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CPA Practice Advisor

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August 2016
VOLUME 26, NUMBER 6

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By Gail Perry, CPA, Editor-In-Chief

The Procrastinator's To-Do List

Most people procrastinate. It's in our nature to have ebbs and flows of productive time, the time when we can really dig in and get our projects completed. I contend that procrastination is in the eye of the beholder. After all, think about how your boss defines procrastination – it's you cleaning your desk or setting up future CPE classes when he thinks you should be focusing on your major projects.

And how does your spouse define procrastination? It might be you reading a book when your partner wants help with the yard. While it's true that procrastination is the act (some would say art) of putting things off that you could be doing right now, in your mind, procrastination is often doing what you want to do as opposed to what someone else wants or expects you to do.

If procrastination is natural, then let's find a way to embrace it.

You have your master to-do list – that ongoing list of projects with looming deadlines that are supposed to take priority over everything. Your list might be on paper or you might use any of a number of software tools to keep track of the pending work. Either way, your list probably contains a mixture of short tasks, major projects, and personal chores.

When you need a break, rather than running out into the street to chase Pokémons, surfing your favorite time kill sites, or taking a snack break that will just make you feel guilty later, turn to your secondary to-do list – a list of quick tasks, things you want to do that are productive but also easy and stress free.

Sometimes your little tasks actually get in the way of your digging into the big project. You know you need to concentrate on getting the significant job done, but you keep thinking of all the other things that are cluttering your mind. Jeff Davidson, author of *The 60 Second Self-Starter*, recommends creating a secondary to-do list. He suggests

that taking a break to specifically confront those smaller items might actually allow you to focus your attention more fully on the big project.

Your procrastinator's to-do list should contain tasks that can be completed in a relatively short amount of time so that you can get back to major projects quickly. Not only will this secondary to-do list give your mind a break from the larger projects, it will give you the opportunity to check off several items, leaving you feeling refreshed and productive.

When creating your secondary to-do list, focus on simplicity. Make the tasks short, things you can polish off in less than 15 minutes. If a task takes longer than that, break it into multiple pieces. You might even find that your larger tasks are easier to accomplish when broken into small chunks. Ongoing tasks such as reading a book can be added to the list with a time limit. Give yourself 15 minutes to do some reading, then move on to another item.

Make your first procrastination task the task of setting up your secondary to-do list. Going forward, each day as you think of additional items you need to accomplish, place the quick items on your procrastinator's to-do list, leaving your master list for the major items.

— Gail Perry, Editor-in-Chief
Follow me on Twitter at @gperrycpa
GPerry@CPAPracticeAdvisor.com

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 "Idiot's Guide to Introductory Accounting") 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.

CPA Practice Advisor
Today's Technology for Tomorrow's Firm
NSA Practice Advisor
Today's Technology for Tomorrow's Firm

Published by
SouthComm Business Media, Inc.
SouthComm Business Media
PO Box 803 | 1233 Janesville Ave.
Fort Atkinson, WI 53538
920-563-6388 | 800-547-7377

VOLUME 26, NUMBER 6

Publisher: Barry Strobel
Editor-in-Chief: Gail Perry, CPA
Managing Editor: Isaac M. O'Bannon
Assistant Editor: Taija Sparkman
Columnists:
David McClure
Doug Sleeter
Jim Boomer, CPA.CITP
Kristy Short
Randy Johnston
Rene Lacerte
Roman H. Kepczyk, CPA.CITP
Paul McDonald
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Subscription Customer Service
877-382-9187; 847-559-7598
Circ.CPA@omeda.com
PO Box 3257, Northbrook IL 60065-3257

Article reprints: Brett Petillo
Wright's Media 877-652-5295, ext. 118
bpetillo@wrightsmedia.com

List Rentals: Elizabeth Jackson
email: ejackson@meritdirect.com
phone: 847-492-1350 ext. 18 • fax: 847-492-0085

Practice Advisor (USPS 017-576), (ISSN 2160-8725 print; ISSN 2160-8733 online) is published six times per year (February, April, June/July, August, October and December) by SouthComm Business Media, LLC, incorporating two editions known as *CPA Practice Advisor* and *NSA Practice Advisor*. Periodicals postage paid at Fort Atkinson, WI 53538 and additional mailing offices. POSTMASTER: Send address changes to *Practice Advisor*, PO Box 3257, Northbrook, IL 60065-3257. Canada Post PM40612608. Return undeliverable Canadian addresses to: *Practice Advisor*, PO Box 25542, London, ON N6C 6B2.

