SEPT
OCT
2021

TODAY'S CPA

Texas Society of Certified Public Accountants

CPA EVOLUTION INITIATIVE IS BRINGING AN ALL-NEW APPROACH TO **CPA LICENSING**

A JOINT AICPA AND NASBA INITIATIVE

PROPOSED TAX CHANGES – 2021

TXCPA'S ANNUAL MEETING OF MEMBERS AND BOARD OF DIRECTORS MEETING

WHILE YOU WERE QUARANTINING

ACCOUNTING FOR DE-SPAC TRANSACTIONS

A PRIMER AS XBRL GOES MAINSTREAM

THE CHALLENGES FOR A REMOTE WORKFORCE REGARDING DATA PRIVACY AND SECURITY AUDITS

TXCPA
Texas Society of Certified Public Accountants

CHAIRMAN
Jason Freeman, JD, CPA

PRESIDENT/CEO
Jodi Ann Ray, CAE, CCE, IOM

EDITORIAL BOARD CHAIRMAN
Baria Jaroudi, CPA

Staff

MANAGING EDITOR
DeLynn Deakins
ddeakins@tx.cpa
972-687-8550
800-428-0272, ext. 8550

TECHNICAL EDITOR
Brinn Serbanic, CPA, CFP®
technicaleditor@tx.cpa

COLUMN EDITOR
Don Carpenter, MSAcc/CPA

WEB EDITOR
Wayne Hardin
whardin@tx.cpa

CONTRIBUTORS
Melinda Bentley; Daniel J. Dustin, CPA; Roxanne LaDu; Rhonda Ledbetter; Holly McCauley; Tracie Miller-Nobles, Ph.D., CPA; Craig Nauta; Kari Owen; Rori Shaw; April Twaddle

DIRECTOR, MARKETING AND COMMUNICATIONS
Melinda Bentley, CAE

CLASSIFIED
DeLynn Deakins
Texas Society of CPAs
14651 Dallas Parkway, Suite 700
Dallas, Texas 75254-7408
972-687-8550
ddeakins@tx.cpa

Design/Production/Advertising
Media By Design, LLC
mediabydesign@gmail.com

SEPT OCT 2021

CONTENTS

VOLUME 49, NUMBER 2 **SEPTEMBER / OCTOBER 2021**

COVER STORY

FEATURES

COLUMNS

DEPARTMENTS

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@tx.cpa.**

AN EVOLVING PROFESSION

By TXCPA President and CEO
Jodi Ann Ray, CAE

Share Your Thoughts

I would love to hear your thoughts on CPA Evolution or any other issue that is top of mind for you. Be sure to drop me a note at jray@tx.cpa.

Welcome to your digital copy of *Today's CPA*! We're leveraging technology to deliver the latest news and updates directly to you in a format that you can easily access on any device.

I know this past year has been full of constant change, and it's not stopping or slowing down any time soon. You are part of a vibrant and evolving profession that is rapidly changing. There's no doubt you see this in your day-to-day work with clients and customers.

In the cover story, you'll read more about some new changes that impact those in the CPA pipeline and our educators who are preparing the next generation of Texas CPAs. CPA Evolution, an AICPA and NASBA initiative, is taking shape with recommended changes to accounting curriculum and big changes to the CPA Exam and CPA licensure.

The Exam changes are on deck for as early as January 2024. That's right around the corner. We know this will be a big undertaking for our colleges and universities here in Texas. Read on to learn about CPA Evolution and how AICPA and TXCPA are positioned to help Texas educators and students buckle up for the changes on the horizon.

If you're interested in supporting the future of accounting education in Texas, I encourage you to consider making a contribution to the TXCPA Accounting Education Foundation. Your gift will provide support to students and educators through scholarships and training.

Please also tell the students you know in your community and internship programs about TXCPA and our free student membership. Being engaged in and involved with TXCPA and their local chapter will help them stay on the leading edge of all the changes that lie ahead.

Stay tuned to your TXCPA communications as we continue to keep you informed about professional issues impacting all CPAs in Texas.

Thank you for your continued support!

A PRIMER AS XBRL GOES MAINSTREAM

By Don Carpenter, MSAcc/CPA

The Securities and Exchange Commission (SEC) in 2008 adopted a requirement for registrants, mutual funds and credit rating agencies to report key financial data and disclosure information in a machine-readable format known as eXtensible Business Reporting Language (XBRL). To date, the data has been filed as exhibits to required reports and posted on the reporting company's website.

The file is also available on the SEC's EDGAR reporting site. With the appropriate software (available through EDGAR), investors, financial advisors and analysts, as well as the SEC staff, have used the information to more efficiently access key financial data and assess performance across periods and against others within the database.

XBRL employs unique terminology. Understanding the vocabulary is key to understanding how XBRL works with the financial reporting framework. AICPA has identified several key terms with specific meaning in the context of XBRL.

Taxonomy: The dictionary or glossary for items required to be identified in reports. This could include financial data as simple as revenue on the income statement or a less prominent item such as the effective tax rate embedded within the tax footnote. There are over 15,000 possible items to be identified in the standard taxonomy. In addition, the taxonomy defines relationships between items. For example, Accounts Receivable links to Current Assets, which in turn links to Total Assets.

Tagging: The process of linking or identifying specific items (such as revenue) within a financial report to the taxonomy as defined by the SEC. The thoroughness and accuracy of this step is key to establishing reliable files that are consistent across multiple filers and time periods.

Instance Document: The file that accompanies a registrant's financial report and includes the company's specific information that has been tagged to the SEC taxonomy. An instance document should accompany each report (10-Q, 10-K, earnings release, etc.) and can be accessed and analyzed with the appropriate software.

Rendering: The process by which the machine readable XBRL data is translated to a human readable format.

Typically, the reporting entity will prepare its report (let's assume it is the 10-K). The report will then be tagged with all required information being linked to the SEC taxonomy. Companies can also expand or adjust the pre-set taxonomy to fit their specific data, which is called "taxonomy extension." The instance document is then prepared and is filed along with the 10-K.

More than half of registrants rely on a third party for the tagging and instance document preparation. The SEC will review the instance document for completeness and any obvious errors. Once filed, interested parties can access the instance document to perform data analysis and generate or "render" a report.

SEC staff members have noted several errors that commonly occur in instance documents that make comparative analysis difficult:

- Characterization of a number as negative when it is positive and vice versa;
- Incorrect scaling of a number (tagging as billion rather than millions, for example);
- Missing calculations that demonstrate relationships between data (subtracting cost of goods sold from revenue to get gross profit);
- Incomplete tagging (failure to tag numbers in parentheses);
- Inappropriate customized tagging.

These errors highlight the need for companies to include controls and procedures within their financial reporting process to address the accuracy of XBRL reporting. It is the reporting entities' responsibility to ensure financial reporting accuracy even if XBRL tagging is performed by a third party. The SEC has attributed the high occurrence of these errors in part to the two-step procedure of preparing reports and then preparing XBRL data in a separate data file.

With technological improvements, XBRL reporting can be imbedded in an HTML document known as Inline XBRL. This eliminates the need to copy and tag the required information in a separate file. Inline XBRL results in a single document that is both human readable and accessible for data extraction and analysis by appropriate software. Viewing Inline XBRL data does not require specialized software, as the SEC has incorporated an Inline XBRL Viewer within the EDGAR system.

With the increasing reliance on technology and the availability of large amounts of data, accounting professionals are well advised to stay abreast of these trends.

ABOUT THE AUTHOR: Don Carpenter is clinical professor of accounting at Baylor University. Contact him at Don_Carpenter@baylor.edu.

PROPOSED Tax Changes – 2021

By Marvin J. Williams, MBA, JD, CPA, CMA, CFM, CGMA

As the pendulum changes in Washington, D.C., one inevitable that can always be anticipated are changes in the area of federal taxation. The most recent change in political parties is no different and as the new administration is still getting settled, proposals in changes to the federal tax laws are developing.

The purpose of this article is to highlight and discuss some of the more prominent proposals that are developing and anticipate or measure the impact of some of these proposals if they are enacted. There are proposals pending in both the House of Representatives and the Senate. The primary proposals are in three areas:

- Capital gains and related matters;
- Retirement planning; and
- Estate and gift taxation.

Capital Gains and Related Matters

Bernie Sanders' 99.5% Act and President Joe Biden's American Families Plan are now being discussed and include increasing taxation on high wage earners and the wealthy. One aspect that is often considered to benefit high income taxpayers is the preferential treatment of capital gains. The present capital gains tax rate (for long-term capital gains and qualified dividends) is 20% for taxpayers in the highest tax bracket, 15% for the next four tax brackets, and 0% for taxpayers in the two lowest tax brackets.

One pending proposal is to raise the capital gains tax to 39.6% for taxpayers with income in excess of $1,000,000 for taxpayers filing jointly and $500,000 for taxpayers filing separately. The proposed 39.6% top capital gains tax rate would match a separate proposal to raise the highest individual income tax rate from 37% to 39.6% (which was the highest individual income tax rate before it was changed to 37% in 2018).

In effect, this proposal completely eliminates the preferential capital gains tax rate for these taxpayers. Combined with the net investment income tax rate of 3.8%, the proposal increases the combined individual income tax rate and net investment income tax rate to 43.4%.

Another proposal related to capital gains is the immediate recognition of gains (and losses) on the transfer of property by death or gift. If this provision becomes law, it will be a dramatic change and have a significant impact on many taxpayers.

Under current law, a transfer of property by gift or death of the owner results in no immediate income taxation to the donee or donor of the property or deceased taxpayer. Currently, for transfers of property at death, the fair market value of the transferred property becomes the basis of the property in the hands of the heir. For property that had significantly increased in value, that unrealized gain is eliminated by the step-up in basis to the heir.

Under one proposal, this unrealized gain will become taxable immediately and the gain recognized in the year of death. Moreover, the basis of gift property (for the most part with some minor variations) carries over from the donor to the donee. No tax consequences (gain or loss) are recognized by either party until the donee disposes of the gifted property in a subsequent taxable event. One current proposal would create an immediate recognition of income/gain (or loss) to the donor at the time of the gift.

If the proposal becomes law, it will greatly impact how property may be transferred by owners at the time of their death or by gift. It would constitute a major departure from how property has been disposed and will require new tax planning strategies for the disposition of property. There are limited exceptions to these proposals, including excluding up to $1,000,000 of unrealized gains from tax.

Retirement Planning

Another area of federal taxation that is getting considerable attention is retirement income. For obvious reasons, this is an area that impacts many taxpayers who are presently receiving retirement distributions, as well as those not yet at retirement age but need to plan for future retirement distributions.

In the area of estate and gift taxation, there are proposals to reduce the lifetime exemption for transfers by gift or death.

Certain proposals in the retirement planning/taxation area include expanding retirement savings and coverage for more taxpayers. A snapshot of some of these proposals include auto-enrollment in retirement plans, allowing for employer matching contributions to be designated as Roth contributions (as well as for Simplified Employee Pension Plans and Simple IRAs) and increasing the current three-year credit for Small Business Pension Plans start-up costs and extending the time period to five years.

In addition, increasing the age for mandatory retirement distributions, indexing to inflation the catch-up contribution limits and increasing these limits for higher age employees are being considered.

Estate and Gift Taxation

In the area of estate and gift taxation, there are proposals to reduce the lifetime exemption for transfers by gift or death. The exemption equivalent was significantly raised beginning January 1, 2018, and the inflation adjusted amount for the 2021 year is $11,700,000. The exemption equivalent that was increased beginning January 1, 2018, is scheduled to sunset to its previously inflation adjusted amount (approximately to $6,000,000) on January 1, 2026.

Current proposals seek to reduce the exemption equivalent for the gift tax exemption amount to $1,000,000 and the estate tax (and generation-skipping transfer tax) exemption amount to $3,500,000. Moreover, proposals recommend raising the current maximum transfer tax rate of 40% to 45%-65%. Limiting the annual gift tax exclusion amount (presently $15,000 per donee) is also being considered.

Other aspects in the estate and gift tax area include limiting marketability and minority interests and valuation discounts in appraising the value of property for family controlled businesses.

Impact on High Income Taxpayers

At this point, these proposals are simply that – proposals. As the Congressional debate intensifies, there will be considerable changes and, as usual, final outcome is impossible to project at this time. In addition, the effective dates of these proposals are yet to be determined and all may or may not be implemented at the same time. However, one point is quite clear: high income taxpayers will be affected by these changes.

About the Author: Marvin J. Williams, MBA, JD, CPA, CMA, CFM, CGMA, is Professor of Accounting and Taxation at the University of Houston – Downtown. Contact him at williamsm@uhd.edu.

Bibliography

1. Internal Revenue Code of 1986.

2. Raabe, William A., Young, James C., Nellen, Annette, Hoffman, William H. Corporations, Partnerships, Estates and Trusts. 2022 45th Annual Edition. South-Western Cengage Learning, 2021.

3. Grant Thornton: Mechanics Toolbox Series – Proposed Individual Tax Changes (June 29, 2021).

4. Fox Business News (March 31, 2021).

The Challenges for a Remote Workforce Regarding Data Privacy and Security Audits, and the Preservation of Attorney-Client and/or Work-Product Privilege

By Benjamin Sley, J.D., LL.M.

If your corporate data is not secure, your corporate future may not be secure

The lockdowns to stop the spread of COVID-19 fostered the creation of a remote workforce in which many employees work from home, accessing corporate data from off-site locations. This creates more vulnerabilities for corporate data systems as such data can be accessed from many portals outside of what could be a more secure in-house computer system. At the same time, recent very serious data breaches have occurred exposing personal, financial, health and government data to nefarious hackers.

There is an increased need for data protection and security by private and government sectors, and private and publicly traded companies. The only way to enhance security and privacy of data is the implementation of rigorous system and operational data and security controls through comprehensive audits. There is a risk that adverse or "qualified" audit reports could be ordered by a court to be produced to litigants affected by a data breach with resultant adverse consequences.

This article will discuss best practices for vigorous cybersecurity audits by CPA firms and technical firms, with audits such as the SOC 2 or NIST 800-171, respectively, and the best way to preserve attorney-client and/or work-product privilege regarding such audit reports.

Current Issues of COVID-19 and the SolarWinds Breach

We've seen the headlines about COVID-19 and the remote workforce with resultant security vulnerabilities. We've also seen the headlines about the most extensive security data breach in history involving SolarWinds software that has affected the Pentagon, the State Department, the Department of Justice, the Department of Homeland Security, the NSA, other government agencies, and 18,000 public and private users, including many *Fortune* 500 companies!

