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

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Volume 19 Number 2 Spring 2008

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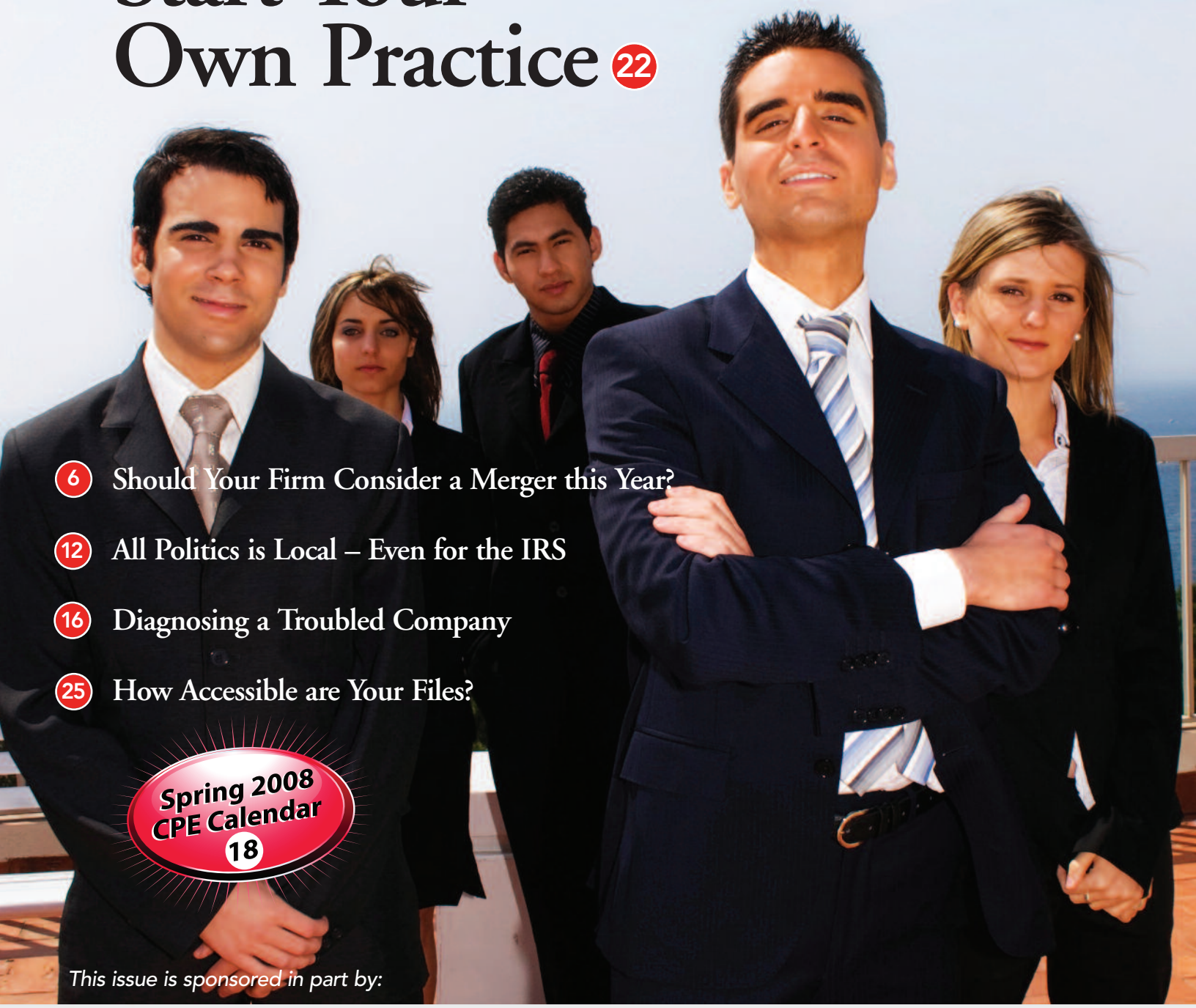

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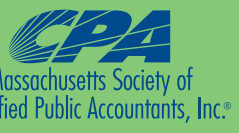

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features

in this issue

2008 PCPS/Texas Society of CPAs National MAP Survey

This annual, web-based research tool helps accounting practices benchmark themselves against other firms in their region, of similar size and national averages. The survey assists CPAs in identifying areas of their practice in which they are strong and to better understand areas in which they face challenges. Participants receive a FREE summary results report for ALL participants. The survey launched May 1 and will be open until July 11. Participate today http://map.pcps.org

Editorial Note

The *SumNews* editorial staff regrets the typographical errors that appeared in the "Highs and Lows of Business Travel" article in the Winter II issue of *SumNews.* We extend our apologizes to the author **Lana Caron, CPA.**

Barry D. Beck, CPA
Barry D. Beck, CPA, PFS, DABFA
president@MSCPAonline.org

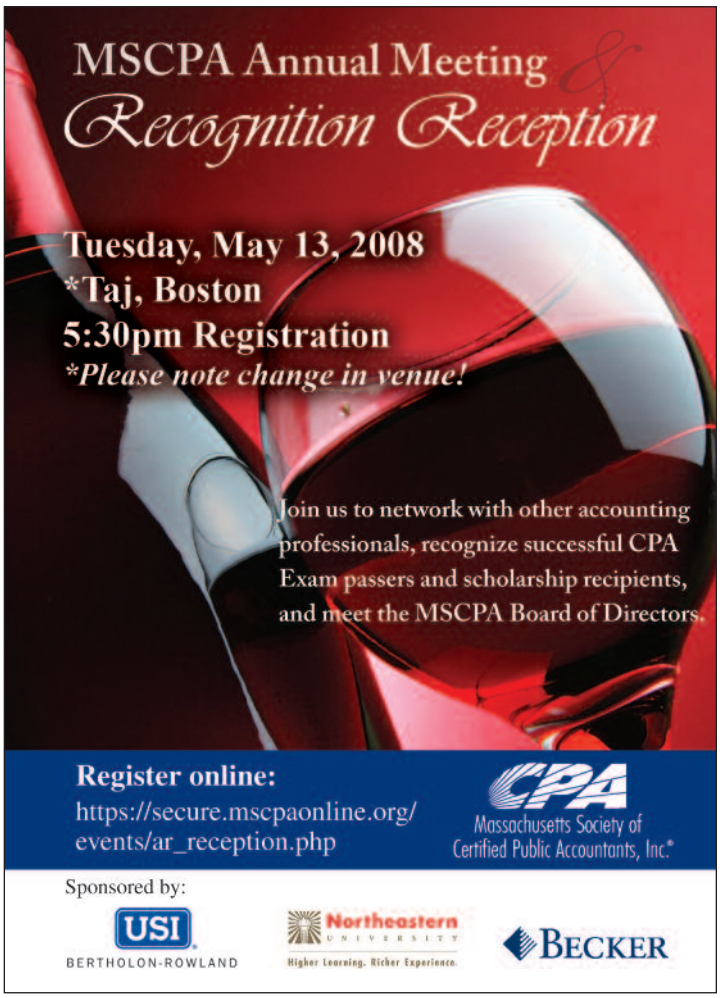
As my term as MSCPA president nears an end there are a few items of importance that I'd like to address in my final President's Message.

The Firm of the Future

As I mentioned in my last President's Message, this year's New England Practice Management Conference will reflect the work of the MSCPA's "Firm of the Future" Strategic Initiative Task Force. The speakers and agenda will address the issues and predictions that have been identified by the task force.

Featured speakers to date are: **Bruce Tulgan** of Rainmaker Thinking; **Chris Frederiksen** of 2020 Group USA; **Bob Lincavicks**, Business Productivity Technology Specialist at Microsoft; **Ray Barlow**, VP Sales, CCH. The conference will cover succession planning, generational challenges, technological changes, standards updates and many more topics to help the firm of the future succeed!

This year's conference is designed with firms of all sizes in mind, from larger regional firms to sole proprietors. The agenda is targeted to partners of all levels, including partner-in-training, not just managing partners! Save the dates and watch as additional national speakers are added to the lineup: November 6-7, 2008 at Mohegan Sun Casino and Conference Center. If you'd like more information, e-mail **Marianne Brush**, mbrush@MSCPAonline.org.



Committee Participation

The Society promotes active involvement and encourages all members to take a leadership role in shaping the profession. Joining an MSCPA committee is an excellent way to get involved. The new committee season begins May 1 and this is the opportune time to consider joining an MSCPA committee.

Committees function as the information center of the Society, keeping our membership on top of business trends, technology changes, legislative updates and more. MSCPA committees cover a wide range of topics, ensuring that each member can find one specific to his/her personal and professional background and interests.