Subscriptions: Individual subscriptions are available without charge in the U.S. to qualified subscribers. Publisher reserves the right to reject non-qualified subscriptions. Subscription prices: The basic annual rate is $3, based on qualifying associations of 10,000 or more public accountants that may also subscribe for all their public accountant members (certain restrictive covenants apply) for a basic subscription rate of $9 per member for a three-year subscription. One year subscription for all others: USA - $48; CAN $70 GST; INT'L $99 GST. All subscriptions payable in U.S. funds, drawn on U.S. bank. Canadian GST#842773848. Back issue $10 prepaid, if available. Printed in the USA.

Time Killers

By Gail Perry, CPA, Editor-in-Chief

You've got five minutes to spare and your phone in your hand – how do you use your time? We asked members of the *CPA Practice Advisor* community to share their favorite time-kill apps and this is what we learned.

Lawrence Whittam, business development manager for QX Accounting Services in Bloomfield, NJ, turns to **YAHOO FINANCE** in his spare time. "I dabble in the stock market and like to keep an eye on it," said Whittam.

Kurt Kunselman, COO and co-founder of AccountingSuite, admits to spending his free moments with **ESPN FANTASY**. "I've got to check out my teams, see how their doing," said Kunselman.

Kacee Johnson, founder of Blue Ocean Principles, uses **UPLIFT**. "I was tired of all the negative news and political drama," said Johnson. "Uplift is positive news stories that don't make it to mainstream media and features success stories as well as inspirational quotes. There is also the **GOOD NEWS NETWORK**, which is a little more stable of an app but is strictly news stories without the negativity."

Donny Shimamoto, CPA. CITP, CGMA, managing director of IntrapriseTechKnowlogies, uses **FLIPBOARD** in his spare time. "It taps into my feeds and turns them into a magazine-style format that I can skim quickly to decide if I want read the original article."

Matt Rissell, CEO at TSheets, heads to two apps in his spare time. **TWITTER**… I ALWAYS learn something relevant there, because I follow the most interesting people / organizations I can find. **THINGS**… It's an organizational app and I am an organizational fiend. It enables me to organize and execute super-human amounts of work. :)"

Jean Caragher, president of Capstone Marketing, also turns to **TWITTER** when she has a break. "In addition to the regular time I spend posting tweets, when I have a bit of time I go to Twitter to check out what's happening in the industry, read marketing and business articles, and retweet and like. This helps keep me informed as well as my account current!"

Geni Whitehouse, countess of communication at Even a Nerd Can Be Heard, watches her son livestream on the creative channel of **TWITCH**. She also states "I'm always reading books on my Kindle phone app – though I hate that you can't buy new books there," and when she's in need of a change of pace, she goes to **ANGRY BIRDS** and "of course," **POKEMON GO**.

Roman Kepczyk, director of consulting at Xcentric, is seeking out positive educational content as the news has been bringing him down. "I primarily use the **KINDLE** application to read on all my devices as it automatically synchronizes between laptop, iPad and smartphone, so it is always convenient. I do retain more when I am on my iPad/laptop than my smartphone, but the convenience gives me the chance to peruse/re-think sections."

And speaking of news, **Will Hill**, manager, training consulting & implementation services at Thomson Reuters, turns to **FEEDLY**, "which is an easy-to-use aggregator of other sources. I can pull my news sources, business & tech sources and other entertainment items as well into a single app this **way."**

Mark Koziel, CPA, CGMA, vice president of firm services and global alliances at AICPA, says that the **CNN** and **WALL STREET JOURNAL** apps are great. In the airports I use **FLIGHTVIEW** to track my flight, the flight before that and the flight before that."

"Being on the road as much as I am, staying abreast on the news can be difficult," said **Kim Austin**, business development manager – national accounts at Intuit. "It's a very common sight to see me sitting at the gate waiting to board my flight, or in the back of an Uber with the **CNN** app up on my phone, checking in with the day's headlines. I also appreciate the push notifications the app sends me alerting me of breaking news – especially when I'm walking into a room to meet with an accounting firm, and should alter my demeanor based on what's going on in the world, or simply be able to have a conversation about it."

Kelly Bruce, sales executive for Ace IT Solutions plays **YATZEE** when she is taking a break. "It's pretty addicting!" said Bruce.

QuickBooks consultant **Hector Garcia**, CPA.CITP, CGMA, relies on **LINKEDIN** in his spare time to catch up on his contact's updates.

