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TODAY'S CPA

Texas Society of Certified Public Accountants







TXCPA'S 2020 RISING STARS


ALSO IN THIS ISSUE:

ADDITIONAL CERTIFICATIONS FOR CPAS

IMPORTANCE OF BUILDING RESILIENCY

OVERTIME PAY FOR AUDIT FIRM STAFF

LIBOR'S SUNSET





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Today's CPA (ISSN 00889-4337) is published bimonthly by the Texas Society of Certified Public Accountants; 14651 Dallas Parkway, Suite 700; Dallas, TX 75254-7408. Member subscription rate is $3 per year (included in membership dues); nonmember subscription rate is $28 per year. Single issue rate is $5. Periodical postage paid at Dallas, TX and additional mailing offices. POSTMASTER: Send address changes to: Today's CPA; 14651 Dallas Parkway, Suite 700; Dallas, TX 75254-7408. **To request article reprints, please email ddeakins@tscpa.net.**

CELEBRATING OUR FUTURE

By TXCPA Chairman Jerry Spence, CPA-Corpus Christi

Let's Chat!

I'd love to hear your feedback and answer your questions. Send me a note at chairman@tscpa.net.

We hope this issue of *Today's CPA* finds you well! This issue is always a popular one, due in large part to our cover story. I'm excited to read more about each of our 2020 Rising Stars and I hope you are too!

After you see their profiles in the cover story, we know you'll understand why these 14 members were selected as the bright spots lighting the way for the future of our profession and TXCPA. Whether you know these future leaders personally or are simply connected by being part of this professional community, please join me in congratulating them on this honor.

We're seeking nominations for our 2021 Rising Stars and welcome your input. Head to the website at www.tscpa.org to find details on submitting a nomination through our easy online process. The deadline is Dec. 16, 2020.

Finally, I want to be sure you know about TXCPA Month of Service. Please plan to join us as we mobilize our 28,000 members to give back in December with financial literacy education and service. Contact your chapter to find out how you can be involved in planned outreach near you or visit the website to find resources in The CPA Advantage toolkit to prepare for outreach on your own.

Thank you for your commitment to making a difference! We wish you the best this holiday season and are very grateful for your membership and trust in TXCPA!

AS LIBOR'S END APPROACHES, IT'S TIME TO PLAN FOR THE TRANSITION TO NEW REFERENCE RATES

By Don Carpenter, MSAcc/CPA

For decades, the London Interbank Offered Rate (LIBOR) has been the benchmark reference rate for financial instruments around the globe. Such instruments as corporate and municipal bonds, floating rate mortgages, asset-backed securities and derivatives (such as interest rate swaps) have used LIBOR as the base rate for setting contractual obligations and determining value. But for several reasons discussed below, LIBOR is scheduled to be phased out by the beginning of 2022.

The method of determining LIBOR is actually quite straightforward and is one of the reasons market regulators see it as outdated. Each day, a group of banks, called panel banks, report their funding or borrowing rate to the Intercontinental Exchange Benchmark Administration (IBA), which then averages and adjusts them to a series of published LIBOR rates.

The rates are reported for five currencies and seven time periods spanning from overnight to 12 months. The reported rates are not strictly transactional but rely on expert judgment. It was alleged that as early as 2003, the panel banks manipulated their reporting to understate these rates in an effort to assist traders who stood to profit. Also, with the financial crisis of 2008, the number of reporting banks has declined, putting additional pressure on the veracity of the process.

U.S. dollar LIBOR reporting is scheduled to be retired at the end of 2021, but the actual date is less than certain. Rates could continue to be published beyond that date but could also end early if the number of reporting banks (currently at 16) falls below four.

With this time frame looming, the Secured Overnight Financing Rate (SOFR) will likely become the preferred replacement rate. But there are important differences between SOFR and LIBOR. SOFR

Continues on page 8

is an overnight borrowing rate that does not have longer term equivalents. In addition, the quoted transactions are backed by U.S. Treasury securities and therefore lack the credit risks inherent in LIBOR cited by panel banks. For these reasons, substituting SOFR for LIBOR in existing contracts will require analysis and possible adjustment.

In an SEC Staff Statement, registrants are encouraged to conduct an inventory of existing contracts and determine:

- Do any contracts referencing LIBOR extend beyond 2021? If so, what disclosure obligations might exist with regard to risk on these contracts either individually or in the aggregate?
- What effect will the discontinuation of LIBOR have on the operation of each contract?
- With contracts that do not have fallback language that contemplates the discontinuation of LIBOR, what actions, such as proactive negotiation, might be required to mitigate risk?
- What alternative reference rate might replace LIBOR? What risks would this new rate introduce?
- Specifically for derivative instruments such as hedges of floating-rate instruments, how does a replacement rate impact effectiveness?

Editor's Note: For a more in-depth analysis of this topic and its specific application to interest rate swap hedges, see the CPE article included in this Today's CPA issue and earn one hour of CPE credit.

For new contracts, the SEC is encouraging participants to reference a rate other than LIBOR. And if LIBOR is the benchmark rate, effective fallback language should be included in the contract.

The Alternative Reference Rates Committee convened by the Federal Reserve Board has developed suggested fallback language for instruments such as floating rate notes. The International Swaps and Derivatives Association (ISDA) will also include robust fallback language for swaps entered into on ISDA documentation.

In addition to risk assessment and disclosure, the benchmark interest rate can have significant ramifications with regard to accounting determinations, including modifications of debt instruments, hedge accounting, valuation model inputs and related income tax consequences. FASB has also been active in addressing transitional issues. It issued ASU 2018-16 to designate SOFR as a benchmark interest rate for hedge accounting.

Earlier this year, ASU 2020-04 was released to provide elective expedients and exceptions to GAAP where a change in the benchmark interest rate could result in a contract modification. Areas addressed include receivables and debt, leases and instruments that include embedded derivatives. Of particular interest are fair value, cash flow and net investment hedges.

The ASU provides methodologies for transitioning to a new benchmark rate without accounting for the change as a hedge termination. The ASU only applies to modifications made before Dec. 31, 2022.

It is not too early to begin planning for the transition from LIBOR to another benchmark interest rate. Businesses would be well advised to prepare an inventory of all contracts where LIBOR is referenced and determine if commitments will extend beyond 2021. If so, discussions with counterparties should be considered to address transition to a new reference rate keeping in mind the impact of such a transition upon financial reporting.

New contracts that will extend beyond 2021 should utilize a rate other than LIBOR. And finally, accounting and financial analysis personnel should review models and processes that utilize a LIBOR-based rate to determine the impact of changing to another base rate.

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A TAX REFORM IDEA BIG ENOUGH FOR TEXAS

By Jade Walle, CPA

Although Texas currently has no state income tax, in 2019, the state Constitution was amended to ban any future individual income tax. Proposition 4 was approved by a two-thirds legislative majority. After this high hurdle was reached, a statewide referendum resulted in 74.4% of Texans voting (1,477,373) to approve the Constitutional amendment and 25.6% (509,547) voting against.

The legislative vote was surprisingly bipartisan, with 29% of Democrats supporting the amendment. It appears that the disdain for an individual income tax resonates beyond party lines, with Texans agreeing to permanently alter the state Constitution with a 49-point differential.

Texas is one of seven states that does not impose any income tax and like 18 other states, has no estate or inheritance tax. Obviously, Texas is off to a great start, but the question is whether the current system is the best it can be for Texas.

You might be wondering what CPAs have to say about the merits of what a "good" system of taxation looks like. Although we risk sounding oxymoronic, the inevitability overcomes us as we all are innately aware that some system to raise the state's revenue is necessary. What the state decides to spend its receipts on is another matter, but in any case, revenues are needed to run the state's government and provide some level of service to citizens.

Knowing this reality, the question then becomes, what is the ideal tax system and what should it look like? AICPA responded in its October 17, 2005 release "Understanding Tax Reform: A Guide to 21st Century Alternatives," saying we should evaluate tax reform based on the following principles:

- Simplicity,
- Fairness,
- Economic Growth and Efficiency,
- Neutrality,
- Transparency,
- Minimizing Noncompliance,
- Impact on Government Revenues,
- Certainty, and
- Payment Convenience.

In Adam Smith's book, The Wealth of Nations (1776), Smith argued that taxation should follow the four principles of:

- Fairness,
- Certainty,
- Convenience, and
- Efficiency.

Currently, Texas' Office of the Comptroller of Public Accounts oversees the state's finances and the collection of over 60 different taxes, fees and assessments. State sales taxes (a 6.25% state rate that may be increased up to 2% for local sales taxes) make up approximately 57% of taxes collected, which was $34 billion for fiscal year 2019.

An additional $25 billion comes from taxes on other goods and transactions, such as oil production, motor vehicles, cigarettes and natural gas. Separate and apart from the state

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TXCPA Thanks Our Strategic Partners

Goodman Financial and CPACharge

TXCPA would like to thank Goodman Financial and CPACharge, our 2020-21 Strategic Partners! We are pleased to have them as strategic partners and appreciate their generous investment in our organization. We believe these valuable partnerships will help advance our vision to empower members to lead and succeed.

Goodman Financial Corporation is an independent SEC registered, fee-only investment management and financial advisory firm based in Houston, Texas, with extensive experience making prudent decisions that are based on clients' long-term objectives.

CPACharge is a financial technology company that delivers solutions to help CPAs manage online payments in their firms, with the reporting and reconciliation functionality that matters most to accounting professionals.

TXCPA's Annual Partners benefit from extended marketing reach and elevated positioning through a curated sponsorship package. TXCPA is an ideal partner to help you increase and enhance your visibility in the CPA market in Texas. As the premier membership association for CPAs in Texas, we can provide your brand and message with a direct connection to trusted business advisors in all sectors of the economy.

Learn more about the packages and options available through our Annual Partners Program on our website. Go to www.tscpa.org and click on Sponsor at the top of the page or contact Traci Pelter at Media By Design. Email her at traci.mediabydesign@gmail.com or phone 832-316-4550.

December is TXCPA Month of Service

A Statewide Focus on Financial Literacy Education and Service

You're invited to participate in TXCPA Month of Service this December. With a statewide focus on financial literacy education and service, TXCPA members and chapters are extending resources to various organizations across the state to help Texans build a stronger financial foundation.

What is TXCPA Month of Service?

Started in 2015 as CPA Day of Service, this effort has been expanded to a full month each year to give more flexibility to those who are interested in being involved. During this dedicated period of time, TXCPA calls on the profession to come together to make a difference through service in their communities.

In 2020-2021, the Branding and Community Outreach Committee is asking TXCPA members and chapters to focus their outreach on financial literacy education and service. We also encourage everyone to consider incorporating financial literacy service throughout the year to increase our reach and expand our impact.

Who Should Participate?

TXCPA members, chapters, firms and companies are invited to participate. We are grateful for anyone who is able to give their time in December to be a part of our collective efforts.

TXCPA
Texas Society of Certified Public Accountants

Contact your local chapter to learn about volunteer opportunities close to home and visit tscpa.org later this fall to see a full list of opportunities for TXCPA Month of Service and throughout the year.

level, property taxes are levied by Texas' 254 counties, the six largest of which alone levied over $33 billion in 2018.

As it relates to most businesses, Texas also administers its margin tax, a modified gross receipts tax, a hybrid tax somewhere between a tax on income and gross revenue of up to 1%. Apart from fees and other assessments, the state primarily funds its government operations through property taxes and state sales and use taxes.

Recent polls indicate that due to high Texas tax assessments, most Texans favor some type of property tax reform. However, others assert that since high property tax areas generally have better public schools, higher property taxes, in addition to higher property values, act as a barrier to owning property in certain higher performing school districts. If property taxes were eliminated, lower performing schools may have to compete and improve more, as increased mobility to areas with higher rated public schools would act as an embedded competitive driver.

Additionally, each county has to administer and collect its property taxes. Many parties play a role in administering the property tax system, all at a cost. They include:

- Property owners,
- Appraisal districts,
- Appraisal review boards,
- Local taxing units,
- Tax assessor-collectors, and
- The Comptroller's Office.

Imagine 254 different jurisdictions having to pay for office space, salaries, benefits, payroll tax matching, printing, postage, appraisal software, travel, aerial imagery, litigation, office equipment, building rental, public hearing notices, utilities, and the list goes on.

Based on extrapolating the data in Figure 1, Texas counties spend an estimated $337 million to $557 million annually to administer, enforce and collect property taxes. Texas, like many states, also has a sales tax system with the added complexities of certain exemptions, such as for most food and health-related items, which are the subject of political infighting, lobbying efforts and disagreement.

Figure 1 – Appraisal District Expenditures

Appraisal district expenditures, 2019/2020 budget, for the six largest Texas counties:

Harris County - $90,728,307

Dallas County - $28,144,871

Tarrant County - $24,912,805

Travis County - $19,486,627

Bexar County - $18,261,544

El Paso County - $15,663,771

Source: *Dallas Central Appraisal District Annual Report, 2019 Appraisal Year, CAD Comparative Results*

The ultimate question then is, should Texas continue to operate its current property, margin, and sales and use tax systems? If, based on the data above, we answer no to this question, the next question we would expect is, "what would you replace the current state tax system with?"

Currently, several states, including Alabama, Georgia and Nebraska, are seriously considering eliminating their current income, property, and sales and use tax systems, in favor of a state FairTax.

