

MAR  
APR  
2022

# TODAY'S CPA

Texas Society of Certified Public Accountants

## ARE YOU CAREER READY?

Competencies  
to Succeed in an  
Accounting Career

**SUSTAINABILITY REPORTS  
RAPIDLY BECOMING  
EXPECTED DISCLOSURE**

**INFRASTRUCTURE INVESTMENT  
AND JOBS ACT INCLUDES  
SEVERAL TAX PROVISIONS WITH  
LITTLE FANFARE**

**HINDSIGHT IS 20/20: AN  
INVESTIGATION INTO THE CAUSES  
AND IMPACT OF THE INCREDIBLE  
FRAUD AND COLLAPSE OF WIRECARD**

**TXCPA MIDYEAR BOARD  
OF DIRECTORS AND  
MEMBERS MEETING**

**PUTTING A PINK COLLAR  
ON THE FRAUD DIAMOND**





**LMS & CPE Tracking**  
SPECIFICALLY DESIGNED FOR ACCOUNTING FIRMS

**IT Training  
Staff Training  
Accountant Training  
CPE Tracking  
ALL-IN-ONE**

**A MOBILE-FRIENDLY LMS  
FOR YOUR ENTIRE FIRM**



*See our entire platform of integrated  
Talent Management Software*

© Copyright 2022, Micron Systems Inc. All rights reserved.

info@micronsystems.com  
**(201) 652-2229**  
www.micronsystems.com



**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](mailto:ddeakins@tx.cpa)

972-687-8550

800-428-0272, ext. 8550

**TECHNICAL EDITOR**

Brinn Serbanic, CPA, CFP®

[technicaleditor@tx.cpa](mailto:technicaleditor@tx.cpa)

**COLUMN EDITOR**

Don Carpenter, MSACC/CPA

**WEB EDITOR**

Wayne Hardin

[whardin@tx.cpa](mailto:whardin@tx.cpa)

**CONTRIBUTORS**

Melinda Bentley; Roxanne LaDu; Rhonda Ledbetter; Holly McCauley; Craig Nauta; Kari Owen; 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](mailto:ddeakins@tx.cpa)

**Editorial Board**

Arthur Agulnek, CPA-Dallas; Shivam Arora, CPA-Dallas; Aaron Borden, CPA-Dallas; Don Carpenter, CPA-Central Texas; Melissa Frazier, CPA-Houston; Rhonda Fronk, CPA-Houston; Aaron Harris, CPA-Dallas; Baria Jaroudi, CPA-Houston; Jennifer Johnson, CPA-Dallas; Joseph Krupka, CPA-Dallas; Nicholas Larson, CPA-Fort Worth; Anne-Marie Lelkes, CPA-Corpus Christi; Randy Lokey, CPA-Dallas; Alyssa Martin, CPA-Dallas; Stephanie Morgan, CPA-East Texas; Kamala Raghavan, CPA-Houston; Barbara Scofield, CPA-Permian Basin.

**Design/Production/Advertising**

Media By Design, LLC

[mediabydesign@gmail.com](mailto:mediabydesign@gmail.com)

**MAR  
APR  
2022**

# CONTENTS

VOLUME 49, NUMBER 5 **MARCH / APRIL 2022**

## COVER STORY

### 18 Are You Career Ready? Competencies to Succeed in an Accounting Career

## FEATURES

9 TXCPA Midyear Board of Directors  
and Members Meeting

25 Hindsight is 20/20: An Investigation  
into the Causes and Impact of the  
Incredible Fraud and Collapse of  
Wirecard

31 CPE Article  
Putting a Pink Collar on the Fraud  
Diamond



## COLUMNS

4 **Chairman's Message**  
A Never-ending Busy Season

6 **Accounting & Auditing**  
Sustainability Reports Rapidly  
Becoming Expected Disclosure

12 **Tax Topics**  
Infrastructure Investment and Jobs  
Act Includes Several Tax Provisions  
with Little Fanfare



## DEPARTMENTS

15 Take Note

37 CPE Quiz

38 Classifieds

© 2022, Texas Society of CPAs. The opinions expressed herein are those of the authors and are not necessarily those of the Texas Society of CPAs.

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](mailto:ddeakins@tx.cpa).

# A NEVER-ENDING BUSY SEASON

By [TXCPA Chairman Jason Freeman, JD,](#)  
[CPA-Dallas](#)



## How Can We Make Your Membership More Valuable?

I'd love to hear your feedback and answer your questions. Drop me a note at [chairman@tx.cpa](mailto:chairman@tx.cpa).

Welcome to your March/April issue of *Today's CPA*. Remember when this was called "busy season?" Doesn't it seem like busy season lasts so much longer these days – no matter what you're doing as a CPA?

TXCPA knows our members are busy, and we're grateful for the time and energy our volunteers pour into this organization and our members dedicate to supporting their profession. We want to help you manage busy season, regardless of how long yours lasts. Be sure you're taking advantage of these resources available with your membership.

- [TXCPA Exchange](#), our exclusive online forum, will save you time searching for the answers to your issues. From specific client scenarios to software recommendations and everything in between, members are helping members every day. Ask your questions or share your experience to help someone else save valuable time.
- Access your [FREE on-demand ethics course](#) to meet your license requirement. On-demand means this program is available when it best fits into your schedule – 24/7. The presentation is engaging and the certificate is ready as soon as you complete the program.
- Does this busy season find you needing more help? Or maybe you're looking for a new position that better fits your schedule or talents. [TXCPA's Career Center](#) provides members with deep discounts on job postings and a FREE job seeker profile to be reviewed by employers who are looking for their next superstar. With more than 80,000 page views in 2021, we know the [TXCPA Career Center](#) is attracting some great attention by employers and job seekers alike.
- CPE bundles, like the [Webcast Pass](#) and [TXCPA Passport](#), are available to help you find the programs you need to tackle the latest developments in all areas of the profession. Both options offer a one-year subscription to a library of programs for one discounted fee.

Your membership is critical to our success now and in the future. Reach out and let us know if there are other ways we can save you time or help you manage your day-to-day challenges. Our member service team is available to provide you with personal assistance at 800-428-0272, option 1, or [membership@tx.cpa](mailto:membership@tx.cpa).

Thank you for all you do and best wishes for a successful season!



# IF YOU ARE READING THIS...

# SO IS YOUR BUYER!

## CONNECTING MORE SELLERS AND BUYERS



## DELIVERING RESULTS - ONE PRACTICE AT A TIME

North Texas		Ryan Pannell		800-397-0249		Ryan@APS.net
Southeast Texas		Wade Holmes		888-847-1040 x2		Wade@APS.net
Central & W. Texas		Bill Anecelle		800-859-8250		Bill@APS.net



**ACCOUNTING**  
**PRACTICE SALES**  
THE GLOBAL LEADER IN PRACTICE SALES

**DELIVERING RESULTS -**  
**ONE PRACTICE AT A TIME**

[www.APS.net](http://www.APS.net)

# SUSTAINABILITY REPORTS

## Rapidly Becoming Expected Disclosure

**K**nowledgeable investors are quite accustomed to the standard reporting cycle of public companies, culminating in the Annual Report (Form 10-K) followed closely thereafter by the Proxy Statement. These reports offer insight into the financial viability and corporate governance of organizations. Although not part of the Securities and Exchange Commission (SEC) disclosure regime, the Sustainability Report is taking its place in what is rapidly becoming a triumvirate of reports that guide investors in their portfolio allocation.

The Sustainability Report is also referred to as the ESG disclosure because material Environmental, Social and Governance matters are reported. As such issues as climate change, fair trade and income inequality have moved to the forefront of business issues, more and more fund managers and individual investors are taking these matters into consideration when making investment decisions. This is reflected in the growing number of companies issuing annual sustainability reports.

A recent survey by the Governance & Accountability Institute, Inc. found that 90% of the S&P 500 issued sustainability reports in 2019 compared to only 20% in 2011.

In 2020, the SEC Investor Advisory Committee weighed in with several conceptual recommendations that could be viewed as the first step to bringing this report under the auspices of the Commission. The committee's review of sustainability reporting was grounded in its growing importance to investors. The committee pointed out that passivity with regard to these disclosures heightens the risk that either capital flows begin to favor overseas markets and/or U.S. markets fail to take the lead in shaping ESG reporting standards.

To counter these concerns, the committee made several recommendations.

**Investors Require Reliable, Material ESG Information Upon Which to Base Investment and Voting Decisions:** As companies vie for capital, inconsistent or inaccurate data hampers investment decisions. Currently, sustainability reporting tends to follow the guidelines outlined by three distinct reporting frameworks. The Global Reporting Initiative (GRI) first began

**By Don Carpenter, MSAcc/CPA**

publishing reporting standards in 1999 and maintains a warehouse of over 40,000 reports.

In 2017, the GRI began to move from a conceptual framework to reporting standards and over 51% of the S&P reporting companies utilize GRI guidelines. The Sustainability Accounting Standards Board (SASB) was organized by investors to function much like the Financial Accounting Standards Board (FASB) to bring a disciplined approach to sustainability reporting. SASB issues standards by industry that outline material topics and metrics to guide disclosure.

The third framework, Task Force on Climate-Related Financial Disclosures (TCFD), was organized by finance ministers and central bank governors to bring reliable and consistent disclosure to climate-related reporting. Currently, reporting companies are not required to adhere to any individual framework. However, a majority of S&P reporting companies utilize the GRI standards and 25% utilize or mention the SASB standards. Reporting entities are not necessarily relying exclusively upon one framework so duplication does occur.



**Issuers Should Directly Provide Material Information to the Market Relating to ESG Issues Used by Investors to Make Investment and Voting Decisions:**

Because ESG reporting is not required, investors often rely upon third party sources to fill in gaps in available information. For example, 65% of S&P companies respond to the Carbon Disclosure Project questionnaire that scores and ranks respondents with regard to climate issues such as carbon emissions, water, waste and supply chain. However, the SEC notes that investors prefer and place greater reliance on direct disclosures by organizations.

To meet this demand, it is critical that companies report material information in a format consistent across an industrial sector since investors are using the information to allocate capital. The chairman of the International Accounting Standards Board (IASB) has asserted that many sustainability reports "greenwash" the data to put themselves in the best possible light.

To bring credibility to the process, many reporting entities have begun to rely on third party reviews for

external assurance. Surprisingly, engineering firms were the most common third-party reviewer providing assurance on greenhouse gas reporting. But accounting firms and other third-party consultants have also weighed in on sections of ESG reports.

One reporting entity has even provided an examination report from its auditor stating that no material errors were found in the data.

**As climate change, fair trade and income inequality have moved to the forefront of business issues, more and more fund managers and individual investors are taking these matters into consideration when making investment decisions.**

To date, only a very small number of reporting organizations have included the Sustainability Report with their 10-K even though other unaudited information such as MD&A are regularly included. And the SEC notes that concern over forward looking information should not hinder full disclosure since such information is also common in MD&A. Some registrants do file their

Sustainability Report with the SEC as an 8-K Item 7.01 item under Regulation FD.

**Finally, the SEC Notes That Requiring Material ESG Disclosure Will Level the Playing Field**

**Between Issuers:** Currently, small and mid-sized registrants are at a disadvantage with regard to disclosure due to resource constraints. Without the required reporting systems and necessary staff, these firms are not able to match the information provided by larger competitors. The SEC states that by standardizing the type of information and materiality of such data, the playing field could be made more level for all filers when competing for capital.

As the emphasis on factors beyond financial performance become more critical to investors and the financial sector as a whole, companies would be well served to take a fresh look at sustainability reporting and keep abreast of developing trends.

**About the Author:** Don Carpenter is clinical professor of accounting at Baylor University. Contact him at [Don\\_Carpenter@baylor.edu](mailto:Don_Carpenter@baylor.edu).



westwoodgroup.com

From left: Shellytha Smodic, Susan Wedelich, Leah Bennett, Jason Caras, Karla Dominguez

**Your Values. Your Influence. Your Legacy.  
Our Advice.**

Built on strength, stability and a well-established track record.

**Let's Start a Conversation**  
Need to discuss financial planning, investment management or estate and trust questions? We can help you navigate financial complexity. Contact us to meet with a private wealth advisor.

713.683.7070

10000 Memorial Drive,  
Suite 650, Houston, TX 77024

 **Westwood  
Wealth Management®**



Dell Technologies offers TXCPA members an **ADDITIONAL 5-10% OFF** and access to a dedicated Small Business Advisor to customize your tech solutions. Get in touch with your advisor today at 855-900-5548 or visit [www.Dell.com/TXCPA](http://www.Dell.com/TXCPA) to access your savings.



**Amy Henry**

**Strategic Partnership Account Executive**

Dell | Small Business

 [Amy\\_Henry@Dell.com](mailto:Amy_Henry@Dell.com)

**DELL**Technologies





# TXCPA Midyear Board of Directors and Members Meeting

**T**he first in-person Board of Directors and Members Meeting in two years brought together TXCPA leaders in Irving, Texas Jan. 21-22, 2022. There was a feeling of joy to be in each other's company again. To help protect the health of all, a virtual participation option was available.

## Ensuring the Future of the Profession

Mohan Kuruvilla, Ph.D., CPA-Houston, talked about the changes in the next generation of the profession and what CPAs can do now. He started with data indicating that accountants and auditors are fourth on the list of the top 20 job roles in decreasing demand. He also pointed out that U.S. public accounting firms' hiring of accounting graduates was down 29% in 2018 compared to 2014.

