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CPA Practice Advisor

EDITION : Today's Technology for Tomorrow's Firm

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Meet the Leaders
Who Are Shaping
the Profession of
Tomorrow



Rod Drury, CEO, Xero

A Year in the Life of a SALT Accountant:
Are Your Clients Likely to Face a SALT Audit?

A Year in the Life of a Payroll Accountant:
Refresh Your Payroll Offerings in the Fall

How Payroll & HR Can be Profitable for Accounting Firms

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PRODUCT REVIEW:

— Professional Payroll Systems

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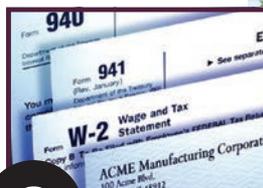
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Making sales tax less taxing





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Understanding the 21st Century Accountant

Frequently I hear that cloud technology and anytime/anywhere accounting is here now, it's great, it's what all accountants should be using and encouraging their clients to use, and this new technology will free the accountant to do what he or she was actually trained to do. But exactly what is that? Many accountants, particularly small practitioners, actually were trained to do compliance work - trial balances, write-up work, tax return preparation. Automate these services and what have you got left?



Gail is the Editor-in-Chief of CPA Practice Advisor and a CPA. She is the author of over 30 books (including "Mint.com for Dummies" and "QuickBooks 2014 on Demand") and she maintains a small tax practice. She earned a bachelor's degree in journalism from Indiana University and studied accounting at Illinois State University before starting her professional career at Deloitte. Gail is the former publisher and editor-in-chief at AccountingWEB and is a former columnist for the Indianapolis Star newspaper.

As we move into an era of technology-driven accounting practices, where much of our compliance work is performed by software and we have the ability to connect with our clients' financial records in real time, how will we restructure our practices so that we are still relevant and providing great value to our clients?

If more and more of our work is being automated, is there still a place for the small accounting practitioner? Will small- to medium-sized business clients think they can do all of their accounting and tax work on their own and no longer require the services of practicing accountants? Should

accountants encourage their clients to jump on board with the latest technology, or should they ask clients to hold back so there's more work for the accountant to do? That doesn't seem right.

To help untangle this issue, CPA Practice Advisor sought input from two dynamic members of our accounting community: Rod Drury, CEO of Xero accounting software for small businesses, and Jennifer Warawa, vice president and general manager of Sage Accountant Solutions at Sage North America. These two leaders in the profession not only discussed how the accounting profession is changing but provided sound advice for how a typical accounting firm can take steps to truly benefit from the changes that technology is providing.

Meanwhile, we are moving forward with our deep dives into two hot areas: A Year in the Life of a SALT Accountant and A Year in the Life of a Payroll Accountant. If you have an existing SALT or Payroll practice or are planning on adding these services to your client offerings, we've got fresh ideas and September checklists for you and information to help you better connect with your clients. ●

— Gail Perry, Editor-in-Chief
Follow me on Twitter at @gapperry

IF YOU HAVE AN EXISTING SALT OR PAYROLL PRACTICE OR ARE PLANNING ON ADDING THESE SERVICES TO YOUR CLIENT OFFERINGS, WE'VE GOT FRESH IDEAS AND SEPTEMBER CHECKLISTS FOR YOU AND INFORMATION TO HELP YOU BETTER CONNECT WITH YOUR CLIENTS.

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Practice Advisor, (ISSN #2160-8725 (print), ISSN #2160-8733 (digital)), USPS #017-576) is published four times a year (April, June/July, September and October) by Cygnus Business Media, Inc., incorporating two editions known as CPA Practice Advisor and NSA Practice Advisor, 1233 Janesville Avenue, Fort Atkinson, Wisconsin 53538. Periodicals postage paid at Fort Atkinson, WI 53538 and at additional mailing offices. Printed in the U.S.A.

Send all subscription inquiries or change of address to:

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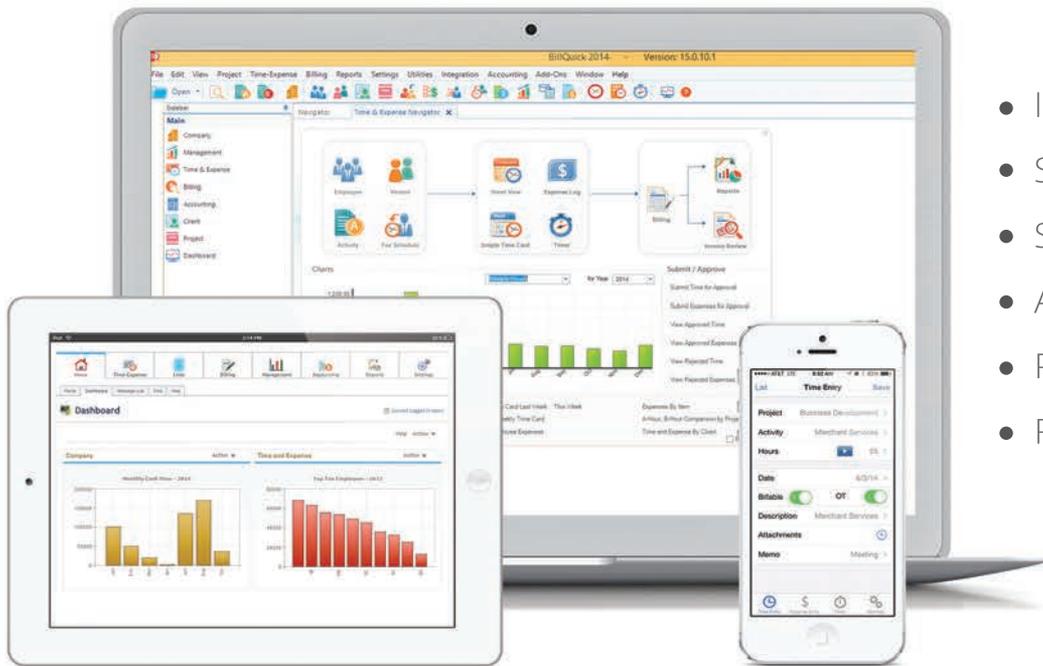
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How Payroll and HR Can Be Profitable for Accounting Firms

Payroll is not a four-letter word. Human Resources (HR) is an additional opportunity to help clients and tie them closer to your firm and services. While many CPA firms use outsourced services for payroll and HR, technology has made providing these services easier and more profitable.

By the time salaried workers are identified, hours worked and PTO are gathered, and data entry has been completed, much of the task is done. Yet many of us give up the profitability and control because of the perceived consequences of a four-letter word: risk.

Consider that clients that are using three or more services from you are less likely to consider changing professionals. If your firm only does compliance work, then at best you typically

only offer two services. You may have a consulting group that works on mergers and acquisitions or a litigation support group that assists on court actions, but once the tax and audit work is done, so are you.

I've spent many hours and much writing on the benefits of a collaborative accounting practice. If you are doing collaborative accounting, payroll and HR can extend these services for more profitability. Payroll and HR can also give you a year-round profit stream that provides marketing opportunity as your firm is in contact with clients on a recurring, regular basis.

Consider how you'd like your payroll and HR service offering to work:

- Completely outsourced to a provider
- Partially outsourced to a provider
- Completely in-house

Your firm can maximize profitability and minimize firm stress if you:

- Charge for services before they are provided
- Handle all transactions electronically
- Provide a way for clients to do data entry
- Require payroll data 48 hours before processing
- Set up all employees for electronic payments
- Offer an employee self-service portal
- Pricing competitively to win the

- service, but not necessarily the lowest
- Set up consistent procedures
- Cross train team members to provide the service
- Have an annual review of your offering with the client

Consider the Solutions

There are many solutions on the market that provide good features. While we can't list them all, here are some good examples.

Completely outsourced – These providers tend to carry all of the workload and risk of payroll. There typically is substantial sophistication in the application to handle many different situations. Examples include:

- ADP - www.adp.com/solutions.aspx
- HKP - www.hkpayroll.com
- Intuit - www.payroll.intuit.com
- myPay - www.cs.thomsonreuters.com/mypaysolutions
- Paychex - www.paychex.com

Partially outsourced – These providers give you tools that allow you to process payroll efficiently, often through a browser, and provide supplemental services as needed.

- ADP - www.adp.com/solutions/small-business.aspx
- Intuit - www.payroll.intuit.com/payroll-services/enhanced-payroll
- Paychex - www.paychex.com
- Payroll Relief - www.accountantsworld.com/solutions/payroll-relief/in-house

In-house – These provider's tools are installed in-house, and updated frequently. These are more traditional payroll processing systems updated for today's needs.

- Adaptasoft - www.adaptasoft.com
- CYMA Payroll and HR - www.cyma.com/cyma-accounting-modules/payroll
- Intuit - <http://accountants.intuit.com/payroll-payments>
- Optimum Solutions - www.optimum-solutions.com

- Paycom - www.paycom.com
- Paycor - www.paycor.com
- Payroll CS - <http://cs.thomsonreuters.com/payrollcentral>
- Sage HRMS - www.na.sage.com/us/sage-hrms

Each payroll offering has unique features or capabilities. You need to consider what is most important to you. Examples include:

- 1) Price per employee/check
- 2) Integration to accounting software
- 3) Availability of HR module or capability
- 4) Auto deposit
- 5) Speed of entry
- 6) Portal, etc.

Make your own list of what is important to your firm. Do not assume that a product will necessarily calculate everything correctly for the jurisdiction, locality or industry of your clients. Ask!

What To Do

Conceive your business offering first, and then look for a tool that helps with that offering. You will find ideas and resources from the vendors. Look for groups that have successfully built payroll practices such as Payroll Vault or HK Payroll. Ask what makes these practices profitable and valuable.

To be successful with payroll, you need to have enough clients to make it worthwhile. For most firms, ten clients are the minimum number to play, but 30 to 50 or more make this section of the practice more profitable, repeatable, and less disruptive. Further, if you are preparing your practice for sale, an active payroll and HR practice makes the firm more valuable than having compliance services alone. Is payroll and HR something that can make you more profitable while providing better client service?

