SEPT/OCT 2017

Today's CPA

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Texas Society of Certified Public Accountants

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Cure your clients' pain – and yours too

by Dr. Chandra Bhansali, Co-founder and CEO, AccountantsWorld

You know that most small-business clients find accounting work to be a hassle. Managing accounting is a distraction from what they love to do - growing their businesses. Few small businesses use accounting tools proactively to manage their business finances.

It's also hard for small businesses to get competent accounting or bookkeeping staff. And you know the consequences for your firm. You spend significant time fixing the bookkeeping errors clients make. Numerous surveys have rated this as a primary challenge accountants face.

How did this happen?

It's the result of using popular DIY (do-it-yourself) accounting software like QuickBooks – solutions created for small businesses, not for professional use. Ironically, small businesses despise doing the work that comes with those DIY solutions. In fact, 40% of SMB owners say bookkeeping and taxes are the worst part of owning a business.

So why recommend these DIY programs to your clients? The response from most accountants: "What choice do I have?"

Virtually all accounting systems on the market today (even cloud-based systems) are DIY systems. And despite knowing that most small businesses dislike them, most software providers continue to push DIY accounting systems to small businesses.

So what's the solution?

It's simple – eliminate the need for your small business clients to perform bookkeeping and accounting in their offices. Instead, offer them highly profitable Client Accounting Services, including paying bills, recording transactions, performing trial balance work, creating financials, and managing their cash flow.

Accountants usually find that DIY systems aren't appropriate for offering Client Accounting Services to clients. You need a cloud-based professional accounting system like Accounting Power®, that lets your staff do what your clients' staff currently does... only faster, better and more accurately, without leaving your office.

What to look for

Look for an accounting system that offers smooth bookkeeping workflow and eliminates the need to print checks. And for clients who continue to perform some accounting functions themselves, your professional system should let you work collaboratively with those clients, letting you customize the system for each client so they do the tasks they feel comfortable performing.

For clients who still want to write manual checks, your system should offer automatic bank feeds to help your firm perform write-up work efficiently. Also look for a solution with powerful trial balance capabilities, fully customizable financial statements, and a comprehensive dashboard and alerts so you can offer virtual CFO services.

DIY accounting solutions used to be a necessity, but you and your clients don't have to live with their limitations any longer. By introducing Client Accounting Services to your firm, you can grow your practice and serve your clients better.

About the author:

Dr. Chandra Bhansali (CBhansali@AccountantsWorld.com) is the Co-Founder and CEO of AccountantsWorld, a leader in cloud-based accounting and payroll solutions for accountants. Learn more at AccountantsWorld.com.

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A Leadership Challenge

By Jim Oliver, CPA, CGMA, 2017-2018 TSCPA Chairman

At the TSCPA Annual Meeting this year, Alfonzo Alexander spoke on ethical decision making. He serves as president of the National Association of State Boards of Accountancy's Center for the Public Trust (CPT). The Center's mission is "to champion the public trust by advancing ethical leadership in business, institutions and organizations." With a positive perspective, they aspire to bridge the gap between theory and practice. Their Student Center's mission is "to promote ethical thinking in the developing character and conscience of students." The work done by CPT and its Student Center deserves more recognition and support from our profession.

Alonzo presented us with specific steps toward making ethical decisions. You can read more about the steps in the Annual Meeting article in this issue of *Today's CPA*. He shared personal testimonies and real-life scenarios, including one where we attendees had to role-play different parts and consider how to handle a challenging situation. One valuable take away for me was how an organization's culture can increase the difficulty in making ethical decisions. The "tone at the top" influences how an individual decides to act.

> **"THE CHALLENGE FOR THOSE WHO LEAD IS TO EXAMINE HOW WE DO SO, WHAT TONE WE SET AND WHAT VISION WE OFFER THOSE FOR WHOM WE ARE RESPONSIBLE."**

Organizational leadership sets that tone not only by what it espouses, but also by how it acts, especially how it interacts with its employees. Where organizational management seeks their own desires without regard for the needs of those under them, they reinforce self-protective decision-making by employees. When an organization focuses solely on making its numbers and not on valuing its people, employees do not feel secure. They will more likely make choices and take action for their own benefit rather than for the organization and those with whom they work.

Millennials have brought new challenges to workplace leadership. While many of us Baby Boomers complain about certain traits that differ from our own, we should recognize that many of their generational characteristics actually set Millennials at a higher level. As a group, they seek to have impact and to do work that has meaning. They readily accept diversity and see business as a means to serve all stakeholders as a responsible corporate citizen.

As a result, they rightfully reject a "command and control" organizational culture as they seek a collaborative opportunity with a higher purpose and vision. While Millennials may seem more impatient and less committed than Boomers, they also exhibit more courage to walk away from what has no meaning. Why should they be patient with, and committed to, an organization whose value and purpose is muddled or undeserving?

The challenge for those who lead is to examine how we do so, what tone we set and what vision we offer those for whom we are responsible. If we want team members who willingly make ethical decisions and sacrifice for the good of the organization and their fellow team members, we must be willing to sacrifice what we desire and set a vision that values people over numbers. We must offer a values-based culture, not one merely rooted in compliance to organizational rules or management edicts.

Bad "leadership" is nothing new, nor is it limited to the business world. The prophet Micah indicted the nations of Israel and Judah, and especially their government leaders, for corruption, injustice and outright theft as they mistreated those under their authority. Looking at government institutions during my lifetime, I have seen dysfunctional, unethical decision-making as some in authority make it all about their winning, maintaining power or enriching themselves, rarely exhibiting those characteristics of true leadership. Micah's advisory exhortation to the corrupt leaders of his time rings as true today as it did in his day: Act justly; love mercy; walk humbly.

John Maxwell notes that a leader requires two things: followers and a direction. Followers must trust both the character of the leader and the value of the vision that guides them. That trust arises out of seeing that the leader is willing to sacrifice for the success of those who are following. Simon Sinek writes: "Leadership is about integrity, honesty and accountability; all components of trust."

With those as intrinsic values of our profession, CPAs should be on the forefront of ethical leadership. Just as we seek to be trusted advisors to our clients and employers, we should also strive to be trusted leaders in our workplaces, our communities and our families. Equally important, we should also be empowering those around us to lead and succeed as together we face the challenges that the future will bring. ■

Jim Oliver, CPA, CGMA is a partner with Houston-based CPA firm Calvetti Ferguson and resides in San Antonio. He can be contacted at joliver@calvettiferguson.com.

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IRS Penalties – A Brief Primer

By Jason B. Freeman, JD, CPA | Column Editor

There are currently more than 150 penalties contained in the Internal Revenue Code – a penalty for nearly every conceivable reporting, filing and payment requirement failure. While penalties have long been a component of the federal tax laws, the number of penalties has grown substantially over time. There are, to put it in perspective, nearly 10 times more penalties in the current code than were contained in the 1954 code.

During the most recent fiscal year, the IRS assessed over $27 billion in civil penalties, an amount that is slightly higher than in recent years. At the same time, the IRS abated nearly $9 billion in penalties. In other words, almost a third of penalties were abated.

The Purpose of Tax Penalties

The Internal Revenue Manual provides some insight into the purpose of tax-related penalties: they exist primarily "to encourage voluntary compliance." According to the Internal Revenue Manual, "[v]oluntary compliance is achieved when a taxpayer makes a good faith effort to meet the tax obligations defined by the Internal Revenue Code." Practitioners seeking penalty abatement may sometimes find support for their position by invoking the underlying purpose of those penalties.

Common Penalties

While there are many tax-related penalties, there is a handful of particularly common penalties that tax practitioners should be familiar with. These include the failure-to-file, failure-to-pay, failure-to-deposit, accuracy-related and fraud penalties. Of course, there are other penalties that practitioners should be familiar with, such as penalties for aiding and abetting the understatement of a tax liability, filing frivolous returns and promoting abusive tax shelters, but the following penalties are among the most frequently encountered in most tax practices.

The Failure-to-File Penalty Under Code Sec. 6651(a)(1)

The Internal Revenue Code imposes a delinquency penalty for failing to timely file a tax return. This failure-to-file penalty is equal to 5 percent of the outstanding tax due on the return for each month that the return is delinquent, up to a maximum of 25 percent.

The Failure-to-Pay Penalty Under Code Sec. 6651(a)(2)

The code also imposes a penalty for failing to timely pay the tax shown as due on a tax return. This failure-to-pay penalty is equal to one-half of 1 percent of the delinquent tax amount for each month that the amount remains unpaid, up to a maximum of 25 percent.

The Failure-to-Timely-Deposit Penalty Under Code Sec. 6656

The code imposes a penalty for failing to properly deposit taxes. The penalty is imposed at a rate of 2 percent for a failure of not more than five days. The rate is increased to 5 percent for a failure of five to 15 days. And the rate is increased to 10 percent for a failure of more than 15 days.

The Accuracy-Related Penalty Under Code Sec. 6662

The code imposes an accuracy-related penalty generally equal to 20 percent of an understatement of tax attributable to one or more of the following:

- negligence or disregard of rules or regulations;
- a substantial understatement of income tax;
- a substantial valuation misstatement;
- a substantial overstatement of pension liabilities;
- a substantial estate or gift tax valuation understatement;
- a disallowance of claimed tax benefits by reason of a transaction lacking economic substance (within the meaning of

section 7701(o)) or failing to meet the requirements of any similar rule of law;
- an undisclosed foreign financial asset understatement;
- an inconsistent estate basis.

The general 20 percent penalty is increased to 40 percent for certain types of understatements, including understatements attributable to gross valuation misstatements, gross estate or gift tax valuation understatements, undisclosed transactions lacking economic substance and undisclosed foreign financial assets.

The most common accuracy-related penalties include the negligence and substantial-understatement penalties. Negligence in this context is defined as a failure to make a reasonable attempt to comply with the Internal Revenue Code and the term "disregard" is defined to include any careless, reckless or intentional disregard. A substantial understatement of income tax is generally defined as the amount by which an understatement exceeds the greater of (i) 10 percent of the tax required to be shown on the return for the tax year or (ii) $5,000. For corporations other than S corporations or personal holding companies, however, the phrase is defined differently. For such corporations, there is a substantial understatement if the amount of the understatement exceeds the lesser of (i) 10 percent of the tax required to be shown on the return (or if greater, $10,000) or (ii) $10,000,000.

The Fraud Penalty

Finally, the code provides for a fraud penalty equal to 75 percent of any underpayment attributable to fraud. The term fraud has been defined as an intentional wrongdoing on the part of a taxpayer with the specific purpose of evading a tax known or believed to be owed. The IRS bears a heightened burden of proof when it comes to establishing fraud. It must establish, by clear and convincing evidence, that there is an underpayment and that the underpayment is attributable to fraud. To substantiate the existence of fraud, the IRS generally looks for the existence of so-called badges of fraud.

Penalty Defenses

Several defenses may be available to penalty assessments. Practitioners should consider whether statutory exceptions may be available, whether the penalty may be due to a service error or whether the taxpayer may have a reasonable cause defense or satisfy the criteria for first-time abatement relief.

Reasonable cause is perhaps the most common defense to accuracy-related and fraud penalties. It is a penalty defense, or at least a component of a defense, to most civil penalties. Reasonable cause is generally defined as the exercise of ordinary business care and prudence in determining one's tax obligations. The "reasonable cause" standard draws on a broad range of guidance, and whether it exists is based upon all the surrounding facts and circumstances. Taxpayers seeking reasonable cause relief should ensure that they submit a detailed reasonable cause statement that complies with the governing regulation at issue. Depending on the context of the submission, taxpayers should also consider tailoring the submission to maximize the chances of acceptance under the IRS' Reasonable Cause Assistant software – artificial intelligence software employed by the IRS for certain penalty abatement decisions.

Practitioners should also consider whether first-time abatement relief may be available to the taxpayer. First-time abatement relief is an administrative waiver that may be available for failure-to-file, failure-to-pay and failure-to-deposit penalties. It is generally available where a taxpayer can demonstrate that they have no penalties (other than estimated tax penalties) for the prior three years, have filed a return or valid extension for all currently required returns and have paid or made arrangements to pay any tax due. Where available, first-time abatement relief can be a cost-effective mechanism to reduce penalties.

There are, of course, other potential avenues to avoid or minimize penalty exposure depending on the context. Practitioners should, for example, consider whether a qualified amended return may allow a taxpayer to reduce their exposure to accuracy-related penalties or whether proactive disclosure, such as through the procedures of Revenue Procedure 94-69, may provide a taxpayer with an opportunity to reduce accuracy-related penalty exposure even after contact by the IRS. And, of course, taxpayers may be able to mitigate penalty exposure through proper use of Form 8275, *Disclosure Statement*, or Form 8275-R, *Regulation Disclosure Statement*, attached to an original or qualified amended return.

Selecting the Approach

While the code contains a mind-numbing array of penalties, many can be avoided through proper procedures and diligence on the front end. But where that fails, practitioners should vet the applicable penalty defenses.

As indicated above, while the IRS assessed over $27 billion in civil penalties during the most recent fiscal year, it also abated nearly one-third of those penalties. As these figures imply, where penalties have been assessed, practitioners would often be wise to heed the advice that "those who do not ask do not receive." A well-crafted and reasoned penalty abatement request may be well worthwhile. ■

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Relevance

By Mano Mahadeva, CPA, MBA | Column Editor

In their book, "Leadership on the Line," authors Ron Heifetz and Marty Linksy offer a practical solution to leaders – continually move back and forth between the "dance floor" and the "balcony," which suggests leaders take themselves out of the fray, at times, to understand what really goes on in their businesses. Why? Because there is too much happening on the "dance floor" – too many priorities, too much information, too many meetings and many other distractions. If leaders continue to stay on the dance floor without taking time for reflection, they will not be able to act expediently to stay relevant.

Dramatic changes in business conditions today and in the future make relevance an imperative. Globalization and technology has touched businesses of all kinds. The internet provides real-time capabilities across the world; cheap money has given rise to unexpected competition and new products; cheap labor markets and limited pricing power continue to add pressure on profits. Inaction and irrelevance mean a lesser chance for survival. Taking thoughtful action may lead to enormous rewards.

In the industrial age, it was much easier to succeed and carry on business by adhering to a "best practice" way of doing things. Today, due to a host of new challenges, innovations and many uncertainties, we may be operating in a dysfunctional or even counter-productive manner by using the practices of yesterday. No one disputes that companies must adapt if business conditions force a change or if a company is failing, but it is important to do so even if we are succeeding, as our present success may be due to a result of unrelated attributes.

To be successfully positioned, it is important that a company understands its capabilities, processes and beliefs relative to the new world. It is a step that precedes the annual rituals of strategic planning, budgeting and forecasting, which is a thorough and insightful exercise that helps answer, "do we know who we are," "are we making money" and "how are we making money?"

In 2002, the Oakland Athletics became competitive with larger market teams with one of the lowest payrolls in Major League Baseball. They did so by taking advantage of empirical gauges of player performance. Instead of competing head to head with larger market teams like the New York Yankees and Boston Red Sox, Oakland's General Manager Billy Beane went against conventional wisdom and undertook a contrarian, non-traditional approach to competing in the sport. He utilized a long short arbitrage technique of dumping overvalued players and signing undervalued players from other teams, which helped make the Athletics a very successful franchise. Today, many sports teams like the Los Angeles Dodgers and Chicago Cubs have emulated this approach.

In the late 1990s, IBM transformed itself from selling computer hardware to becoming a provider of information technology services to its customers. This change resulted in the building and management of its customer technology platforms. This was a major strategic change and a calculated risk, as in some instances, IBM customers purchased competitor hardware to be part of their technology platforms. Looking back, IBM's insight and resulting shift proved correct, as services have become IBM's core business today.

Staying relevant is not an easy task. It is difficult enough trying to deliver this year's results without having the need to stay ahead of the curve. Some companies have been successful at these efforts, while others have failed. As an example, Hewlett Packard, a company that played a significant role in the rise of Silicon Valley and at the time, ranked third in global technology sales could not pull off what had to be done because of conflicting and alternative directives. Chief executive terminations, claims of sexual harassment, board room spy scandals and controversial acquisitions added to the confusion, resulting in major questions about its outlook. Other examples of unsuccessful efforts include Kodak, which left the camera business, and Blockbuster, which failed to compete with Netflix.

Leaders of successful companies must be able to promote a vision and articulate it well. They need to have a sense of paranoia in that they assume that something will change and soon. They must exhibit urgency; i.e., a determination to move forward and do it now. They need to create companies that are agile and adaptive; agile in that they can do what it takes to get to their destination and adaptive in that they can rise above all the noise to make the correct interpretation and adjust to the new circumstances. In other words, the successful leaders will need to be equipped with these capabilities so that they can navigate uncertain circumstances or conditions.

Companies better at adapting to environments of increasing volatility will most likely replace those that are inert, complacent or that live off past successes. It is essential for survival and a way of carrying out business. Asking questions about who we are, what we do and if we are making money may lead to our relevance and survival.

Mano Mahadeva, CPA serves on the Editorial Board for TSCPA. He can be reached at manomahadeva@gmail.com.

PCAOB Mandates Extensive Changes to Public Company Audit Report

By C. William (Bill) Thomas, CPA, Ph.D.

In a new audit standard issued in June 2017, the Public Company Accounting Oversight Board (PCAOB) unanimously voted to implement sweeping changes to the standard form of its prescribed audit report. These represent the first significant changes to the standard audit report in over 70 years. The new standard will require auditors to include a discussion of critical audit matters, as well as other less controversial changes. In a prepared statement, PCAOB member Steven B. Harris said that the Board's action in adopting the new standard was a direct response to calls from investors for the Board to expand disclosures in the auditor's report.