You may ask, "What is the purpose of serving on a committee?" For each member the answer may vary—from gaining professional contacts to developing leadership skills. As a sole proprietor and member of multiple MSCPA committees, I value the network of peers that I've developed through my involvement. When I'm seeking advice on a technical matter or I'd like to consult with another professional, I know I can count on my fellow committee members.

Committee involvement offers professional and personal development for all members. Joining a committee provides an opportunity to hone your leadership skills. For younger members especially, now is the time to develop these leadership skills and represent his/her firm in the Society's diverse membership.

Committee time commitments are minimal, usually only a few hours a month; you can choose to be as involved as you wish. If you are interested in joining a committee, e-mail Jennifer Urquhart at: jurquhart@MSCPAonline.com or visit the committee page: www.mscpaonline.org/members/committees.php.

Exam Passer Success Rate Increases

I'd like to recognize the efforts of the Society's five strategic initiative task forces that are continually working to shape the accounting profession and meet the MSCPA membership's needs. Over the past year, the task forces have achieved a great deal. One of the major accomplishments that I'd like to tout is that the number of successful exam passers in Massachusetts for 2007 is at a ten-year high. The Society credits the increase to two major factors: First are the changes in regulations that went into effect on January 1, 2007. Exam candidates are now able to sit with 120 hours and certify at 150 hours. The second is YOU-the firms that implemented programs to encourage staff to sit and track their participation. The 120/150-hour amendment was an outcome of the MSCPA's CPA Exam Strategic Task Force with cooperation of public accounting firms and college educators.

This accomplishment is a perfect example that together, we can affect change to benefit the accounting profession as a whole.

In closing, I'd like to thank those members that have taken the time to share their input and feedback with me. I've thoroughly enjoyed meeting with practitioners from various size firms and industries through firm visits and regional forums. I encourage all of you to take the opportunity to schedule a firm visit with the Society and/or attend a dinner meeting or practitioner forum. It's a wonderful way to share your thoughts, concerns and feedback with the Society's leadership and to receive a professional update.

In addition, I would like to thank the membership, Board of Directors, and Society staff for their support and hard work.

I have enjoyed working with all of you, and look forward to continuing our efforts with **Michael Brown, CPA** the incoming MSCPA president. As always, feel free to share your comments and feedback with me: president@MSCPAonline.org.

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Political Action Committee

The MSCPA's Government Affairs Program provides our members with a strong, unified voice on Beacon Hill. As part of the MSCPA's legislative efforts, we maintain a Political Action Committee (PAC) to support pro-business legislators.

Over the years, the MSCPA has had a very successful legislative program starting with the passage of a three-year statue of limitations on CPA liability in the late 1980s and the defeat of the sales tax on services in 1991. Throughout the 1990s, we successfully defeated attempts to create a third class of licensee called a "Registered Accountant" or "Public Accounting Practitioner." In addition, we were successful with tort reform and defeated a number of attempts to repeal the reforms in the 2000s.

Currently the Society is focused on passing mobility legislation. We are also involved in public charity legislation, corporate tax law changes, and amendments to the Independent Contractor Law. All of these issues impact the profession.

The PAC is an essential aspect of our Government Affairs Program and used to support legislators working for economic growth in Massachusetts. Any amount contributed to the PAC helps our efforts.

To make a secure on-line donation, visit: www.MSCPAonline.org/about/donate_pac.php

By contributing to the MSCPA-PAC:

- You are supporting candidates who have demonstrated a willingness to listen to our views.
- You give our profession political credibility. Lawmakers are held accountable for their votes and MSCPA-PAC gives you a way to support them at election time.

Should Your Firm Consider a Merger this Year?

By Stephen Weinstein, CPA

The next five to ten years will be very exciting (and scary) for most CPAs. As a consultant to CPA firms in New England for 25 years, having helped many of them deal effectively with their critical issues, I recognize these coming challenges. The biggest issues facing firms will include succession, future owners, mergers, and having the resources to continue to grow. For many firms, a well-timed and properly matched merger in 2008 or 2009 will be the key to favorably resolving many of these issues. As discussed later in this article, owners of smaller firms must recognize that the larger firms which are acquiring (merging in) other firms are becoming more selective.

Some of the major issues affecting the merger movement include:

Staffing - The inability to find, attract and retain **talented** people, will continue to be difficult for many (especially small and medium sized) firms.

Succession - The aging of firms' ownership groups will continue to heighten the problem caused by shortages of young entrepreneurial future owners to replace them, and to buy out their interests.

Mergers/Acquisitions - The changing environment may cause significant changes in the supply of, and demand for firms, and in the pricing (of deals).

Firm Size/Fragmentation - In regard to servicing non-public entities, the profession is becoming dominated by large, regional "powerhouse" firms. Midsize firms, small firms and sole proprietors, will need to be unique or specialized in order to experience substantial growth.

The Succession Crisis

As the ownership group within CPA firms continues to age, the succession issue looms large. There will be many owners, who are presently in their fifties or sixties, who will be seeking succession solutions which, unfortunately, may not be there in five or ten years: The "**internal solution**" - Will there be bright, young, entrepreneurial people to take over the practice?

The "**external solution**" - Will there be firms willing to acquire (merge in) the retiree's practice at an attractive price?

In regard to the **external solution**, timing is everything. The merger/acquisition environment in 2008 is still good, although it has definitely begun to weaken. Many firms are still seeking a merger/acquisition to grow, but this may change dramatically over the next few years, especially if staffing shortages continue.

Here are the three basic merger alternatives that succession minded practitioners should consider:

1. Downstream ("merging" in a small firm with young(er) owners)
This is attractive to the bigger firm, because their firm's name and culture usually remains the same, and there is minimal disruption to their clients (i.e., few retention issues). Unfortunately, it is extremely difficult finding these firms or individuals, and there are significant risks regarding compatibility and financial security.

2. Lateral (merging with a similar sized firm)
The biggest problem with this type of merger is that there are often many cultural differences (e.g., different operating policies and procedures) that must be negotiated (i.e., neither firm is big enough to be the one "in charge").

3. Upstream (be "acquired" or merge into a bigger firm)
The major positive here, is that the bigger firm will generally have more resources (more people and greater financial security). The most troubling negatives for many smaller firm owners stem from a variety of fears: loss of control, compatibility issues, and the fear of losing clients.

In summary, the supply and demand curves, regarding the availability of strong, future CPA firm owners, is not in balance. The demand and need will soon become critical, as baby boomer owners begin to seek retirement, whereas the present supply falls far short. Present owners of CPA firms can't wait, and must act immediately. Hiring and developing the best talent may mean having to turn over a good "production" person. This may be the toughest, but most important decision a firm will have to make. Since many firms predominantly have female employees, finding ways to encourage the women to become owners may also be one key to long-term success. Overall, the resolution of the future partner issue will require partners to spend significant time and money, but the pay back should be well worth it.

In regard to mergers/acquisitions, owners must carefully assess the alternatives NOW, and decide if the timing is right. Waiting a few years or more may not be a wise choice.

The Merger Market and "Pricing"

Many consultants expect the price of firms to decline (well below the standard of ***one time gross***) over the next five years. Obviously, the size of a down payment, the length of the payout period, retention provisions and restrictions, the length of time the retiring owner(s) will stay on, and the compensation of these owners all impact the price. What is most likely to affect the pricing of firms during the near term? What are larger firms presently seeking, and why? We will assume, for this discussion, that a smaller firm is to be acquired by (merged into) a larger firm.

First, let's start with the real estate industry's standard for pricing and selling: "**location, location, location.**"

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Is this also a major factor in the merger world? The answer is a resounding, YES! If the smaller firm is located in an area with many larger firms, and where the business and economic environment is strong, the value of the smaller firm is enhanced due to "demand" (i.e., the number of potential suitors). An example of a "demand" location is within, and around Boston's Route 128 belt. On the other hand, a small firm located in an area with no/few large firms (such as northern New Hampshire), will likely find few, if any, acquirers.

The second key factor is the **client base**. Is it one with a strong, growing industry or specialty niche? This can often be considered very attractive. Or, is it a client base with many small accounts with low fees and low billing rates? Acquirement-minded firms may be turned on, or off, by the client base.

In recent years, a very important third factor is the **quality and quantity** of the smaller firm's younger partners and staff. In this tight employment market, most firms do not have extra staff available to assume the smaller firm's client work, so they often must rely on the people in the acquired firm.

Finally, **supply and demand** (i.e., pure economics), will impact the value and level of interest of a larger firm. As smaller firms seek a merger, due to succession and staffing issues, the demand may not grow proportionally. The larger firms may find it advantageous to be more selective (and to offer less) during the next several years. I have already seen this happen in 2007.

Our Firm is "Growing" so Why Should we Merge to Grow?

During the past few years, most firms have been growing and owners have been doing quite well financially. This can be measured by looking at the increases in volume (gross professional fees) and in owners' incomes. But, is this growth "real," and is it likely to continue?