As a result of this very extensive and damaging breach, the federal Cybersecurity and Infrastructure Security Agency, (CISA.gov), issued Alert (AA20-352A) stating:

"CISA has determined that this threat poses a grave risk to the Federal Government and state, local, tribal and territorial governments, as well as critical infrastructure entities and other private sector organizations." [1]

CISA also issued Emergency Directive 21-01 stating:

"This threat actor has the resources, patience and expertise to gain access to and privileges over highly sensitive information if left unchecked. ***CISA urges organizations to prioritize measures to identify and address this threat."*** [2]

The CISA Directive has very specific instructions regarding the breach, including:

*"**Block[ing] all traffic** to and from hosts, external to the enterprise, where any version of SolarWinds Orion software has been installed."*

Thus, any company that has either been directly affected by this security breach or that has done business with a company so affected should engage in a cybersecurity audit to address and mitigate the possibility of this continuing threat.

The SolarWinds breach occurred at a time when corporate computer systems and infrastructure are more vulnerable as a result of more accessible portals, with remote workers accessing corporate data through home computers. As a result of COVID-19 and the measures to prevent its spread, many companies, educational institutions, law firms, accounting firms and other organizations have permitted their employees to work from remote locations.

It is predicted that remote access to corporate data will continue into the foreseeable future. As a beneficiary of this remote workforce, Zoom Video Communications, Inc., (Zoom) skyrocketed in growth from $27 million in quarterly revenue in Q1 2018 to over $882 million in Q4 2021, an increase of over 32 times! [3]

Security

What you may not have seen in the headlines is that the FTC had filed an administrative complaint against Zoom for deceptively advertising its security capabilities and circumventing certain available security features. The FTC alleged that, since at least 2016, Zoom misled users by touting that it offered "end-to-end, 256-bit encryption" to secure users' communications, when, in fact, it provided a lower level of security.

The FTC further alleged that Zoom maintained the cryptographic keys that could allow Zoom to access the content of its customers' meetings. Zoom's misleading claims gave users "a false sense of security" according to the FTC's complaint, especially for those who used the company's platform to discuss sensitive topics such as health and financial information.

The FTC settled this case with Zoom on Nov. 9, 2020. Zoom has agreed to the FTC requirements to establish and implement a comprehensive security program, a prohibition on privacy and security misrepresentations, and other detailed and specific relief to protect its rapidly growing user base.

If a company is currently using Zoom for interactive video conference calls, how will that company know if Zoom has enacted end-to-end 256-bit encryption on its calls? If a company uses another video conference call provider, does the company have an understanding of the security protocols?

Employees are most likely accessing corporate data through a Virtual Private Network (VPN). However, other factors must be considered for security, including the use of multi-factor authentication for connecting to the VPN, keeping the security setting of the VPN platform up-to-date, using a "handshake" protocol, such as Internet Protocol Security (IPSec), Secure Socket Layers (SSL), Transport Layer Security (TLS), etc., to ensure secure communication channels between employees' devices and the corporate networks.

They should use full-tunnel VPN where possible (using split-tunnel VPN only when necessary, such as in circumstances of insufficient bandwidth), block the connection from insecure devices and immediately remove VPN access to terminated employees.

Other security controls that may be used are:

- Ensuring that all work-related information in the devices is encrypted;
- Setting up strong access controls, such as requiring the use of strong passwords;
- Limiting the number of failed log-in attempts;
- Preventing the transfer of data from corporate devices to personal devices; and
- Enabling a remote wipe function so that information on the devices can be erased if the devices are lost or stolen.

Additional aspects of such cybersecurity requirements are beyond the scope of this article, but these matters must be addressed and attested to in a comprehensive cybersecurity audit. Your firm, company or organization would ultimately be responsible for any security deficiencies of any third-party vendors of online services that you may use.

That's why it is necessary to engage in a comprehensive System and Organization Controls (SOC) audit that addresses both corporate financial data trustworthiness and security and personal data protection.

Sarbanes Oxley and SOC® Reports

Regarding financial trustworthiness, as a background regarding comprehensive financial audits, the *Sarbanes-Oxley Act of 2002* (SOX) was passed nearly unanimously by both the House and Senate in response to the fraudulent accounting scandals of Enron, Tyco and WorldCom that led to the loss of literally hundreds of billions of dollars in market value and severely eroded public confidence in publicly traded companies at the time.

One of the significant requirements of SOX is Section 302 (15 U.S. Code § 7241), which requires the CEO and CFO of publicly traded companies to certify that the financial data is complete, accurate and fairly represents all material aspects of the corporate financial condition.

SOX has criminal provisions that provide for penalties against CEOs and CFOs who knowingly certify false financial reports of up to $5 million in fines and up to 20 years in prison. (18 U.S. Code § 1350) Section 404 of SOX (15 U.S. Code § 7262) requires a public company's annual report to include the company's assessment of internal operating control over financial reporting and an auditor's attestation regarding adequacy of those operating controls.

Penalty provisions of SOX may also be applied to private companies that knowingly violate federal law, such as:

- Intentionally destroying, altering or falsifying records or documents with the intention of impeding or influencing a federal agency investigation (such as OSHA, EEOC or the IRS) or a federal bankruptcy proceeding;
- Engaging in violations of federal and state securities laws that are not dischargeable in bankruptcy, including liabilities for fraud in connection with the private placement of securities; and
- Engaging in retaliating against a whistleblower who provides truthful information relating to a possible corporate federal offense.

The Securities and Exchange Commission (SEC) administers the financial accountability, control and reporting requirements, although it does not provide a particular audit or certification process. However, in this regard, AICPA's *Statement on Standards for Attestation Engagements 18* and the subsequent System and Organization Controls (SOC®) audit and attestation submitted annually is considered sufficient for rigorous SOX compliance.

SOX further prevents conflict of interest with the company's financial auditor by restricting the type of extra services they can provide to that company. A SOC® 1 Type 2 audit examines a company's operating controls and financial controls over a period of time from six months to 12 months. (A controls report that is a "snapshot" as of a particular date is a SOC® 1 Type 1 audit.)

Lenders, investors and potential business partners may consider SOX-compliant corporate audits to establish "best practices" for both public and private companies and seek such annual certifications. An Unqualified (clean) SOC® report is very useful for instilling public trust and confidence in that company, whether public or private.

Additional Security and Privacy Laws and Regulations

There are many additional laws that have been enacted or amended recently that require adequate and rigorous corporate security controls. For example, on Dec. 4, 2020, the *Internet of Things (IoT) Cybersecurity Improvement Act* (IoT Law) was signed into law.[4] The IoT Law requires the National Institute of Standards and Technology (NIST) to develop and publish baseline standards and guidelines for how the federal government uses and manages IoT devices connected to information systems.

NIST – which has already been addressing IoT cybersecurity – is required to promulgate "minimum information security requirements for managing cybersecurity risks associated with such devices." The IoT Law requires these new standards and guidelines to be consistent with NIST's current guidance regarding:

- Vulnerability identification and management;
- Secure development;
- Identity management;
- Patch management; and
- Configuration management.

NIST is also tasked with publishing guidelines for IoT vendors regarding the disclosure of security vulnerabilities and dissemination of information about resolution of these vulnerabilities.

In the area of doing business with the federal government, NIST has promulgated security and operational standards that must be met by **all** government contractors and subcontractors in a very rigorous annual audit, the NIST 800-171 report. This requirement encompasses 14 categories of data security requirements. In aggregate, NIST 800-171 contains 110 separate practices or controls, all of which require compliance. A perfect score is complying with all 110 controls. Each deficiency has points subtracted from 110.

The failure to limit system access to authorized users renders all the other access control requirements ineffective, allowing easy exploitation of the network. A NIST 800-171 deficient audit would completely prevent that contractor or subcontractor from doing business with the U.S. government.

While technically applying only to federal government procurement, NIST's standards and guidelines have the potential to influence state law and private sector practices. For instance, many IoT devices sold to the federal government that meet the NIST-based standards will also inevitably be sold to the private sector. As a practical matter, the NIST standards may have a broader impact on security practices across the IoT industry.

As a matter of best practices, all businesses that are subject to the Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule should be able to meet the rigorous security standards of a NIST 800-171 audit. HIPAA has its own audit systems control and data security requirements incumbent upon each organization that handles personal health information (PHI). [5]

In this regard, on Dec. 10, 2020, the Department of Health and Human Services (HHS) proposed significant changes to HIPAA in a 357-page proposal that would provide individuals with greater access to their health information and clarify permissible information sharing procedures for case coordination and management. Regardless of whether this new proposal is enacted, health providers that handle PHI must comply with the existing HIPAA privacy rules and must have adequate system controls to be able to confirm compliance. [6]

On Dec. 10, 2020, the California Attorney General issued a fourth set of proposed modifications to the regulations implementing the California Consumer Privacy Act (CCPA), which apply to all companies doing business with persons in California. The additional changes are particularly important for covered entities engaged in the "sale" of personal information.

The modifications **introduce a new, uniform opt-out button logo**. The button may be used in addition to posting the required notice of the right to opt out and, when adopted, should appear to the left of the "Do Not Sell My Personal Information" text and be approximately the same size as any other buttons used by the business on its webpage.

The proposed modifications advise that when a consumer clicks the opt-out button, it should bring that consumer to the same webpage or online location to which the consumer is directed after clicking on the "Do Not Sell My Personal Information" link so that the consumer can opt out.

In addition to the CCPA, in the November 2020 election, California voters by a 55% majority approved the new California Privacy Rights Act (CPRA). The CPRA will apply to information collected on and after Jan. 1, 2022 and will be effective on Jan. 1, 2023.

One of the biggest impacts the CPRA brings is the increased responsibility an organization has with respect to their customers' privacy. With the passing of CPRA, businesses are now firmly responsible for not only what they do with customer data themselves, but also what any third party they choose to do business with does with the shared data.

If a company includes advertisements from a third-party provider on their site, the company now has much stricter requirements to ensure that the ad provider is not storing customer data.

Ultimately, this means that any business that utilizes third-party services on their website, such as **analytic trackers, telemetry monitoring, virtual assistants and shopping carts**, are required to understand, monitor and control all data flow to them and will be subsequently held responsible for any data leakage.

In October 2020, NIST proposed an 88-page "Cybersecurity Profile for the Responsible Use of Positioning, Navigation and Timing (PNT) Services." This relates to privacy issues regarding GPS tracking and storage of such data and disclosure of such data. [7]

As can be seen, the issues of security and privacy controls for personal, health and financial data are expanding rapidly. The only way to determine compliance is with a third-party independent audit of such corporate systems and organizational controls. To be compliant with these laws and regulations, an organization must plan for such audits with the appropriate personnel having responsibility and authority to implement proper procedures.

The problem arises when an organization does not meet its security obligations, resulting in a breach of privacy and data and subsequent suits or government administrative actions. This leads to the issue of how to protect against the disclosure of a "qualified" or adverse audit result that would enumerate the organization's failures or possible negligence.

Protecting Attorney-Client Privilege and Work-Product Privilege

Some states specifically have an accountant-client privilege that could apply to a SOC® 1 or SOC 2® audit, such as Florida. The Florida Evidence Code provides, "A communication between an accountant and the accountant's client is "confidential" if it is not intended to be disclosed to third persons…".[8]

Texas has a limited accountant-client privilege that does not apply to a federal subpoena and can be overcome with a specific state court order.[9] Several other states have a form of accountant-client privilege, including Pennsylvania, Colorado and Missouri. However, such privilege can be waived by disclosure to third parties.

The better way to try to establish attorney-client privilege is by having the corporate general counsel hire an outside law firm to provide legal advice regarding determining any cybersecurity vulnerabilities and developing a plan of remediation. The organization through its general counsel should hire outside counsel to provide legal advice regarding compliance with the myriad laws regarding security and privacy legal obligations.

To preserve legal privilege, the retainer agreement should make clear that the corporate point of contact is the general counsel and not a chief information officer or data privacy officer. The outside counsel firm would then hire a CPA firm to conduct a SOC® 2 audit or a computer technical firm to conduct an NIST 800-171 audit.

Hiring a CPA firm or computer technical firm signed by the corporate IT department will not provide attorney-client privilege protection; it should be done by general counsel.

If a data breach has occurred or is suspected to have occurred, the case of *In re Capital One Consumer Data* case is very instructive regarding preserving work-product privilege.[10] In this case, on Nov. 30, 2015, Capital One entered into a Master Services Agreement with FireEye, Inc., d/b/a Mandiant, to provide cybersecurity services as set forth in a series of Statements of Work (SOWs). In July 2019, Capital One experienced a data breach and on July 20, 2019, retained the law firm Debevoise & Plimpton (Debevoise) to provide legal advice regarding the breach.

On July 24, 2019, Capital One, Debevoise and FireEye signed a Letter Agreement in which FireEye would provide services and advice "as directed by counsel" regarding the same scope of work in the prior SOW. Also, FireEye would be paid based on the same terms as in the 2019 SOW. Further, the Letter Agreement provided that FireEye work was to be conducted at the direction of

Debevoise and that deliverables were to be made directly to Debevoise.

Plaintiffs sought the FireEye Report to which Capital One objected, claiming work-product privilege. The District Court concluded that the FireEye Report was not protected under work-product privilege. The Court held that Capital One failed to prove the two-prong test for work-product privilege set forth in the RLI Insurance case.[11]

The RLI test is that to successfully claim work-product privilege, a court must determine (1) whether the document at issue was created "when the litigation is a real likelihood and not merely a possibility" and (2) whether the document in question would have been created in essentially the same form in the absence of litigation.

Capital One met the first prong, but failed the second prong, because Capital One failed to establish that the report would not have been prepared in substantially similar form "but for the prospect of the litigation."

Merely hiring a law firm after a data breach to receive a report that was otherwise previously contracted and paid for by a prior SOW is not sufficient to create a work-product privileged document. The lesson of Capital One is that after a breach, a organization's general counsel, not corporate IT, should retain a law firm to provide legal advice regarding the breach, reporting that legal advice directly to the general counsel.

In turn, the law firm, not the company, would hire an outside CPA firm or technical firm to investigate the data breach, recommend remediation steps and provide the resulting breach report directly to the law firm. The law firm would report the findings directly to the general counsel.

The CPA firm or technical firm would be paid by the law firm (reimbursed as a necessary expense by the organization). This will likely be sufficient to preserve attorney-client and/or work-product privilege regarding the resultant report.