Impetus for the New Standard

The Board traced the impetus for the new audit standard to concerns that during the banking crisis of 2008, audit reports of key financial failed institutions, such as AIG, Lehman Brothers, Bear Stearns, Citigroup and Washington Mutual, contained unqualified audit opinions from their auditors despite evidence they were on the verge of collapse. Had auditors communicated more information about their observations during their audits, investors might have had a clearer picture of the financial state of those companies.

What Keeps Us Awake at Night

The most controversial required standard report language will be addition of critical audit matters (CAMs) arising from the audit of the most recent period's financial statements. A CAM is any matter communicated to the audit committee that both relates to material accounts or disclosures, and that involves "especially challenging, subjective or complex auditor judgment." CAMs relate to "areas that have historically been of particular interest to investors, such as significant management estimates and judgments, significant unusual transactions, and other areas that pose high financial statement and audit risk." In other words, CAMs involve matters that "kept the auditor awake at night." These matters are determined subjectively by the auditor and require significant judgment on the auditor's part.

While the measure was unanimously approved by PCAOB, some members expressed qualms about it. Harris, for example, stated he was bothered by the "element of subjectivity" in defining CAMs under the standard. Harris speculated that allowing auditors to decide what matters involved "especially challenging, subjective or complex auditor judgment" grants them too much discretion. Another Board member, Lewis H. Ferguson, expressed a concern that CAM statements "will quickly deteriorate into boilerplate disclosures that are repeated year after year and over time will provide no additional useful information to financial statement users." He predicted that there would be "an inevitable attempt, on the part of audit firms with many public clients, to achieve a very high degree of uniformity in disclosure of CAMs."

To counter these potential situations, the Board has stipulated that CAMs be "tied to the factual situation of the particular audit engagement in which they arise."

Other Changes to the Standard Audit Report

Besides CAMs, the new audit standard makes other changes aimed at clarifying the auditor's role and audit responsibilities, providing more details about the auditor, and making the standard report easier to read. These other changes include:

- Auditor tenure. The new auditor's report will include a statement disclosing the year in which the auditor started serving consecutively as the company's auditor.
- Independence. The new report will include a statement that the auditor must be independent in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission (SEC) and PCAOB.
- Clarifying language. The current phrase in the scope paragraph of the audit report that describes the purpose of the audit as providing reasonable assurance as to whether the financial statements are free from material misstatement will add "whether due to error or fraud." The meaning of this phrase has only been implied in previous standards.
- Standardized form. The auditor's opinion as to the fairness of presentation of the financial statements will appear in the opening paragraph rather than the closing paragraph of the report. Also, subheadings will be added to all sections.
- Addresses. The auditor's report would be addressed to the company's shareholders and board of directors or their equivalent. Additional addressees will also be allowed.

Effective Dates

All provisions other than those related to CAMs will take effect for audits of fiscal years ending on or after Dec. 15, 2017. Provisions related to CAMs will take effect for audits of fiscal years ending on or after June 30, 2019, for large accelerated filers and fiscal years ending on or after Dec. 15, 2020, for all other companies to which the new requirements apply. ■

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10 Common Sense Technology Security Tips

By Val Steed, CPA, MA, CITP

In the last issue of *Today's CPA*, we covered some of the top technology mistakes I see on a regular basis and how to protect yourself from them. This issue, we'll discuss the instances of technology security breaches.

It seems appropriate to remind folks in the wake of recent ransomware attacks that often the simplest, most common sense steps work wonders to keep your technology safe. The WannaCry virus on May 12, 2017, was a worldwide cyberattack that targeted computers running the Microsoft Windows operating system, infecting more than 230,000 computers, in over 150 countries, within a day.

The WannaCry Ransomware cryptoworm attacked these operating systems by encrypting data and demanding ransom payments in Bitcoin cryptocurrency – which should send a clear signal to all of us about Bitcoin. However, the attack only succeeded when a user's operating system was out-of-date or if they were still using Windows XP. Good grief! It's been at least a decade since we were warned about Windows XP, right? Maybe now we'll actually listen. Here are some simple steps we can do to help prevent technology security breaches.

1. Keep Your Operating Systems Up-to-Date

Ask your IT folks if your systems are up-to-date. If they are not, demand clear answers as to why they are not keeping current. Many IT groups will lag behind in updates because they haven't tested how critical software in your organization will respond to the update. If this sounds like an IT practice in your organization, this should send a signal to you and your management team that there is a problem. You should always update as soon as possible after a security release – if not immediately, then within a few weeks at most.

2. Keep Your Antivirus Software and Licenses Current

If your antivirus software is out-of-date, it cannot keep up with the latest attacks, nor should you expect it to. I had a person complaining in class that a very popular antivirus software had failed them. When I asked to know more, they admitted the software was out of license at the time of the breach. Out-of-date or non-licensed antivirus software is unreliable at best and presents a serious security risk. Make sure to keep it current.

3. Notice Anything Out of the Ordinary

You need to know your system inside and out, so you can recognize when something is amiss. For example, a browser that starts blinking when it normally does not blink or an email that takes extra-long to open could be a sign that something is not right with your system.

The first thing you should do when you notice something's off is shut everything down and restart. Often simple application collisions in RAM can be reset with a restart. If the problems persist, then you'll know it's not a RAM issue and you may have a bigger problem.

4. Try Updating Your Antivirus if the Problem Persists

One of the first things an attack will do is disable your antivirus update, followed by disabling your antivirus software. Check and run the update and scan. I prefer to update my systems automatically at least once a day and scan at least once a day.

5. Consider Using a PC Cleaning Tool

If everything checks out after restarting and updating your antivirus, but your computer is still sluggish, you may need to use a PC cleaning tool to dig a little deeper and uproot the problem. Just keep in mind that all these cleaning tools will clear out cookies and at times require you to reset information. Use at your own risk. I recommend trying Cleaner Pro, because it's worked well for me in the past.

6. Be Wary of Open WiFi

I never do anything using a serious login on open WiFi. Instead, I will always turn on my own cell-based hot spots from my iPhone or iPad for serious work. Your cell phone hot spots are encrypted to the tower and offer much more protection than open WiFi connections. Keep a special eye out for Venmo, PayPal, bank transfers, etc. If a hacker can get side by side with you on an open network, they can track what you are doing.

7. Change Your Serious Passwords at Least Once a Year

More often would be better, but busy schedules make it easy to forget simple practices like this. Ask yourself if you've changed your bank remote login in the past year? If you have, you're already ahead of the curve. If you're like most people, use this as a reminder and go change it right now.

8. Never Use the Same Password for Multiple Sites

Consider this – once a hacker breaks into your Facebook account, they will immediately test your bank login with the same password. Facebook and other social media platforms gather a lot of personal information about their users and if a hacker has access to your social media accounts, then they already have a good idea of where you bank.

9. Use Caution When Posting on Social Media

Phishing schemes now are incredibly sophisticated and will use information they gather about you to deceive you or others in your company. Don't post anything on social media that you don't want to be absolutely public, especially when it comes to business information.

10. Avoid Gmail, Yahoo, Outlook, Comcast or Others for Business Email

If you're in business, you should own your own domain and have it managed. This allows you to control the level of access and security for your business email. These email services work fine for personal stuff, but not business. I have enough very sad stories to fill pages that are all due to folks using these services for business email. Just don't do it. If you need help setting up a domain, get it. Look for a very sophisticated business email security solution like Mimecast.com. You can and should take a proactive stand on email.

Bottom Line

Most of these solutions won't cost you anything except a change in mindset. It takes a conscious effort to remember to change passwords or recognize when you're on public WiFi vs. using a hotspot, but it's a small thing in comparison to leaving yourself vulnerable to hackers or malware. The bottom line is be current, be aware and you should be fine. ■

Val Steed, CPA, MA, CITP is the CEO of K2 Enterprises, a national technology training and consulting organization. He has 12 years experience in public practice and has been involved with the accounting technology industry for more than 30 years.

2016-2017 Outstanding Chapter Awards

By Rhonda Ledbetter | TSCPA Chapter Relations Representative

To inspire chapters in their continuing effort to better serve members, TSCPA bestows Outstanding Chapter Awards to the small and medium-sized chapters. Selection is made by a group of past presidents from chapters of all sizes who understand the work involved in successfully leading volunteers. Here is information about the chapters honored for the 2016-2017 year.

Help Make Your Chapter Award-Winning

Members are the key to – and the reason for – chapter success. Contact your local president or executive director and find out how you can get involved in making yours an award-winning chapter! You can get contact information through the TSCPA website at tscpa.org.

Outstanding Small Chapter: Southeast Texas
President: Joshua LeBlanc, CPA

Chapter volunteers planned and ran fundraising events that generated $10,000 in scholarships for Lamar University accounting students during the year. In addition, the chapter donated $1,000 to maintain its endowed scholarship that was set up through the university's foundation several years ago.

Because of the devastating flood in Deweyville, that community's elementary school was the recipient selected for the 9th annual school supplies drive. There were 10-20 percent more donated items than the previous year; two SUVs were required for delivering the bounty.

The chapter had member participation in two projects during the CPA Month of Service during November. One was at a food bank warehouse, helping assemble 1,000 boxes of provisions to be sent throughout the area. The other involved 13 Beta Alpha Psi members working at a Habitat for Humanity ReStore, where they restocked merchandise, cleaned the warehouse floor, disposed of unsold scrap metal and loaded items donated by a local church.

A strong level of participation in TSCPA events was maintained. Members of the chapter chaired two state-level committees. There were at least 10 members at each of the two TSCPA Board of Directors meetings during the year; for the fourth consecutive year, one of those members had not attended a TSCPA Board meeting before.

Outstanding Medium-Sized Chapter: Corpus Christi
President: Terri Rutter, CPA

The chapter's annual team-building activity was held in a new format, a Kickball Tournament. The event included food and a traveling trophy awarded to the winning team, and drew 42 participants. The Young CPAs group maintained their networking, with nine meetings to plan events and volunteer opportunities.

A new project for the CPA Month of Service helped the area food bank. Almost 2,000 pounds of donated food was collected at firms' offices and the university through November. In addition, the chapter had a CPA volunteer day at the Food Bank and 24 individuals sorted more than 11,000 pounds of food.

Helping the community and raising awareness of the CPA profession were the purposes of the CPAs on Call TV program on the local PBS station in January. The show had eight CPAs on a phone bank taking questions from viewers and three CPA panelists who answered questions on-air with the moderator. Collectively, the CPA volunteers answered more than 125 tax-related questions. The chapter solicited sponsorships by firms, which covered 80 percent of the cost of the show. Volunteers received a QuickFinder Guide to use on the program and to keep for their service.

In collaboration with several accounting organizations, the chapter organized a joint mixer held in December. A total of 33 professionals participated. ■

The Test of Time

TSCPA Outstanding Educator on Mission to Convince Students that Certification Pays Off in the Long Run

By Anne McDonald Davis

Dr. **Veronda Willis**, CPA-East Texas, a 2016 recipient of TSCPA's Outstanding Accounting Educator Award and director of the University of Texas at Tyler's Master of Accountancy Program, is committed to this formula for turning out first-rate new CPAs: 1) ensure that every student who passes her Intermediate Accounting I class knows the accounting basics; 2) get students to come to her office for further individual guidance; 3) promote students being active in student organizations (see Figure 1) and completing internships; and 4) passionately encourage accounting majors to meet the 150-hour requirement and sit for the exam as soon as possible.

Dr. Veronda Willis, CPA-East Texas

She laughs, "It's my understanding that I'm known as a 'hard teacher.'" Willis takes that as a compliment and apparently a number of her students agree, given that they wrote letters of recommendation for her to receive the Society award with comments such as, "If you want to learn something, take a class with Dr. Willis" and "Students leave her classroom empowered with a deep understanding and appreciation of the concepts." Her students also noted her passion for accounting and many give her credit for helping them succeed in their chosen profession.

"I love accounting," Willis continues. "A student once told me, 'When you start teaching, you just light up!' It matters to me that my students get the best foundation possible. When they graduate, I want them to know what they're doing. I also want to share real world experience."

Her "real world experience" includes both public and industry, and began with an internship at the Houston office of PriceWaterhouseCoopers (formerly PriceWaterhouse) in the 1990s. One year later, she began her professional career as an auditor, where she learned to relish interaction with many different kinds of clients. Willis believes her experience at a big public accounting firm was an invaluable extension of her education. Her next stop was Enron Corp.

Willis recalls: "Back then, it was like a family; it was great. I still have long-term relationships from those days – I only left

Rebecca Neu, Dr. Willis and Charles Wilson

Students April Jordan, Yolande Donkor and Michaelyn Barrett with Dr. Willis at the NABA Student Conference in October 2016 in Houston

From left to right: Haylee Brewer, Michaelyn Barrett, Juli Kirby, Michael Green, Kenneth Gomez, Thomas Cryer, Hayley Mackay and Dr. Willis

Figure 1. Student Organizations: A Critical Link

Many years ago, Veronda Willis and a small group of students started the student chapter of the National Association of Black Accountants (NABA) at the University of Texas at Austin. Willis, who served as the first president, realized early on the value of student organizations – encouraging others on the same path while also accelerating professional growth.

Today, she encourages her students to also participate in Beta Alpha Psi and TSCPA's student chapter to gain further insights into the accounting world they are entering. She served as the faculty advisor (2010-2012) of BAP at UT Tyler, and was able to work with and encourage students across the Southwest region (Texas, Louisiana, Arkansas, Oklahoma and New Mexico) when she served as the 2013-16 chapter advocate.

to get my Ph.D. I was even kind of considering going back … but of course, there wasn't a company left to go back to. So I definitely had to finish my doctorate!"

After completing her Ph.D. in accounting at the University of Colorado at Boulder, Willis began her life as an educator at the University of Texas at San Antonio. Here, Willis and a colleague developed the Principles of Accounting Competency Exam (PACE) to ensure that students review their principles before entering Intermediate Accounting I. "Many employers will look at a student's grade in this class to determine their competency, which affects internships and recruitment," she explains.

When her mother was diagnosed with cancer back in Willis' native east Texas, she transitioned to her current position at UT Tyler to be nearby for her parent's final years. "I was glad I was able to spend more time with her," Willis nods. The youngest of three girls, she has many memories of growing up in the Tyler area. Her siblings used to take advantage of her affinity for numbers when they went shopping. If the checkout clerk's total didn't match their littlest sister's calculations, the clerk was usually wrong!

Willis thinks back to graduating as valedictorian of Arp High School and credits math teacher Cathy Adams for encouraging her to pursue a career in accounting. (She first earned an associate degree from Tyler Junior College, then graduated with her bachelor's and master's degrees from the University of Texas at Austin.)

Inspiration has come full circle as Willis refines her own approach to teaching. "Students love the 'annual report' project," she offers as an example. "They pick their company, perhaps even one they want to work for one day. My Excel project is also a favorite as students get to try their hand at teaching. One student commented, 'I didn't realize how hard it would be to teach someone else.' Students learn from each other and I learn too. It's important for them to remember that when they start working, they'll continue to learn from everyone around them. I urge my students to appreciate that, to realize how different people think.

"I ASSURE [MY STUDENTS] THAT WHATEVER JOB THEY APPLY FOR THROUGHOUT THEIR CAREERS, IF THEY'RE COMPETING WITH SOMEONE WHO HAS THOSE THREE LETTERS AFTER THEIR NAME, THAT PERSON WILL MOST LIKELY GET THE JOB."

"Internships are more important than ever to determine how they want to use their education in the real world," Willis stresses. "Plus I keep saying, 'Come to office hours!' That's when I have more time to talk to them and steer them. I also tell students that the more technology they know, the better. I can't teach them every software they'll use, but I can help them develop the ability to learn how to use different software."

But her number one mission is … "First thing I do is ask, 'Do you plan to take the CPA exam?' she asserts. "Often I hear, 'I don't plan to work for a public accounting firm, so I don't need to sit for the exam.' I try my best to dispel that myth. I explain to them the prestige of certification. I assure them that whatever job they apply for throughout their careers, if they're competing with someone who has those three letters after their name, that person will most likely get the job."

Willis concedes it can be a tough sell. "Many of our students are already working full time. By the time they get that bachelor's degree, they feel like they need to get out there and get a professional job," she reflects. "That extra year of school can seem tough. I tell them: A moment of sacrifice, one extra year, will pay off in a lifetime of benefits. When you start working full time, you forget how to study and how to take exams. Take the CPA exam as soon as possible. They may think they'll never use the license … but they may never know how many opportunities opened up – or didn't – because of their decision about that credential."

Willis receives her greatest reward when she sees her students walk across the stage to receive their degree and when they are sworn-in as CPAs.

Even in her personal time, Willis is focused on teaching or learning. Very active in her church, she teaches Sunday School, and enjoys puzzles and board games with family. She admits, chuckling, "My nieces say I'm passionately competitive."

One of the UT Tyler professor's favorite lifetime learning experiences remains a mission trip to Cachoeira, Brazil. "It was an education, in itself, to realize what other people value." She looks forward to serving as president of the East Texas Chapter of TSCPA next year.

TSCPA's Annual Meeting of Members

TSCPA's 2017-2018 Chairman Jim Oliver


Central Texas Chapter members Shelly Spinks, CPA; Angela Ragan, CPA; and Dora Dyson, CPA, CGMA

By Rhonda Ledbetter, TSCPA Chapter Relations Representative

TSCPA members, families and colleagues gathered in cool Colorado Springs, Colorado, for the 2017 Annual Meeting of Members and Board of Directors Meeting.

Year in Review

Immediate Past Chairman **Kathy Kapka**, CPA-East Texas, CGMA, talked about the developments in the accounting profession and TSCPA that have unfolded during the last year.