A Single Rate Consumption Tax

The FAIRtax is actually a 21-year-old proposal (H.R. 25) at the federal level, with over $22 million of grassroots research, that would replace the IRS and our current income (individual, corporate and business), payroll, self-employment, estate, gift, capital gains and AMT with a single rate consumption tax on all new goods and services, at a rate that is revenue neutral to the U.S. Treasury.

From a state perspective, to prevent the FAIRtax from being regressive and impacting the poor the hardest (which sales taxes generally do), a family consumption allowance commonly referred to as the "prebate," where all FAIRtax paid for expenditures for the basic necessities of life (e.g., medicine, diapers, milk, shelter, etc.) are refunded at the beginning of each month based on annually determined poverty levels (by the U.S. Department of Health and Human Services).

When the payments are examined, the prebate actually makes the FAIRtax more progressive, since the current U.S. income and payroll tax system is funded in large part by the regressive payroll tax that hits the working poor especially hard. Rather than keeping track of income, expenditures or various products we consume, and whether or not they are a necessity or a product politicians deem critical, etc., the prebate is a simple mechanism where every resident has the FAIRtax refunded that they will inevitably spend on life's

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CPACharge

How CPAs are Improving Security with the Help of Third-Party Partners

The IRS has advised CPAs to review all aspects of their data security strategies, including administrative practices, building protection, computer security, staff, and information systems. As you review your own firm's data security measures, consider the role third-party service providers can play in your accounting firm's IT infrastructure, and explore ways to limit your liability while working to keep clients' data secure and private.

Many small and medium-sized accounting firms don't have an IT specialist on staff, which means they're often ill-equipped to navigate modern data security issues. This is why some are turning to qualified third-party solutions to take advantage of these companies' more advanced security measures.

"Our survey findings show that many SMBs feel more secure with the cloud," said small business expert and researcher Laurie McCabe. "The average small or midsized company doesn't have a high level of in-house security expertise, while public cloud providers are betting their entire businesses on being secure." Economies of scale also allow major cloud storage and software providers to maximize security and efficiency at a lower cost than most small businesses can achieve.
Because of the nature of your business, you might always have to retain some amount of sensitive data on-premise, whether it's printed materials for client meetings or onsite storage of digital backup files.

But where possible, you can shift some of this information to qualified third-party providers, the best of which protect data with more robust security resources and technological capabilities than the average accounting firm can muster. Avoid storing sensitive data on paper or on your computer if you don't have to, as these locations are especially vulnerable to theft or hacking. By moving this data to third-party storage or software services, you can not only increase data security, but also transfer some of the liability burden for maintaining that data to the third party.

Many small and medium-sized accounting firms don't have an IT specialist on staff, which means they're often ill-equipped to navigate modern data security issues.

Bear in mind that passing liability on to another vendor doesn't get you off the hook completely. You still need to take appropriate steps to protect clients' data before it leaves your possession. "Companies can reduce the damage caused by successful hacks by encrypting their most important information (for example, credit card data for banks or patient records for hospitals)," wrote Nick Huber for ICAS.

It's time to trust your sensitive data to experts who have the experience and bandwidth to protect it. With CPACharge, you never need to take possession of credit card information from clients. Send bills online and let clients enter payment information on their own, knowing that CPACharge's top-notch security and encryption measures are protecting sensitive data behind the scenes.

necessities at the beginning of each month. It leaves out a cadre of lobbyists attempting to influence legislation to differentiate between which mustard brand should or should not be free of tax at the register (e.g., Grey Poupon gourmet mustard and French's mustard).

You might have surmised, and it is true, that when we purchase used items (e.g., used car, clothing, etc.), a resident can legally avoid paying taxes, since the FAIRtax is a tax once and only once on all new goods and services. Imagine the boon to the recycling industry, waste reduction, and energy and environmental conservation! What a straightforward, efficient, fair, convenient and simple idea. Were these aspects of a tax system that AICPA touted above?

At this point, Alabama is the state furthest along in their journey to embrace tax reform at the state level, having introduced in their current 2020 session State Bill HB4, the Alabama Economic Freedom Act. Alabama's HB4 eliminates the state's personal and corporate income, estate, inheritance, sales and use taxes with a single rate consumption tax (8.03% in Alabama's case) on the purchase of all new goods and services.

Texas is one of seven states that does not impose any income tax and like 18 other states has no estate or inheritance tax.

Based upon Alabama's particular jurisdictional allocations needed, HB4 outlines that 80% of the tax collected at the point of sale will go to the state's treasury apportioned amongst the state's Education Trust Fund, State General Fund and other allocations. The remaining 20% collected is apportioned 40% to each state county, pro-rated by population, and 60% to each state municipality.

The Alabama studies preliminarily indicate that for 1% more on the rate, all Alabama property taxes can be eliminated. Since Alabama's property tax is one of the lowest in the U.S., other states, like Texas, will have to calculate the state FAIRtax rate needed to fully remove all property taxes.

Occam's razor dictates that a theory should provide the simplest possible viable explanation for a phenomenon. Others suggest that good theory exhibits an aesthetic quality; that a good theory is beautiful or natural.

The FAIRtax naturally promotes economic expansion, convenience, freedom (from intrusion, tax forms, tax returns, record keeping, property tax appraisals, hundreds of millions in appraisal district expenditures, etc.) and is proven to reduce illegal tax evasion relative to an income tax. Also, I do not encourage trying this, but I would love to see the result of walking into Wal-Mart, Best Buy or even online at Amazon and telling the vendor that you will not pay the sales tax.

A state FairTax system would only need minimal analysis for the particulars of Texas, given that the FAIRtax is the most researched piece of potential legislation in U.S. history and Texas already finances its entire budget with no state income tax. The research, including studies from the former head of Harvard's economic department, Dr. Dale Jorgenson, [1 2 3] indicates that an economic powerhouse would be unleashed by becoming a FairTax state.

A Texas FairTax system could be one of the key ingredients in making the state's system of taxation even more closely aligned with AICPA's and Adam Smith's construct for a "good" system of taxation.

For Texas counties, an estimated $337 million to $557 million could be saved each year, making local government much more efficient, while simultaneously relieving homeowners of the annual property tax assessment, protests, hassles and significant tax assessments. This would allow Texans to truly "own" their home without incumbrance and have more funds for investing, saving and spending, resulting in even more FairTax receipts to the Texas treasury, along with greater school choice.

Eliminating the need for any municipality to spend this estimated half a billion dollars each year also reduces the total tax the state needs to collect from its FairTax, given the system is designed to be revenue neutral to the treasury, meaning residents' overall tax burden would decrease, lowering the Texas FairTax rate.

Texas businesses would be freed of the burden of calculating a state tax on gross margin, encouraging more business migration to the state as compliance and business tax costs come down, which lowers the cost buildup and ultimate sales prices of Texas manufactured goods and services, making them more competitive in the marketplace.

A state FairTax system would only need minimal analysis for the particulars of Texas.

An Alternative for the Texas Tax System

A Texas FairTax sales tax system would help Texas remain one of the nation's most prosperous, wealthy and desirable states to do business in the next 100 years. As it relates to a tax reform idea big enough for Texas, a state FairTax system would fundamentally transform the state's tax system, eliminating the cumbersome and expensive costs of administering tax appraisal districts for each county.

To be fair, the poor would receive a monthly prebate. This could help to solidify the taxing system as one without the most freedom-stripping tax systems of all, the income tax, but also eliminate the Texas margin tax and the expensive and inefficient county property tax system for each of Texas' 254 counties.

ABOUT THE AUTHOR:

Jade Walle, CPA, is an Assurance partner with PricewaterhouseCoopers LLP in Denver, Colorado, and has been a member since 2002. He began his career with PwC in Tulsa, Oklahoma in 1996, transferring to the firm's Global Capital Markets Group in London in 1999. He lived and worked in Houston with PwC from 2002-2008. The article was not sponsored by and does not represent the views of PwC.

FOOTNOTES

[1] Jorgenson, Dale W., "The Economic Impact of the National Retail Sales Tax," November, 1996.
[2] Tuerck, David G., et.al., "The Economic Effects of the FairTax: Results from the Beacon Hill Institute CGE Model," The Beacon Hill Institute at Suffolk University, February 2007.
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ENDING THE SCHEDULING PING PONG GAME

By Jennifer Johnson, CPA

Does this sound familiar? You want to coordinate a meeting with multiple attendees, some of whom are not in your office. After 10 emails with suggested times, you finally find a time that works for all attendees.

This email banter can be eliminated by implementing a simple and free scheduling tool. The benefits of a scheduling tool include improved communication, reduction of non-value adding emails and reduced frustration for all parties involved. In this article, we will compare three options for scheduling tools.

Doodle – Easy Scheduling

Doodle allows you to coordinate available times to meet with multiple participants. It can be accessed via a web browser or a downloaded app. The meeting planner selects all available times for a meeting and shares a link with all the meeting attendees. The link is shared via the planner's email.

Each attendee will open the link, enter their name and select the times that he/she is available. The meeting planner can see all available times for a meeting and select the best option for the participants. The meeting planner can also modify the notice if needed and settings are available to control what an attendee can see or do.

Doodle offers a free version for basic scheduling. With the free version, you do not need to create an account or download any software. The participants also do not need to create any accounts or have any special software other than a web browser. Upgraded versions of the tool are available for a fee.

LettuceMeet

LettuceMeet is a web-based tool that allows the meeting scheduler to select days and times for a possible meeting. Once the days and times are selected, the meeting scheduler will be provided a weblink that can be shared via the scheduler's email to all attendees.

Anyone with the link can add their availability to the calendar and a common meeting time can be selected. Neither the scheduler nor the invited attendees need to create an account or enter an email address.

The scheduler can create an account for free to access additional features of LettuceMeet, such as integration to an Outlook or Google calendar, notifications and tracking of meetings.

There is not a fee for creating an account. At this time, there is not a paid version.

Calendly

Calendly allows other people to schedule meetings with you. To use Calendly, you need to create an account and share your Calendly meeting link with others. You can do this by putting the link on your email signature or a website.

The link allows a person who wants to meet with you to see your available times and schedule time with you.

You can sync your Caldenly account to popular calendars like Google Calendar, iCal, Outlook and Microsoft Office

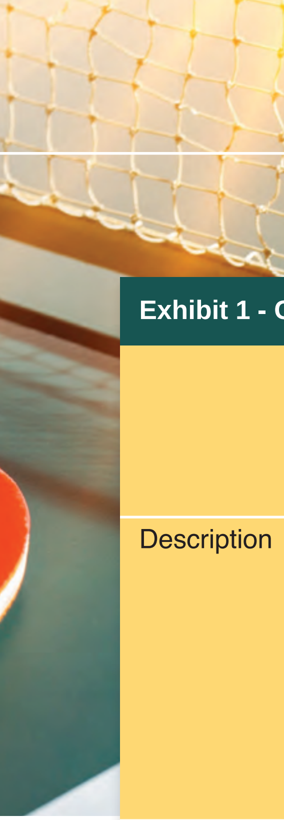


Exhibit 1 - Comparison of Tools

	Doodle - Easy Scheduling	LettuceMeet	Calendly
Description	Use Doodle to find the best time for any event. Suggest a number of times and invite participants to select their preferences.	Use LettuceMeet to coordinate a good time for a meeting. Suggest multiple options and share the options via a weblink with attendees. Attendees will input their choices and a common time can be determined.	Calendly is used to provide an easy way to allow others to schedule time to meet with you. A link can be provided to those who want to meet with you and they can see available meeting times.
Available Platforms	Web browser Apple iOs Android	Web browser	Web browser Apple iPhone
How is the tool accessed?	App or web browser	Web browser	App or Web browser
Do other participants need to have the app or an account to participate?	No	No	No
Do you have to create an account to use it?	No	No	Yes
Ease of use and setup	Simple	Simple	More steps to the setup process
Is there a paid version?	Paid version allows for branding; no ads; more communication	Only free version. You can create an account for added features but there is no fee	Yes, there are paid options.
Website	https://doodle.com	https://lettucemeet.com	https://calendly.com

365. Since your Calendly account is synced with your own calendar, any times that are blocked on your calendar will also be blocked on Calendly.

As a user of Calendly, you need to have an account with Calendly; however, the people who are trying to schedule a meeting with you do not need an account.

The basic service for Calendly is free and allows one connected calendar and event type. There are also multiple paid versions of the service that offer a variety of additional features and integrations.

ABOUT THE AUTHOR:

Jennifer Johnson, CPA, is a Sr. Lecturer at the University of Texas at Dallas and a co-author of Computerized Accounting Using QuickBooks Online. Contact her at Jennifer.johnson@teachacct.com.

Save the Date for TXCPA's Advocacy Day and Midyear Board and Members Meeting in January

Mark your calendar for our next Midyear Board of Directors and Members Meeting on Tuesday and Wednesday, January 26-27, 2021. This year's meeting is sponsored by CPACharge. We'll be hosting 2021 Advocacy Day in conjunction with the meeting to help kick-off the 87th Texas legislative session.

Look for more details to come soon about the meeting format and options for participation.

TXCPA's New Online Resource – The Texas CPA Knowledge Hub

Have you taken advantage of the new online Texas CPA Knowledge Hub? The Knowledge Hub features a library of vendor-sponsored insights and thought leadership resources designed to be helpful in your business, practice area or career.

The free downloadable content includes white papers, product guides, case studies, industry analysis and much more. To access the Knowledge Hub, go to the Resources section of TXCPA's website at tscpa.org.