Protecting Data and Privacy

All U.S. companies, whether public or private, need to prepare for security, privacy and controls compliance with a SOC® 2 audit by a CPA firm

If there is concern that a company may have security vulnerabilities or that a breach has already occurred, general counsel should retain a law firm to provide legal advice.

or with a NIST 800-171 audit by a technical firm. Clients and customers demand such reports today, wanting to know that their data is as safe as possible, and that the company has a stringent, comprehensive system and organizational controls in place to properly protect data and privacy.

A company that properly prepares for the audit is in much better shape than the company that fails to prepare. The corporate general counsel should interface directly with the CPA firm or technical firm and have them report back directly to the general counsel.

If there is concern that a company may have security vulnerabilities or that a breach has already occurred, general counsel should retain a law firm to provide legal advice regarding the vulnerabilities or breach, reporting that legal advice directly to the general counsel.

In turn, the law firm would hire an outside CPA firm or technical firm to investigate the vulnerabilities or data breach, recommend corrective/remediation steps as appropriate and provide the report directly to the law firm.

The CPA firm or technical firm would be paid directly by the law firm. The law firm would report the findings directly to the general counsel. This will likely be sufficient to preserve attorney-client and/or work-product privilege regarding the resultant report.

ABOUT THE AUTHOR: Benjamin Sley, J.D., LL.M. (Tax and Intellectual Property), Registered Patent Attorney, is the Senior In-House Counsel at Pro-Lab Diagnostics USA. He may be contacted at bsley@pro-lab.us.

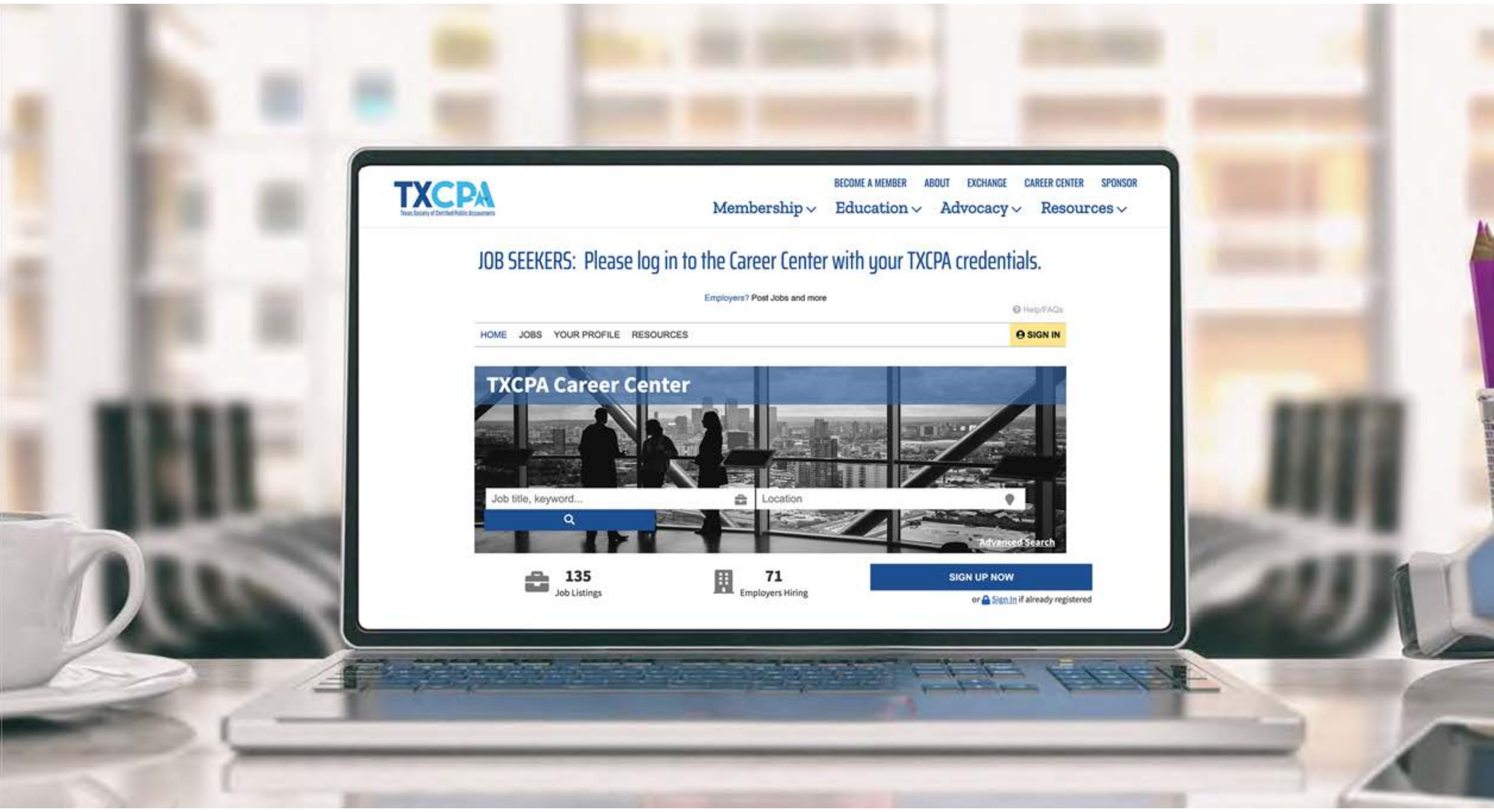
Endnotes

1. https://us-cert.cisa.gov/ncas/alerts/aa20-352a
2. https://www.cisa.gov/supply-chain-compromise
3. https://backlinko.com/zoom-users
4. https://www.congress.gov/116/bills/hr1668/BILLS-116hr1668eh.pdf
5. 45 CFR § 164.308 - Administrative safeguards
6. https://www.hhs.gov/sites/default/files/hhs-ocr-hipaa-nprm.pdf
https://nvlpubs.nist.gov/nistpubs/ir/2021/NIST.IR.8323.pdf
8. Florida Evidence Code Sec. 90.5055(1)(c)
9. Texas Occupations Code § 901.457. Accountant-Client Privilege
10. *In re Capital One Consumer Data Sec. Breach Litig.*, MDL No. 1:19md2915 (AJT/JFA) (E.D. Va. Jun. 25, 2020)
11. *RLI Insurance Co. v. Conseco, Inc.*, 477 F. Supp. 2d 741, 748 (E.D. Va. 2007).

TIME TO MAKE A MOVE?

LOOKING FOR YOUR NEXT SUPER HIRE?

Turn to TXCPA's Career Center!



With job postings aimed specifically at accounting and finance professionals, TXCPA's Career Center is a go-to resource for finding your perfect job. Employers love the member savings on postings and the enhanced visibility of their postings for CPA job seekers.

Visit careers.tx.cpa today!

2020-2021
OUTSTANDING CHAPTER AWARDS

By Rori Shaw, CAE, TXCPA Chapter Operations Manager

To inspire chapters in their continuing work to elevate member service, TXCPA bestows Outstanding Chapter Awards to the small and medium-sized chapters. Selection is made by a group of past presidents from chapters of all sizes who understand the work involved in successfully leading volunteers. Here are a few highlights about the chapters honored for the 2020-2021 year.

Outstanding Small Chapter: Southeast Texas

President: Nick Gammill, CPA

During a challenging year, TXCPA Southeast Texas maintained their participation and involvement at the state level, as well as their community service involvement. The annual school supply drive maintained a high volume of donated school supplies for disadvantaged children in the chapter area. They also participated in local firm-led community service projects, such as a blood drive and food drive.

To help develop the next generation of CPAs, the chapter maintains a strong relationship and puts an emphasis on interaction with students at their local university, Lamar University. Joint chapter meetings with students and faculty were held via Zoom and a $500 check was given to the Faculty Research Award recipient. New this year was a virtual walk/run to raise funds for scholarships for Lamar University accounting students. Four scholarships for a total of $8,000 were awarded. Funds were also sent to the Lamar Foundation for its endowed scholarship.

A chapter member also received the 2020 TXCPA Outstanding Accounting Educator Award (Large College/University). Volunteers were still able to participate in the Youth Career Expo by hosting a virtual exhibitor booth featuring stories from local CPAs, including member-created videos!

A large number of CPE hours was delivered virtually and for the sixth consecutive year, they received the CPA-PAC Award for the small chapter achieving highest percent of fundraising goal (156%). Congratulations, TXCPA Southeast Texas!

Outstanding Medium Chapter: Permian Basin

President: J.D. Faircloth, CPA

TXCPA Permian Basin presented $15,500 in scholarships to students at The University of the Permian Basin and three local junior colleges. The chapter sends fundraising letters to individual members, firms and companies to fund all scholarships.

A number of projects were implemented to accomplish their goal of attracting and engaging students despite not being able to meet in-person. Virtual events were held for Meet the CPAs, CPA Chats and CPA2B Bootcamp to provide students with the opportunity to meet and interact with local CPAs. The Young and Emerging Professionals Committee hosted two virtual trivia nights and a virtual webinar for students with Robert Half.

Through its Outreach Committee, the chapter was involved in the community. Members and students volunteered with the West Texas Food Bank to prepare pantry boxes that were distributed to pantries and partner agencies and the communities they serve. The chapter once again participated in the Season of Sharing Food Drive, benefitting the West Texas Food Bank. The year's food drive was virtual. Members made monetary donations and/or bought food products. The chapter raised more than $2,700.

A new event was 25 Days of Giving, benefitting Communities In Schools of the Permian Basin. Chapter members made monetary donations to help provide food, clothing, shelter, school supplies, mental health support, professional development and much more to students. Two trash pick-up days were held, with the chapter providing breakfast for volunteers. Congratulations, TXCPA Permian Basin!

Reserve Your .CPA Domain!

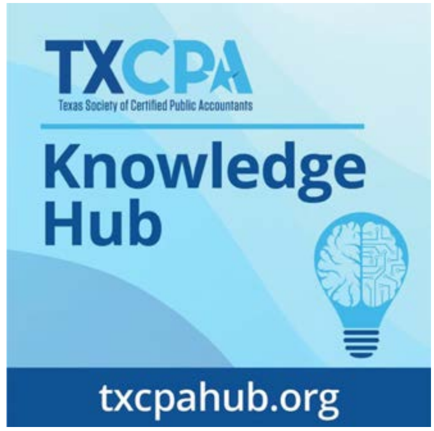
New top-level web domains, such as .cpa, are one way for organizations to modernize their digital front door. The .cpa domain is a restricted domain available only to CPA firms and individually licensed CPAs. It was launched in September 2020 to licensed firms and earlier this year to individually licensed CPAs, and it will be launched globally to select countries later in 2021.

By adopting a .cpa domain, you can:

- Secure your data;
- Enhance client trust;
- Strengthen your brand; and
- Give your digital footprint the distinction of being a CPA.

As of August 1, more than 6,000 .cpa domains have been registered by thousands of individually licensed CPAs and licensed firms, including 90% of firms in the AICPA Major Firms Group and 80% of the 500 largest firms.

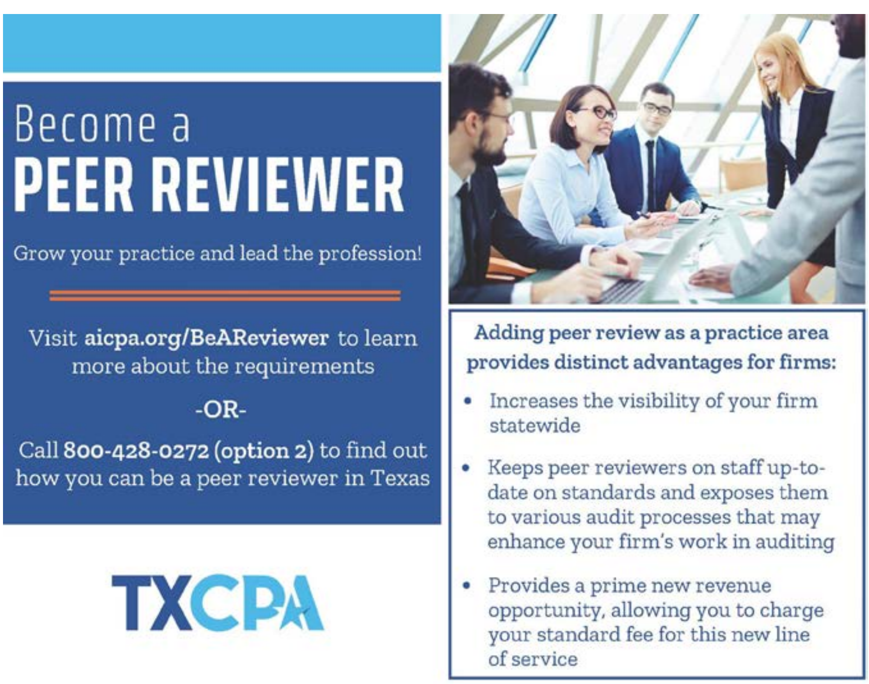
For more information and to apply for a .cpa domain, please visit domains.cpa.



Knowledge Hub is an Information Resource for Members

TXCPA's Knowledge Hub provides you insights and thought leadership resources designed to be helpful in your business, practice area or career. You'll find vendor-sponsored white papers, product guides, case studies, industry analysis and much more.

Visit the TXCPA Knowledge Hub today for an extensive library of free downloadable content provided by experts and vendors within the accounting profession.



Win a 2022 Annual Meeting Prize Pack!

Supporting your profession is a win-win. Your contributions not only further the accounting profession in Texas, but they could also make you the lucky winner of a 2022 Annual Meeting Prize Pack! Make a contribution in the amount of at least $100 to the TXCPA Accounting Education Foundation or the Accountants Confidential Assistance Network (ACAN) during the 2021 calendar year and to show our thanks, TXCPA will enter you in a random drawing for a two-night stay at The Kalahari Resort for our 2022 Annual Meeting, a fun welcome amenity when you arrive, a poolside play package and more! To learn more and contribute go to our website.

Connecting on TXCPA Exchange

Members across the state are building community and connecting on TXCPA Exchange. In our changing environment, it's more important than ever to maintain the connection to your professional community to ask questions, offer feedback and actively exchange ideas with your colleagues.

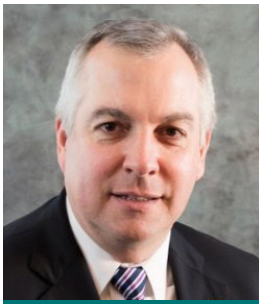
In addition to the general All Member Forum, there are three interest-area communities – Tax Issues, CPA Practice Management and Nonprofit Accounting. Be sure to log in today and join the conversation. Access TXCPA Exchange on TXCPA's website.

