York, state regulations require CPAs to take a four-hour professional ethics course within their triennial registration period in order to maintain their licenses. The four-hour course may be counted toward a CPAs annual CPE requirement, which must consist of 40 credit hours in a concentrated area of study or 40 credit hours in general study.

CPAs reported different excuses for their lack of compliance, Winters said, all of which board Vice Chair Robert Kawa described as “pretty weak.”

Some believed the time frame in which they had to complete the requirement was based on a registration year and not a calendar year; others took courses not approved by the education department either because the sponsor was not approved to teach ethics, because the courses were from out of state, or “one of the biggest reasons,” Winters said—“because they took a behavioral ethics course.”

The state board’s Education Committee chair, Priscilla “Penny” Z. Wightman, noted that behavioral ethics courses are “less practice-specific than what we allow now.” These are classes that focus on how people may react to ethical dilemmas, as opposed to the specifics of professional ethics. “Any thoughts on that?” she asked.

State board member Kevin D. Bandoian voiced his support for allowing behavioral ethics to satisfy the requirement, for pragmatic reasons. He said the board should broaden the options for people, not narrow them. He also suggested that the board should allow out-of-state courses to satisfy the requirement. “It’s a national profession. We should allow out-of-state courses. We should allow online courses.”

He referred to the New York State Board of Professional Engineering and Land Surveying, which offers an online self-study course for its licensed professionals. “If our engineers are offering it, than we should … We have to broaden options. We’re a very large profession with a lot of resources, and we should have all options available to our people.”

Kawa expressed concern about the board developing its own online course. “If we develop a course, would we become a CPE provider? … I don’t know if we should be in that business. … I do agree we should look at other providers who offer ethics courses,” he said.

Wightman reported that the board’s Education Committee is considering alternatives to the lengthy application process for ethics CPE providers. That would enable more of them to offer approved ethics courses.

As for the ramifications for the 50 percent of CPAs who are not in compliance, Winters said that her office tells the noncompliant CPAs that they are deficient and that they need to take an approved ethics course.

“If they cooperate with us, then we just close out their case,” she said. “There’s no fine.”

Only the most egregious cases are referred to the Office of Professional Discipline (OPD), Winters said, giving, as an example, a CPA who didn’t take CPE for six years.

“We try to work with the licensee first,” she said. “It’s the best course of action for us and for them. In reality, we don’t want to send every case to OPD.”

That’s in contrast to other state boards, which do impose fines for noncompliance with CPE and make a lot of money off them, she said.

Winters announced that the board will propose recommendations to address the compliance deficiencies at its April or July meeting.
With the price for the CPA exam now nearly $800 for all four sections, is the cost of becoming a CPA getting too high?

A. RIEF KANAN | SUNY New Paltz

When you look at the total costs—the cost of the exam, the cost of licensure, the cost of test prep—when you add it all together, it’s become a pretty big expense. When you look at it in these terms, it’s very high. But when comparing the CPA to other credentials, … it’s not entirely out of line with what it costs to get credentials from, say, the Institute of Management Accountants and the CPA [Chartered Financial Analyst] Institute, and they’re not even licensure-based. Looking at the CPA competitively, in terms of its value in the marketplace and its prestige compared to other certifications, it’s still one of the best values in terms of long-term return on investment.

But it’s obvious that the cost to become a CPA is going up. The cost of the exam is going up, the cost of review is going up, the costs of licensure are going up. Is this a smart move or not? With the supply and demand of CPA candidates we have now, where the supply of new accounting grads is not keeping up with demand for those accounting grads—particularly top performers—to make the barrier of entry higher would be counterproductive to resolve this shortfall.

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HARRY HOWE | SUNY Geneseo

The question really has two parts: Is the present value of lifetime earnings from CPA certification greater than the immediate cost of taking the exam, and is the immediate cost of the exam a reasonable burden to impose on the typical college student?

With respect to the first question, even when one factors in the opportunity cost of spending a few hundred hours prepping for the exam, the answer has to be a resounding yes. If students don’t understand that, arguably, they’ve chosen the wrong major.

With respect to the second question, it appears that some stakeholders (some of the larger CPA firms, test prep vendors, perhaps parents and [significant others]) are active in what amounts to the microfinance issue of helping a college student pay for the exam. Some students probably need to do a better job of educating themselves about these resources, and some of the resource providers probably need to do a better job of messaging.