Frank Van Dyke, wealth advisory associate at Morgan Stanley, spends his extra time with **REDDIT**. "I get to customize the content pushed to me – my interests are reported, trends, news releases – I get notification of something before *The Wall Street Journal* and *The New York Times*."

Look for **Ramon Santiago**, market development specialist at Canon, to be immersed in **POKEMAN GO**. "It's fun and it brings back childhood memories!"

Rick Richardson, CPA.CITP, CGMA, managing partner at Richardson Media & Technologies, says, "The only non-game app I use when I have a few minutes is **YAHOO WEATHER**! It is first and foremost an elegantly implemented app both on the phone and even better on the iPad. I love the level of detail and it is more accurate than other weather apps. Other than that, I'm addicted to **SUDOKU** and **FREE CELL**.

THERE'S MORE!!

CONTINUED ONLINE AT
www.CPAPracticeadvisor.com/12239005

Private Companies, Financial Technology

By Erik Asgeirsson

We live in an era of rapid innovation in financial technology that is transforming how banks, private equity firms and other investors evaluate business opportunities and quantify risk. Yet the prevailing methods for exchanging private company financial information among key stakeholders such as CPAs, corporate management and lenders and investors have largely not kept pace with the sweeping change in this sector. In short, the system is broken, leading to a greater risk of fraud in transactions and delays in the lending process, which could ultimately result in CPAs playing a less significant or relevant role – or worse, being pushed out of the process altogether.

Audited financial statements are arguably the gold standard data source for assessing the current health and prospects of a private company. But the current delivery methods employed by CPA firms for that information – emailed PDFs or mail courier, for example – put them at a distinct disadvantage in a banking industry increasingly reliant on data that flows over a secure, digital infrastructure. To put it simply: if you're the bottleneck in a process

and a Winning Opportunity for CPAs

dedicated to driving out inefficiencies, you're a problem.

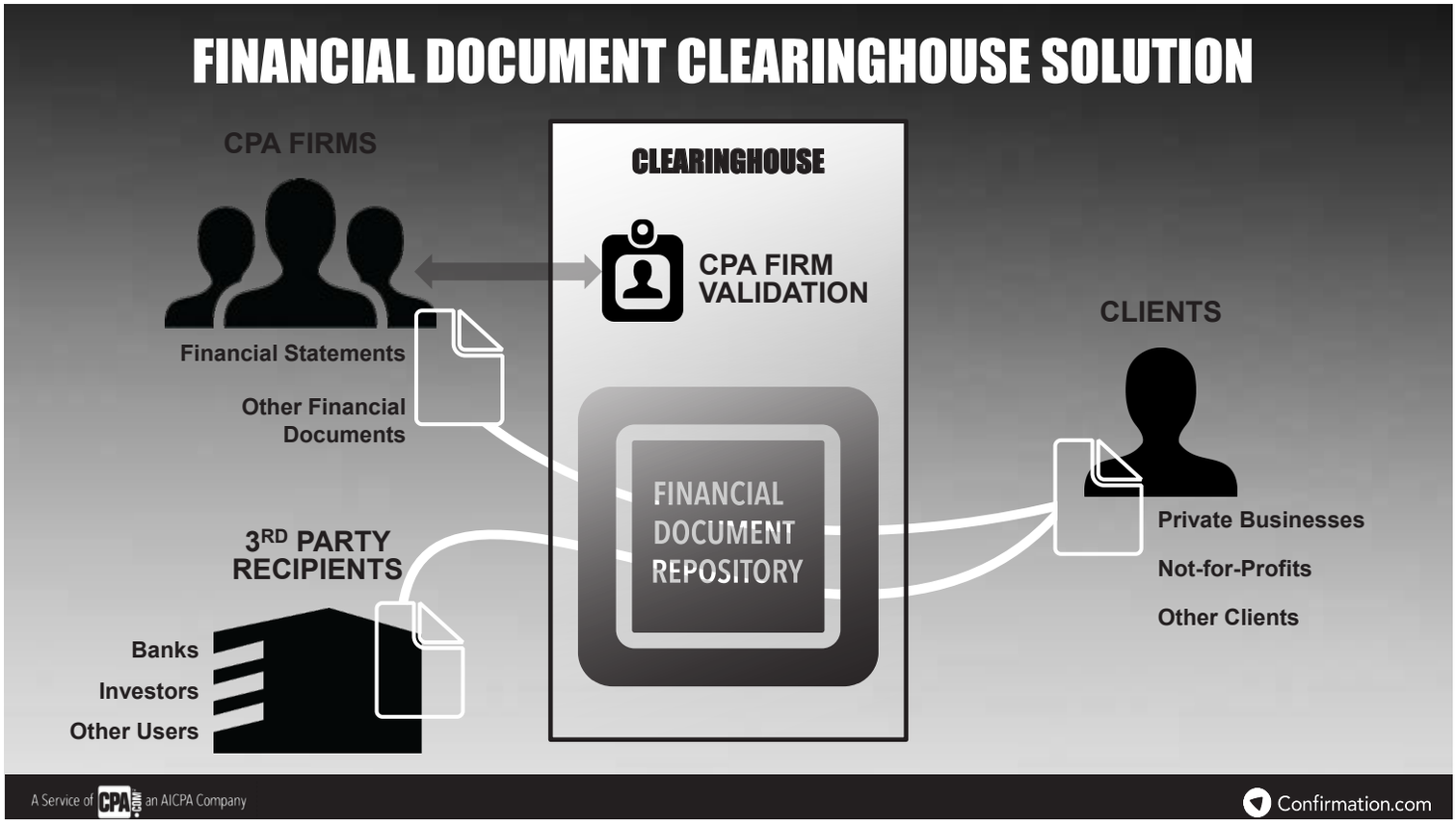
The good news is these problems can be addressed, and CPAs can strengthen their position in the value chain for the long haul. But first let's talk about the place we currently find ourselves in.