Yes! Yes, it is! ●



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Refresh Your Payroll Offerings in the Fall

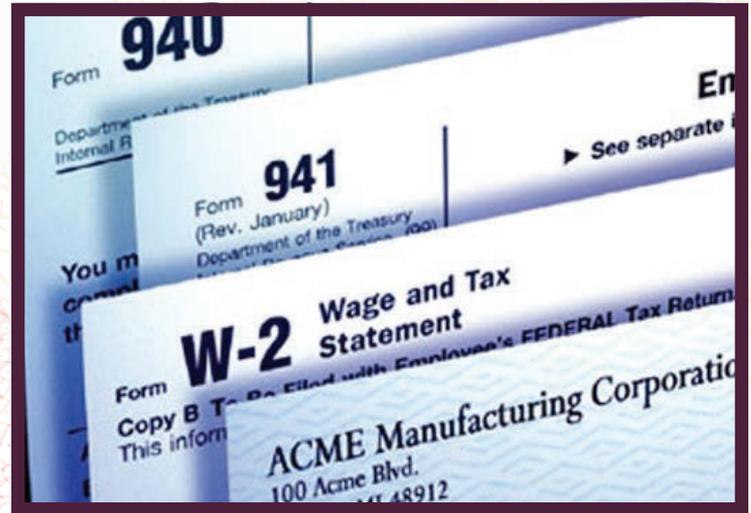
By Taija Jenkins, Assistant Editor

Fall is usually a calm, relaxed time of the year – the busyness of summer activities is coming to a halt and the madness of the year-end hasn't quite started up yet. This makes it the perfect time to examine your firm's payroll solutions and services.

Companies, including your existing clients and potential clients, are likely to reassess the vendors they currently use as the end of the year approaches, when they start their year-end activities and budget planning for the upcoming year. Payroll practitioners will want to be sure they are ready to market their available solutions and services when this time comes.

When reviewing your present services, consider your current position as a company as well as your goals for growth. An accurate assessment will consider how well

you are meeting the needs of your existing clients. Are there features that your solution is missing or areas of payroll service that your firm currently does not provide?



Consider the reasons for not providing these services or features. Is it strategic or due to inefficiencies within the system and/or structure? Review feedback you've received from your customers. Look for ways that you can improve upon what they are already happy with. At the same time, identify solutions that solve their biggest pain points or payroll issues.

During this fall examination, payroll practitioners should also consider expansion of their plans. Some firms may contemplate expanding coverage to clients in other industries, while others may decide to hone their focus in on a particular niche market. Whether your firm is expanding service or specializing in a specific market, the key is to identify your target audience. Not only will this determine to whom you market during the end of the year, it will also help you avoid any misguided marketing attempts.

Take a close look at your client lineup. Is every client a perfect fit for your firm's mission and strategic growth plan? During the examination, you may find that not every

client is a perfect match. Perhaps they don't fit the target audience you are trying to reach, or maybe your solutions and services aren't the best fit for their business. While you are examining your own services and solutions, it's important to take a close look at your current and prospective clients. Take the time to look at their current payroll solutions, the present state of their business and their strategic plans for the future. Are you both on the same path?

It's imperative that payroll practitioners stop to reexamine their overall strategic plan from time to time. September is a great time to reassess how your current solutions, daily tasks and current clients fit into the bigger picture. Reassessing your services and solutions in the fall gives you plenty of time to make the necessary changes before the year-end – when many companies are looking to upgrade and/or change their payroll solution provider. ●



6 Tips for Small Business Owners To Reduce Effect of Minimum Wage Increases

Recent legislation in many states to raise the minimum wage, various increases in some cities across the country, an increase on minimum wage for federal contracts, and ongoing pressure on legislatures to enact more increases, means small business owners face a constant challenge to build, sustain and grow their business in a difficult economic environment.

As November elections get closer, expect to hear a great deal more on the subject. Small business owners can take steps to mitigate the impact.

According to the National Federation of Independent Businesses (NFIB), the small-business sector has historically created two-thirds of net new private jobs in the U.S. economy, however, this sector has been slow to recover in recently due, in part, to a series of government policies. For instance, higher taxes, increases to health-care costs, more costly regulations, and minimum wage increases impact small businesses' ability to recover and grow.

Historically, economists have been divided on the impact of raising the minimum wage on businesses, and consequently on the minimum wage job market.

Last year a University of Chicago poll of economists found that it will be much more difficult for people to find these jobs, suggesting a reduction in employee hiring or hours. On the other hand, consumer spending and employee retention efforts may positively impact small businesses and minimum-wage employees.

Here are six steps to prepare for potential negative impact.

- 1** Understand profit margins, projections and business requirements to ensure profitability.
- 2** Determine permanent hiring vs. contracting decisions for staffing needs.
- 3** Make good hiring decisions - mistakes can be costly since training/onboarding new employees is a considerable investment.
- 4** Invest in employees - turnover decreases productivity and increases business costs.

Payroll Accountant's Checklist for September



- Replenish payroll-related office supplies
- Assess current payroll software for inefficiencies and outdated features (see this month's reviews of payroll software)
- Start initial strategic planning for 2015
- Help your clients run payroll adjustments for any year-to-date corrections
- Work with your clients to get necessary data from other departments to track any taxable payments to employees that were not made through the payroll department; tax and post any required adjustments
- Send client reminders about upcoming holidays and suggest they advise employees of any changes to deadlines for submitting time sheets during the holidays
- Review executives' nonqualified deferred compensation plans to ensure the correct amounts are withheld from distributions
- Suggest that clients remind employees to review amounts in health flexible spending accounts to avoid forfeiting any amounts left in the account at the end of the plan year

5 Be sure to employ time and cost saving tools to standardize back office tasks. Consider outsourcing to easy affordable services that allow you to focus on growing business not administrative functions.

6. Research competition and adjust pricing accordingly.

REVIEW CRITERIA

BASIC SYSTEM FUNCTIONS

- General Navigation/Ease-of-Use
- Designed for Accounting Professionals
- Concurrent Users
- Scalability (number of payrolls handled)
- Multiple Pricing Options
- Multi-Client Management
- Payroll Tax Tables (for all states, jurisdictions, municipalities)
- After-the-Fact Payroll
- Multi-State Taxes
- Direct Deposit
- Common Paymaster Calculations

REPORTING & MONITORING

- Compliance Due Date Tracking
- Quarterly & Annual Forms for all States
- E-filing & Payment
- Customizable Reports
- Dashboards for Employee Management
- Worker's Comp Tracking

INTEGRATION/IMPORT/EXPORT

- Integration w/same vendor modules
- Integration w/external programs (GL export, etc.)
- Built-in Timesheet Management
- Time Clock Import
- Timesheet Integration
- Data Import/Export Formats Supported

HELP/SUPPORT

- Built-In Support Features
- System Updates (best if downloadable or automatic download)
- Support Website/Documentation
- Templates For Creating Employer Instructions To Employees
- Live Support (includes phone) - Weight 40%
- Live Support Days/Hours/Location
- Dedicated Account Rep Assigned

CLIENT SELF-SERVICE FEATURES

- Employee Self-Service Portals
- Client Portals for Data Entry & Reporting
- Firm-Branded
- Paycheck Stub & W-2 Portal Delivery

ADVANCED FEATURES

- Union/Specialized Payroll Calculation Rules
- State Overtime Calculation for Specialized States
- Tracking/Reporting of project/job costs for GL Reporting
- Certified Payroll
- Industry Support
- HR Features/Compliance Tools
- Electronic New Hire Reporting/Termination Reporting
- Two-Factor Authentication into Website

2014 Review of Professional Payroll Systems

By Bill Kennedy, CPA, CA

The Affordable Care Act and changes to the minimum wage in many states and for many federal contractors has made payroll compliance more complex than ever. For 2014, the ACA (aka ObamaCare), and its health

insurance exchanges and tax credits, had the biggest impact on payrolls across the country:

- Market reforms to health (HRA), flexible spending (FSA) and other healthcare arrangements,
- Minimum value determination, and

• Increasing tax credits when the employer contributes at least half of the employee-only premium
Thank goodness there is some relief in the informational reporting requirements, which go into full effect in 2015.

CPA Practice Advisor reviewed the key payroll software packages designed for accounting and payroll service providers, with the exception of CompPay/BenefitMall. Since merging in 2013, they have been working on a new version to complete the enhanced online usability and real-time calculations of the new version of BenefitMall, released in July, 2014.

On the whole, this was a consolidation year for payroll systems, with developers focusing on improving the online calculations and user experience of their cloud based solutions. This year's reviews include:

- AccountantsWorld Payroll Relief
- ADP Run for Accountants
- Advanced Micro Solutions 1099-Etc
- CCH Small Firm Services Payroll
- Cougar Mountain Denali Payroll
- Intuit QuickBooks Enhanced Payroll for Accountants
- Paychex Online
- Real Business Solutions Payroll Mate
- SurePayroll
- Thomson Reuters Accounting CS PR
- ZenPayroll ●



Bill Kennedy, CPA, CA is founder of Energized Accounting, an accounting and consultancy group focused on helping small businesses.

AccountantsWorld Payroll Relief

2014
OVERALL
RATING**4.75**

BEST FIT

- Accounting professionals offering their payroll service through a cloud-based solution

STRENGTHS

- Eleven years of experience working specifically with accountants in function and pricing
- Accounting firm branding options for web interface and marketing materials
- Mobile device enabled

POTENTIAL LIMITATIONS

- No management features for HR or benefits

SUMMARY & PRICING

Payroll Relief is a cloud based payroll solution designed specifically for accountants. With enhanced design and strong client level dashboard reporting, Payroll Relief is a strong offering for accounting professionals looking to add or enhance their payroll service offerings.

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/11675539

Several pricing options are available and range from unlimited payroll processing to per paycheck or per payroll processing. First year pricing for accountants is \$997 and includes unlimited processing of payroll for 12 months. Per paycheck pricing is available as low as \$0.45 per paycheck for large volume users.

Per payroll pricing is available for \$5.95 per payroll run and is based on a 10-paycheck weekly cycle. Additional fees apply depending on

the payroll time cycle and number of paychecks in each payroll run.

www.AccountantsWorld.com

FIRST-HAND

How Payroll Relief Helped A Firm Thrive

SPONSORED CONTENT

When John Magaletti started his payroll services firm five years ago, he did so because he saw a need in his community and also the opportunity to partner with other local financial professionals to help their clients. His vision was accurate, and the business quickly took off, ramping up to over 80 clients in his first year.

BEFORE PAYROLL RELIEF

Unfortunately the payroll software he started with couldn't handle that rapid growth. "The online system we first used was good when we only processed payrolls for a few dozen very small employers," he said. "But when we grew even more, it couldn't keep up with our volume and it didn't provide the comprehensive reporting features we really needed."

After reading payroll software reviews and trying several other systems, Magaletti tried Payroll Relief from AccountantsWorld and was impressed because the system offered all of the features he needed and is priced so affordably.

Since switching to Payroll Relief, his company SwiftChecks Payroll Services (www.SwiftChecks.com) has grown to more than 300 employer clients, and his staff of five processes more than 100,000 paychecks and 4,000 W-2 forms annually.

VALUABLE FEATURES

With the white label option offered by AccountantsWorld, Magaletti is able to keep all branding of the payroll service under his SwiftChecks name. He says this reinforces the

valued service he is providing his clients. The online system is also very user friendly, which helps him gain new clients.

