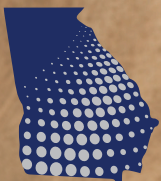


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November/December 2014 | Volume III, Issue 6

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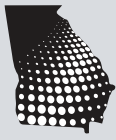
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# Contents

16



## FEATURES

### 8 | CPAS GIVE BACK TO THEIR COMMUNITIES

*Jamie Etzbach*

### 12 | THINK YOU KNOW MILLENNIALS? THINK AGAIN.

*Liz M. King*

## COLUMNS

### 14 | TAXATION

R.S.V.P.: Late Responses Trigger  
IRS Mandatory Enforcement  
*Anson Asbury, J.D., LL.M and  
Brian Gardner, Esq.*

### 16 | A&A

AICPA's Enhanced Audit Quality  
Initiative  
*Jennifer Poff*

### 20 | INDUSTRY

Metrics Can Improve Your  
Budgeting Process and Simplify  
Your Life  
*John L. Daly, MBA, CPA, CMA, CPIM*

### 22 | TECHNOLOGY

Security for Businesses  
*Calvin J. Wong*

### 24 | LEGISLATIVE

Looking Towards 2015: Top  
Federal Issues Facing the  
Profession  
*Don Cook*

22



## SOCIETY NEWS

### 5 | CEO MESSAGE

*Boyd E. Search, CAE*

### 7 | CHAIR MESSAGE

*Terry I. Parker, CPA*

### 26 | HONOR TOP CPAS IN THE PROFESSION

### 27 | HONORABLE DAVID KNIGHT, CPA RECOGNIZED AS GSCPA DISTINGUISHED MEMBER

### 28 | CPA REFERRAL SERVICE AND FIRM GUIDE: FREE SERVICES TO MARKET YOUR FIRM

### 30 | CPE

### 32 | MEMBER NEWS

### 34 | CLASSIFIEDS

### 36 | SELF-STUDY TEST

### 38 | MEMBER VIEW

How the Weather Channel Affects  
a Forensic Accountant's Pipeline  
*Kyle Aldridge, CPA, CFF*



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# Hall Pass

*Boyd E. Search, CAE*



There's a story from my work life going several years back that I'm not going to bore you with, instead I'll take you straight to the end. It ends with my coworkers always teasing me with the phrase "I don't need problems, I need solutions!" With the word "solutions" said as

loudly, slowly, and ridiculously as you can imagine. But the reality is none of them disagreed with the sentiment.

I recently had a great exchange with GSCPA Past President, Scott Voynich. In it he shared with me a blog post he had recently published to his firm's website:

I have faced many situations where we put our smartest people on the problem at hand. We discover all the reasons why this option or that can't work. Then we limit ourselves, as good business people always do, to the small five percent space left of options that might be feasible, affordable, politically acceptable, etc. I get that. I do that every day. But, for some issues, when everything around me says "No" I have witnessed the brilliant light of unexpected discovery. This either happens through accident, such as the discovery of penicillin, or by involving others who didn't know it wasn't possible and who weren't burdened by the facts. These are people who are able to look at 100 percent of the space since they don't know they can't. I would encourage you to enlist those right brained (rad)

thinkers instead of always calling on your left brained (logical) contemporaries. The hope is that they throw enough mud at the wall that we find that unexpected discovery overlooked by those who know it can't be done. Sometimes it works incredibly well. Sometimes it confirms we just can't get there from here – yet. Naïve? Maybe. But don't tell that to the long list of successful entrepreneurs who have made a fortune by doing just that. Try it. You just might find that elusive solution.

That's a great read. And I wouldn't call it naive. I think it's naive to think only within in those parameters Scott first established. I know this makes it sound easier than it really is, but the leadership notion of surrounding yourself with smart people and allowing them to do things in their way ultimately leads to that unexpected innovation. And I do believe that "expectations" are a significant impediment to unexpected outcomes. And by expectations in that context I mean..."my boss expects the outcome to look like this or the process to look like that."

When we relieve ourselves of any expectation except solving the problem there suddenly becomes a much wider range of possibilities. The term "educated incapacity" is making its way through the management world, and in simple terms, it means when we're really close to something we have more trouble gaining perspective.

So here's my gift to you: this is your "hall pass" to leave the classroom, to un-educate yourself so to speak, and wander to areas unknown. And just when you least expect it, trust me, solutions will be all around you.





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# Reaching Out to the Community

Terry I. Parker, CPA



The weather may be getting cooler, but activity at GSCPA is not. Five of the ten new Advisory Councils have met with very good results. These groups are designed to discuss hot topics, trends and emerging issues within the CPA profession,

enhancing member communications and providing you with information that will impact your daily work. The remaining five will be meeting soon and I am looking forward to what these groups have to offer. Stay on top of these issues as they are communicated through our Interest Communities, as well as *Current Accounts* and *The Voice*.

This fall I have been traveling the state with Boyd visiting chapters and meeting one-on-one with members. If you are not involved with your local chapter, I encourage you to see what it has to offer. Working on the chapter level gives you the opportunity to network and make a positive, professional impact on your community.

Looking to the future, there are many professional issues that we will be discussing and communicating with you. Three significant issues on the horizon are diversity and inclusion; the future of learning and the future of practice monitoring – enhanced audit quality (EAQ). The later subject, EAQ, is actually discussed within this issue of *Current Accounts*. Please turn to page 16 to learn more

about it and how it affects you and your clients. Each of these topics have far-reaching implications to our profession and will be discussed in more detail as we move through 2015.

As 2014 draws to a close, let us take a moment and reflect on the year and the many blessings it has brought. The holiday season that we are entering always reminds us of those less fortunate and how we can help individuals in our communities.

The recent Georgia Accounting Food Fight and the upcoming Millennial Money event are great examples of how we can step out of our daily routines and give back to our local communities. It doesn't only have to be during the holidays. Many of our firms give back throughout the year. A couple are highlighted in this issue of *Current Accounts* on page 8 and I know there are many more out there. Find out how your firm or company can have a positive influence on the community in which you serve and get out there. Our profession provides so much for each of us; we should share these blessings with others within our neighborhoods.

Felicia and I would like to wish all of you a happy holiday season filled with family, friends, great food and some much needed relaxation. Let's close 2014 on a high note and welcome 2015 with open arms.



# CPAs GIVE BACK TO THEIR COMMUNITIES

Jamie Etzbach

*The end of the year, especially around the holidays, shows increased donations and volunteers at charities across the country. Nonetheless, these organizations need help throughout the year. CPAs spend their business hours advising clients on financial planning, charitable giving and the best way to organize their assets. However, outside of the office, and away from the books, many CPAs, companies and firms are giving back to the community themselves, and not simply through monetary donations. Here's a few examples of CPAs helping those in need.*

## New to the Organized Initiative

Giving back to the community is nothing new for the employees of Mauldin & Jenkins; however, a structured program throughout the firm is. Many employees across the organization's six firms were continually giving of their time on an individual basis throughout the year. Their drive and dedication inspired firm leaders to bring everyone together in a more structured format.

Kicked off this year, each regional office has a community service program coordinator that directly oversees the initiatives for that location. The three Georgia firms – Atlanta, Macon and Albany – help multiple groups and organizations throughout the year.

“Mauldin & Jenkins wanted the firm and its employees to be more community-minded and structured with the

events,” said Jessica Reuter, community service program coordinator for the Atlanta office. “We use these events to not only help the community but for team building between departments and among staff.”

In its inaugural year, the Atlanta office has participated in the Metro Atlanta Heart Walk, MUST Ministries clothing drive and Summer Lunch Program, as well as a United Way Campaign and Toys for Tots this holiday season.

On the south end of the state, the Albany office is equally as busy with community events. The firm recently concluded a blood drive with the Red Cross.

“The response to the blood drive was inspiring,” said Kyle Nichols, community service program coordinator for the Albany office. “About half of the firm signed up to donate,





Atlanta Heart Walk | Mauldin &amp; Jenkins Atlanta Office

and those who were not comfortable donating blood helped out with the logistics of the drive. We also reached out to neighboring offices who helped out. We collected 31 units of blood, exceeding our goal.”

Albany is also participating in Toys for Tots this season and is planning a Relay for Life event in the spring.

In Macon, staff laced up their sneakers for the Retro Night Glow 5K/10K/1 Mile fun run, 70s/80s concert and kids’ fest. The event benefits Project Giving, an organization that provides assistance to families whose loved one(s) have a chronic medical illness.

“We had staff participate in the race, as well as help at mile markers handing out water, glow sticks and offering encouragement to the runners,” said Meredith Lipson, community service program coordinator for the Macon office. “Staff also helped stuff race packets leading up to the event.”

Macon is currently running a diaper and book drive for the Family Advancement Ministries.

Mauldin & Jenkins is excited about the response by employees to the community service initiative and looks forward to growing the program throughout the coming years. Future plans include a firm-wide day of service.



Retro Night Glow 5K/10K | Mauldin &amp; Jenkins Macon Office



Red Cross Blood Drive | Mauldin &amp; Jenkins Albany Office

## Established Program and Day of Service

Habif, Arogeti & Wynne (HA&W) has been highly visible and actively involved in the Atlanta community for many years. In 2012, the firm developed Spirit Week where the staff of over 300 participated in various team-building initiatives, culminating on Spirit Day where the office closed for half a day and the staff dispersed throughout Atlanta to work with a variety of charities and organizations. While the firm still continues their tradition of Spirit Week to highlight internal team-building, the volunteer aspect of the week has evolved.

The forward-thinking firm noted after the 2013 Spirit Day that four hours is simply not enough time to make an impact with the organizations they were serving. Starting in November 2014, the firm has instituted Volunteer Day, which is a full day of service held separately from Spirit

**Community continued on page 10**

## Think of the Educational Foundation for Your Year-End Giving

Give back to deserving students in 2015 by donating to The Educational Foundation. This is a perfect time for year-end tax-deductible contributions. The Foundation accepts donations throughout the year to help fund scholarships and programs. To contribute to The Educational Foundation, please complete the donation form at [foundation.gscpa.org](http://foundation.gscpa.org).

