The Newsletter of the Massachusetts Society of Certified Public Accountants, Inc.®

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Massachusetts Society of Certified Public Accountants, Inc.®

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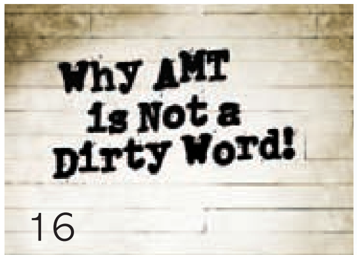

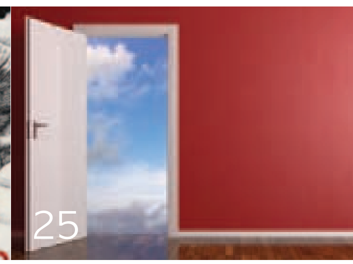

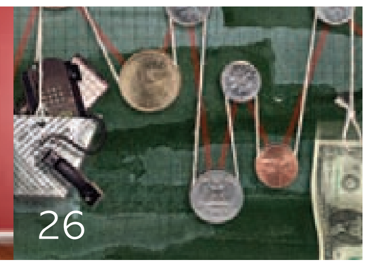

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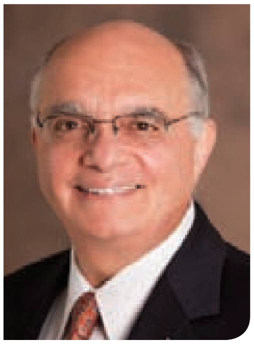


Dear Member,

My sincere best wishes for a happy and healthy New Year, and my hopes that 2010 will be a more prosperous year. As we begin the New Year, we will soon see the first of many regulatory changes that businesses will face with the March 1 implementation of the Massachusetts Standards for the Protection of Personal Information (201 CMR 17.00). While the effective date has been delayed in the past to allow for sufficient time to implement, the final effective date falls smack in the middle of busy season and year-end closings. If you have as little information on a client, customer or employee as a first initial with last name *combined with* a social security number, state issued identification number, financial account, credit or debit card number, you are required to comply with 201 CMR 17.00, and will be held accountable in the event of a security breach.

The requirements of 201 CMR 17.00 have their roots in the best practices of data security. Elements of the law include a Written Information Security Plan (WISP), a member of your staff responsible for compliance, the use of technology controls and contractual obligations with your third-party providers. Many of the required elements have to do with documenting the policies, procedures and systems that you have in place to deal with the data you have.

The regulations require that you formally choose a trusted employee to manage your security program. He or she should have the appropriate qualifications and authority to undertake the project and will ultimately be responsible for maintaining compliance.

He or she needs to identify areas in *both electronic and paper* files where personal, confidential financial information may reside and document how this information is stored, transmitted and destroyed. Determine the employees who have access to this type of information whether it be access to paper files or what permission levels they have on your network.

Once you have documented these locations, internal controls and policies and procedures, combine them into the required WISP. This plan, which should be a continuously monitored working document, is the key to compliance. Whenever you perform any type of information security work, document what you did and maintain it in a file. In the event of a breach, this documentation will provide evidence to the Attorney General to help prove that you are making a concerted effort to protect your confidential data.

Konrad Martin, CPA, and **Kevin Martin, CPA, MCSE**, both from TechKnowledge Advisors Inc., developed a sample plan for your reference: www.MSCPAonline.org/wisp.

The aspect of 201 CMR 17.00 that could prove challenging to businesses that capture or maintain confidential information are the specific technology controls required to protect the electronic data. These controls include creating unique user accounts for each employee, setting user password and lockout controls, the use of encryption and firewalls, and having anti-virus security on a regular update schedule. While most of the controls can be taken care of by spending a little more time on your technology procedures, encryption is one where you should expect to have some out-of-pocket costs. Encryption does not have to be enacted throughout your organization, only where confidential information is stored.

To learn more details of the requirements of the WISP and the data security law, view a data security compliance checklist from the Massachusetts Office of Consumer Affairs and Business Regulation: www.MSCPAonline.org/checklist.

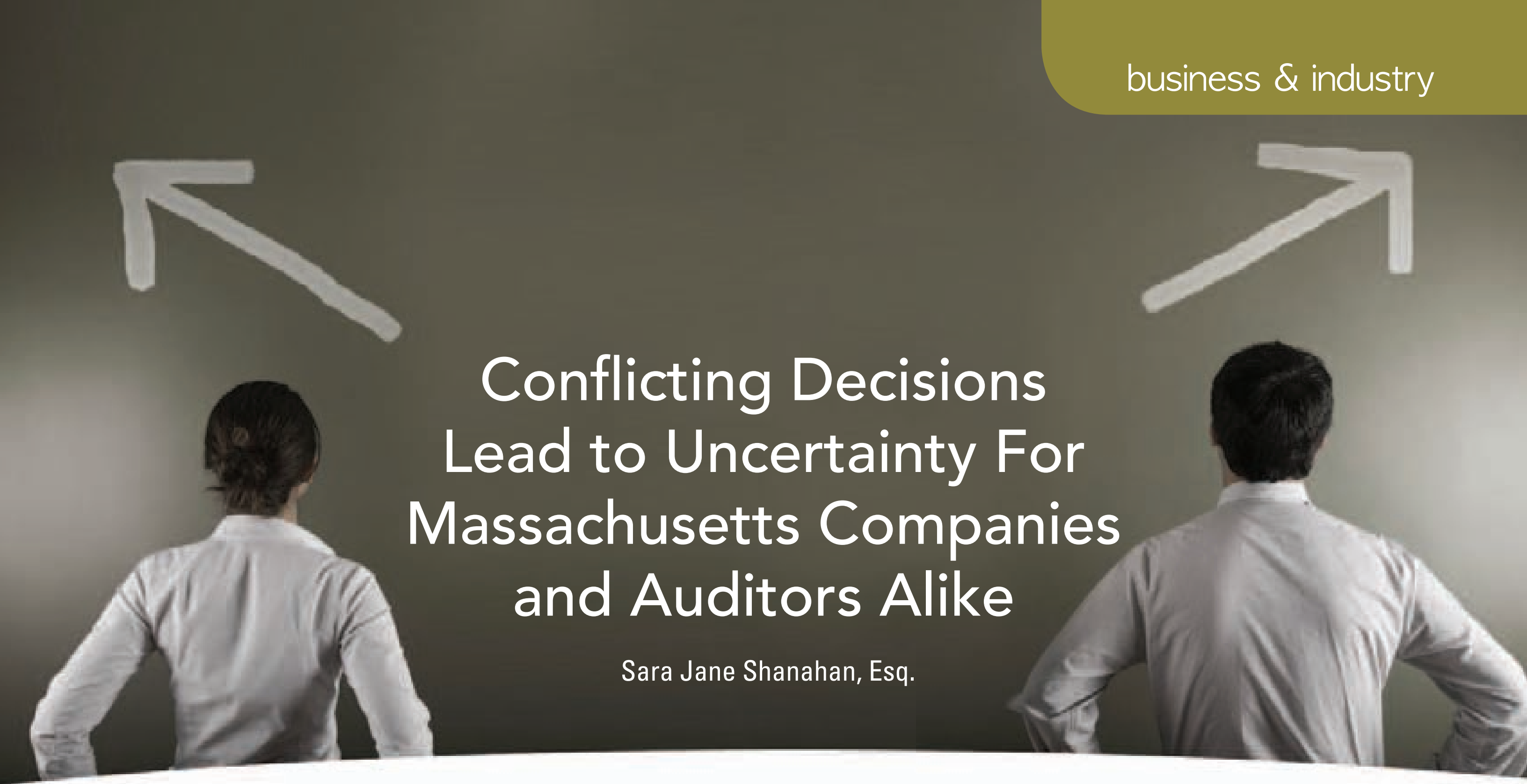
For our members who are in practice, it is important that you notify your clients of the significant requirements of these regulations. In addition, as practicing CPAs, we can assist our clients in understanding and implementing these regulations.

Please e-mail me with any questions or comments at chairman@MSCPAonline.org. Again, my best wishes for a happy and healthy New Year.

Sincerely,

Daniel P. DeVasto

Daniel P. DeVasto, CPA
Chairman, MSCPA



Conflicting Decisions Lead to Uncertainty For Massachusetts Companies and Auditors Alike

Sara Jane Shanahan, Esq.

Corporate clients in Massachusetts may be thinking twice about the information they choose to share with their auditors. A recent federal appeals court decision has narrowed longstanding rules governing the privacy of information considered protected under the "work-product doctrine." As a result, auditors may find that certain kinds of financial information is now off-limits.

At issue is the First Circuit Court of Appeals' ruling in *U.S. v. Textron Inc. and Subsidiaries,* which gave the IRS access to tax accrual work papers that previously would have been considered protected work product. It is highly likely that Textron will be appealed to the Supreme Court, but the outcome is far from certain. The Supreme Court could uphold the ruling, reverse it or simply decline to hear the case.