Leadership Nominations Results for 2021-2022 Positions

The following individuals were nominated for terms beginning June 1, 2021 and have consented to serve, if elected by the TXCPA members. Election of officers, directors-at-large, members of the Nominations Committee, and members of the Executive Board will be conducted through an electronic ballot sent to members in November.

Officers

Sheila A. Enriquez (Houston)
Chairman-elect (Chairman 2022-2023)

Melanie C. Geist (San Antonio)
Treasurer-elect (Treasurer 2022-2023)

Julia Hayes (Southeast Texas)
Secretary (2021-2022)

Executive Board (Three-year term expiring 2024)

Darrell W. Groves (Houston)
Tram P. Le (Fort Worth)

Directors-at-Large (Three-year term expiring 2024)

Anne M. Carpenter (Panhandle)
Edith (Edie) T. Cogdell (San Antonio)
Sheri K. DelMage (Southeast Texas)
Dahlia Garcia (El Paso)
Rolando Garcia (Houston)
Phillip Hernandez (Fort Worth)
Jennifer G. Johnson (Dallas)
Elena Levario (Permian Basin)
Brandon L. Mays (East Texas)
Stephanie T. Morgan (East Texas)
Susie Sullivan (Corpus Christi)
Alexander D. Walther (Houston)

Nominations Committee (2021-2022)

Kenneth A. Broom (Dallas)
Tello A. Cabrera (El Paso)
Kathryn (Kate) E. Devey (Permian Basin)
Bryan R. Edwards (San Antonio)
Julie R. Folwell (Abilene)
Tram P. Le (Fort Worth)
Josh LeBlanc (Southeast Texas)
Paul B. Matthews (Austin)
Keith Pfeffer (East Texas)
John (Ramsey) Womack (Houston)

As TXCPA immediate past chairman in 2021-2022, Jerry Spence (Corpus Christi) will automatically serve as chair of the 2021-2022 Nominations Committee. Josh LeBlanc was appointed as vice chair. In accordance with the TXCPA Bylaws Article VIII(4), the two most recent past chairs, Lei Testa (Fort Worth) and Stephen Parker (Houston), will also serve as members on the 2021-2022 Nominations Committee.

The Nominations Committee also recommends that the names of the following individuals be forwarded to the American Institute of Certified Public Accountants as representatives from Texas to serve on the AICPA Council:

AICPA Council (Terms Begin May 2022)

Martha E. Piekarski (El Paso) – Three-year term May 2022-May 2025

Tim S. Pike (Dallas) – Three-year term May 2022-May 2025

Jerry D. Spence (Corpus Christi) – Three-year term May 2022-May 2025

Tiffany (Renee) Prince (Fort Worth) – One-year designee May 2022-2023

TXCPA Exchange is More Active Than Ever!

Members across the state are building community and connecting on TXCPA Exchange! The impacts of COVID-19 make it important to maintain the connection to your professional community to ask questions, offer feedback and actively exchange ideas with your colleagues.

In addition to our general All Member Forum, there are three interest-area communities – Tax Issues, CPA Practice Management and Nonprofit Accounting. Be sure to log in today and join the conversation.

.cpa – A Restricted Domain Exclusively for the CPA Profession

In September, AICPA and its business and technology arm, CPA.com, began the rollout of .cpa, a restricted Internet domain. The new domain extension will be available to CPAs and their firms and will signal a clear connection to the profession. It will also allow CPAs to connect with clients and the general public with greater trust, security and verification.

The initial application phase has closed and now firms are free to apply for any available .cpa name on a rolling, "first come, first served" basis. In January 2021, the process will open up to include individually licensed CPAs.

Consider the advantages. The new .cpa domain:
• Allows better, more focused branding;
• Provides better security and resistance to Internet fraud;
• Promotes greater trust in firms' online interactions with clients and the public; and
• Demonstrates that firms are progressive and professional in the digital sphere.

Don't delay – protect your firm's brand by securing your .cpa domain today! To learn more and apply for your preferred domain name, please visit https://register.domains.cpa/.

Submit an Article to Today's CPA Magazine

The editors of *Today's CPA* are seeking article submissions for the magazine. *Today's CPA* is a peer-reviewed publication with an Editorial Board consisting of highly respected CPA practitioners.

The publication features articles that focus on issues, trends and developments in all facets of business. If you would like to submit an article for consideration or to learn more, please contact Managing Editor DeLynn Deakins at ddeakins@tscpa.net or Technical Editor Brinn Serbanic, CPA, CFP™, at technicaleditor@tscpa.net.

INTO THE UNKNOWN

By Kenneth Besserman, JD, TXCPA Director of Government Relations and Special Counsel

The 87th Texas legislative session is shaping up to be one of the most interesting sessions in recent memory. Texas has seen oil busts, savings and loan scandals, and national financial crises come and go, and significantly interrupt budgets and legislative sessions. But the COVID-19 pandemic makes past disruptions seem much less severe in comparison.

The uncertainty surrounding COVID has interrupted, stalled and shut down legislative sessions around the country during the last half of 2020. When the Texas Legislature convenes in January 2021, the Texas Senate, House and state leadership will be under a microscope as to how the legislature will operate, and how open, accessible and transparent the Texas Capitol, committee hearings and legislative offices will be.

Political observers, lobbyists, legislative staff and members of the legislature have been watching and learning what other state legislatures have been doing in an attempt to craft a somewhat open and accessible Texas Capitol and session. Many Senate and House members have been talking, meeting and Zooming to come up with policies and guidelines around committee hearings, public testimony, floor debate, and lobbyist and public access to the building and legislative offices.

These discussions are continuing and will continue through the end of 2020 and likely into 2021. What we do know at this point is that nothing is certain and things will change. The Texas House will elect a new speaker in January 2021 to replace current Speaker Dennis Bonnen who decided not to run for reelection. With new leadership on the way in the Texas House, any final decisions on how the Texas House will operate during the legislative session will have to wait until after the session commences.

The unknowns go well beyond how the session will operate. One of the most pressing concerns is the state budget. Will the legislature work quickly on a state budget and then sine die to do other legislative business in future special sessions in 2021 and 2022? Will the legislature convene in January 2021 and take a break for a number of weeks to arrange COVID protocols and policies? Will there be different protocols and policies in the House and Senate that may make doing business more difficult?

While the prospect of a shortened regular session does not seem likely at the time of this writing, spikes in COVID infections or staff and members of the legislature becoming infected may lead to alternative timelines.

Session Issues

The state budget is always the most important issue that the Texas Legislature tackles every session. The budget is preeminent because it is the only item that every legislature must pass. The Texas Constitution requires it. The past few sessions, Texas has seen enormous budget surpluses and large budget deficits. From the financial crisis to drops in oil prices to property tax reform, the legislature has seen many good times and some bad times. The COVID pandemic has had a significant impact on the state budget and legislators will have to address those budget impacts.

Comptroller Glenn Hegar has been closely monitoring the state budget and in July 2020, he issued a revised budget estimate based on the impact of the pandemic up to that point. "We went from a $3 billion surplus in the current two-year budget to what now is estimated to be a $4.6 billion deficit. Now, part of that is going to be lessened because state leadership instructed agencies to reduce their expenditures," Hegar said. "That probably saves about $1 billion, which is not taken into account for the $4.6 billion deficit because those dollars are retained in the treasury."

Over the 2020 summer months, the state has seen an unexpected increase in sales tax collections, which may lessen the budget deficit that legislators will see in January 2021.

This is good news, but state budget writers and the Comptroller's office acknowledge that we need to watch sales tax collection numbers through the end of 2020 to get a full picture of the effects of COVID on the state budget. Since the summer months, state sales tax collections are below same month 2019 collections, further making the budget that more unpredictable and unknown.

Texas may be in a better position than many other states because of the substantial balance in the Economic Stabilization Fund (also known as the Rainy Day Fund). The Comptroller's office is predicting that by the end of the current budget cycle (August 2021), there will be approximately $9 billion in the Rainy Day Fund. While there is no discussion about using all or most of the Rainy Day Fund to shore up budget deficits, there certainly will be some willingness by members of the legislature to use some of the Rainy Day Fund to help the state.

The COVID pandemic has had a significant impact on the state budget and legislators will have to address those budget impacts.

To paraphrase some members of the legislature, if the pandemic is not a "rainy day," then nothing is a "rainy day."

In addition, the Comptroller's office has indicated that there are several billion dollars of federal COVID funding that the state has received that may be able to be used to offset either local or state budget issues. The state is working with the federal government to understand the spending restrictions on the federal COVID funds.

Beyond the budget, redistricting and COVID-related legislation will likely take up much of the attention of the legislature. Redistricting is often the most important issue the legislature faces, but it is also the most partisan and political. With Texas predicted to gain between three and five Congressional seats and the Texas House of Representatives political makeup up in the air, the stakes could not be higher.

State and federal redistricting is required during the first regular session after the census. In normal times, the legislature would receive the census numbers in the spring of a regular session, thereby forcing the legislature to draw state House and Senate maps during the session. In these uncertain times and with some reports that the census numbers may not be received until June or July 2021, the legislature may not be able to address redistricting during the regular session.

The state House and Senate maps could be debated in a special session after the 2021 session, in the 2023 regular session, or there may be an effort to move the issue directly the Legislative Redistricting Board – a body composed of the lieutenant governor, speaker of the House, attorney general, comptroller and General Land Office commissioner, who are constitutionally mandated to draw state House and Senate maps if the legislature is unable to do so. Congressional maps will likely be drawn by a federal court as in past redistricting cycles.

COVID-related legislation will also be front and center during the 2021 legislative session. Cities, counties and

TXCPA's Key Person Program

The 2021 legislative session will be like no other session. TXCPA's Key Person program is more important now than ever before.

Grassroots political action is a vital element of TXCPA's governmental affairs efforts. Although the activities of the profession's lobbyists are important, there is no substitute for the powerful influence of constituent communications on the way a legislator ultimately votes on legislation.

Individual CPAs are constituents who vote and pay taxes in legislators' districts. They have unique expertise and represent other professional colleagues and clients in the district. Also, no one can explain the impact of accounting and tax issues on the profession and their clients better than individual CPAs.

Relationships with members of the legislature will be key in making TXCPA's voice heard, and our concerns listened to and addressed. It is vitally important that you continue to let your representatives and senators hear your voice and that you communicate with TXCPA's government relations team so that we can effectively advocate on your behalf.

local jurisdictions have seen the budget impacts of the pandemic just as the state has. Local governments, their tax collections significantly impacted by the pandemic, may seek some budget relief or assistance to help them meet the needs of their populations. How the legislature addresses the concerns of local governments may be one of the biggest budget debates during the session.

Businesses and employees have taken a hard hit during the pandemic, from the shuttering of businesses to employees being let go. While there have been some federal relief programs that have sought to lessen the financial burden, it is likely that the legislature will take a hard look at state financial relief programs, unemployment insurance, and other programs to address the continuing needs of businesses and employees.

As businesses start to reopen and employees venture back to the office environment, there have been some in the legislature who have expressed a need to address liability issues relating to reopening and protect both businesses and employers/consumers. There have been some discussions in Washington, D.C., about COVID-related liability reform, but those discussions have been stalled and the issue has mostly devolved to state legislatures to address.

TXCPA Always Advocating for its Members and the Profession

While the 2021 legislative session operating dynamics and issues get ironed out, TXCPA has been hard at work during the pandemic making sure that the accounting profession's voice and issues are heard in Washington, D.C., and in Austin.

In Austin, TXCPA has worked with the Texas State Board of Public Accountancy (TSBPA) to remove the 15-hour in person education requirement for upper-level accounting courses. While the education requirements are still in place, TSBPA recognized that in-person education should not be mandated for upper-level accounting courses.

In addition, TXCPA worked closely with TSBPA to ensure that CPA license renewal applicants, who would ordinarily require fingerprinting per the 2019 Sunset legislation, were given some leeway in obtaining fingerprints during the pandemic when many locations and facilities were unable to accommodate or schedule fingerprinting. TSBPA will not deny a license renewal if the applicant is currently unable to obtain fingerprinting.

In Washington, D.C., TXCPA made its voice heard through our Federal Tax Policy Committee, which pushed for delays in the filing deadline of federal tax returns and expanded use of digital signatures. These were important victories for the Society and our members because while CPA offices remained open during the pandemic, working with businesses and individuals on tax returns became prolonged and difficult during the pandemic. Filing deadline delays and additional IRS accommodations involving signatures and filings were important for the profession.

TXCPA has been very active in advocating for the Paycheck Protection Program (PPP) and the CARES Act, which provided much needed financial relief to employees and businesses. The Society has also been very active in urging the IRS and Small Business Administration to put out additional guidance on the new pandemic-related financial programs so that accounting professionals, businesses and taxpayers have a clear understanding of the tax consequences of these programs.

It has been a very busy 2020 for TXCPA during the pandemic. Your experience, expertise, comments, and suggestions on these issues and others have made our advocacy program a success nationally and on the state level.

Other Session Issues

Transportation funding and transportation projects have taken a central role during past legislative sessions. This 2021 session will likely not see as much transportation funding legislation because more pressing concerns will likely be front and center. In addition, Texas must always be prepared for the next natural disaster from hurricanes to flooding to tornadoes to droughts. Those issues have been addressed in recent sessions, but more work needs to be done to make sure that Texas is prepared for all eventualities.