Week. The entire firm will close the office and dedicate a full day at the City of Refuge, [www.cityofrefugeatl.org](http://www.cityofrefugeatl.org), a local nonprofit organization dedicated to helping those most in need transform their lives through efforts that lead to the stability and sustainability of the local community.

“We have been searching for a non-profit organization that can accommodate the large number of employees we have in one place so we can collaborate as a team in giving back to the community and really make a difference,” said Jason Bierly, CPA, and head of HA&W’s Community Involvement Committee. “At the City of Refuge, we will be packing and organizing kits that will support homeless women, children and new moms in the range of 600 snack packs, 225 women’s kits, 225 children’s kits, 198 new mom kits, and 900 peanut butter and jelly sandwiches.”

So, how does a staff of over 300 coordinate these events? The firm has a Workplace Initiatives Committee, which includes four sub-committees, Community Involvement being one of them. Throughout the year, many community service opportunities are available for staff to participate in. The committee coordinates three to four large, firm-wide events a year with smaller events available on a monthly basis for staff to participate in on their own time.

While the staff is passionate about helping in the community, a little competition and a few incentives most certainly add to the fun. During donation drives like the Families First Prep a Scholar Program, the four floors of

the firm competed against each other to see who could contribute the most items. The winning floor receives a pizza and/or ice cream party. For the Georgia Accounting Food Fight this year, the firm’s CEO, Richard Kopelman, told the firm if they won the competition, he would dress up like a hot dog. And you know what? They are the winner in the large firm points division. Hot dog day is coming soon! Firm staff also receive two community service days (16 hours) within their time off schedule to encourage participation throughout the year.

Additional organizations helped by HA&W include My Sister’s House, which is an ongoing donation drive; the Special Pops Tennis Tournament, held annually; and an annual United Way Campaign. In 2013, the firm was recognized by United Way as the Volunteer Partner of the Year for their service contribution to the community on Spirit Day.

## The Georgia Society of CPAs

GSCPA also looks out for the community through programs designed for members to reach out. In August, GSCPA and the Georgia Food Bank Association partnered for the inaugural Georgia Accounting Food Fight. For two weeks, CPAs, firms, companies, and the Society, raised food and funds for food banks across the state. While it was set up as a friendly competition between firms, that aspect was secondary to the drive our members felt at helping those in need. The Food Fight raised \$97,254 and 9,861 pounds of food was collected with participation from 51 firms, 17





Prep-A-Scholar Drive | Habif, Arogeti & Wynne

cities, and more than 9,600 employees in the accounting profession.

“It is exciting to be working with a statewide network of caring professionals committed to making a difference in our communities. We were thrilled to be a part of the fight against hunger. Because of this competition, more people will be fed,” said Susan Bell, Atlanta office managing partner for Ernst & Young.

This fall, members have the opportunity to speak to middle school students on the importance of financial literacy. On November 20 GSCPA members will present Millennial Money to eighth grade students across the state, discussing budgeting, saving and investing. This initiative allows financial experts to provide students with the tools they need to make sound financial decisions as they grow into adulthood.

Giving back to the community does not end with the holidays. There are thousands of organizations throughout Georgia who are and could benefit from the dedication and time of individuals, companies and firms during the course of the year. What can you do in your community? More than you can imagine.



## Winners of 2014 Georgia Accounting Food Fight

### Grand Prize Winner

Pennington & Berry, LLC  
Total Points: 17,296  
Averaged 537 points per person  
Golden Harvest Food Bank

### Big Four Category Winner

E&Y (Ernst & Young)  
Total Points: 13,073  
Averaged 7 points per person  
Atlanta Community Food Bank

### Large Firm Per Capita Winner

Dixon Hughes Goodman LLP  
Total Points: 81,556 points  
Averaged 453 points per person  
Atlanta Community Food Bank

### Large Firm Total Points Winner

Habif, Arogeti & Wynne LLP  
Total Points: 97,195  
Averaged 323 points per person  
Atlanta Community Food Bank

### Medium Firm Category Winner

Williams Benator & Libby LLP  
Total Points: 17,296  
Averaged 494 points per person  
Atlanta Community Food Bank

### Small Firm Category Winner

G. Michael Smith & Associates, PC  
Total Points: 3,650  
Averaged 521 points per person  
Food Bank of Northeast Georgia

**Jamie Etzbach** is the director, publications & marketing for The Georgia Society of CPAs. She ensures all member communications, both print and electronic, provide member value and strategically meet the needs of the Society's membership. She can be reached at [jetzbach@gscpa.org](mailto:jetzbach@gscpa.org).

# Think You Know Millennials? Think Again.

*Liz M. King*

By 2020, Millennials – commonly defined as those born between 1980 and 2000 – will make up nearly half of the American workforce according to the U.S. Bureau of Labor Statistics. The Millennial Generation, also known as Generation Y, has been the focus of constant scrutiny and widespread negative stereotypes. Millennials have been labeled as disloyal, narcissistic, entitled and lazy. However, recent studies have found that many of these negative stereotypes are unfounded. Organizations must exercise caution when making assumptions about this diverse group of young professionals.

Millennials have a lot to offer organizations. “Millennials are continuous learners, team players, collaborators, diverse, optimistic, achievement-oriented, socially conscious and highly educated,” states a report from the University of North Carolina Kenan-Flagler Business School. Organizations looking to successfully recruit and retain these young professionals will benefit from understanding their specific needs and expectations. “Gen Y’s are crucial to the development and growth of our economy,” says Dan Schawbel, founder of Millennial Branding, “Managers should be setting proper expectations, giving them career support and help[ing] them develop the skills they will need today and in the future.”

Recently The Georgia Society of CPAs (GSCPA) conducted a survey of our millennial members to identify their workplace preferences and expectations. The following are three key survey findings for organizations to consider. In order to attract, develop and retain millennials, organizations should:

## Pay for performance

Millennial survey respondents ranked salary as the most important job factor (90%). One of the top reasons millennials leave their companies is because they receive a better offer from another company. “To increase retention, it’s important to recognize and compensate top-performing employees with performance-based rewards,” says Nancy Geery, director of recruiting at Habif, Arogeti & Wynne. Providing incentives and performance-based pay will not only help to retain millennial workers, but workers of all generations.

## TOP 10 BENEFITS MILLENNIALS ARE LOOKING FOR

% of participants that listed these  
benefits in their top 10 choices

**SALARY** 90%

**GROWTH OPPORTUNITIES** 82%

**FLEXIBLE SCHEDULE** 82%

**PAID VACATION** 78%

**RETIREMENT PLAN** 56%

**MEDICAL BENEFITS** 55%

**ACCESIBLE MANAGEMENT** 54%

**EXCITING PROJECTS** 52%

**TEAMWORK CULTURE** 46%

**BONUS INCENTIVES** 46%



## MILLENNIALS PREFER TO WORK...

4% REMOTELY

25% IN THE OFFICE

71% IN THE OFFICE AND REMOTELY PART OF THE TIME

### Offer flexible work schedules

Millennial survey respondents ranked a flexible work schedule (82 percent) as one of the top three most important job features, and seventy percent said they prefer to work remotely part of the time. Preferring an alternative to the traditional 9-to-5 workweek is not unique to millennials. Most workers would prefer more flexibility in their work schedules. "To help promote greater work-life balance for employees, companies may consider offering flexible work schedules in addition to other perks, such as paid time off, compressed work weeks and the option to telecommute," says Rev. Brandon Nichols, a millennials speaker and student pastor at Central Baptist Church in Warner Robins.

### Provide mentoring or coaching

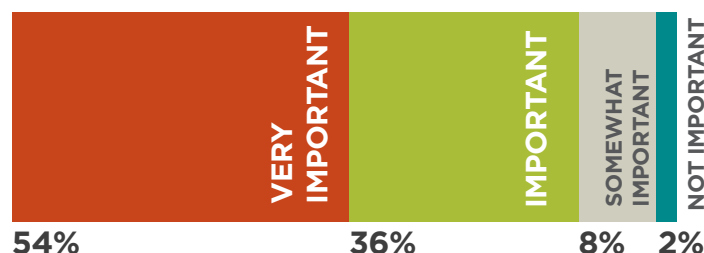
Ninety-percent (90.6 percent) of millennial survey respondents said that receiving coaching or mentoring from their organization was important. "It's really important to me that a company provides mentoring. It's probably one of the best things you can receive at a job, especially when you're first starting out," says Christopher King, a young

staff accountant at Thrive Technologies Inc. Organizations looking to engage and prepare these future leaders will benefit from providing them with meaningful professional development opportunities.

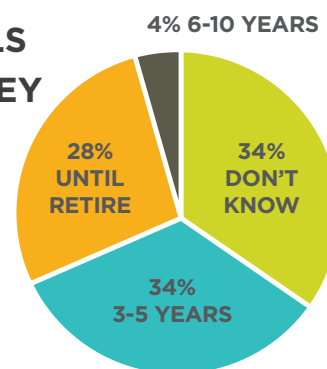
Currently there are an estimated 40 million millennials in the workforce. By 2025, three out of every four workers globally will be a millennial. Millennials are most likely to work for organizations that invest in them, provide career growth opportunities and flexible work schedules. Organizations that take the time to understand and meet the needs of this unique generation will set themselves apart. With one-third of millennial survey respondents planning to leave their current job within the next 5 years, it is imperative that organizations create stronger company cultures where employees feel valued.

*The Georgia Society of CPAs (GSCPA) administered this survey from Sep. 29, 2014 until Oct. 10, 2014. GSCPA sent an email invitation to participate in the survey to members born between Jan. 1, 1980 - Dec. 31, 2000. The survey was based on 313 respondents and has a margin error of 5%.*

## MILLENNIALS CONSIDER RECEIVING COACHING OR MENTORING TO BE...



## MILLENNIALS BELIEVE THEY WILL STAY AT THEIR CURRENT JOB...



**Liz M. King** is the assistant manager of communications at The Georgia Society of CPAs. She is responsible for the strategy and execution of digital communications for GSCPA's Interest Communities, chapters and other membership initiatives. She also serves as GSCPA's website editor and manages the Society's social media presence.