"Payroll Relief has made it easier to grow as quickly as we have, since the old system wasn't as effective. With Payroll Relief, once we've set up a client, processing their payrolls is almost completely automated, except for entering hourly employee times and a few other details. And with the ability to assign some of those functions to clients, where they enter the information on our secure website, it gets even more streamlined."

AccountantsWorld automatically manages all of the direct deposits and state and federal reporting functions, and Magaletti can either print checks and W-2s from his office, or his clients can easily print them at their own offices. When he was looking at payroll service bureau systems, he said that many of them required partnering with a third party vendor to handle ACH, taxes and other functions. With Payroll Relief, all of the payroll process is included in one simple price.

"When new clients see how easy it is to use, and how much better it is than the old system they were using, they are always impressed," he said. Our main role then is to provide full support and ensure their payrolls are processed efficiently and that they are satisfied. He has also integrated time and attendance tools and employee benefits programs into the payroll system, allowing him to offer his clients a comprehensive service.

Client employees can also use the online system to view

their personnel information, download W-2s or paystubs, and, if the employer wants to offer the feature, employees can make time off requests and other functions.

COMPETING AGAINST THE NATIONAL PROVIDERS

"With Payroll Relief, we are able to offer the same level of service as the big national payroll chains, but at a rate that is more affordable for our clients, and with the benefits of being near his clients. This allows us to not only compete, but to beat the national guys when they go knocking on our clients doors." Plus, he says the system makes it easy for him to scale up when clients grow or open additional offices.

Transitioning clients and training staff has been very easy, he says, because the system is very user friendly and can be tailored so that users only see the functions they need access to. Through the years, his interactions with support staff has been positive, with the team providing quick resolution to any issues, and taking his advice for future development. He's even visited the main office of AccountantsWorld on two occasions, meeting with staff, designers and the executive team of the company.

THE RIGHT SOLUTION

"We're in business to help our clients run their businesses better," Magaletti said. "Payroll Relief gives us the powerful, streamlined tools we need to be successful, and we simply couldn't have grown this fast without the system."

READ THE 2014 REVIEW OF
ACCOUNTANTSWORLD PAYROLL RELIEF
www.CPAPracticeAdvisor.com/11675539

CPA Practice
Advisor

Thomson Reuters Accounting CS Payroll

2014
OVERALL
RATING

5

BEST FIT

Accounting professionals processing large volumes of payroll clients, whether current or after the fact.

STRENGTHS

- Built for smaller clients and scalable to meet needs of large companies
- Payroll setup is maintained by software for accuracy and consistency

- Strong reporting options
- Tight integration with other CS Professional Suite products (additional licensing required)

POTENTIAL LIMITATIONS

- Few human resource management capabilities
- Some remote access features require purchase and configuration of NetClient CS

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675631

SUMMARY & PRICING

Accounting CS Payroll is a payroll solution designed for accounting professionals processing large volumes of payroll data. The system is designed for batch payroll processing, allowing multiple payrolls to be processed simultaneously. Though intended for smaller payroll organizations, Accounting CS Payroll will scale to meet the needs of organizations of any size. Pricing for Accounting CS Payroll starts at

\$1,800 for 20 payroll companies. Additional processing may be purchased in bundles of five. Annual renewal pricing is based on a percentage of the initial purchase price.

<http://cs.ThomsonReuters.com>

Cougar Mountain Denali Payroll

2014
OVERALL
RATING

4.25

BEST FIT

Users who want an on-premises application for processing large payrolls and those who use other Cougar Mountain Software offerings. Cougar Mountain's Software Assurance program for support and software upgrades, includes access to the Aatrix application to prepare, print, and eFile payroll forms in all 50 states, including W-2s.

Denali Payroll is Cougar Mountain Software's payroll system. Although designed to integrate directly with other products within the Cougar Mountain Software

family, Denali Payroll can be used as a standalone payroll package. Denali Payroll offers an easy-to-navigate interface and a number of customization options to provide everything businesses need to pay employees and manage taxes effectively.

STRENGTHS

- Supports an unlimited number of businesses with multiple department codes, pay frequencies & job costing data, as well as custom fields.
- Tight integration into the other

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675559

Cougar Mountain Software modules; however, integration with other packages is not natively supported.

- Custom reporting and branding of reports with an add-on module.
- Supporting documents can be attached to the master records, i.e. PR employees, from within the application.

POTENTIAL LIMITATIONS

- Internet-based employee & company portals not supported.

SUMMARY & PRICING

Denali Payroll provides functionality for any business type, particularly wholesale and non-profit businesses. Cougar Mountain Software prides itself on the service and support offered to its customers as well as the tight vertical integration of its products. Payroll can be purchased stand-alone or as part of the Denali Accounting system. Pricing starts at \$995. Service fees for any Aatrix subscription services are billed separately.

www.CougarMtn.com

ADP RUN Payroll for Accountants

2014
OVERALL
RATING

4.75

BEST FIT

• Not specifically designed for external accountants, ADP RUN is best with small businesses with 100 or fewer employees, particularly when a full featured software platform is required.

STRENGTHS

- With over 375,000 small business clients, RUN has a solid user base
- Cloud-based payroll with comprehensive support for all jurisdictions
- Simplified cloud-based time tracking, payroll delivery and reports on demand
- Full integration with HR prod-

ucts, such as hiring, tracking and document storage

- Full Affordable Care Act support, including links to external resources
- Phone and e-mail support is provided and on-demand help is accessible from virtually every screen
- Fully outsourced compliance filing and tax payment is included with the service
- Scalable and full-featured to meet the growing demands of client needs

POTENTIAL LIMITATIONS

- More complex to set up and expensive than other packages

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675547

• Add-on services may be needed to achieve full HR and employee management functions

SUMMARY & PRICING

RUN Powered by ADP Payroll for Partners is designed for accounting professionals looking to provide full service payroll options to small business clients with 100 or fewer employees who want a cloud-based payroll solution. Built-on the RUN platform offered by ADP to small businesses, this service is modified to allow accounting professionals to create a comprehensive payroll service revenue stream, quickly and efficiently.

All payroll compliance is pro-

cessed through the RUN platform and is handled by ADP which relieves the compliance burdens from the accounting professional. Standard pricing for the full service offerings is \$60 per client, per month plus a nominal per check processing fee.

Scaled back service offerings are available and are priced at \$22 per client, per month, for unlimited payrolls. The HR411 add-on module to manage employees and benefits is offered in payroll service bundles and is generally priced around \$40 per month, per client.

www.ADP.com/accountant

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Real Business Solutions Payroll Mate

2014
OVERALL
RATING

4.25

BEST FIRM FIT

- Smaller firms that want to extend a payroll service to their clients.

STRENGTHS

- Low price and immediate installation
- Simple set up
- Export to Quickbooks and accounting packages allowing text file or Excel import
- Reports are available in Excel, text and PDF formats

POTENTIAL LIMITATIONS

- Support is limited to the following payroll forms: 941, 940, 944, W-2, W-3, California DE-9, California DE-9C, Texas C-3, Texas C-4, New York NYS-45, Illinois 941 and Illinois UI-3/40
- Report customization is limited
- Some advanced features require a software upgrade

SUMMARY & PRICING

Payroll Mate is an easily downloaded payroll solution designed to

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/11675614

be fast and easy. Though not specifically designed for accounting professionals, the software works well for a firm with smaller clients. One feature, single sign on access, allows accounting professionals access to all payroll clients on the Paychex Online platform removing the need for multiple user name and login combinations.

The basic price is a one-time \$99 charge for up to 10 companies with up to 75 employees each. The user needs to purchase a new \$99 license

each calendar year, but after that, all updates during the year are free. Additional companies and employees can be purchased by upgrading to the Pro edition.

www.RealTaxTools.com

SPONSORED CONTENT

FIRST-HAND

How Payroll Mate Fills a Valuable Niche at Accounting Firm

Pete Demian is a no-nonsense kind of guy. A CPA with more than 20 years in practice, his Cranford, New Jersey firm (www.taxprocpa.com) serves hundreds of small businesses and individual clients, providing everything from tax services and wealth management, to business consulting, audits and financial management.

Another key component of his firm is providing payroll services to his employer clients, a function he says his clients greatly appreciate and which helps strengthen relationships with them since he interacts with them more frequently than if he were only providing tax or periodic write-up services.

CHOOSING A PAYROLL SYSTEM

For many years, he used one of the biggest names in the small business payroll field, but he says he got fed up with the pricing and increasing complexity of the system.

"I needed a more reliable solution that was more affordable and didn't have a yearly subscription

model," Demian said. So after searching online for alternatives, he found Payroll Mate from Real Business Solutions (www.RealTaxTools.com). "Payroll Mate and W2 Mate are definitely more cost-effective for when I have certain types of clients, such as household employers, that I only need to produce a few forms for."

Payroll Mate costs \$99 per year, giving professionals a full-featured, multi-client payroll solution with the ability to process live or after-the-fact payrolls for businesses in all 50 states and D.C., along with forms 940, 941, 943, 944, W-2, W-3 and state forms. Data can be exported directly to QuickBooks and Sage 50. The W2 Mate system costs only \$39 and is designed to provide forms W2 and 1099 for unlimited recipients and payers. It also offers various export options.

GETTING UP AND RUNNING WITH CLIENTS

Having used Payroll Mate for about five years, Demian says the system works well alongside the other programs he uses in his firm, and that it was easy to learn and get started with. "When onboarding clients, it has features that automatically run calculations, and it is accurate and fast, which lets us get year-to-date information instantly, and

simplifies transferring those YTD transactions."

While Demian uses cloud-based programs for some of the services he provides his clients, he says he likes that Payroll Mate is locally installed. "When entering data and moving to reporting and other functions, it's much faster than cloud-based systems and more intuitive."

A PARTNER FOR PAYROLL SERVICES

Over the years he has used the system, he says he has only needed to contact customer support a couple of times, but each time, the staff was very responsive and they were able to help resolve the issue very quickly. He also noted that the company is continually enhancing Payroll Mate based on the needs and requests of users like him.

Free trials of both Payroll Mate and W2 Mate are available at www.RealTaxTools.com.

"Payroll Mate is easy to run and use, and is definitely cost-effective. It definitely helps take the labor out of managing my payroll functions."