Kapka indicated that the value of membership in TSCPA relies on a set of offerings, beliefs and experiences, which can be grouped as CPE, community, advocacy and communication. Member satisfaction and engagement are the Society's highest priorities. The new strategic plan process began in January with a statistically valid membership survey. The objective was to receive candid input about how TSCPA could continue to best serve its members at the state and chapter levels. Leaders and staff are listening and using the feedback from the member survey to craft future plans.

Three task forces completed work on targeted areas. The CPE Task Force developed recommendations to enhance the work of TSCPA's foundation that delivers quality CPE in Texas. The work of the Bylaws Task Force was unveiled as a proposal to send recommended revisions to the members for an electronic vote.

The Society's Professional Standards Committee responds to exposure drafts of proposed accounting and auditing standards, rules and regulations issued by various regulating bodies, such as the SEC, FASB, GASB and others. Responding to current and proposed federal tax legislation, regulations and administrative pronouncements is the responsibility of the Federal Tax Policy Committee. Information about these committees' work is communicated in the weekly Viewpoint.tscpa e-newsletter. Those publications are collected in a member-exclusive section of the website, at tscpa.org/membership/news-and-information/news-archives.

The Young CPAs and Emerging Professionals Committee was involved in planning a conference tailored to the needs of that membership segment. The committee also promoted the CPA Month of Service, during which individual members and chapter groups gave back to their communities.

For details about projects in these and other areas, please refer to the "Year in Review" article in the May/June issue of *Today's CPA*, in print or online at tscpa.org.

Current Year

Chairman **Jim Oliver**, CPA-San Antonio, CGMA, discussed what's in store during the service year that has just begun. He stated that TSCPA has value and the CPA certificate has value. Even the ways that the organization's unity and diversity work together have value. He talked about the Society's continuity, saying that many projects started during the year Kapka was chairman will proceed through the current year and carry forward into the year when **Stephen Parker**, CPA-Houston, is chairman.

Development of the updated strategic plan is underway. Input was gathered at the state and chapter levels during several months through a variety of methods, including brainstorming among groups of more than 150 individuals at Leadership Day.

It is important to increase the number of those entering the accounting profession, to replace the generation nearing retirement. A career awareness program offers career resources and guest speakers for various grade levels. Campus and faculty reps increase TSCPA's presence at colleges and universities across the state, recruiting more students to the profession and to membership. Student Bootcamps will be offered at four universities in the 2017-18 year. They will include presentations on business etiquette, dressing for success, applying to sit for the CPA Exam, a panel discussion with local young CPAs and a networking lunch giving students access to CPAs and local leaders.

To enrich the membership experience, information tools are constantly being evaluated and updated. A new way to communicate, collaborate and stay in touch with colleagues throughout the state will be the online community engagement platform. TSCPA is continuing to increase technical capabilities to send personalized communications to members tailored to their interests and preferences. There will be a

Jeremy Myers, CPA-Austin; Donna Wesling, CPA-Austin, CGMA; Gary McIntosh, CPA-Austin; Larry Edgerton, CPA-Permian Basin; and Steve Wesling, Austin

Standing: Mark Lee, CPA-Houston, CGMA and Natalie Klostermann, CPA-Corpus Christi, CGMA. Seated: Jennifer Perales, CPA-Corpus Christi and Susi Sullivan, CPA-Corpus Christi, CGMA

brand audit and an information technology assessment, just two of the ways the organization is constantly raising the bar to serve members.

For several years, audit quality has been a focus for both private and public companies. Peer review changes that will affect firms include detection and accountability. This will be accomplished by enhancing oversight of reviews, the quality of peer reviewers' work via improved training courses and ensuring more participation from firms that perform attest engagements.

Legislative Update

TSCPA Managing Director of Governmental Affairs **John Sharbaugh**, CAE, reported on highlights from the Texas Legislature affecting CPAs and talked about preparations for the Texas State Board of Public Accountancy's next sunset review. For information, see the website, at tscpa.org/advocacy/governmental-affairs. Also, you can stay up-to-date through the Capitol Interest article in *Today's CPA*.

Evolution of Firms

Carl Peterson, CPA, CGMA, vice president of small firm interests at the Association of International Certified Professional Accountants (AICPA), discussed the issues affecting CPA firms and the businesses they advise. Those issues are transforming the way they work.

External forces driving change include geopolitical instability, workforce changes (such as the move toward workers becoming independent contractors) and regulatory complexity. Technology and cyber issues are driving change to an even greater degree. For example, within a few years, augmented reality/virtual reality devices will be used by workers in fields such as contracting and commercial properties, changing many aspects of their jobs (and affecting how audits will be conducted). And "just walk out" technology is being used in retail stores earlier than pundits thought it could be.

The audit of the future will be affected by technology, data analytics/big data, standards changes and the new skills young workers will bring. Emerging/changing client service areas include integrated reporting, sustainability reporting, data analysis and cybersecurity assurance services. The Private Companies Practice Section (PCPS) has a toolkit for CPAs advising about cybersecurity risks at their own firms and at clients' offices; it explains why CPA firms are in a position to assist with cybersecurity. PCPS has gathered feedback from firms of five different sizes regarding the top issues for them now and those they foresee having the most impact in five years. Staffing was ranked the highest by almost all. Positioning firms for future success, key factors include staff development and organization culture. A culture of transparency requires openness about the firm's structure, economics and path to leadership. Employers must begin now to prepare for Generation Z, which will make up 20 percent of the workforce by 2020 and has attributes different from Millennials.

Maintaining a culture that attracts and retains the best employees requires constant care. To maximize talent retention and engagement, firms should:

- establish diverse and inclusive workplaces,
- support the retention and advancement of women,
- encourage innovation,
- incorporate flextime and telecommuting,
- explore mentoring/sponsoring options and
- individualize career pathing.

Looking to the future source of firms' workforce, Peterson spotlighted the CPA pipeline. There are approximately 93,000 candidates at any given time and 41,000 entering. The CPA Exam is focused on higher order skills, such as critical thinking, analytical ability, problem solving, professional skepticism and effective communication, preparing candidates to be meaningful contributors to their employers' success.

Ethical Decision-Making

Alfonzo Alexander, chief relationship officer of the National Association of State Boards of Accountancy and president of NASBA's Center for the Public Trust, explained the Center's work and led the group in an ethics case study discussion. To grow a generation of leaders aware of the importance of ethics in business, there is a Student Center for Public Trust. It includes chapters at colleges and universities around the country. There is an Ethical Leadership Certification to supplement class projects. The Ethics In Action video competition has increased their ability to extend the ethics message.

There are services for professionals, as well. Because Ethics Do

continued on next page

Matter is a training and certification program for employees at every level in all industries. There are CPE resources for CPA societies, such as the program Understanding the Importance of Internal Controls.

Breakout groups discussed scenarios examining the many gray areas in business decision-making. The RAISE model was provided to help guide individuals toward an ethical outcome:

- Recognize
- Analyze
- Identify
- Select
- Execute

Recognizing the problem is the crucial first step, where leaders must be aware, ask questions, use professional skepticism and be engaged. Analyzing the facts involves investigating the situation, seeking all the data and information, asking more questions, and documenting and reviewing what was learned. To identify possible solutions, they should consider all stakeholders, stretch their thinking and seek multiple options while focusing on those with win-win outcomes. When selecting the best course of action, they must consider all implications, seek help (if appropriate), consider the boss, work the "grandmother filter" and the "news test," then craft their plan. Executing their plan is the final step, where they know the risk areas, use their ethical courage, trust their process and stand strong.

Cybersecurity

Dan Domagala, with the CPA firm EKS&H, identified cybersecurity challenges today, provided answers to questions and offered an eight-point checklist. He explained that his firm offers cybersecurity vulnerability assessments, risk advisory services and awareness training. Their technology partners include managed security service providers and those who specialize in breach response and forensics.

The cybersecurity questions to ask include:

1. How secure is my enterprise? The action involves perimeter defense.
2. What information do I have? The action is a data inventory.
3. What are the rules and regulations? The action is knowing the compliance/privacy landscape and PCI DSS requirements.
4. Who has access? This is user management.
5. How is access enforced? The action is verification.
6. How is suspicious activity identified? This is monitoring.
7. What is my response plan? This calls for resiliency and a breach response plan.
8. How susceptible are my employees? Security awareness is the action plan.

What's Your Uber?

Tom Morrison, chief energy officer at Tom Morrison Biz, talked about the "uberization" of industries and associations. The concept of uberization has taken the general meaning of innovative organizations disrupting and overturning traditional business models through the use of technology.

Highly important trends are: emerging technology, consumer buying habits and demographic shifts. In the realm of emerging technology, self-driving cars will have an impact on a long list of business categories. Other technologies with a domino effect include 3-D printers, drones, artificial intelligence, nanotechnology, holograms and information sharing.

Uberization is happening in areas such as delivery, product design, operations, customer experience and workforce development. The keys to survival are making the right decisions, spending the money required to break the mold, surrounding yourself with the right people and allotting time.

Morrison then addressed the changes impacting associations. He explained that members support the organization's mission, but buy its value. There are 10 areas upon which associations should focus to stay ahead of change:

- Determining what members can do together better than they can do separately;
- Intersecting purpose, cause and passion among leaders and staff;
- Ensuring that the organization represents the many facets of diversity in the profession or industry it represents;
- Building believers through engagement beyond recruitment;
- Becoming the trusted marketplace for members, doing things for them they can't do for themselves as effectively;
- Understanding membership engagement points;
- Developing a culture of innovation and change;
- Understanding the right data;
- Effectively communicating the value of the organization; and
- Narrowing the focus to what the association does best.

Accounting Education Foundation

The President of the Accounting Education Foundation (AEF) Board of Trustees, **Fred Timmons**, CPA-San Antonio, CGMA, presented an update on the work of the Foundation to provide financial assistance to students and the educators who are preparing them for a career in accounting.

Some of the Foundation's projects for the year just ended include awarding $2,500 scholarships to 50 qualified accounting students; underwriting the Accounting Education Conference, a Texas event where educators in the field of accounting network and obtain relevant CPE; and making a contribution to the AICPA Minority Scholarships, which were given to seven students in Texas.

The Foundation is partnering with AmazonSmile and iGive.com to provide an easy way for members, family and staff to help fund the AEF scholarship program. For each eligible purchase, a portion of the price will be donated to the AEF at no extra cost to the user.

CPA-PAC

Jesse Dominguez, CPA-Austin, CGMA, chair of TSCPA's CPA-PAC, talked about the importance of donations to keep the fund strong for CPAs in Texas. Volunteers review all legislative candidates and determine who stands with CPAs. With their livelihood on the line, CPAs are encouraged to commit to doing their best to help elect legislators who understand and support CPAs.

Dominguez stated that all Texas CPAs have a duty to themselves and each other to make their voices heard in Austin. The easiest, most effective way to do that is for each and every one to contribute to the CPA-PAC. A quick donation to the PAC makes it easy for all CPAs to do the right thing and to have a seat at the table.

Business Matters

The 2016-2017 financial report was presented and the 2017-2018 budget was approved.

Business conducted for other TSCPA entities included:

- election of directors of the Accountancy Museum of the Texas Society of CPAs, Inc.,
- the annual meeting of the TSCPA CPE Foundation, led by **Dora Jean Dyson**, CPA-Central Texas; and
- the annual meeting of the Peer Assistance Foundation, conducted by **Marjorie Nance**, CPA-Dallas.

Awards, Speakers' Presentations and Future Site

Figure 1 describes the achievements of award recipients recognized during the kick-off luncheon. Please see the Chapters column in this issue for information about the Outstanding Chapter Awards, which were presented at the meeting. You can view speakers' PowerPoint presentations through the TSCPA website at tscpa.org.

The Midyear Board of Directors Meeting will be held in Corpus Christi Jan. 26-27, 2018. San Antonio is the site for the 2018 Annual Meeting of Members and Board of Directors Meeting, June 29-30.

Chapter Challenge Golf Tournament

The golfers were:

Austin Chapter – Jesse Dominguez

Central Texas Chapter – Alton and Twila Thiele

Corpus Christi Chapter – Susie Sullivan

Dallas Chapter – Richard Sowan

East Texas Chapter – Jeff Tague

Houston Chapter – Mark Lee, Nick Spillios and Casey Stewart

Panhandle Chapter – Chris Pace

Permian Basin Chapter – Chad Valentine

San Antonio Chapter – Jack Belcher, Chuck Clark, Joyce Fox, Arturo Machado and Fred Timmons

Southeast Texas Chapter – Josh LeBlanc

TSCPA – Jerry Cross and John and Carolyn Sharbaugh

Figure 1: TSCPA 2016-17 Award Recipients

Willie Hornberger, JD, CPA-Dallas, was recognized for Meritorious Service to the Accounting Profession in Texas. This award is regarded as the highest honor bestowed by TSCPA, given for leadership and service.

Hornberger has been a TSCPA member since 1988. He has served on several Society committees, on the Board of Directors, as Dallas Chapter chair (2008-2009) and as TSCPA chairman (2013-2014). Additionally, he has served on the AICPA Council. His enthusiasm for the profession, the Society and his chapter has attracted new leadership to our organization.

Beyond his love for the CPA profession, Hornberger has a great love for serving his community. He serves The Real Estate Council of Dallas, the Holocaust Museum of Dallas and the National Society of Hispanic MBAs, and he served as counsel to the Klyde Warren Park Foundation.

Robert Edgar, CPA-Southeast Texas, was given the Distinguished Public Service award. He is the current chairman of the Southeast Texas Emergency Relief Fund, the treasurer and a board member of the Foundation of Southeast Texas, active in the Rotary Club of Beaumont, on the board of the Better Business Bureau of Southeast Texas and a past president and board member of the Southeast Texas Estate Planning Council. For 30 years, he has served in the youth ministry at his church. He has also been active in his church's men's ministries and as a leader and mentor for Bible study.

Jim Smith, CPA-Dallas, CGMA, was elected as an Honorary Fellow. Smith has been a Texas CPA and TSCPA member since 1973. He has served on several Society committees, on the Board of Directors, as Dallas Chapter chair (2002-2003) and as TSCPA chairman (2007-2008). Additionally, he has served AICPA on committees and on its Council. He has appeared numerous times as a spokesperson in the media and as a popular CPE presenter for a number of companies and accounting organizations. He has given years of wisdom, skill and experience to the Society and the profession.

Ricardo Colon, JD, CPA-Southeast Texas, and **Arturo Machado,** CPA-San Antonio, were co-recipients of the award for Young CPA of the Year.

In 2013, Colon became a CPA and a member of TSCPA. He is an accounting professor, author, speaker and active member of TSCPA, his chapter, the American Accounting Association and the Texas State Bar. He has been an integral part of his chapter's efforts to engage and recruit accounting students to the profession and to membership. In addition to his many professional accomplishments, he is actively involved in serving his community through volunteer activities with various organizations such as the Southeast Texas Food Bank and Habitat for Humanity.

Machado was certified in 2007 and joined TSCPA shortly thereafter, in 2008. He has served on TSCPA's Diversity and Inclusion and Young CPAs and Emerging Professionals committees. He has participated in several committees at his chapter and is currently its president-elect. He is the founder of a new San Antonio Chapter program, the US/Mexico Convergence Conference, which brings CPAs and Contadores Publicos together for learning and networking. Beyond his service to TSCPA, Machado serves his community and other organizations focused on the profession.

Ken Horwitz, JD, CPA-Dallas, and **Josh LeBlanc**, CPA-Southeast Texas, were co-recipients of the award for Outstanding Committee Chair.

Horwitz has served on the Relations with IRS Committee since 2008, including the most recent two years as the leader. During his term as chair, the committee has issued approximately 15 comment or concern letters to the IRS and Treasury. It has also assisted with multiple letters from TSCPA to the IRS and to members of Congress on issues of concern or proposed legislation. Under his leadership, the committee was recognized in two National Taxpayer Advocate reports, and committee members were invited to testify on IRS future state initiatives and concerns with the proposed estate tax regulations.

LeBlanc has been a CPA fewer than five years and in that short time, he has risen through the ranks to lead his chapter as president, serve on various state committees and complete a two-year term as chairman of TSCPA's Membership Committee. The work of the state- and chapter-level membership committees is crucial to TSCPA's success and future growth. It is also a committee that connects chapters and helps strengthen the messaging and promotion of membership across the state. Under his leadership, the group tackled discussions and proposals about dues categories, recruitment and retention trends, and ways to engage and connect with the next generation of CPAs. ■

Executive Board 2017-2018

Jim Oliver
CPA-San Antonio, CGMA, Chairman

Stephen Parker
CPA-Houston, Chairman-elect

Jerry Spence
CPA-Corpus Christi, Treasurer

Ben Simiskey
CPA-Houston, Treasurer-elect

Diane Terrell
CPA-Abilene, Secretary

Ryan Bartholomee
CPA-Permian Basin, CGMA

Wendi Christian
CPA-Southeast Texas, CGMA

Edie Cogdell, CPA-San Antonio, CGMA

Tom DeGeorgio, CPA-Houston

Jason Freeman, JD, CPA-Dallas

Michele Heyman, CPA-Austin

Angela Ragan, CPA-Central Texas

Susan Roberts, CPA-Fort Worth, CGMA

Bill Schneider, CPA-Dallas, CGMA

Kathryn Kapka, CPA-East Texas, CGMA
Immediate Past Chairman

Jodi Ann Ray, Executive Director/CEO

Special Recognition Awards

Special Recognition Awards are presented by the immediate past chairman to honor individuals who have performed an extraordinary service to the Society in a given year.