Nationwide, there has been a 23% decline in the number of new candidates entering the CPA pipeline during the latest four years. There is also a decline in the number of

candidates passing the fourth section of the Uniform CPA Exam.

In Texas, there is a slight decline in the number of candidates sitting for the Exam, compared to a 16% growth in the state's population. There is a corresponding decrease in the number of Texas licensees.

Kuruvilla raised awareness about the considerations faced by those going from student to CPA. A crucial factor is the perception of an accounting career. The CPA profession needs to focus on messaging that reinforces the positives.

Economic reality also plays an important role in students' career direction. The cost of obtaining a 120-hour degree is an issue for many and especially those who face the expense of an additional 30 hours to become CPAs.

As they're looking to their likely starting salaries in accounting firms after they're certified, they're finding a landscape where the pay is lower than in most other comparable disciplines. Accounting



professionals need to emphasize the potential for income growth in the future.

There is exciting news about job roles that are in demand. They include data analysis, information security, digital transformation and risk management – all of which can be the domain of accountants in a changing landscape, which could attract new CPAs.

Kuruvilla next talked about opportunities to solve the pipeline problem. The Exam changes scheduled for 2024 as part of CPA Evolution will be a good step, equipping students with the right skill sets to address the accounting profession of the future.

**Student Outreach** – Individual CPAs are needed to get involved through TXCPA and its chapters. Work is being done to consolidate and refocus student and educator initiatives. A pipeline strategy that

is being developed by a TXCPA task force will be an important part of the puzzle. Volunteer resources are available so that CPAs can reach students and those who educate them by telling their story.

CPA employers can support the pipeline now:

- Get into high schools and colleges consistently.
- Support CPA candidates.
- Recruit differently, including Historically Black Colleges and Universities (HBCU) and Minority Service Institutions (MSI).
- Engage with university advisory boards.
- Become an employer of choice, someone workers choose to work for when presented with other options.

Action includes volunteering, educating your employer, telling your story and helping TXCPA advocate for change.

## AICPA Professional Issues Update

AICPA Chair Bill Pirolli, CPA/CFF/PFS, CGMA, discussed the need to adapt and keep adapting. CPAs are providing trusted expertise during the disruption caused by the pandemic. They are restoring consumer confidence, mitigating the impact on business and rebuilding trust in the economy.

CPA firm current top issues identified by the Private Companies Practice Section (PCPS) vary according to size. Some of the issues discussed include:

- Sole practitioners are most concerned about keeping up with changes and the complexity of tax laws.
- Firms with two to five professionals find keeping up with COVID-19 relief programs to be their biggest concern.



- Firms with six or more professionals are focused on finding qualified staff. (That has been the primary issue for this group during most of the last 20 years.)

The biggest issues impacting almost all firms during the next five years will be staffing and the challenges of managing a hybrid workforce. Sole practitioners will be grappling with emerging technologies such as data analytics, artificial intelligence and blockchain.

Professionals are striving to attract and advance new talent. [The Center for Audit Quality Bold Ambition Initiative](#) is working to understand students' mindset, how to reach them and find focus for a campaign to help them adopt accounting as a career path.

CPAs are adapting their services to what's needed now and are innovating for the future. Client accounting Advisory Services (CAS) is the fastest growing area.

Environmental and Social Governance (ESG), Sustainability and Integrated Reporting are about people, the planet, prosperity and principles of governance. Pirolli explained that they are driving better boardroom decisions by providing information behind the P&L statement.

CPAs demonstrate their enduring commitment to audit quality when they render an opinion on financial statements and they audit the world's capital markets.

Pirolli closed by saying the future is very bright, with an abundance of opportunity and a need for more people to participate in it.

## TXCPA Structure – 501(c)(3) Consolidation

To achieve the [TXCPA Strategic Plan](#) goal of designing an adaptable and

unified structure that will act as a catalyst for growth and strengthen operations, a set of proposals was developed to consolidate some of the organization's 501(c)(3) entities.

The proposals were developed after extensive examination of options and discussion among a range of TXCPA groups was conducted over several months. A task force from a cross-section of members worked together to envision a new structure. TXCPA Past Chairman Willie Hornberger, JD, CPA-Dallas, led a team from the law firm of Jackson Walker LLP in contributing a significant amount of time and expertise to the project pro bono.

At the meeting, the Board of Directors voted to merge the CPE Foundation into the Accounting Education Foundation (AEF). The work of the Accountants Confidential Assistance Network (ACAN) will continue to be done through the TXCPA 501(c)(6) entity and the Peer Assistance Foundation was dissolved, contributing its remaining assets to the AEF.

Board members approved the proposed categories and dues rates, which include no state-level increase for CPA members.

## Other Business

A report on the [CPA-PAC](#) was given by the committee chair, Terri Hornberger, CPA-Dallas.

The Annual Meeting of the [Accounting Education Foundation](#) was conducted by Gary McIntosh, CPA-Austin. A \$50,000 gift for an endowed scholarship in memory of Dr. Virgil Eugene (Gene) Sumrall, CPA, CGMA, has been contributed by his wife Lily Ang, CPA.

The results of TXCPA's election were announced by Nominations Committee Chair Jerry Spence, CPA-Corpus Christi. There was also a vote to ratify the chairman-elect's appointees. You can [view the list of 2022-2023 leaders on the website](#).

A financial report was made by Treasurer-elect Melanie Geist, CPA-San Antonio, CGMA, and CFO Edie Cogdell, CPA-Dallas, CGMA.

## Membership Task Force and 501(c)(3) Consolidation Task Force

**TXCPA thanks the Membership Review Task Force and the 501(c)(3) Consolidation Task Force. Please see the March/April Today's CPA page on TXCPA's website for the names of those who served on these task forces.**

## Membership Categories

Membership Review Task Force chair Tim Pike, CPA-Dallas and Fort Worth, led a discussion about work that has been done under the [TXCPA Strategic Plan](#) goal to broaden member categories to reflect the evolving profession and identify complementary organizations to affiliate with for expanded service capabilities.

## Upcoming Events

All members are warmly encouraged to be part of the 2022 Annual Meeting of Members at the Kalahari Resorts & Conventions, Round Rock, Texas July 1-2. Members will be a vital part of the Advocacy Day/Midyear Board and Members Meeting, Sheraton Hotel at the Capitol in Austin Jan. 24-25, 2023.

By Don Carpenter, MSAcc/CPA

# Infrastructure Investment and Jobs Act Includes Several Tax Provisions with Little Fanfare

**O**n November 15, 2021, President Joe Biden signed into law H.R. 3684, popularly called the *Infrastructure Investment and Jobs Act* (Infrastructure Act), in a bipartisan ceremony at the White House. The focus of the legislation was spending of \$1.2 trillion to address infrastructure improvements for the nation's highways, rail systems, water supply and broadband access among other items.

As is typical of large bills, several lesser publicized issues were also addressed. Included among these issues are several notable tax items. These items are not necessarily related to infrastructure spending but address a hodgepodge of issues. This article therefore does not attempt to link these provisions to the spending portions of the bill.

## Enhanced Reporting for Digital Assets

Cryptocurrency has been a focus of both Congress and financial markets

for some time now as described by the *Today's CPA* article in the January/February 2022 issue titled "Cryptocurrency: The New Frontier of Taxation and Enforcement."

For transactions after January 1, 2023, brokers must now report cryptocurrency transactions to the IRS consistent with the reporting of other capital asset transactions such as stocks and bonds. In addition, businesses must report cryptocurrency payments in excess of \$10,000 similar to the requirements for cash transactions.

## Employee Retention Credit Ended

The employee retention credit created by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act, March 2020) instituted a credit for wages paid to employees in an effort to counteract the employment effects of the pandemic. This credit was later extended by the *American Rescue Plan Act of 2021* to include wages paid in the third and fourth quarter of 2021.

The current Infrastructure Act repeals the applicability of the credit for wages paid in the fourth quarter with the exception of recovery startup businesses.

## Automatic Relief Granted for Natural Disasters and Other Emergencies

The Infrastructure Act makes the filing extensions for natural disasters automatically 60 days, giving assurance to taxpayers with regard to filing deadlines. Although the IRS generally granted the 60-day extension, the length of the deadline was not previously automatic and this introduced some doubt into the process. It separately extends the deadline for filing a petition in Tax Court if that court is inaccessible or closed, which may occur due to a natural disaster or pandemic.

The Act also modifies the existing automatic extension of certain tax filing deadlines by amending the definition of a disaster area to include



any area that receives financial assistance from the president under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*. The impetus for this modification was the extensive wildfires experienced over the past several years in the West and Midwest.

## Extension of Pension Funding Relief

The Act grants single employer pension funds more flexibility with regard to funding pension obligations by extending the smoothing provisions of the *American Rescue Plan* from 2029 to 2034.

Minimum funding requirements for defined benefit plans are determined using corporate bond interest rates. In 2012, the concept of an interest rate stabilization corridor was adopted and it provided that interest rates used could not be more than 10% above or

below the 25-year average of corporate bond interest rates. This "smoothed" the impact of a spike in interest rates. The interest rate stabilization corridor was originally scheduled to begin phasing out in 2013, but with the extension in the Infrastructure Act, it will remain in effect until at least 2034.

## Tax Treatment of Contributions to the Capital of a Corporation are Modified

The Infrastructure Act added a special exclusion from income for qualified contributions to the capital of a corporation for certain regulated public water and sewage disposal utilities as part of the focus on improving the water supply and replacing aging pipes. A contribution in aid of construction will qualify if it meets the definition to be provided by the Treasury.

The exemption only applies to "regulated" utilities that furnish water or sewage services under rates set by a governing body. The amount contributed is also excluded from the utilities base for purpose of rate setting.

The exemption is available for contributions made after December 31, 2020.

## Expanded Definition of Exempt Facility Bonds

The Act expanded the definition of qualifying expenditures for exempt facility bonds to include certain qualified broadband projects and carbon dioxide capture facilities. Interest earned on these bonds by investors will be exempt from federal (and possibly state) income taxes if the exempt facility bond requirements are met.




**OUR PASSION IS  
DOING *GOOD* THINGS  
FOR *GOOD* PEOPLE.  
WHAT IS YOUR PASSION?**

HERE ARE SOME OF THE PASSIONS WE HAVE HELPED  
MAKE POSSIBLE FOR OUR CLIENTS

- Maintain my lifestyle during retirement
- Provide educational opportunities for those less fortunate
- Ensure that my grandchildren can be well-educated
- Freedom to do more volunteering and ministry
- Travel to all my bucket list destinations

**Goodman  
FINANCIAL**  
MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY  
SERVING CLIENTS FOR OVER 30 YEARS

   
**713.599.1777**  
INFO@GOODMANFINANCIAL.COM

This firm is not a CPA firm. Goodman Financial is a fee-only Registered Investment Adviser (RIA). Registration as an adviser does not connote a specific level of skill or training. More detail, including forms ADV Part 2A and Form CRS filed with the SEC, can be found at [www.goodmanfinancial.com](http://www.goodmanfinancial.com).

## TAX TOPICS

The Act also provided a partial exemption to the private activity bond volume cap for exempt facility bonds related to these projects and increased the national limitation amount for qualified highway or surface freight transportation facilities.

### Credit for Nuclear Plants

In an effort to encourage financially struggling nuclear power plants to remain operational, the provision creates and funds a \$6 billion credit program to prevent early closure of nuclear facilities.

When applying for the credit, applicants must provide "known information on the source of produced uranium and the location where the uranium is converted, enriched and fabricated into fuel assemblies for the nuclear reactor for the four-year period for which credits would be

allocated." Priority will be given for uranium processed in the United States.

The Act also funds \$3.2 billion for Advanced Reactor Demonstration Program support. The intent of this program is to create a partnership between government and the nuclear industry to accelerate the advancement of nuclear power.

### Extension of Excise Taxes

The excise taxes on fuels, retail sales of heavy trucks and trailers, and tires are extended through 2028.

In addition, Superfund excise taxes were reinstated through 2031. These excise taxes are levied on the use of certain chemicals used by the petroleum and chemical industries. They were implemented by CERCLA in 1980 but were allowed to expire

in 1995. The Infrastructure Act reimposes these taxes at varying rates on a chemical-by-chemical basis. It also lowers the threshold from 50% to 20% on the content of a chemical in a product before the tax is applied. The revenue from these taxes is earmarked to be used by the EPA for cleanup of designated hazardous waste sites.

The tax provisions described above are almost inconsequential in terms of the overall \$1.2 billion price tag for the initiatives in the Infrastructure Act. However, the provisions address a broad array of tax issues with many of the revenue raisers intended to advance the clean energy and infrastructure priorities of Washington, D.C.

**About the Author:** Don Carpenter is clinical professor of accounting at Baylor University. Contact him at [Don\\_Carpenter@baylor.edu](mailto:Don_Carpenter@baylor.edu).



Christy Hudson  
CBI  
Broker

Kathy Brents  
CPA CBI  
Broker, Managing  
Member

Selling your firm is complex.  
**Let us make it simple.**

- ✓ Confidentiality
- ✓ Maximizing Firm Value
- ✓ Negotiations
- ✓ Closing
- ✓ Transition
- ✓ Financing

Learn more and get a FREE Market Analysis at  
[www.AccountingBizBrokers.com](http://www.AccountingBizBrokers.com)



Office: 866-260-2793  
Kathy: 501-514-4928  
Christy: 501-499-4357

✉ [kathy@accountingbizbrokers.com](mailto:kathy@accountingbizbrokers.com)  
[christy@accountingbizbrokers.com](mailto:christy@accountingbizbrokers.com)  
\*member of the Texas Society of CPAs





### Knowledge Hub is an Information Resource for Members

TXCPA's Knowledge Hub provides 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 more.