In the meantime, however, companies will be walking a fine line as they balance the need for disclosure with the corporate desire to protect internal legal analyses from potential adversaries.

The federal ruling is binding on trial courts in the First Circuit, which includes Massachusetts, Maine, New Hampshire, Rhode Island and Puerto Rico, but courts nationwide will consider the decision. Moreover, the case only addresses the issue of IRS access to tax-accrual work papers. Still, the decision raises questions about whether companies will be able to protect a wide range of documents commonly prepared both as part of their ongoing business operations and in anticipation of a future litigation.

The ruling, issued in August, weakens the work-product doctrine, which has in the past protected papers prepared "in anticipation of litigation." As such, this doctrine prevented potential opponents from getting a direct window into corporate thinking on issues that might later end up in court. That meant a company could have its attorneys candidly assess the company position on a variety of issues without concern that such evaluations might later be used in legal action taken against the company.

In Massachusetts, the Commonwealth's Supreme Judicial Court (SJC) weighed in on work-product privilege this spring in *Commissioner of Revenue v. Comcast Corporation*. That case affirmed a broad work-product privilege, upholding a lower court ruling that denied the Massachusetts Commissioner of Revenue access to a consultant's memorandum analyzing possible tax litigation risks related to the company's decision not to pay certain taxes. The SJC held that the documents sought by the Commissioner were protected from

cont. on page 6

disclosure on that grounds that they were created "because of potential litigation," even though they also assisted the company in making a business decision.

In sharp contrast, only a few months later, the First Circuit Court of Appeals issued a 3-2 decision that significantly limited the scope of the work-product privilege, holding that documents must be prepared "for use in possible litigation" in order to qualify for protection under the work-product doctrine. The ruling gave the IRS access to documents drawn up by in-house lawyers to assess whether the company's tax-liability calculations would survive a possible IRS audit. The documents did not receive work-product protection because they were shared with the auditors in order to support the company's tax reserves, and thus were not created for "use" in litigation.

The First Circuit ruling will trump the SJC's opinion for Massachusetts companies dealing with the IRS. However, it is unclear how that federal ruling might affect state cases involving the Massachusetts Department of Revenue, especially in cases where state and federal tax audits overlap and when state and federal investigators seek production of the same documents.

While the Textron case deals with specific tax issues, it is unclear how the ruling will be applied in other contexts. The IRS audit in the Textron case, for example, focused on tax shelters, with the majority judges opining the IRS should not be prevented from uncovering any under-reporting of corporate taxes. But a pointed dissent by the minority stressed the broader implications of the majority's new test. In trying to craft a ruling favorable to the IRS, the minority said, the appeals court "has thrown the law of work-product protection into disarray."

Since the rules for work-product protection now vary from circuit to circuit, corporations may find themselves in a legal limbo until the Supreme Court decides or declines to hear the case. This uncertainty could be especially pronounced in Massachusetts, given that the state court has endorsed a broader definition of work-product protection, while the federal appeals court has embraced a more limited standard.

Auditors should therefore be prepared to navigate some potentially difficult terrain during upcoming corporate audits. Clients, for example, may provide less detailed back-up memos than they have in the past to support their tax reserves or other audit items. They may even be reluctant to orally discuss the contents of these back-up memos, since allowing an outsider access to such information could be considered a waiver of the attorney-client privilege and the work-product protection.

Moreover, companies are legitimately concerned that the IRS could use this ruling to push for the disclosure of key memos not shared with auditors. It could, for example, seek documents never shared with auditors that address tax-reserve issues, arguing that the memos do not provide legal advice and are therefore neither privileged nor protected by work-product rules.

Then, too, the implications of the Textron decision may extend well beyond tax-reserve calculations. If a document is prepared in order to inform the auditor of pending litigation rather than to assist with the litigation, an aggressive adversary might seek to obtain it during discovery. Similarly, a creative opponent in a federal proceeding might seek discovery of documents granted protection by the state ruling. Certainly, state taxing authorities in the First Circuit may seek to piggyback on any disclosures made in federal proceedings to the IRS.

Until businesses know if the First Circuit's ruling will stand — and how state and federal courts in Massachusetts and elsewhere will apply these seemingly conflicting work-product standards — they would be wise to assume that everything shared with auditors may someday be disclosed. Accordingly, accountants should not be surprised to find their clients somewhat more cautious about providing the information requested in the ordinary course of the annual audit.

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***Sara Jane Shanahan, Esq.,** is a partner in Sherin and Lodgen LLP's Litigation Department in Boston. Her practice focuses on complex business litigation. She represents a number of closely-held corporations and officers and directors of public corporations. Shanahan can be reached at SJShanahan@sherin.com or 617.646.2054.*

MSCPA 2010 College Student's Guide to Accounting Firms in Massachusetts

Reach accounting students from across the state and get great visibility for your firm by placing a listing in the MSCPA 2010 edition of *The College Student's Guide to Accounting Firms in Massachusetts.* Approximately 2,500 printed copies of the current booklet were distributed to college graduates, job seekers and the public. The directory is consistently one of the most-frequently downloaded files on MSCPAonline.org and CPAtrack.com. Contact **Barbara Iannoni**, biannoni@MSCPAonline.org, for more information.

Career Fair Prep Night and Fall Career Fair & Networking Expo

On October 14, the Society hosted its first annual Career Fair Prep Nite at the MSCPA offices. The workshop allowed 34 members to meet with HR representatives and accounting professionals for a pre-career fair workshop in advance of the October 21 Career Fair and Networking Expo.

Special thanks to the volunteers:

- **Jordan Antunes**, Kingston Dwight;
- **Christopher Barrett**, Rucci Bardaro & Barrett PC;
- **Christina Burney**, Stonehill College;
- **David Clarkson**, Caturano and Company;
- **Catherine Crabtree**, Ercolini & Company LLP;
- **Joseph Mecagni**, Braver PC;
- **Kathryn Polak**, The Titus Group; and
- **Alan Resnic**, Kforce.

Also, thank you to **Bob Blanchette** and **Esther Chewning** of Northeastern University's Office of Employer Relations, College of Business Administration, for hosting the MSCPA's Fall Career Fair & Networking Expo on October 21. Approximately 300 students and professionals-in-transition had the opportunity to meet over 30 employers from public accounting, private industry and government. The event was a great success!

"Is Accounting for Me? From College to Career"

Approximately 225 high school students participated in the Society's "Is Accounting for Me? From College to Career" conferences held this Fall at Babson College and Bentley University. The events included interactive accounting exercises and workshops; discussions about accounting careers and CPA services; information about college programs and student life; and a networking lunch with college students, faculty and CPA practitioners. Similar conferences are scheduled for Northeastern University on April 16 and UMass Amherst on May 7.

There are many ways you and your company can help with these conferences:

- **Donate Giveaways** for the students' gift bags;
- **Serve on the Real World Accountants Panel** to represent the various sectors of accounting – public, private industry, nonprofit and government; and
- **Join the Students for a Networking Lunch** – The teachers and students benefit greatly from the informal discussion and appreciate your participation.

Please contact **Barbara Iannoni,** biannoni@MSCPAonline.org, if you would like to get involved.

Get Involved with MSCPA Student Outreach

The Academic and Career Development team is always looking for members to join its Student Outreach Speakers Bureau to visit high schools and colleges to promote the profession and speak on accounting topics. This fall school semester alone, MSCPA members visited over 16 schools and reached close to 550 students! We will provide you with all the resources you need to make your visit a success. Please contact **Ali Sturchio**, asturchio@MSCPAonline.org, or visit the current Speaker Opportunity Listings: www.MSCPAonline.org/studentspeakingopps.

Lastly, please consider making a contribution to the Ed Foundation's scholarship fund to help deserving college students realize their dreams: www.MSCPAonline.org/donateedfoundation.

Thank you for your continued support.

Sustainability for CPA Firms

Alison K. Simons

As the quality movement of the 1980s-1990s revolutionized business and determined the success of some companies over others (think Toyota and GM), the sustainability movement will offer the same opportunity for companies over the next decade. Without getting bogged down with more advanced terminology, like "triple bottom line" and "carbon footprint," this is a primer on sustainability in its broader definition of sustainable business practices for accounting firms.

Below is practical information and advice on how to proactively manage your firm's relationship with its stakeholders including employees, clients, suppliers, community and the environment.

EMPLOYEES: OUR PEOPLE ARE OUR MOST IMPORTANT ASSET.

Accounting firms are inherently at an advantage in the area of sustainability when it comes to employees. We employ highly-educated people to work in low-risk environments in terms of personal safety. Conversely, think of a manufacturing or construction company whose employee base is largely engaged in manual labor in riskier environments. Nevertheless, we still have room for improvement.

Hire and retain talented and happy people. For many years recruiting and retention has been a hot topic among accounting firms as the supply for staff at all levels far underserved demand. Though this is changing temporarily with the economic downturn, we should still focus on our current employees' needs and our reputation in the marketplace for future recruiting.