TXCPA's Annual Meeting of Members and Board of Directors Meeting

By Rhonda Ledbetter, TXCPA Volunteer and Governance Specialist

TXCPA members came together to hold the Annual Meeting of Members and Board of Directors Meeting virtually on June 24-25. They asked questions and shared ideas about the issues that were discussed and learned where their organization – and their profession – are headed.

CPA Pipeline


Michael Decker

AICPA Vice President – CPA Examination and Pipeline, Michael Decker, talked about the challenge posed by a continuing decline in the number of CPA candidates entering the accounting profession pipeline. There is a decline in undergraduate enrollments in accounting programs. The percentage of graduates who become candidates is now fewer than 50%. Then, of those who become candidates, the overall pass rate is approximately 57% – meaning that 43% of Exam takers don't move ahead.

At the top of AICPA's priority list are the candidates who drop out of the pipeline after passing three or four sections of the Exam. The question is: Why did they leave even though they were nearly there?

Decker expressed that a primary issue is promoting the lifetime value of CPA license. The strongest forces are environmental, not attitudinal. Insufficient employer support, long work hours and starting a family are important factors. Limited resources can prevent those in historically underrepresented population groups from reaching certification.

Accounting Education and CPA Licensing Initiatives

AICPA initiatives around accounting education to foster the evolving role of CPAs include scholarships to promote diversity, help with the cost of taking the Uniform CPA Exam, engagement with BAP and professors, and information about the Exam.

AICPA is working with CPA firms to learn whether they are getting everything they need with regard to candidates and new CPAs.

The CPA Evolution Initiative is transforming the CPA licensure model. It is a joint project of AICPA and the National Association of State Boards of Accountancy (NASBA). The CPA Evolution Initiative will put in place a flexible and adaptable licensure approach that will serve as the foundation for future-proofing the profession.

A panel of speakers discussed the initiative during the Annual Meeting. (See the following page for more details.)

New technologies and marketplace demands affecting job opportunities include automation, big data, data analytics, machine learning, and System and Organization Controls (SOC) audits. Increasingly, the work is being performed by non-CPAs. Accounting firms need fewer CPAs on their audit teams.

Decker indicated that the World Economic Forum 2020 Future of Jobs Report listed accountants and auditors as number four in its top 20 list of job roles in decreasing demand. Job roles in increasing demand include data analysis, information security, digital transformation and risk management.

There are pipeline supply issues. Reduced birth rates have led to lower school populations. Most students were forced into a COVID-19 gap year. The rising cost of U.S. education has led to lower international student populations. Diverse students don't see themselves in the profession.

The accounting major now competes with the "cool factor" in other areas of study (data analytics, technology, cybersecurity, AI, blockchain, robotic process automation and others). The current generation is more short-term focused; most don't see value in working 30 years at a CPA firm to become a partner.

AICPA Trends Report

An AICPA Trends Report found that, in 2016, there were almost 20 percent fewer accounting graduate hires by firms compared to 2014. By 2018, that number was almost 30 percent.

Decker said that research findings include:

- ***The CPA brand is strong*** – Even candidates who drop out before achieving licensure say that being a CPA is valuable but not to them at the present time.
- ***A vast majority of Exam sitters work in public accounting*** – Firm internships are a major driver of getting them into the pipeline.
- ***Obstacles are hitting candidates when they're most challenged to stay on-course*** – They are trying to finish their 150 hours to be eligible to start sitting for the Exam, while working hard at an accounting internship or full-time job. The pressure continues during the time they're taking the Exam sections.
- ***Employer requirement and incentive for certification is a strong influence*** – Some employers increase salary or give a bonus upon completion. Providing paid, structured time off to study motivates candidates.

State CPA societies can influence a CPA-centric culture on university campuses, suggested Decker. They can help connect local employers – including those in business and industry – develop partnerships with educators in accounting programs. Strong support for the local Beta Alpha Psi chapter is important. There can also be underwriting for the cost of CPA Exam review providers.

The states and AICPA must continually look at the barriers to profession entry – including education, the Exam, experience and ethics education – to find ways they can be rebalanced.

2021-2022 Executive Board

Go to TXCPA's website

2020-2021 Award Recipients

Listed in the Annual Meeting summary on TXCPA's website

Award descriptions and previous recipients

Also, please see the Chapters column in this *Today's CPA* issue for highlights from the Outstanding Chapter Awards.

CPA Evolution Initiative

A panel of speakers discussed the emerging CPA licensure model that's based upon changing marketplace demands. The group – all of whom have been public practitioners earlier in their careers – included:

- Anna Howard, CPA; Senior Manager of Academic Initiatives; AICPA;
- Daniel Dustin, CPA; Vice President, State Board Relations; National Association of State Boards of Accountancy (NASBA);
- Carl Mayes, CPA; Associate Director, CPA Quality and Education; AICPA; and
- Tracie Miller-Nobles, CPA-Austin; Associate Professor; Austin College.

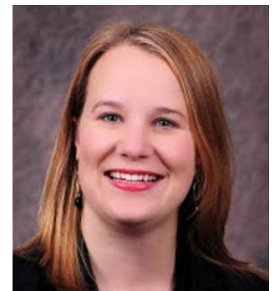
They presented the trends and changes that led to CPA Evolution; gave a brief overview of the model and structure; discussed the education curriculum; talked about the impact on educators, candidates, employers and current practitioners; and projected expected outcomes.

For more information about the CPA Evolution Initiative, see the cover article on page 24 in this *Today's CPA* issue.


Anna Howard


Carl Mayes


Daniel Dustin


Tracie Miller-Nobles

State of the Society

2021-2022 Chairman Jason Freeman, JD, CPA-Dallas, called on 2020-2021 Chairman Jerry Spence, CPA-Corpus Christi, to present highlights from a video showcasing TXCPA achievements during the unprecedented service year. For more details, read the Year in Review article in the May/June issue of *Today's CPA*.

Also, a report after the conclusion of the regular session of the Texas Legislature provides an update about TXCPA's legislative priorities.

Strategic Planning

An update on reaching the 2020-2024 Strategic Plan goals was given by TXCPA Chairman Jason Freeman. The strategic destination is:

"We are a unified, influential and adaptive association driven by technology to deliver customized service and value to the evolving accounting profession."


Jason Freeman

The core components of the Strategic Plan are three pillars, a mission statement, a vision statement and four guiding principles. The statement on diversity, inclusion, equity and belonging has been updated.

To turn the plan into measurable action, the Strategic Planning Committee has developed a set of three goals – focused on governance, technology and growth – and nine objectives. Groups at work on details include a 501(c)(3) Task Force, chaired by Gary McIntosh, CPA-Austin, and a Membership Task Force with Tim Pike, CPA-Dallas, CGMA, as its chair.

Priorities for the Year

Freeman shared priorities for the 2021-2022 year. Read about them in the July/August issue of *Today's CPA*.

CPA-PAC

CPA-PAC Chair Terri Hornberger, CPA-Dallas, explained that the committee's purpose is to encourage TXCPA members to participate in the Texas elections process. Nonpartisan campaign contributions are made to candidates for office in Texas who understand and support the profession's protection of the public interest.

The committee is moving into the 2022 election cycle. You can continue to preserve and protect the CPA license by making a donation to the CPA-PAC.

Related Entities

The annual meetings of the Accounting Education, CPE and Peer Assistance foundations were held.

Accountants Confidential Network (ACAN) – Peer Assistance Committee Chair George Arce, CPA-San Antonio, shared an update about ACAN's success in helping those with alcoholism, chemical dependency or emotional distress issues. Lives and livelihoods are saved through the work of those who serve as mentors.

ACAN's vision is to be a champion of wellness resources for all current and future CPAs. Monetary donations supplement the annual grant from the Texas State Board of Public Accountancy to support the program and provide training for volunteers.

Accounting Education Foundation (AEF) – Art Agulnek, CPA-Dallas, presented information about the programs of the AEF. Scholarships are the significant portion of the Foundation's work, with $126,000 given during 2020-2021.

Other projects are a donation for AICPA Minority Scholarships, funding for the Accounting Education Conference, CPA pipeline initiatives, and recognition of outstanding accounting faculty and students.

The Kenneth W. Hurst Award is presented to individuals who have provided outstanding service to the Foundation or contributed at least $5,000 in the last five years. This year's recipients are Kym Anderson, CPA-El Paso, CGMA, and Harold B. Krom, CPA, (posthumously).

Just two of the ways to help the AEF are by designating the organization when buying through Amazon Smile and an online donation page on TXCPA's website.

An election for members of the AEF Board of Trustees was held, with terms ending May 2025. The members include:

- Kathryn W. Kapka, CPA-East Texas, CGMA;
- Tram P. Le, CPA-Fort Worth;
- Anne-Marie T. Lelkes, Corpus Christi;
- Jerry D. Love, CPA-Abilene, CGMA; and
- Gary D. McIntosh, CPA-Austin.

CPE Foundation

Chair of the CPE Advisory Board Kelly Hunter, CPA-Houston, reported on virtual learning through the TXCPA CPE Foundation during the 2020-2021 year.

There was free programming exclusively for members, with up to 20 hours available. Content included the on-demand Ethics course, Texas taxes webcasts and Professional Issues Updates (PIUs).

There were 10 conferences converted to online-only events, as well as 36 cluster courses and thousands of programs offered online.

A significant number of pandemic-related courses were added to the course catalog; these drew more than 8,700 attendees. Many thanks go to the key members who jumped in and helped digest the data to develop new programs quickly.

There was a 27% increase in titles available through the Passport for a flat fee of $199.

The Foundation also worked with 13 chapters to provide CPE to members in a variety of virtual programs when chapters were unable to meet because of COVID-19 restrictions. The CPE Chapter Partnership business model continues to evolve to meet the changing needs of learners.

Business Matters

The 2020-2021 financial report was given. 2021-2022 Treasurer Susan Roberts, CPA-Fort Worth, CGMA, presented budgets for the new fiscal year, which were approved.

Plan Now for Future Gatherings

The Midyear Board of Directors and Members Meeting is planned for Jan. 21-22, 2022, at The Westin Irving Convention Center at Las Colinas in Irving, TX. Watch the weekly Viewpoint e-newsletter for information.

Kalahari Resorts & Conventions at Round Rock, TX is the site for the 2022 Annual Meeting of Members and Board of Directors Meeting, July 1-2. There will be speakers, ideas and connections to ignite your career. Plan to be there!

Win a 2022 Annual Meeting Prize Pack!

Your contributions could make you the winner of a 2022 Annual Meeting Prize Pack! Make a contribution in the amount of at least $100 to the Accountants Confidential Assistance Network (ACAN) or the Accounting Education Foundation during the 2021 calendar year and to show our thanks, TXCPA will enter you in a random drawing for a two-night stay at The Kalahari Resort for our 2022 Annual Meeting, a fun welcome amenity, a poolside play package and more! Learn more and contribute on the TXCPA website.

Goodman Financial

MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY

SERVING CLIENTS FOR OVER 30 YEARS

Thanks to Our Title Sponsor: Goodman Financial

TXCPA thanks our title sponsor Goodman Financial! They gave away a Peloton Bike during a drawing among those present. Marshall Pitman, Ph.D., CPA-San Antonio, was the winner!

COVER STORY

CPA EVOLUTION INITIATIVE IS BRINGING AN ALL-NEW APPROACH TO CPA LICENSING

Major changes are underway that are transforming the CPA licensure model. The CPA Evolution initiative is bringing an all-new approach to licensing based on a critical purpose: meet the continuing demand for the skills and competencies required by the accounting profession today and into the future.

The CPA Evolution initiative is a joint project of the National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA). It will put in place a flexible and adaptable licensure approach that will serve as the foundation for future-proofing the CPA profession.

Over three years, NASBA and AICPA gathered input from more than 3,000 stakeholders from across the profession, including representatives from state boards of accountancy, academia, students, firms of all sizes, and state CPA societies. During these conversations, several key themes became clear:

- The profession supports the need to change the CPA licensure model;
- Newly licensed CPAs should all demonstrate strong common core competencies;
- The new CPA licensure model should position the CPA for the future; and
- The new CPA licensure model should continue to protect the public interest.

Based on this feedback and lessons learned from studying other international and domestic licensure models, NASBA and AICPA developed the new approach. The initiative was approved by the AICPA Governing Council and the NASBA Board of Directors in 2020.

The New CPA Licensure Model

The new model takes a Core + Discipline approach, starting with a deep and strong Core in accounting, auditing and tax with technology woven throughout that all candidates will complete. The sections will comprise content that every newly licensed CPA may be

Watch CPA Evolution Videos on YouTube

[New CPA Exam Changes - CPA Exam Evolution of 2024]

[CPA Evolution: The Opportunity for Educators]

exposed to in practice and assess the knowledge and skills critical to protecting the public interest.

Each candidate will also choose a Discipline in which to demonstrate deeper skills and knowledge. There will be three Discipline sections from which candidates must choose and pass one. The proposed sections are:

- Business Accounting and Reporting (BAR);
- Information Systems and Controls (ISC); and
- Tax Compliance and Planning (TCP).

The topics covered in these sections apply to newly licensed CPAs who work in these areas of practice and are less likely to be encountered by CPAs who are not focused on that area of practice.

Regardless of the chosen Discipline, this model leads to full CPA licensure, with rights and privileges consistent with any other CPA. A Discipline selected for testing will not mean the CPA is limited to that practice area.

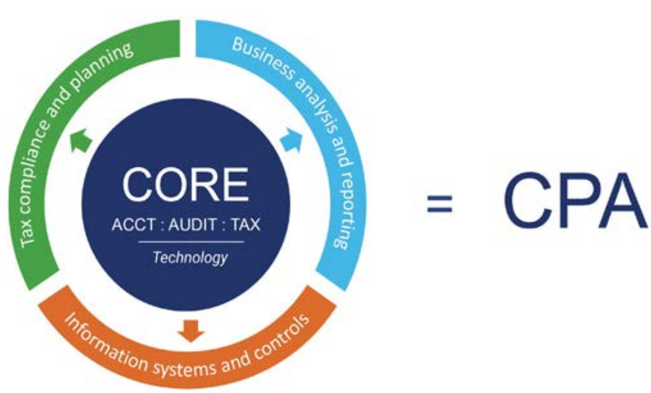
What do the changes mean for the Uniform CPA Exam? The specific content of the Core and the Disciplines will be determined by a CPA Exam practice analysis, which is happening now. Practice analyses – gathering information about the current and future state of the profession and the work of newly licensed CPAs – are conducted periodically as part of AICPA's ongoing efforts to make sure the Exam is current and to maintain its validity and reliability.