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

### Group Billing Program Saves Time and Maximizes Value

If you have several TXCPA members who work in your organization, be sure to take advantage of our convenient Group Billing Program! Group billing allows renewal of all memberships within your organization at one time with a

single dues invoice. Plus, group billing participants are eligible for 25% savings on the popular TXCPA Passport (see Passport details below) when purchased with renewals.

To participate in group billing and make your renewal process easier, please contact Kristie Estrada at [kestrada@tx.cpa](mailto:kestrada@tx.cpa) or 800-428-0272, ext. 8555, 972-687-8555 in Dallas.

### Passport is an Affordable On-demand Webcast Subscription

The TXCPA Passport is an easy, affordable and convenient way to get the CPE you need. For only \$199, the one-year subscription gives you unlimited access to more than 100 total CPE hours with programs of varying length.

Hours and titles are constantly added, and the one- and two-hour programs cover a variety of topics, including accounting, tax, assurance, not for profit, and fraud. To learn

more and purchase your passport, go to TXCPA's website at [www.tx.cpa/education/passport](http://www.tx.cpa/education/passport).

### Connecting on TXCPA Exchange

Members are actively connecting on TXCPA Exchange to ask professional questions, provide feedback and offer ideas to colleagues. Be sure to log in today and join the conversation on TXCPA's website at <https://exchange.tx.cpa/home>.

### TXCPA Honors Steve Tillinger, CPA

TXCPA and the accounting profession lost a dear friend in January. Steve Tillinger, CPA-Corpus Christi, passed away on January 4.

Many of you know Tillinger from his travels across the country to educate CPAs. His passion for the profession was evident in his more than 30 years of educational programs, prepared with incredible detail and delivered with great enthusiasm.

Tillinger's family has generously granted TXCPA the rights to provide members with access to his materials. All the proceeds will go directly to the newly established **Steve Tillinger Memorial Scholarship** from the Accounting Education Foundation of TXCPA. We hope you'll join us in honoring his memory as we build a fund to support the future of the accounting profession.

To learn more and contribute to the **Steve Tillinger Memorial Scholarship**, please visit the TXCPA website at [www.tx.cpa/resources/news/viewpoint/steve-tillinger-cpa](http://www.tx.cpa/resources/news/viewpoint/steve-tillinger-cpa).



**Become a  
PEER REVIEWER**

Grow your practice and lead the profession!

Adding peer review as a practice area provides distinct advantages for firms:

- Increases the visibility of your firm statewide
- Keeps peer reviewers on staff up-to-date on standards and exposes them to various audit processes that may enhance your firm's work in auditing
- Provides a prime new revenue opportunity, allowing you to charge your standard fee for this new line of service

**Want to learn more?**

Visit [www.aicpa.org/BeAReviewer](http://www.aicpa.org/BeAReviewer) Call 800-428-0272 (option 2)



# TXCPA's Upcoming 2022 Conferences and Clusters

Mark your calendar now and plan to attend TXCPA's conferences and clusters in May and June!

## Technology Conference

May 5-6 | Webcast Only

## Energy Conference

May 16-17 | Webcast Only

## Texas School Districts

## Accounting and Auditing Conference

May 19-20 | Sheraton Austin Hotel at the Capitol

[Webcast option available](#)

## Audits of Employee Benefit Plans Conference

May - Date TBD

## Nonprofit Organizations Conference

May 23-24 | Irving Convention Center

[Webcast option available](#)

## CPE By the Sea

June 15-17 | Galveston Convention Center

## Fort Worth Cluster

June 20-22 | The Worthington Renaissance Fort Worth Hotel

## TXCPA Passport

**The Passport offers a one-year subscription with unlimited access to more than 100 CPE hours and a variety of topics. Cost: Members \$199 | Nonmembers: \$329**

*View the complete schedule and register now in the Education area of our website at [tx.cpa/education/cpe](https://tx.cpa/education/cpe) or call the TXCPA staff at 800-428-0272 (972-687-8500 in Dallas) for assistance.*





## AICPA's Specialized Credentials

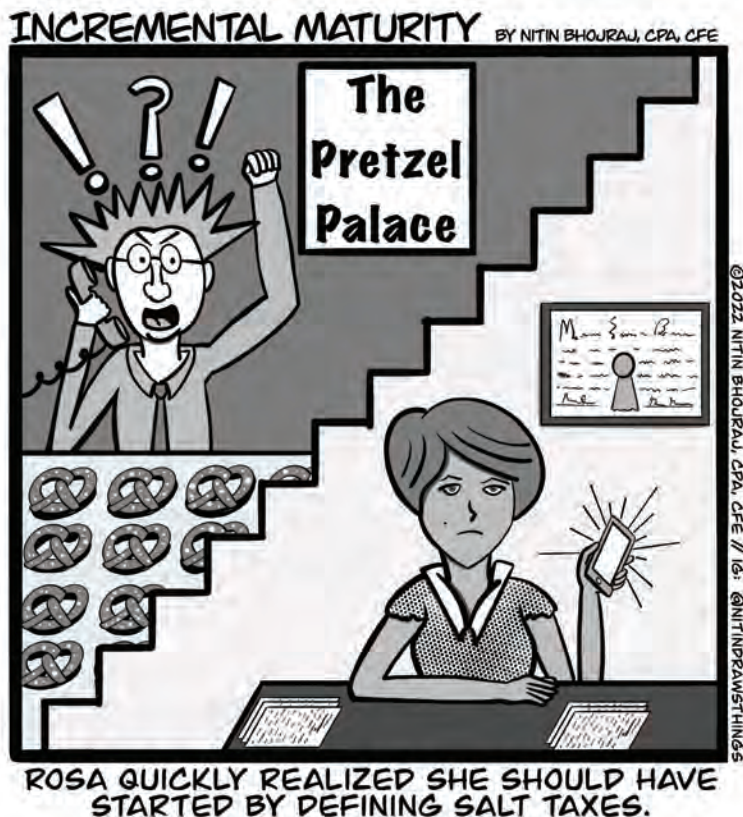
In addition to the Chartered Global Management Accountant (CGMA®) designation, AICPA offers specialized credentials for qualified financial professionals that can build on your knowledge and differentiate you as having expertise in a specialty practice area. The credentials include:

- Certified in Financial Forensics (CFF®)
- Personal Financial Specialist (PFS™)
- Accredited in Business Valuation (ABV®)
- Certified Information Technology Professional (CITP®)
- Certified in Entity and Intangible Valuations (CEIV™)
- Certified in the Valuation of Financial Instruments (CVFI™)

If you're ready to see what a credential can do for your career, go to AICPA's website at <https://us.aicpa.org/membership/join/credentials> to learn more.

## Submit an Article to Today's CPA Magazine

The editors of *Today's CPA* are seeking article submissions for the magazine. The publication features articles and columns that focus on issues, trends and developments affecting CPAs in all facets of business. If you would like to submit an article for consideration, please contact Managing Editor DeLynn Deakins at [ddeakins@tx.cpa](mailto:ddeakins@tx.cpa) or Technical Editor Brinn Serbanic, CPA, CFP™, at [technicaleditor@tx.cpa](mailto:technicaleditor@tx.cpa).



## STATEMENT OF OWNERSHIP

UNITED STATES POSTAL SERVICE® (All Periodicals Publications Except Requester Publications)	
1. Publication Title <b>Today's CPA</b>	2. Publication Number <b>0889-4337</b>
3. Issue Frequency <b>Bi-Monthly</b>	4. Annual Subscription Price <b>\$26.00, Free to Members</b>
5. Number of Issues Published Annually <b>3 (Three)</b>	6. Contact Person <b>DeLynn Deakins</b>
7. Complete Mailing Address of Known Office of Publication (Not printer's address; city, county, state, and ZIP+4®) <b>14651 Dallas Parkway, Suite 700 Dallas, TX 75254-7406</b>	8. Complete Mailing Address of Headquarters or General Business Office of Publisher (Not printer) <b>14651 Dallas Parkway, Suite 700 Dallas, TX 75254-7406</b>
9. Full Names and Complete Mailing Addresses of Publisher, Editor, and Managing Editor (Do not leave blank) <b>DeLynn Deakins, Texas Society of CPAs 14651 Dallas Parkway, Suite 700, Dallas, TX 75254-7406</b>	10. Owner (Do not leave blank. If the publication is owned by a corporation, give the name and address of the corporation immediately followed by the names and addresses of all stockholders owning or holding 1 percent or more of the total amount of stock. If not owned by a corporation, give the names and addresses of the individual owners. If owned by a partnership or other unincorporated firm, give its name and address as well as those of each individual owner. If the publication is published by a government agency, give its name and address.) <b>Texas Society of CPAs 14651 Dallas Parkway, Suite 700 Dallas, TX 75254-7406</b>
11. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages, or Other Securities. If none, check box <input checked="" type="checkbox"/> None	12. Tax Status (For completion by nonprofit organizations authorized to mail at nonprofit rates) (Check one) <input checked="" type="checkbox"/> Not for Profit <input type="checkbox"/> For Profit <input type="checkbox"/> Not for Profit (Check one) <input type="checkbox"/> For Profit (Check one)
13. Publication Title <b>Today's CPA</b>	14. Issue Date for Circulation Data Below <b>07/01/2021</b>
15. Extent and Nature of Circulation	Average No. Copies Each Issue During Preceding 12 Months
a. Total Number of Copies (Net press run)	23130
b. Paid Circulation (By Mail and Outside the Mail)	0
c. Total Paid Distribution (Sum of 15b (1), (2), (3), and (4))	23130
d. Free or Nominal Rate Distribution (By Mail and Outside the Mail)	0
e. Total Free or Nominal Rate Distribution (Sum of 15d (1), (2), (3), and (4))	0
f. Total Distribution (Sum of 15c and 15e)	23130
g. Copies Not Distributed (See Instructions to Publishers #4 (page 43))	0
h. Total (Sum of 15f and g)	23130
i. Percent Paid (15c divided by 15h times 100)	0

UNITED STATES POSTAL SERVICE® (All Periodicals Publications Except Requester Publications)	
16. Electronic Copy Circulation	Average No. Copies Each Issue During Preceding 12 Months
a. Paid Electronic Copies	23130
b. Total Paid Print Copies (Line 15c) + Paid Electronic Copies (Line 16a)	23130
c. Total Paid Distribution (Line 15c) + Paid Electronic Copies (Line 16a)	23130
d. Percent Paid (16b divided by 15h times 100)	0
17. Publication of Statement of Ownership	
18. Signature and Title of Editor, Publisher, Business Manager, or Owner	
19. Date	

UNITED STATES POSTAL SERVICE® (All Periodicals Publications Except Requester Publications)	
16. Electronic Copy Circulation	Average No. Copies Each Issue During Preceding 12 Months
a. Paid Electronic Copies	23130
b. Total Paid Print Copies (Line 15c) + Paid Electronic Copies (Line 16a)	23130
c. Total Paid Distribution (Line 15c) + Paid Electronic Copies (Line 16a)	23130
d. Percent Paid (16b divided by 15h times 100)	0
17. Publication of Statement of Ownership	
18. Signature and Title of Editor, Publisher, Business Manager, or Owner	
19. Date	



# Are You Career Ready?

## Competencies to Succeed in an Accounting Career

By Dan W. Royer, Kelsey R. Brasel, Amy J. Moudy, and Tiffany J. Westfall

**R**eadiness for an accounting career demands a skill set beyond the material taught from a textbook in the typical undergraduate accounting programs. Mastery of task-oriented and intellectually focused accounting skills is essential to becoming a CPA and obtaining a desirable position.

However, based on our professional experience, interacting well with others, demonstrating a willingness to learn and exhibiting a strong work ethic can be equally important to a new hire's professional reputation.

These skills are often labeled "soft skills." In this article, we assert these skills are more than soft skills; rather, they are key indicators of career readiness and predictors of a successful transition into the workplace for recent college graduates.

The National Association of Colleges and Employers (NACE) discusses career readiness as the development

of specific skills beyond the highly specialized content knowledge obtained in college (*Career Readiness for the New College Graduate: A Definition and Competencies*, National Association of Colleges and Employers, [www.nacweb.org](http://www.nacweb.org), 2017). This skill development aligns with best practices identified in the research and improves graduates' transition to the workplace.

We align the NACE competencies for career readiness with best practices based on our professional accounting experience and research that describes important skill development during the first two years on the job (see Exhibit 1).

The ability to persist through the hard work of earning an accounting degree or CPA license is a significant accomplishment. However, this accomplishment means you now possess the credential and *minimum* knowledge required to begin a career in accounting.

Researchers describe the importance of specific qualities during the

first two years of employment that include:

- Showing a desire to learn;
- Being a team player; and
- Volunteering for new assignments.

Interestingly, demonstration of technical skills was among the qualities least mentioned<sup>1</sup>.

We argue, and research confirms, that the most successful college graduates pursuing a career in accounting recognize the importance of asking good questions. Recognizing the need to learn is not only a best practice, but also a crucial element of the competency of critical thinking and problem-solving<sup>2</sup>.