Yin and Yang. Life-work balance, work-life integration, work-life balance — whatever you call it — this is a hot-button topic in the accounting profession for a reason; it's an area in which we struggle to meet the needs of employees. Firms now employ four generations of people, and each has a different reason for work-life balance. Consider one-size-fits-one program roll-outs. Job-sharing, alternative retirement agreements, part-time, work from home and consulting arrangements are all options that should be considered to meet the needs of employees and firms. Trust employees to be responsible but monitor for deviation from acceptable standards. Consider that the alternative could be losing a great employee to a competitor who can meet his/her needs.

Clear career ladder (or lattice). It's important for our highly-educated and ambitious employees to understand what efforts and results are required to reach the next level in their careers. Equally important is that firms should be aware of each employee's goals and to help to map out an actionable plan for the employee to reach his/her full potential. In keeping with the work-life balance issues, this plan may not be a career ladder, but rather a lattice; a path that can take the employee in diagonal directions toward the goal that may include a flexible schedule or time away from the workforce.

Knowledge is power. Transparency and communication are important in all circumstances. This allows employees to feel included in and responsible for the success of the firm. For example, share financial information, new client wins, client losses and excellence in employee efforts.

Through good times and bad. How your firm behaves in good times and in difficult times shows a lot about character and culture. In the good times, give raises and bonuses, match more in a 401(k) program, offer tuition reimbursement or host a firm outing to show appreciation for the work employees do for clients. In difficult times, make tough decisions with compassion and intelligence, communicate clearly and stand behind them. If layoffs are necessary, offer outplacement services, give references, make connections that could lead to a new position and stay in touch. Your alumni are potential boomerang employees, referral sources, references and clients. How you treat them as they leave the firm will determine the future benefit.

Diversity. In this global economy, if English is the only language spoken by your employees, you will eventually lose a client or a client opportunity. If your partners and partners-in-training are all men, you are missing the importance of the female perspective on management, leadership and how to attract new business to the firm. If you follow the military's general position of "don't ask don't tell," you are not allowing employees to be their true selves and offer their best to clients and the firm. Embrace the differences in the workforce and use those to the advantage of the firm. These individuals may have different needs, but the rewards of diversity will add tremendous value to the firm.

CLIENTS:WITHOUT CLIENTS, THERE IS NO FIRM.

For most accounting professionals, client work is the focus of any given day. Therefore, what's good for a client is good for the firm.

Keep it safe. For the seventh consecutive year, the AICPA ranks information security management as the top initiative that will affect IT strategy, investment and implementation over the next 12 to 18 months. Mandated compliance will begin to tread into the sustainability space one topic at a time. All organizations will be subject to requirements for protecting client data in March 2010 for the Massachusetts regulations and also in June 2010 for the federal regulations. Portals, secure e-mail, scanning client originals and returning them safely, and shredding are all important components of security management.

Good work at a fair price. While time is how we track our efforts, results are what clients want. If you find efficient and effective ways to service a client, charge a price that's fair for the value of the work presented. Conversely, an employee's learning curve should be on your dime.

Communicate. Do you know each client's banker, attorney, insurance provider, technology advisor and financial planner? Collectively, you can help a client to reach goals and feel appreciated. Additionally, helping clients grow helps to employ more Massachusetts residents.

Teach. Once your firm has embraced sustainability, helping clients to learn best practices is a great way to be proactive.

COMMUNITY: THERE'S NO PLACE LIKE HOME.

The communities in which your employees live and work are the home of your firm. Treat them with the same loving care you do your own living room and backyard.

Lend a hand. Volunteering is a part of American society.To relate to sustainability, volunteering activities should correlate to the core of the business using the unique strengths of the employees. Consider volunteering in financial literacy for children, or helping entrepreneurs to start new businesses that aim to address social issues and employ people in the community. Building homes or serving in a soup kitchen are both generous, but better suited for real estate or food businesses.

A hard day's work. Another way to help is to offer mission-driven (nonprofit) clients reduced rates, free consulting, help with events, or a sponsorship.

ENVIRONMENT: WE ONLY HAVE ONE PLANET.

We spend most of our waking hours at work. It's important to ensure that our consumption and disposal of resources is managed responsibly.

Reuse, reduce, recycle. We've known for decades that our over-consumption has been a problem for the environment. Mountains of printer paper cost your firm money on the way in the office and the way out (shredding). Truly paperless systems are possible and better for data security. Replace disposable cups and packets for sugar and cream with ceramic mugs and larger containers of condiments thereby sing money and creating less waste. Recycle paper, cans and glass. Provide water from the tap or in large jugs, not individual bottles in the office. There are mission-driven organizations that will pick-up cans with deposits to raise money.

From A to B. Consider the driving distance from an employee's home to the client's office when assigning staff to minimize emissions. When possible, use video conferencing or conference calls.

Power off. Use power strips in each office and cubicle to consume less electricity. Electronics and computers draw electricity even while in the "off" position.

Processing: Portals, secure e-mails and CDs are all eco-friendly viable alternatives to printing and binding tax returns and financial statements for delivery to clients.

On the move? Ask about LEED (Leadership in Energy and Environmental Design) green buildings and building heating/cooling efficiencies.

SUPPLIERS: GARBAGE IN, GARBAGE OUT.

Once you have some confidence in your sustainability efforts, it's time to talk with your suppliers about their practices. Evaluate supplier sustainability programs and suggest new relationships if suppliers fail to meet established specifications set by your firm. In the meantime, consider these easy adjustments to firm practices.

Online bill pay. Request online invoicing and paperless payments through online banking. You'll save time and money by not paying for stamps.

Ship less. Minimize deliveries and request reduced packaged products. Watch out for "bulk" items that are merely smaller containers bundled together. This is merely extra packaging that serves no purpose and ends up directly in a landfill.

Ask for help. Request that suppliers help volunteer or with philanthropic initiatives in your community.

Hopefully, your firm is already participating in the sustainability movement, but if it is not, now with a few adjustments that are logical and efficient, you can be a leader and positively differentiate your firm from the competition.

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***Alison Simons** is the director of marketing at Braver PC, Newton, having been with the firm since 2004. She is a second-term chair of the MSCPA's Marketing Committee, and was a social media panelist at the most recent New England Practice Management Conference. In 2009, Simons was named one of Boston Business Journal's 40 under 40 honorees.*

the buzz

Firm News

Caturano and Company, Boston, joined the Intacct Accountants Program.

Cowan Bolduc Doherty & Company, North Andover, was named as one of the "2009 Best Accounting Firms to Work For" by *Accounting Today* and Best Companies Group.

DiCicco, Gulman & Company, LLP, Woburn, incorporated a Massachusetts Film Tax Credit group into its Commercial Practice. The firm also, has been voted one of the "Best Accounting Firms to Work For" two years in a row by *Accounting Today, Accounting Technology, CPA Wealth Provider, Practical Accountant* and Best Companies Group.

M. L. Klingmeyer, CPA, Wellesley, merged into the firm of **William D. Mahony & Company**, Natick.

R.J. Gold & Company PC relocated to One Wall Street, Burlington Office Park, Burlington.

Rosenfield Raymon Pielech PC, New Bedford, changed its name to **Raymon Pielech Zexter PC**.

Ronald C. Zullo, CPA, MST, relocated his firm to 1420 Providence Highway, Suite 255, Norwood, MA 02062; 781.762.8299.

Promotions and New Positions

Caturano and Company, Boston, announced that:

- **Allan H. Cohen, CPA**, joined as a vice president and chief risk officer; and
- **Gavin Martin** joined as manager.

Costantino Richards Rizzo LLP, Wakefield, announced that:

- **Nichole D. Feldberg, Mary H. Lynds** and **Jennifer M. Scalia, CPA, MST,** were promoted to supervisor;
- **Gregory T. O'Gorman, CPA,** joined as manager; and
- **Megan Roberts, CPA**, was promoted to senior accountant.

FTI Consulting, West Palm Beach, FL, announced that:

- **Stephen Burlone, CPA, Robert Fraga, CPA,** and **Mark Grover, CPA,** joined its forensic and litigation consulting segment as senior managing directors; and
- **Brian Christie, CPA,** joined as a managing director.

Frank Gorrell, CPA, MST, Global Security & Engineering Solutions, Chantilly, VA, expanded his duties from SOX and quality compliance to include compliance with Federal Acquisition Regulations and the Department of Defense's Defense Contract Audit Agency (DCAA).

Johnson O'Connor Feron & Carucci LLP, Wakefield, announced that following people joined the firm:

- **Sean Donlan** as principal;
- **Justin Hirsch**, **Michael Paquin** and **Dorothy Roscillo** as senior accountants; and
- **Colleen Jackson, CPA,** as supervisor.