Many firms are experiencing these positive results with the same or fewer numbers of staff. Billable hours, the old standard of measuring growth, is either increasing minimally each year, or actually shrinking. So, why are firms doing well financially?

The simple answers are: (1) periodic increases in billing rates have, for the most part, been received without any noticeable decline in realization, and (2) the firms' work, continues to be performed more and more efficiently due to several years of technological advances, and low staff turnover during the past few years.

In reality, many firms should really have significant concerns about their future growth. There may not have been a tremendous amount of new clients brought in during the past few years. This lack of new client development may get worse due to a sluggish economy and because of the increasingly competitive nature of the profession. In addition, the partners in many firms have been content "doing their thing" (i.e., continuing to perform the same services, in much the same way, as in the past).

One of the ways to grow is to merge in other firms, including firms in other locations or with other niches/specialties. The larger firms have the resources and size to attract staff, and multiple locations can also help attract people, as well as broaden the client base. Accordingly, firms should consider growth through acquisition or merger as a part of their strategic plan.

In Summary

Because of increasing top and bottom lines, firms have been complacent regarding their need to "step up" their business development and growth oriented activities and in taking actions to deal with the future. This "growth," however, may be an illusion, masking a somewhat stagnant situation.

Furthermore, those owners dealing with future retirement (buy out) concerns need to seriously consider a merger in the next few years. These firms need to realistically assess their staff's potential.

It is time to stand back to fully address the firm's issues and future. Resolving questions about retirements, future owners (who, when, how to find/develop), mergers/acquisitions, and changes in the profession such as new standards and new technology, are some of the matters that **must be addressed now**. A merger may very well be a firm's best option.

Stephen Weinstein, CPA is a nationally-known consultant to professional firms. With 25 years experience in this role, he specializes in strategic planning/retreats, mergers, owners' compensation, admission retirement and succession, and profitability enhancement. He also is on the AAA's national panel of arbitrators and serves as a mediator or arbitrator in resolving firm disputes. He is located in Branford, CT, and can be reached at 203.483.6664 or swadvisor@comcast.net.

Weinstein will be presenting his highly rated seminar for the MSCPA, "Successful Mergers-Acquisitions of CPA Firms," on June 2, 2008 at the Crowne Plaza, Natick. If you are considering a merger or acquisition in 2008 or 2009, you should not miss this program. Register online: www.mscpaonline.org/cpe

Creating a Work/Life Balance to Retain and Recruit

Charlotte Delaney, COO, Kirkland Albrecht & Fredrickson, PC

It's no secret that recruiting and retaining top quality talent in the field of accounting is a challenge. In the Boston area, as is the case elsewhere, the competition is fierce and recent accounting graduates are in the driver's seat when it comes to selecting where they will work.

The partners at Kirkland Albrecht and Fredrickson (KAF), developed an initiative called "Project Balance," which has given KAF an advantage in recruiting and retaining talented professionals. The underlying premise of Project Balance is that for accountants and tax specialists, financial compensation is not always the prime motivator for selecting and staying with a firm. To that end, the firm set up a program in 2007 that makes the "tax crunch" season run more smoothly for everyone.

The success of Project Balance can be attributed to three key factors that are critical to the success of any firm-wide initiative – regardless of the firm's size, focus or culture: 1) partner buy-in and leadership, 2) strong collaborative communication, and 3) the right infrastructure to enable the broad changes to how work is completed.

Leadership

Ken Kirkland, CPA, founding partner and managing partner at the time this program was developed, stood firm and championed the program, convincing skeptics that the costs of maintaining the status quo far exceeded the challenges in changing our culture.

As a group, the partners and managers, analyzed the firm workload (audit and tax) and determined which clients could be "moved" out of the season by either completing the work earlier or making the decision to extend the return early. That left us with the actual workload that had to be completed during Project Balance season:

- Assign projects (clients) to each team based on hours available for each team;
- Develop an outsourcing strategy for the tax preparation process to ease the number processed in-house; and
- Incorporate a project team approach to completing work.

Communication

The last strategy empowered the project teams to decide amongst themselves how and when work would be completed. For instance, the team could decide to work extra hours during the workweek to eliminate weekend work.

This approach not only gave the individuals more control over their work, but it also

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involved them in a collaborative communication process about how to best execute Project Balance initiatives on an individual basis.

Communication between team members, partners, and management was key to the success of this program at every stage – during the roll-out phase, while work was performed, and to monitor how the program was achieving its goals throughout the season. Completing the work in a shortened work week required a real-time understanding of the status of all clients' projects, when and why work may be delayed, and how best to reassign resources or involve partners to ease the logjam.

Infrastructure

Fortunately for KAF, the firm has operated in a paperless environment for about six years and members at all levels are accustomed to managing their work in real-time using the XCM workflow automation software from XCM Solutions. Not only does the software give partners and managers the instant view they need of their clients and all work firm-wide to dynamically manage workloads, the Web-based software gives employees the flexibility to work anywhere, anytime – lending further control to the individual.

XCM also enhanced our client service by giving everyone, including the receptionist, an instant view of the status of a client return and any open questions to better field client inquiries. Reporting capabilities within the software also enabled management to budget hours, make assignments, determine extensions, and manage outsourced returns as easily as in-house work.

Success

We began with what we called mandatory early closings, shutting the doors at 5:30pm on Wednesdays and Fridays. We also limited Saturday work in-season to four Saturdays – two before March 15 and two before April 15. The firm also set earlier client deadlines for both March 15 and April 15 completion.

Our 2007 post-season measurement showed strong results:

- 100% of the work was completed;
- 61% of our staff said their work/life balance improved over prior tax seasons;
- 90% felt they controlled where and when they worked;
- 75% said working as a team increased productivity;
- 79% said that the communication in the firm and within teams improved; and
- Over 50% of the staff worked four or less Saturdays, with another 37% working only six Saturdays, as opposed to 90% working 12 or more Saturdays in prior years.

The results from our first season have served as a benchmark for improvement this season particularly in work/life balance areas. Additionally, KAF retained 100% of the staff and have added new members while reducing recruiting fees by 75% based on word of Project Balance. For the first time in years we had senior accountants contact us regarding open positions. In addition, candidates expressed enthusiasm at a recent college campus visit after having read about Project Balance in a local newspaper.

Early indicators show Project Balance's second season (2008) is surpassing benchmarks set last season, as we have successfully achieved our goal of completing all corporate and partnership returns by March 13. We have received many accolades on our success from the profession, but our greatest sense of accomplishment comes from the positive response from employees.

Charlotte Delaney, COO at Kirkland Albrecht & Fredrickson, PC. She also oversees all aspects of managing the firm. Delaney can be reached at cdelaney@kafgroup.com or 781.356.2000.

If you'd like your firm's latest initiative or marketing venture to be featured in a future Firm Spotlight, e-mail Kara Daszkiewicz, karad@MSCPAonline.org.

FIRM NEWS

Damon, Topham and Company, LLC, Marshfield, an accounting and business advisory firm recently announced the availability of financial planning services.

DiCicco, Gulman & Company LLP, Woburn, launched its career blog. Visit dgccpa.com to read more.

Gray, Gray & Gray, LLP, Westwood, and **Patterson & Gerry, LLC,** Framingham, merged. The combined firm will operate under the Gray, Gray & Gray name, and will maintain offices in both Westwood and Framingham. Patterson & Gerry partners **James Patterson, CPA, Paul Gerry, CPA,** and **Richard Tardiff, CPA,** will become partners at Gray, Gray & Gray, LLP, bringing the total number of partners in the firm to 13.

Parent, McLaughlin & Nangle, Boston, participated in the Massachusetts Council of Human Service Providers 32nd Annual Convention and Expo in Boston. Along with exhibiting at the event, PMN also gave an informative presentation, *Information Security for Nonprofits.*

Stowe & Degon CPAs and Consultants announced the firm is moving from downtown Worcester to Westborough.

PROMOTIONS AND NEW POSITIONS

Abrams Little-Gill Loberfeld PC (ALL), Chestnut Hill, announced that **Vasant M. Nagda, CPA, MBA,** was promoted to principal.

Downey & Company, LLP, Boston, announced that **James M. Downey, CPA, CFA,** was named partner, and **Charles Paolino, CPA,** was promoted to principal.

Edward P. Mahoney, CPA, CIA, was promoted to assistant director of accounting at **Tufts University.**

Meyers Brothers Kalicka, PC, Holyoke, announced that **David Kalicka, CPA,** was re-elected to a three-year term as MBK's managing partner and **Jennifer Reynolds, CPA**, joined the firm as tax manager.

Novogradac & Company, LLP, Boston, announced that **Charles A. Rhuda III, CPA,** was elevated to partner effective January 1, 2008.