### Acknowledge What You Do Not Know (Critical Thinking/Problem Solving)

The willingness to learn is a critical element in the process of critical thinking. Central to this competency is the ability to obtain, interpret and use knowledge to analyze problems. Among the qualities of





the most successful college students and recent graduates prepared for a career in accounting is the willingness to acknowledge they are not the ones with the answers. Rather, they should be focusing on asking good questions that lead to the development of resources for future reference.

Effective questions include seeking career guidance from experienced staff and assigned mentors, understanding priorities dictated by the engagement and the firm, and identifying specific expectations related to response times and availability outside of work. Also, be aware that the best approach to obtaining answers will vary depending on the management style of the person assigning the work, client expectations and the task's difficulty.

Good questions can only occur after a preliminary review of available information that includes:

- Reading instructions or relevant firm guidance;
- Examining files;

- Reading notes (including your own notes from the initial assignment discussion or meeting); and
- Investigating the company website and annual report (if available).

In addition, upon receiving any emailed files or links, ensure that the file opens and contains the requested information as soon as possible. If a client uses a password to protect a file or if system access to an e-room or software must be requested, ensure this is done well before the due date of the project. As a new employee, taking initiative also means seeking feedback on performance and learning from mistakes.

### **Embrace Feedback and Take Initiative (Professionalism/Work Ethic)**

This competency requires personal accountability and developing effective work habits that emphasize learning from mistakes. Seeking

feedback may appear counterintuitive to new graduates waiting for formal performance evaluations. Still, frequent informal mentoring conversations, while challenging, are critically important and allow experienced staff to support career development.

Seeking feedback means that new employees check in with their team and seek guidance regularly, rather than waiting until the deadline or submitting something with open issues. Budgeted hours and due date will indicate the time the work should take, so tracking the progress against the allotted time can help meet expectations and understand when to ask for help.

While checking in, it is critical to take notes, document decisions, and raise any concerns, missing information or other uncertainties. Also consider the way mistakes or errors are addressed; it is important to openly accept mistakes and seek to address them with the aid of other team members. It is critical to avoid giving the appearance of covering up

## Exhibit 1

# Alignment of Competencies from Professional Experience and NACE Competencies

COMPETENCIES FROM PROFESSIONAL EXPERIENCE	NACE COMPETENCIES
Acknowledge What You Do Not Know	Critical Thinking/Problem Solving
Embrace Feedback and Take the Initiative	Professionalism/Work Ethic
Leverage Technology with Practical Applications	Digital Technology
Ask Good Questions after Reading the Research	Oral/Written Communication
Networking to Enhance Career Management	Career Management
Working with Team Members and Peers	Teamwork/Collaboration

NACE Competencies adapted from *Career Readiness for the New College Graduate: A Definition and Competencies*, National Association of Colleges and Employers, [www.nacweb.org](http://www.nacweb.org), 2017

mistakes that are discovered during the course of the work.

However, avoid the temptation to immediately notify the entire team or the client of a perceived error directly. The apparent mistake may be the result of something you have not learned or may need to be addressed through the chain of command.

For example, a client may take an unusual position on a tax return because of a prior state audit decision or your manager may need to discuss a significant issue with the engagement partner directly to determine how it will be shared with the client. Proactively working with the team to rectify mistakes communicates professionalism and ethical behavior. This scenario also provides an opportunity to develop teamwork and collaboration.

## Leverage Digital Technology with Practical Applications (Digital Technology)

The NACE competencies identify the use of digital technology to ethically

and efficiently solve problems, complete tasks, and accomplish goals. We believe the use of digital technology is essential when managing and planning work.

Taking advantage of technology allows you to organize files, document the work you completed and explain the rationale for decisions on an engagement.

Supporting schedules, calculations and research are important components of workpapers prepared in Excel. Your reviewer should be able to review and understand your work without recreating the calculations or your research.

Updating or adjusting complex models and computations is greatly simplified when underlying data is well documented, formulas are used consistently, and key assumptions are noted within the model.

While leveraging technology is important, it is equally important to be aware of potential pitfalls, like hyperlinks that do not function or may not open when the file is

accessed in a subsequent year. Links to local copies on the creator's desktop are a common cause of this error.

In addition to workpaper file integrity, organization is very important and often the responsibility of a new hire. All relevant files and emails should be clearly labeled and organized to facilitate retrieval and future work.

Consider organizing emails in folders that are clearly labeled by client or project to speed their retrieval and facilitate future work or responses to questions. Utilizing an approved work email account to send notes to yourself after a significant engagement or task is another strategy to prepare for future work, but only if the privacy and legal requirements of the engagement allow for it.

The client file should support the work completed and conclusions reached. However, keep in mind that additional emails and discussions may also be flagged for future reference and subject to firm retention policies and legal subpoenas.



Finally, include headers on all documents and ensure they are formatted to print prior to sending them to partners or external users.

Leveraging technology simplifies scheduling by keeping you well informed of important due dates and recurring tasks. Also, scheduling continuing education opportunities simplifies tracking CPE hours for CPA licensing and prevents a costly end of the year rush to remain compliant.

Obtaining approval for time off, completing open tasks before leaving and reminding engagement teams of upcoming absences fosters a collaborative, positive work environment for the entire team.

### Ask Good Questions After Reading the Research (Oral/Written Communication)

Oral and written communication is another skill set that will set you apart in your new career. The NACE

competencies identify this skill as the ability to communicate within the organization and beyond.

This skill includes engaging in public speaking, calling clients and government authorities, and writing and editing slide decks, memos, letters, and technical reports clearly and effectively. Individuals with these communication skills and business knowledge are set apart from their peers. The ability to communicate may come naturally or be a learned skill requiring concentrated effort. However, attaining this competency creates a significant advantage in collegiate and professional life.

Recognize that as a new hire, you have more opportunities to ask questions. You are expected to have questions about technical knowledge, employer and client practices, and technology. Proactively talk to your coach/mentor about expectations for utilization goals, scheduling vacation, work travel and busy season.

Communication includes not only what you say, but what you do not say. Good communication includes an awareness of what you can and cannot share. It may seem obvious, but violating this practice includes venting to family and friends after a bad day at work, as well as oversharing on social media.

Knowing what you cannot share includes protecting the confidentiality of information in all of your communications. Rather than venting during difficult and challenging times, find ways to remain positive.

For example, instead of an emotional outburst, take a coffee break at the next opportunity and go for a short walk. You may find a location away from your team where it is safe to vent, relieving some of the tension, without disclosing client details. Engaging in an activity that provides an outlet to release energy might also include a trip to the driving range or batting cages. Refocusing your

## ACCOUNTANTS CONFIDENTIAL ASSISTANCE NETWORK

**TXCPA**  
**ACAN**

The accounting profession is demanding of your  
**TIME, ATTENTION & ENERGY**  
It shouldn't take a toll on your  
**MENTAL & PHYSICAL HEALTH**

Call **866-766-2226** or visit **[www.tx.cpa/resources/acan](http://www.tx.cpa/resources/acan)**

If you are struggling with alcohol addiction, substance abuse or mental health issues, ACAN is here to help. ACAN provides a confidential conversation with CPA volunteers who have first-hand experience with these issues. ACAN helps you learn how to merge healthier living with your demanding accounting career, and can provide referrals to professionals who are familiar with your unique challenges. Don't hesitate to get the help you need today.



ACAN convenes regular meetings of CPAs, exam candidates & accounting students for mutual support & opportunities to assist others. Call or visit us online to learn more.

attention to a future reward, such as booking a post-busy season vacation, is another constructive approach to recognizing the long-term benefits of your career over the short-term challenges of a project or deadline.

Whatever you do, avoid becoming mired in gossip and complaining. Supervisors are constantly aware of your attitude and abilities, discussing and evaluating your strengths and weaknesses to plan future assignments and promotions. Consider this your opportunity to build your personal brand.

## Networking to Enhance Career Management (Career Management)

Professional relationships are critical to long-term career management and become the basis of friendships that may help you balance the heavy demands of work with personal wellness. These relationships begin in multiple ways and may appear when least expected, providing opportunities you never imagined.

### Connect with Your Engagement Team

Typically, the engagement team is where you begin finding answers related to client work and even employee questions. By answering new employee questions, experienced staff help to develop new team members and provide an understanding of how to navigate the workspace of the firm.

These questions can include everything from logging into client files to answering questions about 401(k) contributions and health insurance enrollment. Being a part of the engagement team can establish important contacts since team members advance in the organization or depart for key industry positions.

These day-to-day working relationships are an important way to connect with peers and more experienced staff.

### Value Client Contacts

Always remember that current client contacts and coworkers may become future references, coworkers and client decision-makers. Often, you will work with newer staff at the client company and your manager will communicate with the senior-level staff.

As you spend more time with the same clients, you can cultivate professional relationships with your contacts at these businesses and create a positive reputation within the client's accounting department and your engagement team. Congratulate client contacts on significant life events (like promotions and weddings) and share technical and legislative updates related to their business.

## Professional Relationships

Professional relationships are key to long-term career success. Long-lasting professional relationships originate on a number of different levels and in a number of different ways. Understanding the context for forming these relationships illustrates the unique way you can support career management by developing an extensive professional network.

Discussions with clients need to remain professional and positive. Developing these strong professional relationships makes it easier to call and ask questions or request additional information when you become a senior associate at your firm.

## Engage within the Local Office and Your Start Class

First, always remember and appreciate the work of the administrative staff. These employees can be easily overlooked and taken for granted but constructing good and respectful relationships with people in these positions promotes a sense of goodwill. Remember, these employees have a clear understanding of how the firm works, and when you value their contributions and take an interest in their efforts, you provide them with the motivation to help you when you need it most.

Additionally, building relationships with others includes taking time to go to lunch with coworkers and learning about work that others outside of your team are involved in. Be sure you seek to understand the experiences of others and understand the value of experienced associates who are more approachable than seniors and managers for general questions.

Finally, be careful of the messages you send to others around you. Making a comment like, "I didn't go to grad school to make copies all day" can tag you with a long-lasting negative reputation that will take a great deal of effort to overcome.

### Maintain Relationships with Classmates/Professors

Former classmates and professors may become colleagues, clients, government employees and coworkers. These academic contacts may serve as

invaluable references for your first job, but a longer-term relationship may open career paths and create lifelong friendships. As a former student and alumnus, this means that you should develop relationships with your peers before you ever request anything from them.



Remember that the importance of building quality relationships extends beyond what you will potentially benefit from the connection. However, also recognize that these connections may serve you well when you least expect it – especially during an economic downturn or company reorganization that leads to a career change.

## Working with Team Members and Peers (Teamwork/ Collaboration)

Another crucial element in career readiness is the ability to collaborate and work together with others as a team. Team members bring a variety of experiences, backgrounds and personalities. These differences will generate different attitudes, values and expectations and are often the basis for conflict between team members. Central to the ability to work as a part of a team is the ability to navigate differences and resolve conflict between team members.

Conflict may be understood as positive (generating new ideas, solving continuing problems, allowing for creativity and improving performance) or it may represent negative conflict (draining team morale and energy, reducing productivity, and creating destructive behavior or poor performance).

The goal of team members is to deal with conflict in such a way that each member is able to work together to help other team members, share information and achieve mutual goals. Collaboration is perceived as a win-win scenario when an emphasis is placed on mutual goals, acknowledging the importance of all team members.

Improving understanding among team members clarifies motivation and emphasizes effective working relationships with other team members. Knowing and understanding the motivation of peer team members also allows for

resolving conflicts while developing team leadership skills.

This is especially important when dealing with team members working on multiple clients or projects, in different geographic areas and countries, or on a non-traditional schedule. Awareness can lead to more thoughtful meeting times, assignments and deadlines that will reduce negative conflict.

**Communication includes not only what you say, but what you do not say. Good communication includes an awareness of what you can and cannot share.**

## Career Readiness is More Than Soft Skills

Beginning your career in accounting requires skills and abilities often understood to be task-oriented and intellectually focused. However, we argue that there is a relational component to the skills we identified that is aligned with the NACE competencies.

Included with career readiness skills is the willingness to think beyond the task, to focus on and address the qualitative context of professional relationships. Managing these characteristics of work requires engaging best practices that include interacting well with others, displaying a positive outlook, demonstrating a desire to learn, and evidencing a strong work ethic.

Furthermore, this skill set includes a willingness to learn, develop and continuously strive to improve skills we describe as integral to career

readiness. Although these are often labelled soft skills related to an employees' internal motivation, NACE competencies address employer-identified expectations for new employees.

Entering the accounting profession requires the possession of a specific skill set that includes the qualities described in the best practices of professional experience and the NACE competencies in Exhibit 1.

Whether you are just starting an accounting career or are working towards your first promotion, understand that it takes more than technical accounting skill to become a well-rounded, successful professional. The perceptions, practices and skills we present confirm the importance of the NACE competencies and their specific application to the discipline of accounting.

A strong undergraduate GPA and completion of the CPA Exam will open doors for your initial hire, but your career readiness and mastery of soft skills will heavily influence your long-term success. Adopting some of the strategies detailed above and avoiding common pitfalls can make all the difference in building a strong personal brand in your first few years in accounting.

### About the Authors:

**Dan W. Royer, Kelsey R. Brasel, Amy J. Moudy, and Tiffany J. Westfall**

Ball State University  
Paul W. Parkison Department of  
Accounting  
Miller College of Business  
Muncie, Indiana

### Footnotes

1. "The First Two Years of Employment" S.H. Ivancevich, D.M. Ivancevich, and R. Roscher. *The CPA Journal*, July 2009

2. "Creating a Culture of Learning" J.L. Ackerman. *The CPA Journal*, August 2017)

# Now There Are Even More Ways to Reach Your Audience



Media by Design is excited to introduce Gayle Massey as our newest sales associate. She joins Lisa Turner in creating advertising packages that will reach Texas CPA's high-end purchasers and key decision makers.