KAF Financial Group, Braintree, announced that:

- **Stephanie Drum, CPA**, was named senior tax manager;
- **Katherine Dugan** joined as internal accountant;
- **Sean Killgoar, CPA**, joined as audit manager; and
- **Alfredo Ranalli, CPA**, was named a partner.

McGladrey & Pullen, Boston, announced that:

- **Michael A. Bevilacqua, CPA**, and **David M. Frankel, CPA**, joined as managing directors; and
- **Colin McPherson, CPA**, joined as audit director.

David Noymer, CPA, was named chief financial officer of **The Greater Boston Food Bank**, Boston.

Parent, McLaughlin & Nangle, CPA's, Inc., Boston, announced the following promotions:

- **Brenda DeCosta, CPA**, to partner;
- **Michelle Fairweather, CPA**, to senior audit manager; and
- **Rachel Shields, CPA**, to audit manager.

Carol L. Seto, CPA, MST, was named tax director at **Gray, Gray & Gray LLP**, Westwood.

Speaking/Writing/Community/Awards

Kenneth P. Brier, CPA, Esq., partner, **Brier & Geurden LLP**, Needham, was named a 2009 Massachusetts Super Lawyer by *Law & Politics.*

Larry Davidson, CPA, principal, **Kahn, Litwin, Renza & Company, Ltd.**, Providence, was named a co-chair of the Rhode Island Business Plan Competition.

Barry MacQuarrie, CPA, KAF Financial Group, Braintree, spoke at the 2009 CCH User Conference and delivered a presentation on Disaster Recovery Planning for CPA Firms.

Susan McCarthy, CPA, joined the **Neponset Valley Philharmonic Orchestra** as both treasurer and board member.

Raymon Pielech Zexter PC, New Bedford, conducted a free workshop to help business owners properly manage their businesses in a fluctuating economy.

William F. Rucci, Jr., CPA MST, partner, **Rucci, Bardaro & Barrett,** was elected to the board of directors of Russell Bedford International.

David Sullivan, CPA, DiCicco, Gulman & Company LLP, Woburn, presented at the 2009 AEC Mergers & Acquisitions Summit in Palm Beach, FL, December 3-4.

On November 14, the following MSCPA members volunteered as Money Mentors at The Money Conference — Rebounding from a Recession, a project of the State Treasurer Timothy P. Cahill. They provided free one-on-one financial counseling to Massachusetts residents on money management, retirement planning, taxes and saving:

- ***Martin R. Gredinger CPA, CFP***
- ***Neelu Johar, CPA, Ernst & Young LLP***
- ***Carleen Loveday, CPA, Raphael and Raphael LLP***

In Memoriam

Jeffrey L. Beatrice, CPA
Sidney L. Feinberg, CPA
Stephen W. Heald, CPA
Mark H. Ludtke, CPA
Thomas P. McDermott

To submit your member/firm news and announcements, please e-mail Erika Tchang, etchang@MSCPAonline.org.

The 2009 MSCPA Softball champions are:

> Co-ed Division A: **Mercer**, Boston

> Co-ed Division B: **Alexander Aronson Finning and Company**, Westboro

> Men's Division: **PricewaterhouseCoopers Team 6**, Boston

Editor Correction: Len Paolillo, CPA, The Paolillo Financial Planning Group, Natick, and **Jonathan Paolillo** released the publication, *Determine Your Net Worth.*

Membership Night at the Celtics

On October 28, over 100 members attended the 2009 Celtics home opener game. The group enjoyed an evening of networking and watching the Celtics dominate the Charlotte Bobcats.

Special thanks to the following sponsors:

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PAYROLL SERVICES
Service...Solutions...Simplicity

If you are interested in sponsoring an MSCPA networking event, e-mail **Giuseppe Fornaro**, gfornaro@MSCPAonline.org.

100% Membership – Supporting the Profession

Every accounting firm in the Commonwealth of Massachusetts is a valuable partner of the MSCPA. Together, we have the synergy that makes our combined efforts greater than our individual ones. Currently, the MSCPA has 52 firms in the 100% Membership Program. These firms are committed to supporting the accounting profession and their staff through registering every eligible staff person for MSCPA membership. The benefits of participating in the 100% Membership Program includes:

- ***Savings:** Discount on all employees' membership dues with the MSCPA; discounted registration (up to a $50 value) for each MSCPA CPE seminar, conference and special event; and a variety of savings for your employees on various products and services;*
- ***Convenience:** One single dues invoice for all enrolled employees; and*
- ***#Strength in Numbers#:** One voice at the State House.*

To learn more about the 100% Membership Program and view a list of participating firms, visit: www.MSCPAonline.org/100membership.

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The Increasing Importance and Scrutiny of Single Audits

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David J. Gannon, CPA

Over the past two years, there has been immense scrutiny regarding the quality of CPA firms' single audits on state and local governments and nonprofits. The debate intensified in June 2007 following the Report on National Single Audit Sampling Project from the President's Council on Integrity and Efficiency (PCIE). Following the PCIE report, the American Institute of CPAs (AICPA) developed several measures to improve single audit quality.

THE RESULTS

The National Single Audit Sampling Project had two goals: provide a baseline to measure audit quality over single audits and provide recommendations to improve audit quality issues. The PCIE results were staggering: 208 audits were reviewed from a universe of more than 38,000, and only 48.6 percent of them were deemed acceptable; 51.4 percent were judged to have limited reliability or be unacceptable. Serious concerns were raised by the Office of Management and Budget, General Accountability Office and U.S. Senate. These agencies rely heavily on single audits performed by CPA firms as the key accountability mechanism to ensure that billions of dollars in federal awards are spent appropriately. The PCIE report recommended the following measures to improve single audit quality:

- Revise and improve single audit standards, criteria and guidance;
- Establish minimum requirements for training on performing single audits; and
- Review and enhance processes to address unacceptable single audits.

THE RESPONSE

AICPA task forces were created to address the deficiencies noted in the PCIE report according to these areas:

- Sampling and materiality;
- Schedule of expenditures of federal awards;
- Internal control and compliance;
- Findings;
- Training and continuing professional education;
- Peer review; and
- Compliance audits standard.

Thus far, these task forces have yielded significant results. The AICPA also made several revisions to the *2008 Government Auditing Standards and Circular A-133* audit guides, and many more changes are anticipated going forward. A new chapter on audit sampling in the 2009 Audit Guide will include suggested minimum sample sizes for internal control and compliance testing that links the significance of the control and inherent risk of the compliance requirement with a minimum number of items to be tested. The AICPA has also developed several practice aids and sample workpapers to enhance audit quality and documentation, which can be obtained at the AICPA's Web site: http://gaqc.aicpa.org.

In December 2008, the AICPA issued an exposure draft for a proposed Statement on Auditing Standards (SAS), Compliance Audits, which is an amendment to SAS No. 74, Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance. It addresses some of the PCIE report recommendations relating to generally accepted auditing standards for auditors performing compliance audits. The exposure draft clarifies its applicability, provides updates to reflect the changes in the compliance audit environment, establishes a requirement for the auditor to apply the risk assessment and fraud standards to a compliance audit, identifies auditor requirements that are unique to a compliance audit and provides auditor guidance in evaluating whether an auditee has materially complied with an applicable compliance requirement.

ECONOMY'S IMPACT

In February 2009, Congress enacted a massive $787 billion stimulus package to address the severe economic downturn. Over the next few years, the federal government will be sending billions of dollars to state and local governments, much of which will be subject to single audits. President Barack Obama has demanded unprecedented oversight and transparency over the distribution of these funds, not only from state and local governments regarding how the funds are spent, but also transparency over the audit profession performing single audits. The federal government anticipates a significant increase in scrutiny over the single audit process through its quality control review process in 2010 and 2011.

The audit profession is thrust into a key role to ensure that the stimulus funds are spent appropriately. As such, emphasis on improving single audit quality over the past two years could not have come at a more critical time for our government and our profession.

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While many firm leaders belong to national and international CPA firm associations offering similar meetings, the New England Practice Management Conference provides the best chance to network and discuss common areas of concern with local New England firm leaders. It always helps to have contacts in neighboring camps!

The MGM Grand Hotel provided a professional yet relaxing atmosphere for some serious discussion mixed with opportunities for fun and fine dining.

E-mail **Marianne Brush**, mbrush@MSCPAonline.org, if you'd like to be kept in the loop for future plans and programs of the MSCPA Management of an Accounting Practice Committee.

Why AMT Is Not a Dirty Word!

Harvey D. Aaron, CPA/PFS, Esq., CFP

We've all heard them before: Another Major Tax, Always More Tax – always in a derogatory sense. The Alternative Minimum Tax (AMT) has a reputation for being the wicked stepmother, something to be avoided at all costs. Granted, it has taken on a role in our tax system which was not contemplated when it was created in 1969. The AMT was created to target the very wealthy who were not paying their fair share of taxes. Now, the AMT has crept into the vernacular of the middle class who pay it even though the only reason they do so is because they pay state income and real estate taxes.