During the practice analysis, AICPA will engage with subject matter experts and other stakeholders to determine the appropriate content to be assessed in the Core and Discipline sections. Information and progress will be shared periodically and requests will be made for public input.

The current practice analysis will likely wrap up in 2022 and an Exam Blueprint will be exposed for public comment in mid-2022. AICPA and NASBA expect the new Exam will launch in January 2024. All practice analysis questions can be directed to the AICPA Examinations team at PracticeAnalysis@aicpa.org.

During the early stages of the CPA Evolution Initiative, an analysis was performed that identified eight jurisdictions, including Texas, that would require their board of accountancy to amend their statutes or rules because the statutes or rules referred to existing Uniform

Article continues on page 27



Highlights of the New Licensure Model

The new licensure model:

- **Enhances public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public;**
- **Is responsive to feedback, as it builds accounting, auditing, tax and technology knowledge requirements into a robust common Core;**
- **Reflects the realities of practice, requiring deeper proven knowledge in one of three Disciplines that are pillars of the profession;**
- **Is adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve;**
- **Is not expected to change the number of sections in the CPA Exam or increase the length of the Exam; and**
- **Results in one CPA license.**


CPACHARGE
AN AFFINIPAY SOLUTION
+
TXCPA
Texas Society of Certified Public Accountants
Member Benefit Provider
"CPACharge has made it easy and inexpensive to accept payments via credit card. I'm getting paid faster, and clients are able to pay their bills with no hassles.
– Cantor Forensic Accounting, PLLC
Trusted by more than 150,000 professionals, CPACharge is a simple, web-based solution that allows you to securely accept client credit and eCheck payments from anywhere.
22% increase in cash flow with online payments
PAY
65% of consumers prefer to pay electronically
62% of bills sent online are paid in 24 hours
PAYMENT RECEIVED
YOUR FIRM LOGO HERE
Client Invoice
#0123-A
Your Client
**** **** **** 9995
***
TOTAL: $3,000.00
VISA
AM EX
eCheck
DISCOVER
POWERED BY
CPACHARGE
PAY CPA
Get started with CPACharge today
cpacharge.com/txcpa
877-618-4668
CPACharge is a registered agent of Wells Fargo Bank N.A., Concord, CA and Synovus Bank, Columbus, GA.
AffiniPay customers experienced 22% increase on average in revenue per firm using online billing solutions.

CPA Examination section names. It is anticipated that the eight jurisdictions will complete the necessary amendments before the launch of the new Exam in January 2024.

The Texas State Board of Public Accountancy has determined that the Uniform CPA Exam Blueprints defined by AICPA are the guide for accounting course requirements. [Board Rule 511.57] provides the requirements and accounting courses that may be taken. The State Board has sent out a survey to accounting departments asking for their readiness for curriculum changes.

The new CPA licensure model will strengthen the State Board public protection mandate and can be adapted over time as the role of the CPA continues to evolve.

Impact on Educators and Accounting Academic Programs

Accounting educators will play a vital role in preparing students to pursue the CPA license under this new model. AICPA's and NASBA's CPA Evolution Model Curriculum was developed to assist faculty who want to prepare their students for the CPA profession.

The CPA Evolution Model Curriculum is materially aligned with the Uniform Accountancy Act Model Rules for education and reflects insights gathered through the 2021 CPA Exam Practice Analysis, as well as the views of subject matter experts who served on the CPA Evolution Model Curriculum Task Forces.

The Task Forces were comprised of more than 40 volunteers, including faculty from small schools and large universities, CPAs in public practice, business and industry, and representatives from state boards of accountancy. The Task Forces met over 50 times over the course of six months.

Educators can access the CPA Evolution Model Curriculum guide for accounting educators at this link: thiswaytocpa.com/program/modelCPAcurriculum.

Faculty can also access the Academic Resource Hub, a database of content from AICPA, accounting firms, academics and AICPA teaching-award winners that will help faculty prepare students for the rapidly evolving demands of the profession.

Throughout 2021, AICPA will also be holding a series of Faculty Hour webinars for accounting educators. This free monthly webinar series includes regular updates on CPA Evolution and deep dives into emerging topics to include in accounting courses. You can register for upcoming webinars and watch recordings of the past sessions at this link.

THE NEW LICENSURE MODEL WILL CONTINUE TO FACTOR IN THE TRADITIONAL FOUNDATIONS OF LICENSURE – EXPERIENCE, EDUCATION AND EXAMINATION – BUT IT WILL BE BASED ON A CORE AND DISCIPLINES APPROACH.

Required Skills and Knowledge

Areas requiring deeper skills and knowledge for newly licensed CPAs include:

- **Critical thinking;**
- **Professional judgment;**
- **Problem-solving;**
- **Understanding systems, controls and risk;**
- **Data management and analysis; and**
- **Performance of System and Organization Controls (SOC) engagements.**

The new CPA licensure model uses a Core + Discipline approach. It starts with a deep and strong Core in accounting, auditing, tax and technology that all candidates will be required to complete. Each candidate will also choose a Discipline in which to demonstrate deeper skills and knowledge.

The hub contains over 200 resources for a range of class levels on topics like data analytics and cybersecurity to use in classroom instruction, research or guidance.

New resources will continue to be added and the ARH is free for faculty to access. It simply requires an educator login on This Way to CPA (no AICPA membership required) available at this link.

Impact on Students and CPA Candidates

Aspiring CPAs who are college freshmen now will be among the first to take the overhauled version of the CPA Exam when it launches in 2024. Current CPA candidates will be able to sit for the current CPA Exam until the launch of the new Exam, and a transition plan is being developed for candidates who have

AICPA's New CPA Evolution Resource Competition!

In August, AICPA announced the new CPA Evolution Resource Competition (CERC). The competition seeks to promote the development of teaching resources for the new topics and learning objectives outlined in the CPA Evolution Model Curriculum.

AICPA invites accounting faculty to submit their original long or short teaching cases, exercises or other instructional materials to be considered for a CERC award of $300 - $1,500. Submissions can range from case studies to course exercises to general instructional materials that serve as teaching resources for new topics and learning objectives outlined in the model curriculum.

The deadline to apply as an individual or as a team is October 31, 2021. For all the details, visit the CPA Evolution Resource Competition (CERC) site.

started but not completed the CPA Exam process as of January 2024.

What areas of the CPA Exam will remain the same? Candidates will still be tested at the one- to two-year level. The Exam will be no longer than 16 hours, just like today, and there will be no new experience requirements to sit for the Exam.

Candidates will still be required to pass a total of four Exam sections and those sections can be taken in any order. This means, for example, a candidate could take the Tax Core and follow that up with the Tax Discipline before passing the rest of the Core.

There will be no separate time limits to pass the Core and the Discipline. Candidates will have one set amount of time to pass, just like today.

How might the Exam change? While much of the Exam would stay the same, changes are required to integrate the Disciplines. Candidates will be required to pass the three Core sections and one Discipline section as discussed above. They will not be permitted to pass additional Disciplines – once they pass one, their Discipline requirement will be complete. Each section of the new Exam will cover discrete content and a range of skills.

Last, and importantly, the Discipline the candidate passes will not differentiate the license granted. The new Exam is expected to launch in January 2024.

Impact on Employers

AICPA and NASBA surveyed the top 100 accounting firms and the results showed there are significant gaps between what practice is demanding and what students are learning in accounting programs, especially when it comes to systems, data analytics, cybersecurity and IT audit. Research also confirmed that much more technology continues to shape the work of all CPAs, year after year.

Employers expect graduates to enter the workforce already familiar with various technologies and able to examine data critically. Procedures historically performed by newly licensed CPAs are being automated, offshored or performed by paraprofessionals.

Entry-level CPAs are performing more procedures that require deeper critical thinking, problem-solving and professional judgment. Responsibilities that were traditionally assigned to more experienced staff are being pushed down to the staff level.

If graduates coming out of accounting programs don't have the necessary skills, the firms must look elsewhere for this talent. A recent AICPA Trends Report showed that from 2014 through 2018, firms were hiring 29% fewer accounting graduates. Some firms have taken steps to develop partnerships with universities to address the potential lag between college learning and the requirements of professional life.

Changes are needed to address the gaps in the skills employers require of their employees and the curriculum newly licensed CPAs are learning. The CPA Evolution initiative is being developed to help address these gaps.

The Future is Taking Shape

We are in an unprecedented time of change for the accounting profession. The CPA Evolution initiative and new licensure model are designed to equip newly licensed CPAs with the skills and competencies required as the practice of accountancy continues to evolve. They're designed to meet the needs of employers and position the accounting profession as a valuable option for students choosing their career paths.

As the CPA Evolution initiative continues to progress, please check for updates at EvolutionofCPA.org. If you have any questions, please reach out to Feedback@EvolutionofCPA.org.

Sources:
AICPA
NASBA
Journal of Accountancy
AICPA Insights
TSBPA

Special thanks to Daniel Dustin, CPA; Vice President, State Board Relations; NASBA; and Tracie Miller-Nobles, Ph.D., CPA-Austin; Associate Professor; Austin College.

FEATURE

WHILE YOU WERE Quarantining

While employers have been pressed to adjust to pandemic-related changes to employment law, there have also been other important employment law developments

By Joe Rivera

The COVID-19 pandemic brought about a number of changes in the law relevant to employers. The Families First Coronavirus Response Act (FFCRA) created a regime of paid leave employees could take for certain COVID-19 related reasons. Not only that, the FFCRA applied to small employers, many of which had little to no experience dealing with paid sick leave.

Employers had to navigate the rules on obtaining a loan under the Paycheck Protection Program, on proper use of the loaned funds and on obtaining forgiveness of the loan. The American Rescue Plan Act of 2021 included a second or renewed period to opt in to health coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for certain employees whose employment was involuntarily terminated. This Act also provides for premium relief for employees opting in to COBRA coverage.

With all this and more, employers have had a lot to deal with during the pandemic. But with COVID-19 being the hot topic for over a year now, there have been other important developments in the area of employment law that employers and their advisors might have overlooked. The following are my top four developments that employers should know.

1. Even Small Employers Are Now Subject to the Texas Prohibition Against Sexual Harassment and Management

Any lawyer who advises employers has asked new employer clients "How many employees do you have?" Why? The fact that the size of the client impacts various practical aspects of the attorney-client relationship and advice relevant to the employer. But more specifically, every employment lawyer knows that determining what anti-discrimination and anti-harassment laws will apply to a given employer generally turns on the number of employees the employer has.

In particular, 15 or more employees (subject to caveats on number of days worked for a number of weeks in the current or preceding calendar year) has long been the magic number for federal laws such as Title VII of the Civil Rights Act of 1964. Title VII is the federal law that prohibits discrimination or harassment of an employee based on the employee's membership in certain protected categories, including on the basis of sex and pregnancy.

By case law, "sex" has been interpreted to include protection against discrimination or harassment based on the employee's non-conformance with norms or stereotypes generally associated with the employee's sex. It has also been interpreted to cover an employee's sexual orientation or identity.

The Texas Human Rights Act, as codified in *Texas Labor Code*, also provides protection for employees against discrimination or harassment based on sex. *Tex. Labor Code* § 21.051.

The Human Rights Act was modeled after the federal Title VII and has been interpreted and applied consistently with federal law. *See Garcia v. Schwab*, 967 S.W.2d 883, 885 (Tex. App.-Corpus Christi 1998, no pet.). And by statute, the prohibition of the *Texas Labor Code* against sexual harassment has, similar to Title VII, only applied to employers with 15 or more employees.

Smaller employers could take some solace in this threshold, knowing that when it came to claims of discrimination or harassment based on sex, they would not have to deal with the morass that an investigation by the Equal Employment Opportunity Commission (EEOC) or the Texas Workforce Commission Civil Rights Division (TWCCRD) can be or litigation that can follow such an investigation.

All that changed on Sept. 1, 2021, with SB 45. SB 45 will add a Subchapter to the Labor Code, which will include the following definition of "employer" related to claims of sexual harassment. "Employer" means a person "who employs one or more employees." So, effective Sept. 1, 2021, the 15-employee threshold is out the window for sexual harassment claims.

Small employers adjusting to SB 45 would do well to develop anti-retaliation policies and measures as well. Both the *Texas Labor Code* and Title VII prohibit an employer from retaliating against an employee for reporting harassment or participating in an investigation or proceeding addressing alleged harassment, such as by providing a statement or being a witness.

According to statistics published by the EEOC, retaliation claims as a percentage of claims filed with the EEOC have risen dramatically, with retaliation claims making up over half of the claims filed with the EEOC for the last few years.[1]

Retaliation claims are evaluated under a "causal link" causation standard, which is easier to meet than the causation standard applicable to the harassment claim itself. *Medina v. Ramsey Steel Co.*, 238 F.3d 674, 685 (5th Cir. 2001). And the employee does not have to be correct or succeed on the underlying harassment claim to have a meritorious for a retaliation. 42 U.S.C. § 2000e-3(a); *Payne v. McLemore's Wholesale & Retail Stores*, 654 F.2d 1130, 1140-1141 (5th Cir. 1981).

Further, statistics reflect that as many as 81% of women report that they have experienced sexual harassment in the workplace[2] and that 72% of employees who have reported sexual harassment to their employer also report having experienced retaliation.[3]

The prevalence of sexual harassment and retaliation claims combined with SB 45's expansion of the prohibition against sexual harassment to small employers unaccustomed to dealing with such laws could prove to be fertile ground for EEOC and TWCCRD complaints and lawsuits against such employers. All employers will need to take proper steps to:

- Prevent incidents of sexual harassment;
- Facilitate reports of sexual harassment;
- Investigate reports received; and
- Insulate the employer from liability in the event of an incident of sexual harassment.

This should include regular anti-harassment training, development of appropriate policies such as an anti-harassment policy and a policy facilitating reports of such harassment, and procedures on investigating and handling a report of sexual harassment.

However, the value of these standard protective measures will be less certain under SB 45. Under Title VII, when an employer, once it becomes aware of alleged sexual harassment, takes "***prompt*** remedial action to protect the claimant," the employer can avoid liability. *Nash v. Electrospace Systems, Inc.*, 9 F.3d 401, 402 (5th Cir. 1993) (emphasis added).