Ali Allie

Jennifer Johnson, CPA-Dallas, CGMA

Johnna McNeal, CPA-Fort Worth

Christi Mondrik, JD, CPA-Austin

Website Task Force

Outstanding Chapter Awards

The following awards were presented to chapters for their work serving members. Please see the Chapters column in this issue of *Today's CPA* for more information.

Small Chapter – Southeast Texas
Medium-sized Chapter – Corpus Christi

WHAT CAN YOU EXPECT FROM TSCPA BESIDES

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Enhancing the Image of the CPA Profession

Recruiting New Members to the Profession

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TSCPA has partnered with **Pearl Insurance** to offer the TSCPA Member Insurance Program. The program offers a variety of personal and professional insurance plans, including the TSCPA Private Health Care Exchange.
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Homeowners and auto insurance ID Number: 7026. 800-524-9400

CPA Exam Review Discounts
For a complete list of exam review discounts available, visit the Member Benefits Marketplace at tscpa.org.

InterCall
Exclusive rates on audio and web conferencing services. 1-800-636-2377

YourMembership Career Center
Online career center for accounting and finance professionals.
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Framing Success
Discounts on professional framing of all certificates. 800-677-3726

Office Depot
Discounts on office supplies 201-253-5215

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Save up to 36% on a broad portfolio of shipping services.
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Texas Society of Certified Public Accountants

Please visit the Member Benefits Marketplace at tscpa.org for complete information and links to each of our Member Discount Programs.

Questions? Contact the Member Benefits Administrator at 1-800-428-0272 ext. 216 or craffetto@tscpa.net.

Special Session Wrap-up

By John Sharbaugh, CAE | TSCPA Managing Director, Governmental Affairs

The special session of the Texas Legislature that was called by Gov. Greg Abbott back in June abruptly ended with 27 hours to go when the House of Representatives went "sine die" on Tuesday evening, Aug. 15. While there was still another day for meeting in the special session, the House decided it had done all it could on the 20-item agenda set by the governor and gaveled its session to a close. The Senate followed suit a few hours later.

The early adjournment of the House was a strategic move to force the Senate to accept the House version of a property tax reform bill or have the issue die. The Senate chose the latter course, refusing to accept the House version. As a result, no legislation was enacted on property tax reform, the issue Abbott had identified as his number one priority for the special session.

Not Coming Back

While several senators encouraged Abbott to call another special session and bring the legislature back to continue working on property tax reform, he decided that would serve no real purpose. Thus, the legislature will not meet again until 2019, barring the governor changing his mind.

What Was Passed in the Special Session?

When the dust settled on the special session, the legislature had enacted legislation on about half of the 20 issues the governor had placed on his call agenda. The list of successful bills included the must-pass "sunset" bills that will keep some state agencies (like the Texas Medical Board) from closing. This was the primary driver to call the special session.

Other items passed in the special session included proposals to crack down on mail-in ballot fraud, extend the life of a maternal mortality task force, reform the municipal annexation process, limit local ordinances regulating trees and impose new restrictions on abortion. The legislature also passed a school finance bill, albeit one that provided significantly less funds than the House had proposed. The lower chamber wanted to inject $1.8 billion into schools; the version adopted and pushed by the Senate provides for $352 million instead.

Bathroom Bill Dies Again

As many political observers expected, the infamous "bathroom bill" suffered the same fate in the special session as it did in the regular – it died in the House. It was never referred to a committee by Speaker Joe Straus, who stayed true to his promise to not take the bill up. But that doesn't mean this issue is going away. You can probably expect it to become a major issue in the upcoming political campaigns. It will likely become a litmus test as to a candidate's conservative standing.

Property Tax Reform Stalls Out

While it looked like there was a chance the House and Senate would work things out on property tax reform during the closing days of the special session, it didn't happen. House Ways and Means Chairman Dennis Bonnen (R-Angleton) had been expected to appoint members to a conference committee so the two chambers could reconcile their versions of the bill. But instead, shortly before the surprise House motion to adjourn, Bonnen made an announcement that he had not appointed a conference committee because he was "trying to keep the bill alive." He said, "If we appointed conferees now, it would kill the bill because there is not enough time," explaining that under House rules, there would not be enough time left in the special session to issue a conference committee report and have the chamber vote on it.

By adjourning before the special session was technically over, the House forced the Senate to either accept their version of the property tax bill or let it die. A key point of contention between the chambers was whether the threshold requiring voter approval of property tax increases should be at the 6 percent preferred by the House or the 4 percent preferred by the Senate.

Some conservatives, including Lt. Gov. Dan Patrick, claimed an automatic election trigger would drive down property taxes. But such elections would only happen when taxes rise. Bonnen and other House members repeatedly said the automatic elections would not drive down taxes. They also said transparency provisions that existed in at least two bills sitting in the Senate chamber at adjournment would have made it clearer to homeowners which local government entities were behind rising tax bills.

While the Senate focused on what increase should require voter approval, the House debated and passed far more bills during the special session on this issue. That included legislation that would have lowered property tax payments for some Texans, including the elderly, disabled and military members.

So, property tax reform, at least for now, is dead until the next regular legislative session in 2019. You can expect to hear the issue discussed during the interim study period of the legislature, which will occur in 2018. Taxes and school finance are likely to garner a lot of discussion heading into the 2019 regular legislative session.

Sunset Reschedule Bill Dies in the House

In a surprise move during the next to last week of the special session, the Senate passed a bill (SB 28) that would modify the timing schedule for several state agencies subject to sunset review. SB 28 included a provision to postpone the sunset review for the Texas State Board of Public Accountancy (TSBPA) from 2019 to 2023. This was not an item on the governor's call list for the special session.

SB 28 was received in the House, but was never referred to a committee for a hearing. Thus, it died in the House without ever being considered. As a result, the sunset review process for TSBPA is still scheduled to take place in 2019.

Sunset the Top Priority for 2019

Since the timing for sunset review was not altered for TSBPA in the special session, it will be the number one legislative priority for TSCPA in 2019. Our goal will be to assure successful reenactment of the Texas Public Accountancy Act and reauthorization of TSBPA to protect the CPA certificate of our members. The debacle that occurred this year for the sunset review of the Texas Medical Board and some other state agencies demonstrates that we should not take this process lightly. Our legislative committees and leadership will begin to plan our strategy for the 2019 legislative session over the upcoming months. The 2019 legislative session will be important for all Texas CPAs. ■

John Sharbaugh, CAE is TSCPA's managing director of governmental affairs. Contact him at jsharbaugh@tscpa.net.

After the Storm … TSCPA is a Trusted Resource for Hurricane Harvey Assistance

Texas Society of Certified Public Accountants
Together We Are Stronger

Words can hardly describe the devastating effects of Hurricane Harvey, an unprecedented storm that wreaked havoc in Texas that will be felt for years to come. In the aftermath of one of the worst and catastrophic disasters ever in the state's history, many Texans have reached out to help in whatever ways they can.

At TSCPA, we send our thoughts to those who have been impacted by the hurricane and the floods that followed. We have responded by creating a comprehensive and very robust Hurricane Harvey Assistance page on our website designed to keep you updated and provide helpful resources. You can access it from the home page at tscpa.org. The page includes disaster recovery information for members, tax information, news alerts, links to agencies and other online resources, and more. We will continue to add news and information to the page during the recovery for as long as it is needed.

Our legislative and regulatory advocacy efforts are in full force as we advocate for tax relief for those impacted and deadline extensions from federal and state agencies. TSCPA's Federal Tax Policy Committee assisted Sen. John Cornyn's office in exploring legislative proposals that Congress might consider in response to Hurricane Harvey. A number of these disaster-related tax provisions were enacted in previous relief bills, but included no consistent tax treatment.

As of press time, TSCPA is also preparing letters to send to the U.S. Congress proposing tax relief provisions for congressional and/or administrative consideration. An initial letter will request immediate disaster-related tax extensions with a second letter supporting AICPA's proposal of fair and consistent permanent tax relief measures that would automatically apply to presidentially-declared federal disaster areas. The Society also issued a letter to Rep. Bill Flores, District 17, on behalf of the Brazos Valley Chapter of TSCPA, requesting relief for certain counties impacted by the devastation, but that were not listed as "affected taxpayers" for federal disaster assistance.

We're working with the "Tax Master of Disaster" Jerry Schreiber, CPA, for answers to disaster-related tax questions. You can read more about him below. We've added some frequently asked questions to the Hurricane Harvey Assistance page on our website, so be sure to check it for updates.

For other support, contact FEMA at https://www.disasterassistance.gov or 800-621-3362. You can also check the IRS website at https://www.irs.gov and the Texas State Comptroller website at https://comptroller.texas.gov.

TSCPA will be here for you and with you during this recovery process. A special needs assessment survey was sent to members in the affected areas to learn more about what the Society can do for them and where we can concentrate our efforts where they can be most effective. In addition, TSCPA's staff reached out to chapter leadership and members in the affected areas to offer help. We are developing more resources as we identify members' pressing needs.

If you require assistance from TSCPA in any way that we can help, please call us at 800-428-0272 (option 1) or email us at disasterrecovery@tscpa.net. TSCPA stands ready to serve as your valued partner and the protector of your interests during this difficult time.

There will also be opportunities to assist in various ways through TSCPA. If you are able to help Texas CPAs in affected areas, send us an email at disasterrecovery@tscpa.net and we'll contact you about how you can pitch in to relief efforts. Please include your full name, email address and phone number and we'll be in touch. Together we are stronger! ■

If you require assistance from TSCPA or you can help those affected …
Call 800-428-0272 (option 1)
Or email
disasterrecovery@tscpa.net

The "CPA Master of Disaster" Provides Expertise on Tax-related Questions

Gerard H. "Jerry" Schreiber Jr., CPA, also known as the "CPA Master of Disaster," is an expert in the disaster relief area. He is a partner with Schreiber & Schreiber, CPAs in Metairie, La. He is the author of "Documenting a Casualty Loss" in the Journal of Accountancy and numerous articles on disaster-related topics.

Schreiber has presented seminars on Hurricanes Katrina, Rita, Wilma, Gustav, Ike, Isaac, Irene, Sandy and Matthew, as well as other natural disasters. He has a devotion to sharing his knowledge with colleagues who need professional guidance in this area. He will be assisting TSCPA members with their tax-related issues and questions in the aftermath of Hurricane Harvey.

Five Tips to Better Manage Rapidly Changing Enterprise Risks

By Sabine Vollmer

Executives are aware that the risks businesses face have increased and become more complex in the past five years, but most companies aren't fully equipped to manage the rapid changes. This is according to research released by the Enterprise Risk Management (ERM) Initiative at North Carolina State University's Poole College of Management and the Association of International Certified Professional Accountants.

About 60 percent of the 586 CFOs, finance professionals and other executives who participated in the global survey said that enterprise risks have become more numerous and more interconnected. Many respondents reported actual events, or operational surprises, in the past five years. Companies in Asia, Australia and New Zealand appeared the most prepared, the survey suggests, with 30 percent of respondents in the region saying they have complete ERM processes in place and 23 percent describing risk management oversight as mature.

"This region has historically been a leader in risk management best practices, suggesting a business culture there that is in tune with the benefits of improved risk management thinking," said Mark S. Beasley, CPA, a professor of enterprise risk management, the ERM Initiative's director and a co-author of the study.

In the U.S. and in Africa and the Middle East, about one-quarter of the respondents reported they are fully prepared. Enterprise risk oversight was least robust in Europe and the UK, where 21 percent of respondents said they had complete ERM processes in place or described risk management oversight as mature.

Businesses' risk management efforts have improved in the past decade. Seven years ago, 16 percent of U.S. respondents and 39 percent of respondents from outside the U.S. called their ERM oversight robust. Still, considering the rising potential for harm, as well as business opportunities, most companies could benefit from strengthening their ERM approach, Beasley and co-author Bruce C. Branson said.

"Implementation of an ERM process can provide a framework for an enhanced understanding of the risk environment the entity is facing and hopefully an opportunity to identify emerging risks before they have the potential to significantly impact the entity," said Branson, a professor of accounting and the associate director of the ERM Initiative.

"Many see risk management as a compliance or bureaucratic initiative that isn't focused on adding value," Beasley said. "They forget the fundamental relationship of risk and return, which is demonstrated in their failure to integrate their risk management efforts with their strategic management efforts."

About half of respondents said they consider risk exposures when they evaluate possible new strategic initiatives. One likely reason is a lack of useful data. About one-quarter of the companies participating in the survey do not maintain inventories of their key risk exposures.

Educating business leaders more about ERM and helping them to communicate what they learn might be beneficial, Beasley and Branson suggested. Most companies (80 percent or more) have not focused on providing executives formal training or guidance on risk management in the past two years.

To better manage the rapidly changing enterprise risks, Beasley and Branson offered executives five tips:

1. Be willing to admit that you may be facing a lot of unknown issues and understand that ERM is an evolutionary process that will yield more insight as it is refined and tailored to a specific organization.
2. Ask your peers to identify the top five strategic initiatives and the top five to 10 risks likely to derail them. Ask them to bring their lists to an executive meeting and engage them in a conversation. Determine whether there is a consistent and coherent understanding among them that managing top risk exposures can lead to opportunities that create value.
3. Identify the key assumptions in senior executives' business models and challenge how confident they are that their assumptions are reasonable and will not change.
4. Recognize that ERM does not require significant new resources.
5. Assess the company's overall culture and how it might affect risk management. Determine to what extent individuals understand the processes they should use to escalate risk issues to the top and to what extent they are willing to deploy ERM.

Editor's Note: This article first appeared in *CGMA Magazine*. For more articles, sign up for the daily email update from *CGMA Magazine* at http://bit.ly/2svn2AY.

Sabine Vollmer is a *CGMA Magazine* senior editor. He can be reached at Sabine.Vollmer@aicpa-cima.com.

TSCPA Seeks Faculty and Student Campus Reps for 2017-2018

TSCPA is looking for students and faculty members to represent the Society on campuses across the state. In exchange for serving as a campus rep, students will receive free membership for the year, recognition in relevant TSCPA communications and more. Faculty reps will receive a special membership dues rate of $90 (including chapter dues) for the 2017-18 year and complimentary registration to the Accounting Education Conference in October that includes 14 hours of CPE.

If you or someone you know is interested in becoming TSCPA's link to your college or university, please download the form to begin the application process. The form is available on TSCPA's student website TXCPA2B.com. On the site, go to the TSCPA Membership section and then to TSCPA Campus/Faculty Rep Program. You can also contact TSCPA's Catherine Raffetto at craffetto@tscpa.net or 800-428-0272, ext. 216 (972-687-8516 in Dallas) for more information. ■

Succession Planning Resource for TSCPA Members

TSCPA offers the Practice Management Institute to assist members with their firm management and practice management needs. Developed in partnership with the Succession Institute LLC, the Practice Management Institute provides TSCPA members with free material and content on succession planning. There are also CPE self-study course offerings available at a discounted rate for those who would like to receive CPE credit. To learn more and utilize this members-only resource, please go to the CPE section of the TSCPA website at tscpa.org, click on Partners and then on Practice Management Institute CE. ■

Online Database Provides Free Access to Audit Research

The online Audit Research Summary (ARS) Database contains executive summaries of approximately 700 academic auditing research studies that have been published in leading peer-reviewed academic journals since 2005. The Auditing Section of the American Accounting Association developed and maintains the database. The summaries are written for quick and easy reading.

This free database is organized topically, keyword searchable and frequently updated with new summaries of academic auditing research. To access it, please go to the website at http://commons.aaahq.org/groups/e5075f0eec/summary. ■

Ask a Member Program

TSCPA's Ask a Member program is a resource that allows you to connect with other TSCPA members who have specific expertise. Ask a Member volunteers can provide quick, informal assistance on an as-needed basis for a variety of specific niches.

Check out the program, review the list of technical areas and let us know if you'd like to become a volunteer in your own specific niche. Go to the Membership area of TSCPA's website at tscpa.org and then to the Public Practice Center. Click on Ask a Member Program and log in. If you would like to be added as a volunteer or want to learn more about the program, please contact Melinda Bentley at mbentley@tscpa.net. ■

Volunteers Needed for Accountants Confidential Assistance Network

The Accountants Confidential Assistance Network (ACAN) program befriends a number of CPA candidates around the state as part of the ACAN peer assistance program. ACAN supports Texas CPAs, CPA candidates and/or accounting students who are addressing alcohol, chemical dependency and/or mental health issues.

Can you help? Please contact Craig Nauta at 800-428-0272, ext. 238; 972-687-8538 in Dallas; or at cnauta@tscpa.net.

You'll find more information about the program on TSCPA's website. Go to the Advocacy section of the site at tscpa.org and click on Accountants Confidential Assistance Network (ACAN). ■

TSCPA's Member Recruitment

TSCPA's annual member recruitment campaign is currently underway. Encourage your non-member colleagues to join the professional organization that is working on your behalf to protect your interests and the license you worked so hard to attain. Send them to the website at tscpa.org and tell them to click on the link "Join TSCPA" on the home page, which will take them to the membership applications.

CPAs who have never been members of TSCPA can join with the introductory dues rate of $199 for state and chapter dues through May 31, 2018. If you have any questions about the member recruitment campaign, please contact Melinda Bentley at mbentley@tscpa.net; phone 800-428-0272, ext. 279 or 972-687-8579 in Dallas. ■

2017 Public Accounting Recruitment and Retention in Texas – with the New Generation, the Me Generation

By Michelle Eakin Parchman

Millennials demand revolution in public accounting – and it is working! As we take a walk through the generations from Baby Boomers to Generation X and now to the Millennials (born in 1980 and later), the power the Millennials have in the workplace is clear and evident. Millennials (also known as Generation Y, Generation Me and Echo Boomers) are the demographic cohort following Generation X. The first Millennials hit the workplace around the year 2000.