Parent, McLaughlin & Nangle, Boston, announced that **Fazal Hussain, CPA,** and **Melanie Carrier** joined the firm as senior audit accountants.

Rodman & Rodman PC, Newton, announced that **Kathy Parker, CPA,** was named partner and **Scott F. Callahan, CPA,** joined the firm as tax supervisor.

Rosenfield Raymon Pielech PC, New Bedford, announced the election of **Jeffrey L. Raymon, CPA,** to managing shareholder. In other news, **Sandra M. DaCosta, CPA,** joined the firm as a supervisor in the assurance and advisory practice section and **Lisa Szargowicz, CPA,** joined as shareholder.

RSM McGladrey and McGladrey and Pullen, Boston, announced the addition of **Alfred Van Ranst, Jr., CPA,** as a director in the audit practice and the promotion of **Shaun Marston** to tax supervisor.

Sharkansky & Company, LLP, Brockton, announced the promotion of **Jonathan J. Pike, CPA,** to partner.

Tofias PC, Cambridge, announced that **Joseph M. Giso, CPA, MST, Janet M. O'Neill, CPA,** and **Dyan D. Reinhold, CPA,** joined the firm's Not-For-Profit and Education Practice.

Vitale Caturano & Company Ltd., Boston, announced that **James Cashin, CPA,** and **Daniel Wheadon, CPA,** joined the firm's technology consulting practice. Cashin joined as a vice president and Wheadon as director. **Jeff Korzenik** joined the firm's wealth management practice as chief investment officer.

Thomas C. Webster III, CPA, was promoted to principal in the Assurance and Advisory Services Department at **Carlin, Charron & Rosen LLP,** Boston.

Wolf & Company, PC, Boston, announced that **Jason Ingraham, CPA, CFP,** and **Michael Kamens, JD, CISM,** joined the firm's management group.

AWARDS AND DESIGNATIONS

Mark J. Bossi, CPA, CDFA, of Chelmsford, recently became a certified divorce financial analyst. Bossi now provides divorce, investment, and tax planning services to his clients.

DiCicco, Gulman & Company LLP, Woburn, was named to the 2008 *Boston Business Journal's* Area's Fastest Growing Private Companies list.

Newbury, Piret & Company, Inc., Boston, announced that managing director **Ronald J. Adams, CPA, MBA,** successfully completed the certification process with the National Association of Certified Valuation Analysts (NACVA(R)) to earn his designation of Certified Valuation Analyst (CVA).

Gary Soiref, partner, **Parent, McLaughlin & Nangle, CPAs,** Boston, joined The Entrepreneurship Institute Advisory Board, Boston Chapter. TEI provides year-round opportunities for business owners to acquire knowledge, experience and resources needed to achieve their goals.

SPEAKING/WRITING/ COMMUNITY EVENTS

Peter Dinsmore, partner, **Parent, McLaughlin & Nangle**, Boston, was a recent, repeat guest on 104.9 FM. The program, "North Shore Financial Forum with Kevin Keegan," airs once a week on Saturday mornings at 9:00am.

Kirkland, Albrecht & Fredrickson, PC, Braintree, announced that **Mark S. Robinson, CPA,** founding shareholder, was elected secretary of the State Board of Public Accountancy.

To include member announcements in "The Buzz." e-mail Kara Daszkiewicz at: karad@MSCPAonline.org.

All Politics Is Local— *Even for the IRS*

By Joseph M. Giso, CPA, MST

Thomas "Tip" O'Neill, former longtime Speaker of the House in the US Congress from Massachusetts, once declared, "All politics is local." The IRS has adopted that same mindset with regard to nonprofits, making clear its contempt for any show of an organization's support for a political candidate. Politics, in effect, has been deemed illegal and is subject to severe penalties in some cases. Due to this attitude and a few recent nonprofit controversies, the sector has in the past several years taken a beating similar to our Boston Bruins.

The happy word for this cause is "enforcement," as the kinder, gentler IRS is a thing of the past. Straight from the regulator's mouth: "We have restored credibility to our enforcement programs and brought in billions more to the Treasury." (**Mark W. Everson**, Commissioner of Internal Revenue, who made that remark at the Greater Washington Society of CPAs in December 2005)

Want to bring more attention to your nonprofit clients? Have them sponsor a candidate! Insert a link on their Web site to a candidate or an incumbent! Have downloadable letters on their Web site preprinted with political official's names and addresses and the legislation that you are supporting or opposing. All great marketing ideas that will get you noticed very quickly…by the IRS or their sidekick attorney generals.

It may seem paranoid to refrain from letters and online materials, but that paranoia is justified. The IRS and many state attorney general offices have begun reviewing nonprofit organizations' sites. For example, deep in the bowels of the Ogden, Utah, Internal Revenue Center's offices there exist three new offices:

1) Exempt Organizations Electronic Initiatives Office;
2) Exempt Organizations Compliance Unit; and
3) Data Analysis Unit.

These units have come online and are busy gathering information from all forms of digitized data banks, including nonprofit Web sites.

Due to the upcoming political rollercoaster ride in 2008, it will be important to keep a close eye on politicking, advocacy and lobbying. Each of these areas has its own rules and regulations and they often intertwine and may well strangle CPAs and their nonprofit clients nationwide.

Present-law section 501(c) provides for 27 different categories of nonprofit organizations that generally are exempt from federal income tax. Different rules apply to lobbying and political campaign activities of such tax-exempt organizations depending upon the category of section 501(c) under which the organization is described.

Politicking appears pretty easy to understand per Section 501(c)(3): organizations are not entitled to tax-exempt status if they participate in, or intervene in, any political campaign on behalf of (or in opposition to) any candidate for public office. In theory, "no amount of political campaign activity is permitted" under punishment of loss of tax exemption. Pretty severe, even by IRS standards.

But of course this is the IRS, so exceptions do apply. The IRS has an extensive list of information on their Web site at: www.irs.gov/charities. Professionals representing clients or organizations having any inclination to support their respective Republican, Democrat, Independent, Libertarian, Green, and Whig (any still around?) should visit this Web site.

Rev. Rul. 2007-41, 2007-25 I.R.B. (June 18, 2007), contains a comprehensive list of do's and don'ts. Of particular concern are Web site links or endorsements, illustrated by example situations 19, 20 and 21 for guidance on Web sites.

At its most basic, a Web site is a form of communication. If an organization posts something that favors or opposes a candidate for public office, the organization will be treated the same as if it distributed printed material, oral statements or broadcasts that favored or opposed a candidate.

The IRS has stated that an organization has control over whether it establishes a link to another site: "the organization is responsible for the consequences of establishing and maintaining that link, even if the organization does not have control over the content of the linked site." This can lead to serious consequences if you do not monitor the other organization's Web site. Since Web content changes constantly, this is almost impossible to do unless you have no life or enjoy doing this type of stuff.

Advocacy shapes public policy and is the right of every member of society. Charitable organizations have by far been the biggest advocates of change, and they all advocate to some degree. Advocacy is what drives their missions, which in the end benefits everyone. Their work has influenced city halls and statehouses around the country.

One definition from "Advocacy: Its Many Faces and a Common Understanding by Advocacy for Social Justice:" *Advocacy is the pursuit of influencing outcomes—including public-policy and resource-allocation decisions within political, economic, and social systems and institutions—that directly affect people's lives.*

Advocacy is not and should not be confused with lobbying. **Lobbying** is an integral part of advocacy, but advocacy does not have to involve lobbying.

Section 501(c)(3) says that organizations are not entitled to tax-exempt status if any substantial part of their activities is carrying propaganda or otherwise attempting to influence legislation (commonly referred to as lobbying).

There are two key terms that should be addressed in that statement:

- "Legislation" includes action by Congress, any state legislature, any local council or similar governing body with respect to acts, bills, resolutions, or similar items (such as legislative confirmation of appointive office), or by the public in referendum, ballot initiative, constitutional amendment, or similar procedure. It does not include actions by executive, judicial, or administrative bodies.
- "Substantial" has never been officially defined, and the commonly quoted "five-percent" test for establishing what is substantial has never been accepted by the IRS.

The federal government, including Congress and the IRS, supports lobbying by charities. Congress sent that unambiguous message when it enacted the liberal provisions under the 1976 lobby law. The same message came from the IRS in regulations issued in 1990, which support both the spirit and intent of the 1976 legislation.

For organizations that elect to come under the 1976 lobby law (hereafter called electing organizations) there is a single, clear financial yardstick regarding how much lobbying a group can do up to an amount based on overall budget (less certain costs of fundraising and income production). A key distinction is that lobbying occurs only when there is an *expenditure of money* by the charity for the purpose of attempting to influence legislation under 1976 lobby law.

If you promote issues on behalf of your constituencies and use your Web site, it may be considered lobbying. Stating your position to the general public and asking them to contact legislators or other government employees who participate in the formulation of legislation will be considered lobbying.