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ADRIAN P. FITZSIMONS | St. John’s University

In many cases, the costs associated with taking the exam will delay students from taking the exam until they graduate and earn enough money to pay the costs. However, the best time to take the exam is when the student is still in school. The longer students wait after graduation, the less likely they are going to pass. Candidates do not have as much time to study when they are working full time. Passing the CPA exam is more than an issue of money—it is also a matter of having sufficient time to study.

Fortunately for students who complete an internship and receive offers of employment, some firms will pay for the CPA review program and materials, but [students] still must pay the direct exam fees, which are usually not reimbursed by the firms until all parts of the exam are passed.

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ANTHONY C. ZACCARELLI | St. John’s University

While the CPA exam process is an expensive one, the cost should be considered an investment in one’s career that is more than offset by higher earnings from being a CPA. Therefore, increasing exam fees shouldn’t deter anyone from becoming a CPA. A separate and more significant issue for many working professionals is not having enough time to study, which leads to taking the same parts multiple times until they can pass. This becomes an expensive and frustrating process. While firms have various programs in place to provide their staff with study time and financial incentives for passing, accounting majors who want to become CPAs should make it a priority to pass the exam before they start their first full-time jobs. This way, they won’t have to worry about studying for and taking the exam while working, in particular, during their busy seasons, when it’s difficult to find time to study.
The Treasury Inspector General for Tax Administration (TIGTA) said in a report issued on Jan. 31 that the IRS faced a lot of challenges last year, particularly when it came to adjusting to the late passage of legislation that extended a number of expired tax provisions; as a result, the service failed to establish or update key processes and made numerous processing errors.

TIGTA noted that every year, the IRS needs to identify tax law and administrative changes affecting the upcoming filing season, revise the applicable tax forms to fit these changes, and reprogram its computer systems to work with the changed forms. Last tax season saw the IRS dealing with a large number of new laws and regulations late in the year, which required the service to deal with changes in a short amount of time. For example, it needed to implement changes relating to the Affordable Care Act, the Trade Preferences Extension Act of 2015 and the Consolidated Appropriations Act of 2016, among many others.

While the IRS did accurately update tax publications, forms and information found on its website, and correctly processed individual tax returns involving the implementation of key extender tax provisions, it failed to establish adequate processes to ensure that required documentation to support health coverage tax credit claims was associated and reviewed before processing claims and allowing the credits. Further, TIGTA also found a number of employee errors from manually processing these claims, which delayed some taxpayer refunds. For example, TIGTA’s review of 6,300 electronically filed tax returns and 356 paper tax returns with health coverage tax credit claims totaling more than $20.8 million that were processed as of April 28, 2016, identified 450 (6.8 percent) returns that had processing errors.

TIGTA further faulted the IRS for failing to implement computer programming changes to correct Residential Energy Efficient Property Credit processing errors that it had previously identified during the 2015 filing season. As a result, the IRS incorrectly limited the credit on 731 tax returns processed as of April 28, 2016, which caused these taxpayers to receive approximately $1.2 million less in credits than they were entitled to receive.

Computer errors also caused some direct deposits not to convert to a paper check as required. TIGTAs analysis of the 86 million deposit requests identified 5,605 deposit attempts totaling approximately $9.2 million that did not convert to a paper check, as mandated.

TIGTA did note, however, that service levels have improved over the previous year: As of May 7, 2016, the IRS reported that assistors answered 14.1 million calls and provided a 69 percent level of service with a 12.2-minute average wait time. The level of service for the 2015 filing season was 37.7 percent.

TIGTA made four recommendations, including reviewing incorrectly processed Health Coverage Tax Credit and Residential Energy Efficient Property Credit claims identified by TIGTA and implementing necessary computer programming changes related to the Residential Energy Efficient Property Credit. The IRS agreed with TIGTA’s recommendations.

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The importance of balance during the busy tax season

By BRUCE ZGODA
Buffalo Chapter Co-President

Choose a job you love, and you will never have to work a day in your life," the saying goes, and while it expresses the pleasure people garner from their labor, this popular phrase implies that when we engage in meaningful tasks and careers we love, effort is easy; work is no longer “work.”