Prior to SB 45, the same was true under the *Texas Labor Code. E.g., River Oaks L-M. Inc. v. Vinton-Duarte*, 469 S.W.3d 213 (Tex. App.-Houston [14th Dist.] 2015, no pet.). The requirement of "prompt" remedial action allowed a reasonable opportunity to investigate the claim.

SB 45, however, will impose liability for unlawful sexual harassment when the employer or its agents or supervisors (1) know or should have known that the conduct constituting sexual harassment was occurring; and (2) fail to take "*immediate* and appropriate" corrective action.

Given the conspicuous use of "prompt" with regard to remedial prior to SB 45, the Texas Legislature's use of "immediate" could be argued to be a change in the law, pressing employers to take action to address sexual harassment claims more quickly.

This could come at the expense of a thorough investigation or, more troublingly, the rights of the accused harasser before sufficient information has been gathered.

2. The Time Period for Making and Targets for a Sexual Harassment Claim Have Also Been Expanded

SB 45 changed, in the context of a sexual harassment claim, two other established principles. First, the *Labor Code* has required that a claim of harassment or discrimination under the Code be filed with the Texas Commission on Human Rights no later than the 180th day after the date of the alleged harassment or discrimination. *Tex. Labor Code* § 21.202.

In a deferral state such as Texas, in which a state agency will investigate claims under both state and federal law, this period extends to 300 days if a claim for harassment or discrimination under federal law is made. *E.g., Stanley Stores v. Chavana*, 909 S.W.2d 554, 557 (Tex. App.-Corpus Christi 1995, writ denied). SB 45 amends the *Labor Code* to make the filing period for a sexual harassment claim 300 days, regardless of whether a claim under federal law is also made.

Second, neither Title VII nor the *Texas Labor Code* has previously provided for individual liability for harassment claims. *See Garcia v. Shell Oil Co.*, 355 S.W.3d 768 (Tex. App. [1st. Dist.] Houston 2011, no pet.); *Fonge v. United Ins. Co. of Am.*, No. 14-97-00154-CV, 1998 Tex. App. LEXIS 6421 (Tex. App. [14th Dist.] 1998, pet. denied) (mem. op.).

SB 45 amends the *Labor Code* to define "employer," for purposes of sexual harassment, as one who "employs one or more employees" or "acts directly in the interests of an employer in relation to an employee." The quoted phrase, which is not in the existing *Labor Code* definition of employer, would seem to create a basis for individual liability against managers, supervisors and other individuals with regard to sexual harassment.

3. Accommodating Disability and Remote Work

The COVID-19 pandemic gave employers a reason to brush up on a number of areas of employment law. The virus presents a possible workplace danger relevant to an employer's duty to provide a safe workplace under the Occupational Safety and Health Act. Catching the virus in the workplace presented worker's compensation issues.

The virus also presented various issues under the Americans with Disabilities Act (ADA) in terms of screening employees for the virus and obtaining medical information, requiring employees to get the vaccine for the virus, and with regard to accommodation of disabilities related to the virus.

On this last point, leave and remote working have long been potential accommodations under the ADA. And with the prevalence of remote work during the pandemic, employers might have a more difficult time demonstrating that in person attendance at the workplace is an "essential function" of the job or that allowing an employee to work remotely would impose an "undue hardship" on the employer. See 42 U.S.C.S. § 12111(8), (10); 42 U.S.C.S. § 12112(b)(5)(A).

In a recent opinion, the United States Court of Appeals for the Fifth Circuit addressed employee attendance as an essential job function within the meaning of the ADA. In *Weber v. BNSF Ry. Co.*, 989 F.3d 320 (5th Cir. 2021), a train dispatcher with epilepsy sought measures from BNSF, which the dispatcher claimed were necessary to accommodate his condition and to allow him to perform his job.

After experiencing a seizure and being diagnosed with epilepsy, the dispatcher took three months off on medical leave. When he was cleared to return to work, he requested accommodations, including time off to attend doctor appointments and being able to take days off after he had experienced a "triggering event" increasing the risk of seizure, such as getting inadequate sleep.

When the dispatcher was absent in violation of BNSF policy for these purposes, BNSF put him on a review program and ultimately terminated his employment. The dispatcher then sued and, among others, made a claim under the ADA. The dispatcher alleged that BNSF had failed to allow him the reasonable accommodation of additional time off for doctor appointments and after triggering events, citing cases where courts recognized time off as an accommodation under the ADA.

The Fifth Circuit distinguished these cases, noting that to make a claim under the ADA, an employee must be a "qualified individual," or "who, with or without reasonable accommodation, can perform the essential functions of the employment position that such individual holds or desires." *Id.* at 323.

The court noted that "there is a general consensus among courts, including ours, that regular work-site attendance is an essential function of most jobs." *Id.* at 325.

The court pointed to testimony by a BNSF director that regular job attendance for the dispatcher position was essential, BNSF's strict attendance policy and BNSF's warning the dispatcher prior to his termination that additional absences would result in discipline as supporting the conclusion that regular attendance was an essential function of the dispatcher position. *Id.* at 326.

The court went on to point to the dispatcher's inability to estimate how often he would need time off as supporting the conclusion that the dispatcher could not perform that essential function.

Although *Weber* was recently decided, the relevant facts and law predate the pandemic, so whether and how the prevalence of remote work during the pandemic will impact ADA issues related to remote work or leave as an accommodation is not clear. However, employers who want their employees to attend work in person can still take some basic points away from the *Weber* decision.

BNSF had made the decision that in-person attendance was essential well before the issues with the dispatcher in *Weber* arose and had written attendance policies to that effect. And the policies specifically address dispatchers, a position involving the sensitive safety duties of coordinating the movement of trains and for which finding a fill in on short notice is difficult. So, not only did the nature of the dispatcher position support a requirement of in-person attendance, BNSF had a clear written policy before the ADA dispute arose.

BNSF reasonably enforced its policies as well, allowing the dispatcher medical leave and giving him warnings about additional absences before terminating his employment. Employers seeking to require in-person attendance should consider similar steps.

Employers allowing remote work have steps they should take as well. Remote work should generally be subject to the same standards as work done at the office. For example, claims of compensable "on call" time or time worked off the clock are common issues under the Fair Labor Standards Act. Employees should be reminded of timekeeping policies and advised to keep accurate records of time worked and to not work any unauthorized overtime.

Because remote work will involve the use of technology, employers should make it clear that policies on use of company technology resources apply with equal force to remote work.

As with social media, interactions between coworkers via platforms such as Zoom can be less formal than in-person meetings and at times impersonal.

Employers should make it clear that policies on workplace attire and behavior, including policies against discrimination and harassment, apply to remote work.

Exhibit 1. Related Cases and Information

Dist. v. Sims, No. 05-20-00351-CV,
2021 WL 911928
(Tex. App.-Dallas Mar. 10, 2021)

El Paso v. Flores, 612 S.W.3d 299
(Tex. 2020)

Americans with Disabilities Act (ADA)
ADA.gov Homepage

Occupational Safety and Health Administration (OSHA)
OSHA Resources

Workers' Compensation
U.S. Department of Labor

4. The TCHRA Preempts Certain Tort Claims

Finally, let's look at the case of *Roane v. Dean*, a case dealing with the interaction between tort claims and the Texas Commission on Human Rights Act. *Roane v. Dean*, No. 03-19-00307-CV, No. 03-19-00352-CV, 2020 Tex. App. LEXIS 3655 (Tex. App.-Austin 2020, pet. filed).

Dean was the director of special education services for a school district. Roane was the district's superintendent. The two attended a work conference. Following the conference meeting, a group including Roane and Dean met for dinner and after dinner Roane insisted that he walk Dean to her hotel room.

Once at Dean's room, Roane insisted on entering, began to disrobe, and made various sexual advances and sexually explicit statements to Dean. Dean alleged that the event traumatized her to the point of being hospitalized for chest pains.

Dean filed a lawsuit and named Roane as a defendant individually. Dean claimed that Roane's action amounted to intentional infliction of emotional district, a common law tort claim.

The trial court denied Roane's request to dismiss the claim against him. The court of appeals reversed citing *Waffle House, Inc. v. Williams*, 313 S.W.3d 796, 802 (Tex. 2010) and other Texas Supreme Court precedent, in which the court held that "[w]here the gravamen of a plaintiff's case is TCHRA-covered harassment, the [TCHRA] forecloses common-law theories predicated on the same underlying sexual-harassment facts."

Dean attempted to distinguish these cases, arguing that she had not made the tort claim against her employer, but had instead made a claim against Roane individually.

Citing *Creditwatch, Inc. v. Jackson*, 157 S.W.3d 814 (Tex. 2005), the court of appeals rejected this argument, concluding that when a plaintiff's claim is based on harassing conduct of a supervisor, the plaintiff's recourse is under the TCHRA, not through an intentional infliction of emotional district claim against the employer or supervisor.

Because the TCHRA preempted Dean's tort claim, she was subject to the administrative exhaustion requirement of the TCHRA and its damages caps. And, generally, the TCHRA does not allow for liability against individuals.

However, as noted above, effective Sept. 1, 2021, under SB 45, supervisors might be exposed to individual liability for sexual harassment claims. Even so, the preemption principles discussed in *Roane* can benefit employers and help them defend against employment-related tort claims and can still be of use to supervisors sued individually on a tort theory for harassment other than sexual harassment.

A petition for review by the Supreme Court has been filed in *Roane*, so the full effect of the opinion and how it might interact with SB 45 is still yet to be seen.

Employment Law Changes Unrelated to COVID-19

The COVID-19 pandemic brought about significant changes in employment law and caused employers to revisit their understanding of existing law. While the pandemic and related law changes have given employers plenty to deal with and employers may have tended to focus on such issues, employers must also stay apprised of changes in employment law unrelated to COVID-19 issues.

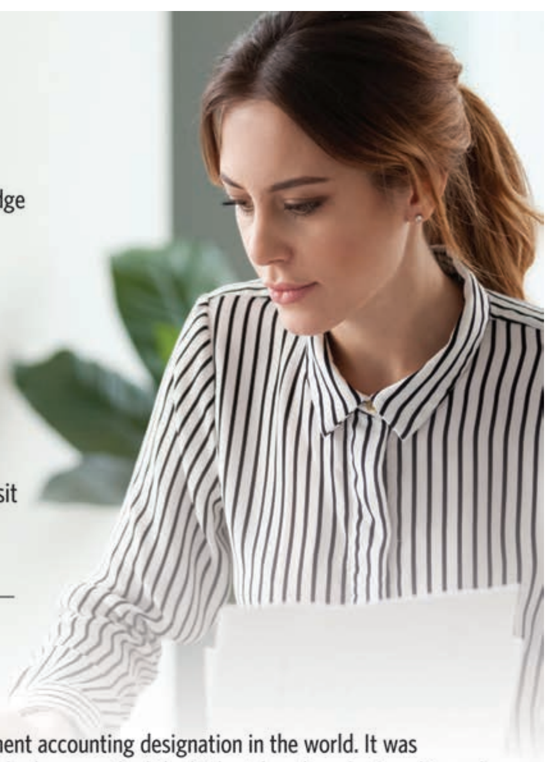
About the Author: Joe Rivera is an attorney and member of Naman Howell Smith & Lee PLLC, where he practices in the areas of employment law, tax controversies and litigation, and business transactions and litigation. Naman Howell offers a broad range of legal services from its offices in Fort Worth, Austin, Waco and San Antonio.

Endnotes

[1] https://www.eeoc.gov/statistics/all-statutes-charges-filed-eeoc-fy-1997-fy-2020

[2] https://www.npr.org/sections/thetwo-way/2018/02/21/587671849/a-new-survey-finds-eighty-percent-of-women-have-experienced-sexual-harassment

[3] Seventy-two Percent of Workers Who Experienced Sex Harassment Faced Retaliation, Says New Report by NWLC Based on TIME'S UP Legal Defense Fund Data



CPE ARTICLE

Accounting for de-SPAC Transactions

By Josef Rashty

CURRICULUM: Accounting and Auditing

LEVEL: Intermediate

DESIGNED FOR: CPAs in industry and public practice; management

OBJECTIVES: Explicate some of the accounting issues related to SPAC transactions and to elucidate the fundamental concepts of de-SPAC mergers within the framework of Financial Accounting Standards Board (FASB) and Securities and Exchange Commission (SEC) guidance

KEY TOPICS: Definition of SPACs, SEC filing requirements and expectations, financial reporting requirements, determination of the acquirer, contingencies and contingent considerations, SPAC warrants, earnings per share calculation

PREREQUISITES: None

ADVANCED PREPARATION: None

Special Purpose Acquisition Companies (SPACs) offer an appealing alternative to the costly and time-consuming traditional initial public offerings (IPOs) for companies in burgeoning industries. SPACs, also called "blank-check companies," are shell companies that are listed on a stock exchange with the sole purpose of acquiring a private company to take it public.

The private company (target company), often a startup, then takes the SPAC's place in the stock market as a public company. Merging with a SPAC has become a popular way for companies to go public because the process has more lenient regulatory requirements and often brings outsized returns for investors.

The Securities and Exchange Commission (SEC) has recently reinforced its focus on the importance of corporate governance and financial reporting by SPACs. Several senior SEC regulators have issued statements warning companies going public through deals with SPACs against issuing enticing but misleading financial disclosures about their companies and their future prospects.

This article explicates some of the accounting issues related to SPAC transaction, and its goal is to elucidate the fundamental concepts of de-SPAC mergers within the framework of Financial Accounting Standards Board (FASB) and SEC guidance. Exhibit 1 defines some of the terminologies that this article has used.

Exhibit 1. Definitions of Terminology

Term	Definition
SPAC	A newly formed public company that is created with some capital contribution from its initial investors. A SPAC raises additional funds as it undergoes an IPO and finally uses its financial resources (cash from an IPO or equity from initial investors and often both) to acquire a target company.
Target Company	Usually a private emerging company that acquiesces to a merger with a SPAC.
de-SPAC	The merger process of a SPAC with a target company.
PIPE (Private Investment on Public Equity)	The acquisition of additional funding through a private investment by a target company in a de-SPAC transaction.
Reverse Recapitalization (Reverse Merger)	A transaction where the acquirer is the target company rather than the SPAC. (In most cases, the SPAC is the acquirer)

Definition of SPACs

A SPAC is a newly formed company that raises cash through an IPO. Then, it uses that cash or its own initial equity, or often both, to finance the acquisition of a privately held target company. SPACs are nonoperating public companies (i.e., shell companies) and usually do not have any assets on their balance sheets other than cash.