The 2021 session may also bring forward several issues that will touch the accounting profession and all businesses. The state budget is under significant stress because of lower sales tax collections during the pandemic.

While Texas is expected to fare better than other states, there will be pressures on legislators to make cuts, raise revenues and find ways to help citizens, employees, employers, cities and other entities that have struggled to make ends meet during the pandemic. There has been legislation in other states that has sought to impose sales taxes on professional services and to remove or cut back professional licensing standards and requirements. National licensing organizations and state professional societies have taken an active role in lobbying state legislatures about the importance of rigorous licensing regimes as a way to protect the public from unscrupulous actors.

TXCPA will be monitoring and advocating on the issues of deregulation of the accounting profession and the weaking of licensure and education standards. The Society has been closely monitoring other states where professional licensing and certification standards have either been loosened or attacked by groups seeking to open the practice of licensed professions. The Society feels strongly that proper licensing and certification of professions is necessary to ensure that the public is protected and public confidence in the accounting profession is maintained.

As we all know in 2020, things can change and will change. So be prepared for the unknown.

About the Author: Kenneth Besserman, JD, is TXCPA's director of government relations and special counsel. Contact him at kbesserman@tscpa.net.

FEATURE

The Importance of Building Personal Immunity and Resiliency to Benefit Health and Enhance Success in Your Life and Accounting Career

By George Violette, Ph.D., CPA, MCHC

An organization's most important assets are its employees and principals. Management can help protect these assets by promoting healthy lifestyle activities that can assist employees in building a more resilient personal immune system. A resilient immune system allows individuals to better deal with, and adapt to, personal health challenges. Resilience is the capacity of an immune system to return to a healthy state of wellness after an external challenge, such as a virus.

Much of the media coverage and government recommendations for prevention of infection from the COVID-19 virus is through avoidance that focuses on prevention through careful hand washing, use of masks and social distancing. While the advice is very important, that's not all we can do. A strong personal immune system is a crucial line of defense against pathogens of all types, including COVID-19.

A strong immune system acts as an important barrier between the body and the things that can make it sick. While a strong immune system won't necessarily prevent all illnesses, research shows that duration and severity of illness are typically reduced if you have a strong immune system.

Our immune systems can be strengthened or weakened based upon our lifestyle choices. Eating immunity-boosting foods, engaging in regular exercise, obtaining sufficient restful sleep, managing stress, and connecting with supportive, positive people and nature all work to boost our immunity.

Conversely, poor food choices, being sedentary, not obtaining enough sleep, staying in a state of constant worry and stress, and lack of a supportive environment all contribute to a weakened immune system.

To the extent possible, we should all try to be proactive in building our personal immune systems to facilitate and maintain good health. Organizations can help their employees build resiliency through their support and encouragement of positive lifestyle choices that will increase their overall health and therefore lead to enhanced career opportunities.

Immune-Boosting Foods

Nutrition is one key factor that can positively influence and build resiliency for the immune system. Identifying which foods are best for us to eat to maintain and boost health often seems confusing.

In his best-selling book *Food*, Mark Hyman, MD, director of the Cleveland Clinic Center for Functional Medicine, provides a clear road map with scientifically backed research and analysis, in a readable and concise manner. In general, he recommends we eat real, whole foods, local when possible, fresh and unprocessed, free from chemicals and additives.

Strive to eat a diet that includes a wide variety of whole foods, which includes greens and other vegetables, berries and other fruits, nuts and seeds, mushrooms, herbs and quality proteins such as wild-caught salmon. Avoid highly processed and high sugar foods.

Real, whole food is medicine for our bodies. What is real food? Ask yourself, did nature make it or has it been manufactured? Do you recognize the ingredients? Is it full of healthy nutrients? Food is a powerful opportunity to build immunity and create health.

What can you do at the organization level? You can provide healthy snacks, such as fresh fruits and vegetables. If you are providing lunch or dinner due to meetings or late work, choose to provide real, whole foods, such as green salads and whole grains; avoid fast foods and sugary snacks.

Exercise and Movement

Doing regular movement and exercise is a great way to increase physical health, reduce stress and build personal immunity. Exercise helps the body because it increases circulation, which can then help to deliver essential nutrients to keep us healthy. The lymphatic system, which is used to remove metabolic waste, relies on physical movement to help keep this moving most efficiently.

Engaging in exercise doesn't mean you have to go to a gym or studio. Simple exercise and movement at home and work, such as squats, push-ups and walking, can be greatly beneficial.

Build exercise into your workday. Encourage employees to take brief breaks to exercise and move. Sit less, stand more; get up at least once an hour for five minutes to move and stretch. Consider a standing desk; perhaps pair it with a special treadmill to use at your desk. Take the stairs. Park further away. Walk, run, bike, hike, swim, do yoga or stretch. The key is to do what you enjoy and then you will keep doing it.

Sleep

Quality and sufficient sleep is very important for building and maintaining a healthy personal immune system. Studies have shown that chronic sleep deprivation is associated with decreased immunity.

Research shows that duration and severity of illness are typically reduced if you have a strong immune system.

In 2012, the National Institute for Health suggested several tips for healthy sleep, such as:

- Trying to go to bed and wake up at the same time each day;
- Doing a relaxing activity, such as reading or listening to soothing music as part of a nightly bedtime ritual;
- Avoiding caffeine in the afternoon and evening; and
- Avoiding large meals and beverages late at night.

They also recommend a cool, dark sleep environment, free from electronic devices. Other sleep experts recommend eliminating blue light a couple of hours before bedtime by disconnecting from all electronic devices or at least wearing blue light blocking glasses.

Dr. Matthew Walker, Director of UC Berkeley Center for Human Sleep Science and author of the book *Why We Sleep*, presents detailed scientific evidence on what activities and environments promote or inhibit sufficient, quality sleep. Walker writes that sleep builds your immune system to help fight against infection and sickness, while lack of sleep reduces resilience. He suggests that we strive for about eight hours of sleep each night to maximize our health. He recommends a bedroom temperature of about 65 degrees and a darkened room free from all lights.

The eight hours should be of actual sleep, not just eight hours spent trying to sleep – so if it takes you several minutes to fall asleep, or you wake up multiple times in the night, you may need more than eight hours in bed to obtain adequate quality sleep. Encourage your employees to obtain sufficient and quality sleep for their personal health benefit and for the benefit of the work they will do after having a good night's rest.

Stress Management

While feelings of stress have some short-term benefits that may help sharpen your focus and contribute to decisive actions, ongoing chronic stress is not beneficial to your health. When you are constantly in a state of stress, your cortisol levels run high all the time, which suppresses your immune system. We can't eliminate all stress from our lives, but we can work to control our responses to it. Regular exercise and quality sleep as discussed previously can help contribute to stress reduction.

There are also several additional practices and techniques that can aid you in reducing stress while building personal immunity. These include:

- Deep breathing;
- Meditation;
- Getting out in nature;
- Listening to soothing music;
- Laughing;
- Connecting with friends; and
- Keeping a gratitude journal.

These activities typically cost very little and offer a great return on your time investment.

You don't have to learn extensive or difficult methods to engage in deep breathing or meditation – the key is consistency in practicing these techniques. An excellent book that outlines some simple techniques is *Stress Less, Accomplish More*, by Emily Fletcher. There are also numerous videos available on YouTube.

Spending time in nature allows you to take a break from technology and obtain some natural vitamin D from the sun. Research shows vitamin D is very important in immunity enhancement.

You don't have to go away for the weekend to benefit from nature; just find a place to be outside every day for even a few minutes to listen to the song of the birds and enjoy the energy of the trees. A local park or trail, or even your backyard, can serve as a great opportunity to let go of a little stress and relax.

Laughter and soothing music are both good stress medicine. Watch funny movies and videos; listen to relaxing music – either or both will reduce your stress. Choose what you enjoy!

Keep in contact with supportive friends and seek out positive people. Social support is an important source in managing stress. The firm can be a significant part of this social support by providing powerful opportunities for connection and community through arrangement and scheduling of a variety of engaging events and activities for employees to build relationships and minimize stress.

Another stress reducer is to reflect on all you have to be thankful for; perhaps keep a gratitude journal. The simple technique of writing down two or three things at the end of each day that you were grateful for today before going to bed is a powerful way to develop and maintain positive feelings, reduce stress and perhaps even assist with transition to a restful sleep.

Use of a Health Coach

Another possibility to consider is the use of a health coach to provide group educational training on lifestyle topics, as well as individual sessions for interested employees. A health coach is someone who works with individuals and groups to inspire and guide them in positive behavioral changes they wish to make in their lifestyle, such as with nutrition, exercise, sleep improvement and stress management.

A well-trained certified health coach will guide clients in identifying their own personal health and wellness goals, and in determining the strategies they are willing and motivated to undertake to achieve those goals. A health coach helps clients discover why they want to make a change, works with the client to identify challenges to that change, and empowers and motivates clients to use their own knowledge and skills to generate an action plan to be successful in this pursuit.

Lifestyle Choices Make a Difference

Employees and principals are an organization's most important assets. Helping employees build a resilient personal immune system can help them better meet and resist health challenges. Such resilience will maximize their opportunity for the good health they want in life and to enjoy success in their work in the accounting profession.

Immune systems can be strengthened or weakened based on lifestyle choices, so to the extent possible we should try to be proactive in building our immune systems to facilitate and maintain good health. Good food, adequate exercise, quality sleep and stress management techniques all help.

An organization can help its employees with building their personal resiliency by providing opportunities that support their immunity enhancement.

ABOUT THE AUTHOR:

George Violette, Ph.D., CPA, is professor emeritus at the University of Southern Maine in Portland, Maine, and is licensed as a CPA in Maine. He is also a Master Certified Health Coach (MCHC), receiving his training and certification from the Dr. Sears Wellness Institute.

TXCPA'S 2020 RISING STARS

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

Through the Rising Stars Program, TXCPA recognizes CPA members 40 years old and younger who have demonstrated impressive and significant leadership qualities and active involvement in TXCPA, the accounting profession and/or their communities. A TXCPA selection committee named the following 14 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 2020.

Jessica Banitt, CPA, CFP®
Wealth Advisor
Linscomb & Williams
Houston Chapter

As a wealth advisor at Linscomb & Williams, Jessica Banitt develops and maintains client relationships by providing holistic advice and assisting with the implementation of financial planning strategies to help clients stay on track to achieve their long-term goals. She is an active member in TXCPA Houston, where she has spent considerable time planning and coordinating events and volunteer activities, as well as working with student auxiliary members and CPA candidates on a bridge to connect them to CPA licensing. Her committee work also includes outreach to new licensees. She is regarded as a member who is on a fast-track to grow within TXCPA and chapter leadership.

Angela Banks, CPA, CFE
Founder
The Annex
Dallas Chapter

Angela Banks created The Annex, an innovative solution for companies to retain top performers by supporting career driven women as they transition back to work following maternity leave. This approach allows companies to retain talent by providing an opportunity for new moms to return to work at a healthy pace. In her volunteer roles at TXCPA Dallas, she has chaired the Membership Committee, spearheaded the development of the chapter's LinkedIn group, participated on the Diversity & Inclusion Task Force and been very instrumental in planning several membership involvement and retention projects. She also serves with several other community and professional organizations. She is an up-and-coming leader with a passion for having a significant positive impact on the lives of others.

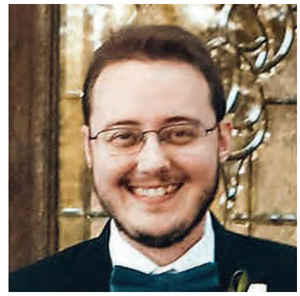
UP AND COMERS BASED ON THEIR
ACCOUNTING PROFESSION AND

Morgan Birdwell, CPA
Controller
Iron Horse Terminals
Southeast Texas Chapter

Morgan Birdwell has worked for Iron Horse Terminals since its formation in 2018. She oversees all accounting functions for its operations and heavy industrial real estate development. The company's fast-growing operations include a full-service railroad maintenance, transload, switching and storage terminal capable of handling more than 1400 cars on-site. She has served for TXCPA Southeast Texas as the chapter's Career Awareness Committee chair. Her responsibilities included heading up the volunteers in the chapter's booths at career expos and teaching educators and students about the accounting profession. She is also a graduate of the 2019 Leadership Beaumont class and an active member of the Junior League of Beaumont. She is known as an instrumental leader who will dive into community involvement projects with enthusiasm.

Shehan Chandrasekera, CPA
Partner and Head of Tax Strategy
JAG CPAs & Co and CoinTracker
Houston Chapter

Shehan Chandrasekera is nationally recognized in the cryptocurrency/blockchain taxation space. At the age of 27, he co-founded JAGArgueta CPAs, a growing firm in Houston. As a partner, he leads the technology and startup advisory practice. He is also the head of tax strategy at CoinTracker, a software company based in Silicon Valley that helps users calculate cryptocurrency gains and losses for tax purposes. Through this position, he's able to educate policymakers on tax issues related to cryptocurrencies. One of his most significant personal achievements was becoming a *Forbes* tax contributor. In his *Forbes* column, he writes about the ramifications of blockchain and cryptocurrency-related transactions. His goal is to shed light on complicated subjects to help practitioners and the public understand the tax consequences.