CPAs have always played a critical role in lending decisions for private companies. About 40 percent of small business principals turn to consultants such as accountants for guidance on financing decisions – the largest category of advice givers behind banks and lenders themselves, according to the Federal Reserve's 2015 Small Business Credit Survey.

With strong links to their communities, CPAs also are a key bridge for connecting private companies with local banks. This relationship banking role will continue to be an important one for the profession, but the rise of alternative lending platforms – where analytics and algorithms rule, not personal ties – creates different priorities and needs.

ABOUT ONE-IN-FIVE SMALL BUSINESSES CURRENTLY SEEK FINANCING FROM ONLINE LENDERS, ACCORDING TO THE FEDERAL RESERVE, AND THAT NUMBER IS ONLY EXPECTED TO GROW.

About one-in-five small businesses currently seek financing from online lenders, according to the



Federal Reserve, and that number is only expected to grow. At the same time, you also have many of the large commercial banks evaluating alternative lending platforms as potential private-label solutions, which would replace and power their increasingly obsolescent legacy systems.

Because of this, online lenders and traditional banks both have a critical need for reliable, third-party information – the kind that's available instantly, in digital form and from an unimpeachable source. In the public company sphere, the SEC's EDGAR filing system fills that role but there is no central hub for private companies. Instead, lenders tap business tax filings from the IRS and credit reports from commercial databases, among other sources.

Because of liability risks, , CPA firms often choose to not confirm the validity of financial statements and other documents to outside parties such as banks and investors. In practice, private company management controls the distribution of these materials, which creates a window of opportunity for unscrupulous companies who can change numbers in a legitimate document or create an altogether fictitious report. The lack of a defined confirmation process can have implications for a CPA firm's reputation if fraud is later discovered, even if the firm was completely unaware of the wrongdoing.

At CPA.com, we believe financial technology is an area of significant opportunity for CPAs, and we've thought long and hard about the barriers that might prevent that promise from being fulfilled. That's why we and Confirmation.com developed RIVIO Clearinghouse, a secure platform designed to rationalize the flow of documents between CPAs, private companies and lenders and investors. Here's how it helps solve some of the problems for CPA firms we discussed above:

- The system ensures that financial statements and other key data was provided by a licensed CPA firm. Fictitious or sanctioned firms are weeded out, reducing the risk of fraud.
- Private companies have broad control over who can view their encrypted financial information on the secure, cloud-based platform, but cannot alter critical data uploaded by a CPA firm. That gives end users peace of mind that the data is accurate and complete, and CPA firms have assurance their reputation is protected.
- Because the distribution of financial statements to authorized users is blind to CPA firms, they retain privity defense and other legal protections – and have greater control themselves because end users will be automatically notified if the CPA firm withdraws a statement or makes other changes.

Perhaps most importantly, RIVIO restores the primacy of CPA-produced financial information in lending decisions by creating a digital clearinghouse that solves a critical marketplace need for authenticated data from a validated, trusted source. RIVIO helps ensure that CPA-produced financial information stays front-and-center in private company lending and investment decisions – right where it should be.