Gayle has over 25 years of experience in advertising sales and marketing and will work with you to design a customized plan to reach TXCPA's 28,000 industry professionals. She is also experienced in Custom Publishing and Sponsorship opportunities, and will always seek the best solution to showcase her client's products and services.

**Partner with Gayle or Lisa to create a unique plan and get your message in front of TXCPA's influential audience.**

---

## New Products

Media by Design and Texas CPA have introduced several new platforms including Special Supplements, Resource Guides, and Industry Trend Reports.

Keep an eye out for our new **Technology Supplement** coming out in May.  
**Get your message in front of this targeted audience now!**

---

To learn more contact:

Lisa Turner  
National Advertising Sales Manager  
941-400-7419  
sales.mediabydesign@gmail.com

Gayle Massey  
Western Region Advertising Sales Manager  
925-457-7551  
sales.mediabydesign@gmail.com

We look forward to working with you.





# HINDSIGHT IS 20/20

## An Investigation Into the Causes and Impact of the Incredible Fraud and Collapse of Wirecard

**T**he implosion of the German fintech giant, Wirecard AG, in the summer of 2020 is arguably one of the biggest global accounting scandals to date. The scandal raised questions about how Wirecard was able to defraud investors, analysts and regulators, and about the effectiveness of their corporate governance, enforcement bodies and auditors.

To address these questions, the authors explore the unique pressures and opportunities for fraud that Wirecard faced. Regarding the former, according to the agency theory of overvalued equity, first espoused by Michael C. Jensen in 2005, severe overvaluation is arguably a fraud risk factor, which is likely to lead to accounting scandals.<sup>1</sup> Although this risk is omnipresent, it naturally increases amid recent concerns over whether stocks are overvalued.<sup>2,3</sup>

Regarding the latter, the risk of overvaluation and fraud is especially prominent in complex and new industries such as the financial technology industry (fintech), which facilitates online payment collection and processing. Firms in this emerging industry may have high fraud risk as these companies are in high demand and face competition from cryptocurrencies, such as Bitcoin. Additionally, their mold-breaking models provide challenges for regulators and create loopholes for miscommunication.

In this article, the authors provide an overview of the Wirecard scandal, investigate the tools used to conduct their accounting manipulation and environments that helped contribute to their fraud, explore the connection to accounting theory, and discuss the short-term and long-term outcomes and implications of the scandal.

### Overview of the Scandal

Today, Wirecard is infamous for allegedly committing one of the most astounding fraud cases in recent global business history; however, the company had rather humble beginnings. Founded in 1999 outside of Munich, Germany as a payment processor, Wirecard purchased a bank in 2006 and transformed into a full-service payment operator with services all over the globe. Their role as a payment processing service included processing digital credit purchases for global online retailers. What followed was

By Madeline Trimble, Ph.D.; Yi Ren, Ph.D., CPA;  
and Jomo Sankara, Ph.D., ACMA, CGMA



more than a decade of success where the company's share price increased exponentially.

Wirecard was a high growth fintech and part of Germany's growing financial technology center. Their electronic payment processing was a step towards a cashless society and more advanced e-commerce. They differentiated themselves by advertising more advanced payment technologies than competitors.

While headquartered in Germany, they conducted major processing operations in Dublin and Dubai. Their astonishing growth was due to the acquisition of small payment companies in new markets where they did not have licenses to operate. As such, their business model includes using third parties, specifically in Asia such as in Dubai, the Philippines and Singapore, to process transactions and to pay Wirecard's commission via an escrow account.

Wirecard reached great heights by bringing the Chinese payment app, WeChat Pay, to European retailers in 2017 and teamed up with FedEx, providing FedEx customers with pickup and drop-off services in 2018. Also, major clients like Ikea, Singapore Airlines, Allianz, Aldi, and KLM

lent credibility to the company. Subsequently, Wirecard earned its claim to fame as the market leader in digitizing money in Asian markets such as the Philippines, Hong Kong, Indonesia, Malaysia and India.

What makes Wirecard unique is that their fraud was not localized. Instead, they defrauded through multiple areas of the business using elaborate and complex tactics that explain, in part, the delay in the discovery of the fraud.

Next, we'll explore their toolbox for committing fraud.

## Investigation Into Wirecard's Tools for Manipulation

Wirecard was successful in misleading investors and regulators by using multiple tools for manipulation. Some tools such as inflating and advantageously timing revenues are common practice among fraudsters, but others are more unique to the current environment and Wirecard's relatively new and underregulated industry.

### Fictitious Revenue in Opaque Environments

The majority of Wirecard's revenues were from 300,000 small customers in countries where online payment processing was unregulated and unlicensed. In these environments, reporting transparency and auditing were not required. It is estimated that nearly one-third of revenue and 80% of profits were faked.<sup>4</sup>

A main player in their deception was Dubai intermediary, Al Alam Solutions. Al Alam was a third-party processor that helped retailers accept credit through (exposed to be bogus)

Processing) near Dubai. Ultimately, it was uncovered by KPMG's special audit that most of these transactions that Al Alam claimed to process for customers in Ireland, the United States and the Philippines did not take place.<sup>5</sup>

### Weak Internal Controls and Corporate Governance

Much of the fraud was orchestrated by top management, or the "tone from the top," mainly attributable to the CEO Markus Braun and COO Jan Marsalek. Palmer, Holmes and Perrewe claim that certain CEO personality traits, such as narcissism, Machiavellianism and psychopathy, can have a rippling effect throughout the C-suite.<sup>6</sup> Specifically, this can lead to a low-quality exchange of information among executives that negatively affects leadership throughout the chain of command. This results in subordinates being retaliatory or counterproductive in their behavior, causing the quality of company outputs to suffer.

As an example, part of Braun and Marsalek's organizational design dictated that those in assurance and risk could only verify transactions for their assigned region. Only a few senior managers were presented with global internal data of the company.

Additionally, executives failed to report known accounting irregularities to regulators in Singapore, Hong Kong and Germany, as required. Further investigation into the Asia-Pacific irregularities under Marsalek found an alleged conflict of interest. Marsalek allegedly had partial ownership of a Singapore-based third party, Matrimonial Global, which was used to move money and falsify sales in the area. Furthermore, Edo Kurniawan, who was the head of international finance of the Singapore office and directly worked with Marsalek, was also investigated for fraud, forgery and money laundering.

Related party transactions were also an issue. For example, Wirecard paid €340m to acquire Indian processor, Hermes, from EMIF (a company of which Marsalek owned a stake), despite EMIF only recently purchasing Hermes for a mere €40m.<sup>7</sup>

### Round Tripping

Wirecard commonly engaged in a tactic called "round tripping" to move money around within the entity to show favorable positions required by licensing authorities and lenders in different markets. We illustrate Wirecard's round tripping in Figure 1.

### Overstated Intangibles

Growth was essential, which helped gain the necessary attention to attract more investors. Their growth came from buying small payment processing companies and portfolios of customers (customer relationships) in new markets. Often these were overly complex, expensive foreign acquisitions that were challenging for analysts and investors to vet.

Table 1: Wirecard Organization Structure	
Wirecard Owned Major Subsidiaries	Location of Major Third-party/partner Processors
Wirecard Munich (Headquarters)	Philippines
Wirecard Dublin	Singapore
Wirecard Dubai	Dubai

licenses with Visa and Mastercard. Al Alam Solutions was funneled through two Wirecard subsidiaries: CardSystems (a one-man operation in Burj Khalifa, Dubai) and Wirecard UK/Ireland. Both locations are considered tech havens. The former had no legal requirement for audits and the latter was exempt from filing in Ireland.

Al Alam had less than 10 employees, yet Wirecard purportedly moved €350m of payments from 34 key clients through this processor each month in 2016 and 2017. The use of a third-party in this case could have been a red flag since Wirecard had its own processing center (Wirecard



On the balance sheet, their intangible assets and goodwill balances grew demonstrably from 2005 to 2019. To keep their asset growth, Wirecard was exposed in emails as falsifying their gross profits to avoid impairment testing from auditors. As long as their acquisitions' gross profits were greater than their annual depreciation, no impairment test was necessary.<sup>8</sup>

## Falsification of Evidence

To raise capital and meet performance targets, Wirecard falsified contracts and emails about technology deals and customer contracts to inflate figures (e.g., Flexi Flex in Malaysia where an estimated €4m in revenue were falsified).<sup>9</sup>

However, potentially most egregious of their frauds was falsifying of in-person evidence gathering, which alluded EY. The two Philippine banks that were alleged to house the growing escrow accounts, BDO Unibank and Bank of the Philippine Islands, were seemingly unaware of their business with Wirecard and the onsite visits conducted.

The visits from Wirecard and EY were unauthorized except by juniors without authority to permit these engagements. These juniors were also found to have forged invoices. For example, R. Shanmugaratnam, a Singaporean associate, was arrested in December 2020 in connection with falsifying letters assuring the existence of nearly €1.2b in these escrow accounts.<sup>10</sup>

## Connections to Theory

The fall of Wirecard illustrates the alarming danger of severely overvalued equity. Their stock price increased more than five-fold in two years before the fallout. Similarly, their P/E ratio increased more than 300% from 17.61 in December 31, 2018 to 76.58 in September 26, 2018. To justify the high stock price, Wirecard was likely forced into manipulative accounting practices, such as falsifying revenue discussed above.

Braun also had personal incentives to maintain an overvalued stock price. The CEO owned about 7% of the company's shares mainly through margin loans. The shares were reportedly used as collateral for the share purchases. Consequently, if Wirecard AG's share price declined, Braun would need to sell shares to meet margin calls. However, the effect of a CEO selling the company's shares could alarm shareholders and create a spiral of reducing share prices. Effectively, Braun had incentives to maintain the stock price at any cost, to secure his net worth.<sup>11</sup>

As argued by Martin and Kemper in 2015 regarding the 2007 stock overvaluation that triggered a meltdown in the financial system, the overvaluation trap is an almost inevitable consequence when capital markets overvalue a company's equity.<sup>12</sup> However, Jensen's warning about



# TXCPA Career Center

Do you need to hire talent? Or are you looking for a new job opportunity? Look no further than TXCPA's Career Center! With job postings aimed specifically at accounting and finance professionals, TXCPA's Career Center is an ideal resource for employers and job seekers alike.

TXCPA's Career Center gives members deep discounts on job postings. Plus, internship postings are always free!

Members who are seeking jobs can review job postings and apply online, and they have free access to post a Job Seeker Profile to be reviewed by employers who are looking for superstars like you! Simply use your TXCPA log in credentials to get started.

For your best choice to meet your hiring and professional goals, visit [careers.tx.cpa](https://careers.tx.cpa) today!

the massive destruction of corporate and social value due to excessive overvaluation<sup>13</sup> has seemingly not deterred fraudulent behaviors.

For example, Carillion, the UK's second-largest construction company, collapsed in 2018 over its aggressive accounting policies, including overstated profits and concealed debts.<sup>14</sup> Another UK company, Patisserie Valerie, also collapsed in 2018 over its accounting fraud. In 2020, accounting fraud brought down Luckin Coffee, a Chinese company that was delisted from Nasdaq over its \$310m fabricated sales.

## Growth Pressures Leading to Acquisitions

To meet growth expectations, Wirecard expanded its business through value-destroying acquisitions and takeovers with a total cost of more than €1.3b between 2007 and 2017. For example, its acquisition of AllScore Payment Services for €109.3m in 2019 raised questions according to a Bernstein trader. It was estimated that Wirecard AG paid a much higher valuation ratio, nearly 24 times its EBIDTA, than normal for the small, unknown Beijing-based company.<sup>15</sup>

Academic researchers argue that overvalued companies have an opportunistic reason for stock market-driven acquisitions because the acquirers could preserve some of the inflated value by exchanging their stocks for less overvalued assets or securities.<sup>16</sup>

These growth pressures are especially pertinent to industries such as the fintech industry. For example, Kwon, Yin and Han find that high-tech firms, which would include Wirecard, show greater levels of earnings management than low-tech firms.<sup>17</sup>

## Environmental Opportunities: Impact of External Monitors

The collapse called into question the role that managers, market analysts, auditors and supervisory authorities (such as BaFin) potentially had in spreading misinformation leading to Wirecard's overvaluation and eventual collapse. The latest wave of global accounting scandals has again brought up a concern regarding external monitors. For example, Commerzbank fired its former Wirecard analyst, Heike Pauls, for disclosing private information.

Although there were a few exceptions, Heike Pauls and most financial analysts were bullish about Wirecard until the disclosure of fraud and its insolvency in summer 2020.<sup>18</sup> Similarly, supervisory authorities, such as Germany's BaFin, have come under heavy criticism for their role

in this scandal, leading to calls for more reform, more accountability and a serious overhaul of BaFin's culture.<sup>19</sup>

Short sellers did raise the alarm; however, they were penalized by BaFin for their activity against the company. BaFin banned investors from short-selling shares in early 2018 and defended its action, claiming they were worried about how volatility would affect the stability and confidence of the German market.

According to the agency theory of overvalued equity, the risk of fraud is especially prominent in complex and new industries such as the fintech industry. Fintech companies that are facilitating online payment collection and processing may have high fraud risk, as these companies are in high demand and competition.