Kelly Higginbotham, CPA
Experienced Audit Manager
Grant Thornton
Houston Chapter

Kelly Higginbotham is an experienced audit manager at Grant Thornton. In addition to the responsibilities of an audit manager, he oversees 11 additional teams around the country, assists with client proposals and participates in audit practice reviews. He is an active and successful member in TXCPA Houston, where he served as chairman of the Young Professionals Committee. His goal was to make the committee more active and a good pipeline for later Society participation, so he created three subcommittees that focused on events, volunteering, and member recruitment and retention. His efforts resulted in increased membership and member engagement, as well as increasing the visibility of the committee members within TXCPA Houston. In 2020-2021, he continues to serve TXCPA Houston as chairman of the Membership Development Committee.

William Holisky III, CPA
Audit Manager
Ridout, Barrett & Co., P.C.
San Antonio Chapter

In his role as audit manager, William Holisky is one of the construction specialists for Ridout, Barrett & Co., P.C. He directs the workflow process for the audit department, schedules fieldwork for audits, serves as acting billing manager for client accounts and completes various other managerial duties. He is known in the community as a go-to guy for all things construction accounting related. He devotes his personal time volunteering with TXCPA San Antonio and the construction associations American Subcontractors Association and Associated Builders and Contractors. His charitable activities include working with Texas Ramp Projects (TRP), an organization that builds wooden handicap ramps for veterans and others who may need wheelchair access to their homes and are unable to afford the cost. He believes that assisting others in his profession and community is extremely important and highly rewarding.

CONTRIBUTIONS TO THE THEIR COMMUNITIES

Kim Knox-Lewis, CPA
Audit Partner
BMY
Fort Worth Chapter

Kim Knox-Lewis is an audit partner at BMY. In this position, she manages all aspects of audits of financial statements, primarily for the public sector. She also creates, grows and maintains client relationships. She serves with TXCPA Fort Worth on the Executive Committee, as a Leadership Development Program instructor and as a speaker at local universities. She also previously served as chair of the chapter's Accounting Career Education Committee. With perseverance and hard work, she overcame obstacles to accomplish her personal and professional goals, and she became passionate about encouraging people in difficult or non-traditional situations to strive to succeed. Through her connection with TXCPA, she spreads the message to students about the importance of obtaining their CPA license and the career opportunities they can have in accounting.

Emily Landry, CPA
Tax Manager
Whitley Penn, LLP
Fort Worth Chapter

As a tax manager at Whitley Penn, Emily Landry reviews compliance projects, primarily related to real estate and exempt organizations, and provides consultation for taxable entities and exempt organizations. She has also trained colleagues for the exempt organization team in the firm's Fort Worth office and led the internal training program for all six Whitley Penn offices. In her work with TXCPA Fort Worth, she has led the chapter's Nonprofit Interest Group and works to empower members to assist the nonprofit community through technical training and peer information sharing. She has become a go-to resource in Fort Worth for nonprofit tax advice and has found that teaching is one way she's able to give back to her profession and community.

Christopher Lanier, CPA
Accountant
OCI Beaumont, LLC
Southeast Texas Chapter

Christopher Lanier is an accountant at OCI Beaumont. In this position, he prepares balance sheets, profit and loss statements, and other financial reports. He is also responsible for analyzing trends, costs, revenues and financial commitments. In the community, he has worked tirelessly with the Rotary Club of Spindletop (Beaumont), Southeast Texas Young Professionals Organization and Beaumont Chamber Foundation. He began his service with TXCPA Southeast Texas by volunteering for the 2019-2020 School Supply Drive Committee, which collected and delivered three SUVs filled with donated items to help a school that was still in recovery from Hurricane Harvey. In his personal life and career, he stresses the importance of never giving up despite the challenges.

Kelley Lau, CPA
Tax Manager
Briggs & Veselka Co.
Houston Chapter

In her position as tax manager, Kelley Lau's duties include tax compliance work for individuals, trusts, partnerships, S corporations, private foundations and nonprofit organizations. In addition, she trains interns, staff and seniors on tax return preparation, and co-presents the annual tax workshop to international students at Rice University and the University of St. Thomas. On the personal side, she and her husband recently celebrated the birth of their son, the first child for them. She is a dedicated volunteer for TXCPA Houston, where she has served on the CPAs Helping Schools Committee. Emphasizing the importance of family, hard work and a positive attitude, she's always eager to share her experience with parents and students on how to finance a college education and what a career in public accounting looks like.

Nominate a Rising Star!

If you have a friend or colleague who has shown innovative leadership qualities within the accounting profession, their local community or TXCPA, we want to hear from you! Anyone can nominate a rising star, but the nominees must be TXCPA members. Nominations must be completed by December 16, 2020.

Anne-Marie Lelkes, Ph.D., CPA
Tenured Associate Professor of Accounting
Texas A&M University-Kingsville
Corpus Christi Chapter

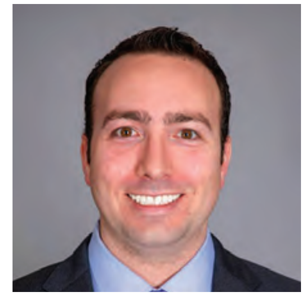
Anne-Marie Lelkes is a tenured associate professor of accounting at Texas A&M University-Kingsville, where her responsibilities include teaching accounting courses, research in accounting, and service to the university, profession and community. She has a passion for teaching and mentoring students, encouraging them to be involved in professional organizations. As a TXCPA faculty representative, she encourages students to be involved in TXCPA Corpus Christi, the Student Accounting Society and Volunteer Income Tax Assistance (VITA). She received the TXCPA Outstanding Accounting Educator Award in 2017, and is a member of the TXCPA Corpus Christi Board and TXCPA's Editorial Board. In addition, her research has been published in a number of accounting journals. Through her hard work, she has made a far-reaching impact on accounting education and the CPA profession.

Shawnee Miller, CPA
Senior Accountant
Dora Jean Dyson, CPA, P.C.
Central Texas Chapter

Shawnee Miller began her career at Dora Jean Dyson, CPA, P.C. in Gatesville as an intern and is now a senior accountant. In this position, she handles tax, audit, bookkeeping, peer review, consultation and management duties. To accomplish her goal of becoming a CPA, she worked full time while attending college classes, earned her bachelor's degree in accounting within three and a half years, and then dedicated nights and weekends to studying for the CPA Exam. She has been an active member of TXCPA since she was a student and attended TXCPA's Leadership Academy in 2018. She has also served several years as an officer of the Gatesville Lion's Club. In her career and personal life, she finds it very rewarding to give back to her community. She married to Zack Miller in 2014 and they had their son in 2019. She credits their wonderful families who have helped them along the way and feels extremely lucky to work for Dora Dyson, CPA, as she has been a wonderful friend and mentor.

Manu Sadiev, CPA
Senior Audit Manager
Briggs & Veselka Co.
Houston Chapter

Manu Sadiev moved to the United States from Tajikistan in 2012. He is a senior audit manager at Briggs & Veselka, where his duties include public and private entity audits and reviews, presenting audited financials to clients' boards, and participating in the firm's business activities. As part of his firm's training committee, he instructs staff and seniors on a regular basis. In addition to regular training sessions, he set a goal to work closely with one staff person every year so that they develop strong technical skills that are so important for the firm. He is a devoted volunteer in TXCPA Houston. His efforts for the chapter have included initiating and coordinating events for charitable organizations. During his years in the CPA profession, he has created a broad network of individuals and looks forward to working with them to have beneficial outcomes in the community.



Sean Shepard, CPA
Division CFO
The Kroger Co.
Dallas Chapter

In his role as division CFO at The Kroger Co., Sean Shepard is responsible for financials, including forecasts, capital storing programs, driving merchandising profit and sales execution. In 2019, he received *D CEO* magazine's Outstanding Controller of the Year Award. He is actively involved with TXCPA committees and charitable activities. He is also an adjunct professor at Dallas College, teaching accounting to Retail Management Certificate candidates. He contributes his time to MedWish International, a nonprofit organization that saves lives and the environment by re-purposing discarded medical supplies and equipment to provide humanitarian aid to countries around the world. He and his family have been on trips with them to countries such as Kenya and Honduras, and when his sister passed away unexpectedly a few years back, they started a special fund to raise money for supplies to be brought on these aid trips. He is a CPA who has committed himself to make a real difference in today's world.

ADDITIONAL CERTIFICATIONS FOR CPAS

By Paul D. Hutchison, Ph.D., and Binod Guragai, CPA

The purpose of this article is to explore additional certifications available for Certified Public Accountants (CPAs). Accounting is a highly respected profession that requires specialized knowledge and a skillset to follow and interpret standards and laws, as well as adhere to a strict code of professional ethics.

There are many career opportunities in the accounting profession. As such, accountants are in high demand and are employed in many venues, including public accounting firms, industry, nonprofit organizations and governments. There are approximately 1.28 million accountants in the U.S.[1]

Within the U.S. accounting profession, there is a subset of accountants who elect to become CPAs. A CPA license is issued by a state board of accountancy. Although each state has its own unique requirements to become licensed as a CPA, common requirements include: a bachelor's degree from an accredited institution of higher learning, required number of upper level accounting and business courses, successful completion of the multi-part CPA Examination, relevant work experience, and demonstration of high ethical standards.

Once licensed, CPAs must maintain their license by meeting continuing professional education (CPE) standards that are set by state boards of accountancy. Today, there are 658,267 actively licensed CPAs in the U.S. (or roughly the population of Oklahoma City, OK).[2] A new CPA in the U.S. has an average starting salary of $66,000, while the average salary for all practicing CPAs is approximately $119,000 per year, excluding bonuses.[3]

In Texas, to become a licensed CPA, the Texas State Board of Public Accountancy (TSBPA) generally requires an individual to:
- Be of good moral character;
- Meet education requirements;
- Take/pass all parts of the CPA Exam;
- Meet accounting work experience; and
- Understand professional conduct.

Current education requirements are 150 semester hours of college credit, which must include at least 30 semester hours of upper-level accounting courses and 24 semester hours of upper-level business courses recognized by TSBPA, and a board-approved three-semester-hour ethics course.

The current work experience requirement is one year of full-time, non-routine accounting work under the direct supervision of a licensed CPA.[4] An individual must also pass an exam on the Board's Rules of Professional Conduct.

A licensed CPA in the U.S. is looked upon by the public in a positive light.[5] The CPA designation conveys to the public that an individual has been tested and verified to meet certain requirements to practice accounting publicly, and must continually stay current in their profession by completing CPE.

Additional Accounting Certifications

As mentioned previously, there are a multitude of opportunities within the accounting profession where CPAs might be employed. Each requires additional specialized skillsets and thus, CPAs might benefit from obtaining additional certifications.

Having additional certifications along with a CPA license demonstrates unique professional knowledge and allows CPAs to expand their service horizons and clientele base.

> There are many career opportunities in the accounting profession. As such, accountants are in high demand and are employed in many venues ...

This article now turns to other certifications that CPAs may want to consider obtaining to increase their knowledge and marketability. Information on each designation's purpose and requirements will be provided to allow the reader the opportunity to determine if he/she should pursue one.

Our focus in this article is on providing information to help CPAs review whether the costs and time of obtaining an additional certification equals the benefits to be realized, and whether additional certifications will contribute to one's long-term career goals.

Although not all-exhaustive, following are eight specialized certifications regularly encountered among accountants, identified by accounting or finance area, that a CPA may want to consider obtaining based on their employment or career objectives.[6]

The authors have made a diligent effort to provide brief information about each of them. However, the reader should go to their websites for more detailed information about certification requirements, including education, exam, experience, costs and CPE.