Many misconceptions existed about their generation. Public accounting firms have effectively focused on their characteristics and drivers over the past years, and dramatic changes have already been made to increase retention.

In Texas, public accounting firms have faced four significant challenges when recruiting new staff and retaining them: 1) the presence of more females versus males in the Texas workforce, 2) dominance of Millennials, 3) talent shortage and 4) competitors have easy access to talent. The following provides more specific detail related to these areas.

More Females – Texas is a majority-minority state for gender purposes. More females are in the Texas workforce. Traditionally, a higher percentage of female CPAs leave public accounting to be stay-at-home moms or for a less demanding career than in public accounting. In Texas, females are the majority, comprising 57 percent of the state population. Males are the minority, making up 43 percent of the Texas population per the 2015 Census Bureau Reports.

Dominance of Millennials – Millennials, or America's youth born between 1980 and 2000, now number 83.1 million and represent more than one quarter of the nation's population. Their size exceeds that of the 75.4 million Baby Boomers per the 2015 U.S. Census Bureau. Millennials outnumber Baby Boomers, are far more diverse and carry the power to transform the workforce. Author Shankar Ganapathy expressed that 91 percent of Millennials expect to stay in their current job for three years or less. Ganapathy also noted that 45 percent of companies are reporting higher turnover rates among this group versus other generations.

Talent Shortage – The Council of Economic Advisers (October 2014) stated Millennials are somewhat less likely than previous generations to major in fields like business. Millennials are more likely to study social science or applied fields – like communications, criminal justice and library science. In addition, the combination of the rising cost of education and the 150-hour rule in Texas results in fewer candidates for public accounting firms to recruit.

Competitors Have Easy Access to Talent – Social media (for example, LinkedIn and Facebook) has created an environment where CPAs are easily accessible. And, alternatively, CPAs have easy access to online job boards and job postings, only a click away from applying for positions.

After interviewing partners in Big Four, regional and local firms, it is apparent that the firms are focused on the importance of attracting the top Millennials to their firms and retaining them. Every firm interviewed has conducted significant research (some highly sophisticated coupled with grassroots efforts) to ensure they create programs and a culture that not only appeal to Millennials, but beats their competition. The top 10 retention initiatives noted by public accounting firms for 2017 are outlined below.

Flexibility – Every partner interviewed said the single, most important benefit valued by Millennials is flexibility. Randy Cain, vice chair and Southwest Region managing partner for Ernst & Young (EY), says EY puts flexibility in the hands of their staff. Their staff knows the job expectations and what needs to be done, but the firm allows flexibility with technology and schedule. It is not about

Millennial	Gen X	Baby Boomer
1980 to present	1965 to 1979	1946 to 1964

getting the work done 8-to-5; it is about getting the work done. When asked, "How does this impact the client?" Cain replied, "The client demands have not changed and are being satisfied." Montgomery Coscia Greilich LLP in Dallas allows their staff to have different career plans based on their individual goals. Michael D. Perkins CPA, CFP, partner with Slattery Perkins P.C. has had success with their firm holding the staff accountable to create work/ life balance. They empower their staff to think outside of the box and be creative to ensure the firm's culture to instill the importance of family and work/ life balance.

Immediate Recognition – Ray Garcia, PricewaterhouseCoopers' (PwC) Greater Houston Market managing partner, says their firm recognizes the significance of real time recognition, informal and often, for Millennials. PwC makes sure to provide their Millennials constant coaching and development. In the past, PwC provided an annual review or evaluation after a major job. Now, PwC has career evaluation and development programs that are every day, every time and, Garcia says, not just "You did a good job, but what did you do well."

Time Off – PwC has expanded time off during the holidays. Montgomery Coscia Greilich LLP allows unlimited paid time off (PTO) firm-wide, has created small pod groups to stay very close to their staff even on personal matters and to stress the importance of time off. These small groups have created a family environment. The firm takes their office on a ski trip every other year and they have an office lake event every year. Slattery Perkins P.C. has regular office socials for Spurs games, "After Deadline" happy hours, summer lake trips, etc.

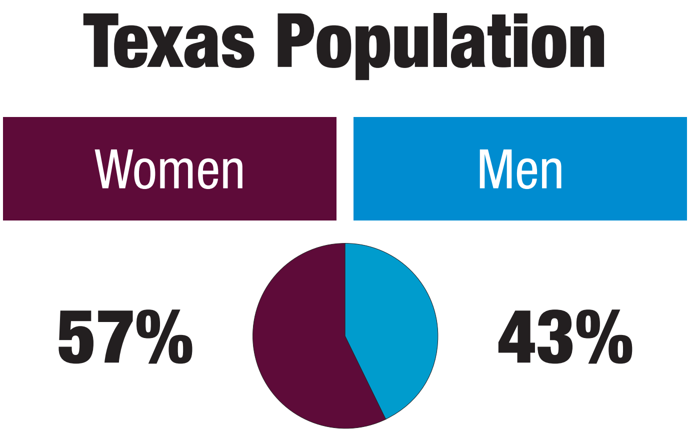
Innovative Training – Firms are adding annual leadership and development training, in addition to continued professional education (CPE) training. PwC also has career coaches who introduce leadership and innovative training at an earlier level, such as presentation skill training for new staff. They also launched PwC Online University to offer variety and flexibility to access training. Tom Montgomery, co-managing partner of Montgomery Coscia Greilich, LLP, in Dallas, stated that their firm keeps their Millennials engaged from the very beginning. Growing, training, developing, empowering and engaging the staff is their No. 1 initiative for 2017. Montgomery said their firm expands autonomy; they are treated as professionals on day one. They are given specific firm roles and responsibility as a new staff member.

Anne Taylor, vice chairman and Houston managing partner, Deloitte LLP, said "At Deloitte, we believe our people are our greatest asset and look at every team member – regardless of age or experience level – as a potential leader. We have found that this commitment to developing leaders at all levels of our organization helps retain and grow a talented and empowered workforce. We not only provide rich learning and development opportunities at our Deloitte University campus in Westlake, Texas, but also give our professionals access to stretch assignments, international roles with other Deloitte member firms, and the chance to lead in the community through our citizenship and pro bono programs."

Technology – Slattery Perkins P.C. in San Antonio purchases a separate monitor and PC stations for personal use at home to make it easy and efficient to work remotely. PwC transitioned entirely to Google emails, documents and virtual meetings. Montgomery Coscia Greilich LLP offer standup desks and nearly 40 percent of staff use the desks exclusively.

Student Loan Paydowns – PwC will pay down up to $10,000 of a student loan. EY also has a loan repayment program. It appears this is a major trend with Big Four and larger public accounting firms.

Allowing New Staff to Review – At PwC, some work that staff has done in the past, is now done at a centralized delivery center. The work is overseen by staff, allowing them to lead and review the function as a new staff member. Examples include cash confirmations and bank reconciliations.



Well-being programs – PwC has treadmills and yoga in the office. Slattery Perkins' office is stocked with beverages. Montgomery Coscia Greilich LLP, has a ping pong table in the office and a fully stocked kitchen. Deloitte & EY reimburse up to $500 annually for gym memberships and exercise equipment. Firms offer stress management and the majority have some form of gym allowances. KPMG has an alliance with Weight Watchers.

Parenting and Caregiving – Nearly all of the Big Four firms have or are implementing a 16-week, paid maternity/paternity program for all employees. Taylor says "Deloitte recently announced the launch of a first-of-its-kind program for our people. Our new family leave program enables our U.S. professionals to be eligible for up to 16 weeks of fully paid family leave to support various life events – from the arrival of a new child, to caring for a spouse or domestic partner, to dealing with the deteriorating health of aging parents. It's unique because it covers men and women equally, and because it covers a range of life events, which reflects the evolving nature of family dynamics and caregiving needs." At EY, Cain explains, their firm has taken parental leave a step further and EY turns off their email during leave to ensure they are focused on their family. Montgomery's firm offers new moms the opportunity to return only part-time, at first. They have done this for years and say it is very effective.

Reduced Work Schedules – Most firms offer reduced work schedules. Perkins stated that they "capped" overtime. Their firm customizes a working plan for hours and flexibility for every employee. The Big Four firms offer reduced work schedules at specified reductions, such as anywhere from 60 to 90 percent of a regular work load.

How Students and Grads Chose Their Firms

In a survey of 5th year accounting students who had already completed internships and accepted employment offers, the students noted the following criteria were important in making their selection of a firm:

1. People
2. Personal and professional growth and development
3. Client base

When asked why he selected EY (Houston), Will Speck, recent accounting graduate from Ole Miss and recipient of the Johnny Williams scholarship, expressed that the firm did a great job sharing not only the clients that he would get to work on, but also the type of exposure he would get on each client. Also, Speck said he liked the EY culture and the people he would be working with on the client engagements. Speck recognized the overall benefits the firm offers in audit and advancement opportunities.

Gabrielle Roe, accounting student at Trinity University, selected PwC. Roe said, "I decided based on personal development as a professional and as a person. No matter what their title (associate, manager, partner), it seemed people were eager to see me grow – and gave me opportunities to do so. Also, work/life balance is very important to me. Of course, I care deeply about my career, but I also care about my health and spending time with loved ones. If I don't take a break to workout, sleep, and share time with family and friends, I will become too stressed and unhappy. I was impressed with how visible and open the partners were to newcomers to the firm. It meant a lot to me. I got to interact with several partners fairly often, and witnessing their hard work, determination and charisma was and still is something I aspire to."

Bryan Sledge, Texas A&M PPA grad, choose Deloitte (tax). Sledge said "I based my decision to join Deloitte in Dallas on the people currently with the firm (especially the staff and seniors because that is who he would be working with most of the time). Also, it was important that others he knew also were joining Deloitte. And, lastly, "the size of Deloitte's office and their reputation were important."

Travis Eaton, UT PPA grad, selected EY Dallas (audit). Eaton stated "EY offered the biggest potential for professional growth (they are expanding in Dallas), the people were very genuine, and the social aspect the firm promoted." One example was an EY engagement team football game on a Friday afternoon.

In summary, our interviews reveal the number one reason CPAs stay in public accounting is for the flexibility. They recognize that they may still work long hours and may travel in public accounting, but the flexibility and the significant amount of paid time off is still not replicated in many industry positions. Candidates consistently expressed their fear of losing flexibility and working in an office 8-to-5 with limited opportunities to work remotely. It is clear that flexibility is the ticket to retention in public accounting.

Michelle Eakin Parchman, CPA is a personnel consultant. She graduated with distinction from Oklahoma University with a BBA, concentration in Accounting. Parchman worked in public accounting with Andersen (Dallas and San Antonio) from 1985 to 2002, staying with the firm until its closure. She is the founder and CEO of Parchman + Parchman LLC, Executive Search Experts, a highly specialized, niche recruiting firm specializing in accounting, finance, tax, legal and C-level searches. Her firm is ranked as a Top Permanent Placement Firm in San Antonio, *San Antonio Business Journal*. Parchman has the distinction of being recognized as a Top 10 Recruiter in Texas by the Texas Association of Personnel Consultants. She may be reached at michelle@parchmancareers.com.

The Future is Now: Internships and the Next Generation of Accounting Professionals

By George Violette, Ph.D., CPA; Norma Montague, Ph.D.; and Stacy Owen, MS

The Bureau of Labor Statistics projects that 142,400 new accounting and auditing jobs will open up by 2024. This equates to an 11 percent job growth rate. Much of this growth will be filled by recent college graduates. Bursting with energy, enthusiasm and possessing a decided comfort with technology, new college graduates embody the changing face of the accounting profession. Unfortunately, the demand for accounting professionals has outpaced the supply in recent years. Thus, it has become increasingly important for firms to tap into the "best and brightest" of this generation; one of the most effective ways of doing this is via internships.

Internships have long been seen as the primary vehicle for firms to gauge the viability of a potential employee in a relatively low-risk environment. In recent years, however, roles have shifted and, increasingly, it is the firms themselves that are being auditioned. The Millennial job seeker has altered the professional calculus, with work/life balance, flexibility and autonomy now competing for importance with such traditional concerns as financial prospects, benefits packages and a firm's upward mobility. As such, prospective employers have recognized the need to tailor the modern internship to fit these new realities. The authors used a survey to explore the firms' expectations regarding these pre-professionals, how a firm conveys and nurtures these expectations, and how these firms are evolving their internship process to meet the needs of the emerging generation of accountants.

Survey of Accounting Firms

We conducted a study in which we questioned a variety of different-sized accounting firms on their internship recruiting and support practices. The results of this study should be useful for other firms in assessing and evaluating their own approach by comparison. The study is also meant to assist students in understanding the internship process better and teach students more about what they need to do to be successful when participating in an internship.

A sample survey of seven public accounting firms that recruit student interns on our campus is reported. The survey sample summarizes the response from a wide range of firm sizes, with two Big Four firms, a non-Big Four global firm, a national firm, and three regional and local firms responding. Exhibit I presents questions that were asked in the study.

Respondents were asked to describe what they are looking for in an intern and what it takes for the internship to lead to a full-time job offer. The survey sought to understand how expectations were communicated to the interns and how the firms determined that these expectations were understood. Respondents were also asked what they did to help the students navigate the frequently difficult choice of deciding whether to do an internship in the audit/assurance area versus the tax area. Firms were asked how they helped the interns deal with any stress they might feel while working to be successful in the internship and ultimately obtain a job offer. The survey closed by asking what changes they have made to deal with the expectations of the Millennial generation.

Intern Expectations

Students want to know and understand what they must demonstrate to firms to be offered an internship and then what's expected to be successful in the internship. We asked the firms to outline their needs and expectations in both the pre-hire interviews and during the course of the internship itself.

When evaluating the viability of interns for hire, firms obviously want interns who are intellectually bright. Students should show they have done their homework in preparing for their interview by asking quality questions, and demonstrating knowledge of the profession and the firm. Interviewers want students to demonstrate a genuine interest in the profession and a desire to learn more. Interviewees should demonstrate that they have a positive attitude, are good listeners, and are enthusiastic about the firm and engaging in the profession.

There are many skills and characteristics that firms want successful intern hires to demonstrate, though a few factors stood out and were common expectations across all or most. Firms are most likely to offer permanent positions to those interns who are coachable, are willing to learn and who value the feedback they are receiving. They desire interns who are intellectually engaged, inquisitive and careful listeners. They want their interns to exhibit an efficient learning curve, demonstrating understanding and growth from their errors and uncertainties by not asking the same questions multiple times. Firms seek interns who have positive attitudes, display a solid work ethic, and are good team players possessing strong written and oral communication skills.

Most firms have several days of initial training where interns learn the basics and firms communicate expectations. Firms usually assign one or more individuals to work with and support their student interns throughout their experience. Typically, students are assigned a peer mentor at the associate level and a performance coach at the manager level, with some firms also adding a partner level member to the support team.

Interns are monitored and evaluated throughout the process, with success determined by review of their actions and results. Mistakes are expected, but growth and progress are also expected. Many firms conduct a formal mid-point review to provide feedback to the intern, along with a final close out evaluation.

Audit Versus Tax Decision

Students are typically asked to make a decision to choose whether they want to do an audit or tax internship, often before they have completed either or both academic courses. We asked the firms how they help students with this difficult decision.

Most firms do their best to expose students to multiple employees of their firm from both audit and tax areas. This exposure is often done at recruiting events, both on and off campus so that students can learn from current employees and ask relevant questions to help them make an informed decision. Most firms emphasize that it is OK to switch areas later and that it is not at all uncommon for some to make such a switch.

Survey respondents indicated that traditional stereotypes of the more extroverted being attracted to audit and the more introverted being attracted to tax are not universally true. Overall, auditors might tend to be a bit more socially-oriented and outgoing, but a great many tax folks are too.

A major decision factor in the audit/tax choice tends to be around the type of work environment the student believes would be most enjoyed. Those who would like to travel more tend toward audit and those who prefer less travel tend toward tax. Those who would prefer more client continuity and more opportunity to develop a deeper relationship with the same team members may do better with audit. Those who would prefer a larger variety of clients and multiple different teams to work with may prefer tax. Some smaller firms give students an opportunity to work in both areas as part of their internship experience.

Stress Management

Interns experience many stressors as they attempt to fit into a firm's culture and try to meet expectations that will result in a permanent job offer. Given that managing stress levels can improve job performance, we asked the firms how they support the intern in managing stress.

In the onboarding orientation process, most firms discuss the support systems in place to help the intern with all aspects of work, including the management of workload and stress. All firms have some type of mentoring system in place, some more formal than others. Generally, interns are assigned a peer mentor, someone closer to their age, experience and background. This "buddy" is intended to be someone with whom the intern can be comfortable with to ask questions and seek help as needed. Many interns are also assigned senior support, including managers and partners, as additional mentors. Many of the reported stress-reducing activities listed tended to be of a social nature, such as happy hours, sports and game nights, and community service events. These types of events are intended to provide the intern with opportunities to relax a bit and build collegiality.

Changes for Millennials

Much has been written about the need to update the work environment to meet the needs and expectations of Millennials. We asked firms what specific changes or accommodations they have made to address this.

Survey responses in this area were more varied, but still retained a common thread of the need for increased flexibility, increased autonomy, closer relationships and greater work/life balance. One example of increasing flexibility and autonomy was demonstrated by one respondent who stated that many Millennials view work as a thing you do, not a place you go, so the firm tries to provide flexibility on the where as well as the when of work, as long as the work is done timely and professionally. Additional flexibility and balance are also provided with the ability to dress casually when not client facing. Another firm stated that Millennials were motivated by flexible and varied experiences, so the firm attempted to meet this by exposing them to multiple industries, service lines and locations.