READ THE 2014 REVIEW OF
RBS PAYROLL MATE

www.CPAPracticeAdvisor.com/11675614

CCH Small Firms Services: Payroll

2014
OVERALL
RATING

4.5

BEST FIT

Accounting professionals processing a large number of small business payrolls

STRENGTHS

- Cost effective method of processing multiple payroll clients
- Unlimited support included with license cost

- Unlimited processing of payroll clients and employees

POTENTIAL LIMITATIONS

- No web-based portal for employees to access pay stubs
- Limited report options

SUMMARY & PRICING

ATX Payroll and TaxWise Payroll

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675556

are systems designed for simple data entry and easy processing of multiple small business payroll clients. The solution may be purchased as a standalone product or through the available Client Accounting Suite for a comprehensive accounting system. Pricing for Payroll is currently set at \$399 per year and includes all features and

support options noted. The Client Accounting Suite with Payroll solution is currently priced at \$1,009 and includes all accounting modules as well as a webinar training session.

www.CCHSFS.com

Intuit Enhanced Payroll for Accountants & QuickBooks Online Payroll

2014
OVERALL
RATING

4.75

BEST FIRM FIT

Accounting professionals looking for an Internet-based payroll solution to process small business payroll.

STRENGTHS

- Upfront pricing model to aid in service pricing
- Strong mobile platform to accompany service
- Ability to tailor collaboration efforts with clients

POTENTIAL LIMITATIONS

- No HR functions provided

SUMMARY & PRICING

Intuit Online Payroll for Accountants is an Internet-based solution designed for accounting professionals to efficiently process small business payroll. The solution provides a platform for accounting professionals and their clients to collaborate

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675568

as much or little as necessary. Pricing is presented in a wholesale approach and is dependent on the number of clients processed. Pricing is a flat rate per payroll client plus a nominal monthly fee for each employee. The time

tracking capabilities are available for \$2 per month per employee.

<http://payroll.Intuit.com>

Paychex Online

2014
OVERALL
RATING

5

BEST FIT

Accounting professionals looking to service a number of clients through a streamlined, web-based payroll solution

STRENGTHS

- Outsourced payroll reducing the need for accountant to cue up all required payments
- May access service through web browser or dedicated mobile apps
- Single sign-on access for accounting professional prevents toggling between multiple client files

payroll. Though not specifically designed with accounting professionals in mind, the service provides a number of accountant centric features. One feature, single sign on access, allows accounting professionals access to all payroll clients on the Paychex Online platform removing the need for multiple user name and login combinations.

Pricing for Paychex Online is typically done through package offerings based on user needs. Package pricing is largely dependent on the number of paychecks to process and the payroll cycle. The average cost to process 10 employee paychecks per week starts at around \$50 per payroll run.

www.Paychex.com

POTENTIAL LIMITATIONS

- Limited HR functions without subscribing to additional services

SUMMARY & PRICING

Paychex Online is a web-based payroll solution designed to quickly process

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675608

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For more information, please visit cpapracticeadvisor.com/10015491

SurePayroll

2014
OVERALL
RATING

4.75

BEST FIRM FIT

Accounting professionals looking to build or expand their payroll service offerings through a web-based interface

STRENGTHS

- Quick and easy generation of payroll, especially for salary employees
- Includes a number of accountant centric tools for free
- Mobile apps are significantly

more refined than competitors

- Integration points for other web-based benefit providers

POTENTIAL LIMITATIONS

- Employee limitation of around 100 employees within each payroll company
- No custom reporting options

SUMMARY & PRICING

SurePayroll for Accountants is a web-based payroll platform

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675625

designed for accounting professionals to manage payroll. The platform includes a number of tools for accounting professionals to brand themselves as payroll specialists and provides opportunities to resell payroll services through a wholesale pricing model. Currently the wholesale pricing model consists of four separate tiers determined solely by the number of payroll clients processed. All pricing options include unlimited

payroll processing each month for each respective payroll client and also includes all direct deposit options. Example pricing for an accounting professional processing 10 payroll clients with 10 employees each would be priced at \$50/month for each payroll client. Nominal fees apply per additional employee and for all annual W-2 and 1099 processing.

www.SurePayroll.com

Advanced Micro Solutions 1099-Etc

2014
OVERALL
RATING

4.5

BEST FIT

AMS 1099 Etc. is designed for small- to medium-sized accounting firms doing payroll or after-the-fact payroll, particularly when used as an add-on to their payroll software

STRENGTHS

The strength of this package is the updates that come every few weeks, whether for a change in reporting requirements by a state or federal government, a technical improvement or just an easier way to use the software. The blog, with its friendly and easy to follow tone, alerts users to changes in rates as well as

answering common employee questions and warning about how to protect yourself from fraud.

- Supports all 50 states plus the District of Columbia and Puerto Rico
- Up to 1,999 payers and 9,999 employees supported per payer
- Easy payer and employee setup
- Network and multiple PC installation included (site license applies)
- State and Federal tax tables are included and updated as needed
- Up to 40 user-defined fields can be set up for deductions/additions such as 401K or Health Insurance

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675550

- Processes employee direct deposit payroll information
- Prints MICR checks – Software Generated Forms required
- Checks can be printed individually, or by a date range
- Over 30 different check types supported
- Supports Federal payroll forms such as the 941, 940, 943, 944 and 1040 Schedule H

POTENTIAL LIMITATIONS

- This package works best as part of the overall suite of software as opposed to being used as a standalone system.

SUMMARY & PRICING

AMS Payroll is an add-on module to the W-2/1099 Forms Filer. This allows payroll and non-employee compensation and certain other 1099 information to be entered by check throughout the year. The program supports either “Live” or After-The-Fact Payroll. You can transfer this data to the state/federal quarterly unemployment forms along with the year-end W-2s and 1099s.

www.1099-etc.com

ZenPayroll

2014
OVERALL
RATING

4.5

BEST FIRM FIT

Businesses or accounting professionals who want a fast, simple, online payroll processing system that is primarily designed for managing up to 20 employees. However, the system can manage larger employee bases.

STRENGTHS

- Accessible from virtually any web connected device
- Simple interface design
- Up-front pricing model

- Employee portal included in pricing
- Aggressive continued software development

POTENTIAL LIMITATIONS

- Currently limited to fourteen states
- Reporting options are not as complete as competitors

SUMMARY & PRICING

ZenPayroll is a web-based payroll solution designed to be fast and

Read the full review and see expanded ratings for this product online at:
www.CPAPracticeAdvisor.com/11675637

simple, making good use of internet technology. As a fully outsourced solution, all payments and reporting are processed automatically by ZenPayroll. Currently the payroll solution is only available in a fourteen states, but that number is continuously expanding. The pricing model for ZenPayroll is simple and straightforward and consists of a monthly base fee of \$25 per month per company with the first ten employees processed at \$4 per month.

After the first 10, each additional employee or contractor can be processed for only \$2 per month. As an example, pricing to process 10 employees is \$65 per month and includes all items noted in the review. The eleventh employee would raise the total to \$67 per month.

www.ZenPayroll.com

The “Magic Bullet” for Accounting Firms

By Scott H. Cytron, ABC

Ware on the road to healthy eating, starting with the recent purchase of a Magic Bullet, a high-powered blender that pulverizes fruits and vegetables into a really gross-looking liquid. We’ve been putting in spinach, kale or carrots, plus any kind of fruit – melons, berries and bananas – and in just 30 seconds, we’re drinking our way to improved nutrition and a healthy glow.

One morning last weekend, while I was blending kale, cantaloupe and grapes, it occurred to me that the Magic Bullet is kind of like an accounting firm, where a blend of various components could lead to improved health.

OK, so you can’t *really* take my metaphor literally, but I think you get my point. A successful practice, no matter what size you are or where you’re located, is composed of a mix of three things:

- **RECRUITMENT** – There should be a continuous effort – even during tax season – to recruit prospects.
- **RETENTION** – You must spend a considerable amount of time and resources on retaining the clients you have.
- **PRACTICE MANAGEMENT** – Although this seems as if it’s a catch-all category, the primary focus is on marketing, technology, human resources and succession planning.

One component I did not include in the list is competency. Because of CPE requirements and the innate need for every accountant to stay up-to-date on all things accounting, it seems to me that a firm doesn’t need to spend time planning to “learn” because that’s going to naturally occur. I realize, of course, that firms need to plan for the time it

takes to self-educate and learn what’s new, so if you feel as if you *do* need to spend time on education, then add this as a fourth component in your mix.

The trick to getting the right mix of all three into your firm is to do all three simultaneously. Considering the fact that all of us are trying to get more done in less time and with fewer resources, you’re probably asking yourself, “How is this even possible?” Here are three strategies:

SET UP A SOLID REFERRAL NETWORK. This one applies to recruiting clients, but could also help if you’re seeking back-office technology solutions or have HR questions. A good, dependable referral network understands your needs, especially the kinds of clients you want for your practice.

Most of the time, we rely on a handful of colleagues and clients to provide referrals. That’s fine, as long as you keep your options open. To widen your network, get out there and, well, network! Attend meetups or perhaps industry-specific special interest groups. If you niche in healthcare, for example, locate a few local healthcare organizations and attend their meetings. Find them on LinkedIn or ask around.

WALK THE SHOW FLOOR AT AN ACCOUNTING CONFERENCE.

Too many times, I’ve seen accounting conference attendees bypass the exhibit hall or take only the cubed cheese at the happy hours in the hall – all because they do not want to interact with the vendors. This is wrong, wrong, wrong! There’s no way to learn about the technology you’ll need to run your practice without knowing what’s available. Why not maximize your time while everyone’s under one roof and make the most of your show experience?

ASK CLIENTS HOW YOU’RE DOING.

When was the last time you talked to your clients about your performance? Don’t take it for granted that they are happy. Sure, they may go elsewhere at any time, but you can avoid that from happening by knowing what they like – and what could be improved – with your services and firm culture. By all means, don’t send out a survey. Call them on the phone and have a conversation. You’ll be amazed at what you’ll hear – positive or negative.

At the end of the day, remember there is no true “magic bullet” to run your practice. You must put in as much energy into recruitment, retention and back-office operations as you would into anything that’s worthwhile and beneficial. It’s up to you! ●



Practice Advisor
CPA **40** **UNDER** **40** **RTY**

40 Leaders Who Are Shaping the Profession of Tomorrow

Isaac M. O'Bannon, Managing Editor

Each year, the 40 Under 40 program seeks to honor a diverse array of professionals who are helping to shape the profession they work in. How does one shape a profession? For these unique professionals, that question is answered in a variety of ways.

For some, this is achieved through ardent support for and evangelizing of the new technologies that will be the cornerstones of more efficient and profitable firms. For others, it is reaching out to their peers and helping to guide and lead the policy and discussion of the current relationship dynamic between accounting professionals and their clients, and where it can and should be in the near future.

The core goal of all of these professionals is to help make the profession more flexible and embracing of the changes that are necessary to keep it thriving and attractive to future accountants, as well as to highlight the importance of the field to all audiences: Small businesses, individual consumers, other financial and tax professionals, government regulators and other stakeholders.

The 2014 class of 40 Under 40 honorees represent some of the best and brightest talent in the accounting profession. They are all active in the professional community, as well as in their local communities, where many are small business owners and employers. They can frequently be seen at industry trade shows, such as AICPA Tech+ and PCPS, giving seminars or participating in round table discussions on evolving practices and technologies. These are the voices of today that are shaping the profession of tomorrow.