International Accounting

Chartered Global Management Accountant (CGMA)

Sponsor: American Institute of CPAs (AICPA)

Purpose: A premier global management accounting credential for those with advance proficiency in finance, operations, strategy and management

Members: 150,000 CGMA members

Requirements: AICPA membership; complete and pass CGMA exam (an integrated, comprehensive strategic case study that assesses the competencies required in today's business environment); and three years relevant work experience

Estimated Costs: $780 with AICPA membership

CPE: Same as CPA maintenance

Other: A global management designation

Management Accounting

Certified Management Accountant (CMA)

Sponsor: Institute of Management Accountants (IMA)

Purpose: An international designation for management accountants and financial professionals

Members: 70,000 CMA members (4,000 new CMAs each year) in 150 countries

Requirements: IMA membership; bachelor's degree from an accredited college or university or a related professional accounting certification (CFA, CIA, CFE, CTP); pass two-part exam (financial planning, performance and analytics, and strategic financial management); and two years of professional experience in management accounting or financial management

Estimated Costs: $910 for IMA membership and exams

CPE: 30 hours annually, including two hours of ethics training

Other: An important certification for those working in industry; about one in three CPAs are also CMAs; adds approximately $509,000 net present value to cumulative lifetime earnings[7]

Internal Audit

Certified Internal Auditor (CIA)

Sponsor: Institute of Internal Auditors (IIA)

Purpose: A global specialty certification by which individuals demonstrate professionalism in internal auditing

Members: 160,000 CIA members in 170+ countries

Requirements: IIA membership; associate degree or higher from an accredited college or university or seven or more years of verified experience in internal auditing; pass three-part exam (essentials of internal auditing, practice of internal auditing and business knowledge for internal auditing); and one to five years of work experience based upon education

Estimated Costs: $1,125 for IIA membership and exams

CPE: 40 hours annually, including two hours of ethics training

Other: A premier designation for internal auditors; can earn $38,000 more annually with certification[8]

Accounting Information Systems

Certified Information Systems Auditor (CISA)

Sponsor: Information Systems Audit and Control Association (ISACA)

Purpose: A globally recognized certification for information systems audit control, assurance and security professionals

Exhibit 1

Professional Certifications for Accountants

Acronym	Certification
ABA	Accredited Business Accountant/Advisor
ABGOV	American Board Government Forensic Accountant
ABV	Accredited in Business Valuation
AEP	Accredited Estate Planner
AFA	Accredited Financial Analyst
CA	Chartered Accountant
CAP	Certified Analytics Professional
CBA	Certified Bank Auditor
CCSA	Certification in Control Self-Assessment
CCSA	Certified Cyber Security Accountant
CEA	Certified Environmental Auditor
CEIV	Certified in Entity and Intangible Valuations
CFA	Chartered Financial Analyst
CFE	Certified Fraud Examiner
CFF	Certified in Financial Forensics
CFP	Certified Financial Planner
CFSA	Certified Financial Services Auditor
CGAP	Certified Government Auditing Professional
CGEIT	Certified in the Governance of Enterprise IT
CGFM	Certified Government Financial Manager
CGMA	Chartered Global Management Accountant
ChFC	Chartered Financial Consultant
CHFP	Certified Healthcare Financial Professional
CIA	Certified Internal Auditor
CISA	Certified Information Systems Auditor
CISM	Certified Information Security Manager
CITP	Certified Information Technology Professional
CMA	Certified Management Accountant
CPA	Certified Public Accountant
CPEA	Certified Professional Environmental Auditor
CPFO	Certified Public Finance Officer
CPSA	Certified Process Safety Auditor
CRFAC	Certified Forensic Accountant
CRISC	Certified in Risk and Information Systems Control
CRMA	Certification in Risk Management Assurance
CSX	Cybersecurity Nexus
CSX-P	Cybersecurity Practitioner
CTFA	Certified Trust and Financial Advisor
CTP	Certified Treasury Professional
CVA	Certified Valuation Analyst
DABFA	Diplomate of the American Board of Forensic Accounting
EA	Enrolled Agent
FABFA	Fellow of the American Board of Forensic Accounting
FHFMA	Fellow of the Healthcare Financial Management Association
LHA	Licensed Healthcare Auditor
PFS	Personal Financial Specialist
QIAL	Qualification in Internal Audit Leadership
RFI	Registered Forensic Investigator

Members: 151,000 CISA members

Requirements: ISACA membership; pass five-part exam (information systems auditing process; governance and management of information technology; information systems acquisition, development and implementation; information systems operations and business resilience; and protection of information assets); and two to five years relevant work experience

Estimated Costs: $720 with ISACA membership

CPE: 120 hours in three-year period

Other: Mark of excellence for information systems audit professional; with the advancement of automation in auditing, many public accounting firms highly recruit auditors and accountants who are knowledgeable in the information systems area

Governmental Accounting

Certified Government Financial Manager (CGFM)

Sponsor: Association of Government Accountants (AGA)

Purpose: A certification that demonstrates competency in governmental accounting, auditing, financial reporting, internal controls and budgeting at the federal, state and local levels

Members: 14,000 AGA members

Requirements: AGA membership; bachelor's degree from an accredited college or university; pass three-part exam (governmental environment and accounting, financial reporting and budgeting, and governmental financial management and control); two years relevant work experience

Estimated Costs: $605 with AGA membership

CPE: 80 hours in two-year period

Other: Recognizes specialized knowledge and experience needed to be a government financial manager

Health Care Accounting

Certified Healthcare Financial Professional (CHFP)

Sponsor: Healthcare Financial Management Association (HFMA)

Purpose: A designation of competency in health care financial management for financial professionals, clinical and nonclinical leaders, and payers

Members: 56,000 HFMA professionals

Requirements: HFMA membership; must complete two distinct phases/modules and assessments (business of health care and operational excellence)

Estimated Costs: $435 with HFMA membership

CPE: 60 hours in three-year period

Other: An important designation for those working in health care; this certification entails a deep understanding of health care accounting and cost analysis, strategic finance, risk mitigation and health care finance

Fraud Accounting

Certified Fraud Examiner (CFE

Sponsor: Association of Certified Fraud Examiners (ACFE)

Purpose: Credential denotes expertise in fraud prevention, detection and deterrence

Members: 85,000 ACFE members

Requirements: ACFE membership; bachelor's degree from an accredited college or university; pass four-part exam (financial transactions and fraud schemes; law; investigation; and fraud prevention and deterrence) and two years relevant work experience

Estimated Costs: $595 with ACFE membership

CPE: 20 hours annually

Other: The CFE is one of the most marketable credentials today; gold standard in the area of fraud[9]

Financial Planning

Certified Financial Planner (CFP

Sponsor: Certified Financial Planner Board of Standards

Purpose: A designation for those qualified to help individuals pull their finances together, solve financial problems and make a plan to achieve their financial goals

Members: 87,000 CFP members

Requirements: Completion of college or university-level program of study in personal financial planning with a capstone course; bachelor's degree from an accredited college or university; pass a comprehensive exam (professional conduct and regulation, general financial planning principles, education planning, risk management and insurance planning, investment planning, tax planning, retirement savings and income planning, and estate planning) and 4,000 - 6,000 hours relevant work experience

Estimated Costs: $825

CPE: 30 hours in a two-year period, including two hours of ethics training

Other: This is a well-recognized designation for financial planners

Other Certifications

There are numerous other certifications that accountants can obtain (see Exhibit 1). Before pursuing any of these certifications, you should carefully review the costs, requirements and maintenance for each of them, and then determine whether the certification will enhance your career objectives.

A Summary and Wrap Up

The purpose of this article was to review additional certifications that CPAs may want to consider based on their long-term career goals.

A CPA is a highly valued certification in accounting; however, there are many opportunities within the accounting profession where active CPAs might benefit from having an additional certification to demonstrate a specialized skillset and enhance their marketability.

Although limited, this article outlined brief details about eight additional certifications in the areas of international accounting, management accounting, internal audit, accounting information systems, governmental accounting, health care accounting, fraud accounting, and financial planning. It also provided an exhibit listing numerous other available certifications.

In general, certifications demonstrate a stated level of competency to the public, and CPAs having additional certifications will increase their knowledge and possibly, their financial benefits.

For more detailed information, readers should visit the website for the certification. Further, it is always best to fully understand the education, exam, experience, costs and CPE requirements before undertaking any certification, as these requirements are dynamic and subject to updating and change.

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END NOTES:

[1] www.statista.com/statistics/317587/number-of-accountants-and-auditors-employed-us/ and www.statista.com/statistics/317599/states-with-the-highest-employment-level-in-accounting-and-auditing-us/ https://www.statista.com/statistics/317599/states-with-the-highest-employment-level-in-accounting-and-auditing-us/

[2] https://nasba.org/licensure/howmanycpas/

[3] www.journalofaccountancy.com/news/2017/sep/cpa-average-salary-201717483.html

[4] www.tsbpa.state.tx.us/exam-qualification/examination-requirements.html

[5] https://money.usnews.com/careers/best-jobs/accountant

[6] The authors have made a diligent effort to provide correct information. Please refer to the websites for the certifications for specific detail on costs, requirements and maintenance for each certification.

[7] www.imanet.org/cma-certification?ssopc=1

[8] https://na.theiia.org/certification/CIA-Certification/Pages/CIA-Certification.aspx

[9] www.acfe.com/cfe-credential.aspx

OVERTIME PAY FOR CPA FIRM AUDIT STAFF

By Ryan Wassenberg, Alan Reinstein, DBA, CPA, CGMA, and Myles Stern, Ph.D., CMA

The Department of Labor, through the U.S. Federal Labor Standards Act (FLSA), regulates who should earn overtime pay and classifies different occupations as "exempt" or "non-exempt" from receiving overtime pay (Postol, 2004). The FLSA further categorizes employees exempt from earning overtime as administrative, executive or professional.

The accounting occupation has long fallen under the professional overtime exempt classification (Postol, 2004). However, some lower-level CPA firm audit employees have contested the exemption and argued for the right to receive overtime pay when working over 40 hours per week (Hanson & Mautz, 2017).

In this article, we discuss various viewpoints regarding lower-level audit staff receiving overtime pay, a matter affecting both these employees and the firms that hire them.

Criteria for the Exempt-Professional Classification

The FLSA uses three guidelines to resolve employees' overtime pay issues: the Salary-Level, Salary-Basis and Standard-Duties tests (Postol, 2004). Those meeting all three of these tests are considered exempt from receiving overtime pay.

First, the Salary-Level test determines if an employee is paid below a specific level and thus eligible for overtime pay. Effective January 1, 2020, the "standard salary level" is $684 per week or $35,568 per year (U.S. Department of Labor, 2019). The Salary-Level test usually does not support exempting low-level staff from overtime.

Next, the Salary-Basis test examines if production or hours worked affects a fixed level of pay (Pollack, 2000). Also, a manager should be unable to dock an employee's pay for lateness, which would change the classification to non-exempt and allow overtime pay (Pollack, 2000).

If the Salary-Basis test determines an employee is paid at equal intervals and rate, with no bearing on performance, that employee classifies as exempt from overtime pay (Postol, 2004). This test's rigid guidelines generally do not impact lower-level professional accountants.

Third, the Standard-Duties test, and defining a "professional" employee, form the key overtime pay criteria for professional employees (Hanson & Mautz, 2017). As noted above, the FLSA identifies the type of employees exempt from overtime and auditors fall under the learned professional classification (Meade, 2009).

Per Postol (2004), a professional's primary duty "consists of work requiring knowledge of an advanced type in a field of science or learning, customarily acquired by a prolonged course of specialized intellectual instruction." Employees whose primary duties meet this FLSA standard become exempt from overtime (Pollack, 2000).

The Campbell v. PricewaterhouseCoopers Case (2011)

A group of current and former junior-level PwC staff members brought a class action case claiming that California law [particularly California Labor Code section 515(a)] entitled them to overtime compensation. They filed this case in federal court under the "Class Action Fairness Act" [28 U.S.C. § 1332(d)].

The case provides a comprehensive airing of the overtime pay issues for junior-level staff in CPA firms. As is true for many other states, the California overtime regulations parallel federal rules on overtime pay.

The opinions of the U.S. District Court for the Eastern District of California [602 F.Supp.2d 1163 (2009)] and the U.S. Court of Appeals Ninth Circuit [642 F.3d 820 (2011)] thoroughly discuss both sides' arguments regarding both the professional and administrative exemptions from overtime pay. Eventually, PwC settled this case for $5 million, thus creating no legal precedents.

Arguments Favoring Overtime Pay for Auditing Staff

Many entry-level auditors maintain that their work requires no specialized education and their employers provide all the education needed to perform the work (*Pippins v. KPMG*, 2014). They also claim that their duties require no higher-level thinking, a role instead given to a senior-level staff (Hanson & Mautz, 2017). They also contend that their tasks require little or no expertise (*Campbell v. PricewaterhouseCoopers*, 2011). Further, audit staff can claim that under the Standard-Duties test, they perform routine mechanical and menial tasks that involve little discretion or independent judgment (Hanson & Mautz, 2017).

Pro-overtime advocates stress that audit staff requirements often do not coincide with the Standard-Duties test. Lower-level staff auditors need not be CPAs nor have taken any specialized accounting courses. The *Campbell v. PriceWaterhouseCoopers, LLP* plaintiffs never obtained their CPA licenses, but still performed auditing staff duties. The plaintiffs argued their jobs did not require completion of specialized courses, violating the "knowledge of an advanced type" criterion (*Campbell v. PricewaterhouseCoopers*, 2011).

Audit interns add further controversy into the overtime pay argument, with hours and tasks similar to the entry-level auditing staff, but interns normally get overtime pay when they cross the 40-hour threshold. Auditing staff contend that if interns get paid overtime for similar work, they too should receive overtime pay. However, the "prolonged course of specialized intellectual instruction" requirement of professionally exempt employees is not fulfilled by the interns, thus making their job non-exempt (Hanson & Mautz, 2017).

Arguments Against Overtime Pay for Audit Staff

Others believe that low-level audit employees should receive no overtime pay, often relying on AICPA rules to bolster their case. AU-C Section 200.14, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards*, explains professional skepticism and judgement. AU-C Section 200 describes professional judgement as "the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards" (AICPA, AU-C 200.14).

Audit firms explain that entry-level auditors are required to exercise professional judgment on all audits and some of them help "manage the day-to-day activities of the engagement" (*Campbell v. PricewaterhouseCoopers*, 2011). Furthermore, firms contend that audit associates rely on auditing, accounting and ethical skills, thus satisfying the "knowledge of advanced type" requirement of the Standard-Duties test.

Firms cite AU-C Section 200.14 to explain professional skepticism as "an attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of audit evidence."

Firms insist that a "questioning mind and being alert" fit the narrative of discretion (Hanson & Mautz, 2017). Also, the "critical assessment of audit evidence" concept implies that no audit staff work is strictly routine, addressing a key overtime issue (Hanson & Mautz, 2017).

Accounting firms claim that AICPA-mandated professional skepticism and judgement standards satisfy the Standard-Duties test. The firms add that new auditors must use professional judgment to supervise their interns, thus making the new auditors' jobs much more than clerical in nature.

Audit firms explain that entry-level auditors are required to exercise professional judgment on all audits ...