Most of us CPAs probably aspire to such satisfying work, but unfortunately last meaningful work is easy; we all know that is not the case, and it often makes us overwhelmed. Does this logic bolster the theory that we do not need a break from our responsibilities if we are truly called to do them? Maybe this is why it feeds the guilt we feel when we have reached our limits. Has this ever happened to you? Remember, fatigue makes cowards of us all, so guard yourself against excessive tiredness.

Our profession creates very meaningful tasks, but with these comes extremely hard work. As a result, we must learn to take breaks and balance our life. This may sound somewhat selfish, but if we do not take care of ourselves first, we cannot be good for others. As they tell you on a plane, put the oxygen mask on first before helping others.

An age-old saying that is true for all times is that “faith is caught, not taught.” But only as CPAs, we have the chance every day to be the best and not “moral,” but you cannot be “moral” if “ethical” is not within your inner beliefs. And not “moral,” but you cannot be “moral” if “ethical” is not within your inner beliefs.

Look up the words “ethical” and “moral.” See if you can distinguish the differences in both. You will find that you can be “ethical” and not “moral,” but you cannot be “moral” if “ethical” is not within your inner beliefs.

Tax season is upon us, and with it brings tremendous pressure along with long hours and many challenges from our clients. I suggest that when you are pushed up against a wall, step aside, take a deep breath and do what is right. Not easy, but it can be done. Lead by how you live your life, and you will usually make the right decision. If you make a mistake, and most of us have—at least I have—then start over and fix it until you get it right. Remember, you are never asked to be the best; you are just encouraged to do your best. Seize that first moment at the beginning of your day when the alarm goes off, get up and begin. This can be the first victory and can set the tone for the whole day. Stop procrastinating and move forward.

As motivational speaker Matthew Kelly once said, “Nothing will influence your success or failure at anything more than your ability (and willingness) to delay gratification.”

When I have been writing for the past year, I usually pray beforehand to provide an inspiration of how we CPAs can and do make a difference by trying to do what is right at the end of each day. We all know it is not easy, but then again, what worthwhile things are?

I do hope you will all reflect on your jobs at hand and do the best that you can possibly do to make that difference for someone, be it an individual or a whole company.

At our last meeting, we generously spoke of our upcoming education night and how we need to be providing more scholarships for our young gifted future CPAs of the world.

We acknowledged that we must continue to invest in the future for the good of our profession.

I am so thankful for Kevin Penner, our co-president, who has stopped up to charge of our meeting and lead our Next-Gen group by great example. Thank you to Lisa Mrkall for her leadership role in working with the Real Estate Marking Association for a wonderful networking social in January. Not only that, but she has stepped up admirably to take our board minutes while our secretary remains on maternity leave.

Lastly, Jim Gramke, our president-elect, along with Kevin Penner and myself, participated in the sole practitioner teleconferences to lend timely insights while addressing the many challenges specific to the sole practitioner.

Thank you for reading Buffalo’s contributions to our society.

God bless you all.

As I always say, Buffalo is awesome because of its wonderful, kind, compassionate and great people.

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Getting involved as a young CPA

By KEVIN M. PENNER
Buffalo Chapter Co-President

I have been involved in the NYSSCPA since the beginning of my career, and it has been an experience that continues to be rewarding. I would like to highlight some of the key benefits a young professional can receive by becoming involved in the State Society.

One of the greatest benefits to becoming involved is the amount of professional connections you will gain. Just by getting involved in a committee at the chapter level and attending the regular chapter meetings, you will meet a wide array of individuals who are active in your area from a variety of business industries. Having the ability to communicate regularly with these individuals can give you insight into the direction you may wish to take in your career. Additionally, these connections can help act as mentors. You can ask them career questions, and they can provide guidance as outsiders looking into your situation. If nothing else, you will frequently get to see these individuals face to face. This alone will allow them to put a face to your name down the line that will help in your career.

Another key benefit is the exposure a young professional can gain from simply listening to the various issues facing the profession. It becomes apparent that the State Society is a great organization to advocate for the interests of the constituents that make up the NYSSCPA. Aside from the pressing issues that face the profession, simply being a part of the general conversations provides a lot of information for a young CPA just getting started in the profession. The exposure to this information and these discussions especially helps individuals who work in public accounting. As individuals move up the public accounting ladder, they are gradually moved out of the more detail-oriented work, and greater emphasis is placed on the knowledge of the public accounting profession and networking. The NYSSCPA can be a great platform to build those skills a partner in public accounting has mastered.