Following 2008, while the banking industry recovered, many major tech corporations, such as Amazon, Apple and Google, expanded to include financial payment services. However, these operations remained largely unregulated as most banking regulations only apply when greater than 50% of operations are associated with banking activities. In a study by the European Banking Authority, nearly 31% of fintech firms were completely unregulated.<sup>20</sup>

Due to the newness of this industry, regulators were unsure how to assess these blended operations. By looking at the finance and technology divisions separately, they were accused of missing the "big picture" of the company and, thus, the apparent fraud. Also, Wirecard was established in Europe and specifically Germany, which has been slow to adapt to electronic payments. As such, their payment processing market was even newer, with less oversight, than in other parts of the world.

Furthermore, investors, creditors and analysts were similarly mystified by the new industry, which potentially contributed to Wirecard's mispricing and overvaluation.

## Outcomes: Costs of Fraud and Other Consequences

The Wirecard fraud resulted in severe personal, corporate and investor losses. Regarding investors, on August 27, 2018, Wirecard shares were valued at €193.1 (\$225.5)<sup>21</sup> with a market capitalization of about €23.86b (\$27.87b). As a result of whistleblower accounts and investigations from bodies such as the UK's *Financial Times*, Wirecard's share price began its decline in September 2018.

After KPMG's audit report on April 28, 2020, Wirecard's shares began to crash, resulting in a share price of €2.88

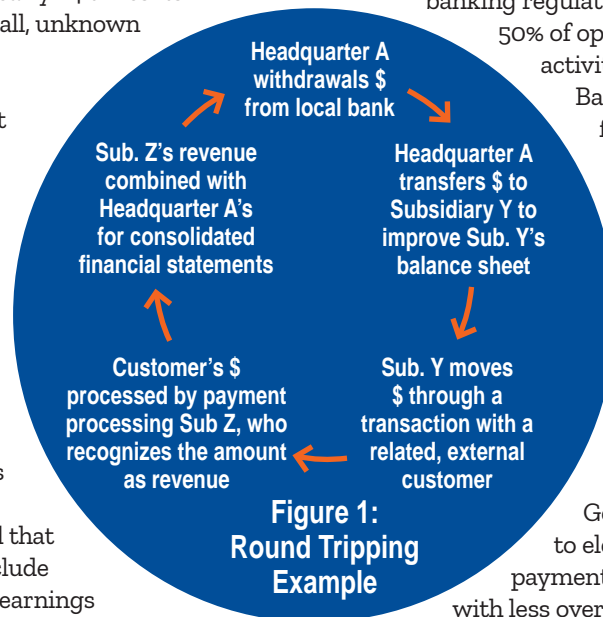


Figure 1:  
Round Tripping  
Example



**Table 2: Timeline of Wirecard's Rise and Demise**

1999	Wirecard founded near Munich, Germany as a payment processor for online gambling and porn operations.
2002	Marcus Braun appointed CEO and reinvigorated the company by raising capital.
2005	Wirecard AG listed on the Frankfurt stock market by acquiring a listed call center.
2006	Purchased a bank in Munich (formerly XCOM, now Wirecard Bank AG) and pivoted into a full-service payment operation.
2010	Jan Marsalek appointed COO and charged with expanding operations internationally, specifically in the Asian markets (headquartered in Singapore).
Jan. 2019	<i>Financial Times</i> exposé released (series began in 2015 and continues into 2020), specifically citing the Singapore investigation and Asian operations inflated sales and profits.
April 2019	Japan's SoftBank invested €900m (\$1b) in Wirecard bonds. They raised their profit predictions from €760m to €765m as a result.
Oct. 2019	KPMG brought onboard by investors for a special audit.
Nov. 2019	Wirecard announced a delay in audit for their Singapore unit as EY could not form an opinion on the standalone statements without access to documents that were restricted due to an ongoing investigation. Wirecard's value fell 6.5%.
April 2020	KPMG released the finding of their special audit and stated they could not verify profits from 2016 to 2018 and questioned the existence of nearly €2b in cash.
June 18, 2020	Wirecard's 2019 annual report and 2020 Q1 report delayed due to EY's refusal to provide audit evidence for €1.9m allegedly held at BDO Unibank and Bank of the Philippine Islands.
June 19, 2020	€1.75b in loans vulnerable to be called; CEO Braun resigns.
June 22, 2020	Wirecard admitted that €1.9b that auditors could not verify never existed. Over 90% of the firm's value disappeared. COO Jan Marsalek is removed.
June 23, 2020	Braun arrested on allegations of market manipulation with accounting fraud.
June 25, 2020	Wirecard AG files for insolvency.

(\$3.24) on June 29 and €0.31 (\$0.38) on December 28. Overall, investors lost about €23.82b (\$27.82b), approximately 99.84% of its 2018 value, as a result of the fraud.

### Cost to Wirecard Management

The company's management also incurred severe penalties due to the fraud. In particular, Marcus Braun, the former chief executive, suffered immensely both financially and by being incarcerated for his alleged involvement in the fraud.

On June 19, 2020, he resigned and on June 22, he was arrested for accounting fraud and market manipulation. He was released on \$5.7m bail the following day.

However, he was rearrested on July 22, along with two other Wirecard executives, for "commercial gang fraud and market manipulation."<sup>22</sup> Specifically, they are accused of defrauding investors and German and Japanese banks of €3.2 billion (\$3.7b) over the previous five years.<sup>23</sup>

### Strengthening and Restructuring of the Regulator in Germany

Another consequence of the fraud is the reexamination of accounting regulations and audit firms in Germany. BaFin, the Federal Financial Supervisory Authority, has been sued by Wirecard's investors. The claimants argue BaFin was negligent by ignoring evidence of the accounting scandal, resulting in the company's collapse.<sup>24</sup> In addition, the EU's financial oversight body is to be turned into a European Securities and Exchange Commission with greater powers to require information from listed companies.

To strengthen future regulation, BaFin has also received a broader mandate, allowing it to carry out special audits, launch forensic investigations and increase the right to access information from third parties. Thus, it will have greater enforcement powers. Previously, BaFin had to wait for confirmation from the Financial Reporting Enforcement Panel (FREP) before it could, for example, launch a forensic audit.<sup>25</sup>

BaFin has already started to be more aggressive following the scandal and failure. For example, in September 2020, BaFin investigated Grenke AG, a leasing company, for manipulating prices of their securities, engaging in money laundering and lacking internal controls. They were using an aggressive acquisition strategy to mask low levels or non-existent cash.

In addition, the DAX, the German blue-chip stock market index, will add new quality controls by 2022. These controls will include requiring quarterly reports, audits for annual reports and instituting audit committees for supervisory boards. The DAX pledges to quickly delist those who do not meet specific criteria in a timely manner.

## Impact on Ernst & Young, the Auditor

Concerning audit firms, APAS, the body that oversees auditing firms in Germany, will get new power to impose tougher sanctions on audit firms. Furthermore, German companies will be obliged to change auditors every 10 years.

Wirecard's main auditor, EY, also faces specific consequences as a result of the failure. It was announced that Andreas Loetscher, who was EY's chief auditor of Wirecard from 2015 to 2017, and Martin Dahmen, who succeeded Loetscher in the role, were being investigated by the German authorities.<sup>26</sup>

Additionally, KfW, the third-largest bank in Germany, and DWS, Deutsche Bank's asset management division, announced that they are considering changing auditors due to EY's failure.

## A Costly Failure Due to Large-scale Financial Fraud

The fall of the German fintech giant Wirecard led many to wonder how accounting fraud of this magnitude was orchestrated and collaborated. The case reveals how a severely overvalued company can result in fraudulent behavior and a global financial scandal.

Wirecard AG represents one of the costliest failures due to financial fraud to date. As part of the growing fintech industry, the company used many tools, such as round tripping and manipulating intangibles, to perpetuate and prolong the fraud. These tools create challenges for auditors and regulators.

The new business processes together with the pressures of overvaluation arguably created the opportunities and pressures for the fraud. Similar to other cases involving severely overvalued companies, this German success story ended in tragedy for several stakeholders, including shareholders, directors and individual auditors. However, the authors also observed some changes made after the scandal that may improve compliance oversight, enhance law enforcement and provide more protection to investors.

As the fallout from this accounting scandal continues to play out, it is important for corporate executives and investors,

as well as the accounting profession and regulators, to be attuned to the fraud risk factor of severely overvalued equity.

**About the Authors:** Madeline Trimble, Ph.D., is Assistant Professor at Illinois State University. Yi Ren, Ph.D., CPA, is Associate Professor at Illinois State University. Jomo Sankara, Ph.D., ACMA, CGMA, is Associate Professor at Illinois State University.

## Endnotes:

- <sup>1,13</sup> Jensen, M. C., "Agency costs of overvalued equity." *Financial Management*, 34, no. 1 (2005).
- <sup>2</sup> Chang, Ellen. "Are fintech company valuations too high?" *Finledger*, December 3, 2020.
- <sup>3</sup> Samson, A., "Investors increasingly unsettled by 'overvalued' markets," *Financial Times*, August 18, 2020.
- <sup>4</sup> Perry, L., K. Ramanna, and B. McLean, "The Wirecard Saga," The University of Chicago Booth School of Business, October 15, 2020.
- <sup>5</sup> McCrum, D., "Wirecard's suspected accounting practices revealed." *Financial Times*, October 15, 2019.
- <sup>6</sup> Palmer, J. C., R. M. Holmes Jr., and P. L. Perrewe, "The Cascading Effects of CEO Dark Triad Personality on Subordinate Behavior and Firm Performance: A Multilevel Theoretical Model." *Group & Organization Management*, 45, no. 2 (2020).
- <sup>7,9</sup> McCrum, D. and S. Palma, "Wirecard: inside an accounting scandal." *Financial Times*, February 7, 2019.
- <sup>8</sup> McCrum, D., "The Wirecard Documents, Explained." *Financial Times*, October 15, 2019.
- <sup>10</sup> Chanjaroen, C., "Singapore Man Gets More Charges in \$1.5 Billion Wirecard Fraud." *Bloomberg*, December 7, 2020.
- <sup>11</sup> Kelly, J., "Wirecard's Former Billionaire CEO Markus Braun Arrested Over Allegations of Fraud." *Forbes*, June 23, 2020.
- <sup>12</sup> Martin, R. L. and Kemper, A., "The Overvaluation Trap." *Harvard Business Review*, (2015 Issue).
- <sup>14</sup> Sweet, R., "Accounting 'tricks': how Carillion duped the market," *Global Construction Review*, May 16, 2018.
- <sup>15</sup> Storbeck, O., "Wirecard buys Chinese payments group for up to €109m." *Financial Times*, November 5, 2019.
- <sup>16</sup> Ang, J. S., and Y. Cheng. "Direct evidence on the market-driven acquisition theory." *Journal of Financial Research* 29, no. 2 (2006).
- <sup>17</sup> Kwon, S. S., Q. J. Yin, and J. Han, "The effect of differential accounting conservatism on the 'over-valuation' of high-tech firms relative to low-tech firms." *Review of Quantitative Finance and Accounting* 27, no. 2 (2006).
- <sup>18</sup> Storbeck, O., "Commerzbank fires its former Wirecard analyst." *Financial Times*, February 2, 2021.
- <sup>19</sup> Laurent, L., "Germany's BaFin has run out of Wirecard excuses." *The Washington Post*, September 3, 2019.
- <sup>20</sup> Comfort, Nicholas and Drozdziak, Natalia, "Wirecard Flourished in Regulatory Blind Spot That's Growing." *Bloomberg*, July 7, 2020.
- <sup>21</sup> We used exchange rate data from Investing.com for all exchange rate conversions.
- <sup>22</sup> Dalder, M., "Gang fraud: New arrest warrant against ex-Wirecard boss Markus Braun." *Reuters*, July 22, 2020.
- <sup>23</sup> Nagarajan, S., "Former Wirecard CEO Markus Braun was arrested for a 2nd time in relation to the company's \$2 billion accounting scandal." *Business Insider*, July 23, 2020.
- <sup>24</sup> Matussek, K., "Wirecard Investors Sue BaFin Over Failure to Spot Scandal." *Bloomberg News*, July 24, 2020.
- <sup>25</sup> Kimathi, S., "BaFin gets 'sovereign powers' after Wirecard scandal." *Fintech Futures*, July 28, 2020.
- <sup>26</sup> Miller, H. and K. Matussek, "Ernst and Young probed by German prosecutors over Wirecard." *Bloomberg*, December 4, 2020.





# PUTTING A PINK COLLAR ON THE FRAUD DIAMOND

**A**ccording to the Federal Bureau of Investigation's 2019 Crime in the U.S. report, embezzlement was one of only two offenses where women were charged more frequently than men (FBI, 2019).

In 1989, the researcher Dr. Kathleen Daly published a study on fraud committed by women, noting the increase in women embezzlers (Daly, 1989). She focused on the differences between white-collar crime (white-collar workers who commit embezzlement, fraud or forgery) and pink-collar crime (white-collar crimes committed by women) and found that pink-collar crime has distinct characteristics from white-collar crime.

**By Deborah L. Lindberg, DBA, MBA, CPA; Jomo Sankara, Ph.D., ACMA, CGMA; and Kristie M. Young, DBA, MBA, CMA**

Two differences relate to the economic gain and motivation. On average, women stole 10 times less money than men and the most common motive cited by women was their family's financial need,

while men experienced motivation based on personal and family need equally (Daly, 1989).