It's a new world in banking, one characterized by the digital flow of key financial information, and I'm confident CPAs will take the necessary steps to adapt to changing demands from the industry. With the RIVIO Clearinghouse, we feel we're off to a good start.

Erik Asgeirsson is the President and CEO of CPA.com. He has more than 20 years of experience in leading technology organizations and driving business growth. Over the past ten years Erik has driven CPA.com's focus on cloud computing and the transforming opportunities available to accounting firms and their business clients.

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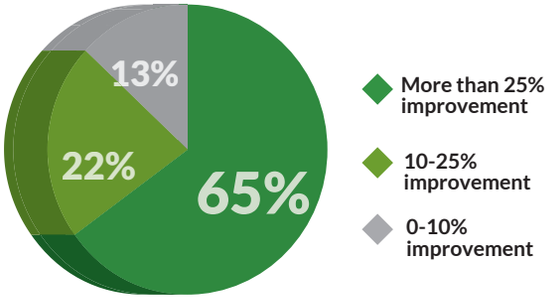

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Fraud Examples Demonstrate Need for RIVIO Clearinghouse

By Gail Perry, CPA, Editor-in-Chief

The new RIVIO Clearinghouse (see accompanying article) is a solution to a problem of financial hijinks with which you might not be familiar. After all, most CPAs perform their services ethically and expect their clients to represent their financial information in a truthful manner. So it's quite possible you don't realize how rampant this misrepresentation can be.

Financial statement fraud occurs in about 9% of all occupational fraud cases, according to the Association of Certified Fraud Examiner's 2016 Global Fraud Survey. But the median loss in this category is much larger than the median loss in all cases: $975,000 vs. $150,000.

Some frauds are fairly low level – altering a PDF or paper copy of a document. Others can be much more elaborate.

We connected with Erik Asgeirsson, CEO at CPA.com, and Brian Fox, president at Capital Confirmation.com, to learn more about the problems that caused these two organizations to join forces and create the RIVIO Clearinghouse.

"We found out from banks that banks are disproportionately relying on tax returns [instead of financial statements]," explained Asgeirsson. "They want source documents – they don't want documents coming directly from the businesses. They use the IRS tax transcript service to pull the form directly from the IRS."

With RIVIO Clearinghouse, CPAs in good standing, whose status has been verified by CPA.com, can upload reviewed or audited financial statements. The business then gives authority for lenders or investors to download those forms, and the forms go directly to the authorized third party with no intervention from the business.

"This is the ultimate final documentation to third parties," said Fox. "This is the only way an auditor can maintain a privity defense."

Here are some examples of real life fraud that could have been prevented with the use of RIVIO Clearinghouse.

Canopy Financial

Two top executives at Canopy Financial, a now-bankrupt Chicago health care transaction software company, were sentenced to 15 and 13 years in prison in 2012 for defrauding investors and customers of more than $93 million. The two men used a bogus auditor's report – ostensibly from KPMG -- and falsified bank statements to obtain $75 million from private equity firms. Prosecutors said they misappropriated $18 million from clients, and spent part of the money on luxury cars such as Bentleys and Lamborghinis, jewelry, personal home renovations and a nightclub investment.

FINANCIAL STATEMENT FRAUD OCCURS IN ABOUT 9% OF ALL OCCUPATIONAL FRAUD CASES

— ASSOCIATION OF CERTIFIED FRAUD EXAMINER'S 2016 GLOBAL FRAUD SURVEY.

Munire Furniture

Norman D'Souza, CFO for Munire Furniture, pleaded guilty to an $18 million accounting fraud in April 2016. He allegedly prepared fraudulent financial statements for the New Jersey-based manufacturer of crib and baby furniture that overstated sales and accounts receivables, which helped the company obtain $17 million in loans from a Manhattan bank and an additional $1 million in financial incentives from an Indiana municipality where the company has a furniture factory, according to federal prosecutors.

Bayou Hedge Fund

Hedge fund founder Samuel Israel and his CFO, Daniel Marino, were charged in 2005 with a $300 million-plus fraud scheme that involved creating a fake outside auditor to sign off on financial statements that masked significant losses by Stamford, Conn.-based Bayou Group LLC.

"A new accounting firm, Richmond-Fairfield, was created to oversee the fake bookkeeping, prosecutors contend," the New York Times wrote in a wrap-up of the case. "Mr. Marino was the firm's principal."