# R.S.V.P.: Late Responses Trigger IRS Mandatory Enforcement

*Anson Asbury, J.D., LL.M and Brian Gardner, Esq.*

The IRS Large Business and International Division (LB&I) recently issued important guidance on procedures to enforce taxpayer responses to information document requests (IDRs). The new guidance is the culmination of three directives issued in the past 12 months that impose required information gathering practices on IRS examiners and specialists.

The directives focus on IDR issuance and responses. The stated objective of the policy change is to reduce IDR response time and produce more efficient examinations. The result for taxpayers and their advisors is a need for increased vigilance to deadlines and responses.

The new procedures apply to all LB&I examinations (often referred to as “Large Case” examinations), which generally involve business taxpayers with assets greater than \$10 million and individuals with annual income in excess of \$1 million. The guidelines include a mandatory IDR Enforcement Process (“Enforcement Process”) that, once triggered, can result in the issuance of an IRS Summons. Taxpayers and advisors that defend large case examinations should have a complete understanding of the new practices.

## Revised IDR Guidelines

The directives establish guidelines for IDR issuance, taxpayer and IRS communication, and IDR enforcement. These rules apply to both new and on-going LB&I examinations.

An IDR issued after January 2, 2014 must meet three general requirements, including (1) an issue-focused request; (2) a discussion of the issue with the taxpayer; and (3) a discussion with the taxpayer about an appropriate response deadline. The latest directive identifies additional

requirements for a proper IDR (discussed below), but an IDR that meets these general criteria may be subject to enforcement.

The enforcement procedures focus on the IDR due date. If the taxpayer’s response is delinquent or incomplete, the Enforcement Process is triggered. This trigger is subject to very limited discretion on the part of the revenue agent (again discussed below). Once triggered, agents must follow a three-part process that includes issuing: a Delinquency Notice; a Pre-Summons letter, and a Summons.

## Limited Discretion

The Enforcement Process begins when the taxpayer fails to respond to the IDR by the due date and/or the examiner deems the response incomplete. Once started, the Enforcement Process has strict guidelines for setting response dates and extensions that require Territory Manager approval to be waived.

The Enforcement Process begins on the IDR due date if triggered by a non-response. If the enforcement process is because of an incomplete response, then the starting point is the date the examiner or specialist notifies the taxpayer that the response remains incomplete.

The current directive gives agents limited discretion before entering the Enforcement Process. If the IDR is delinquent or incomplete the agent may, within five business days of the IDR due date, discuss the cause with the taxpayer. The agent may then grant one extension, up to 15 business days, with respect to one IDR.



The agent will review any additionally provided material within 15 business days. If the IDR response remains incomplete, the Enforcement Process will begin when the agent notifies the taxpayer.

## Mandatory Enforcement Timeline

Once triggered, the Enforcement Process requires that a Delinquency Notice be issued within 10 days. The agent must discuss the Delinquency Notice with the taxpayer and confirm that the taxpayer understands the Enforcement Process. The response for the Delinquency Notice must be 10 business days or less from the date of the notice. Territory Manager approval is required for any response date beyond 10 business days.

If the Delinquency Notice response date passes without a response, the examiner must issue a Pre-Summons Letter within 10 business days. The Pre-Summons Letter should be addressed to the taxpayer management official at a level above the taxpayer official that received the Delinquency Notice. The Territory Manager must discuss the Pre-Summons Letter with the taxpayer and the response date should be 10 business days from issuance. A response date longer than 10 business days requires approval by a Director of Field Operations.

If the Pre-Summons Letter deadline passes without a complete response to the IDR, the examiner must contact IRS Counsel to issue a Summons.

## Properly Issued IDRs

Current LB&I guidance identifies 12 requirements that IRS examiners and specialists should follow when issuing an IDR. These requirements include: a taxpayer discussion about the information request and the issue under consideration; an IDR that clearly states the issue and requests issue-relevant information; presentation of a draft IDR; a discussion of the draft within 10 days; a taxpayer or

industry customized IDR; a discussion with the taxpayer about an appropriate response deadline; a date by which the IDR response will be reviewed; and a date when the examiner will report to the taxpayer on the sufficiency of the information provided.

An important exception to these IDR issuance standards can create a trap for the unwary. The standards do not apply to the first IDR issued at the beginning of an examination. This initial IDR, which often requests a business's books, records, and general information, is specifically exempt from the IDR issuance requirements. An untimely or incomplete response to an initial IDR can trigger the Enforcement Process without notice.

While a properly issued IDR is required before resorting to the Enforcement Process, there is no point in the process where a taxpayer may challenge the propriety of the IDR without invoking the LB&I Rules of Engagement. The bottom line is that the new procedures create new burdens for taxpayers and their representatives defending LB&I examinations.



## IN BRIEF

New guidance has recently been issued that imposes information gathering practices on IRS examiners and specialists.

Enforcement procedures focus on the IDR due date and if a response is late, the enforcement process is triggered.

The new procedures create new burdens for taxpayers and their representatives.

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**Anson Asbury, J.D., LL.M.** is the founder of Asbury Law Firm and a professor of taxation at the U.S. Army Judge Advocate School in Charlottesville, Va.

**Brian Gardner, Esq.** is an attorney with Asbury Law Firm. He focuses on tax controversy, tax litigation, and business tax planning. He can be reached at [bgardner@asburylawfirm.com](mailto:bgardner@asburylawfirm.com).

# AICPA's Enhanced Audit Quality Initiative

*Jennifer Poff*

AICPA recently released a discussion paper on the Enhanced Audit Quality Initiative (EAQ) outlining potential solutions to create higher quality audit work while revamping peer review into a practice monitoring program.

The initiative, initially launched in May 2014, is a two phase project with proposed near and long term goals. The near term plan focuses on improving the quality of work performed especially in high-risk areas such as Employee Benefit audits and Governmental audits. The long term goal focuses on revamping the peer review program into a practice monitoring program that incorporates tools to provide firms with more real-time feedback.



The discussion paper is designed to introduce the initiative and start the conversation on how peer review and audit quality can be improved. AICPA will release exposure drafts at a later date with more specific details on how the initiative

will be implemented. The first exposure draft is set to be released in Fall 2014.

The discussion paper outlines four key focus areas:



## Competence and Due Care

In 2017, AICPA is recommending a new version of the CPA exam with questions focused on real world examples that will ensure newly licensed CPAs have the competency needed to perform in today's marketplace. In addition, AICPA is also suggesting solutions to ensure both new and currently licensed CPAs will adhere to the Code of Conduct, including, but not limited to the competence and due care portions of the code.

Due care suggests that CPAs always strive for the highest level of quality service and competence. A CPA should be willing to expand their knowledge through continuing education and experience and be aware of any limitations they may have in a particular area. CPAs should also be sure to adequately supervise the work of their employees and be willing to reach out to others for referrals or consultations as needed.

## Standards (Audit and Quality Control)

AICPA just completed the five-year clarity project with a rewrite of the Generally Accepted Auditing Standards



(GAAS) and plan to monitor the new standards derived from it to see if firms are implementing and comprehending the revisions. In addition, the paper recommends monitoring of common peer review deficiencies to determine if clearer guidance or new resources should be developed to create a better understanding of what needs to be done.

AICPA has developed a few audit quality centers over the past ten years to help firms who perform specific types of audits with the resources needed to ensure they are performing at the highest level possible. Firms enrolled typically receive a pass on their peer review indicating they are in accordance with the standards of performing audits in a particular area. Typically center enrollment has been voluntary, but AICPA is considering whether or not firms who perform high-risk audits should be required to join these centers.

The Center for Plain English Accounting (CPEA) was recently launched to aide regional and local firms with complex and challenging accounting and auditing issues. AICPA has charged this center with looking at Employee Benefit Plan audit standards and determine if additional resources are needed for firms to understand what is required in performance of this particular type of audit.

## Guidance, Tools, Learning and Resources

AICPA and GSCPA both strive to offer continuing education and resources to assist CPAs with gaining more knowledge in all areas CPAs practice. In recent years changes in technology and the speed with which information spreads has changed how CPA societies should deliver these products.

Recently, AICPA developed a Future of Learning Task Force that is looking at the future of continuing education delivery. Some of the outcomes from this task force that could affect peer review are the development of a profession wide competency framework validated by global experts and regulators that focuses on key technical areas in a CPA's practice with competency testing implemented to guarantee the CPA's understanding of a particular area.

## Practice Monitoring – The New Peer Review

AICPA's practice monitoring vision has five components (continuous analytic evaluation, human review, intervention, periodic inspection and oversight) with the goal of improving audit quality going forward by allowing firms to implement changes and prescriptive measures more quickly than the current program allows.

Potential changes may require firms to undergo more extensive reviews, more monitoring when performing work in a high-risk area and have more than one review in three years if they take on an engagement in a new industry that was not included on their prior review. Technological changes may create more extensive tracking that ensures all firms that need to be reviewed are reviewed whether or not the firm informs the administering entity of such information.

Technology would have to change in order to help identify firms that perform engagements requiring them to have a peer review and then additional software would be implemented allowing near real-time feedback giving firms the opportunity to correct deficiencies prior to issuing the report.

The paper also addresses potential changes to reviewer qualifications. Streamlined processes, increased oversight,

**EAQ continued on page 18**

new training guidelines that incorporate competency exams and potential audit quality center membership requirements are several suggestions for creating a stronger reviewer and review program.

In June 2014, AICPA developed a pilot program with Peer Review Board members and AICPA staff oversighting Report Acceptance Body meetings to ensure that reviewers and committee members are providing the highest level of service possible and following the guidelines of the program. All state societies administering the program are subject to this level of oversight.

## Ethics Enforcement

Firms failing to provide a complete list of engagements and/or fail to disclose they need a peer review may be sent to AICPA Ethics for misrepresentation. If a firm is not an AICPA member, the firm can be referred to GSCPA Ethics Committee or the State Board of Accountancy.

AICPA has already put some new guidelines in place prior to the release of the discussion paper. As of May 2014, firms who fail to disclose they do accounting and auditing work by signing a letter stating they do not perform any work requiring a peer review are now being referred to AICPA Ethics for misrepresentation.

Misrepresentation can carry sanctions including admonishment, suspension or expulsion from AICPA and/or state society membership and failure to complete the review could cause a firm to lose their license to practice.