This article is not intended to be a primer on the AMT. We all know why very many of our clients are "in it." This is also not going to be about how to plan to avoid the AMT because, simply, there are clients who will be subject to the AMT no matter what you do. You're in it, and you're not getting out. Now, how does that factor influence tax planning? What happens to the tax liability and at what rate? The more we understand it, the more we can use it to our clients' advantage.

More Ordinary Income?

We all have clients that will be subject to AMT every year. They are deep into AMT and telling them not to prepay their state income or real estate taxes is not going to make any difference. It may seem that the most obvious advice is to encourage income recognition. For 2009, this is predominantly in two areas: capital gains, preferably short-term, and ordinary income. Many people had large capital loss carryforwards coming into 2009. For them, recognition of capital gains of any kind is tax-free. One would rather eat into the carryforwards with short-term gains and save the long-term gains for when they impact your taxes and you can get the favorable rate. If you are already subject to the AMT, recognition of ordinary income, either by accelerating income or adjusting the investment portfolio to generate more interest and dividends, would cause this additional income to be taxed at a marginal rate of 28 percent instead of 33 or 35 percent. Right?

	AMTI	AMT Exemption	AMOUNT Subject to Tax	AMT
	345,419	21,095	324,324	87,311
	355,419	18,595	336,824	90,811
Difference	10,000	(2,500)	12,500	3,500

Not necessarily. This is only true if the taxpayer has alternative minimum taxable income (AMTI) greater than $429,800 (this is the 2009 number). It is at this point that the phase-out of the AMT exemption becomes complete. Once the taxpayer no longer has any AMT exemption available, any additional ordinary income is taxed at a flat 28 percent. Before the exemption becomes totally phased out, any additional income would be taxed at the taxpayer's top marginal rate. The reason you don't get the 28 percent rate is that as you increase ordinary income you are also increasing AMTI. As you increase AMTI, your AMT exemption gets phased-out by 25 percent of the increase. As you can see from the chart above, you aren't really increasing taxable income by the amount of the additional income. You're really increasing it by an additional 25 percent.

Keep in mind with this planning process that it is just as important what we tell our clients to do as it is what we tell them *not* to do. Unless you know that your client has passed the AMT exemption phase out, don't recommend accelerating income.

More Charity?

Usually, the advice is to defer income and accelerate deductions.
If one is accelerating income or intentionally generating more ordinary income, the only deduction, which a taxpayer could accelerate that is not impacted by the AMT, is charitable deductions. I'm not sure how many taxpayers still have unrealized gains in their portfolio, but giving away appreciated securities is still a good move under an AMT scenario.

The way the AMT works for income, above, works exactly in reverse for deductions. The taxpayer gets the benefit of the deduction at the top

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marginal rate because as you decrease AMTI, you increase the AMTI exemption. The deduction doesn't decrease the amount subject to tax by the amount of the deduction; it decreases it by 125 percent of the deduction. You also get the appreciated security out of your portfolio and avoid a future capital gains tax.

To summarize the above, if your taxpayer is in AMT but still gets a piece of the AMT exemption, the traditional defer income, accelerate (some) deductions still works well. However, if your client has been phased-out of the AMT exemption, modify the strategy to increase ordinary income. With talk of a tax hike on the horizon, accelerating income may be a good play.

Also, keep in mind that even if the taxpayer is subject to the AMT, qualified dividends and long-term capital gains are still taxed at the preferential rate of 15 percent and should be considered as part of an overall strategy.

The planning I would recommend with respect to state taxes is to keep as much of them in your bank account or portfolio for as long as possible. Have your taxpayer pay only the minimum amount required to avoid underpayment penalties and keep the rest invested. Even though interest rates are down, isn't it better to earn something than to give the government an interest free loan?

Sometimes, we need to look not only at the taxpayer but also the taxpayer's family. If we can save the family unit tax dollars, we've earned our fee. Suppose your taxpayer is subject to the AMT. The taxpayer has two children, one of whom has a part-time job working their way through college. We often spend much time running the numbers to see if the parents should take the student as a dependent. The answer is simple: don't. To a taxpayer subject to AMT, the value in tax savings of that additional dependency exemption is zero. Don't forget, the AMT calculation begins with income before exemptions. Granted, the student can't take the personal exemption for himself, but he gets the education credit, which is much more valuable.

One other important aspect about family (or any other) tax planning: inform your client that you did it. What they are likely to notice, absent your input, is that one of their dependents dropped off their tax return. Tell them up front: "I didn't take your child as a dependent on your return and, in doing so, I saved the family unit $XX in taxes." Instead of them questioning you, they see you are proactive and looking out for them.

Our clients do not have to understand the AMT. They don't even have to understand why they pay it. However, it is important for them to understand that, even though they are subject to the AMT, they have planning options. The options may not be sexy and may not involve great savings, but in these economic times, the more each taxpayer can keep in his or her pocket, the better off they are.

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Cause-Related Marketing

Doing the Right Thing and Taking a Bow for It

Steve Dubin

Last year, Americans generously donated over $150 billion to charities. Eighty percent of that total came from individuals, the rest from companies and foundations. While the total reflects an increase of 7.3 percent over the prior year, the number of individual donors is in fact shrinking, as is government funding for many programs. This double whammy is forcing charities to "sell" themselves. Welcome to the increasingly popular world of cause-related marketing.

Once you've been in business for a while, it's a good bet that at some point you may have considered using cause-related marketing, or that some local, regional or national organization has approached you. Cause-related marketing is an alliance between a company and a selected charity through which the business gives a few cents of the purchase price or a share of the profits to a specified charity. Among the better-known national companies that have used cause-related marketing are American Express, Coca-Cola and Ben & Jerry's.

A more cynical reader might ask the businessperson involved in cause-related marketing: Are you trying to sell products or services, or are you trying to support a worthwhile cause? The answer should be both.

Why, of all professions, would accounting firms care? One is that community work energizes your staff and allows them to connect on a different level. Two, outreach helps build and enhance your firm's "brand." Three, nonprofit efforts can allow you to rub elbows with potential clients. Most nonprofits have well-connected board members who could be your next star client. Four, all things being equal, clients would prefer to work with the good guys.

Consumers like these types of arrangements between companies and charities because they can help others while shopping for things they would have purchased anyway. After all, it makes you feel good to know you are helping to save baby seals just by buying a certain brand of toothpaste.

Some marketing experts argue that the product and the cause should have some connection. For example, for several years the makers of Arthritis Pain Formula donated a percentage of their profits to The Arthritis Foundation. The charity even got to put its name and logo on millions of bottles of the over-the-counter painkiller. The charity got lots of "free" publicity while the manufacturer sold more medicine.

Last year, Ben & Jerry's Homemade joined forces with Yahoo! Inc. in "Lids for Kids," pledging ten cents for every yogurt lid mailed in to linking schools to the Internet. As with most such promotions, the sponsors set a cap. With this campaign the cap was set at $100,000.

Some promotions have little connection between the cause and sponsoring company's product or service. It was American Express, you may recall, that popularized the idea of cause-related marketing with its 1983 project to help restore the Statue of Liberty. Maybe you even used your American Express card a few extra times, so you could proudly boast that you helped preserve the famed lady. American Express also reaped immeasurable positive publicity during its "Charge Against Hunger" campaign, which ran the last three holiday seasons with a $5 million annual cap (Well, even for mega-companies, you have to draw the line on charity somewhere!)

Some promotions border on good taste. The Society for the Preservation of History promises to pay "a portion of the proceeds" from the sale of each $199 "Queen of Hearts" Princess Diana Doll to the Princess of Wales Memorial Fund. How many would you like?

If there's a charity you'd like to support through cause-related marketing — which might help boost sales or polish your company's image at the same time, contact the organization's marketing or development director and explore the possibilities. If done correctly, the campaign can be a major win-win proposition for both parties.

Well, gotta go. I think I'll get my tires changed at the place that supports the Olympic Team and have a cup of coffee at the place that buys books for inner city schools.

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***Steve Dubin** is president of PR Works, which is based in Kingston, MA, and serves clients nationally. The firm offers a wide expanse of public relations services including strategic PR planning, news releases, feature story development, media placement, media coaching, newsletters, case studies, grand opening management, product and service launch management, press tours, and press conference management. For more information, please visit PRWorkZone.com.*

How Important is Cash When Transferring or Merging a Practice?

Max T. Krotman, Esq.

The most accurate answer is, "that depends," but there are certainly guidelines to determine the amount of cash that changes hands. Both buyer and seller should be aware of the "rules of the road." Yet, don't be misled: *There is no industry standard.*

The amount of cash a buyer advances to a seller at closing is a major issue in many sales of an accounting practice. The seller needs to know that the buyer has "skin in the deal;" the more, the better. The buyer knows how much he will have to invest in the deal to make it work and wants to minimize the money he gives to the seller. The buyer realizes that he will be investing money in his closing costs and the time, effort and money he must invest to transition the deal.