Continued on page 14

A Web site that contains the following, "contact your state legislator and urge their support for HR 727…," would clearly be lobbying. This problem and being labeled with the lobbying designation can be avoided by merely leaving out this type of phrase. The message should be the important criteria. Your constituencies will be able to infer that "All Politics Is Local" and contact the appropriate officials.

To stay current with these guidelines, nonprofit organizations should make sure their Web site content is accurate and corresponds with traditional hard copy records. Also, they may want their tax adviser to do the same and protect the organization from unnecessary notices and inquiries.

Joseph M. Giso, CPA, MST has extensive experience in nonprofit organizations. As a Senior Tax Manager for the CPA and consulting firm Moody, Famiglietti & Andronico (MFA), Giso is responsible for many of the firm's nonprofit, educational, healthcare, and other clients. He obtained a Bachelor of Science Degree in Accounting from Suffolk University and a Master of Science in Taxation Degree from Bentley College. He serves on the MSCPA's Not-for-Profit Accounting & Auditing Committee, and is a member of both the MSCPA and AICPA.

Boston.com

For the fifth year in a row, the MSCPA-sponsored Tax Center on Boston.com served as a valuable resource for the public's tax questions and financial concerns while demonstrating the expertise of a CPA. The Tax Center ran from January 15 – April 15. The Society's "Find a CPA Directory" was promoted throughout the Tax Center and as a result the Directory was the most visited page on MSCPAonline.org during that time frame.

To accompany the Tax Center, the Society sponsored traffic reports on radio stations throughout the state. The ads encouraged listeners to visit the Tax Center.

The Society would like to thank the following members who contributed articles or volunteered their time and expertise to answer tax questions through the "Ask a CPA" message boards on Boston.com. Without their help, the Tax Center would not have been possible.

Jana Bacon, CPA, Wolf & Company PC
Rick Conboy, CPA, Conboy CPA*
Barbara Damon, CPA, Edelstein & Company LLP
James M. Downey, CPA, CFA, Downey & Company LLP*
Steven J. Elliott, CPA, MST, Janover Rubinroit CPAs*
Martin R. Gredinger, CPA, CFP, Martin R Gredinger Associates
Michael Krause-Grosman, CPA, Abrams Little-Gill Loberfeld PC
Edward G. McNeil, CPA, Ercolini & Company LLP
Mark Misselbeck, CPA, Levine Katz Nannis & Solomon PC*
Mike Sacco, CPA, Sacco & Associates*
Adam Gorlovsky-Schepp, CPA, Raphael and Raphael LLP
Andrew Schwartz, CPA, Schwartz & Schwartz PC
Brenda Sleeper, BizActions LLC
Carlton Smith, Liberty Tax Service
Eugene Tarsky, CPA, Tarsky Zanchi & Associates Inc*
Ronn Tockman, CPA, Ronald C Tockman CPA

** Special thanks to these members who participated in live tax chats on Boston.com. A live chat was held every other Tuesday throughout tax season.*

Diagnosing a Troubled Company

By Dennis J. Gerschick, JD, CPA, CFA

In a prior article, I noted that the first step in solving a problem is to acknowledge there is a problem. I explored why getting people to acknowledge problems is a significant hurdle. However, assuming that problems have been acknowledged, the next step should be to determine what is causing the problems. Then, you can focus on the possible solutions.

Even when problems are identified or become obvious, many people will ignore them for a variety of reasons. One, they may tell themselves the problem is not that big and it will take care of itself. Two, it is a matter of priorities; people will generally focus on the things that cause them the most pain. "The squeaky wheel gets the grease." Three, they see problems as irritants, not proof that something is broken. Like Scarlett O'Hara, they will "deal with it tomorrow." Unfortunately, as time goes by, little problems often become bigger and bigger.

In diagnosing a company, a good starting point is to have the company do an honest self-assessment. I emphasize the word honest, because I tell executives if they start lying to themselves, the game is over. A self-assessment requires a company to explore many questions including:

- *Where is the company today?*
- *What are its competitive advantages?*
- *What are its weaknesses?*
- *Compare the company to its competitors.*
- *What are the competitors doing well that the company can emulate?*
- *What market position does the company have?*
- *What is the company's business strategy? Is it the right strategy?*
- *Is the company executing the strategy effectively? If not, why not?*

Many other questions need to be explored. The key point is that it is important to get people to start thinking, challenging conventional wisdom, and talking openly and honestly.

A hurdle at many companies is that employees tell their bosses what they think they want to hear, instead of what they need to hear. Office politics is often an impediment to progress. Who knows what a company's problems are? Executives should talk regularly with the company's customers, suppliers, and employees. Bill Gates has written that the key to business is to make it easy for customers to complain. If you make it easy for them to complain, guess what happens – they will complain! While no one enjoys listening to complaints, it is important because it educates management from the customer's perspective and provides an opportunity to fix the problem. Will management listen? Many don't. Henry Ford once said customers could have any color they wanted so long as it was black! Was he interested in what the customer wanted? No! He was interested in what was easy and economical for his company. His decision allowed General Motors to gain a competitive advantage because GM started offering its cars in different colors. A company should solicit input from customers. How this can be done is an important topic, but one that is too big for this article.

Employees are another great source of information that can be exploited if done correctly. Unfortunately, many companies ignore employees who speak up or worse, punish them. Companies would be well advised to create a culture that encourages employees to speak up. As one step, a company should acknowledge within the company the employee's initia-

tive if they identify a problem and offer a practical solution. The employee should also be rewarded, because what gets rewarded gets done.

Some companies face numerous problems and they may seem overwhelming. I suggest they make a list that includes:

- *A description of the problem.*
- *Evidence that the problem exists.*
- *Possible causes of the problem.*
- *Possible solutions and what the solution requires in terms of money, expertise, and time. Time is important both in terms of how long will it take to implement the solution, and how many hours of labor by the employees and/or third parties will be required.*
- *The individual or individuals responsible for fixing the problem.*

Management can then confer regularly with those individuals to monitor their progress. The list should be usually in order of priority. That is, the biggest problem should be addressed first. In some cases, management might elect to fix smaller problems if they will not take too much time or money. If they fix some problems, they send the message throughout the company they are serious about fixing them and if progress is seen by employees, morale often improves. One good step leads to another; it is a matter of momentum.

> *"In diagnosing a company, a good starting point is to have the company do an honest self-assessment."*

Here are the important points:

1. Every business has problems; it is only a matter of how big or small the problem is.
2. The world is constantly changing. What worked at one time, may not be effective at a later time. Companies must continuously adapt to changing circumstances.
3. Even when problems are identified, companies do not always fix them promptly for a number of reasons.
4. Usually, it takes time to get into trouble, and it will take time to get out of trouble. The sooner a company starts to address its problems, the easier it will be to fix them.
5. Companies help themselves by having a culture that encourages employees, customers, and suppliers to speak up and address the problems they see promptly.

Dennis Gerschick *is the President of Gerschick Business & Investment Counsel, LLC and can be reached at dennis@gerschick.com. Gerschick would appreciate your suggestions for future articles.*

If you're interested in learning more about this topic, attend Gerschick's "Advising the Troubled Business" CPE course on June 3 in Woburn. Register online: www.mscpaonline.org/cpe

upcoming CPE

$ Member/Nonmember

Indicates course qualifying for Yellow Book credit

* AICPA course. AICPA members receive an extra $30 discount on these courses.

Ethics course

Certified Financial Planning course

Complete course listings and registration information are available online at: MSCPAonline.org/cpe

The Spring CPE schedule is filled with current topics, experienced discussion leaders and new locations in Plymouth, Springfield and Pittsfield. Be sure to check off the topics of interest and mark the dates. Ethics in 3 Flavors - For CPAs in Public Practice; CPAs in Business & Industry and CPAs in Tax Practices.