In Georgia, over 1,100 public accounting firms enrolled in the AICPA and GSCPA Peer Review programs and 45 active CPA reviewers could be affected by these changes.

The comments from the discussion paper will help AICPA determine what the next steps are in the initiative and whether or not they should move forward with some of the proposals mentioned in the document.

Peer Review not only impacts the firms enrolled in the program, but also their clients that they perform the work for. Peer Review is a mandatory requirement in most states and is being viewed more and more by various regulatory sources such as the Department of Labor. While initially developed to be a educational and remedial tool, the quality of work is not improving and the goal is that by making these changes the quality of work will improve.

The Georgia Society of CPAs Peer Review Executive Committee and staff will be monitoring this initiative closely and will continue to share new information with you as it becomes available. To read the Enhanced Audit Quality Initiative Discussion Paper visit [www.gscpa.org/content/MyMembership/PeerReview.aspx](http://www.gscpa.org/content/MyMembership/PeerReview.aspx).



## IN BRIEF

EAQ provides solutions for higher quality audit work and turning peer review into practice monitoring program.

Firms who misrepresent themselves by failing to disclose work in high-risk areas could be referred to ethics.

EAQ focuses on four key areas to improve audit quality and the Peer Review Program.

**Jennifer Poff** is the director, peer review for The Georgia Society of CPAs. She is responsible for overseeing and administering the Peer Review program for all enrolled AICPA, GSCPA member and nonmember firms in Georgia. She can be reached at [jpoff@gscpa.org](mailto:jpoff@gscpa.org).



# GEORGIA TAX FORUM SAVANNAH

December 4-5, 2014 | Coastal Georgia Center, Savannah, Ga.

Event Code: 13060 | Up to 18 hours CPE credit (including 2 hours of A&A credit)

**NEW  
for 2014**

**PRE-CONFERENCE WORKSHOP: Life of a Tax Court Case**

December 3, 2014 | 1-4:40 p.m. | 4 hours CPE; 3.3 CLE hours (applied for)

Receive tools and skills you need to survive the upcoming tax season. With update sessions on peer review, estate and gift tax, individual and business tax, compilation and review and much more, this conference covers changes in laws and credits that impact you and your clients.

## HOT TOPICS:

- Net Investment Income
- The Ins and Outs of Social Security
- U.S. Aspects: International Compliance Issues & Penalties

**To Register: Visit [www.gscpa.org](http://www.gscpa.org) or call 404-504-2985 or 800-330-8889, Opt. 3**

# GOVERNMENTAL ACCOUNTING & AUDITING CONFERENCE

December 12, 2014 | GSCPA Learning Center, Atlanta

Event Code: 13070 | Live Stream Code:  LS413070

8 hours of A&A credit (may qualify for Yellow Book Credit)

Attend from  
your home or office  
using the live stream  
event code:  
**LS413070**

Attend The Georgia Society of CPAs Governmental Accounting & Auditing Conference for discussion of hot topics specific to the needs of CPAs working for or with government entities. This program is designed to keep you up-to-date on the governmental area of the accounting profession by offering a broad range of general sessions.

## HOT TOPICS:

- **GASB Update**
- **The New COSO Standards: What You Don't Know Can Hurt You**
- **Data Security: Detecting and Preventing Fraud**
- **Single Audit Update: The Uniform Guidance (UG)**

**To Register: Visit [www.gscpa.org](http://www.gscpa.org) or call 404-504-2985 or 800-330-8889, Opt. 3**

# Metrics Can Improve Your Budgeting Process and Simplify Your Life

*John L. Daly, MBA, CPA, CMA, CPIM*

## Lots of Work, Inadequate Results

For most organizations, developing projections is a cumbersome process requiring adjustment every month. Any changes require communication with responsible department heads, consuming time the finance department does not have to spare.

The resulting budget is often an unsatisfactory control tool. For instance, if a department's monthly budget is \$100,000 and they spend \$110,000, is it necessarily bad? We might look at the business unit's sales for a clue, but that still won't give us a definitive answer. Sometimes a department's work precedes the organization's work, sometimes it follows and sometimes it is in sync. Unless we can measure a specific responsibility center's work, we have only a vague impression of what a budget variance really means.

## Change the Process

Today, some organizations begin their budgeting process in a non-traditional way. Instead of looking at past spending to predict the future, they begin by looking at the outside world. Benchmarking the cost/unit for common activities changes planning conversations from "What did we spend in the past?" to "What is this activity's competitive cost?" For example, if you knew your competitors spent \$1,000 per employee on information systems, you would want to know why your organization spends \$1,250.

We can build the budget from the benchmark. If \$1,000/employee is our goal and we have 500 employees, the budget target becomes \$500,000. Using cost/unit metrics for planning is sometimes called activity-based budgeting, driver-based budgeting or metrics-based budgeting.

While cost/something may be our only cost center financial metric, for profit centers we would obviously want to know revenue/something and most importantly gross margin/something.

## Using Metrics for Control

Once we focus our financial planning process on cost/something our control process changes. Instead of comparing dollars spent to budget dollars, we compare cost/unit. If volume goes up, the department manager can spend more, if volume goes down we expect them to spend less. We don't need to revise projections as volume changes to know what someone can spend. Finance may still revise projections to obtain cash flow information, but there is little need to share this information broadly.

## Output Measurements

We have to decide how to measure output to make this process work. The core question is always, "What causes work?" Most financial professionals can readily identify how to measure the work a department performs. We might measure a hospital laboratory based on the number of tests performed. We could measure the pharmacy's work based



on scripts filled. We could measure pediatrics, obstetrics and the intensive care unit inpatient-days. We could measure accounts receivables based on invoices processed.

A key lesson is to never measure output by counting something we don't want to happen, since a department manager could reduce their cost/unit by making the bad result happen more often. Thus, don't measure purchasing based on purchasing orders, quality control based on rejects or machine repair based on breakdown because it will incent the department manager to make these things happen more often. Find positive output measures. Thus, we might measure machine repair based on the uptime hours they support and quality control on cost/production run.

## Systems Issues

How do we print cost/unit on a report? Some general ledger systems provide for integrating financial and non-financial data, others don't. To see if your software has this feature, go to the general ledger chart of accounts maintenance screen and look at the "account types" your software allows. If the software allows "statistical" accounts or "memo" accounts, you will probably have the ability to enter your output measures as a one-sided journal entry.

Since controllers generally begin their account numbering with 1,000 equaling cash, they usually create statistical accounts with numbers in the 0000 to 0999 range.

Even if your general ledger system did not plan for statistical accounts, many controllers trick their system into accepting statistical data by creating a statistical credit account,

usually 0999, allowing statistical data entry as a balanced journal entry. This makes output measurements available to your general ledger report writer.

## Politics

Using benchmarking can significantly reduce political activity in the budget process. Without the benchmark, politically powerful managers get more resources than they need, even in bad times. Politically weak managers get fewer resources, even in good times. The benchmark helps level the playing field by focusing the conversation on competitive costs.

## Conclusion

While this article is just a quick overview of this method, there are many other fine points you can learn from a class or will discover as you use metrics yourself. Those who have extensive budgeting experience will quickly conclude using metrics for planning and control provides a much better result with far less work.



## IN BRIEF

Many budgets today are built from benchmarks of activities in the outside world.

Using metrics for budgeting is called activity-based, driver-based, or metrics-based budgeting.

Executive Education recommends using metrics for planning and control purposes.

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**John L. Daly, MBA CPA, CMA, CPIM** is a former CFO who has developed more budgets than he cares to try to estimate. He is the founder of Executive Education, Inc. a company that develops continuing professional education for corporate financial managers. He has presented financial management seminars for about 40 professional accounting associations in three countries. You can reach him with questions or comments at [Daly@ExecutiveEducationInc.com](mailto:Daly@ExecutiveEducationInc.com).

# Security for Businesses

*Calvin J. Wong*

## No One is 100 Percent Safe

The recent history of IT security hasn't been very stellar, and no one is safe from being hacked. From Sony, Citigroup, Target to Zappos, major companies are being hit with data security breaches. Earlier this year, Yahoo! disclosed that their email customers passwords were compromised through a third party application affecting almost 81 million U.S. users. White Lodging Services, a hospitality company, recently announced that a data breach occurred at 14 of their properties, including Marriott, Radisson, Renaissance, Sheraton, Westin, and Holiday Inn franchises. Information printed on credit card and debit cards was compromised and the amount of affected customers is yet to be disclosed.

Not all data breaches come in the form of computer hacking. Data breaches can occur when printed/scanned documents with sensitive information fall into the wrong hands.

So what can you do to secure your business even though the big boys with loads of money invested in their companies' securities are getting breached? Most of us benefit from having a smaller target on our backs, but that isn't to say we should just sit back comfortably. Take action with some of the following principles and best practices to secure your business information.

## Encrypt Your Data

Most of us have a file server. Some of us store our files on the cloud. No matter where you store this information, you can take action to encrypt your data. Encryption puts a lock and key on the data, so that when you are uploading or sending files it is not an open book. Imagine sending your

personal information over to the wrong email address. If the information is encrypted, the accidental send would still be relatively safer than if you sent a file that was wide open. Just a reminder - don't send the password in the same email as the encrypted file. Don't stop at only the files sent out via email. You can encrypt your entire file system easily with third party software or even with the Windows operating system itself with Bitlocker 256-bit AES.

## Data Loss Prevention (DLP)

Software is available from major security companies that provide DLP. The software itself will help you discover, monitor, protect and manage your confidential data wherever it is stored and used. Since we access it from multiple endpoints, networks, storage systems and device types, this kind of software can catch unauthorized access from locations and who is looking at what. It can also be useful to block the flow of data within and outside the network.

## Spam Filters

Ignorance is a spam email's best friend. Educate yourself and others in your company about identifying junk and phishing email. Often times, the best way to tell if it is a fake or not is going directly to the actual company's website and not clicking on any links in emails. If in doubt, a phone call is also less dangerous. Often times, the links in these emails bring you to a fake website where you are freely submitting information to them, or worse, they download virus/malware onto your computer. Check out SpamAssassin, Appraver, Barracuda, and if you have an Office 365 Exchange service you most likely already have Microsoft Exchange Online Protection.