Transition is essential to client retention and will require a financial investment, usually in costly staff time, for such necessary steps as: establishing good relations with the new clients; adapting staff to the needs of these clients; often learning or converting software; and adjusting to other service methods so that the clients will remain comfortable. On the other hand, the practice will be most valuable to the most appropriate buyer and the seller can get the highest price from the buyer who can reap the most profit from that practice. Often the cash is *not* critical, because the quality of the buyer (or merger partner) and his/her ability and willingness to pay are far more critical.

Discernable patterns that determine the amount of the cash advance become apparent after reviewing a sample of hundreds of such deals:

1 **Smaller Practices.** Ironically, the smaller the deal the larger the percentage of up-front money. On transactions for practices between $25,000 and $75,000 in annual collections, the average up front payment (regardless of multiple) was typically 30 to 50 percent of such collections. The underlying basis of this high proportion of cash is that the sale of a practice of this size is normally made to an individual practitioner or a two-man partnership. The seller recognizes the limited resources of the buyer and seeks a large cash payment for his security. Often, the seller of that same practice will require less up-front money from a larger firm because the seller will have less fear that the larger firm will be around and be able to pay.

2 **Medium Practices.** Sellers of practices in the $100,000 to $500,000 range generally receive an upfront payment of 20 to 33.37 percent of one year's collections. Surprisingly, size of the payment is often unrelated to the total purchase price. Frequently, during negotiations the parties will bargain the amount of the upfront payment against the term, the multiple and the total price. Ironically, the percentage paid upfront tends to diminish as the size of the practice increases because it peaks when the seller becomes comfortable that the buyer has enough "skin in the deal." For example, if the buyer of a $600,000 practice puts down 10 percent, that is $60,000 which is a substantial commitment. With that cash payment, the seller usually feels convinced that the buyer is strong enough and that it genuinely wants to retain as many clients as possible. Because a larger firm can more easily absorb a larger practice, often the proportion of up-front money often decreases as the parties each are larger and the successor's ability to pay in full is deemed greater.

3 **Practices Over $1,000,000.** When the collections of the selling firm are $1,000,000 or more, the buying or merging firm rarely puts any cash up front. In fact, there is often "negative cash" in such deals. The negative cash concept refers to the seller not immediately liquidating its receivables.

For example, a firm billing $1,500,000 per year with $300,000 in receivables does not normally get to immediately cash out its receivables as collected. The buyer will negotiate, for cash flow purposes, for the seller to leave all or part of its receivables in the successor firm for a limited period of time. The seller does not lose its receivables, but often the buying firm will "borrow" them and pay them back over a period of six to 36 months.

The seller relies upon the larger firm to keep its word but still inserts in the contract the terms for paying back the collected receivables. If the buyer reneges in any way, he faces losing a lawsuit. More important, if the buyer reneges, it will blacken its reputation in the accounting world, which would severely harm its future. As a consequence, breaches in this industry are very, very rare.

Whereas most firms who acquire practices in the $200,000 to $500,000 expect to have some cash in the deal, the multimillion firms which can absorb a $1,000,000 to $4,000,000 practice rarely need to put up cash. The seller does not need cash to be secure and the limited number of qualified buyers for seven figure practices are well aware of the common ground rules.

While the majority of sales of seven figure and larger practices follow the no-cash down principles and usually borrow the seller's receivables, each transaction is unique. Virtually everything except the seller's first born is negotiable. In the end, the final terms will depend upon how valuable the practice is to the buyer, how urgently the seller wants to leave, and the number of other suitors or practices that are available.

4 **Crediting the Up-Front Payment.** Accelerated amortization of the up-front payment often serves as the key solution to the thorny problem of the size of the payment. In a traditional (non-accounting practice) transaction, the payment up front is a "down payment" applied to the total purchase price, incidentally reducing each equal monthly payment during the life of the payments. Accounting practice transactions, however, are normally paid out on the basis of collections, and payments are therefore not fixed. In accounting transactions the up-front payment is normally treated as an "advance payment" and is credited against the first amounts due under the collections-based payout. Sometimes the credit is spread over the first 12 payments or the first 24 payments. This front-loading of the amortization makes the buyer more amenable to putting the money up front and the increased amount paid up front gives the seller more security that the buyer has "skin in the game." The accelerated amortization protects the buyer's cash flow.

Negotiating for Cash Down

For accounting deals to work successfully for either the buyer or the seller, everyone must be happy when negotiations conclude. No participant can afford to win the battle and lose the war. It is essential to the buyer and the seller to maintain the good will of the practice so that the clients will remain. For a practice to be worth anything to a buyer, the seller must convey his trust in the buyer to his old clients. To do so, the seller must himself become comfortable with the buyer.

They must be comfortable because each party continues to need the other after the closing date. The seller needs the buyer to make his payments on time, not two or three days late. The seller also wants to keep open the possibility of receiving a cash settlement for the balance of his payouts and to collect its receivables at some time in the future. Goodwill helps to keep all those options open.

The buyer needs the seller to speak well of him. Collection deals almost force a seller to do this by their economic nature, but good relations between human beings help. Praise for the buyer from the seller will not only increase client retention, it will also improve the buyer's standing in the community. The buyer also wants referrals of good employees from other firms who may not be happy where they now work. The buyer certainly wants new client referrals from a satisfied seller. These factors make positive negotiations very desirable.

Many accountants think of themselves as expert negotiators and proceed to "negotiate" with a selling accountant, whether or not they actually have that skill and whether or not they have amassed the necessary experience from acquiring

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three or four practices. If they negotiate for themselves they often find they "have a fool for a client." The smartest accountants who seek acquisitions utilize a skilled intermediary to buffer negotiations with the other accountant. This avoids the danger of losing deals, which are extremely beneficial to both parties. Frequently, face-to-face negotiations between accountants are blown because of the strain created by overly aggressive amateur negotiators who do a worse job for themselves than they would ever do for a client. One or both parties reach a stage of anger in which good business sense goes out the window and the inner demons are unleashed. An experienced intermediary can believably convey to all parties what is customary in the industry and why and then recommend tried and true exceptions to the norm, when appropriate. This avoids the "winner" and "loser" syndrome that has killed more deals than you can imagine.

There are key indicia to look for in a your intermediary that are obvious only on sober reflection:

1 The intermediary must have experience with a minimum of 20 accounting affiliations. No other industry is like accounting. Some are analogous, but accounting remains unique. It so unique that you are best off with someone who has done hundreds of such affiliations.

2 The intermediary must earn the trust of each party to the affiliation, not only one party. The intermediary must be relied upon for fairness. Its name and reputation in your accounting community must be at stake. The intermediary must require sufficient data from both parties to allow it come up with fair judgments so that it can reconcile each party and give them what is most important to them in the affiliation in a structure fair to both. For example, to one party the cash up front may be key. To another it could be the total payout, the number of years, the tax effect of the transaction, the degree of risk for retaining the clients or the short-term cash flow. Often the most important factor is the full- or part-time work and compensation continuation post affiliation. Income continuation frequently decreases the need for cash.

Examples

Here is a real-life example of how to accomplish the mission while still taking care of the irrational issues. A six-partner firm with a $4 million practice was negotiating to buy a $2 million practice with four partners. Two of the partners in the smaller firm, who shared a near-term window on retirement, had never sold a practice before and had no idea of what arrangements were customary in such a sale. They demanded a substantial down payment (at least half a million dollars) plus all their receivables, as they were collected (about half a million dollars in less than two months). Their attitude was, "Why should anyone else hold our money?" They felt they had "goodwill" like a manufacturing company. Goodwill in an accounting practice is abstract and ephemeral. It is based upon the human relationships between an accountant and his client. The goodwill of personal services professions is fragile and essentially unlike the goodwill of a manufacturing company. The other two partners of the smaller firm were not lusting after cash and believed in the successor firm. They expected to work for 20 years with the successor and were more than willing to deposit their receivables with the successor firm (as a credit to their capital accounts) and not cash out at all. Instead, they wanted the quickest possible closing and to start earning money as part of the successor firm. The argument between them and their partners accelerated almost to the point of violence. Fortunately their facilitator was able to cool off the partners by bringing them an offer from the successor firm that gave the two retiring partners their receivables. The continuing partners did not cash out but obtained greater net income on an immediate basis. By solving this internal problem the successor firm was able to add the skilled employees they needed as well as several key, profitable niches that would both complement and supplement their existing services.

With the final agreement, each party won because the roadblocks were removed that had stopped this deal from happening. After some back and forth through the intermediary which was not irritating to any of the ten partners involved, it was agreed that the soon-to-retire sellers would get all their receivables as they were collected and that they would also receive a token down payment of $100,000 against their first-year payout. By any standard, this was a win-win situation.

Having been through many, many transactions of this type, it is apparent that the cash at closing is probably the most flexible element to making a good transaction. When the deal terms work for everyone, then the parties should not lose a potential bonanza because of irreconcilable disputes over initial cash disbursements.