More recent research continues to support differences. In 2014, Christopher Marquet, whose firm publishes the *Marquet Report on Embezzlement*, stated that the embezzlements committed by women continue to rise. He also posits that possible contributing factors to this pattern in embezzlement include that there are relatively more women in the workforce, more women are bookkeepers and women now have equal opportunity for fraud (Powell 2014). In contrast, Marquet reports around 90% of Ponzi schemes are perpetrated by men.

In the 2018 Catch Her If You Can webinar, Kelly Paxton, a former federal agent, was interviewed by

**CURRICULUM:** Management

**LEVEL:** Basic

**DESIGNED FOR:** CPAs in industry and public practice; management

**OBJECTIVES:** Describe the factors that lead to white-collar and pink-collar crimes; examine the major traits of individuals who commit fraud; and review methods used to prevent employee fraud

**KEY TOPICS:** Fraud research; components of the fraud diamond; examples of recent pink-collar crimes; fraud prevention techniques; and differences between pink-collar crime and white-collar crime

**PREREQUISITES:** None

**ADVANCED PREPARATION:** None

Gary Zeune, a CPA who has a speakers bureau for white-collar criminals. Paxton said that women steal around \$0.45 to \$0.50 on the dollar compared to men. One possible reason is that women in lower-level positions have access to less money.

The main types of justification women give for embezzling are loyalty (family needs) and lifestyle (luxury), and women are more likely to have a gambling problem. Also, once women are caught, they tend to admit their guilt right away (Paxton 2018).

## The Fraud Diamond

There are several factors that lead to white-collar and pink-collar crimes. David T. Wolfe of the Glasgow Forensic Group and Professor Dana Hermanson formulated the fraud diamond<sup>2</sup> model, which proposes perceived motivation, perceived opportunity, rationalization and capability as the four components of fraud (Wolfe and Hermanson, 2004).

The model extends the fraud triangle developed by criminologist Donald Cressey in 1950, which shows perceived motivation, perceived opportunity and rationalization as the three elements of fraud. Therefore, the fraud diamond adds capability to the fraud triangle as an essential element in determining whether opportunity will ultimately lead to fraud.

**Perceived motivations** are financial or non-financial factors that can pressure individuals, or provide incentives to individuals, to commit fraud. Examples of perceived financial pressures include falling sales, greed, living beyond one's means and unexpected financial needs (Albrecht, Albrecht and Albrecht, 2008; Albrecht et al., 2010). Alternatively, fear of losing a job, ego, reputation and challenge to beat the system are all examples of non-financial factors (Kassem and Higson, 2012). Pressure

can be further categorized into personal, employment and external pressure (Lister, 2007; Kassem and Higson, 2012).

**Perceived opportunity** represents the ineffective control or governance systems that enable fraud to take place. Factors such as related party transactions, ineffective monitoring, effectiveness of the board of directors over management activities and irregular job rotation can impact perceived opportunity (Abdullahi and Mansor, 2015).

**Rationalization** represents the third component of the fraud diamond. This represents the justification for fraudulent behavior due to the individual's lack of moral reasoning and personal integrity (Rae and Subramaniam, 2008). Rationalization provides excuses for unethical behavior such as "I had to steal to provide for my family" and "I was entitled to the money because my employer is cheating me." (Abdullahi and Mansor, 2015)

This third component of fraud bridges motivation with opportunity when the individual can rationalize the unethical behavior (Howe and Malgwi, 2006). In fact, auditing statement SAS No. 99 (AU Section 316,

paragraph 7) states that the greater the pressure, the more likely the individual continues to "rationalize the acceptability of committing the fraud."

**Capability** enables a motivated individual to recognize the opportunity to commit fraud and have the ability and skills to carry it out. This element includes the traits and skills necessary to commit fraud.

Essentially, the major traits of fraudsters are the individual's intelligence, experience, creativity, confidence, ability to influence others to participate in (or cover up) the fraud, ability to effectively lie and ability to deal with stress (Wolfe and Hermanson, 2004). Such a personality will have a strong understanding of the internal control system and know how to exploit its weaknesses. Consequently, fraudsters may get capability from their position in the company and are likely to be executives or managers.

Fraudsters are likely to be egotistic, which can affect the individual's cost-benefit analysis of committing fraud, as they may believe there is a low probability of being caught. Relatedly, the fraudster may crave power and delight in showing how superior they are to others by successfully navigating the fraud (Wolfe and Hermanson, 2004).

Furthermore, a fraudster might be a persuasive leader or "bully" who forces others to participate in the crime and/or cover it up. Finally, the fraudster functions well under stress and is able to lie consistently and effectively (Wolfe and Hermanson, 2004).

The components of the fraud diamond are clearly inter-related. For example, an individual's traits may enable the individual to rationalize the unethical behavior. The traits may also provide motivation for

**The fraud diamond adds capability to the fraud triangle as an essential element in determining whether opportunity will ultimately lead to fraud.**



**Table 1:**  
**Selective Examples of Recent Pink-Collar Crimes**

Name	Year	Company	Job Responsibility	Crimes	Loss	Motivation
Stephanie K. Gragg	2021	Shangri-La Management LLC	Cash Collections	Embezzlement, signing false tax return	\$55k	Family/gambling; e.g., personal and family expenses, gambling
Lisa Kwapniowski	2019	Children's Hospital and Medical Center	Director of Pharmacy Services	Submitting fraudulent invoices; creating reimbursement requests to false company; committing wire fraud	\$4.6m	Lifestyle; e.g., student loan debt, lavish lifestyle
April Drake Greer	2019	Wildfire Defense Systems, Inc.	Director of HR & Controller	Making unauthorized transfers; altering records	\$1.2m	Lifestyle; e.g., increased personal bank account
Monica Rigsby	2018	Georgia Pediatric Cardiology	Office Manager	Being reimbursed for illegitimate expenses; altering accounting system	\$1.1m	Family/lifestyle; e.g., daughter's college tuition, car, jewelry and clothes
Janet West	2018	Cox Communications	Vice President	Creating illegitimate expenses; making unauthorized transfers; falsifying conflict of interest certifications	\$2.4m	Lifestyle; e.g., house payments
Cristyne Gilleland	2018	TJT Enterprises LLC	Accounting/ Financial Management	Filing false tax return; making unauthorized transfers; writing unauthorized checks; altering records	\$2.8m	Lifestyle; e.g., yacht, condo, vehicles
Allison Haley-Brown	2018	Zeigler Auto Group	Accountant	Embezzlement	\$222k	Family, e.g., food, bills
Teresa Blankenship Barringer	2017	J & R Manufacturing, Inc.	Vice President	Forging check/ draft; using false pretenses to gain money/property; using identifying information to defraud; committing credit card theft and fraud; receiving goods/services fraudulently; forging documents	\$2.4m	Family; e.g., payments to family members
Karen Dimitrie	2014	Clinton Valley Little League	Treasurer	Embezzlement	\$300k	Gambling; e.g., withdrawals from casinos

committing a fraud. It is also conceivable that an individual's capability, such as to design, set up, monitor or change the internal control system, can help him/her to create opportunity. The fraud diamond can be used to assess the risk and help prevent or detect fraud. Figure 1 depicts the Pink Fraud Diamond.

### Pink-Collar Crime and the Fraud Diamond

We use the fraud diamond to demonstrate factors that can lead to pink-collar crimes.

**Rationalization:** According to the National Women's Law Center and the Census Bureau, women earn \$0.80 for every dollar that men earn for full-time work. The center also describes several factors that contribute to this wage gap beyond women being paid less than men for the same job.

First, career choice has a significant impact on income. Women are underrepresented in higher paying jobs and overrepresented in lower paying jobs. Second, it is common for women to take on more caregiving responsibilities at home and face bias in the workplace because of it, commonly referred to as the "motherhood penalty."

Also, women with more caregiving responsibilities may experience financial consequences when workplace policies are not family friendly (National Women's Law Center, 2018).

Regardless of why it happens, the disparity in wages and the bias present in organizations can serve as a rationalization for fraudulent acts.

**Motivation:** Frequent pressures experienced by female fraudsters are related to loyalty and lifestyle. Loyalty refers to women trying to meet their family's needs. Examples

of large expenses that create pressure to commit fraud are medical bills and college tuition (National Women's Law Center, 2018). In such situations, the money women steal is spent on others, typically family members.

On the other hand, some women want to experience or maintain a luxurious lifestyle. Paxton refers to the "three Cs" of lifestyle pressure, which include cars, clothes and casinos. As mentioned previously, women are more likely than men to have a gambling problem (Paxton, 2018).

**Opportunity:** Embezzlement, which is also committed more frequently by women than men, happens more often in small businesses and nonprofit organizations. Typically, these companies have fewer employees, which means that an individual can have responsibility for several duties that would ideally be assigned to multiple people (Powell, 2014).

In 2009, about 75% of workers in the nonprofit sector were women (The White House Project, 2009). This may be a contributing factor to the high number of female embezzlers.

Also, there are relatively more women than men who are bookkeepers (Powell, 2014). Generally, bookkeepers have access to the company's books,

checks and bank accounts. This puts a bookkeeper in the prime position to commit fraud, particularly if they are in a small organization without proper segregation of duties.

**Capability:** More women are pursuing higher education. In the 2015-2016 school year, 57% of the bachelor's degrees were earned by women (NCES, 2016). This is helping women reach top-level positions in their organization. In 1980, women held 25% of management positions, but by 2010, 40% of management positions were held by women (Scarborough, 2018).

Unfortunately, along with this progress comes higher cost embezzlements. The Association of Certified Fraud Examiners' 2020 Report to the Nations notes a correlation between education level and median loss, such that the higher the position a fraudster has in a company, the higher the dollar amount of fraud (ACFE 2020). Table 1 shows several cases of embezzlements committed by women.

Lisa Kwapniowski's case exemplifies many common elements of pink-collar crime and the fraud diamond. She worked for a nonprofit organization, the Children's Hospital and Medical Center, in Omaha, Nebraska.

Kwapniowski worked in a higher-level position as a pharmacy director. A Senior U.S. District Court Judge commented on her intelligence, which contributes to her capability to commit a complex crime. Her attorney shared that she "came clean" quickly once the investigation began. Finally, an assistant U.S. attorney reasoned that Kwapniowski stole the money because she wanted a lavish lifestyle (Anderson, 2019).

### Prevention of Pink-Collar Crime

According to the Association of Certified Fraud Examiners' 2020

Regardless of why it happens, the disparity in wages and the bias present in organizations can serve as a rationalization for fraudulent acts.



## Figure 1: The Pink Fraud Diamond

### Perceived Opportunity:

- Ineffective control or governance systems

### Perceived Motivation:

- Financial and non-financial personal, employment and external pressure
- Incentives to commit fraud

### Capability:

- Ability and skills to execute fraud
- Understanding of internal control system
- More likely to be executives or managers

### Rationalization:

- Justification for fraudulent behavior
- Bridges motivation with opportunity
- Pressure increases rationalization

Source: Adapted from Wolfe and Hermanson (2004)

Report to the Nations, businesses lose an estimated 5% of annual revenue due to employee fraud (ACFE, 2020). Additionally, companies can experience a loss of customers, difficulty gaining new customers, a loss of partners and a damaged reputation (Hiscox, 2018). Therefore, it is essential to have strong internal controls in place to prevent fraud, including pink-collar crime.

Internal controls such as segregation of duties can reduce the opportunity for fraud. Functions that should be carried out by separate employees include the custody of cash, accounting for cash operations, monitoring performance of cash operations and financial statement preparation (Lindquist and Goldberg, 2009).

Employee rotation, mandatory vacations, an employee hotline and internal audit procedures can also help prevent pink-collar crimes (Lindquist and Goldberg, 2009). This can be especially important in smaller organizations, which hire a high percentage of women. Furthermore, researcher Clare Tilton provides information that supports the argument that whistleblower hotlines that offer financial incentives could provide a strong deterrent for women who wish to commit fraud. This is because although women may be

less likely to be motivated by money in their whistleblowing decision-making, they may expect financial remuneration to play a bigger role in the decisions made by their work colleagues.

Fraud may be committed by employees who find themselves in difficult situations and women may encounter different situations than men. Thus, despite strong internal controls, motivated employees may still find a way to commit fraud, particularly women who feel pressure to carry out fraud to protect and care for their families.

To help reduce the likelihood of pink-collar crimes, employers should consider implementing programs that support employees and their families. For example, companies should consider providing adequate insurance to employees to help support employees and their families in times of need. Employee Assistance Programs (EAPs) to help women with personal and family issues may help prevent fraudulent behavior.

Strong internal controls may also be undermined by employees in positions to override controls, such as executives and managers, and by intelligent staff members who have sufficient understanding of the internal controls to circumvent their

effectiveness. As women increasingly fill leadership positions in companies, their capability to commit fraud is correspondingly increasing. Furthermore, women with good business and accounting knowledge who are placed in positions of trust in companies with little internal controls have both an opportunity and the capability to carry out pink-collar crime.

In addition to risk assessment and reviewing the effectiveness of internal controls, companies may wish to carry out background checks on new employees and provide regular mandatory fraud awareness and ethics training to all employees. Such training will include emphasizing the substantial reputational and financial cost of unethical behavior, both to the individual and to the company. This training can highlight the additional risk and cost to the family when the perpetrator is caught, which could be particularly effective in discouraging pink-collar fraud.