## Update Your Security

Do you have a firewall on your network? How about a new server with latest software protecting it? Well, in most cases you'll need to keep those items updated. Firewalls usually come with security packages that need to be paid annually or at least once every three years to stay protective. There are new security patches for Windows Servers every month, as well as updates to firmware for all your network devices. So take the time to update the software and hardware to the latest in patches every month. Updates take a little time, and you'll probably get to experience an IT lifestyle where you are working the hours of Batman to avoid downtime, but the protection is worth the effort. Check with your device and software brands to see if there are updates.



## Watch Out for Removable Media

Flash drives and external hard drives can, and will, walk off. Be careful storing sensitive information on those kinds of devices. If you are heavily using them, consider encrypting them with Bitlocker or a similar tool. Have a policy in place for everyone to know how and when to use them and what to do in the case of losing them. This is an essential discussion if your company is a predominantly laptop user base.

## Backup

It is important to backup your data on a regular basis through a backup service and device that is used onsite. Companies like Barracuda, Datto, Sonicwall and other major computer providers, all have some kind of device to manage backups. How does this tie into data security? It is how you recover from a breach that also harms your data and also prevents accidental data loss that may happen from everyday workflows.

## Hire a Consultant

Have an IT consultant firm come out and perform an audit of your system at least once a year, but twice a year is preferable. They will advise on your current infrastructure and practices and help you plan a road map to building for the future. Also, having the peace of mind of knowing you are sufficiently protecting your business doesn't hurt.



## IN BRIEF

Not all data breaches are in the form of computer hacking. Some come from printed and scanned documents.

Ways to secure your business data is to encrypt it, invest in DLP software, spam filters, security updates, and hire a consultant to perform systems audits.

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**Calvin J. Wong**, director, information technology for The Georgia Society of CPAs, oversees the administration, strategic planning, maintenance and management of all aspects of IT systems. He monitors and maintains the infrastructure, recommends new technologies, efficiencies and changes in business processes and manages the website. He can be reached at [cwong@gscpa.org](mailto:cwong@gscpa.org).



# Looking Towards 2015: Top Federal Issues Facing the Profession

*Don Cook*

Looking back, 2014 has been relatively quiet in terms of legislative changes that the profession has had to deal with at the Federal level. As we look forward to 2015, there are a myriad of issues on the horizon that will be closely monitored. Change can be both positive and negative and in the case of the upcoming year, the lack of change at the Federal level is not what is needed and aims to have a negative effect.

## Tax Extenders

One of the professional issues being closely monitored is what is publicly known as the “tax extenders.” At the end of 2013, more than 50 temporary tax laws (tax extenders) expired. These tax laws vary widely in terms of what they cover and who will be impacted. They are tax cuts, tax breaks and/or tax credits that affect individuals and businesses alike. These tax extenders need to be looked at seriously by Congress and, at the very least, need to have some clarity around them so CPAs, CPA firms, companies, clients, individuals, etc. can move on with tax planning, budgetary planning and strategic planning. The impacts some of these extenders may have are potentially very large and can have a huge impact on the day-to-day business model of an organization.

## Research and Development (R&D) Tax Credit

The Research and Development (R&D) Tax Credit was first enacted by Congress in 1981, and since then, its huge economic impact is widely understood. The R&D tax credit is considered more of a “jobs credit” as roughly 70 percent of the credit dollars are used to pay salaries of innovators

(R&D workers). A number of worldwide rankings place other countries far ahead of the U.S. in terms of R&D tax incentives offered. Again, this is one example of a tax credit that really needs to be looked at closely and have some clarity placed around it so businesses can plan. It can be hard enough running a business in today’s competitive work place. The uncertainty behind the “tax extenders,” including the R&D tax credit, certainly doesn’t help companies by giving them a competitive edge. Companies in some cases have begun to shift what country they do business in because more tax incentives are offered elsewhere. The U.S. has already lost businesses for just this reason and the outlook for the remainder of the year on the tax extenders is still uncertain. Most agree that change is not imminent and nothing will be done until after the elections. A number of leaders in Washington think it’s likely that no decisions will be made on the tax extenders until 2015 where they will be retroactive in nature. Being retroactive is certainly an improvement for businesses over nothing at all; however, going a year plus with uncertainty creates a very difficult business climate where jobs go unfilled and business plans fall behind.

## Other Top Issues

### The Mobile Workforce State Income Tax

**Simplification Act of 2013** – H.R. 1129 was introduced in the House of Representatives and referred to the Judiciary Committee on March 13, 2013. Since then, the Act has gained a lot of traction and has had quite a few co-sponsors attach their names to it. H.R. 1129 would create a national standard to limit state or local taxation of employee compensation. The main limit would be that someone would have to physically work in a state for 30 days to trigger withholding. It would exempt from the definition of “employee” for purposes of the Act professional athletes, professional entertainers, and public figures who are persons of prominence who perform services for wages or other remuneration on a per-event basis. It is the opinion of The Georgia Society of CPAs that this Act makes sense and adds clarity and certainty to this area of tax for businesses, individuals and the profession. GSCPA has publicly supported this Act and will continue to do so as it gains more traction.

**Cash to Accrual Basis of Accounting** – The Georgia Society of CPAs continues to publicly oppose proposals that would require CPA firms and others to change from the cash basis method to the accrual method for tax purposes. Current proposals appear in the House Ways and Means Committee’s small business tax reform discussion draft and Senate Finance Committee’s cost recovery and accounting discussion draft. These proposals would force business owners operating in any form of organization other than

sole proprietorships to pay tax in advance of collecting cash payment from clients and customers if average gross receipts of the business exceed \$10 million. This provision would create a hardship for the partners of CPA firms and owners of other entities involved in professional services sector including; actuaries, architects, consultants, engineers, doctors, farmers and lawyers. The AICPA and GSCPA continue to reach out to members of Congress on this issue and will continue to do so in the months ahead.

As the home of the CPA profession in Georgia, The Georgia Society of CPAs remains committed to being your chief advocate with members of Congress and will keep you informed on these issues and others as they continue to evolve. If you have any questions on the issues discussed in this article or if you want more information, please feel free and reach out to Don Cook, vice president legislative affairs at 404-504-2935 or [dcook@gscpa.org](mailto:dcook@gscpa.org).



## IN BRIEF

There are many issues on the horizon that will be closely monitored for 2015.

Tax Extenders and Research and Development Tax Credit are two of the main issues being watched.

H.R. 1129 and Cash to Accrual Basis of Accounting are also top issues for 2015.

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**Don Cook** is the vice president of legislative affairs at The Georgia Society of CPAs. He is responsible for legislative advocacy on behalf of the CPA profession in Georgia. Don is a registered lobbyist in the state and works on the grassroots training of GSCPA members while providing education on why members should strongly consider supporting the GSCPA-PAC.

# Honor Top CPAs in the Profession

Each year, The Georgia Society of CPAs recognizes members who dedicate valuable time and energy to their profession, their community and The Georgia Society. Countless GSCPA members regularly apply their skills, talents, interests and ideas to enhance their local community, as well as The Georgia Society of CPAs. Your help is crucial in identifying deserving GSCPA members.

The following awards will be given to GSCPA members who provide exemplary service to the profession and their community. The Society is currently seeking nominations for:

**Meritorious Service Award**, GSCPA's highest honor is awarded to an individual for outstanding service to the profession. The individual shall have given superior service to the profession or accomplished a significant achievement during the course of one year.

**Public Service Award** recognizes a member who has given a significant amount of time to various organizations that are not professionally motivated. Past recipients have served their local communities, chambers of commerce and other various charitable organizations. Professional services related to accounting organizations will not be considered.

**Outstanding Member in Industry Award** recognizes an individual who has made significant contributions, professional and civic, that reflect the values and ideals to which CPAs in industry should aspire to be.

Now's the time to show recognition and appreciation to the deserving members by nominating them for one of The Georgia Society of CPAs awards!

## Questions?

For more information or to submit a nomination, please contact Callie Hammond, assistant manager, member relations, at [chammond@gscpa.org](mailto:chammond@gscpa.org) or 404-504-2953.

To download the nomination form visit, [www.gscpa.org/Content/MemberConnections/awards.aspx](http://www.gscpa.org/Content/MemberConnections/awards.aspx).

**Deadline for all nominations is  
December 15, 2014**





# Honorable David Knight, CPA Recognized as GSCPA Distinguished Member

The Georgia Society of CPAs recently presented the Distinguished Member Award to Representative David Knight, CPA at the 2014 Fall Council Meeting at Chateau Élan in Braselton, Georgia.

The annual award is presented to a CPA who has gone above and beyond the call of duty to support the Society during the previous year. Knight assisted the profession and played a key role in getting House Bill 291, The Public Accountancy Act of 2014, passed, which moved the Georgia State Board of Accountancy from the Secretary of State's office to the State Accounting Office effective July 1, 2014.

April of this year. It is a significant change in the accounting profession that successfully shifts the profession towards better regulation, while upholding the highest ethical standards by having a more streamlined staff whose sole focus will be on the accounting profession. David's guidance and leadership as both a CPA and state legislator helped the Society and the State Board through this strenuous process and for that The Georgia Society of CPAs thanks him by presenting him with this award.

"The Georgia Society sincerely appreciates the tremendous amount of hard work and dedication David put into the

**"I appreciate the help and support I have received from GSCPA and its members. CPAs are a valuable resource and offer an objective view on what affects Georgia and our citizens."**

*Representative David Knight, CPA*

"It means a lot to the Georgia General Assembly to hear from CPAs on their knowledge and experience of the respective industries they serve as well as on tax matters. I appreciate the help and support I have received from GSCPA and its members. CPAs are a valuable resource and offer an objective view on what affects Georgia and our citizens," said Representative David Knight, CPA, vice chairman of the House Ways and Means Committee.

The bill was passed by the House and Senate during the 2014 legislative session and then signed by the Governor in

successful passing of House Bill 291. He has a true passion for the promotion and protection of the CPA credential," said Boyd Search, CEO of The Georgia Society of CPAs.

In addition to his work as a Georgia State Representative, David is an avid hunter and fisherman. He is happily married to the former Marie Harvey from Lamar County and they have one son, John David.