In Summary

In general, small practices receive a higher percentage of cash at closing than do larger ones. Frequently, practices selling for a million dollars or more have no cash down payment at all; they may even have to "loan" their receivables to the buyer. However, neither buyers nor sellers are limited by these restrictions. Skilled negotiation can generally achieve a positive compromise on both issues. If parties obsess about the cash element of the affiliation, they will miss the forest for the trees.

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The Case for Good Corporate Citizenship

Lora Muckin

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At first glance, the idea of corporate citizenship at accounting firms may seem contrary to the "billable hour as king" philosophy so pervasive in our profession. A closer look reveals, however, that there are benefits to the business by being socially responsible that even the most bottom-line accountant must acknowledge. Although there is no formula that can accurately assess a firm's return on investment, try thinking of corporate citizenship as an intangible asset – goodwill that can't be quantified – one that is clearly positive and can give a firm a competitive advantage.

Charity by the Numbers

According to World Volunteer Web, more than 90 percent of Fortune 500 companies have corporate volunteer programs. A similar study by the Committee on Encouraging Corporate Philanthropy (CECP) indicated that 88 percent of the companies surveyed have corporate foundations and the same percentage have volunteer programs. CECP has observed increasing interest among CEOs and senior executives with respect to employee volunteerism. A LBG Associates research study revealed that 100 percent of corporate executives surveyed believe their companies should financially support volunteerism, and 85 percent allow their employees to volunteer during the workday.

But Just What Is Corporate Citizenship?

Corporate citizenship, also called corporate philanthropy, is generally defined as donating time, goods and/or money to charities. It also usually incorporates some type of (1) board service; (2) corporate volunteer program; or (3) foundation.

Board Service – Many accounting firm partners serve on boards of local nonprofit organizations and therefore know first-hand the benefits of involvement. These include developing good relationships with other corporate board members, getting experience in fundraising events and capital campaigns, and generating public goodwill by having the firm's name associated with an organization that provides some form of beneficial community service.

Corporate Volunteer Programs – Corporate volunteerism can be defined as charitable projects performed by employees and supported by senior management. These programs can be formal or informal, depending on what the corporate culture dictates. Selection of charities to be supported can come from employee suggestions or the firm. Many employees may already be involved in charitable causes, and a firm-wide program can support their efforts through increased recruitment of volunteers and promotion of the cause.

Corporate volunteer programs could be anything from holding an annual fundraising marathon to fight cancer to employees helping build homes for Habitat for Humanity and countless other charitable works. Regardless of the charitable endeavor, there are several attributes that the program should comprise to ensure the best chance of success.

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Key among success attributes is senior management support, most often in the form of dedicated resources, recognition and a clear message that the program is integrated into the firm's culture. Dedicated resources can include incentives such as paid time off for approved volunteer effort. Recognition programs range from a firm-wide thank you to a cash donation to the employee's charity when a stated minimum of volunteer hours have been logged.

From an operational standpoint, large corporations often have a paid employee in charge of the corporate volunteer program. At most regional and small accounting firms, however, a marketing or human resources employee fills this role.

At my firm, a senior marketing professional oversees the firm-wide volunteer program called Amper Community Actions Resource (Amper CARES). Each of our seven locations has office leaders who coordinate the efforts for their location. One of the founding partners and the managing partner are both part of the firm-wide team, and each employee gets a paid day off per year to volunteer for an Amper CARES project. We emphasize employee ownership of the program, and projects do not require management pre-approval. Ultimately, employees develop a deeper tie not only to the community but also to the organization through its good works. There is a sense of pride in working for a company that is part of the solution, not part of the problem.

Foundations – Corporate foundations are legal entities created by a person or organization to help fund a particular charitable mission. They require exempt-status registration and a careful, accurate investment strategy and recordkeeping. Funding can come from soliciting donors and fundraising activities.

For example, the world-famous Ford Foundation was established in 1936 by Edsel Ford, the son of Henry Ford. Its mission is to "strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement." It does so by giving away more than $600 million in grants annually.

Why Is Corporate Citizenship Important?

Companies do not function in a vacuum. As a business operating in a given community, there are expectations for that business – from the community, its clients, its vendors and its employees. While it may be more challenging now, during a recession, to allocate resources to a cause, you can make the argument that all elements of a community need to band together now more than ever. Ultimately, a strong community benefits everyone.

While doing good for good's sake is commendable, firms are in business to make a profit. And good corporate citizenship ties into that mission. Corporate citizenship programs are an opportunity to promote the firm's brand with key stakeholders. A firm's efforts can be publicized in the media, on its website and in proposals, especially to potential nonprofit clients. Including a description of the program in recruitment materials can also help attract new talent.

Being a good corporate citizen can truly be a low-cost, high-return proposition. It improves the firm's reputation, helps employees cultivate leadership skills, builds client loyalty and improves staff morale and retention. The end result is a better community. During these uncertain times, that's a goal worth striving for.

If you would like to learn about how you or your firm can volunteer in Massachusetts, contact **Kara Kieran**, kkieran@MSCPAonline.org, or visit: www.MSCPAonline.org/volunteer.

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***Lora Muckin** is a member of the marketing team at Amper, Politziner & Mattia LlP in New Jersey and oversees the firm's Corporate Volunteer Program. She is a member of the Association of Accounting Marketers and the New Jersey Professional Services Marketing Group. Muckin can be reached at muckin@amper.com or 732.287.1000.*

Keeping Your Options Open

James Downing

A common practice in large accounting firms is to assign young staff accountants to an industry right after college. This specialization can then lead to an expertise in that industry as a career progresses. The question that is commonly asked by young professionals, as well as college students, is whether or not this is an ideal situation. This cannot be answered with a simple yes or no, but must be determined on an individual basis.

To Specialize

There are some reasons why specializing early can be advantageous. After spending the last four years earning a degree in accounting, new accountants are typically dealing with many things at once. The transition from college to the professional world and learning a new career are immediate concerns. We also need to consider and develop a plan to prepare for and pass the CPA exam.

If you specialize early, you will only be responsible for one niche practice within your firm, and therefore will learn that industry much quicker. When you switch from one industry segment to another, there is an increased amount of time that is required to be spent learning the new industry. For instance researching industry standards, trends and regulations as well as what motivates the clients (taxes or revenues). Keep in mind that once a specialization is chosen, a label often accompanies it. At first, it will be, "he is our real estate associate," but over time, this can develop into, "he is our real estate expert."

Keeping Your Options Open

Specializing right away is not always the best option. Many people practicing at smaller accounting firms would argue that it in fact can hurt you in the long run.

Let's face it, coming out of college the average graduate has many of the basic principles understood but lacks the practical knowledge that comes with experience. Without it, is it possible, if given the choice, to choose the right career path? Most people will test drive a new car before purchasing it or have a home inspection done prior to buying his/her house, and choosing the industry to specialize in is no different. It is a decision that will impact the rest of your career. "Test drive" a few different industries before making the decision to specialize. This will only make for a more informed and well-rounded professional.

What happens if the choice to specialize is made too soon or the choice was never given, and now the staff accountant thinks they would like to see something else? The good news is that there are almost always opportunities to see other industries; the bad news is it can be costly. The firm has already invested the time and capital by training you in one industry, and by changing, they are being forced to repeat the cycle. They need to provide the opportunities and time to learn new business models and issues.

It is for these reasons that many accountants feel it is beneficial to keep their options open at the beginning of their career. By working in a variety of industries, it allows staff to see a little of everything. Then, when it comes time to specialize, they have the required skill set in a few industries, but more importantly, they now know what industries interest them. Gaining this broad knowledge not only helps the staff member to choose a career path that will suit them but also will make them a well-rounded accountant. For example, you will be able to move to other engagements to aid fellow colleagues without spending a lengthy amount of time getting up to speed on the different practices or regulations. Also, it is important to remember that this broad base of knowledge could help you in the event you need to find a new job. I am not saying that if you are an expert in a particular field and lack experience in multiple industries that you will have difficulty finding a job, but having experience in multiple industries gives a new employer the flexibility to fit you into the firm.

What do you have to do to ensure that you get a broad knowledge base if that is the path you have chosen to take? There are two big pieces of advice I can give you.

1 Make sure you know the policy and practices at the company you are considering before making a commitment. Ask an interviewer or a contact at the firm how they approach specialization and the policies relating to switching from one industry to another. If they say that they encourage employees to work on a variety of clients, make sure to ask when they will require you to make a decision regarding specialty. The proponents of waiting to specialize believe that after one year you don't have enough experience to accurately make the decision, two to three is typically what is recommended.

2 After you have committed to a firm, make sure that you communicate to your scheduling department and managers that you want to see a variety of clients. You need to be an advocate for yourself; they have no way of knowing what types of clients you want to work on so make sure you let them know. They will ultimately choose what clients you will work on, but if they know that you would like to see something in the architectural and engineering industry, they will be more likely to make sure you can get some experience. After all, they do want you to be happy with what you are doing.