The other key benefit that can be obtained from involvement in the society is the development of leadership skills. Leadership skills are highly sought after in every facet of the CPA profession, but it can be difficult to gain experience in leadership situations. Young CPAs start out as staff accountants and are not generally provided leadership opportunities as a part of their everyday job duties. Joining the NextGen committee and attending the chapter meetings can help provide an avenue to develop leadership skills. Organizing an event, whether it be networking, CPE or community service, helps prepare young professionals for a leadership role. They are able to take an event from start to finish and act as the person responsible for the outcome of the event. You can also gain entrepreneurial skills from running these events, as you have the ability to direct the decisions of the event as you see fit. Or you can also collaborate with other individuals involved in the event. Working together with other peers helps with teamwork skills and develop a sense of camaraderie.

The great part about the NYSSCPA is that you can make whatever you wish it to be. If you are not willing to get heavily involved, maybe running an annual event is enough, and this alone would provide you great opportunities. I encourage young professionals to at least attend the chapter meetings or join the NextGen committee of the NYSSCPA. Exposure at this level would give young professionals access to see how they may fit into the State Society. I believe that most will find that they will not regret their efforts spent volunteering and will most likely be involved in several other committees.

If you are not willing to get heavily involved, maybe running an annual event is enough, and this alone would provide you great opportunities. I encourage young professionals to at least attend the chapter meetings or join the NextGen committee of the NYSSCPA. Exposure at this level would give young professionals access to see how they may fit into the State Society. I believe that most will find that they will not regret their efforts spent volunteering and will most likely be involved in several other committees.

The more we get out of them.

Service to members and the greater community

By CARNET A. BROWN
Manhattan/Bronx President-elect

The word “serve” has many meanings; most of them coincide with the provision of service by one party to another. Some of these services are normally provided in return for monetary gains. Our members at the Manhattan/Bronx Chapter, along with other NYSSCPA chapters and committees, have served and continue to serve with distinction—and without any monetary compensation.

The services we provide benefit not only the members of the NYSSCPA, but also the general public. For instance, each year our chapter members participate in the Toys for Tots annual toy drive and join their fellow New Yorkers on New York Cares Day, when we provide services to one of our local schools. For example, we typically paint hallways, fences and playgrounds, and reorganize closets and storerooms to create space and make it easier for teachers to retrieve material/books for their classes. It is always a pleasure, while providing services at New York Cares Day, usually a Saturday, to see the joy, happiness and pride on the beneficiaries’ faces. One can only imagine the looks on the students’ faces when they turn up at school on Monday morning, to see how their school has transformed since they left on Friday. This is fulfilling.

As a benefit to all CPAs, we provide continuing professional education (CPE) events, which assist our members not only to meet their yearly required CPE hours, but also to better serve their clients. On Dec. 6, 2016, we hosted a two-hour CPE event titled “Qualified Retirement Plans: Maximizing Owners’ Benefits,” featuring two great speakers, Andrew E. Roth and Bill Miller, both from Danziger & Markhoff LLP. These events are not only of great benefits to our members with small practices—they will improve the quality of service provided to their clients.

We are continually looking for members to get involved or more involved. Volunteer- ing your service will allow you to experience and enjoy a heightened level of fulfillment; also, it will lead to your development and growth. Your views and expertise are welcome and highly valued, and they will help us better serve all our members and the general public. Are you ready to serve? If yes, please visit the Manhattan/Bronx Chapter website at nysscpa.org or contact me at the email address below.

Promoting the benefits of membership

By JORDAN FRITZ
Rochester Chapter President

I honestly did not understand the value of my membership in the Rochester Chapter of the NYSSCPA until I started becoming more involved in committees, and now the board. It’s not that I didn’t think it was valuable—I just didn’t know how valuable and meaningful it is.

Those of you who are involved probably understand this. However, for those of you who haven’t really gotten involved at the chapter or state level (yet), I wanted to take this opportunity to convey this to you.

My membership in the NYSSCPA has shown me a number of things and helped me to learn and grow. It has also fostered new relationships with great people in our area whom I may not have met otherwise. I have been able to be involved in planning events for our members, from charity events to CPE events. I also gained a greater understanding of how to structure our committees and the events that they plan, especially our Political Action Committee. I now see how hard those committee members work to make sure that regulations aren’t put in place to devalue our licenses or that new regulations aren’t put in place that would impose undue burdens on our work processes.