Congratulations to each and every one of this year's honorees!



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ADAM Kupperman
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 Director of Accountant
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BRIAN Shute
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BRIAN Tully
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Learn more about each of this year's 40 Under 40 at www.CPAPracticeAdvisor.com/11669250



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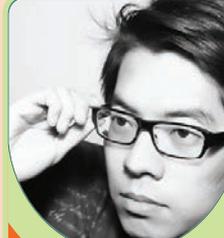
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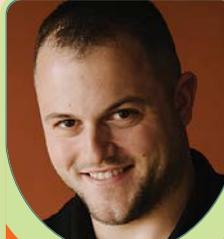
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Learn more about each of this year's 40 Under 40 at
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Intuit Connects Small Businesses and Lenders with QuickBooks Financing

The small business owner continues to be at the heart of the QuickBooks ecosystem. With every product, service and feature released, Intuit seems to be determined to make the next step even easier than the previous. So, it was no surprise when Intuit launched QuickBooks Financing to help with what remains a big challenge for small businesses.

In fact, for many small business owners, finding funding is the biggest hurdle in turning their passion into a reality. Intuit surveyed its QuickBooks users and found that 60 percent of its small business customers needed some type of additional funding for their business. On average, 70 percent of

small business owners had been declined for business financing.

One reason that small business owners are denied financing is lack of complete and accurate data. The information financial institutions need to provide financing to small businesses differs from the information

required for an individual to obtain personal credit. Unfortunately, many financial institutions are unable to get the data they need and tend to rely on other financial information when approving or denying credit to businesses.

This has led to many small business

owners using their personal credit cards to fund their startup when they couldn't get funding otherwise. Intuit has recognized that many small business owners could indeed get financed for their business if financial institutions shifted the focus from the individual's financial situation to the



THE PROADVISOR SPOTLIGHT

business'. In fact, most of the data that lenders need to focus solely on the business already exists within QuickBooks. It's just a matter of making the data available to financial institutions.

That's where Intuit's QuickBooks Financing comes in. This service is designed to help the small business owners' chance of approval by helping them provide the right data to financial institutions. Through QB Financing, users are able to get pre-approval quotes from several financial institutions without having to physically visit several branches. Using the technology that already exists within QuickBooks, Intuit is able to send information instantly to their partner banks, reducing the time from application to funding.

"We could see in the market that the approval process took approximately 2-3 weeks, and in some cases, it could take months. However, by facilitating the delivery of information and getting it to lenders quicker, there are some lenders that can approve and release

funding in as little as a few days," said Jeffrey Kaufman, Group Product Manager, Small Business Group, Intuit.

To get started, users must provide financial information for their business, such as revenue for the previous year, the number of years in business and if the business was profitable the previous year. Applicants must also provide their personal credit score; though, this is the only personal information that is required. The rest of the criteria look at the business' financials. Once users provide their credit score and agree to allow access

to their QB data, they are provided with detailed interest rate offers and information.

QuickBooks Financing runs the user's information against its database to find the best possible matches. The results returned display the top lenders the small business owner is eligible for, the cost of the loan, the terms of the loan and the estimated approval time. For many businesses, the approval time can be the top deciding factor in choosing a lender. This is especially true for businesses looking to obtain financing for a particular project. Once a user decides upon a lender, the user is then taken to that financial institution's website to complete the loan application.

Intuit looks for lenders that serve a number of industries. It also vets its lenders to ensure that the lenders' systems are secure and can integrate into the QB ecosystem seamlessly.

"We try to partner with different lenders because we want to have diversity in terms of the products and services offered through QuickBooks Financing. But, we also want partners that are tech savvy. Our top priority is to take the pain out of the loan process for small businesses, as well as financial institutions. In order for us to successfully achieve this, we look for partners that can offer seamless integration into QuickBooks," said Kaufman.

While Intuit works hard to help match small business owners and lenders to lower the denial rate, it does not guarantee that users will be approved. If someone is denied, they can return to the system and try again with a different lender. And, if a user has granted access to their QB data, applications can be pre-populated with the information the financial institution received – eliminating the need to

manually complete multiple applications.

"Our goal is to reduce the pain of trying to choose between thousands of lenders. We want to present our small business customers with the best options based on their financial condition and how they want to use the funds. We work with our lending partners to ensure that each lender's approval rates are consistent with what's shown on the QuickBooks Financing site," said Kaufman.

QuickBooks Financing has helped fund more than \$45 million to small businesses in the year since it was rolled out and it keeps growing. The service is expected to triple in the next year. As part of its growth strategy, Intuit plans to expand QuickBooks Financing to also include educational resources for small business owners. The content will focus on common terminology for small businesses, loan terminology, SBA small business loans and government subsidized rates. The company also plans to release a guide that will help walk users through the various options they may have available.

"QuickBooks Financing was birthed because accountants wanted assistance in helping their clients obtain funding. At the same time, financial institutions wanted to be able to guarantee a return on their investment. We were able to help both sides by creating a solution that made it painless for small business owners to provide all the information lenders need. Our mantra is 'one-click lending,' and we have made it that easy for small business owners to get the funding they need by being able to provide the right information at the right time," said Kaufman. ●

INTUIT SURVEYED ITS QUICKBOOKS USERS AND FOUND THAT 60 PERCENT OF ITS SMALL BUSINESS CUSTOMERS NEEDED SOME TYPE OF ADDITIONAL FUNDING FOR THEIR BUSINESS. ON AVERAGE, 70 PERCENT OF SMALL BUSINESS OWNERS HAD BEEN DECLINED FOR BUSINESS FINANCING.



Intuit offers financing to help Main Street small businesses succeed.

Firm Saves Time by Integrating Cloud Document Management with Tax Software

By Kristy Short, Ed.D

Darrell Layman made a bold move this year, and at the riskiest time: tax season. With a broad vision to significantly increase workflow efficiency across his firm, Darrell Layman, CPA, (www.darrell-layman.cpa.com) transitioned from a desktop document management system to the cloud.

“I had two goals in mind,” Layman reflected. “I wanted anytime-anywhere access for both firm locations, and I wanted to reduce technology costs.” He says he achieved both adopting a cloud-

based document management system that worked with the tax system he uses. “Moving to the new SmartVault for Intuit Lacerte allowed me to achieve both.”

Layman has used cloud portals for years, primarily to securely share tax returns and other documents with clients. And then in December of 2013, he was notified about a pilot program to test a new integration between solutions—delivering integrated document management plus a client portal for securely sharing tax returns with clients directly from his tax software.

“I had been waiting for this integration, so I agreed to be a beta tester. I transitioned about 80 clients

during tax season to the new online process. It was very successful—the entire tax preparation process was so much more efficient.”

Layman approached the transition from desktop to the cloud very thoughtfully. As one of the first beta testers for the integration, he worked with a small sub-set of his client base and also collaborated with the developers periodically during tax season to ensure a successful process. And, it was successful...very successful. In fact, things progressed so smoothly that Layman is currently in the process of transitioning his entire client base to the cloud.

Layman explained how easy it is to work with today’s cloud technolo-

gies, emphasizing ease of implementation. “Technology today is made for self-starters and DIY-ers.”

A Winning Season

Layman’s initial goal when he made the transition was to improve efficiency with the tax workflow...and that’s exactly what happened.

“The idea was to develop a streamlined process. Working with our desktop document management system, there were many extra steps. However, after adopting the cloud, many of these steps were eliminated. We no longer had to print the preparer copy to the DMS, print a separate client copy for upload to the portal, or create a long list of



Darrell Layman, CPA (center) with firm staff.

instructions to communicate to clients the steps required to complete the filing process,” Layman explained.

With the addition of a cloud-based DMS integrated directly with his tax software *and* a client portal, the extra steps to deliver client documents were eliminated. Today, the broad process is as follows:

- Client source documents are scanned in, indexed, and then uploaded to the tax software.
- Data is seamlessly imported into the tax return.
- After review, a copy of the final tax return is sent to his document management system and automatically routed into the client’s folder in their secure portal.

“We literally just hit the print button to deliver the tax return in the client portal. It’s so much more efficient than the old way,” he said.

Layman’s new cloud solution also offers automated email alerts to further enhance workflow processes.

“The new mail merge capability allowed us to send customizable batch email notifications to clients, alerting them that their returns were available in their portals. This shaved even more time off of our process.”

In addition to the system’s native email alerts from the client portal, it also offers an integrated plug-in for Microsoft Outlook, making it quick and simple to send secure links from inside Outlook.

With the combined boost in workflow efficiency and the convenience of working within a digital tax workflow, Layman was able to quantify the time savings he experienced during tax season.

“In terms of the technology investment, we now save about \$3,000 a year. It’s much more cost-effective to use a subscription-based service. In terms of reduction in staff hours based on increased workflow efficiency, I estimate that we’ve saved an additional \$7,000 per year,” Layman explained.

With about \$10,000 in annual



savings, Layman has already realized an impressive return on investment.

“Adopting the new cloud-based DMS has been worth every cent. We’ve more than gotten back what we’ve invested.”

The Future of the Game

Layman’s paperless vision isn’t yet complete. He wants to take the process through to final client signature and payment. “The next big step is to add electronic signature and payment features in the portal...that way clients could sign Form 8879 and pay their invoice online for a completely electronic process. Adding these features would be huge.”

Layman said he has already talked to designers at the document management provider regarding these features. “I’m not sure when this might happen, but I’m confident that it will.”

The grand vision, according to Darrell Layman, is to continue the transition until a completely end-to-end paperless work environment is achieved. Thanks to this new integration, he is closer than ever to making his paperless dreams a reality.

“It’s the future of the profession,” Layman stated confidently. “All digital is where firms should be. It’s certainly where I want to be...and not only with the tax workflow, but across all areas of my business.” ●



Kristy Short, Ed.D., is president of rwc360, LLC (rwc360.com)—a firm dedicated to providing branding, marketing, and public relations services exclusively to the accounting profession. She is also a professor of English and marketing. Reach her at kristy@rwc360.com.



OUR VALUES

Our firm provides outstanding service to our clients because of our dedication to the three underlying principles of professionalism, responsiveness and quality.

PROFESSIONALISM

Our firm is one of the leading firms in the area. By combining our expertise, experience and the energy of our staff, each client receives close personal and professional attention.

Our high standards, service and specialized staff spell the difference between our outstanding performance, and other firms. We make sure that every client is served by the expertise of our whole firm.

RESPONSIVENESS

Our firm is responsive. Companies who choose our firm rely on competent advice and fast, accurate personnel. We provide total financial services to individuals, large and small businesses and other agencies.