Forensic accounting can also be deployed to discover fraudulent behavior. The forensic accountants should have expertise in pink collar crime in order to detect this fraud as soon as possible.

Although any unethical person could rationalize fraudulent behavior,

employees with grievances may be more likely to do so. Women may have specific grievances such as inequity in pay and opportunities for advancement. Therefore, providing equal opportunities to all employees and making relevant employee services available to women could help prevent or reduce crimes.

## Recognition and Differences

Women continue to be charged with embezzlement more frequently than men (Powell, 2014). Therefore, it is important to pay attention to the differences between pink-collar crime and white-collar crime regarding the elements of the fraud diamond.

Of course, the best way to manage pink-collar crime is prevention. By implementing strong internal controls, and considering women's needs and grievances, employers will be better prepared to prevent pink-collar crime.

## About the Authors

**Jomo Sankara, Ph.D., CGMA**, is an associate professor of accounting at Illinois State University. He can be contacted at 309-438-2266 or via email at [jsanka@ilstu.edu](mailto:jsanka@ilstu.edu).

**Deborah L. Lindberg, CPA, MBA, DBA**, is a professor of accounting at Illinois State University. She can be contacted at 309-438-7166 or via email at [dlindb@ilstu.edu](mailto:dlindb@ilstu.edu).

**Kristie M. Young, CMA, MBA, DBA**, is an associate professor of accounting at Illinois State University. She can be contacted at 309-438-7908 or via email at [kmyou13@ilstu.edu](mailto:kmyou13@ilstu.edu).

## References

Abdullahi, Rabi, and Noorhayati Mansor. "Forensic accounting and fraud risk factors: the influence of fraud diamond theory." *The American Journal of Innovative Research and Applied Sciences* 1, no. 5 (2015).  
Albrecht, Chad, Chad Turnbull, Yingying Zhang and Christopher J.

Skousen. "The Relationship Between South Korean Chaebols and Fraud." *Managerial Auditing Journal* (2010).

Albrecht, W. Steve, Chad Albrecht and Conan C. Albrecht. "Current Trends in Fraud and its Detection." *Information Security Journal: A Global Perspective* (2008).

Anderson, Julie. "Former Children's Pharmacist Sentenced to 4 Years in Federal Prison After Embezzling \$4.6 million." *Live Well Nebraska* (2019) [https://www.omaha.com/livewellnebraska/former-children-s-pharmacist-sentenced-to-years-in-federal-prison/article\\_45068fca-238e-5591-bfe9-e21a0b3cbd94.html](https://www.omaha.com/livewellnebraska/former-children-s-pharmacist-sentenced-to-years-in-federal-prison/article_45068fca-238e-5591-bfe9-e21a0b3cbd94.html).

Association of Certified Fraud Examiners (ACFE). "Report to the Nations: Global Study on Occupational Fraud and Abuse." (2020) <https://acfepublic.s3-us-west-2.amazonaws.com/2020-Report-to-the-Nations.pdf>.

Daly, Kathleen. "Gender and varieties of white-collar crime." *Criminology* 27, no. 4 (1989).

Federal Bureau of Investigation (FBI). "Crime in the United States." (2019) <https://ucr.fbi.gov/crime-in-the-u.s/2019/crime-in-the-u.s.-2019/topic-pages/tables/table-33>

Hiscox. "Hiscox Embezzlement Study™: An Insider's View of Employee Theft." (2018) <https://www.hiscox.com/documents/2018-Hiscox-Embezzlement-Study.pdf>

Howe, Martha A., and Charles A. Malgwi. "Playing the ponies: A \$5 million embezzlement case." *Journal of Education for Business* 82, no. 1 (2006).

Kassem, Rasha and Andrew Higson. "The New Fraud Triangle Model." *Journal of Emerging Trends in Economics and Management Sciences* (2012).

Lindquist, Stanton C., and Stephen R. Goldberg. "Embezzlement: Don't be a victim!" *Journal of Corporate Accounting & Finance* 20, no. 4 (2009).

Lister, Linda M. "A Practical Approach to Fraud Risk: Comprehensive Risk Assessments Can Enable Auditors to Focus Antifraud Efforts on Areas Where Their Organization is Most Vulnerable." *Internal Auditor* (2007).

National Center for Education Statistics (NCES). "Digest of Education Statistics." (2016) [https://nces.ed.gov/programs/digest/d17/tables/dt17\\_318.30.asp](https://nces.ed.gov/programs/digest/d17/tables/dt17_318.30.asp).

National Women's Law Center. "FAQ about the Wage Gap." (2018) <https://nwlc.org/resources/faq-about-the-wage-gap/>.

Paxton, Kelly. "Catch Her if You Can." Webinar, CPA Crossings, (2018).

Powell, Tony. "The Changing Face of Fraud." *CPA Practice Management Forum* (2014): 20–25.

Rae, Kirsty, and Nava Subramaniam. "Quality of internal control procedures." *Managerial Auditing Journal* (2008).

Scarborough, William. "What the data says about women in management between 1980 and 2010." *Harv Bus Rev* (2018).

The White House Project. "The White House Project: Benchmarking Women's Leadership." (2009)

Wolfe, David T. and Dana R. Hermanson. "The Fraud Diamond: Considering the Four Elements of Fraud." *CPA Journal* (2004).

**Employee rotation, mandatory vacations, an employee hotline and internal audit procedures can all help prevent fraud.**



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

## CPE ARTICLE: PUTTING A PINK COLLAR ON THE FRAUD DIAMOND

By Deborah L. Lindberg, DBA, MBA, CPA; Jomo Sankara, Ph.D., ACMA, CGMA; and Kristie M. Young, DBA, MBA, CMA

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. According to the fraud triangle developed by criminologist Donald Cressey, which of the following is NOT one of the three elements of fraud?
    - A. Perceived motivation
    - B. Perceived opportunity
    - C. Previous criminal behavior
    - D. Rationalization
  2. Christopher Marquet reported that around \_\_\_\_ of Ponzi schemes are perpetrated by men.
    - A. 60%
    - B. 70%
    - C. 80%
    - D. 90%
  3. In the fraud diamond, \_\_\_\_\_ represents the ineffective control or governance systems that enable fraud to take place.
    - A. Lack of communication
    - B. Perceived opportunity
    - C. Inadequate training
    - D. Employee rationale
  4. Examples of non-financial factors that can pressure or provide incentives to individuals to commit fraud include:
    - A. Ego
    - B. Fear of losing a job
    - C. Reputation and challenge to beat the system
    - D. All of the above
  5. According to the article, it's important for whistleblower hotlines to offer financial incentives, which will make them a stronger deterrent for women who wish to commit fraud.
    - A. True
    - B. False
  6. Which of the following is NOT one of the "three Cs" of lifestyle pressure Kelly Paxton refers to?
    - A. Cars
    - B. Casinos
    - C. Compensation
    - D. Clothes
  7. The Association of Certified Fraud Examiners' 2020 Report to the Nations says that businesses lose an estimated \_\_\_\_ of their annual revenue due to employee fraud.
    - A. 2%
    - B. 5%
    - C. 8%
    - D. 10%
  8. Which Statement on Auditing Standards (SAS) states that the greater the pressure, the more likely the individual continues to "rationalize the acceptability of committing the fraud."
    - A. SAS No. 25
    - B. SAS No. 47
    - C. SAS No. 99
    - D. SAS No. 107
  9. Embezzlement is committed more frequently in large corporations than in small businesses and/or nonprofit organizations.
    - A. True
    - B. False
  10. Regular mandatory fraud awareness and ethics training for all employees should emphasize:
    - A. The substantial reputational and financial cost of unethical behavior
    - B. The additional risk and cost to the family when the perpetrator is caught
    - C. All of the above
    - D. None of the above
- 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**

\$302,000 gross. Central Texas CPA firm. 66% tax, 20% write-up, no audits, 14% bookkeeping, very proficient staff, loyal client base with great opportunity for growth, owner will assist with transition. Contact [bestorcpa@aol.com](mailto:bestorcpa@aol.com).

**BUYING-SELLING PRACTICES** throughout Texas for over 39 years ... **Offering 90% financing to buyers, so our sellers can cash out at closing!** We only get paid for producing results! Confidential, prompt, professional. New practices in **Houston-Galleria** area grossing \$1,000,000+ with above average net. **Dallas-Plano CPA** firm grossing \$1,200,000. Great staff and location!! Many others. Contact **Leon Faris, CPA ... PROFESSIONAL ACCOUNTING SALES ... 972-292-7172 ...** Visit our website: [www.cpasales.com](http://www.cpasales.com) for the latest listings and information.

### **ACCOUNTING BIZ BROKERS**

offers the following listings for sale:

Eastern Brazos Valley area gross \$695k

Uvalde County gross (new lower price!) gross \$729k

Garland gross \$37k

Wylie gross \$125k-Sold

Odessa gross \$327k-Sold

Texas County, OK (Texas Panhandle) gross \$400k

NE San Antonio area-Comal County gross \$170k-Sold

Eastern Central TX gross \$350k-Sold

Central Fort Bend County gross \$800k-Sold

Contact Kathy Brents, CPA, CBI

Office 866-260-2793, Cell 501-514-4928

[Kathy@AccountingBizBrokers.com](mailto:Kathy@AccountingBizBrokers.com)

Visit us at [www.AccountingBizBrokers.com](http://www.AccountingBizBrokers.com)

Member of the Texas Society of CPAs

Member of the Texas Association of Business Brokers

### **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](http://www.APS.net).**

\$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 with 52% from businesses. Steadily growing firm in desirable business hub. Solid cash flow to owner of 37%+. TXC1079

\$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

\$620,000 gross. SW of Ft. Worth CPA firm. Accounting 15%, tax 75%, payroll/compliance/misc. 10%, great location, quality clients, dedicated staff. TXN1534

\$634,000 gross. Wichita Falls 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

\$307,000 gross. North Texas CPA practice. Tax 65%, accounting 35%, solid fee structure, experienced staff and the perfect size starter or add-on practice. TXN1558

\$839,000 gross. Fort Worth CPA firm. Highly profitable firm with cash flow to sole owner of approx. 60%. 76% tax and 24% accounting services. Premium client base includes many businesses. Experienced staff and seller available to work in transition. TXN1580

\$85,000 gross. Irving CPA firm. Clients are exclusively businesses and business owners. More than 66% of income from bookkeeping and payroll services. Solid fee structure. TXN1582

\$202,000 gross. Plano CPA practice. 71% tax, 20% accounting, 9% consulting and payroll. Strong fees and capable staff in place. TXN1583

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

\$1,125,000 gross. W. Houston CPA firm. 66% tax, 22% audit/review, 12% bookkeeping. Excellent cash flow to owner, premium clientele, experienced staff in place. TXN1246

\$1,700,000 gross. N. Houston CPA practice. Great service mix to provide year-round revenue with heavier workload during Sep/Oct deadlines. Strong, experienced staff in place. TXS1264

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

\$189,000 gross. W. Houston CPA firm. 54% tax, 31% bookkeeping, 15% consulting. Prime location and high-income, loyal clients. Owner available for transition. TXS1279

\$588,000 gross. NW Houston CPA firm. 79% tax, 10% accounting, 11% tax planning. Year-round revenues and great cash flow. Long-term clients and staff in place. TXN1280

\$575,000 gross. N. Houston Beltway area CPA practice. 60% tax and 40% accounting. Year-round work with strong staff in place. Turn-key opportunity perfect for individual CPA or a firm looking to add another office. TXS1282



\$567,000 gross. NE of Houston CPA firm. Owner looking to semi-retire and will assist buyer as agreed. Great service mix of tax, bookkeeping and payroll/consulting. Turn-key opportunity with experienced staff in place and office available for lease. TXS1283

\$2,108,000 gross. West Texas CPA practice. 14% accounting services, 29% tax preparation (49% individual, 41% business, 10% other) and 57% attest services. Outstanding cash flow to owner of about 50%. TXW1030

#### 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](http://www.APS.net).

### PRACTICES SOUGHT

#### SEEKING CPA FIRM SELLERS

##### Accounting Biz Brokers has GREAT NEWS for all 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 17 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**

**Visit us at [www.AccountingBizBrokers.com](http://www.AccountingBizBrokers.com)**

**Member of the Texas Society of CPAs**

**Member of the Texas Association of Business Brokers**

#### Classified Advertising in Today's CPA

TXCPA offers opportunities to advertise in the Classifieds section of **Today's CPA** magazine. For more information and to request a classified ad, please contact DeLynn Deakins at [ddeakins@tx.cpa](mailto:ddeakins@tx.cpa) or 800-428-0272, ext. 250, 972-687-8550 in Dallas.

#### 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](http://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**

### MISCELLANEOUS

#### Clarus Partners - National Sales 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

972-422-4530

[claruspartners.com](http://claruspartners.com)

[stevehanebutt@claruspartners.com](mailto:stevehanebutt@claruspartners.com)

#### 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**

# 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 accounting industry professionals nationwide, 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



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



POWERED BY  
CPACHARGE

eCheck

DISCOVER

PAY CPA

Get started with CPACharge today

[cpacharge.com/txcpa](http://cpacharge.com/txcpa)

877-618-4668

CPACharge is a registered agent of Wells Fargo Bank N.A., Concord, CA, Synovus Bank, Columbus, GA., and Fifth Third Bank, N.A., Cincinnati, OH.

AffiniPay customers experienced 22% increase on average in revenue per firm using online billing solutions