Other respondents indicated the importance of continuous in-the-moment feedback, rather than just waiting for formal review periods, and the importance of building relationships with Millennial employees to better understand their personal and professional interests and skills. Increased communication is a priority. Finally, the importance of social events, online branding and a social media presence was also suggested.

Finding the Best and Brightest

The internship is a critical component of the process of bringing the best and brightest into a firm. As this survey indicates, firms have retained many of the time-honored means of assessing an intern for prospective employment; an intern's intellect, desire and attitude remain key indicators of a successful candidate for the firm. Additionally, the survey highlights considerations currently gaining prominence in the workplace, such as a firm's investment in support strategies and employee satisfaction.

Our survey makes clear that the most successful firms' internship programs will strike a balance between finding the candidates with the most attractive qualities for employment, and cultivating inclusive and supportive work environments for these future professionals. ■

Exhibit 1. Questions Asked in This Survey

1. What specific skills and characteristics do you seek upfront in the successful intern candidates you select? What are you specifically looking for students to demonstrate in their internships that would likely result in them obtaining a permanent job offer from you? How do you determine that expectation communications are understood?
2. What do you do to help students determine the audit/tax decision? Have you identified personality types and/or other characteristics that lead you to believe that some students are better suited for one specialty area over another?
3. What do you do to assist interns in managing the stress of the transition from school to internship? Please briefly discuss specific stress-reducing opportunities you offer.
4. What specific changes or accommodations have you had to make to facilitate the recruitment and retention of Millennials?

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Norma Montague, Ph.D. is assistant professor of accounting, Wake Forest University School of Business.

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TSCPA's 2017

RISING STARS

By DeLynn Deakins | *Today's CPA* Managing Editor

Through the Rising Stars Program, TSCPA recognizes CPA members 40 years old and younger who have demonstrated innovative leadership qualities and active involvement in TSCPA, the accounting profession and/or their communities. A TSCPA selection committee, made up of seven Executive Board members, selected these 24 up and comers based on their contributions to the accounting profession and their communities. We now introduce you to the members, in alphabetical order, who are the Rising Stars honorees for 2017.

Sara Averett

Jacob Briggs

Sarah Caldwell

Steven K. Cannon, J.D.

Rachel Day

Sarah Elliott

Sara Averett, CPA, CGMA Fort Worth	Managing Partner	Averett Financial	Responsible for firm development, CFO controller consulting, accounting services and office management. Rose through the ranks in a corporate role for a number of years, then moved into her own wealth management enterprise. A committed volunteer for TSCPA, the Fort Worth Chapter and in the community.
Jacob Briggs, CPA Fort Worth	Assistant Controller	Gigi's Cupcakes, LLC	Coordinates and reviews financial statements and internal reporting packages for fast-growing franchisor. Successive promotions over three years from staff accountant to assistant controller at Cash America International (now FirstCash, Inc.). Provides community leadership as a trustee of Hill School, an acclaimed institution for students who learn differently.
Sarah Caldwell, CPA Fort Worth	Senior Manager/ Stakeholder	J Taylor & Associates LLC	Client service executive; responsible for relationship and work product management. Promoted to tax senior manager and selected to be a stakeholder within approximately one year of joining her firm. Assists those who have special needs in the community and is considered a unique, motivated and talented professional at her firm.
Steven K. Cannon, J.D. CPA San Antonio	Associate Attorney	Gardner Law	An accomplished CPA and attorney. Works for clients on corporate transactions, estate planning and probate, and construction litigation. Active in local charity events and TSCPA's San Antonio Chapter; chair of the chapter's FUNlympics Committee, an event to provide underprivileged children with a "field day" experience to get them excited to go back to school while providing the school supplies necessary to succeed.
Rachel Day, CPA East Texas	Tax Manager	Curtis Blakely & Co., PC	Active in all aspects of the firm's practice with emphasis in tax consulting, planning and preparation services for individuals and businesses. Served on TSCPA's East Texas Chapter's Young CPA Committee. Volunteers her time to teach ESL and has served East Texas CASA (Court Appointed Special Advocates®) as a member of the Board of Directors and as a volunteer and committee chair for the organization's annual fundraising events.
Sarah Elliott, CPA Austin	Founder & Principal	Intend2Lead LLC	Leverages a successful 14-year career in public accounting to help other CPAs create more possibilities in their lives, organizations and communities. Uses an innovative combination of leadership development tools to co-create unique solutions with her clients. An author, speaker and instructor on coaching and leadership development and an advocate for women in the CPA profession; also an active volunteer in her profession (AICPA, TSCPA and AWSCPA) and local community.

Kristin Ferguson

Daniel Gomez

Justin Lauderdale

Elena Levario

Misty Mata

Stephanie McCasland

Kristin Ferguson, CPA Southeast Texas	Controller	City of Beaumont	Supervises city's accounting, payroll and cash management divisions; prepares annual budget and develops procedures that provide for effective internal controls. Served as president of TSCPA's Southeast Texas Chapter and has held various offices for the chapter. Also involved in other professional organizations and is a member of the Diocesan Finance Council of the Catholic Diocese of Beaumont.
Daniel Gomez, CPA El Paso	Tax Supervisor	Randall Smith, PC	Responsible for preparation and review of tax returns, consulting and planning, recruiting interns and coordinating staff. Served as president of the Young CPA Committee for TSCPA's El Paso Chapter. Coordinated successful annual "Run from Your Taxes 5k Run" races for the chapter, which raised over $5,000 for scholarships awarded to accounting students attending the University of Texas at El Paso.
Justin Lauderdale, CPA Fort Worth	Senior Manager	Admire Sanford & Associates, PLLC	Directs business development, management of tax and accounting for high net worth individuals and various entities. Assisted with TSCPA's Fort Worth Chapter Tax Institute and was in the chapter's Leadership Development Class. Community involvement includes being active in the Fort Worth Stock Show and Rodeo, as well as the St. Paul Lutheran School board.
Elena Levario, CPA Permian Basin	Controller	Cisco Equipment	Oversees accounting department and human resources; also assists with monthly management reports and other reports on an ad hoc basis. Served as president of TSCPA's Permian Basin Chapter and on the chapter's board of directors. Also active in the community and passionate about helping students achieve future success through education.
Misty Mata, CPA Corpus Christi	Tax Partner	Jennings, Hawley & Co PC	Supervises and trains tax staff; reviews all tax returns and responds to government correspondence and audits. Served as president of TSCPA's Corpus Christi Chapter and on the TSCPA Board of Directors; also served as treasurer for Corpus Christi Executives Association. Connects with local students to provide them with tools and positive reinforcement they need to pursue their education and CPA license.
Stephanie McCasland, CPA Houston	Audit Manager	Briggs & Veselka Company	Manages jobs, reviews workpapers and communicates audit findings with clients. Active with TSCPA's Houston Chapter, including the student auxiliary. Her goal is to educate students about the many possibilities that exist in the CPA profession and lay the foundation of the integrity instilled by a career in public accounting.

continued on next page

TSCPA's 2017

RISING STARS

Stephanie Morgan

Jeremy Myers

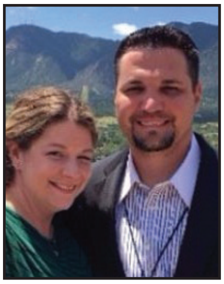
Carrie Reese

Edgar Rosillo

Michael Shimanek

Kellie Shipley

Stephanie Morgan, CPA East Texas	Senior Tax Accountant	Gollob Morgan Peddy PC	Responsible for client tax returns and working with nonprofit organizations and oil and gas companies. Serves as co-chair for TSCPA's East Texas Chapter's Young CPA Committee and on TSCPA's Editorial Board for *Today's CPA* magazine. Has been involved with community programs, including as past-chairman for the Tyler Young Professionals Network.
Jeremy Myers, CPA Austin	Audit Senior Manager	Atchley and Associates, LLP	Provides auditing services to clients, with a focus on nonprofit, governmental, political organizations and benefit plans. Is the current secretary/treasurer elect for TSCPA's Austin Chapter and has held other chapter leadership positions, including chairing the Scholarship Fundraising Committee. Fundraising activities have resulted in financial support for students from six different universities in the Austin area to benefit future members of the profession.
Carrie Reese, CPA Dallas	Tax Supervisory Senior	Huselton, Morgan & Maultsby, P.C.	Supervises and reviews preparation of tax returns; manages staff and client relationships. Active with TSCPA's Dallas Chapter, including serving on the Convergence Conference Planning Committee and chairing the Young Professionals Committee. Involved with the Greater Casa View Alliance and Cliff May Home Tour, which raised funds to beautify park spaces, improve public schools and benefit a small community in east Dallas.
Edgar Rosillo, CPA Dallas	Tax Manager	Deloitte	A global mobility tax manager serving multinational corporations; focuses on international and domestic tax compliance for all mobile employees. Actively involved and holds a local board position on the Association of Latino Professionals for America and leads Deloitte's North Texas Hispanic Network business resource group. Involved with community outreach programs and organizations that allow him to connect with and mentor diverse students who are facing socioeconomic hardships and provides them with tools to build brighter futures.
Michael Shimanek, CPA Dallas	Senior Manager, Assurance	BKM Sowan Horan, LLP	Consults on non-assurance clients for complex accounting matters; plans, organizes and completes all phases of financial statement audits and reviews. Active with TSCPA's Dallas Chapter, including graduating from and subsequently chairing the Leadership Development Academy. Assisted with the formation of the North Texas Alumni Lacrosse organization, a nonprofit entity that supports the men's lacrosse team at the University of North Texas, his alma mater.
Kellie Shipley, CPA, CGMA Corpus Christi	Partner	Flusche, Van Beveren, Kilgore, PC	Responsible for client development, relationships and workflow; manages employees, human resources, and tax return and financial statement review and preparation. Served in officer positions for TSCPA's Corpus Christi Chapter. Provides leadership in the community through the Rotary Club of Corpus Christi, serving as chair of the organization's Membership Committee and on a local youth sports league board of directors.



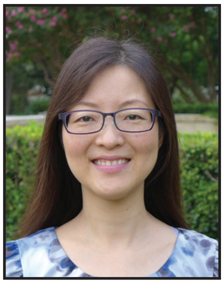
Travis Skinner

Tyler Smith

Su Wah

Brandon Wenzel

Joshua Willson



Karen Zhu

Travis Skinner, CPA Central Texas	Director	BKD, LLP	Oversees health care financial management, specializing in electronic health records and health care reimbursements. Instrumental in creating the electronic medical records (EMR) department at his firm, which now assists other hospitals and physicians across more than 25 states. Involved in TSCPA's Central Texas Chapter and with Friends for Life, which packages Thanksgiving meals for seniors in the Waco area.
Tyler Smith, CPA, CVA El Paso	Shareholder	SBNG PC	Oversees tax department in preparation of federal and state tax returns; assists in business valuation reports and litigation support. Involved with the El Paso Public Library Foundation and several other community service organizations. Assisted in organizing "Stories of El Paso, A Celebration of El Paso's Spirit in Words," which raised a little over $10,000 for the Public Library Foundation and was a significant accomplishment for the small group of dedicated volunteers.
Su Wah, CPA, CITP Houston	Partner	Mohle Adams	Works with privately owned businesses of various sizes and industries on assurance and tax compliance services, advising them on different areas of business all year long. Successfully transitioned to a partner role in her firm, providing leadership and expertise and serving as a trusted advisor for clients beyond regular tax or audit engagements. Member of TSCPA's Information Technology Committee since 2013 and is involved with community organizations, including the Asian Chamber of Commerce and the Women Energy Network.
Brandon Wenzel, CPA San Antonio	Tax Manager	Wenzel & Associates	Performs all matters of tax compliance, research and planning for individuals, businesses, trusts and estates. Accomplished in the field of IRS controversy and representation and involved in the San Antonio business community. Completed a stint for the Japan Exchange and Teaching Program, living in a small fishing village near Hiroshima and teaching English at the local public high school.
Joshua Willson, CPA Fort Worth	Associate Manager	The Walton Group, LLC	Responsible for business, individual, trust and state tax preparation, and tax planning and consultation; considered an exceptional performer at his firm. Enthusiastic volunteer for TSCPA's Fort Worth Chapter, having served on several chapter committees and co-chairing the Member Involvement Committee over the last two years; also in the chapter's Leadership Development Class of 2013. Served as project chair for Habitat for Humanity – Hood County and with Rivertree Academy community projects.
Karen Zhu, CPA San Antonio	Tax Manager	Oroian, Guest & Little, P.C.	Provides tax compliance, planning and consulting; assists clients with business entity formation and termination; supervises staff accountants and seniors. Actively involved in TSCPA's San Antonio Chapter, as well as other charitable organizations in the San Antonio area. Guest speaker on federal income tax topics for Family Policy class in the Fall 2016 and Spring 2017 semesters; this is a required course for all undergraduate students in the School of Family and Consumer Sciences at Texas State University.

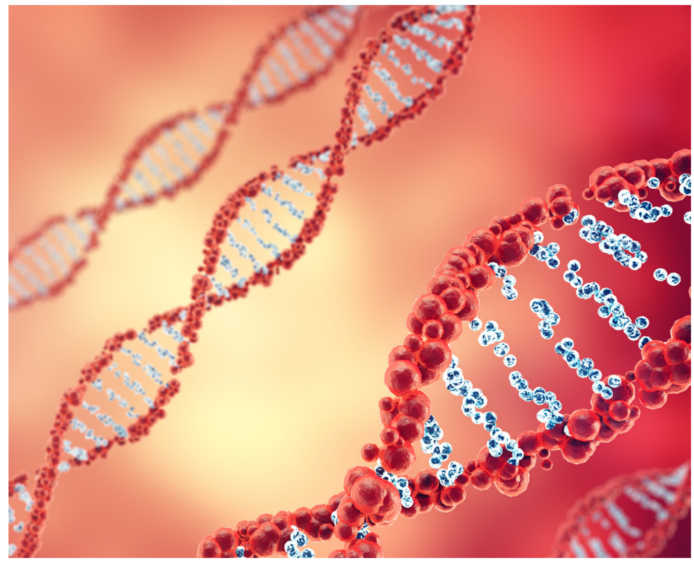
The 'Double Helix' of Mentoring: An Updated Paradigm of Mentor and Protégé Relationships

By Jomo Sankara, Ph.D., ACMA, CGMA; Anne Drougas, Ph.D.; Deborah L. Lindberg, CPA, DBA, MBA; and Khalid Razaki, Ph.D.

Recruiting and retaining employees have become the primary issues for most Certified Public Accountant (CPA) firms.[1] The need for recruiting and retaining CPAs is driven by public accounting growth and stagnation in the supply of CPAs.[2] Consequently, there is currently a war for talent in the accounting profession.[3]

Clearly, CPA retention has become essential to accounting firms' success and according to the Private Companies Practice Section (PCPS) of AICPA, mentoring practice is one of the five pillars of retaining qualified staff.[4] Furthermore, as Baby Boomers consider retirement and more Millennials enter the workplace, the demand for more and various types of mentors increases. In fact, rather than having a sole mentor, the protégé (sometimes known as the "mentee") could greatly benefit by the employment of a portfolio of mentors.

The focus of this article is on the symbiotic relationships that are likely to lead to the protégé eventually becoming the mentor of newer employees and sometimes more senior employees. Not only can this process increase the number of mentors in the organization, this interrelated and interactive mentoring cycle can also lead to necessary changes in the organization's DNA, similar to the double helix design in science.



Portfolio of Mentors (including Informal Mentors and Functional Experts)

Many organizations have formal mentoring programs, where new employees are given a mentor to help them navigate the culture and politics of the company, give them career advice, make sure they get invited to the "right" meetings, etc. In addition to a formal mentor assigned by the organization, many employees seek out or need more mentoring than that provided by the assigned mentor. It is a fairly common phenomenon for subordinates to choose informal mentors, either consciously or as a naturally evolving relationship. Thus, a formal mentor may advise the protégé about work issues, while an informal mentor may assist with issues the protégé is reluctant to discuss with the formal mentor.

An informal mentor may be someone a person is drawn to because of racial, socio-economic or social similarities. In fact, some organizations are realizing that the mentoring process is likely to be more successful if the formal mentor also "looks like" the protégé in terms of demographics such as age, race and socio-economic status. Mentors from underrepresented minorities benefit mentees because employees from diverse backgrounds are likely to have different experiences, different cultural references, different ideas of workplace attire and even different tastes in music than the majority population.[5]

During a roundtable discussion with young CPAs, many participants stressed the importance of mentors outside the field of finance and accounting. Mentors should represent all areas from where future clients may come, such as law, banking, marketing, retail and manufacturing.[6]

Potential Benefits to the Protégé

New employees often need assistance developing their professional skills, and navigating the culture and politics of an organization.[7] A mentor can offer advice, and help the protégé get assigned to key work projects. A mentor may also act as an advocate or "sponsor" for the protégé when the individual is being considered for promotions, transfers and salary increases.

Mentoring seems to be especially important for Millennials, who want and expect frequent and interactive feedback.[8] Mentors can also help young CPAs with soft and technical skills.[9] Organizations that have mentoring programs may be able to attract and retain Millennials, since many employees of this generation want access to senior management, visibility and power,[10,11] aspects of a job that a mentoring relationship can provide. Mentoring may also serve as an effective tool to place underrepresented minorities on higher profile accounts to build confidence and gain access to the best supervisors, managers and CPA partners.[12] See Appendix 1 for ways a protégé may benefit from a mentoring relationship.