Subsequent to an IPO, the SPAC management commits itself to complete the acquisition of a target company within a certain timeframe (usually two years or less). If SPACs cannot complete an acquisition within the specified timeframe, they liquidate and return the remaining IPO proceeds to SPAC shareholders.

SPACs used to be a little-known corner of capital markets, but they have experienced spectacular growth in recent years. However, they have been under scrutiny recently, and the U.S. securities regulators have opened inquiry into blank check acquisition frenzy and are seeking information on how underwriters are managing the risks involved.

For example, in April 2021, the SEC issued a statement and the staff commented that it is more appropriate for companies to classify the SPACs' warrants as liability. Some Wall Street analysts have argued that the recent increased regulatory scrutiny has already cooled down the SPACs hot market to some degree.

SEC Filing Requirements

A management team, or a sponsor, with nominal invested capital initially forms a SPAC. The SPAC subsequently files for an IPO, which results in the transfer of approximately 80% of its equity to the public. SPACs file a Form 8-K after their initial IPO and to register the issued securities, they file a Form S-1. SPACs are subject to SEC reporting requirements subsequent to the effectiveness of their Form S-1. Meanwhile, SPACs hold the funds that they have raised in a trust account while they search to acquire a target company.

Once SPACs identify a target company for a potential acquisition, their shareholders vote on the acquisition of the target company. To solicit shareholders' votes on the merger, SPACs prepare a proxy statement on Schedule 14A (a proxy statement). If SPACs register securities as part of the de-SPAC transaction, they file joint registration and proxy statements on Form S-4 (Form S-4/proxy statement) in lieu of a proxy statement.

The newly formed company has four business days to file a special Form 8-K (Super 8-K) that includes the information that would have been required if the target were filing for an initial registration on Form 10-K. The requirements for financial statements (in compliance with GAAP and SEC promulgations) and SEC review process are largely consistent with a traditional IPO.

Furthermore, SPACs and their target companies may need to secure additional financing to facilitate the acquisition. They can obtain this additional financing through funding and investment by a private investment company (PIPE). PIPEs usually close contemporaneously with the acquisition or shortly after acquisition of the target company. The newly formed company needs to file a Form S-3 for any PIPE financing.

Financial Reporting Requirements

Audited Financial Statements

The SEC requires that the target company provide three years audited financial statements. The target company may provide two years audited financial statements if it meets one of the two following criteria:

- It is a smaller reporting company (SRC) (i.e., it reported less than $100 million in annual revenues or had a public float less than $250 million-Item 10(f)(1) of Regulation S-K).

- It is an emerging growth company (EGC) if it has annual revenues of less than $1.07 billion during the most recently completed fiscal year and has not issued more than $1 billion of nonconvertible debt over the past three years.

Target companies need to adopt GAAP reporting requirements applicable to public companies for their audited financial statements if they have been following Private Company Council (PCC) guidance for reporting prior to their de-SPAC transaction.

Internal Controls Over Financial Reporting (ICFR)

Pursuant to the Sarbanes-Oxley Act of 2002 (SOX), public companies include in their filings an annual management assessment of ICFR under Section 404(a) and an annual attestation report from the issuer's independent auditors under Section 404(b). Since a SPAC is already a public company, the newly formed company may not be eligible for the transition reporting relief that exempts companies from this requirement subsequent to their IPOs.

The SEC has delayed external auditor's attestation under Section 404(b) for companies that are qualified as SRC and EGC. In case of a reverse merger, however, when it is not feasible to evaluate ICFR, the SEC permits the combined company to exclude management's assessment and the auditor's attestation of ICFR (SOX Section 404(a) and 404(b)) for the fiscal year in which a reverse merger was completed.

Section 302 of SOX requires that the principal executive and financial officers of a company, typically the CEO and CFO, personally attest that financial information is accurate and reliable. They must make these attestations within the quarterly 10-Q and annual 10-K reports that their companies file with the SEC.

Section 302 certification usually covers the implementation and maintenance of a company's internal controls and procedures, as well as the reporting of deficiencies or changes related to internal controls. However, the SEC has advised companies that are not subject to Section 404 to omit references to ICFR in their Section 302 statements.

Section 906 of SOX requires that public companies include a specific written certification of the CEO and CFO in each periodic report containing financial statements. SOX imposes penalties if information in Forms 10-Q and 10-K do not fairly represent the financial condition and results of operations of the company.

Unaudited Financial Statements

The target company is not required to file any interim financial statements if the de-SPAC filing date (mailing or effective date) does not exceed 134 days from the last audited year-end balance sheet date. However, if the audited financial statements date is 135 or more days from the filing date (mailing or effective date), then the target company must file interim unaudited financial statements.

Determination of the Acquirer

De-SPAC transactions are generally within the scope of ASC 805, *Business Combinations*. An important accounting judgment in de-SPAC transactions is determination of the accounting acquirer. The accounting acquirer, not necessarily the legal acquirer, is the entity that obtains control of the newly formed reporting entity.

In a de-SPAC transaction, if the SPAC transfers cash and assets to a target company, it can be presumed automatically that it is the acquirer. In most instances in de-SPAC transactions, the acquirer is a SPAC and the acquiree is a target company.

Another complication is the accounting model applicable to a target company; for example, the target company may be considered a variable interest entity (VIE). If so, the primary beneficiary (the SPAC) is the acquirer. However, if the voting interest model is applicable, and the merger consideration is equity or a combination of cash and equity, then it may not be clear whether the SPAC or the target company is the acquirer. ASC 805-10-55-11 through 55-15 has guidance on which entity is potentially the acquirer (e.g., relative voting rights or composition of senior management and governing body are among the criteria to be considered).

If the SPAC is the acquirer in the merger transaction, it recognizes assets and liabilities of the target company at fair value in accordance with ASC 805. Furthermore, the SPAC reflects the acquisition accounting and transaction costs of the acquisition in its proforma financial statements in its proxy or Form S-4/proxy statement.

However, if the target company is the acquirer, the SEC and FASB consider it a reverse merger. Companies consider reverse mergers as reverse capitalizations since the SPAC's only pre-merger asset is most likely its cash and thus it does not meet the definition of business based on ASU 2017-01, *Clarifying the Definition of a Business*.

The SPAC may enter into a transaction for its own benefit or for the benefit of the newly formed company.

The substance of a reverse capitalization is that the target company issues equity shares for the net monetary assets that it receives from the SPAC.

The target company presents the following information in its financial statements in a reverse merger:

- Assets and liabilities at historical cost;
- No goodwill or intangible assets;
- Retained earnings and other comprehensive income at historical values;
- Equity and additional paid-in capital due to transaction.

Contingencies (Assets and Liabilities Acquired)

Contingencies are existing conditions, situations or sets of circumstances resulting in uncertainty about possible gain or loss that will be resolved in the future. The acquirer (most likely the SPAC) records the contingencies as a result of a de-SPAC transaction based on ASC 450, *Contingencies* as follows:

- Initial accounting at acquisition date: it records the contingencies at fair value if they are probable and the amount of asset and liability can be reasonably estimated.
- Subsequent accounting (post combination): it adjusts contingencies at the higher of (1) best available estimate or (2) acquisition date fair value less any amortization.

Contingent Considerations

In a de-SPAC transaction, the SPAC acquirer may have uncertainty regarding the fair value of the target company. One way to address this concern is for the SPAC to enter into agreements with the shareholders and employees of the target company to issue additional shares or release shares from escrow or other restrictions during the post-merger period if the target company meets certain performance obligations (e.g., meeting certain sales level or achieving a stock price hurdle).

Furthermore, the SPAC may enter into a transaction for its own benefit or for the benefit of the newly formed company. These transactions should be accounted for separate from the acquisition. The following is a list of such transactions:

- Settle a preexisting relationship (ASC 805-10-55-20 through 55-23);
- Compensate employees for future services – compensation earn-out (ASC 805-10-55-24 through 55-26); and
- Reimburse the former owners for acquisition related costs – shareholders earn-out (ASC 805-10-25-23).

Exhibit 2. Contingent Considerations

		Additional Consideration	Post-Business Compensation
a	If selling shareholders continue their employment and become key employees (most likely a contingent consideration arrangement)	X	
b	If duration of employment is longer than the contingent payments period		X
c	If the employee compensation (excluding contingencies) is comparable to other employees	X	
d	If non-employee selling shareholders receive lower contingent consideration than employee selling shareholders		X
E	If selling shareholders, who become key employees, have substantial and major number of shares	X	
F	If the initial consideration transferred is at the low end of the valuation	X	
g1	If the contingent payment is a percentage of earnings		X
g2	If the contingent payment is based on a multiple of earnings	X	
h	Contingent payments that are attributable to something other than consideration for the target company	(1)	(1)
	(1) SPAC recognizes these transactions in accordance with GAAP during the post-combination period		

Settlement of Preexisting Relationship

The SPAC and target company may have a preexisting contractual or noncontractual relationship (e.g., the target company has an arrangement to rent a space to the SPAC). If a de-SPAC transaction in effect settles a preexisting relationship, the acquirer (most likely the SPAC) recognizes a gain or loss for the settlement of such preexisting relationship.

Earn-out Provisions in de-SPAC Transactions

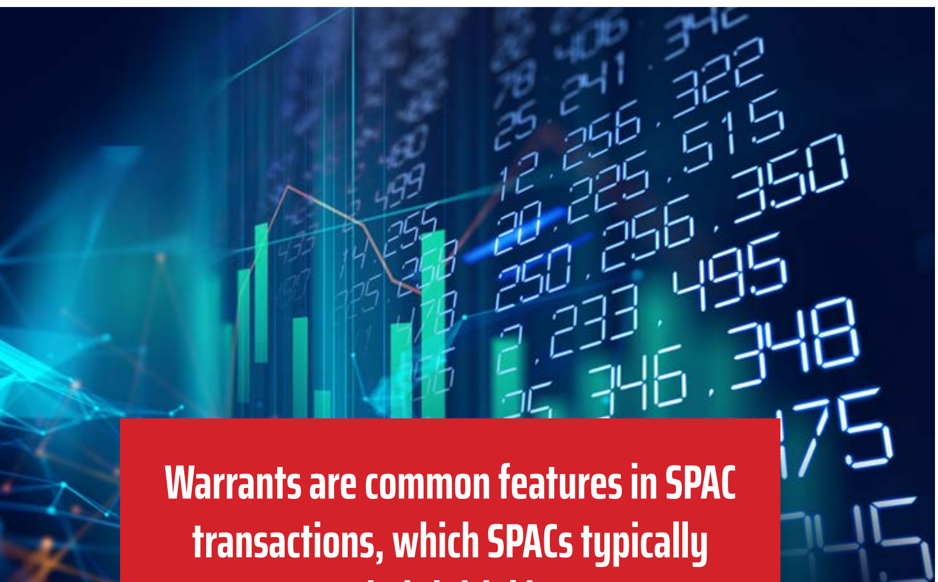
ASC 805 provides eight indicators to assess whether a contingent payment is part of a business combination or a post-combination compensation cost. Generally, contingent payments to selling shareholders that remain employed and are providing future services are post-combination compensation costs, particularly if a contingent payment is forfeited upon termination of employment. *Today's CPA* published the following two articles that discuss earn-out provisions:

- Compensation Earn-Outs and Post Business Combination Earning Surprises (Josef Rashty, March/April 2012) https://josefrashty.com/uploads/3/4/1/9/34190589/earn-out-pdf.pdf
- Shareholders' Earn-Outs and Earnings Management (Josef Rashty, March/April 2014) https://josefrashty.com/uploads/3/4/1/9/34190589/2014-4_she_-_tcpa.pdf

ASC 805-10-55-25 has the criteria included in Exhibit 2 to identify if contingent consideration is part of the business combination or post-business combination compensation cost.

Earn-outs may include the issuance of additional securities or distribution of cash or other consideration based on certain post-combination events (e.g., earnings, stock prices or other factors). Earn-out securities in de-SPAC transactions are usually one of the following types:

- Non-qualified stock options (NQSOs);
- Restricted stock units (RSUs);
- Restricted stock (RS);
- Warrants. (These types of warrants are usually accounted for under ASC 718. If not, they are within the scope of ASC 480, ASC 815-10 and 40. (The newly formed company, rather than the SPAC, issues these warrants and their accounting treatment is different than SPAC warrants discussed later in this article.)



Warrants are common features in SPAC transactions, which SPACs typically grant to their initial investors.

An acquirer recognizes earn-out considerations at their acquisition-date fair value as part of the consideration transferred in the acquisition (ASC 805-30-25-5) and classifies it as equity, an asset or a liability.

Contingent consideration classified as equity is not remeasured after the acquisition date and subsequent settlement is accounted for within equity.

Contingent consideration classified as liability (or asset) is remeasured at the end of each reporting period until the contingency is ended. Companies recognize changes in fair value of contingent considerations in earnings unless the contingency is a derivative and has been designated as a hedging instrument in a cash flow hedging relationship. (Topic 815 requires that companies recognize any changes in fair value initially in other comprehensive income.)

Share-Settleable Earn-Out Arrangements (Shareholders Earn-Outs)

Due to uncertainty in the fair value of the target company, a SPAC may agree to enter into shareholders earn-out arrangements with the target's shareholders, the SPAC's sponsors or both. SPACs' shareholders earn-outs have the following characteristics:

- A newly formed company issues additional shares to beneficiaries (cannot be cash settlement awards) if certain events occur or certain conditions are met (e.g., stock prices remain within a certain range or achieving certain revenue targets).
- A newly formed company issues all committed shares, not previously issued, upon the occurrence of certain events (e.g., change of control).

Shares in any shareholders earn-out arrangements are often in the form of restricted stock (RS) and subject to either transfer restrictions or forfeiture upon occurrence of certain events or conditions.

Compensation Earn-Out Arrangements

Compensation earn-outs are contingent post de-SPAC expenses. A SPAC promises certain compensation in the form of stock awards or cash to certain key employees of the target company to maintain their services for a certain period of time or ensure achievement of certain goals within a period of time subsequent to the de-SPAC transaction.

Companies usually condition earn-outs based on service, performance or market conditions (e.g., absolute or relative stock price hurdle). Accounting for stock compensation award arrangements is within the scope of ASC 718, *Compensation – Stock Compensation*.

SPAC Warrants

Since a SPAC has no means of making money until it identifies and then merges with a target, it issues warrants as an enticement to its sponsors and investors to gain over and above anything their shares may generate. The accounting issue centers on whether such warrants are being categorized properly in the financial statements of the preparer.