The Pippins v. KPMG, LLP Case (2014)

The *Pippins v. KPMG* (2004) case examines the auditor overtime controversy. Pippins and other former KPMG junior-level audit associates sued KPMG for requiring them to work over 40 hours per week with no overtime pay. The plaintiffs maintained that they needed no high level of knowledge, since KPMG provides all required training; e.g., to meet state laws.

KPMG countered that the plaintiffs work in a learned profession in a field of science or learning and were exempt from overtime pay. The District Court ruled for KPMG, reinforcing the precedent of audit staff exemption from overtime pay.

The Conclusion: Audit Staff Should Not Receive Overtime Pay

Low-level auditing staff should be classified as professionally exempt from overtime pay, as they face the same AICPA and PCAOB professional standards, regardless of their level of education or type of performed work (*Campbell v. PricewaterhouseCoopers*, 2011). Despite the routine nature of tasks performed, auditors should always exercise professional skepticism and judgement (AICPA, AU-C 200.14), thus ensuring that the work audit staff members perform is not routine and requires higher levels of education.

Audit staff members must apply ever more complex accounting standards as their careers progress (Hanson & Mautz, 2017), demonstrating such work is not ordinary and requires higher learning. Moreover, all employees obtain

In its ruling, the District Court reinforced the precedent of audit staff exemption from overtime pay.

on-the-job training to enhance their knowledge and add value to their audit clients. Lower-level staff will eventually move to a senior audit staff role and thus increasingly apply their advanced audit knowledge. New jobs take time to learn and newer staff members continually progress from menial tasks to more complex ones, contradicting the pro-overtime argument.

Classifying low-level auditors as "non-exempt" from overtime pay could disrupt the accounting market, where audit firms often bid against one another for fixed-price contracts (Hanson & Mautz, 2017). This bidding competition considers the time the staff needs to take to complete the audit. However, changing overtime pay could increase audit fees, costs that clients' shareholders and customers must bear. Instead of overtime, the FLSA allows firms to give salaried employees monetary or fringe benefit bonuses for working extra hours (Postol, 2004).

The Department of Labor calls accountants professionally exempt in the FLSA. CPA firms bill lower-level audit staff members at hourly rates commensurate with professional activities and present these employees internally, to clients, and to other outside parties as "professional staff" members.

Because robotic process automation (Vaserhelyi and Rozario, 2018), machine learning and other technology applications are quickly replacing many menial tasks that lower-level audit staff traditionally perform, these employees will increasingly perform tasks requiring more critical thinking. All these factors suggest that CPA firms can generally avoid paying overtime to their lower-level audit staff.

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LIBOR's Sunset and Interest Rate Swap Hedges

By Josef Rashty

CURRICULUM: Accounting and Auditing, Management

LEVEL: Advanced

DESIGNED FOR: CPAs in industry, and public practice and finance managers of public and private businesses

OBJECTIVES: To expound the implications of LIBOR transition to SOFR in derivatives and other contracts in non-financial institution corporate environments

KEY TOPICS: LIBOR, SOFR, derivatives and LIBOR transition

PREREQUISITES: None

ADVANCED PREPARATION: None

The U.S. and other countries are planning to replace the London Interbank Offered Rate (LIBOR) by late 2021. LIBOR is the daily benchmark for floating short-term interest rates, which is currently the benchmark for over $400 trillion in financial contracts worldwide. In 2014, the U.S. Federal Reserve commissioned the Alternative Reference Rate Committee (ARRC) to recommend a new benchmark interest rate to replace LIBOR.

ARRC recommended the Secured Overnight Financing Rate (SOFR) as a replacement for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities. The U.S. regulators plan to completely phase out LIBOR by the end of 2021 and replace it with SOFR. As a result, most of the U.S. companies with dollar-dominated loans, debts and derivatives will move from LIBOR to SOFR by the end of 2021 at the latest. Nevertheless, that timeline is not set in stone and remains fluid since it is possible that LIBOR rates will continue to be published after 2021, but it is also possible for LIBOR to end before the end of 2021.

The transition from LIBOR has stirred the financial markets across the globe. A slow and meticulously planned transition from LIBOR is already in the works, but it will begin gathering more steam as we approach the end of 2021.

Most corporations and borrowers have a vague sense of LIBOR since odds are that they have a few loans and assets tied to it. This article expounds the implications of LIBOR transition to SOFR in derivatives and other contracts in a non-financial institution corporate environment and exhorts the management of these companies to plan for LIBOR transition as early as possible. It explicates, in particular, the application of LIBOR in an interest rate swap fair value hedge that pays-floating and receives-fixed interest based on LIBOR. However, the application of LIBOR goes far beyond fair value hedges and encompasses many other derivatives and prevailing contracts in corporations.

LIBOR Challenges

Both lending and borrowing contracts have used LIBOR since the mid-1980s. LIBOR is a published and calculated daily rate based on hypothetical borrowing transactions submitted by a few banks. Since the transactions are hypothetical and not market based, it may have only a few submissions and as a result, it is not fully supported by an active market of observable transactions by market participants.

The global financial markets have grown in size and complexity in recent decades, but LIBOR calculation methodology has hardly changed to reflect the new economic trends and many economists consider it outdated in the best of circumstances. Furthermore, the LIBOR manipulation scandal of 2008, where one banker manipulated LIBOR lower (the opposite direction expected during a credit squeeze), confirmed the lack of observable market inputs and resulted in LIBOR's loss of credibility.

The application of LIBOR goes far beyond fair value hedges and encompasses many other derivatives and prevailing contracts in corporations.

Fannie Mae and Freddie Mac have indicated that they would stop accepting adjustable-rate mortgages tied to LIBOR by the end of 2020. However, the viability of SOFR has been a question for many users and remains to be an issue. The temporary breakdown of U.S. Treasury markets in March 2020 due to COVID-19 led some to question the stability of SOFR, which is based on the cost of transactions in the market for overnight repurchase agreements of U.S. Treasuries.

However, if SOFR is not the viable alternative (this is not a view that carries that much weight at this time), then the transition from LIBOR becomes even more complicated.

SEC's Guidance

The SEC staff does not endorse any substitute for LIBOR; however, it strongly encourages market participants to begin assessing their risks associated with the LIBOR contracts and transactions if they have not already done so. Furthermore, the staff has indicated that it actively monitors participants' progress with their risk identification and risk management efforts related to LIBOR transition.

In July 2019, the SEC issued a public statement, *Staff Statement on LIBOR Transition* (hereinafter Statement or the Statement) and this article will discuss its provisions in more detail.

The transition from LIBOR to SOFR could impose challenges despite some similarities. There are differences between LIBOR and SOFR:

- SOFR relies entirely on transaction data, whereas LIBOR is partially based on market data.
- SOFR is based entirely on overnight rates, whereas LIBOR rates vary on terms of one day to one year.
- SOFR represents a risk-free rate based on Treasury securities, whereas LIBOR represents the average cost of borrowing by a bank and it has a built-in credit risk component.

As a result of these differences, companies need to make some appropriate adjustments to swap out LIBOR and replace it with SOFR in their contracts. For example, regulators encourage that companies include fallback clauses in all of their new contracts that reference LIBOR to outline exactly how differences between SOFR and LIBOR should be mitigated.

Additionally, recently many institutions have already begun, albeit slowly, issuing securities and writing contracts that reference SOFR. The tipping point for SOFR is the end of next year (2021), when central clearing houses start using SOFR for discounting on all dollar-denominated interest rate swaps, and as more and more derivatives begin to reference SOFR, the process will most likely spur a broader effort to embrace SOFR.

An Application of LIBOR

LIBOR is pervasive in today's markets as a benchmark or reference rate in contracts such as derivatives (e.g., interest rate swaps), corporate and consumer loans and mortgages, and corporate and municipal bonds. Interest rate swaps (IRSWs) are agreements between two parties to exchange one stream of interest payments for another. IRSWs are derivatives and trade in the over-the-counter

Figure 1. LIBOR'S Benchmark Interest Rates				
Year Ending Jan. 2, ______	LIBOR Swap Fixed Leg	LIBOR Swap Variable Leg	LIBOR Rate Plus 1% Variable Leg	Fair Value Adjustment of IRSW (1)
2020 (effective for 2021)	7%	6%	7%	$0 (2)
2021 (effective for 2022)	7%	5%	6%	($1,833) (3)
2022 (effective for 2023)	7%	8.5%	9.5%	$2,383 (4)
2023 (effective for 2024)	7%	7%	8%	($450) (5)
2024		Settlement		

(1) The fair value is based on the present value of cash flows derived from benchmark interest rates at the beginning and end of the period.
(2) Contract's fixed rate and LIBOR plus rate are both equal to 7%; therefore, fair value is nil.
(3) ($7,000 x [(1-(1-1.06)$^{-2}$ x (0.06) $^{-1}$] + $100.000 x (1.06) $^{-2}$] = $1,833 + $100,000 = $101,833
(4) ($7,000 x [(1-(1-1.095)$^{-2}$ x (0.095) $^{-1}$] + $100.000 x (1.095) $^{-1}$] = ($2,283) + $101,833 = $99,550
(5) ($7,000 x [(1-(1-1.07)$^{-0}$ x (0.07) $^{-0}$] + $100.000 x (1.07) $^{-0}$] = $450 + $99,550 = $100,000

Figure 2. Journal Entries

The following illustrate the journal entries for the transaction.

Year 2020

Cash $100,000
Debt $100,000
Initiation of the debt on January 2, 2020

Year 2021

Interest expense $7,000
Cash $7,000
(7% x $100,000) fixed interest payment for Year 2020 paid on January 2, 2021

Swap $1,833
Debt $1,833
To record the fair value of the debt and swap (marked to market)

Cash $1,000
Interest $1,000
Paid-float $6,000 less received-fixed $7,000

Year 2022

Interest expense $7,000
Cash $7,000
(7% x $10,000) fixed interest payment for 2021 paid on January 2, 2022

Debt $2,383
Swap $2,383
To record the fair value of the debt and swap (marked to market)

Interest expense $2,500
Cash $2,500
Paid-float $9,500 less received-fixed $7,000

Year 2023

Interest expense $7,000
Cash $7,000
(7% x $10,000) fixed interest payment paid on January 2, 2023 for 2022
Debt $450
Swap $450
To record the fair value of the debt and swap (marked to market)

Interest expense $1,000
Cash $1,000
Paid-float $8,000 less received-fixed $7,000

Year 2024

Debt $100,000
Cash $100,000
Settlement of the debt on January 2, 2024

If the debt was callable and was settled on January 2, 2022, the settlement journal entry would have been as follows:

Debt $98,167
Swap $1,833
Cash $100,000
Settlement of the debt on January 2, 2022

as fair value or cash flow hedges. (The other type of hedge is the net investment hedge.)

The most common form of IRSWs are "vanilla" swaps that comprise the majority of the market – they exchange fixed-rate payments for floating-rate payments based on LIBOR. (If this exchange was to receive-floating and pay-fixed rates – that is floating rate to fix IRSW – the hedge would have been a cash flow hedge since the economic risk is cash flow rather the fair value.)

The following is an illustration of accounting for an IRSW fair value hedge. Entity A has a fixed rate obligation and enters into a "receive-fixed, pay-floating" interest rate swap, with the variable leg of the swap set on LIBOR to avoid volatility in its earnings as a result of fluctuation in the fair value of its obligation due to interest rate changes.

On January 2, 2020, Entity A issues a $100,000, non-callable, 7% fixed-rate note at par value. The note is due on January 2, 2024, with annual interest payments due each on January 2nd until maturity. On the same day, Entity A enters into an interest rate swap contract for $100,000 notional amount. The swap receives interest at a fixed rate of 7% for its fixed leg throughout the term of the swap and pays interest at a variable rate equal to LIBOR plus 1% for the variable leg of the swap

The tipping point for SOFR is the end of next year (2021) ...

throughout its term, with annual interest rate reset days due on January 2nd until maturity. The note is settled on January 2, 2024.

The variable rate of the interest rate swap resets each year on January 2nd for the payment due the following year. The present value of the debt discounted at the hedge inception benchmark rate is equal to the par value of the debt. In this example, the maturity of contract is beyond LIBOR's sunset date at the end of 2021. See Figure 1 and Figure 2 on the previous page for LIBOR's benchmark interest rates and the journal entries for this transaction.

The above IRSW illustration reflects how deeply LIBOR can be ingrained in a derivative contract. Companies may need to renegotiate with their business partners and counterparties when transitioning from LIBOR in a derivative contract such as IRSW.

Furthermore, companies are likely to experience some degree of value transfer as they transition from LIBOR to SOFR. For example, the counterparties to a LIBOR-indexed contract may agree to switch to SOFR plus or minus a fixed spread. This can be a perplexing process and stakeholders need to start their analysis for transition as early as possible before the end of 2021 LIBOR sunset.

SEC's Statement

In July 2019, the SEC issued the Statement to address the expected discontinuation of LIBOR use and provide "how to" guidance in transition from LIBOR that may significantly affect financial markets and market participants (including public companies, investment companies and advisers, and broker-dealers).