Potential Benefits to the Mentor

A mentoring relationship is also likely to have both tangible and intangible benefits for the mentor. Mentors may experience intangible satisfaction and intrinsic reward by helping the protégé advance his/her career. It may "rejuvenate" a mentor who previously felt stagnated.[13] Moreover, mentoring may help the mentor experience meaning at work and provide psychological growth.[14] Such benefits may not only improve the commitment and productivity of the mentor (and mentee), it may also positively impact mentor retention rates.[15]

Oftentimes, the protégé may be more technically proficient than the mentor; Millennials have been termed "digital natives."[16] Mentors, especially relatively older mentors, may be "digital immigrants," because they had a substantial amount of time offline before they went online.[17] Consequently, the protégé may help the mentor with certain aspects of technology, such as how to organize "Big Data" using an advanced analytic review software package. Reverse mentoring is where the mentor is matched with a Millennial who teaches him/her the latest technology or how to use social media. This also provides senior CPAs with invaluable feedback on new employees and provides Millennials with insight into higher levels of the organization.[18,19]

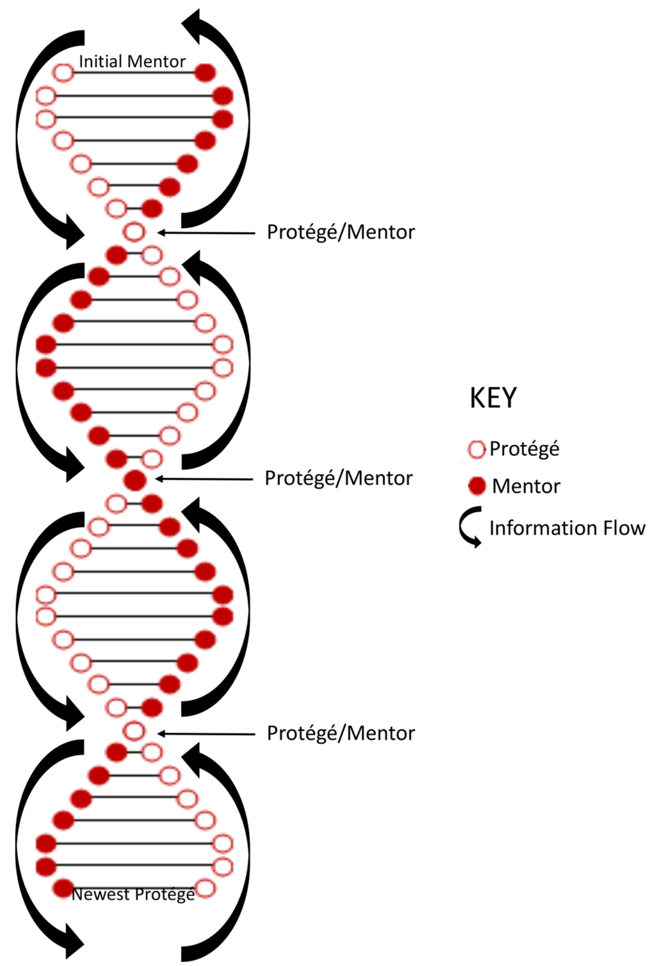
See Appendix 2 for a list of ways in which a mentor may benefit from a mentoring relationship.

The "Double Helix" of Mentoring

Mentoring can be visualized as a structure similar to the double helix of DNA. Mentors and mentees work as teams and impact the DNA of the entity. First, every entity has a DNA even though it may not have corporeal existence (like corporations and governments). Each strand of DNA has a backbone and accountants represent the backbone of the business transaction.[20] Accountants who serve as mentors must establish trust with the clients they will serve. It may be harder to establish that trust if the accounting profession is not ethnically diverse. The future of the accounting profession is critically dependent upon young Millennial accountants from diverse backgrounds in order to create a stronger backbone when consulting with clients.

Second, changes in DNA produce variations of a species. The accounting profession needs to develop mechanisms for creating pipelines of diverse candidates who possess the technical and people skills to work with a changing client group with different expectations. Changing the species or variations of a species may include continuous learning for Millennials on non-technical aspects such as leadership and communication.[21] Tysiac presents evidence that the accounting profession does not reflect the racial and gender composition of the clients they serve.[22] Through creating partnerships with organizations such as the National Association of Black Accountants (NABA), the Latino Advocacy group (ALPFA) and the Native American Finance Officers Association (NAFOA), diversity initiatives coupled with mentoring can ensure the prosperity and success of the accounting discipline. Furthermore, it is important to produce variations by placing underrepresented minorities on high profile accounts to gain confidence.

Third, an organizational DNA has genes that address the multilevel interactions among its goals and objectives (such as financial and non-financial); people (internal and external stakeholders) and their specific DNAs; formal and informal organizational structures; creation, acquisition, mining, management, and usage of data and information; workplace behavior, attitudes and lifestyle preferences; markets and products; long versus short product life cycles; monetary, and non-monetary compensation and reward systems. Schnader, Westermann, Downey and Thibodeau discuss how it is necessary to mentor Ph.D. candidates in accounting who will then be charged with teaching, and serving as mentors, for the next generation of accountants.[23]



Because Millennials expect their employer to mentor and coach them, companies such as AT&T have developed "leadership" circles where one mentor can work with several mentees at one time either online or in person.[24]

Fourth, all strands are held together by bonds between the bases. The evolving mentor-mentee relationships help preserve those bonds. The Institute of Management Accountants (IMA) Leadership Academy provides necessary training regarding how current and future mentors can establish leadership roles in the IMA.[25]

Finally, DNA is likened to a spiral staircase that shifts and changes. Organizations must adapt to a changing world, and their DNA has to shed some old ineffective or harmful genes and develop new genetic strains that help it survive and prosper. Today, the organization not only has to hire Millennials because they have become the majority of the work force, but also because they are digital natives whose individual work DNA incorporates evolving trends, such as new technology and its uses that are a black hole for older digital immigrants. Millennials' DNA also contains popular culture, social and political trends, work-home lifestyle preferences, and attitudes towards place and progression in the organization. A spiral staircase analogy implies there are multiple places and paths where the relationship between the mentee and mentor cross.

continued on next page

Appendix 1: Ways a protégé may benefit from a mentoring relationship include the following:

- Insight into the DNA and politics of the firm
- Personalized attention
- Enhanced professional skills, such as leadership and time management
- Improved interpersonal communications
- Quicker promotions
- Potentially higher income
- More mature and holistic viewpoints, thus, better decision-making
- Having an advocate or "sponsor"
- Increased opportunities for advancement
- Potential pipeline to disseminate favorable news to superiors
- Getting rational advice in handling awkward interpersonal work relationships
- Obtaining insider information affecting their future or current career
- Feeling more comfortable in terms of race, gender, ethnicity, religion, sexual orientation, physical or mental handicap

Appendix 2: Ways in which a mentor may benefit from a mentoring relationship include the following:

- Refresh their knowledge of the existing organizational DNA
- Rejuvenate their attitude towards their job
- Increased job satisfaction and psychological growth
- Personal satisfaction derived from interactions with the protégé
- A fresh perspective
- Information about current "lingo"
- Assistance with technology
- Knowledge about the perspectives of younger employees
- Respect from colleagues derived from advancing the career of the protégé
- Mentor may someday become the subordinate of the mentee
- Improved social life within and outside the organization
- Obtain a network of, and informal pipeline to, younger employees through the mentee

In the double helix mentoring process, as the protégé gains work experience, knowledge and confidence, the protégé will be enlisted to become a mentor for newer (often younger) employees who have recently been hired. The experienced protégé will provide guidance and information to the inexperienced protégé. Eventually, this new inexperienced protégé will likely mentor a more recent hire and the cycle continues. In other words, the mentoring cycle repeats itself, information flows in both directions between mentors and protégés, and mentoring relationships are interrelated, similar to the double helix design in science. These mentor and protégé relationships are depicted in Figure 1.

Prior research has found a correlation between the mentees' (determinants of) satisfaction with their mentoring experience and their willingness to become future mentors [26,27] Specifically, future mentoring has been found to be associated with mentees' positive evaluation of their mentorship, mentees' greater contact with their mentors, and mentees' perception of their mentors' approachability and helpfulness.[28]

Some have referred to this relationship as a continuous loop of mentoring.[29] NABA reflects this thinking in their motto of "Lifting as We Climb;" whereby NABA members receive support when they enter the profession and actively seek mentors to be successful. In return, these mentees are expected to become mentors in the future to new black accountants. For example, the NABA leadership team at Walmart provides formal mentoring support and events to new associates with the expectation that beneficiaries will assist the next set of recruits. Consequently, several jobs advertised through NABA's websites and conferences provide mentoring opportunities.[30] Thomas Luccock, certified internal auditor, has called this interactive process "Generational Connectivity."[31]

Remember the Double Helix

Recruiting and retaining quality employees is critical to the success of great organizations and particularly important to CPA firms. There is currently a war for appropriate CPA talent, and mentoring is a key component of attracting and retaining qualified staff. As the demand for mentoring increases, it is vital that mentees are also willing to play the role of mentors.

The double helix concept may be especially important for Millennials and underrepresented groups. As Baby Boomers increasingly exit the workplace and Millennials join the profession, Millennials will benefit from several types of mentors, including young mentors who may more easily relate to them. Mentoring helps to strengthen Millennials' loyalty to a firm.[32,33] Similarly, underrepresented groups may seek out and benefit from a portfolio of mentors, which includes mentors from the same or other underrepresented groups. Millennial mentees and mentees from underrepresented groups may therefore be especially needed as mentors. This double helix mentoring process is likely to benefit the organization as a whole, help to retain and develop qualified staff, and provide many career and personal benefits to both protégés and their mentors. ■

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Footnotes

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Financial Statement Comparability and the LIFO Conformity Rule

By Matt Bjornsen, Don Herrmann and Wayne B. Thomas

Curriculum: Accounting and Auditing

Level: Basic

Designed For: Business and industry

Objectives: To explain how LIFO-reporting companies can maintain the LIFO conformity rule for tax purposes while also achieving comparability of inventory and cost of goods sold with FIFO-reporting companies.

Key Topics: LIFO conformity rule, financial reporting, comparability and inventory valuation methods

Prerequisites: Basic knowledge of inventory accounting (Intermediate I)

Advanced Preparation: None

Under current accounting practice, financial statement comparability is hindered when two companies in the same industry adopt different inventory valuation methods. For example, the reporting of inventory on the balance sheet and cost of goods sold on the income statement can vary considerably between the last-in, first-out (LIFO) method and the first-in, first-out (FIFO) method. Financial statement comparability between firms using LIFO and those using non-LIFO methods could be improved by modifying Generally Accepted Accounting Principles (GAAP) to allow companies to report the effects of LIFO versus FIFO directly on the face of the financial statements. Such financial reporting meets the specific criteria of the LIFO conformity rule in IRC Section 472(c).

Financial statement comparability is a key characteristic of financial accounting information (SFAC 8). Comparable data enables users to understand similarities and differences between companies' current performance and expected future cash flows (as well as the riskiness of those cash flows). Comparability is potentially hindered when some firms choose to report inventory using LIFO and others choose to report using alternative inventory methods such as FIFO or average cost.

FIFO or average cost approaches are preferable for financial reporting as these methods more closely match the actual physical flow of inventory for nearly all companies. Under these approaches, both inventory on the balance sheet and cost of goods sold on the income statement are reported in a manner consistent with the actual flow of goods within a company. Consistent with this argument, beginning in 2003, LIFO is not allowed under International Financial Reporting Standards (IFRS). The primary reason that the International Accounting Standards Board (IASB) does not allow LIFO relates to the Board's shift in focus to the balance sheet and its intent to record items at their present market conditions. Because FIFO and average cost approaches more closely match a company's actual physical flow of inventory, those items remaining in inventory at the balance sheet date are reported closer to their current market value than if they were reported under LIFO.

For tax reporting, the ultimate goal is achieving lower taxes, not necessarily reporting in a manner consistent with actual practice or providing useful information to investors and creditors. LIFO often is preferable for tax reporting when inventory costs are rising, since the higher (i.e., more recent) costs are charged to cost of goods sold, resulting in lower taxable income. Unfortunately, the LIFO conformity rule in Section 472(c) of the Internal Revenue Code (IRC), as currently implemented, potentially hinders financial statement comparability by forcing companies that use LIFO for tax purposes to also use LIFO for financial reporting purposes. Specifically, IRC Section 472(c) states:

A taxpayer who elects to use the last-in first-out (LIFO) inventory method for federal income tax purposes must establish to the satisfaction of the secretary that it has used no method other than LIFO in inventorying such goods to ascertain the income, profit or loss of the first taxable year for which LIFO is to be used, for the purpose of a report or statement covering such taxable year to shareholders, partners or other proprietors, or to beneficiaries, or for credit purposes.

Without the restrictions imposed by the LIFO conformity rule, firms with increasing inventory costs could choose LIFO for tax reporting but FIFO or average cost for financial reporting.

For many merchandising companies, inventory is the largest current asset on the balance sheet and cost of goods sold is the largest expense on the income statement. Thus, differences produced by LIFO versus non-LIFO methods are potentially material, requiring investors and creditors to make adjustments when evaluating companies that use different inventory methods. An increasing number of publicly traded companies using LIFO (or using a combination of LIFO and FIFO) voluntarily disclose their inventory balance under FIFO, which allows financial statement users to manually adjust inventories and cost of goods sold to a pure FIFO basis, thus improving financial statement comparability. This method of adjusting companies to a pure FIFO basis is commonly demonstrated in intermediate accounting and financial statement analysis textbooks.

However, even with this potential adjustment, several hindrances to comparability remain. First, the disclosure of FIFO inventory balances for LIFO companies is voluntary and not all LIFO public companies provide this important disclosure. Further, private companies are perhaps even less likely to voluntarily provide this information. Second, even when the disclosure of FIFO inventory is made, it is not always provided with the same level of detail as the LIFO numbers disclosed in the primary financial statements. For example, Walgreens Boots Alliance Inc. (Walgreens) simply discloses that their U.S. inventories would have been greater by $2.8 ($2.5) billion in 2016 (2015) if they would have been valued on a lower of FIFO cost or market basis. These disclosure amounts are given in billions of dollars, while the primary financial statements using LIFO are stated in millions of dollars, preventing investors and creditors from making detailed adjustments from LIFO to FIFO, especially for cost of goods sold reported in the income statement.

Third, financial statement users are increasingly using financial databases like the Standard & Poor's Compustat in performing financial analyses. Such databases focus on the reported amounts in the financial statements and do not adjust for differences in inventory valuation methods using information in the notes to the financial statements. These types of adjustments, assuming the data are disclosed, have to be performed manually by individual investors, creditors and other financial statement users. Comparisons across companies of key ratios – such as the gross profit percentage, inventory turnover and average days in inventory – based on financial databases are hindered by differences in inventory valuation methods.

We suggest that modifications to current GAAP could be made to allow companies to report the effects of LIFO versus non-LIFO methods directly on the face of the financial statements. These modifications meet the specific criteria of the LIFO conformity rule in IRC Section 472(c), while improving the financial statement comparability between firms using LIFO and those using non-LIFO methods. To demonstrate this idea, we use the financial statements of Rite Aid Corp. (Rite Aid). Their summary of significant accounting policies describes the reporting of inventories as follows:

Inventories are stated at the lower of cost or market. Inventory balances include the capitalization of certain costs related to purchasing, freight and handling costs associated with placing inventory in its location and condition for sale. The company uses the last-in first-out (LIFO) cost flow assumption for substantially all of its inventories. The company calculates its inflation index based on internal product mix and utilizes the link-chain LIFO method.

The above disclosure indicates that Rite Aid uses the LIFO method for substantially all of its inventories. It is interesting to contrast the inventory valuation policy of Rite Aid to its close competitors. Walgreens discloses that approximately two-thirds of its inventory is located in the United States and is accounted for using the LIFO method, while the remaining one-third of its inventory is located internationally and is accounted for using the FIFO method. It is acceptable practice for a company to use more than one inventory valuation method as long as each valuation method is used consistently over time for the separate segments of inventory. Walgreens' use of the FIFO inventory method for its international segment is understandable given that LIFO is not an acceptable method under IFRS. CVS Health, another major competitor to Rite Aid, uses non-LIFO inventory valuation methods. These industry examples highlight the need for better comparability in inventory reporting.