QUALITY

- An accounting firm is known for the quality of its service. Our firm’s reputation reflects the high standards we demand of ourselves.
- Our primary goal as a trusted advisor is to be available and to provide insightful advice to enable our clients to make informed financial decisions. We do not accept anything less from ourselves and this is what we deliver to you.
- We feel it is extremely important to continually professionally educate ourselves to improve our technical expertise, financial knowledge and service to our clients.
- Our high service quality and “raving fan” clients are the result of our commitment to excellence.
- We will answer all of your questions, as they impact both your tax and financial situations. We welcome you to contact us anytime.

RED FLAGS: Are Your Clients Likely to Face a SALT Audit?

By Judy Vorndran, CPA, JD, and David Casper, CPA, Eide Bailly

Are you or your clients risk averse and totally rational?

- “This high profile, attention-grabbing color is not an issue for me;”
- “I wear my seatbelt, drive slightly under the posted limit and *never text*.”
- “As a reasonable person *I know* that every deviation from the norm invites a moving violation.”
- “Law enforcement personnel like *sales tax auditors* look for things outside the norm, those *red flags* indicate non-compliance.”

Historically, a business’ gross revenues follow seasonal patterns and even a small change in gross revenue should result in a small change in the associated accounts. In an attempt to discover why one established contractor was selected for audit, I reviewed their sales tax filings and created the below table.

The exact dollar amounts are not as important as the relationships between them. The chart illustrates two of the many *red flags* contained in this data set. How many red flags can you find?

Red Flags

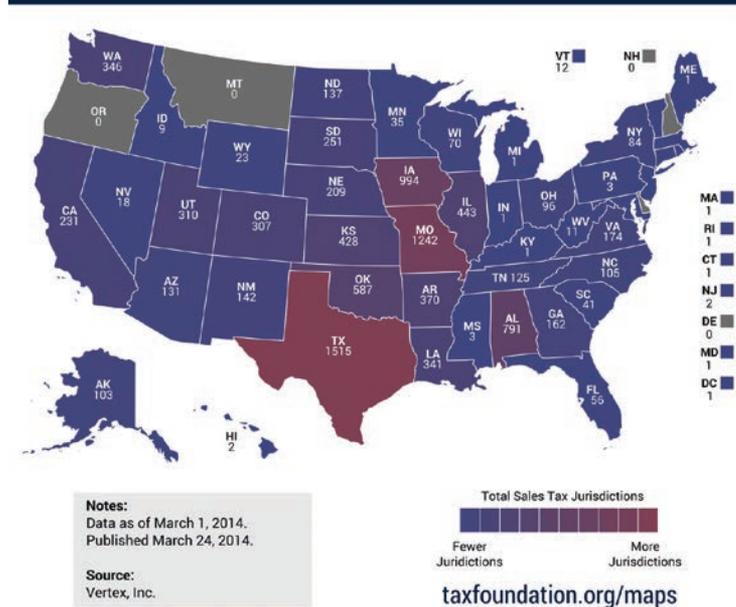
1. 2011 use taxable purchases exceed gross sales by a million dollars each quarter. Established businesses normally have *some* use tax but not 2 ½ times greater than revenues.

- Could the accounts be backwards or the contractor be *reporting labor sales* as gross revenue and materials as use taxable purchases, thus understating gross sales?

2. Revenues double between Q2 & Q3 - 2011, again between Q3 & Q4 - 2011 and a five-fold increase between Q4 - 2011 & Q1 - 2012, growth the stabilizes at over 10 times prior quarters.

- The doubling of revenues Q2 & Q3 2011 *is possible*. (Note- as revenues doubled use tax doubled.)
- Q4 - 2011 to Q1 - 2012 5x increase - hard to believe. (Note- use taxable amount stabilizes, why?)
- Q1 - 2012 gross sales stabilize Note- lack of use taxable purchases in

Total Sales Tax Jurisdictions by State in 2014



remaining quarters. That seems unlikely given prior period reporting.

Attracting Attention

States use many sophisticated techniques to identify and target non-compliant companies, such as:

- Erratic ratios of sales to use tax
- Rapid growth

- Zero returns
- Large increase of sales
- Data, while important is still reported by a person. Based on the above red flags the following questions should be asked.
- Did key personnel leave?
- Was 5x growth delayed billing or prior period underreporting due to staffing issues?
- Does the entity need hands on training and coaching?
- Should I visit the entity and observe their operations? ●

Judy Vorndran, CPA, JD, is State and Local Tax Director for Eide Bailly in Denver. David Casper, CPA, is a SALT associate with the Fargo office of Eide Bailly, a top 25 CPA firm with 24 offices in 11 states. www.EideBailly.com

GROSS SALES	USE	TAXABLE
Q1 2011	330,172	1,968,518
Q2 2011	335,540	1,324,887
Q3 2011	768,663	2,450,371
Q4 2011	1,904,788	2,724,815
Q1 2012	11,994,786	2,420,044
Q2 2012	14,760,647	0
Q3 2012	18,557,313	0
Q4 2012	15,797,641	0

How to Prepare for a Sales Tax Audit

By Alison Paisley

The sales and use tax audit could possibly be one of the biggest challenges that your business clients will face. If you are working with a client who has been selected for an audit, you are now tasked with proving that the client remitted the correct amount of sales tax to the state Department of Revenue (DOR) agency. You will gain confidence about the pending sales tax audit if all documents have been prepared properly. The following tips will help you better prepare for the dreaded sales tax audit.

NOTE: In addition to the tips below, businesses should pay special attention to where they have nexus, or the obligation to collect and remit sales tax. If a business has nexus in a state, and does not collect tax there, auditors from that state can levy penalties and interests against that business for the delinquent taxes.

ORGANIZE YOUR RECORDS: A business may have remitted more or less than was required to its state DOR agency. The auditor will evaluate the validity and accuracy of the

tax and the amount remitted. The auditor will have the right to require the business to show sales tax returns, excise tax returns, documentation for use tax, retail sales tax, business and occupational tax and all critical records related to the business. Individual sales transactions will also be evaluated, so it is imperative that the business keep efficient documentation to support individual transactions and be able to make these records accessible to the auditor. For businesses that don't

currently have an efficient way to store and retrieve records, consider a sales tax software solution that will automate the process.

DON'T RUSH THE AUDIT PROCESS: Sales tax audits can be tedious and time-consuming. The auditor will conduct a thorough audit and detailed examination of the business's sales records. Be sure all transactions are documented properly in order to avoid wasting your time and that of the auditor. If applicable, don't forget to have cash register tapes ready and/or exemption certificates for the audit. DOR authorities have become aware of the untapped sales tax revenue available, so they are closely scrutinizing businesses that have not been managing their customers' and/or vendors' sales tax exemption certificates.

ADVISE YOUR CLIENT TO ALLOW YOU TO REPRESENT HIM OR HER IN THE AUDIT: It is hard to imagine a more tedious, costly and non-productive process than the sales and use tax audit. Knowing how to

currently have an efficient way to store and retrieve records, consider a sales tax software solution that will automate the process. speak the same language as the auditor and respond appropriately to questions and requests for records will make the process go so much more smoothly. Be sure you recommend that your clients seek your advice and services in the event of a sales tax audit. Ultimately you will save them time and money by helping your client organize all necessary documents to facilitate the sales tax audit and having it done quickly and efficiently. You will also be able to provide guidance about any pending problems concerning the audit. ●



Alison Paisley is
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ACP Marketing at
Avalara, Inc.
(www.Avalara.com)

September SALT Checklist

- ✓ Analyze your clients for tax audit red flags (see related article)
- ✓ Examine client internal controls relating to state and local tax issues and for future protection from audits
- ✓ Filings - in addition to current tax obligations, help clients get up-to-date on delinquent tax filings
- ✓ Reporting - review clients' year-to-date SALT expense and liabilities for accuracy
- ✓ Planning - estimate and schedule all state and local tax filings that will be due in Q4
- ✓ Legislation - recent legislation has affected taxes in Illinois, Utah, and California. Make sure you're up-to-date on SALT-related legislation in all states where you have clients



THE REAL EFFECTS OF NUTRITION & HEALTH

Results of a recent study showed that, “Those who save for the future by contributing to a 401(k) improved abnormal health test results and poor health behaviors approximately 27 percent more than non-contributors.” This month’s “By the Numbers” data from work-life balance expert Jeff Davidson demonstrates that our society could use a little help in the area of improving nutrition.

We’re not suggesting you call all your clients and try to sign them up for the latest fad diets, but in your role as a trusted advisor, your clients do listen to what you have to say, so while you’re engaging them in conversation about their financial health, it might be enlightening to start a discussion about nutritional health as well. ●

156 POUNDS

THE AMOUNT OF ADDED SUGARS AMERICANS CONSUME EACH YEAR.
IN 1900, THE AMOUNT WAS 2 POUNDS.

(WebMD)



9 in 10 Americans

consume more than the daily recommended amount of sodium.

(CDC.gov)

Since the 1970s, the rate of obesity in U.S. children has doubled.

(Fast Food Nation)

45%

More than 6 in 10 college students don't get the recommended five servings of vegetables and fruits per day.

(USA Today)

of children living in poverty

are obese.

(Fitness.gov)

\$150,000,000,000

The annual cost of obesity-related medical conditions in the U.S.

(Fitness.gov)



(CBS)

The typical teen consumes **twice**

as much soda as milk.

(CDC.gov)

Obesity Rates by Ethnicity

Asian	White	Hispanic	Black
40%	62%	69%	72%

(KFF.org)

FORTY PERCENT

of the daily calorie intake of U.S. children aged 2-18 is made up of added sugars and solid fats.

(CDC.gov)

78 million

American adults

are obese.

13 million

American children

are obese.

(Fitness.gov)

How to Implement **Lean Six Sigma** in an Accounting Practice

Audit re-engineering has been around for decades and delivered significant increases in firm productivity and is now making another quantum leap in improvement by integrating the key tenets of Lean Six Sigma (LSS) into today's digital audit workflows.

Production efficiencies learned in the manufacturing environment are being applied to audit and accounting practices and building quality control into the three major phases of a compliance engagement: planning, fieldwork, and wrap up/delivery, in addition to adding value from the client's perspective, which is becoming a key differentiator in delivery of A&A services.



Roman H. Kepczyk, CPA.CITP, is Director of Consulting for Xcentric, LLC, and works exclusively with accounting firms to implement today's leading best practices and technologies. Roman recently updated his "Quantum of Paperless: A Partner's Guide to Accounting Firm Optimization," which is available at Amazon.com and a Certified Lean Six Sigma Black Belt.

PLANNING

One of the key premises of every audit re-engineering firm is that engagement planning needs to become a priority within the firm and be done in conjunction with clients. LSS helps firms define Key Performance Indicators (KPIs) to determine whether an engagement is successful such as completing field work on time, delivering the report by a specific due date, and whether the engagement was over/under budget and implementing a mechanism to ensure they are utilized.