# CPA Referral Service and Firm Guide: Free Services to Market Your Firm

The Society encourages you to take the opportunity to list your firm for FREE using these great services. Whether it's helping you obtain new clients or assisting you in your next great hire, GSCPA is committed to your success.

## CPA Referral Service

As part of GSCPA's commitment to helping our members grow their bottom line while ensuring that Georgia citizens and businesses have access to useful information about CPA firms in their area, GSCPA proudly offers the CPA Referral Service. The Referral Service is an online database for use by individuals and businesses who are seeking the services of a CPA. Through this database, people can search for firms by geographic location, client services offered, and industries served. Once the criteria are entered, the database quickly identifies matching firms.

Having your firm listed in the CPA Referral Service is a FREE benefit of your GSCPA membership. We want to be sure that your firm is included, and that the firm's listing reflects the most up-to-date and accurate information. In addition, having this current information about your firm will allow GSCPA to better serve you and the members of your firm in the future.

## The Guide to Public Accounting Firms in Georgia

In addition to the CPA Referral Service, The Georgia Society of CPAs has another free service just for you. We also offer

the Guide to Public Accounting Firms in Georgia, also known as GSCPA's Firm Guide. The Firm Guide's purpose is to provide accounting students with information about public accounting firms throughout the state in order to assist them in seeking internships and employment. It is a valuable resource for matching accounting firms in need of interns or employees with new accounting professionals who may be a good fit. The Firm Guide shows students, as well as others, the diverse opportunities of Georgia public accounting firms of all sizes.

## Deadline

GSCPA recently sent the Referral Service and Firm Guide brochure to GSCPA member firms. The brochure includes an easily completed questionnaire that will provide us with all of the information we need to include the firm in either or both programs. To take advantage of these valuable services, please be sure the form is completed and returned to us by the December 12 deadline.

### Questions?

If you need another copy of the registration form or if you have any questions, please don't hesitate to contact Kara Peterson, member relations manager, at [kpeterson@gscpa.org](mailto:kpeterson@gscpa.org).

# INTERNAL REVENUE SERVICE **NEW!** IRS SOLUTIONS CONFERENCE

**December 17, 2014 | GSCPA Learning Center, Atlanta**

**Event Code: 13090 | Live Stream Code:  LS413090**

Whether you represent clients on a regular basis, or are the CFO of a company, knowing how to work with and respond to the IRS in a variety of situations is critical. New this year, the IRS Solutions Conference is designed to provide CPAs with useable tools and an understanding of the IRS tax examination process. By attending this conference, you will leave with an understanding of how the agency works in regards to audits, the Appeals Office, IRS collection issues, the U.S. Tax Court, correcting mistakes early, and errors to avoid.

## HOT TOPICS:

- **Maximizing Results with the IRS Appeals Office:**  
**Insights, Tips and Best Practices**
- **Errors to Avoid when the CPA is Working with the IRS:**  
**Your Clients Needs You**
- **Negotiating with IRS Collections: What are Your**  
**Clients Alternatives**
- **Resolving a Case at the U.S. Tax Court**

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# CLUSTERS 2014

Customize your CPE based on four tracks of study:

## A&A

Leader: Tom Newell

### December 18

**8 a.m. - 11:30 a.m.**  
Current Issues In Accounting and Auditing: An Annual Update  
**Event Code: 12049**

**12:30 - 4 p.m.**  
Forensic Accounting: Critical Phases of an Effective Fraud Investigation  
**Event Code: 12053**

### December 19

**8 a.m. - 11:30 a.m.**  
Compilation and Review Guide and Update  
**Event Code: 12059**

**12:30 - 4 p.m.**  
An Overview of the Financial Reporting Framework for Small- and Medium-Sized Entities  
**Event Code: 12068**

## TAX

Leader: Art Auerbach

### December 18

**8 a.m. - 11:30 a.m.**  
Individual Income Tax Update  
**Event Code: 12050**

**12:30 - 4 p.m.**  
Key Partnership and S Corporation Tax Planning Strategies  
**Event Code: 12051**

### December 19

**8 a.m. - 11:30 a.m.**  
Surgent's Guide to Understanding the New Net Investment Income Tax in 2014  
**Event Code: 12062**

**12:30 - 4 p.m.**  
**NEW!** Surgent's Guide to Understanding the Passive Activity Rules in 2014  
**Event Code: 12067**

## MANAGEMENT

Leaders: Jerry Spratt (12/18)  
Curtis Quickel (12/19)

### December 18

**8 a.m. - 11:30 a.m.**  
Corruption and Asset Misappropriation Schemes: The Top 25 Tips on How to Prevent and Detect Illegal Acts by Employees and Third Parties  
**Event Code: 12052**

**12:30 - 4 p.m.**  
Controller/CFO Update: Hot Topics Facing Today's Financial Professional  
**Event Code: 12057**

### December 19

**8 a.m. - 11:30 a.m.**  
**NEW!** Disaster Recovery Planning for Your CPA Firm, Company, or Client  
**Event Code: 12058**

**12:30 - 4 p.m.**  
Gaining a Competitive Advantage: Critical Skills for CFOs and Controllers  
**Event Code: 12061**

## GOVERNMENTAL A&A

Leader: Robert Leslie

### December 18

**8 a.m. - 11:30 a.m.**  
Latest Developments in Government and Nonprofit Auditing 2014  
**Event Code: 12055**

**12:30 - 4 p.m.**  
Accounting and Reporting for Not-for-Profits: Avoiding the Timekillers and Painkillers  
**Event Code: 12056**

### December 19

**8 a.m. - 11:30 a.m.**  
Recent Frauds Occurring in Not-for-Profit Entities and Governments  
**Event Code: 12060**

**12:30 - 4 p.m.**  
**NEW!** Critical Early Determinations in OMB A-133 Audits  
**Event Code: 12066**



## Don Farmer's 2014 Tax Seminars

### Pre-Tax Season Review

#### Individual Returns - Atlanta

December 10, 2014 | Cobb Galleria Centre

Event Code: 12064 | LS412064 | 8 a.m. - 4 p.m.

#### Business/Corporate Returns - Atlanta

December 11, 2014 | Cobb Galleria Centre

Event Code: 12065 | LS412065 | 8 a.m. - 4 p.m.

### Federal Tax Review

#### Tifton

November 11, 2014 | Rural Development Center

Event Code: 11045 | 8 a.m. - 4 p.m.

#### Duluth

November 13, 2014 | Gwinnett Center

Event Code: 12027 | 8 a.m. - 4 p.m.

#### Macon

December 8, 2014 | Macon Centreplex

Event Code: 11033 | 8 a.m. - 4 p.m.

#### Atlanta

December 9, 2014 | Cobb Galleria Centre

Event Code: 12054 | LS412054 | 8 a.m. - 4 p.m.



## LIVE STREAM OPTION

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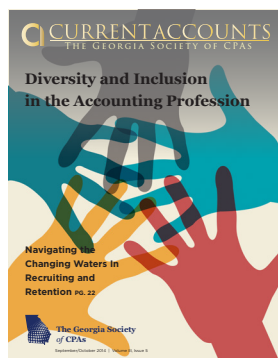
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## Current Accounts Self-Study

The self-study tests in the back of every issue of *Current Accounts* are a quick and easy way to earn two hours of CPE, and each test is available for two years.

For example, the January/February 2014 self-study test will be available until February 28, 2016. Take each test as you receive the issue or wait and take them all at one time. For more information on how to take a test, see page 34.

**September/October 2013 Issue** - Self-Study Test # CA30910  
**November/December 2013 Issue** - Self-Study Test # CA31112  
**January/February 2014 Issue** - Self-Study Test # CA40102  
**March/April 2014 Issue** - Self-Study Test # CA40304  
**May/June 2014 Issue** - Self-Study Test # CA40506  
**July/August 2014 Issue** - Self-Study Test # CA40708



< **Sept/Oct 2014 Issue**  
Self-Study Test # CA40910



**Nov/Dec 2014 Issue >**  
Self-Study Test # CA41112

## Upcoming Live Streams

Join us from the comfort of your home or office via live stream, a live video feed of a conference or seminar allowing web participants to become a part of the live audience and have real-time interaction in chat areas and Q&A with the instructor.

### **Basis Calculations & Distributions for Pass-Thru Entity Owners - Schedule K-1 Analysis**

November 13, 2014 | Event Code: LS411023

### **Valuation, Acquisitions, Capital Projects and Leveraged Buyouts**

November 13, 2014 | Event Code: LS411025

### **Patient Protection & Affordable Care Act**

November 14, 2014 | Event Code: LS411031

### **Business and Industry Conference**

November 18-19, 2014 | Event Code: LS413045

### **Financing a Privately Owned Company**

November 20, 2014 | Event Code: LS411043

### **Advanced Business Law for CPAs**

December 1, 2014 | Event Code: LS412001

### **A&A for Tax People Who Hate A&A**

December 3, 2014 | Event Code: LS412014

### **Gary Zeune's Fraud and Abuse in Government and Nonprofits 2014 Update**

December 3, 2014 | Event Code: LS412013

### **Governmental A&A Conference**

December 12, 2014 | Event Code: LS413070

### **Revenue Recognition: The New Perspectives**

December 30, 2014 | Event Code: LS409027

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# Member News

## PROMOTIONS & NEW POSITIONS

**Moore Colson** recently announced the promotions of the following firm professionals. In the Business Assurance Practice: **Kelly Bird** to senior manager; **Candace Jackson** to senior manager; **Brad Parker** to manager; **Mike Reynolds** to manager; and **Caroline Geiger** to senior associate. In the Tax Practice: **Stephanie George** to manager and **Andrew Moore** to manager.

**Laura Friend, CPA** recently accepted the position of controller at metro Atlanta-based **MOSAIC Group [Architects and Remodelers]**.

**Evelyn Poulos, CPA** has been appointed to director of talent for **Moore Colson**.

**Warren Averett, LLC** is pleased to announce that **Kevin Golden** has been promoted to manager within the firm's Tax Division.