The units sold in a SPAC IPO typically comprise one share of common stock and a warrant to purchase one-half of one share of common stock in the future. The SPAC issues warrants, which become exercisable shortly after the de-SPAC transaction, with a strike price that is out of money (usually 115% of the price per unit in the IPO).

SPACs have typically treated these warrants as equity instruments, but the SEC has started to look closely at the accounting practices connected with these accounting practices and has noted potentially problematic patterns. In Apri1 2021, the SEC staff stated that such warrants, depending on their terms, should not be treated as equity investments but it is rather more appropriate that SPACs treat them as liabilities.

Companies need to update the valuation of liability classified awards each reporting period and reflect the changes in fair values in earnings. Therefore, SPACs, which have classified these awards as equity and now need to reclassify them as liability, may need to restate their financial statements for prior periods.

Warrants are common features in SPAC transactions, which SPACs typically grant to their initial investors. Companies classify these warrants as either equity or a liability. The SEC has the following two conditions for SPACs to classify the warrants as a liability:

1. The warrant settlement varies depending upon the characteristics of the holder of the warrant. (GAAP requires liability classification since the holder is not an input into the pricing of a fixed-to-fixed option on equity shares).

2. In the event of a tender or exchange offer made to and accepted by holders of more than 50% of the outstanding shares of a single class of common stock, all holders of the warrants are entitled to receive cash for their warrants. (GAAP requires liability classification for such warrants since it is within the SPAC's control.)

Earnings Per Share Calculation

The recipients of stock compensation awards may be entitled to the dividends that companies pay on their underlying equity shares while the stock awards are still outstanding but not vested (ASC 718-10-55-45). FASB considers these divided-protected stock awards as participating securities under certain conditions.

Share-based payments that include dividend-protection features, such as dividend payments or adjustments to the exercise price for dividends declared, have certain accounting implications for expense recognition and earnings per share (EPS) calculation. The dividend-protected features of stock awards impact their fair values and most likely determine their status as participating securities. Participating securities have certain accounting and tax implications and may require companies to calculate their EPS pursuant to the two-class method under ASC 260.

SEC Expectation

The SEC views de-SPAC transactions no differently than conventional IPOs and expects the combined public company to have in place both the right people and processes to produce high quality financial reporting that meets SEC rules and regulations (including robust de-SPAC disclosures).

An Alternative to Traditional IPOs

SPAC transactions have become a preferred way for the management team to take companies public in many instances. Initially, SPACs raise capital through an IPO for the purpose of acquiring target companies. Subsequently, target companies, in lieu of executing their own IPOs, decide to merge or be acquired by SPACs and become a publicly held listed company.

De-SPAC transactions may be completed usually in three to four months, which is substantially shorter than a typical traditional IPO timeline. However, most of the accounting and filing requirements in a de-SPAC transaction remain more or less the same despite the compressed timeline of a SPAC merger. Therefore, project management is essential to reduce costs and increase efficiencies to accommodate compliance with accounting and reporting requirements.

Since private target companies can be brought into public markets more quickly through a de-SPAC transaction than the traditional IPO process and because many private companies are in earlier stages of development compared to pre-IPO companies, the target company might not be prepared for certain regulatory demands and new risks of being a public company. These demands and risks include new financial reporting processes and SEC filing requirements (including ICFR reporting and disclosures) under accelerated timelines and deadlines that cannot be missed, new regulatory and listing requirements, and additional communications with shareholders, analysts and the media.

The newly formed companies may need to have in place a more sophisticated and experienced management team to implement compliance with regulatory requirements.

ABOUT THE AUTHOR: Josef Rashty, CPA, Ph.D. (Candidate) is a member of the Texas Society of CPAs and provides consulting services in Silicon Valley, California. He can be reached at jrashty@josefrashty.com.

Please note that when registration is complete, a confirmation email will be sent and provide a hyperlink to access the quiz.

CPE ARTICLE: ACCOUNTING FOR DE-SPAC TRANSACTIONS

By Josef Rashty

Today's CPA offers the self-study exam for readers to earn one hour of continuing professional education credit. The questions are based on technical information from the preceding article. If you score 70 or better, you will receive a certificate verifying you have earned one hour of CPE credit – granted as of the date the test arrived in the TXCPA office – in accordance with the rules of the Texas State Board of Public Accountancy (TSBPA). If you score below 70, you will receive a letter with your grade.

1. What is a SPAC?
a. A private company with growth potential
b. A newly formed public company
c. A private company seeking acquisition deals
d. None of the above

2. Some analysts have argued that the SEC scrutiny:
a. Has caused the SPAC market to collapse
b. Has expanded the SPAC market
c. Has already cooled down the SPACs hot market to some degree
d. None of the above

3. SPACs are subject to SEC reporting requirements subsequent to the effectiveness of their ___________.
a. Form 10-K
b. Form 10-Q
c. Form 8-K
d. Form S-1

4. The SEC requires that the target company provides _______ years audited financial statements.
a. One
b. Two
c. Three
d. Four

5. The SEC has delayed external auditor's attestation under Section 404(b) for:
a. SRCs
b. EGCs
c. Private companies
d. a and b

6. The target company __________ required to file interim financial statements.
a. May be
b. Is always
c. Is never
d. None of the above

7. de-SPAC transactions are generally within the scope of _______________.
a. ASC 450, *Contingencies*
b. ASC 718, *Compensation – Stock Compensation*
c. ASC 805, *Business Combinations*
d. ASC 260, *Earnings Per Share*

8. Earn-outs are based on certain post-combination events and may include:
a. Issuance of additional securities
b. Distribution of cash or other consideration
c. All of the above
d. None of the above

9. Companies usually condition their earn-outs based on the following:
a. Service
b. Performance
c. Market conditions
d. All of the above

10. SPACs typically grant warrants to their:
a. Creditors
b. Initial investors
c. Employees
d. Board members

To receive your CPE certificate by email, please provide a valid email address for processing.

Please mail the test (photocopies accepted) along with your check to:

Today's CPA; Self-Study Exam: TXCPA CPE Foundation Inc.; 14651 Dallas Parkway, Suite 700; Dallas, Texas 75254-7408. TSBPA Registered Sponsor #260

Name: ____

Company/Firm: _____________________________________

Address (Where certificate should be mailed):

City/State/ZIP: ____________________________________

Email Address: ____________________________________

Make checks payable to The Texas Society of CPAs

_____ $15 (TXCPA Member) _____ $20 (Non-Member)

Signature: ____

TXCPA Membership No: ______________________________

PRACTICES FOR SALE

$1,700,000 gross. TX CPA firm near Amarillo, established 1991. Large client base. Tax, audit, payroll, bookkeeping, etc. Staff in place and partners open to staying on as needed. Large office building with tenants also available.
Contact greg.lake1@gmail.com.

CPA PRACTICE FOR SALE

54% net, $1.2M gross – North Dallas, Texas.
Sole owner works remotely 10 hours weekly.
38-year-old firm with 7 consecutive Highest Quality Rankings (21 years) in Peer Review.
Spanish bilingual a plus.
Highly experienced staff serves high net worth clients.
40-hour work week. No overtime. Offices close Friday at 2:30 pm.
$1.5M sales price. 10-year bank financing available with 5% - 10% down.

SALES MIX:

Compilations	41%
Taxes	28%
Consulting and Tax Audits	31%

Contact: flowers98765@hushmail.com.

ACCOUNTING BIZ BROKERS
offers the following listings for sale:
Eastern Brazos Valley area gross $650k
Eastern Central TX gross $350k
Central Fort Bend County gross $800k
Uvalde County gross (new lower price!) $729k
Texas County, OK gross $400k
S Central NM gross $162k

Contact Kathy Brents, CPA, CBI
Office 866-260-2793 Cell 501-514-4928
Kathy@AccountingBizBrokers.com
Visit us at www.AccountingBizBrokers.com
Member of the Texas Society of CPAs
Member of the Texas Association of Business Brokers

BUYING-SELLING PRACTICES throughout Texas for over 38 years … Offering 100% financing to buyers, so our sellers can cash out at closing! We only get paid for producing results! Confidential, prompt, professional. New practice in North Houston grossing $950,000. Henderson Carthage CPA grossing $400,000. Many others. Contact Leon Faris, CPA, in our Dallas office ... **PROFESSIONAL ACCOUNTING SALES ... 972-292-7172** … or visit our website: www.cpasales.com for the latest listings and information.

Texas Practices Currently Available Through Accounting Practice Sales: North America's Leader in Practice Sales
Toll Free 1-800-397-0249
See full listing details and inquire/register for free at www.APS.net.

$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

$449,000 gross. Heart of Texas CPA firm. 80% tax, (78% inv., 13% bus., 9% other), 11% bkkpng, 9% audits/reviews, cash flow around 43%, staff in place, owner available to stay on as employee after sale if needed. TXC1078

$1,789,085 gross. Austin CPA firm. 75% tax (43% individual, 52% business), 22% accounting, 3% other services, turn-key with experienced professional and support employees in place, owner also available for short transition. TXC1079

$2,322,782 gross. Austin CPA firm. 38% accounting, 58% tax (59% bus./32% ind./9% trusts and misc.), 4% consulting services, cash flow near 70%, staff in place, owners available to assist with transition. TXC1080

$763,000 gross. New Braunfels CPA firm. 38% tax (46% individual, 42% business, 12% other), 20% bkkpng/PR, 31% audits, 10% consulting, 1% comp/review, staff in place and seller available to assist with smooth transition. TXC1081

$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

$510,000 gross. NW of Dallas CPA firm. Tax 72%, accounting 28%, strong fees, solid cash flow, experienced staff in place, turn-key location in desirable DFW community. TXN1526

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

$320,000 gross. Grapevine tax and acctng firm. Tax 74%, accounting 19%, payroll 6%, quality client base of high-net-worth individuals and businesses, staff in place and seller available to assist with transition, turn-key practice in desirable community. TXN1556

$560,000 gross. NW of DFW CPA firm. 70% tax, 30% accounting, strong cash flow with 70% of revenues from business clients, experienced staff in place and owner available to assist with transition. TXN1557

$312,000 gross. S. of Ft. Worth CPA firm. Tax 74%, accounting 26%, cash flow over 70%, loyal client base, turn-key opportunity or profitable addition to area firm. TXN1559

$2,275,000 gross. Collin Co. CPA firm. Premium client base of businesses and high-net worth individuals, mostly tax 80%, but year-round income via acctng/consulting/payroll services, strong fee structure and experienced staff in place. TXN1561

$283,000 gross. SE Texas CPA firm. Tax 60%, bkkpg 40%, turn-key practice with staff in place, friendly clients, owner available to assist through tax season. TXS1232

$1,700,000 gross. N. Houston CPA firm. Great mix of services including tax, bookkeeping and consulting, experienced staff in place, turn-key but some flexibility regarding location. TXS1264

$189,000 gross. Corpus Christi area CPA firm. Revenues balanced between tax and bkkpng, year-round cash flow, turn-key practice in wonderful community, loyal client base. TXS1272

$250,000 gross. W. Houston CPA firm. Balanced mix of bkkpng and tax with a few annual compilations, prime location, diverse/loyal client base, owner available for transition. TXS1275

$291,000 gross. NW Houston CPA firm. Accounting 47%, tax 35%, misc. 18%, great cash flow, consistent income stream, staff in place, turn-key opportunity. TXS1278

$1,022,000 gross. West TX (S. Plains) CPA firm. 49% tax (66% individual, 32% business, 2% other), 38% bookkeeping/payroll, 4% consulting, 9% compilation/reviews, solid cash flow around 48%, experienced staff in place and owners available to assist with transition. TXW1029

ACCOUNTING PRACTICE SALES
For more information, call toll free 1-800-397-0249
See full listing details and inquire/register for free at www.APS.net.

Visit us at www.AccountingBizBrokers.com
Member of the Texas Society of CPAs
Member of the Texas Association of Business Brokers

BUYING OR SELLING?
First talk with Texas CPAs who have the experience and knowledge to help with this big step. We know your concerns and what you are looking for. We can help with negotiations, details, financing, etc. Know your options. Visit www.APS.net for more information and current listings. Or call toll-free 800-397-0249. Confidential, no-obligation. We aren't just a listing service. We work hard for you to obtain a professional and fair deal.
ACCOUNTING PRACTICE SALES, INC.
North America's Leader in Practice Sales

PRACTICES SOUGHT

SEEKING CPA FIRM SELLERS
Accounting Biz Brokers has GREAT NEWS for all 2021 sellers! We are experiencing a high volume of buyer activity and lenders are eager to assist with financing deals! **Accounting Biz Brokers** has been selling CPA firms for over 16 years and we know your market. Selling your firm is complex. We can simplify the process and help you receive your best results! Our "**Six Steps to Success**" process for selling your firm includes a personalized, confidential approach to bringing you the "win-win" deal you are looking for. Our brokers are the only Certified Business Intermediaries (CBI) specializing in the sale of CPA firms in the nation! When you are ready to sell, we have the buyers, financing contacts and the experience to assist you with the successful sale of your firm! Contact us TODAY to take the first step!

Kathy Brents, CPA, CBI
Office 866-260-2793 Cell 501-514-4928
Kathy@AccountingBizBrokers.com

MISCELLANEOUS

Michael J. Robertson, CPA
Texas Sales and Mixed Beverage Tax Solutions

Do you have a client with an upcoming sales tax audit or currently under audit? Does your client have a compliance issue or general question about sales tax? Call our team of sales tax experts. Our team provides over 100 years of experience with the Comptroller of Public Accounts as former auditors and supervisors. We work to ensure a fair audit. Should your client need a payment plan, we will negotiate with the Comptroller of Public Accounts.

Call 817-478-5788 or 214-415-4333
Texas Sales and Mixed Beverage Tax Solutions

Clarus Partners Announces New Texas Office

National Indirect Tax Compliance and Advisory firm

Do you have questions about sales tax? Need help with multistate compliance after Wayfair? Taxability issues? Audit defense? Refunds? Business registration and licensing compliance? Voluntary disclosure?

Let us be a resource for your firm and your clients. Clarus Partners is a national sales tax compliance and advisory firm. With offices across the U.S., our four partners have a combined 100+ years of experience in this arena.

Let us know any way we can help.

Steve Hanebutt, CPA
Clarus Partners
This firm is not a CPA firm
469-784-9604
claruspartners.com
stevehanebutt@claruspartners.com