The condensed balance sheet and condensed income statement for Rite Aid are presented in Exhibit 1. Note that inventories are a significant component representing over 50 percent of total current assets. Moreover, inventories represent 23.9 percent ($2,697,104/$11,277,010) of total assets in 2016 and 32.8 percent ($2,882,980/$8,777,425) of total assets in 2015. Cost of goods sold represents 75.2 percent ($22,910,402/$30,458,253) of total cost and expenses other than taxes in 2016. Given the materiality of inventory amounts in the financial statements, it is especially important for investors and creditors to be able to compare competing companies using alternative inventory

continued on next page

Exhibit 1. As Currently Reported

Rite Aid Corp. Condensed Balance Sheets ($ in Thousands)	Feb. 27, 2016	Feb. 28, 2015
Cash and other current assets	$1,853,623	$1,338,778
Inventories, net (based on **LIFO**)	2,697,104	2,882,980
Long-term assets	6,726,283	4,555,667
Total assets	$11,277,010	$8,777,425
Total liabilities	10,695,582	$8,720,369
Paid-in capital	5,870,419	5,509,581
Accumulated deficit (based on **LIFO** net income)	(5,241,210)	(5,406,675)
Accumulated other comprehensive loss	(47,781)	(45,850)
Total liabilities and stockholders' equity	$11,277,010	$8,777,425

Rite Aid Corp. Condensed Statement of Operations ($ in Thousands)	12 Months Ended Feb. 27, 2016
Revenues	$ 30,736,657
Costs and expenses:	
Cost of revenues (based on **LIFO**)	22,910,402
Operating expenses	7,061,769
Non-operating expenses	486,082
Total costs and expenses	30,458,253
Income before income taxes	278,404
Income tax expense	112,939
Net income	$165,465

Exhibit 2. Proposed Format

Rite Aid Corp. Condensed Balance Sheets ($ in Thousands)	Feb. 27, 2016	Feb. 28, 2015
Cash and other current assets	$1,853,623	$1,338,778
Inventories, net (based on **FIFO**)	**3,703,500**	**3,880,508**
Long-term assets	6,726,283	4,555,667
Total assets	$12,283,406	$9,774,953
Total liabilities	10,695,582	$8,720,369
Paid-in capital	5,870,419	5,509,581
Accumulated deficit (based on **LIFO** net income)	(5,241,210)	(5,406,675)
Accumulated other comprehensive income*	**958,615**	**951,678**
Total liabilities and stockholders' equity	$12,283,406	$9,774,953

** Note X. Summary of accumulated other comprehensive income*

Accumulated other comprehensive loss	(47,781)	(45,850)
Cumulative adjustment to FIFO	**1,006,396**	**997,528**
	958,615	**951,678**

Rite Aid Corp. Condensed Statement of Operations ($ in Thousands)	12 Months Ended Feb. 27, 2016
Revenues	$ 30,736,657
Costs and expenses:	
Cost of revenues (based on **FIFO**)	**22,901,534**
Operating expenses	7,061,769
Non-operating expenses	486,082
Current-period LIFO adjustment**	**8,868**
Total costs and expenses	30,458,253
Income before income taxes	278,404
Income tax expense	112,939
Net income	$165,465

*** The current-period LIFO adjustment of **$8,868** is calculated as the difference in the conversion to FIFO of $1,006,396 in 2016 and the conversion to FIFO of $997,528 in 2015.*

valuation methods. The notes to the consolidated financial statements for Rite Aid Corp. provide the following disclosure:

At Feb. 27, 2016 and Feb. 28, 2015, inventories were $1,006,396 and $997,528, respectively, lower than the amounts that would have been reported using the first-in first-out (FIFO) cost flow assumption.

This disclosure makes it possible to recalculate inventories on a FIFO basis as follows:

USD$ in Thousands	Feb. 27, 2016	Feb. 28, 2015
Inventories (LIFO)	$ 2,697,104	$ 2,882,980
Add: Conversion to FIFO	1,006,396	997,528
Inventories (FIFO)	$ 3,703,500	$ 3,880,508

This information is valuable to investors and creditors as it illustrates that the actual value of inventories (using FIFO, which more closely follows actual physical flow) is 37.3 percent higher ($1,006,396/$2,697,104) in 2016 and 34.6 percent higher ($997,528/$2,882,980) in 2015 compared to the amounts reported on the balance sheet using the LIFO inventory cost method. This indicates the value of inventories recorded in Rite Aid's financial statements using LIFO are undervalued by approximately one billion dollars compared to inventory valuation based on FIFO. Thus, the reporting of LIFO by some companies and non-LIFO methods by other companies hinders financial statement comparability.

GAAP could be modified to allow reporting the effects of LIFO on the balance sheet and the income statement. Per IRS Letter Ruling 201034004, for companies using LIFO, inventory and total stockholders' equity in the balance sheet can be reported on a FIFO basis and still meet the requirements of the LIFO conformity rule as long as (1) retained earnings are reported on a LIFO basis and (2) a conversion to the FIFO basis is included in a summary of accumulated other comprehensive income. This rather obscure ruling by the IRS makes it possible for companies to use the LIFO inventory method for tax reporting but also to report inventories directly on the balance sheet using FIFO.

This modified reporting is presented for Rite Aid Corp. in Exhibit 2 in **bold red** font. In 2016, Rite Aid would report inventory for $3,703,500 (based on FIFO) instead of $2,697,104 (based on LIFO), increasing total assets. At the same time, the company would report the difference of $1,006,396 as an adjustment in accumulated other comprehensive income. By allowing companies to report inventories on the balance sheet using a method more consistent with their actual physical flow (i.e., FIFO), comparability of inventory between companies is greatly improved. In addition, companies should be willing to follow such a practice because they are able to maintain the tax advantages of LIFO while reporting higher inventory levels (and therefore greater total assets) on the balance sheet using FIFO.

Enhancements to comparability are possible on the income statement, as well. As shown in Exhibit 2 for the income statement, Rite Aid would report cost of goods sold for $22,901,534 (based on FIFO) instead of $22,910,402 (based on LIFO). The company would include an offsetting LIFO adjustment of $8,868 as part of non-operating items. The amount of the LIFO adjustment would vary with fluctuations in prices and quantities. This reporting approach allows cost of goods sold and the corresponding subtotals on a multiple-step income statement (such as gross profit and operating income) to be valued on a FIFO basis while simultaneously meeting the requirements of the LIFO conformity rule. The only stipulation by the IRS is that a current-period LIFO adjustment be included to allow bottom-line net income to be calculated on a LIFO basis (Rev. Rul. 97-42). Recall that the LIFO conformity rule under IRC 472(c) states that "no method other than LIFO can be used for inventory to ascertain income, profit or loss." However, no restriction is made regarding the presentation of cost of goods sold or subtotals in the income statement such as gross profit or operating income.

GAAP could allow all companies to report cost of goods sold along with any subtotals of gross profit and operating income on a pure FIFO basis, improving comparability of these amounts across companies. Then, in order to meet the requirements of the LIFO conformity rule, LIFO companies would include a current-period LIFO adjustment in non-operating income. Doing this enables income before income taxes, income tax expense and net income to remain based on the LIFO method in conformance with IRC Section 472 (c).

In summary, there are at least four benefits to these proposed GAAP modifications compared to the current reporting practice:

1. The comparability of gross profit and operating income on the income statement is improved. All companies would report cost of goods sold on a consistent basis (FIFO) that best matches the actual physical flow of inventories.
2. The comparability of inventory on the balance sheet is improved. All companies would report inventories on a consistent basis that best matches physical flow and reports inventory at a realistic valuation.
3. The annual effects of LIFO are better highlighted by reporting them separately in the non-operating section of the income statement.
4. The cumulative effects of LIFO on the balance sheet are better highlighted by reporting them separately as a component of accumulated other comprehensive income.

Importantly, modifying GAAP to allow LIFO companies to report FIFO amounts on the balance sheet and income statement does not violate the specific requirements of the LIFO conformity rule under IRC Section 472(c). The vast majority of companies with increasing inventory costs can experience the best of both worlds: the financial reporting benefits of the FIFO inventory method combined with the lower taxable income of the LIFO inventory method. ■

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By Matt Bjornsen, Don Herrmann and Wayne B. Thomas

Financial Statement Comparability and the LIFO Conformity Rule

1 The characteristic of accounting information that enables users to understand similarities and differences between companies' current performance and expected future cash flows (as well as the riskiness of those cash flows) is:

A. Materiality
B. Consistency
C. Comparability
D. Representational faithfulness

2 Which inventory method more closely matches the actual physical flow of inventory?

A. FIFO
B. Cost basis
C. Declining balance
D. LIFO

3 Which of the following inventory methods is not allowed under International Financial Reporting Standards?

A. FIFO
B. LIFO
C. Average
D. Specific Identification

4 An advantage of using LIFO to report inventory when costs are rising includes:

A. Lower cost of maintaining inventory records.
B. Lower taxable income.
C. Higher amount reported for ending inventory.
D. Ending inventory is reported closer to its current market value.

5 The LIFO conformity rule in Section 472(c) of the Internal Revenue Code (IRC) states that:

A. Companies that use LIFO for tax purposes must also use LIFO for financial reporting purposes.
B. Companies can use LIFO for tax purposes only if cost of goods sold is not materially different than it would have been under FIFO.
C. Companies can use LIFO for tax purposes only in periods when inventory costs are rising.
D. Companies that use LIFO for financial reporting purposes must also use LIFO for tax purposes.

6 Which of the following statements is FALSE:

A. For many merchandising companies, inventory is the largest current asset on the balance sheet and cost of goods sold is the largest expense on the income statement.
B. Differences produced by LIFO versus non-LIFO methods are potentially material, requiring investors and creditors to make adjustments when evaluating companies that use different inventory methods.
C. An increasing number of publicly traded companies using LIFO (or using a combination of LIFO and FIFO) voluntarily disclose their inventory balance under FIFO.
D. Allowing financial statement users to manually adjust inventories and cost of goods sold to a pure FIFO basis cannot improve financial statement comparability.

7 According to the LIFO conformity rule under Internal Revenue Code 472(c) and the IRS Letter Ruling 201034004, LIFO companies can report inventory and cost of goods sold on a FIFO basis if:

A. Retained earnings are reported on a LIFO basis.
B. A conversion of inventory to the FIFO basis is included in a summary of accumulated other comprehensive income.
C. The company's market capitalization is less than $10,000,000.
D. Both A and B are correct.

8 A LIFO company discloses the following information at the end of each year:

	Dec. 31, 2017	Dec. 31, 2016
Inventories (LIFO)	$ 22,000	$ 18,000
Add: Conversion to FIFO	12,000	9,000
Inventories (FIFO)	$ 34,000	$ 27,000

If the company follows the proposed guidance allowed by IRS Letter Ruling 201034004, by how much will stockholders' equity increase compared to if the company reports LIFO under common current practice (ignore tax effects)?

A. $12,000
B. $0
C. $34,000
D. $22,000

9 A LIFO company discloses the following information at the end of each year:

	Dec. 31, 2017	Dec. 31, 2016
Inventories (LIFO)	$ 22,000	$ 18,000
Add: Conversion to FIFO	12,000	9,000
Inventories (FIFO)	$ 34,000	$ 27,000

What is the current period (i.e., 2017) LIFO adjustment?

A. $12,000
B. $7,000
C. $3,000
D. $4,000

10 For companies that report net income using LIFO, an advantage of reporting cost of goods sold on a FIFO basis (along with a separate non-operating expense for the LIFO adjustment) includes:

A. Reduced tax liability than if the two amounts were combined.
B. Higher overall net income and retained earnings than if the two amounts were combined.
C. Comparability of gross profit and operating income with those amounts reported by FIFO companies.
D. All of the above are correct.

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Oct. 19	Annual Accounting Update for Accountants in Industry	Houston
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Nov. 9	Oil and Gas Taxation: Nuts and Bolts	Houston
Nov. 9	LLC and Partnership Tax Planning Strategies	San Antonio
Nov. 9	Personal and Professional Ethics for Texas CPAs	Dallas
Nov. 10	Oil and Gas Taxation: Nuts and Bolts	Dallas
Nov. 13	How to Make LLC and Partnership Allocations	Fort Worth
Nov. 13	Construction Contractors: Accounting, Auditing and Tax	Dallas
Nov. 14	Leases: Mastering the New FASB Requirements	Dallas
Nov. 15	Construction Contractors: Accounting, Auditing and Tax	Houston
Nov. 16	Leases: Mastering the New FASB Requirements	Houston

Positions Available

Rio Grande Valley CPA firm is currently seeking 2 senior tax managers/tax partners for their Valley offices. Please email resume to HRforCPAs@gmail.com.

Accountant - Bragg & Davison, Dalhart, TX. BBA in accounting or business. Small public firm with good work environment. QuickBooks and Microsoft Office experience a plus. Retirement plan, health and life insurance. Fax/email resume to 806-244-7202 or bdcpa@xit.net.

Rapidly growing CPA firm located in the expanding area of southwest Austin wants to hire a tax manager for tax season 2018. Applicant must have 7 to 10 years of experience in review of tax returns, tax planning and non-audit financial reporting engagements. The candidate must be a CPA with a history of proven problem solving. If the candidate is successful at performing all duties and responsibilities during tax season, retirement minded owner wants candidate to continue managing daily operation with an option to purchase firm after a period of proven success. Please respond with a detailed resume and salary history. Reply to austintaxprofessional@gmail.com.

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$147,000 gross. Houston CPA near Memorial City. 56% tax and 44% bookkeeping. I would like to work 3-6 months to ease transition. One long time larger client represents 13% of revenues. CPA owner is age 76 and retiring. Respond to: File Box #6025, Attn: DeLynn Deakins, Texas Society of CPAs, 14651 Dallas Parkway, Suite 700, Dallas, TX 75254.

Central Texas accounting and tax practice available. Approximately 400 bookkeeping, tax and financial planning clients. Office building available for L-T lease or purchase option. Respond to: File Box #6020, Attn: DeLynn Deakins, Texas Society of CPAs, 14651 Dallas Parkway, Suite 700, Dallas, TX 75254.

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Irving tax practice, gross $510k
Tarrant County tax and accounting practice, gross $667k
Bryan-College Station area CPA firm, gross $635k
St. Thomas, Virgin Islands CPA firm, gross $75k
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Office 866-260-2793,
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$398,000 gross. Austin CPA firm. 72% tax (77% ind., 19% bus., 5% other); 28% accounting services, staff in place, cash flow 54%, growing community. TXC1061

$48,000 gross. East Ft. Worth tax firm. Individual and business client base offers opportunity for expansion of services and growth through referrals. TXN1390

$100,000 gross. Weatherford CPA firm. Tax (90%), accounting/bkkpg (10%), loyal client base, experienced staff in place. TXN1391

$250,000 gross. Van Zandt Co. tax and accounting firm. Stable, loyal client base, primarily tax, but plenty of expansion opportunity. Ideal starter practice. TXN1418

$193,000 gross. Allen CPA firm. 90% derived from monthly bkkpg and accounting services, year-round cash flow, quality client base. TXN1419

$350,000 gross. Wood Co. CPA firm. 78% tax, 22% accounting, good fee structure and knowledgeable staff in place, well positioned for additional growth. TXN1436

$330,000 gross. Mid-Cities area CPA firm. Tax (81%), accounting (14%), other services (5%), cash flow around 45%, knowledgeable staff in place, turn-key. TXN1444

$656,000 gross. North Dallas CPA firm. 65% tax, 35% accounting, strong fee structure produces cash flow around 50%, knowledgeable staff in place. TXN1446

$199,000 gross. E. TX (near I-30) CPA firm. 27% tax, 27% consulting, 33% audits/reviews, 13% bkkpg/payroll, seller available for extended transition. TXN1447

$271,000 gross. Longview CPA firm. Tax (60%), accounting/bkkpg (40%), strong fee structure, cash flow over 60%, turn-key practice with staff in place. TXN1449

$85,000 gross. Tyler CPA tax firm. Predominately tax (94%), low overhead costs yields strong cash flow over 80%, loyal client base, great starter practice. TXN1450

$34,000 gross. Ft. Worth CPA firm. Stable, mainly local client base, all with tax returns on extension for almost instant cash flow to owner. Great starter practice. TXN1452

$119,000 gross. N. Dallas/Addison area CPA firm. Primarily tax (82%), high-quality clientele, strong fee structure, excellent cash flow over 65%. TXN1453

$365,800 gross. Near downtown Houston accounting firm. Tax (39%), bkkpg (37%), payroll (11%), other (13%), flexible transition, available after 4/15/17. TXS1174

$934,500 gross. W. Houston tax and accounting firm. 81% IRS representation, 14% tax, 5% bkkpg, staff and advertising methods in place, location flexible. TXS1177

$713,000 gross. Rural SE TX CPA firm. Tax (45%), accounting (24%), payroll (18%), misc. (13%), staff in place and owner available for extended transition. TXS1192

$94,000 gross. Columbia-Sweeny-Lake Jackson-Brazoria area tax firm. Tax 96%, 4% bkkpg, staff and owner available for extended transition. TXS1193

$283,600 gross. Bryan/College Station CPA firm. Tax (97%), bkkpg (4%), turn-key practice with staff in place to assist with transition. TXS1197

$556,000 gross. NW Houston area CPA firm. Tax 80%, bkkpg 10%, payroll/consulting 4%, high-traffic area, solid fee structure, staff in place, turn-key operation. TXS1198

$454,500 gross. Sugar Land, TX CPA firm. Accounting 50%, tax 24%, misc. 26%, no audits, excellent cash flow, paperless office, portable. TXS1199

$664,000 gross. Memorial/Pearland area CPA firm. Tax 87%, bkkpg 11%, misc. 2%, steady growth, strong fee structure, well-trained staff in place. TXS1200

$129,071 gross. Midland, TX CPA firm. Tax 90% (45% ind., 55% bus., 10% mthly bkkpg), cash flow 76%, portable, no employees, but seller to help with transition. TXW1021

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Miscellaneous

Do you have questions about sales tax? Taxability issues? Audit defense? Refunds? Voluntary disclosure?

Let us be a resource for your firm and your clients. Our owner is a CPA with a BBA in Accounting and Master of Science in Taxation. He spent 10 years in public accounting, working for both national and large, local CPA firms prior to forming Sales Tax Specialists of Texas in 2005. Feel free to contact us with any questions.
Stephen Hanebutt, CPA
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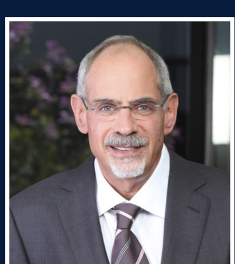
Chris Churchwell, CPA



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Michael Rozbruch, CPA, who is known as a pioneer of Tax Resolution, is a nationally recognized entrepreneur and leader of a training and coaching services company. He teaches CPAs, EAs and Tax Preparers to monetize their existing client base. In addition to building a $23 million tax resolution firm, in 2013 Michael co-founded a tax audit defense company and grew it to over 225,000 annual members registering $9,000,000 in sales in three years. He is also an expert in marketing, sales and management and knows firsthand how to build and operate a best practice Tax and IRS Representation firm.

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