5/19 **Compilation and Review: Advanced Topics**
Danvers
$249/299

5/19 **Windows Vista: What CPAs Should Know** (AM)
Norwood
$130/150

5/19 **Office 2007 for CPAs** (PM)
Norwood
$130/150

5/20 * **Advanced Controller and CFO Skills**
Danvers
$210/250

5/20 **Advanced Excel for CPAs**
Norwood
$249/299

5/20 **CPA Update** (AM)
Natick
$75/95

5/21 **Professional Ethics Update** (AM)
Danvers
$130/150

5/21 **Corporate Financial Management: Conquering Controllership**
Natick
$249/299

5/22 **The Secrets of College Financial Planning for CPAs**
Randolph
$249/299

5/22 **Ethics for Financial Managers** (AM)
Natick
$130/150

5/22 **Cases in Corporate Ethics** (PM)
Natick
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5/28 * **Construction Contractors: Accounting, Auditing and Tax**
Natick
$210/250

5/28 **Corporate Finance Tune-up**
Needham
$249/299

5/29 **Value-Driven Financial Analysis**
Needham
$249/299

5/29 **Not-for-Profit Auditing Made Easy**
Waltham
$249/299

5/29 **Networking for Women: Getting What You Want with Skill and Grace**
Randolph
$249/299

5/30 * **The 2007 Revised Yellow Book: Government Auditing Standards**
Woburn
$210/250

5/30 **Determining How Much Money You Need to Retire**
Needham
$249/299

5/30 **Secrets of the Nation's Top Producers**
Randolph
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6/2 **Multistate Tax Update**
Randolph
$249/299

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Natick
$249/299

6/3 **Advising the Troubled Business**
Woburn
$249/299

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6/4 **Helping Clients Understand and Manage Going Green** (AM)
Natick
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Worcester
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6/5 **Changing Your Audit Strategies for the Risk Assessment Standards**
Woburn
$249/299

6/5 **Don't Go to Work Unless it's Fun!**
Needham
$249/299

6/5 * **Advanced Update for Compilation, Review & Accounting Services**
Springfield
$210/250

6/6 **High Technology Accounting Conference**
Natick
$215/255

6/6 **Time Mastery for CPAs**
Needham
$249/299

6/6 **The Top 50 Bloopers and Blunders and How to Fix Them: Estate Planning**
Randolph
$249/299

6/9 **GAAP Disclosure and Review for the Closely Held Business**
Randolph
$249/299

6/9 **Mastering Basis, Distributions, and Loss Limitation Issues**
Danvers
$249/299

6/10 **Compilation and Review: Advanced Topics**
Plymouth
$249/299

6/10 **990's for Real People**
Randolph
$249/299

6/10 **Small Business Retirement Plan Review**
Danvers
$249/299

6/11 **Professional Ethics Update** (AM)
Plymouth
$130/150

6/11 **Auditing Standards Update** (PM)
Plymouth
$130/150

6/12 **Conflict Resolution: How to Move from Adversarial to Amicable Outcomes**
Randolph
$249/299

6/12 **College Financial Planning for Any Income Level**
Worcester
$249/299

6/12 **Effective Business Writing: A Lost Art and Critical Skill for CPAs**
Natick
$249/299

6/13 **39th Annual Accounting and Auditing Conference**
Burlington
$225/265

6/16 **Make Money for You and Your Clients: Top Business Tax Planning Strategies**
Natick
$249/299

6/16 **Audits of Defined Contribution Pension Plans**
Norwood
$249/299

6/17 **Make Money for You and Your Clients: Top Individual Tax Planning**
Natick
$249/299

6/17 **Current Practice Issues and Solutions In Audits of Employee Benefit Plans**
Norwood
$249/299

6/18 * **The 2007 Revised Yellow Book: Government Auditing Standards**
Springfield
$210/250

6/18 **Disclosure: The Key to Financial Statements**
Waltham
$249/299

6/18 **Comparing and Contrasting the Tax Aspects of S Corporations, Partnerships, C Corporations, Sole Proprietorships, and Limited Liability Companies**
Natick
$249/299

6/19 **Professional Ethics Update** (AM)
Springfield
$130/150

6/19 **Government Accounting & Auditing Conference**
Natick
$215/255

6/19 **Chief Financial Officer: Executive Level Skills for Financial Managers**
Randolph
$249/299

Continued on page 20

6/19 **Protecting Your Clients Against Identity Theft, Investment Fraud, and Consumer Fraud**
Worcester
$249/299

6/19 **Loscalzo's Implementation Guide to the Risk Assessment Standards**
Waltham
$249/299

6/20 **Financial Statement Analysis: Inside the Numbers**
Natick
$249/299

6/20 **Making Ethics Real - I** (AM)
Randolph
$130/150

6/20 **Making Ethics Real - 2** (PM)
Randolph
$130/150

6/20 **Advanced Partnership/LLC Workshop**
Worcester
$249/299

6/20 **The New World of Acquisitions and Consolidations**
Waltham
$249/299

6/23 * **Audits of 401(k) Plans**
Randolph
$210/250

6/23 **The Best Income Tax, Estate Tax, and Financial Planning Ideas of 2008**
Waltham
$249/299

6/23 **CPA Firm Technology Symposium**
Natick
$99/119

6/24 **Professional Ethics Update** (AM)
Worcester
$130/150

6/24 **Excel Budgeting and Forecasting Techniques**
Natick
$249/299

6/24 **GAAP Refresher**
Danvers
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6/24 **Top 10 Tax Issues in Dealing with LLCs and Partnerships**
Waltham
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6/25 **Solving 17 Common Problems of the Risk Assessment Standards**
Worcester
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6/25 **Social Security, Medicare and Prescription Drug Retirement Benefits**
Waltham
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Randolph
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Worcester
$249/299

6/26 **Advanced Critical Tax Issues for S Corporations**
Needham
$249/299

6/26 **Not-for-Profit Industry Update and Major Accounting and Disclosure**
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6/27 **Professional Ethics Update** (AM)
Boston
$130/150

6/27 **Advanced Critical Tax Issues for Limited Liability Companies and Partnerships**
Needham
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Woburn
$249/299

6/30 **Securities Investing Today: Managing Assets for Your Clients, Your Firm and Yourself**
Danvers
$249/299

6/30 **The Art of Marketing and Communication**
Waltham
$249/299

6/30 **Successful Succession Planning** (AM)
Randolph
$130/150

Massachusetts Moves to Competitive Auto Insurance Rates

Changes to the Massachusetts auto insurance system that went into effect on April 1 will generally mean lower rates for MSCPA members.

On April 1, Massachusetts moved to "managed competition" after over 30 years of auto insurance rates being set by the Division of Insurance. According to preliminary numbers released for the MSCPA Group Auto Program by Commerce Insurance, members should see an average rate decrease of 8.1%. The change will affect each member differently depending on his or her driving record, vehicle type, place of garaging, etc.

New for this year will be additional credits given for the length of time a member has been insured with Commerce and the MSCPA Program as well as "account credits" for having auto and home insurance with the company. Many members will see reductions over 15%.

Under the new system there will continue to be discounts for senior citizens, teens who take drivers education and motorists with low annual mileage. Multi-car and anti-theft credits will continue as well.

Even before the regulations changed, Massachusetts' average auto insurance rates were on the decline. They fell an average 11.7% in 2007; 8.7% in 2006; and 1.7% in 2005. With those reductions and the MSCPA Program discount, members have benefited considerably over the years. In fact, members have saved over 1.75 million dollars since the MSCPA Program began.

While there are still questions to be answered and new things to be learned about the new system, the MSCPA Auto Insurance Program Network agents are well positioned to provide members with the best possible auto insurance coverage at the best possible price with the best service available. That has been the goal of the Society and the Network agencies since the inception of the program in 1995.

The MSCPA Auto Insurance Program is administered by Pike Insurance of Milton, MA, and underwritten by Commerce Insurance of Webster, MA. Please call the MSCPA Auto Insurance Program, 800.799.7453 for more information.

Start Your Own Practice

Compiled by Members of the MSCPA Small Firms Committee

The following article is comprised of excerpts from an article published in April 2006 issue of the Journal of Accountancy titled, "Start Your Own Practice," by Randy Myers. "Copyright 2006. American Institute of Certified Public Accountants. Used with permission." The complete article can be found at www.aicpa.org/pubs/jofa/apr2006/myers.htm

Launching your own CPA practice is one of the greatest professional challenges you'll ever undertake—and potentially one of the most rewarding. Fraught with hard work and long hours, it's nevertheless a chance to build a business, provide real value to clients who depend on you, and ultimately, shape your own destiny. This article explains how to identify opportunities in your local market, attract and retain profitable clients and attend to the myriad details—from furnishing an office to buying insurance—that accompany the launch of any small business.

A survey of small business owners showed that accountants are sought after for business advice more often than either lawyers or bankers. In fact, 82 percent of the business owners said they preferred accountants. Lawyers were at a distant 14 percent. The hard work you put into the CPA credential allows you to benefit from the reputation it has with business owners and your local community. That reputation has to be carefully guarded by everyone who has earned the right to use the credentials.

Once the decision has been made to start your own practice, and you have a sufficient client base to do so, the following are some tools to help you in the process.

Ready, Set, Plan

Most of the must-do start-up activities are the same as for any small business. You have to research your local market to assess the opportunities, decide which services to offer, choose the legal form your business will take, find and furnish an office, purchase the necessary insurance to protect against unexpected liabilities and attract clients.

In addition, remember that regulation has intensified in a number of practice specialties. Depending on the specific services you intend to offer, take extra care to check with state and national rule-making bodies and professional associations such as the state societies and the AICPA to determine which requirements will apply to you or your firm. For example, some personal financial advisory services require registering with the SEC or state securities departments, while certain attestation services require enrollment in an AICPA-approved peer review program to maintain Institute membership.