**Decosimo** has promoted **Matt Natho** to manager within the firm's assurance practice in the Atlanta office.

## AWARDS AND HONORS

**J. Allen Poole**, retired partner of **Cherry Bekaert, LLP** and co-founder of **Blackwell Poole, LLP**, has been re-elected to another year as president of the **Panther Athletic Club (PAC) Board** at Georgia State University.

**Warren Averett, LLC, Certified Public Accountants and Advisors**, is pleased to announce that **Kim Hartsock, CPA**, was named to the **Georgia Southern University Alumni Association's 40 Under 40 Class** of 2014.

## FIRM NEWS

**Skinner, Barndollar & Lane, PC** has joined forces with **TJS Deemer Dana LLP**, and is proud to announce the upcoming merger of their accounting firms. The official transition will take effect January 1, 2015.

**Carl W. Vann, Michael L. Whipple** and **Allison B. Milligan** are excited to announce the formation of **Vann Whipple Milligan, PC**, effective November 1, 2014. The new firm is located at 1117 Perimeter Center West, Suite North 300, in Atlanta, Ga. and can be reached via telephone at 770-351-1220 or via the firm website [www.vwmcpa.com](http://www.vwmcpa.com).

Congratulations to the following firms, recognized by *INSIDE Public Accounting* as the 2014 Best of the Best firms: **Bennett Thrasher LLP**; **Duggan & Massey PC**; **Frazier & Deeter LLC**; **Habif Arogeti & Wynne LLP**; **Moore Colson**; and **Smith & Howard PC**.

## IN MEMORIAM

We sincerely regret the loss of the following member and extend deepest sympathy to his family and friends.

**Alden A. Martinez Jr.**, Stone Mountain, Ga.

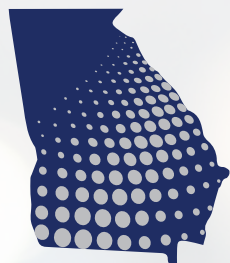
## ETHICS NOTIFICATION

As a result of investigations of alleged violations of the Codes of Professional Conduct of the AICPA and GSCPA, the following ethics cases have been resolved under the Joint Ethics Enforcement Program and the members have been terminated per the guidelines set forth within the program as of September 26, 2014:

**Louis Gutberlet**, Lawrenceville, Ga.



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your successes, and looks forward to advancing you as well as  
the accounting profession in the coming year.*

## BUSINESS SERVICES

Firm-on-firm reviews: Fowler, Holley, Rambo and Stalvey, PC is interested in performing your firm's peer review. Personnel have 32 years review experience. Contact Richard Stalvey for qualifications, references, and a proposal. P.O. Box 1887 Valdosta, Ga. 31603; 229-244-1559.

Peer reviews for sole practitioners and small firms. We have the client base, technical skills, plus the understanding, to help your firm. Fifteen years of peer review experience with 150 firms ensures efficient work on engagement reviews. Contact Joe W. Kilpatrick or Steve Rea, Crescent Centre, Tucker. 770-455-8706 or jwkilpatrick@kilpatrickcpa.com, www.kilpatrickcpa.com.

Successful transitions require experienced, confidential, professional services you can trust. This is what Akins Professional Brokerage provides. Specializing exclusively in the brokerage of CPA firms, we have no upfront fees. List your firm with a professional. Call David Akins, CPA, at (877) 277-0272. Visit our website at www.ProfessionalCPAbroker.com.

Business Valuations: Formal valuations, consulting services for CPAs/clients. Areas: Estate & Gift Taxes, Family Limited Partnerships, S Corp conversions: built-in tax gains, SBA 7(a) Valuations, Acquisition/Sale/Merger of Business. Contact Marvin T. Brown, CPA/ABV, CVA, Brown Valuation Group, for qualifications, references, and a proposal. 706-254-3134 or 770-447-1300.

IRS and State Representation. Attorney & CPA available to consult with your firm or your clients on IRS and state matters. Audit, appeal, collection or criminal matters including offers in compromise, bankruptcy discharge of tax and non-filers. Practicing in Atlanta since 1982. Call Jeffrey S. Gartzman, The Gartzman Law Firm, PC; 770-939-7710; jeff@gartzmantaxlaw.com.

## SITUATIONS WANTED

CPA available for per diem work in accounting and tax. Experience in public and corporate accounting. Call/email Bob for info at 770-498-8889/bobh7734@gmail.com.

## POSITIONS AVAILABLE

Come join us at Roberts DeWitt LLC. We are seeking to expand our team of CPAs, Accountants and Business Advisors with experienced tax professionals committed to client service and team work. We offer a pleasant, fun and dynamic work environment. Interesting, high-level, complex clients. Very competitive compensation package. Opportunities for advancement. Emphasis on professional education, training and self improvement. Flexible work schedules. An environment that fosters professional growth and technical expertise. And, we are centrally located near historic downtown Roswell. Positions currently available:

- Tax Senior
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We can be reached at 678-352-8258 (contact Marc Fialdini) or www.robertsdewitt.com. Resumes can be emailed to marc@robertsdewitt.com or faxed to Marc Fialdini at 678-278-1223.

Sandy Springs firm seeking experienced tax preparer for the 2015 tax season. Contract position of 20-30 hours per week from February 15-April 15. Must be proficient in UltraTax. Email info@vernercpa.com

Looking for established audit manager/partner to take over and grow the audit practice of North Atlanta CPA firm. The firm currently performs approximately 25 audits with total fees of \$225,000. Applicant must have audit experience at the partner or manager level and a client base which can be brought into the firm. Please respond to GSCPA File Box 456.

Roswell CPA Firm - Permanent, Part-Time positions available; Income Tax and QuickBooks experience preferred. Send resume to: P.O. Box 800053, Roswell, GA 30075-001.

Norcross CPA Firm – Retirement minded sole practitioner looking for CPA with 7-10 years of experience to join firm. Established practice. Broad small business and individual client base centered around income tax and compiled financial statement preparation. No audits. Please respond to cpanorcross@gmail.com.

## OFFICE SPACE/ACQUISITIONS

Guarantee your current level of income for as long as you want to continue working and lock in a future sales price for your practice. We are an established North Atlanta CPA firm growing through the merger and acquisition of accounting/audit/tax practices. Your existing staff will be encouraged to join our firm. We are also interested in acquiring practice segments. Please respond to GSCPA File Box 456.

Roswell CPAs looking for a CPA to share office space and other services including Lacerte tax software. Contact Lem Nelson or Susan Webber at 770-998-2269 or email [lem@lemnelsoncpa.com](mailto:lem@lemnelsoncpa.com) or [susan@susanwebbercpa.com](mailto:susan@susanwebbercpa.com).

## PRACTICES FOR SALE

North Perimeter area \$700,000 ... Norcross-Dunwoody CPA \$250,000+ ... Marietta CPA \$300,000+ ... North Metro Atlanta CPA firm ... \$2,100,000 ... Canton area CPA \$600,000 ... Lenox-Buckhead CPA \$1,500,000 ... Blairsville area CPA \$275,000 ... Cumming-Canton Tax \$285,000 ... Savannah \$400,000 ... Many others nationwide! Contact Leon Faris, CPA at Professional Accounting Sales. Tel 770-859-0859 or 800-729-9031, or visit our website at: [www.cpasales.com](http://www.cpasales.com) Let our 30 years of experience work for you.

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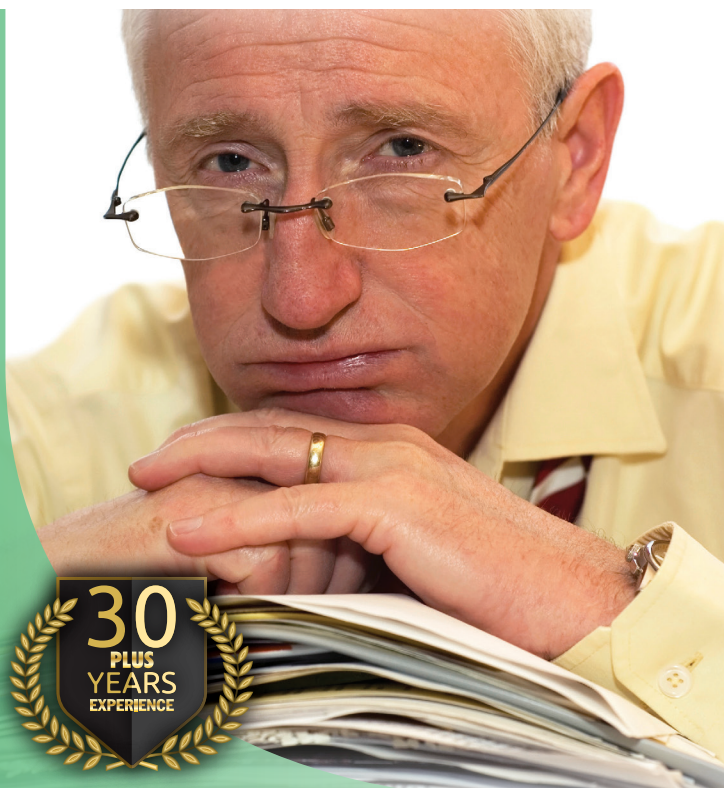
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# Current Accounts Self-Study Test

November/December 2014 | Test No. CA41112

How do you earn a quick two hours of CPE? Take the self-study test provided in each issue of *Current Accounts*. Simply answer the 10 questions based on content in *Current Accounts* and submit your answers to GSCPA. Receive a grade of 70% or better and earn two hours of CPE credit.

*\*Please Note: All Current Accounts self-study tests are available for two years from the issue date.*

## PRICING

	Online	Print
Members	\$25	\$30
Nonmembers	\$50	\$60

## ONLINE INSTRUCTIONS

1. Go to [caselfstudy.gscpa.org](http://caselfstudy.gscpa.org).
2. Click on "Register Here" for the appropriate issue.
3. After registering, you will receive an email confirmation with a link to the self-study test. Look for "CURRENT ACCOUNTS SELF-STUDY TEST" in the body of the email.
4. Complete the test and click "Submit" when you are finished.
5. Print the confirmation page for your records.