Integrating KPIs into the planning process begins with having the client agree to provide their trial balance and all other required schedules to the firm on an agreed upon date or "they" will be responsible for delaying delivery of the report. Too often, firms take on the burden of dealing with incomplete or delayed source documents, and, unfortunately, many firms have trained their clients that this is acceptable behavior.

Planning should be done with the entire engagement team first and then include the client so everyone's expectations are set. It should take into account the size of the client and the overall risk of the engagement and be done in conjunction with any other similar niche clients to improve

the overall efficiency of the team.

Working as a segment/niche team allows for partners, managers and staff auditors to discuss and understand the plan for each individual client, including determining the appropriate level of staffing for each day on the job as well as to tailor the engagement program to what is necessary for that client. Doing this with all team members also allows for discussion on the impact of any new accounting standards and for the drafting of preliminary footnotes, so staff are in tune with the requirements before beginning fieldwork.

One of the key components of planning is to include the time needed to substantially complete each engagement before starting the next one. Too often firms neglect planning and "wrap up" days with reviewers and partners, which are necessary to meet the scheduled delivery date. Another important LSS component of planning is determining the optimum onsite staffing requirements needed for the job.

While there are times where overstaffing is important for training and possibly for inventory observation, if it is not necessary for staff to be onsite on a particular day, it is better to have them work remotely through the collaboration tools

mentioned below in the Fieldwork section. LSS principals also support using a workflow tool which tracks target dates and sends out warnings to notify managers as to the adherence to the schedule and promote communications with the client when the schedule is at risk.

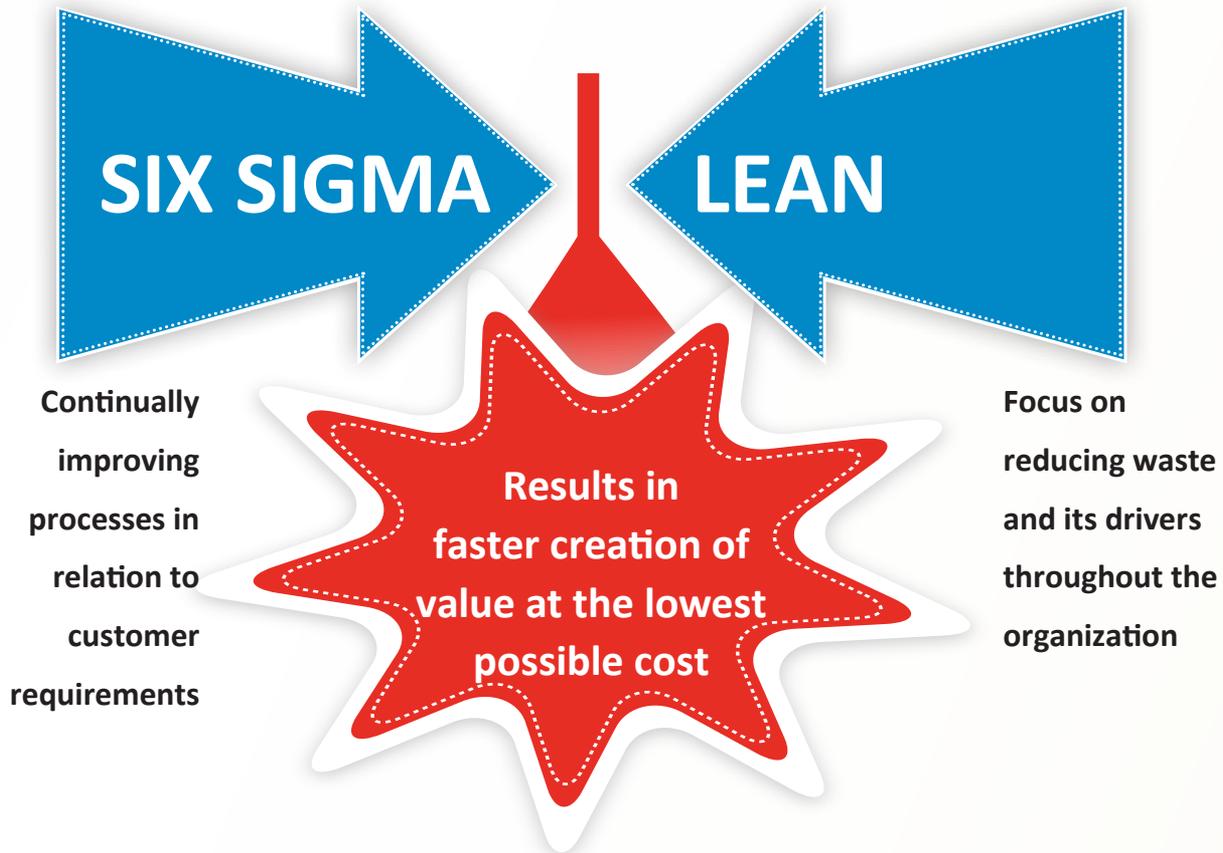
Another important part of the planning with the client is educating them on all documents needed and how they should be delivered. Using client portals helps in planning, as the in-charge can be notified when documents are uploaded and those documents are also accessible to any member of the audit team, which is not the case with email that is usually only available to the recipient.

If the client does not deliver the required documents on time, the firm must be prepared to invoke the previously agreed upon consequences with the client, which is why it is critical that the partner, manager, and staff are all in tune with this, which was part of the initial planning.

FIELDWORK

Firms must adhere to their plan to ensure they complete all necessary detail work while they are in the field, which also includes preparing a draft of the financial reports (including footnotes and previewed disclosures), and having the neces-

WHEN BEGINNING FIELDWORK, AUDITORS SHOULD PLAN TO START WITH THE MOST DIFFICULT COMPONENTS OF THE AUDIT SO THOSE PARTS CAN BE COMPLETED BEFORE WRAP UP TO ALLOW FOR ANY UNFORESEEN ISSUES, AND THEN SCHEDULE TO DO THE LOWER RISK, MORE STANDARDIZED ITEMS AT THE END OF FIELDWORK, WHILE THE SUPERVISOR IS DOING THE ONSITE REVIEW.



sary personnel scheduled to review the work *before* leaving the client site, which can be again be managed with a digital workflow tool.

One of the key tenants of LSS is to do quality control at each step of the process meaning supervisors and managers need to manage the engagement status daily, review completed work, and verify that work is done right the first time. All firms know that picking it up later over and over again vastly expands the hours on the engagement as the auditors have to “re-learn” the engagement each time because they have already moved on to another engagement.

When beginning fieldwork, auditors should plan to start with the most difficult components of the audit so those parts can be completed before wrap up to allow for any unforeseen issues, and then schedule to do the lower risk, more standardized items at the end of fieldwork, while the supervisor is doing the onsite review.

Using live collaboration tools such as Microsoft Lync or Skype will allow the auditor to ask the in-charge or another partner to review

any complex issues, again while they are still in field. Working with all files centrally on the firm’s servers either via Citrix/Windows Terminal Server (WTS) or through another cloud-based engagement application will allow client workpapers to be reviewed when they are completed and will ensure they are done with a minimum amount of rework as the information will still be fresh in the auditor’s mind.

Using Citrix/WTS also reduces technical issues experienced by firms that check out binders to local workstations and set up field networks, which often cause IT problems for audit staff at the start of each day. Another LSS planning component includes transferring the trial balance to the tax return and having tax personnel review the information to answer any questions while the engagement information is still available.

Finally, one of the most important differentiators that LSS provides is to highlight those items that add value from a client perspective. Part of any engagement outcome should be to have all personnel proactively look for and document value-added

improvements as field work is being done so that these items can be considered for client discussion at delivery, opening the door to future value added services.

WRAP UP and DELIVERY

Another one of key tenants of Lean Six Sigma is promoting and adhering to a firm standard for all financial statement delivery, which can be documented and personnel trained on. When staff have to adjust their work to the preferences of individual partners, efficiency is lost causing rework.

Engagement wrap up and delivery should be focused on the second partner/Quality Control Review and require minimal additional staff time if the planning for the field work was adhered to. One common mistake firms make is they overschedule work when clients don’t meet their agreed upon deadlines, leaving the audit staff to scramble to complete multiple engagements simultaneously.

Firms need to also schedule days to wrap-up engagements (and have the partners respect those days), to

do the preliminary tax return, and to have agreement on footnotes, so all that is left is the physical cosmetics of the report for delivery.

A final contribution of LSS to the engagement is scheduling time during the wrap up for the audit team to discuss specific opportunities they have identified for client improvement. After delivery of the financial statements and discussion of any internal control requirements, the audit team should provide high level ideas for improvements and schedule a time to follow up with the client during the off season, thus adding value to the engagement and differentiating the delivery of the client’s financial report from other commodity providers.

CONCLUSION

The summer provides a great opportunity for firms to step back and take an objective look to see how “lean” principals can improve their audit processes as well as add value to client engagements, which is one of the key goals of Lean Six Sigma (LSS). ●

Will You Succeed as a 21st CENTURY ACCOUNTANT?

The Xero logo is a blue circle with the word "xero" in white lowercase letters inside.

We seem to have reached a point in the accounting profession where accounting firms that want to grow and continue to be successful have embraced the need for technology. In doing so, they are turning over many of the mundane footing and ticking and balancing and reconciling and data entry activities to the software that runs on their various mechanical devices.

The 21st Century Accountant - A Q&A with Jennifer Warawa

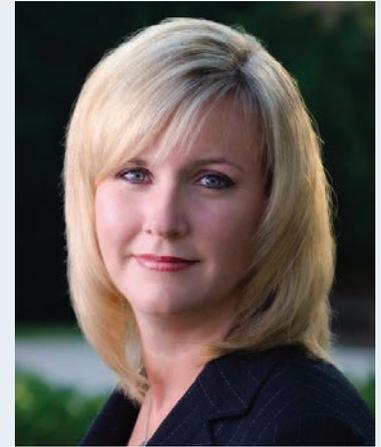
By Gail Perry, CPA - Editor-in-Chief

Jennifer Warawa, vice president & general manager, Sage Accountant Solutions at Sage NA, shared her views on how the 21st Century accountant is evolving.

these needs, and support accountants as they also meet these needs. The plan centers around utilizing cloud technology to connect with their clients, and ultimately their data, to drive deeper, more meaningful and impactful relationships with their clients. Utilizing cloud technology also positions the accountant as someone a young business owner will be attracted to, creating a whole new client profile, and revenue stream, for the firm.

CPAPA: How do you see the accounting model changing?