When it comes down to it, as we progress and reach higher levels in our careers, clients will begin to rely on us to advise them on issues that are particular to their industry. It is at this point that it becomes necessary to choose an industry focus. Without focus it will be very easy to overlook an opportunity or a piece of information that could have negative consequences. If there is one simple piece of advice that all young professionals should heed, it is to "keep your options open and choose to specialize when ready."

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***James Downing** is an audit associate at DiCicco, Gulman & Company. He is currently finishing a Master of Science in Taxation from Bentley University and recently completed the CPA exam.*

Catch Up on Your Retirement Plan Funds With a Cash-Balance Plan

Dan Kravitz and Ed Lynch

With many retirement plans decimated, executives, professionals and business owners are searching for ways to get back their retirement savings as fast as they possibly can. For 401(k) and profit-sharing accounts, the maximum allowable amounts can be reached quickly. Currently, 401(k) plans allow participants to contribute up to $22,000 for 2009, depending on the participant's age. A profit-sharing plan allows employers to contribute another $32,500 on behalf of the participant, again depending on the participant's age.

However, once the annual maximum contribution has been reached ($54,500 for those 50 years of age and over; $49,000 for those under 50), then no further contributions can be made for that participant on a pre-tax basis. What can someone do to ensure that his or her retirement plan makes up for amounts lost during the recession?

Enter the cash-balance plan where contributions can be as high as $220,000 per year, depending on the participant's age. Combining contributions to a 401(k), profit-sharing plan and cash-balance plan, anyone at the optimal age can put nearly $275,000 into a nest egg on a pre-tax basis per year.

Introduced in 1984 by BankAmerica Corporation, the cash-balance addressed a transformation in the company's workforce. A change in the tax law in 2001 allowed contributions to cash-balance plans to increase as much as 60 percent, making these plans much more attractive to successful businesses and professional firms. The Pension Protection Act of 2006 prompted a number of companies to adopt a cash-balance plan. Today, more than 100 cash-balance plans exist in Massachusetts, and more than 5,000 in the U.S.

A cash-balance plan is a defined benefit plan that specifies the amount of contribution to be credited to each participant. The contribution can be either a flat dollar amount or a percentage of pay. The plan credits interest on those contributions at a guaranteed rate. Each participant has an individual account which resembles the accounts in a 401(k)/profit-sharing plan. All participant accounts are maintained by the plan actuary who generates annual participant statements.

The guaranteed rate of return is spelled out in the plan document and is not dependent on the plan's investment performance. The rate of return changes each year and for many plans is equal to the yield on the 30-year Treasury bond, which is about 4.5 percent recently. Once participants terminate employment, they are eligible to receive the vested portion of their account balance, which is determined by the plan's vesting schedule.

If your firm or your client's company has one or more of the following characteristics, the business may be a good candidate for a cash-balance plan:

1 Owners who desire to contribute more than $49,000 per year

Highly-compensated individuals' contributions to 401(k) and profit-sharing plans can reach the maximum amount very quickly. Executives may want to make up recent financial losses promptly, or owners may have neglected their personal retirement savings while putting money into building their businesses. Profitable businesses that need tax deductions may find the cash-balance plan very attractive. A cash balance plan allows for both an acceleration of savings and a large tax deduction.

2 Companies that have demonstrated consistent profit patterns

Because a cash-balance plan is a defined benefit pension plan with required contributions, a consistent cash flow and profit is important. Stable companies with established profits are ideal candidates for cash-balance plans.

A cash-balance plan can also be frozen or terminated. Tax deductions for contributions to cash balance plans are similar to other tax qualified retirement plans. Employers can designate different contribution amounts for various participants.

If you are working with highly-compensated individuals, who are lamenting their financial futures and retirement prospects, you may want to suggest a cash-balance plan, which provides a significant opportunity to increase contributions to a qualified retirement plan, while deferring taxable income.

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__Daniel Kravitz__ is president of Kravitz, Inc., the national leader in cash-balance plan design. Kravitz has successfully revised more than 200 retirement programs to include a cash-balance plan, resulting in larger contributions for executives. He can be reached at dkravitz@kravitzinc.com or 818.379.6162.

__Edward M. Lynch, Jr., AIFA,®__ the managing director of 401(k) Advisors Group LLP with offices in Boston and Newburyport, has worked with ERISA-qualified plan sponsors and designated fiduciaries in most aspects of plan development and maintenance since the early 1980s. He can be reached at edward.lynch@401kadvisorsgroupllc.com or 978.225.8386.

3 Companies that contribute three percent or more to employees' accounts or are willing to do so

Although cash-balance plans are often established for the benefit of owners and highly-compensated employees, other employees also benefit. Usually, plans provide a minimum contribution of five to seven percent of pay for the firm's staff.

Historically, the types of businesses that are candidates for cash-balance plans include professional service businesses such as CPA and law firms, medical groups and family or closely-held businesses where there are a number of owners who are at their 401(k) and profit-sharing contribution limit. In Massachusetts, cash-balance plans span many industries, including technology, manufacturing, construction and others.

Cash-balance plans may not be appropriate for every business. Because they are a type of defined benefit plan, cash-balance plans require a commitment to specific contribution level for two to three years. It is important that a company display consistent profit in order to consider a plan. Since contributions cannot vary year-to-year depending upon profitability, cash-balance plans have to be amended in order to change contribution levels. The frequency of amendments to change benefits may be restricted in the absence of a valid business reason. For example, if a company's profit is not expected to support the cash balance plan contribution, the plan can be amended.

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Member Spotlight

Jennifer Meyers, CPA, and Kate Seekell, CPA

Jennifer Meyers, CPA, and **Kate Seekell, CPA,** share much more than just their profession and working environment; they share their passion for training and competing in triathlons.

Meyers has completed six triathlons and the Boston Half Marathon in October, and Seekell has completed three triathlons and two road races to date. Like many athletes, these women both strive to reach their common goal, the finish line, even though they took separate paths to get there.

Seekell was a self-proclaimed "couch potato," who exercised through neighborhood walks and leisurely bikes rides. However, she could not resist the enthusiasm of a friend, **Janet Guidi**, to join her triathlon training team. Seekell never had the intention to compete but planned to use the training to get in shape.

Seekell heading out of transition on to the bike course at Danskin race in Webster.

"It seemed perfect — I know how to ride a bike, I can swim, and if I couldn't handle the running, I'd just walk," she said. Little did she know at the time, Seekell would become hooked on the sport.

Meyers, on the other hand, was an athlete throughout her life. When she reluctantly gained the "freshman 20" in college, she decided to hit the gym regularly, working out five days a week. On a whim, Meyers decided to adjust her workout schedule to include triathlon training. "A triathlon was simply something out there that I hadn't done yet," she said, and then, Meyers began working towards her first race.

Although they had separate motivations for starting, Seekell, a tax manager, and Meyers, a principal, at **Kurzman, Scibetta & Dempsey LLP** in Canton, share similar professional experiences. Both women are enrolled at Bentley University. Meyers is currently in the MST program, and Seekell is working towards her Advanced Graduate Certificate in financial planning. Balancing work, home and school lives can be challenging enough for CPAs and incorporating a training schedule can compound that challenge.

Both women attribute their ability to train and keep up with their families' schedules to Kurzman Scibetta & Dempsey LLP's commitment to work/life balance. The combination of flextime, working in a paperless office and the lack of late nights at the office has allowed them to make time for their training.

In addition to their firm's commitment to work/life balance, Seekell and Meyers use their own systems and supports to manage it all.

Meyers attributes her balanced schedule much to her supportive spouse. "My husband Tim is the reason I am able to balance it all. I do all of my workouts and training in the morning – the alarm goes off at 4:30am Monday–Friday. By getting the workout done in the morning, it does not interfere with my kids [they are usually still asleep when I get home from the gym], work and school work," she said.

On top of a loving and supportive family, Seekell finds that organization, commitment and planning are the keys to balancing her schedule, especially when facing the demands of tax season. In her words, "I literally schedule in my training. If it isn't in my Outlook calendar, it is bound to be put aside!"

Meyers finishing the Sharon's Back Triathlon in August 2008.

While learning to manage a hectic work and home schedule can be a benefit from training, both women have takeaways that have helped them in their careers and life.

Training provides Seekell with a physical outlet to relieve stress and remove herself from the computer and office environment, but moreover, she says that the discipline of organization, meeting deadlines and strategizing transfers to her career as a CPA.

Along similar lines, Meyers has transferred the general concept of setting goals and working to achieve them into her personal and work life. "I love that I can show my girls about being competitive, setting goals and being a winner simply because you finished the race," she mentioned.

In a demanding professional environment and busy home life for many CPAs, the best part of training for and competing in a triathlon might literally be a bit more elementary. As Seekell puts it, "It is a perfect opportunity to be a kid again – swimming, biking, running! Bragging rights and shared experiences are also a great perk!"

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