## PRINT INSTRUCTIONS

1. Detach the test insert from *Current Accounts*.
2. Take the test, recording your answers on the answer sheet by filling in the appropriate circle.
3. Complete the registration and payment information. Payment must be submitted with the test. Print clearly.
4. Mail this page, along with your payment, in an envelope to:  
The Georgia Society of CPAs  
Current Accounts Self-Study Test  
Six Concourse Parkway, Suite 800  
Atlanta, GA 30328  
OR Fax to the CPE Department at 404-237-1291.

## TEST RESULTS

Upon completion of the test, your answers will be graded and within two business days you will either receive an Event Acknowledgement stating you passed the test along with certificate of attendance or an email stating you did not pass along with a link to retake the test.

## QUESTIONS

If you have any questions about this test, please contact the CPE Department at 404-504-2985.

## ANSWER SHEET

- |                    |                     |
|--------------------|---------------------|
| 1. (a) (b) (c) (d) | 6. (a) (b) (c) (d)  |
| 2. (a) (b) (c) (d) | 7. (a) (b) (c) (d)  |
| 3. (a) (b) (c) (d) | 8. (a) (b) (c) (d)  |
| 4. (a) (b) (c) (d) | 9. (a) (b) (c) (d)  |
| 5. (a) (b) (c) (d) | 10. (a) (b) (c) (d) |

## REGISTRATION INFORMATION

Full Name \_\_\_\_\_ Member # \_\_\_\_\_

Company/Firm Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

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☐ Amount to charge to credit card \$\_\_\_\_\_  
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☐ Personal OR ☐ Company Card

Card Number \_\_\_\_\_ Exp. Date (required) \_\_\_\_\_

Name as it appears on card \_\_\_\_\_

Signature \_\_\_\_\_

## ATTRIBUTION

The Self-Study Test is developed and written by **Lowell Mooney, PhD, CPA**, Professor of Accounting at Georgia Southern University.

### CPAs Give Back to Their Communities

**1. Which of the following is NOT a legally formed charitable organization supported by Georgia CPAs?**

- A. United Way
- B. Toys for Tots
- C. Boyd Search Benevolent Fund
- D. City of Refuge

**2. What is the Georgia Accounting Food Fight?**

- A. An event designed to build camaraderie among the GSCPA staff
- B. A development effort to increase the stability and sustainability of the community in which the Society's office is located
- C. A Society-sponsored activity called "Food for Thought" that teaches financial literacy to eighth grade middle school students in Georgia
- D. A state-wide competition to raise funds for Georgia food banks

### Think you Know Millennials? Think Again

**3. Which of the following firms is LEAST LIKELY providing a benefit desired by millennials?**

- A. ABC Company awards merit raises every 6 months for the first 4 years of employment.
- B. XYZ Firm assigns each new staff accountant a career coach.
- C. Z Organization provides each employee a notebook computer which can be taken home.
- D. Employees at EZ Firm do not have to report hours worked each week.

### R.S.V.P.: Late Responses Trigger IRS Mandatory Enforcement

**4. Information Document Requests (IDR) must include all of the following EXCEPT:**

- A. Discussion of the issue identified in the IDR with the taxpayer's tax preparer or attorney.
- B. Discussion of the issue identified in the IDR with the taxpayer.
- C. Discussion of an appropriate response deadline with the taxpayer.
- D. Identification of the specific issue triggering the information request.

**5. The IDR issuance requirements do NOT apply to**

- A. The taxpayer's first violation of any tax law
- B. The first IDR issued at the beginning of an examination
- C. IDRs issued by the IRS Director of Field Operations
- D. Small case examinations where the taxpayer's annual income is less than \$1 million

### AICPA's Enhanced Audit Quality Initiative

**6. Select the INCORRECT statement concerning the Enhanced Audit Quality (EAQ) initiative:**

- A. The objectives are to create higher quality audit work and to revamp the peer review process into a practice monitoring program.
- B. Quality = Competence + Standards + CPE + Monitoring and Enforcement.
- C. The EAQ initiative has been delayed because the AICPA has not completed its five-year clarity project to rewrite generally accepted auditing standards (GAAS).
- D. The initiative proposes both near and long-term goals.

**7. Select the INCORRECT statement concerning the AICPA's vision of practice monitoring:**

- A. Technology advancements will be needed before firms are able to correct deficiencies prior to issuing an audit report.
- B. Practice monitoring of the future will include no human component.
- C. Some firms may have to undergo more monitoring when performing audit work in high risk areas.
- D. New training guidelines that incorporate competency exams may be required of reviewers.

### Metrics Can Improve Your Budgeting Process and Simplify Your Life

**8. The author advocates a budgeting approach that focuses on**

- A. Historical costs.
- B. Competitive unit costs.
- C. Traditional methods of budgeting.
- D. Comparing dollars spent to budgeted dollars.

### Technology: Security for Businesses

**9. Which of the following actions was NOT recommended in the article?**

- A. Discontinue all use of flash, or thumb, drives.
- B. Never include passwords in the same email as the encrypted file.
- C. Go directly to a company's website rather than clicking on a link to go there.
- D. Security applications are not set-it-and-forget-it installations; they must be updated regularly.

### Looking Towards 2015: Top Federal Issues Facing the Profession

**10. Where does GSCPA stand? Select the INCORRECT statement from the following:**

- A. The Society supports state income tax simplification for workers who work in another state for less than 30 days.
- B. The Society believes that you (individual tax payer) alone are solely qualified to advocate for the accounting profession.
- C. The Society believes that Congress needs to address approximately 50 tax extenders (temporary tax laws that have expired).
- D. The Society opposes forcing CPA firms to change to accrual accounting for tax purposes.

# How the Weather Channel Affects a Forensic Accountant's Pipeline

Kyle Aldridge, CPA, CFF



*Please Note: The views and interpretations reflected below are those of the author and do not necessarily reflect an expression of opinion on the part of The Georgia Society of CPAs.*

You probably read this title and are curious as to how the author can relate accounting pipelines to following the Weather Channel. Forensic accounting is a niche that is still relatively new in our industry, but accountants who dig beneath the numbers have been around for quite a while.

Oxford Dictionaries Online defines forensic accounting as “the use of accounting skills to investigate fraud or embezzlement and to analyze financial information for use in legal proceedings.” However, forensic accountants cover a much broader spectrum. While some forensic accountants do assist attorneys in prosecuting or solving crimes, others perform valuation analysis, uncover fraud schemes, assist in the dissolution of marriages or perform compliance reviews. One specific niche is in assisting insurance companies, their adjusters, or independent insurance adjusters in the documentation, evaluation and settlement of business interruption insurance claims.

These claims are typically a result of an insured peril (e.g., hurricane, tornado, fire, mechanical breakdown, etc.) occurring to an insured property. The majority of companies maintain business interruption coverages to recoup loss of income in the event of physical damage to a facility, which is necessary to trigger the coverage.

Under a loss scenario, there will usually be a team of experts hired by the adjuster to assist him/her in settling the loss. Forensic accountants with an insurance focus are hired to assist in the documentation, evaluation, and settlement of the business interruption portion of the claim.

Our work consists of communicating with the adjuster and insured to understand how the loss occurred, how the business was operating prior to the loss, how long the interruption period will last and what measures are being taken to mitigate losses, as well as to identify relevant documentation to review in analyzing the loss.

Once these discussions are complete, supporting documentation is requested, and may consist of daily, weekly, or monthly sales statistics, profit and loss statements, budgets and forecasts, marketing plans, customer order history, payroll summaries or any additional documentation relevant to the loss. All documentation that is provided is reviewed, and a preliminary analysis is prepared and shared with the client and the insured. Normally there are discussions around base periods, trending, and saved costs, all of which factor into the business interruption model and can cause different results depending on how applied. Updates to the model are made on a monthly basis as the business is completing repairs and getting back to normal. Following the end of the interruption period, all of the interested parties meet and review the final calculations to compare the projected baseline to the actual result during the interruption period.

It is common for settlements to occur in a great number of these cases. For losses that do not settle, we are subsequently hired by an attorney as expert witnesses as our knowledge spans the life of the claim, giving us the background necessary to testify regarding our assessment of the loss.

So, how is the Weather Channel involved? Natural disasters such as hurricanes, tornados and floods tend to be tied more to our ‘busy season’ than an April or October 15 deadline; we follow news regarding weather forecasts and results with a little different ‘eye’ than the average viewer.



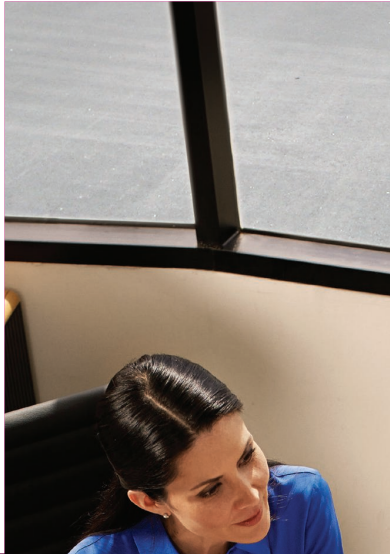

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Kyle Aldridge, CPA, CFF, is a senior manager at Bennett Thrasher and is a part of the firm's Disputes Valuation & Forensics practice. He graduated from Georgia College with a BBA in accounting and Kennesaw State University with an MBA. Kyle enjoys coaching youth baseball at Buckhead Baseball in his spare time.



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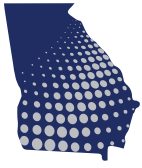
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## **2014-2015 Conference Calendar**


### **Business & Industry Conference**

November 18-19, 2014  
Cobb Galleria Centre, Atlanta  
Event Code: 13045 |  LS413045


### **Georgia Tax Forum - Savannah**

December 4-5, 2014  
Coastal Georgia Center, Savannah  
Event Code: 13060


### **Governmental Accounting & Auditing Conference**

December 12, 2014  
GSCPA Learning Center, Atlanta  
Event Code: 13070 |  LS413070


### **IRS Solutions Conference**

December 17, 2014  
GSCPA Learning Center, Atlanta  
Event Code: 13090 |  LS413090

### **Health Care Conference**

February 6, 2015  
Cobb Galleria Centre, Atlanta  
Event Code: 13010 |  LS13010

### **Decision Makers Conference**

April 23-24, 2015  
Cobb Galleria Centre, Atlanta  
Event Code: 13005 |  LS13005

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