JW: Accountants can no longer stay relevant by offering the same old once-a-year tax services to clients. It has to be more than that. Clients want to work with someone year round, and with someone that can help them better manage their business. It can seem daunting to change everything about the current business model, but it's becoming essential. It will likely take some time and some education, as it can be difficult to all of a sudden start offering value added services to clients. Firms must develop the necessary soft skills, and develop a realistic vision for what they want their firm to become. Building a vision and strategy for a firm's business model and finding a good education program that can help them get started on the path to success are two



key elements to supporting this transition.

CPAPA: What are the first steps toward moving to a 21st Century accounting practice?

JW: There is no shortage of amazing technology to help an accountant become a 21st century practice. What is equally important is how a firm uses technology to deepen their relationship with their clients. I believe the first step is building a vision for the firm, and then a strategy to how they will bring that vision to life. Adopting cloud technology alone does not make a firm innovative if they don't innovate in the way they serve their clients. ●

While some might say this fantastic array of technology is making life easier for accountants, giving them time to focus on analysis and forecasting and allowing them to take the occasional day off, others might argue that technology opens the door to a more esoteric practice of accounting, one not so easy to perform and a challenge to sell to clients.

Where does the 21st Century accountant begin when it comes to recreating the accounting practice to embrace what technology has given? *CPA Practice Advisor* pursued this topic with Rod Drury, New Zealand-based CEO of small business software provider Xero, to learn if accountants "down under" know something that U.S. accountants have yet to grasp.

CPAPA: In what ways do technology-savvy accountants work with their clients that they couldn't do before?

ROD DRURY: Accountants are moving away from just compliance and can now keep a real eye on the business. Under the old model, the accountant would just do the books when the file arrived. With cloud technology, the accountant can see exactly what's going on at any time. Having a single copy of the data is the key to unlocking value added services. Once they have accounting sorted we are seeing accountants become add-on specialists, adding line of business applications on top of accounting.

CPAPA: How does cloud make a difference?

RD: Cloud is an enabling technology. The capital cost of starting up an accountancy practice used to be huge. Now everything you need to run your practice - email, accounting software, document management - it's all available on a monthly basis. There's almost no capital required to kick off an accounting practice. Barriers are coming down - there are lots of cases where people in slow moving practices who can see the industry in transition are peeling out and starting their own practices in the cloud.

CPAPA: How do you see the accounting model changing?

RD: We're seeing accountants going to a monthly billing relationship. What normally happens is the accountant

comes up with three pricing tiers, offering different services with each level. For example, one level might include end-of-year financials, monthly reports and a tax review, keeping an eye on the client. It's important to lay out the expectations on both sides. Perhaps you expect the client to take care of the bank reconciliation and other daily tasks. If the client doesn't do their homework, then offer to move them up to the next level - generally the clients are likely to say that's all right.

CPAPA: What are the advantages to

moving to this type of monthly billing model?

RD: First, there's much better cash flow associated with getting paid each month. The accountants have a goal of getting all of their costs covered by monthly contracts. Rather than working for an hour, this model captures the value of the service. The accountant has more time to either provide more value or look for upsell opportunities. You now have a direct relationship with all customers, talking with them every month, and the opportunity to do more exciting work.

How to Hone
Your

SOFT SKILLS to Strengthen Client Relationships

By Paul McDonald

A summer draws to a close, kids and young students aren't the only ones who need to think about heading back to school. Your employees — even your top performers — can become stronger contributors by enhancing their abilities and expertise through professional development opportunities.

Besides honing their technical skills, your accountants will need to focus on their nontechnical, or soft, skills as well. Solid communication and interpersonal abilities are becoming just as important to accounting professionals in addressing client needs.

Soft skills include diplomacy, customer service, problem solving, adaptability and, in particular, communication. Your team members also need business acumen that extends beyond accounting to understanding clients' bigger-picture business goals and concerns.

The importance of nontechnical skills is borne out by the results of a survey conducted by Accountemps, a Robert Half company. When chief financial officers (CFOs) were asked to identify the most common reason their employees failed to advance, poor interpersonal skills was the top reason cited.

But here's the twist: Although CFOs recognize the need for their employees to possess key soft skills, there seems to be a disconnect in their willingness to help staff

develop them: In the same Accountemps survey, only one in five (19 percent) executives said their organization is likely to invest in soft skills training for accounting and finance employees in the near term.

It makes business sense for your firm to be among that 19 percent. Accountants must be able to clearly communicate findings and recommendations to clients.

Another factor increasing the need for outstanding soft skills is the unprecedented amounts of data clients are generating. They often rely on consultants to team with management or, if the company is large enough, their in-house accounting and finance teams, to analyze this information and then tell an easy-to-comprehend story behind the numbers to colleagues and executives.

Providing this strategic advice requires excellent communication, teamwork and other interpersonal skills. In cases where a CPA firm has off-site accountants to handle a client's daily accounting needs, these professionals need to know how to

adapt successfully to another business's culture and work well with employees and company leaders who may not have an accounting background.

Building up Your Firm's 'Soft' Side

Some people believe that communication and other nontechnical skills are in-born — you either have them or you don't. The truth is there's plenty you can do to help improve your team's soft skills:

- **GIVE CONTEXT.** Make sure your staff understand why interpersonal skills are so critical to the firm's work as well as their advancement within your organization. Explain how professionals without these skills increasingly find themselves held back in the workplace and have difficulty moving up in the organization.
- **OFFER MENTORING.** Soft skills are inherently hard to teach; they are definitely an art rather than a science. A mentor can "show by doing" for your team members. When partnered with top-performing employees, staff can observe the interactions of these individuals with leaders in your firm as well as clients.

- **STRUCTURE TRAINING.** Best practices for some skills, such as verbal and written proficiency, can be taught more easily. Instruction can take a number of forms, including online classes and membership in a public-speaking organization.
- **MAKE IT PART OF PERFORMANCE REVIEWS.** Include soft skills in your employees' evaluations. Provide specific examples of successful or unsuccessful communication and collaboration, rather than just your general impressions.

Hiring for Soft Skills

Just as you want to train your staff to have top-notch interpersonal skills, you should also look for these abilities in job candidates. Yes, it's harder to make a judgment about a person in an interview than it is with staff you've known and worked with for years, but it's not impossible.

Ask open-ended questions that require thought and prompt the candidate to reveal attitudes or opinions. Examples include, "Can you describe how you handle tight deadlines on the job?" and "Who was your best boss ever and why?"

Hypothetical questions can probe deeper into a candidate's personality. Here's an example: "How would you respond if placed in a situation you felt presented a conflict of interest or was unethical?"

You can also ask an off-the-wall question and take note of the candidate's reaction. Was he rattled by the question, or did he welcome it? A candidate who smiles at a surprise and handles it deftly indicates someone who is able to quickly adapt when the job and situation require it.

Today's accounting firms can't rely on having candidates with just the best technical skills. It's also key to focus on interpersonal abilities in your professional development and recruitment efforts. ●

Paul McDonald is senior executive director with Robert Half, the world's first and largest specialized staffing firm. Over the course of his 30-year career with the company, he has spoken extensively on employment and management issues based on his work with thousands of companies and job seekers.

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How to Turn Conflict into a Strategic Asset

Conflict. Whether it is related to decisions about firm management, technology or personnel, most of us try to avoid it like the plague. After all, wouldn't life be easier if we could just make decisions in a vacuum and not worry about what others think?

Yes, but more often than not, the quality of decisions made by a team of people with diverse backgrounds and perspectives is much higher. And diverse teams naturally lead to conflict. However, conflict is not necessarily a bad thing. When managed properly it can actually be harnessed as a strategic asset.



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Types of Conflict

There are two types of conflict that typically arise in a team setting.

- **Task conflict** – This type of conflict is beneficial to decision-making and involves disagreement about the content of decisions. It is rooted in differences in viewpoints, ideas and/or opinions about things like how we interpret facts, complete a project or deploy resources.
 - **Relationship conflict** – At the other end of the spectrum is conflict that deters progress. Relationship conflict is emotional in nature and focuses on interpersonal incompatibility. It typically results in tension, annoyance and animosity among team members. Differences in personal tastes, politics, values and personality are examples.
- The most effective teams, and ultimately, the most effective decisions promote task conflict and work to diffuse relationship conflict.

Common Pitfalls

Conflict management is not the same as conflict avoidance. When we avoid conflict altogether, we miss out on valuable information, experience and perspectives that improve the decision-making process. For example, a team might go with the first suggestion made just to avoid a confrontation. However, the suggestion may have been made simply because it had the least chance of resistance.

This results in a decision that no one on the team really supports. In

this case, a little conflict – or at least discussion – would have been healthy and led to a better decision.

There are a number of decision-making processes that stifle healthy conflict or defer it in favor of the easier path. Here are some of the more common examples:

- **Majority Rules** – team members who sense they are in the minority will avoid offering a dissenting opinion to avoid feeling like an outsider or impediment to making a decision.
- **Defer to Those “In Charge”** – excessive deference to status characteristics such as seniority or the person with the loudest opinion does not lead to the best decisions. There is a wealth of knowledge at all levels of the firm. Take advantage of it.
- **Attacking dissenters** – dissension creates a lag to decision-making and is often frowned upon by the team. Similar to “majority rules,” attacking those who dissent limits the number of diverse viewpoints offered during the decision-making process.

Encourage Task Conflict

How can a team encourage task conflict and avoid escalating relationship conflict? Some strategies include:

- **Utilize task forces and committees** comprised of members with diverse backgrounds and experiences. This will encourage differing opinions and perspectives as well as better decisions and outcomes for your firm.
- **Avoid starting a meeting with a vote.** You met for a reason. Discuss and debate the issues to explore all available information and attempt to resolve differences of opinion.
- **Do not compromise to avoid the conflict.** Recognize the value of debate, because it helps everyone explore more issues and, ultimately, make a better decision. Compromise is often necessary to move forward but it shouldn't be used until the discussion takes place.
- **Solicit minority opinion.** Make sure



that people aren't keeping quiet simply to avoid the uncomfortable feeling of being in the minority. Some of the most valuable information will come from those who don't agree with the majority.

- **Focus on the behavior or issue and NOT the individual.** This is the most important – and most difficult – part of conflict management. When a debate becomes personal, the natural tendency is to become defensive. When people get defensive, a healthy conflict will quickly turn into an argument.

Reaping the Benefits

Conflict is a natural part of working as a team. Too often, we avoid it in order to remain in our comfort zones. However, when managed properly, conflict can be extremely beneficial to decision-making. The first step to effective conflict management is to understand how to spot different types of conflict by listening carefully to team members and ensuring that you hear the messages they are attempting to convey.

Next, apply general rules to manage both task and relationship conflict. It is also important to develop a process that will be followed when conflict arises. This creates consistency and increases team members' comfort and confidence when dealing with a tense situation.

Ultimately, the ability to manage conflict can turn what you thought was a liability into one of your firm's greatest assets. ●



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