Pick a legal structure. Deciding whether to be a sole proprietorship, partnership, C corporation, S corporation or some type of

limited liability entity has important tax and legal consequences. In the end, any form will serve you well as long as it dovetails with your goals. Work with an experienced lawyer to decide and draw up the necessary paperwork.

Some practitioners choose the simplicity of a sole proprietorship for a tax and compilation practice, although this necessitates "a lot" of liability insurance since it doesn't offer the protection from creditors that incorporation provides. Others launch their practice as a professional limited liability company because of the flexibility it offers in allocating income and expenses and in admitting new members to the practice. Others set up a limited liability partnership because of its flexibility in making distributions from the business and also to avoid the flat tax rate associated with incorporation. Even others opt to be S corporations, which as pass-through tax entities avoid the problem of double taxation that a C corporation might incur on any dividends paid.

Insure thyself. Owning your own business means buying your own insurance—and it can be pricey. People go through "insurance shock," stunned by the cost of providing their own health care coverage on top of professional liability insurance and an umbrella policy.

Some practitioners supplement their liability insurance with an errors and omissions policy. Many landlords require liability insurance for the office, and that policy often covers errors and omissions, too.

You also may need disability insurance to provide income in the event you become ill and business interruption insurance should a disaster prevent you from opening your doors.

Furnish your office. Sure, you'll need a desk, a comfortable chair, filing cabinets and all the other accoutrements of office life. But more importantly, you need technology—a computer, printer, telephone, fax machine, a copier and, inevitably, good tax software. The good news is that the cost of technology continues to decline. In fact, your most expensive purchase might not be the hardware you buy but the tax software you choose. From a leading vendor, it easily can cost you $5,000 or more annually. Pay-per-use arrangements can help keep costs under control while you're building your business.

Getting Started with Direct Mail and Telemarketing

Direct mail and telemarketing are time-tested marketing tools. Whether you do the work yourself or hire a third party, you first have to identify targets for your message. The simplest way to do that is to buy a list of businesses from one of the two major list compilers, Dun & Bradstreet or Info USA. Set parameters that will help you target likely prospects for your services, such as small businesses with, say, up to 50 employees and $10 million in annual revenues. Start in your own zip code area and work your way outward through neighboring zip codes until you have 5,000 names; from such a list, you might find 200 to 300 companies looking for an accountant.

Define your business. Specializing in a specific industry or market segment, while not imperative, can help you attract and retain clients. If, for example, you have expertise in tax planning for high-net-worth individuals, it can make sense to build your practice around that offering.

Choose a location. For many CPAs striking out on their own, the answer to where to locate their offices is, at least initially, an easy one: home.

Most communities permit such home based practices, although you should check with your local zoning officer to make sure you're on solid legal ground. CPAs working out of their homes generally can gross $100,000 a year, plus or minus, and take home $90,000 of that for a 40-hour week, and you don't have any employees or the overhead of an office. It gives you flexibility, freedom and a generally enjoyable lifestyle. If you lose one client out of 10 because you don't have an office, that's all right.

Of course, it's not for everyone. You can rent commercial space from the get-go; it may motivate you and also communicate to your clients a sense of longevity and commitment to your business.

Contacting the companies you find in a way that elicits a positive response is the next critical step.

For a direct mail campaign, we advise against sending out the typical long-

Continued on page 24

winded letter of introduction or "congratulations on opening your new business" greeting. Instead, use a very short, professional piece of correspondence, such as a tax tip, that doesn't reek of salesmanship.

Finding clients. Developing a roster of clients is the single greatest hurdle facing a young CPA practice. If you can't attract and retain good clients—who will value your contribution to their business and are willing to pay for it on a timely basis—your fledgling business simply won't succeed. Yet promised referrals from your friends and family seldom pan out, and trying to find clients by hobnobbing at Chamber of Commerce or Rotary Club meetings can be an extremely time-consuming process.

To prevent that from happening, the entrepreneurs interviewed for this article turned to business-to-business marketing techniques such as direct mail, telemarketing and Internet marketing.

A third alternative, of course, is to buy an existing practice and its client base. Acquisitions cost money, though, and you should be sure the clients you're buying—and the services they require—dovetail with your experience and expectations, and that your purchase price, preferably spread out over several years, allows for adjustment if some clients leave.

Below is information that you will need to start a practice in Massachusetts. The above article does not refer to the specifics for each state.

1. If you are going to use the CPA credential you can use your current CPA license. If you decide to create a legal entity such as an LLC, LLP, or PC you will need both an individual license and firm license. You establish your company brand and your credibility by using the credential, but there is some additional administrative work. To obtain the forms for applying for a business entity, visit: www.mass.gov and search for "board of public accounting." The forms can be found in the Applications and Forms section.

2. If you do not currently have an active license, you can contact the Massachusetts State Board of Public Accountancy at 617.727.1806 or through their Web site: www.mass.gov and search for "board of public accounting."

3. Review information on peer review at MSCPAonline.org. The types of services you offer will determine if you need peer review. In Massachusetts, it is a requirement to have a peer review if you perform compilations, reviews or audits. www.mscpaonline.org/cpa/peer_review/

4. The AICPA has an inexpensive book on starting your own CPA firm. www.cpa2biz.com/AST/Main/CPA2BIZ_Primary/PracticeManagement/PracticeDevelopment/PRDOVR~PC-012641/PC-012641.jsp

5. As you start to establish business procedures, review the sample engagement letters that are available to MSCPA members. There are several related to tax engagements. www.mscpaonline.org/cpa/resources_detail.php?resources_id=6

6. Another marketing tool would be to join the Society's "Find a CPA Directory" or get involved with the MSCPA's Speakers/Writers Bureau. Both of these can be found on MSCPAonline.org. www.mscpaonline.org/public/find_cpa.php. Visit the Marketing Tools page to learn more about promoting your firm. www.mscpaonline.org/cpa/resources_detail.php?resources_id=2

7. **Michael Taylor, CPA,** a committee member, developed a sample cash flow/budget worksheet. www.mscpaonline.org/doc/sample_cash_flow.xls

8. Here are some other helpful Web sites to peruse for ideas:

For accounting guides and publications – Practitioners Publishing Company (PPC) ppc.thomson.com/sitecomposer2/

CCH – cch.com

For speeches, presentations and brochures – American Institute of CPAs www.aicpa.org/cpamarketing

SCORE – Nonprofit group who uses working or retired business owners, executives and corporate leaders to answer questions and consult with small business owners. score.org

Tax Software
Prosystem Fx - tax.cchgroup.com/default
Lacerte - lacertesoftware.com/

Government Web sites:
massdor.gov
irs.gov

The MSCPA's Small Firms Committee comprised of the following practitioners compiled this information:

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Join the Small Firms Committee:
www.mscpaonline.org/cpa/committees/join.php

How Accessible are Your Files?

How CPAs with Remote Employees & Multiple Locations Can Solve Productivity Challenges

By Laurie Shufeldt

Whether traveling to a client's office or managing a firm's multiple office locations, CPAs frequently need to have access to information and to communicate with coworkers who are not in the same place. From a productivity standpoint, many CPAs are analogous to small- and medium-sized businesses (SMBs) and other companies who face the same information management challenges. Recent research indicates that over three quarters of SMBs alone operate more than one server and the majority also operate from multiple locations, meaning their IT infrastructure is distributed geographically[1].

If the appropriate IT resources aren't in place to coordinate the free flow and immediate accessibility of information between those locations, CPA businesses face a critical productivity issue.
In this article, we will examine the productivity issues associated with accountants working with disparate information sources and will consider how electronic information management systems can streamline processes, centralize information and increase productivity.

Step One: Identifying the Problem

The first step in tackling productivity issues is identifying the problem. The majority of CPA firms accept the loss of productivity caused by traveling workforces and the challenges of transporting reams of hard copy and electronic files to client meetings as a part of doing business. However, by pinpointing specific productivity issues, CPAs can start to address these problems through improved processes and systems. Most often, productivity losses stem from duplication of efforts, unnecessary continual repetition of tasks, and the inability to find needed information quickly and effectively. Many CPA businesses will recognize the following obstacles to productivity:

- ***Disorganization caused by limited access to information*** – Even if information is effectively stored in a single location, if it is disorganized or difficult to locate, CPAs can spend hours trying to find the specific document they need. Certain data may be overlooked or lost, resulting in additional work to recreate or track down the information.
- ***Disjointed software systems and hard copy files*** – Many CPAs use a combination of paper- and data-based files to store, manage and retrieve client files. The lack of a central repository causes significant additional work to pull together information on a single client. Time losses are associated with CPAs shifting between hard copy and database searches and can cause delays for traveling CPAs who may not have access to all files while out of the office.
- ***Inefficient internal communications*** – Internal communications such as e-mails, voicemails, memos and instant messages, can be difficult to consolidate and therefore can disrupt productivity if CPAs are slowed down trying to locate, verify and share information about a client.
- ***Poorly planned workflow*** – Many firms make the mistake of implementing new technologies that require employees to reorganize processes and procedures to fit the solution rather than selecting technologies that streamline the current processes already in place. This can cause great losses in time, money, and productivity.
- ***Information overload*** – The extensive files associated with the accounting practice and regulatory nature of the business make it difficult to know what to keep and what to toss. Too much information slows down the process of sorting, organizing, and finding specific data.