I really urge you all to learn more about what the NYSSCPA can do for you and what you can do for it. Become more involved in the chapter! I would love to meet more of you. As a member, there are so many ways to get involved. Most of them aren’t time consuming, and won’t take away time from your family and personal life. Involvement could range from joining a committee to simply attending more chapter events. I became president of our chapter last year when my child was only four months old, and have a husband with a crazy work schedule (plus a busy work and personal life myself). If I can do it, you can do it!

If there are events or initiatives that you would like to see our chapter do, please don’t hesitate to reach out with suggestions. We want to try to capture as many members’ interests as we can.

The more we invest into our memberships, the more we get out of them.

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Overcoming new challenges in a year of surprises

By CATHERINE M. CENSULLO
Westchester Chapter President

2017 certainly started out with a bang. It is turning out to be a year of challenges and surprises, and it is certainly a year of change.

On the political and economic front, President Trump’s whirlwind decisions from Day One are keeping everyone on their toes. And what could have been more surprising at the start of the year than the 2017 Super Bowl result? Who would have thought the Patriots would win the game in overtime after what initially appeared to be a crushing defeat from the Falcons?

And for those of us in the tax preparation arena, what a surprise we had when the New York State Department of Taxation and Finance suddenly decided this year to require driver’s license information in order to e-file returns, and waited until early this year to let us know about it.

To continue to help you stay on top of your game, we hosted a second planning event, “CPA Firm of the Future,” presented by Bill Carlozzi, managing director of National Consulting Services, on Feb. 15. He helped CPA firm leaders focus and position themselves to remain competitive as the world moves toward value pricing, marketing and technology shifts for both staffing and attracting Millennials.

Our activity calendar will slow down a bit, as you tax professionals hunker down and plan to meet your clients’ tax obligation deadlines. So get ready, get set and go! If you need some help with a pressing tax issue, or have a tax issue to share with your colleagues, don’t forget to join the Westchester Chapter’s Tax Committee the first Wednesday of each month at D’Arcangelo and Company.

Contact Douglas S. Ruttenberg at druttenberg@pkfdd.com for more details. Just think, the season will be over before you know it, and it will then be time to breathe a sigh of relief.

May will be another busy month on the calendar. We are planning an interesting Allied Professionals event, and will soon be rolling out the date and topic for you to save on your calendar.

We have our first Networking Barbecue at Willow Ridge Country Club, Harrison, on May 18. Don’t miss out this great event! We also plan our President’s dinner in May, when we have the changing of the guard and the awarding of our NYSSCPA Westchester Chapter high school scholarships. Speaking of high schools, don’t forget to contact Denise M. Stefano at dstefano@mercy.edu if you are interested in participating in high school visits to discuss careers in accounting.

If you are thinking of joining us for our golf outing in June so that you can relax after a busy tax season, save June 12 on your calendar, and join us for a day of fun and relaxation.

I wish everyone continued success on your ventures for 2017. Thank you to everyone who joined us in January to share their ideas for the managing partners’ breakfast and took part in our planning and networking activities.

I look forward to seeing you at our upcoming events.

Thank you all for your contributions to our efforts and for making Westchester such a great chapter.

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The FAE delivers the following professional education programs for CPAs and other financial professionals in all areas of business, including all public accounting practice areas, and those working in government, industry, academia and industry, to help satisfy their New York State calendar-year continuing professional education requirements. To search within New York City, refer to Manhattan/Bronx. To search within Albany, refer to Northeast. For the most up-to-date event information, visit www.nysscpa.org or call 800-337-3635. SIGN UP TODAY!
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NYS DOL UI DIVISION – Manufacturer assessed $212K for UI taxes after exiting PEO. Arnold Standard results: UI refund of $135K; UI Reserve Account Balance positive $204K. UI Tax Rate lowered from 9.5% to 2.1% on $2MM of annual taxable payroll. Savings in excess of $600,000.

US DOL WAGE & HOUR DIVISION – Distributor assessed in excess of $575K for alleged wage and hour violations. Arnold Standard results: Assessment lowered significantly. Savings in excess of $300,000.

NYS WCB – Homeowner with Domestic Worker assessed penalty of $50,000. Arnold Standard results:

NYS WCB – Construction firm assessed penalty of $83,000. Arnold Standard results:

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