The Statement notes that many existing contracts "did not contemplate the permanent discontinuation of LIBOR and, as a result, there may be uncertainty or disagreement over how the contracts should be interpreted. In addition, in circumstances where the contractual interpretation is clear, the adjustment may be inconsistent with expectations of the affected parties." Some of the highlights of the Statement include:

- Companies need to assess their exposure to LIBOR transition in their existing contracts that extend beyond 2021 to avoid any potential business disruptions and accounting complications.
- Companies need to assess the effect of LIBOR discontinuation on the effectiveness of their hedging strategies in their LIBOR-based contracts.
- Companies need to assess the materiality of their LIBOR-based contracts individually and in the aggregate for risk management and disclosure purposes.
- Companies need to determine whether contracts have fallback provisions that are triggered by the unavailability of LIBOR. They need to assess whether there is a need to mitigate any risks (e.g., if there is a need to renegotiate with the counterparties).
- Companies need to assess whether there is a need to adjust the SOFR (e.g., by adding or adjusting the credit spread) to maintain the same economics that exist for LIBOR-based affected contracts.
- Companies that enter into new contracts need to assess whether such contracts should refer to SOFR instead of LIBOR or should incorporate fallback provisions that take into account the LIBOR transition.
- Companies need to determine if discontinuation of LIBOR may affect other aspects of their business, including their "strategy, products, processes and information systems."
- Finally, SEC registrants need to be mindful of their disclosure obligations under SEC rules and regulations (prior to and during LIBOR transition) and ensure that their disclosures are transparent and timely.

Furthermore, the SEC considers discontinuation of LIBOR as a significant market risk, at the level of Brexit and cybersecurity that it continues to monitor. The SEC and its staff have been quite vocal regarding the need for registrants to disclose material company-specific risks and their risk-mitigation plans associated with LIBOR transition.

FASB's Guidance

Background ASUs

In August 2017, FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*," which amends ASC 815, *Derivatives and Hedging*. This guidance changed the recognition and presentation of changes in the fair value of the hedging instrument, and eliminated the concept of recognizing periodic hedge ineffectiveness for cash flow and net investment hedges.

However, the guidance retained the highly effective threshold and benchmark interest rate concept for fair value hedges (hedges of fixed-rate financial instrument) but eliminated the benchmark interest rate concept for variable-rate instruments in cash flow hedges.

In November 2018, FASB issued ASU 2018-16, *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*, which amends certain provisions of ASC 815. This ASU permits companies to use SOFR OIS as a U.S. benchmark interest rate for hedge accounting purposes under ASC 815.

ASU 2020-04

In March 2020, FASB issued ASU 2020-4, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. FASB issued this guidance, codified under ASC 848, *Reference Rate Reform*, due to the concern expressed by constituents because of the changes to GAAP necessitated by the market-wide transition away from LIBOR (including the transition of existing hedging relationship referencing LIBOR).

The SEC considers discontinuation of LIBOR as a significant market risk, at the level of Brexit and cybersecurity …

This ASU provides companies with optional expedients in Subtopic 848-20 to ease the potential accounting burden as a result of transition from LIBOR. The guidance is applicable to all entities and will only be available for a limited time through December 31, 2022.

ASU 2020-04 could be a relief and a game-changer for many companies facing LIBOR discontinuation. Following are some highlights of this guidance.

Fair Value Hedges

Discontinuation of LIBOR, per se, does not cause termination of hedging relationship. Companies may continue to apply the "shortcut method" for their existing hedging relationships regardless of the fact that certain requirements might not have been met due to discontinuation of LIBOR.

ASC 815 outlines certain criteria for IRSWs that, if met, permit that either an IRSW fair value or cash flow hedge be designated as highly effective. FASB refers to this as the shortcut method (as opposed to the "long-haul method"), which allows companies to pursue a significantly simplified method for a perfectly effective hedge.

Companies can use the shortcut method only for benchmark or contractually specified interest rate hedging relationships involving a recognized interest-bearing asset or liability (or a firm commitment arising on the trade pricing date to purchase or issue an interest-bearing asset or liability).

Cash Flow Hedges

With cash flow hedges:

- Companies may disregard discontinuation of LIBOR when assessing the probability of hedged forecasted interest payment (ASC 815-20-25-15).
- Companies may continue hedge accounting when the hedge risk changes (e.g., from LIBOR to SOFR) as long as the hedge is highly effective. (ASC 815-20-25-75 requires that both fair value and cash flow hedges be highly effective at the inception of the hedge and on an ongoing basis.)
- Companies may disregard a potential mismatch in the variable rate indexes between the hedge item and a hedge instrument when assessing the effectiveness of the hedge relationship. (For example, in IRSWs, the floating leg resets periodically; thereby, when the floating leg is set in advance of the next swap payment, changes in the present value of this payment may create a mismatch with the hedge item.)
- Companies may disregard the requirement that individual hedged transactions must share the same risk exposure for hedges of portfolios of forecasted transactions that reference a rate affected by discontinuation of LIBOR.

ASC 815 requires that if a hedge portfolio consists of a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged. Basis risk arises if two contracts that have similar payment terms no longer match. This could happen when a debt in one of the contracts and its associated derivative migrate from LIBOR to SOFR at different times or with different terms.

COVID-19 Relief

Companies need to consider many aspects of Topic 815, *Derivatives and Hedging*, when they contemplate the use of hedging. These considerations include, among several others, change in effectiveness of the hedge, probability of occurrence of forecasted transactions and performance under firm commitments.

FASB addressed COVID-19 related issues in Staff Questions & Answers (Q&A) published on FASB's website (tinyurl.com/y94ozxmg).

There is no doubt that COVID-19 has added an additional level of complexity to LIBOR transition. Even though this Q&A does not particularly pay that much heed to LIBOR transition, its provision may indirectly impact LIBOR transition accounting issues.

The following is a highlight/summary of FASB's answers that companies may need to consider in conjunction with the optional expedients in Subtopic 848-20 (discussed earlier in this article).

The FASB staff believes that companies may apply the exception in ASC 815-30-40-4 for COVID-19 that is applicable to rare cases caused by extenuating circumstances that are related to the nature of the forecasted transaction. These are outside the control or influence of an entity's management and may cause delays in the timing of the forecasted transactions – assuming that these delays were related to the COVID-19 pandemic.

Furthermore, the FASB staff argued that it would be acceptable for companies to ignore the related COVID-19 missed forecast when determining whether they have exhibited a pattern of missing forecasts that would call into question their ability to accurately predict forecasted transactions to determine the propriety of using cash flow hedge accounting in the future for similar transactions.

Planning for the Transition

The expectation is that publication of LIBOR will cease after 2021 and SOFR will replace it. Some have wondered whether the deadline for the transition will be pushed back, but the U.K. regulator in charge of overseeing LIBOR has made it clear that a deadline extension is not feasible. The shift away from the most widely used interest rate benchmark is a conspicuous change to the global financial market and U.S. economy, with far-reaching impacts.

SOFR has a different structure than LIBOR. U.S. dollar LIBOR is typically a forward-looking rate that implicitly includes bank credit risk, whereas SOFR is a backward-looking overnight rate and is secured by collateral. Thus, there may be some differences between the two benchmark rates that companies need to be aware of when they negotiate the legacy LIBOR rate contracts.

The SEC and other regulators around the world have cautioned about the obtrusive nature of this transition and potential market disruptions. Regulators in the U.S. are encouraging companies to plan proactively for a transition away from LIBOR to SOFR to avoid the vicissitude of this event. LIBOR exists as a reference rate in a variety of contracts, so as an initial step it is imperative that companies prepare a comprehensive inventory of such contracts and plan to negotiate with the borrowers and other counterparties, if needed, to accommodate for LIBOR transition.

Furthermore, regulators encourage companies to include fallback clauses in all new contracts, if their contracts reference LIBOR, to outline exactly how differences between SOFR and LIBOR should be accounted for. Reconciling the differences between SOFR and LIBOR may necessitate business changes and early communication to the board of directors, auditors and other stakeholders.

Moreover, companies need to plan for accounting and tax reporting by understanding FASB's guidance that provides optional expedients in Subtopic 848-20 and FASB's Q&A for an unrelated COVID-19 relief that may be applicable to LIBOR transition due to the timing of its occurrence. Finally, the SEC requires registrants to disclose material company-specific risks and their risk-mitigation efforts associated with LIBOR transition in their filings.

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Please note that when registration is complete,
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CPE ARTICLE: LIBOR'S SUNSET AND INTEREST RATE SWAP HEDGES

By: Josef Rashty

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1. The U.S. is planning to replace LIBOR by late ______.
- a. 2020
- b. 2021
- c. 2022
- d. 2023

2. LIBOR has been in use since the _________.
- a. Mid-1990s
- b. Mid-1980s
- c. Mid-1970s
- d. Mid-1960s

3. Many economists consider LIBOR _______ in the best of circumstances.
- a. Reliable
- b. Confusing
- c. Accurate
- d. Outdated

4. In ________, the SEC issued a public statement, *Staff Statement on LIBOR Transition*.
- a. May 2020
- b. June 2019
- c. July 2019
- d. November 2019

5. IRSWs are derivatives and trade in the over-the-counter as a _________.
- a. Fair value hedge
- b. Cash flow hedge
- c. Net investment hedge
- d. Either a or b

6. SEC registrants need to be mindful of their disclosure obligations under SEC rules and regulations _________.
- a. Prior to LIBOR transition
- b. During LIBOR transition
- c. Both a and b
- d. Neither a nor b

7. Identify the correct statement under ASU 2020-4.
- a. Discontinuation of LIBOR, per se, does not cause termination of hedging relationship
- b. Discontinuation of LIBOR causes termination of hedging relationship
- c. Discontinuation of LIBOR is not relevant to termination of hedging relationship
- d. Discontinuation of LIBOR terminates hedging relationship

8. The expectation is that publication of LIBOR will cease after _____ and SOFR will replace it.
- a. 2020
- b. 2021
- c. 2022
- d. 2023

9. SOFR has _________ structure as/than LIBOR.
- a. Exactly the same
- b. A similar
- c. A different
- d. None of the above

10. LIBOR exists as a _______ rate in a variety of contracts.
- a. Reference
- b. Negotiating
- c. Fundamental
- d. Preliminary

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$701,000 gross. N. Austin metro CPA firm. 78% tax (47% ind/47% bus/6% other), 16% bkkpng/PR, 2% consult, 4% compilation/reviews, cash flow 36%. TXC1075

$386,000 gross. San Antonio CPA firm. 94% tax (51% individual, 43% business, 6% other), 6% accounting, over 60% cash flow, long-term employee in place. TXC1076

$1,078,687 gross. "Heart of Texas" CPA firm. 83% tax (65% individuals, 30% business, 5% other), 11% accounting, 5% audits, 1% other, cash flow 45%. TXC1077

$290,000 gross. E/SE Texas CPA firm. Primarily tax (70%), high-quality clientele, solid fee structure, turn-key opportunity. TXN1451

$209,000 gross. NE Texas CPA firm. 70% tax, 30% acctng, ideal size for marketing-oriented buyer to tap existing client base and grow substantially. TXN1491

$367,000 gross. Abilene CPA firm. 65% tax, 28% acctng, 9% payroll, quality clients, knowledgeable staff in place, strong fee structure, turn-key opportunity. TXN1509

$780,000 gross. East Texas (Tyler/Longview) CPA firm. Accntng (32%), tax (47%), audits (10%), misc. (11%), loyal client base, experienced staff and strong fee structure. TXN1510

$270,000 gross. Burleson CPA firm. 51% tax, 37% acctng/bkkpg, 12% misc., strong cash flow over 50%, staff in place, turn-key opportunity. Available after 4/15/20 TXN1521

$710,000 gross. Southeast TX CPA firm. Revenues nicely balanced between accntng/tax services derived primarily from monthly retainers, high-end client base. TXN1525

$670,000 gross. NW of DFW CPA firm. Tax 55%, audits 24%, acctng 21%, strong fees, tenured staff, turn-key opportunity primed for continued growth. TXN1526

$310,000 gross. Irving tax firm. 50% partnership opportunity. 60% tax, 17% accntng/payroll, staff in place, ideal buyer fluent in Hindi. TXN1530

$575,000 gross. Northern Collin Co. CPA firm. 61% tax, 28% bkkpg, 9% payroll, 2% other, strong fee structure, turn-key practice, fully cloud-based, tenured staff. TXN1531

$2,090,000 gross. W. Ft. Worth CPA firm. 805 tax, 11% audit/review/compilations, 9% bkkpng/other, loyal client base, knowledgeable staff, desirable location. TXN1533

$608,000 gross. SW of Ft. Worth CPA firm. Accntng (15%), tax (75%), payroll/compliance/misc. 10%, great location, quality clients, dedicated staff. TXN1534

$181,000 gross. El Paso CPA firm. Mostly tax 90% (55% of income derived from business clients), some monthly accounting work, paperless system in place. TXN1535

$180,000 gross. NW of Ft. Worth CPA firm. 74% tax, 26% accntng, loyal client base, good fee structure, low overhead, strong cash flow over 70%. TXN1536

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$25,000 gross. Frisco CPA firm. Tax 80%, accounting 20%, solid fee structure, desirable DFW metroplex location, quality client base. TXN1538

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$408,000 gross. NW Houston CPA firm. Bkkpg 42%, tax 35%, consulting/tax planning 50%, excellent cash flow, staff in place, can be operated anywhere in Houston. TXS1255

$1,733,000 gross. Greenway area CPA firm. Tax 75%, audit/review 16%, bus consulting 8%, bkkpng 1%, prime location, staff in place, sophisticated client base. TXS1256

$406,000 gross. SW Houston CPA firm. Tax 76%, bkkpng 13%, other 11%, loyal client base, staff in place, turn-key practice. TXS1257

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