These issues are common productivity killers in CPA firms and should be addressed with revised technologies and processes.

Step Two: Selecting Technologies that Improve Productivity

Increasingly, firms are moving to all-electronic information management systems to help organize extensive amounts of information and streamline accounting processes. The selection of the information management technology is critical to increasing office productivity and performance. With so many available options, the task can be daunting. Here are some key features and capabilities that firms should look for when evaluating solutions to ensure that the technology truly simplifies and streamlines information management and account service processes:

- ***Offers remote availability*** – Availability over the Internet means that users can access data from any place, 24/7 with the use of a PC. Ease of use and centralization allow auditing teams to collaborate from multiple working from outside the office, and minimizing duplicate efforts such as sending and resending the same information multiple times.
- ***Integrates with existing software*** – Documentation systems should integrate seamlessly with existing data systems, allowing processes and data capture to continue as normal, and working to streamline and organize those processes.
- ***Features user rights*** – Multiple user roles controlled by logins allow different levels of access to different users, protecting critical information without having to store it in separate locations.

Continued on page 26

- ***Provides robust search capabilities*** – The introduction of a new system and location of volumes of information in one place can actually result in loss of productivity if there is no easy way to retrieve that information. Firms should select systems that have robust and user-friendly search capabilities, providing instant access to information based on user-defined keywords or criteria.
- ***Handles multiple types and formats of data*** – An information management system should enable organizations to easily and strategically create relationships between disparate sources of information such as paper documents, e-mails, memos, spreadsheets, etc. and should allow for organization, classification and grouping by user-defined criteria.
- ***Supports effective internal communications*** – The solution should have the capability to streamline workflow by providing a central location for comments, approvals, etc. This allows internal collaboration at the data source for each account.

Step Three: Realizing and Tracking the Benefits

Well-chosen and implemented information management systems increase productivity by automating and centralizing information, resulting in quicker, easier access. How does that translate into increased productivity and enhancements to the bottom line? Consider the many scenarios where productivity gains are made.

First of all, there is less duplication of effort in the organization. For example, if an information management system provides notes on the status of the account or project, anyone can access the system files to view that status instantaneously. This process saves employees from sending out several e-mails inquiring as to the status of the account, walking around the office, interrupting co-workers working on other projects, or simply digging through e-mails to locate a message from months ago. By having that information immediately available and attached to the client or project file, everyone using the system knows the status immediately. In addition, productivity increases thanks to remote access to information – accountants can continue working through the entire process without interruption while on the road because all of the information they need is at their fingertips.

CPAs may also save time when collecting information to prepare an account. Rather than having to stop work and wait until they return to the office to sort through hard copy files in order to proceed with document preparation, they have all the information they need available online. They are also more productive because the information is easy to search for and find. Wasted time spent tracking down needed information via phone or e-mail is eliminated.

When tracking ROI of an information management system, firms should take into account the average number of hours previously lost due to interruptions when preparing client files and billable hours lost to internal communication and administration. There is also a decrease in business interruption, as processes are streamlined. Billable time for CPAs on the road should increase.

An Additional Perk: Improving Compliance Issues

Today, CPAs within industry positions or practices providing auditing and consulting services need to retain more data over longer periods. Demands on records retention and management have increased and the associated risks of non-compliance include fines and decreased productivity due to audits and investigations. There is greater need for procedures and flexible management systems that can easily be updated to reflect changes in regulations.

"Organization and comprehensive information management are critical to compliance. A combination of an electronic information management system and a records retention policy facilitates companies' ability to comply with regulatory mandates and improve disaster recovery capabilities," said **Paul Mercandetti**, CEO of PPM Associates Inc. (PPMA.com), a 15-year-old company located in Reading, MA, specializing in data security and compliance. "In addition, another ROI factor from the right solution is one that increases efficiency while meeting compliance standards."

By selecting the right technology solutions to manage a range of different kinds of documents and streamline processes, accounting firms can perform their jobs most efficiently and effectively when all information is readily and easily available. With streamlined internal communication and a more efficiently-running office, CPAs appear more credible to clients and ultimately are able to increase their own productivity, improve their customer service, and grow their businesses.

Notes:
1 "IT Management for Small Businesses - Using third parties to help take the strain," Quocirca Insight Report, July 2007.

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Braver is a well-established 180-person firm specializing in accounting, auditing, tax, health management, technology solutions, and business strategies, with offices in Newton, Boston, Taunton and Providence. We are interested in acquiring practices with fees ranging from $1,500,000 to $3,000,000, whose principals are retirement minded. We are also interested in specialized practices where opportunities exist for expanding the current services provided to our diverse client base. Please respond to Patrick Riley, Braver PC, 25 Christina St, Newton, MA 02461; 617.969.3300; priley@thebravergroup.com

Rucci, Bardaro & Barrett, PC is actively seeking retirement minded and entrepreneurial partners who are interested in being part of an existing firm of successful business advisors and tax professionals. With specialties in various industries, we offer an environment which produces team work among our staff and exceptional results for our clients. Based north of Boston, we are interested in acquiring sole practitioners and firms with two or more partners with annual fees of up to $1,500,000. Whether you own a general or niche practice, we are eager to discuss your future with us. Please respond in strict confidence to Bill Rucci, at 781.321.6065; billr@rb-b.com.

Achieve Your Retirement Goals With Us Established CPA firm desires to acquire accounting and tax practice from CPA retiring within 5 years. We offer accounting and tax services to private businesses in diverse industries. We know the challenges that growing companies face and provide creative thinking to help our clients take advantage of opportunities and avoid pitfalls. We provide continuous interaction with our clients throughout the year and prompt responsive service at all times. If you operate likewise, please contact: Gerald M. Tulis, Tulis, Miller & Company LLP, 313 Congress Street, Boston, MA 02210-1218; 617.946.9118 or tmco@tullismiller.com. All replies strictly confidential.

Greenberg, Rosenblatt, Kull & Bitsoli, PC, a well-established CPA firm located in Worcester, is interested in acquiring quality accounting and/or tax practices. We provide a full range of audit and accounting, tax, estate planning and trust administration, management advisory, and business valuation and forensic services. We take pride in offering the high-quality client service found in smaller firms, while also being able to provide the additional resources and expertise of a larger firm. Please respond in confidence to Agnes E. Kull, CPA, Greenberg, Rosenblatt, Kull & Bitsoli, PC, 306 Main Street, Worcester, MA 01615-0034; confidential@grkb.com

ACQUISITION/RETIREMENT IN NEAR FUTURE Established CPA firm located in Chestnut Hill is very interested in acquiring or merging with practitioner(s) who would like to retire in the near future. Our history of past transactions has been successful. Respond in confidence to Norman P. Posner, CPA Samet & Company PC, 1330 Boylston Street, Chestnut Hill, MA 02467; 617.731.1222; (f) 617.734.8052; normanposner@samet-cpa.com

Wanted: retirement minded CPAs. If you are considering selling your practice to meet your retirement goals, please contact Mark Dow, President of O'Connor & Drew, PC We have the financial, technical and professional resources to meet your needs. Ideal candidates are CPAs who want to sell their practice and participate in the transition. O'Connor & Drew, PC, a regional firm, is committed to providing proactive and responsive financial advice based on the client's individual and business needs. For more information, please see our Web site, www.ocd.com. O'Connor & Drew, PC, 1515 Hancock Street, Quincy, MA 02169.

South Shore CPA, Sole Practitioner, planning retirement in near future desires to merge or sell practice consisting of reviews, compilations and tax clients. Please contact MSCPA Confidential Box #162, c/o Giuseppe Fornaro, 105 Chauncy St, 10th floor, Boston, MA 02111; confidential@MSCPAonline.org

Retirement Minded CPA: I am looking for a successor CPA/owner/partner, for a 5 employee local CPA firm. A lateral merger with a similar size CPA firm will also be considered. We are located in metro west Boston near route 90 & 128. A suitable candidate is an individual or small firm (lateral merger) looking to take on additional work. The Ideal Candidate has a strong tax background, is able to prepare financial statements, is personable, has good work ethics, is able to learn and adapt quickly, and has a desire to

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