Aphelion Fund Management

In 2014, the SEC charged executives at New York-based advisory firm Aphelion Fund Management with investment fraud, including diverting more than $500,000 for luxury car payments and legal settlements for majority owner and chief investment officer Vineet Kalucha. Kalucha allegedly altered an outside auditor's report, which originally showed a return of minus 3% for the fund over a 15-month period, to reflect a 30% positive return over an 18-month period.

"When the accounting firm learned of the alteration to its report, it told Kalucha to stop distributing the report to investors and to inform anyone who had received it that it had been altered, according to federal prosecutors," according to a report on Law360.com. "Kalucha told the firm that he had only given the altered report to one person, a claim the Department of Justice said Monday was untrue." Kalucha eventually pleaded guilty to obstruction.

New Mexico Finance Authority

With an upcoming bond offering in the works in 2012 and the authority's independent public audit incomplete for FY2011, the controller of the NMFA, Greg Campbell, decided to take matters in his own hands and create a bogus financial statement, making it appear it came from the authority's outside auditor, Clifton Gunderson, by putting a fake letterhead and signature on the cover page. The report was posted on the authority's website and shared with investors and the public until the state auditor discovered some irregularities and began an investigation later in the year.

"Mr. Campbell rationalized his decision by repeatedly stating that the facts and figures in the report were accurate, therefore users of the statements could rely on theme," the state auditor said in a report. "He stated that he believed he was "helping" the agency by finalizing the audit report himself so it could be included in the upcoming 2012A bond offering."

Campbell eventually pleaded guilty to three fraud charges and got probation, the NMFA's CEO was fired, and the state made several steps to improve internal controls at the authority. ●

The author would like to thank Jeff May, media relations manager at AICPA, for his assistance on this article.

By Randy Johnston

Growth? Innovation? Productivity? Too Much or Too Little?

Randy Johnston is executive vice president and partner of K2 Enterprises and CEO of Network Management Group, Inc. He is a nationally recognized educator, consultant and writer with over 30 years' experience. He can be contacted at randy.johnston@cpapracticeadvisor.com.

Observing the new normal of slow business growth raises the question: What's the next big thing? Likewise, it is reasonable to ask if we are doing the right thing. In other sections of this month's publication there is coverage of document management systems (DMS). While I've written columns on this topic in the past, it remains important to me now and is a key focus of our work at Network Management Group, Inc. (NMGI), where we specialize in infrastructure/networking, accounting software selection and paperless systems. Public practice firms have the privilege to use and support all of these systems plus tax and audit products.

The U.S. Bureau of Labor Statistics numbers showed that productivity had been fairly consistently increasing until 2016 arrived. Maybe we are too distracted with elections, man-made and natural disasters, social media, sports and other activities, but the fact remains, productivity has slowed. Productivity is a ratio that describes the output divided by the input, or Productivity = Output / Input. Labor Productivity = Gross Domestic Product (GDP) / Hours Worked. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker. And this is something we don't seem to be doing effectively now. Has technology stopped being

a productivity lever? I think not. We are not leveraging new technology effectively driving down the return on investment (ROI) as we discussed in last month's column.

So What Can We Do About Productivity?

I certainly don't claim to be an economist nor will all of my suggestions be helpful to your operation. However, there are a few key items we can and should do to work on productivity.

- **ACQUIRE THE RIGHT HARDWARE** – Too many firms are taking profits home rather than investing in the business. Profits have moved up to around 12.53% of GDP in 2015 from around 7% in 2000. Having the right hardware tools can increase productivity.

- **CAREFULLY CHOOSE, AUGMENT AND EXPAND YOUR SOFTWARE** – It is important to have the right software to run the business. This can include network and desktop operating systems, productivity software like Microsoft Office, ERP and accounting software from vendors like Epicor, Sage, Microsoft, Intuit and dozens more, DMS from vendors like eFileCabinet or Doc-It up to iChannel or Alfresco, payment management options like Bill.com, Sales Tax tools like Avalara or Vertex, reporting tools like Biznet, and the list goes on and on. Having the right software tools can increase productivity.

- **ANALYZE AND PRESENT YOUR DATA EFFECTIVELY** – Data is processed to give managers information. We can develop summary information in reporting, but dashboards can give us real time reporting and actionable information. Microsoft is adding dashboard capability with PowerBI and we have a myriad of other options from MyBusinessManager, BizTools, Biznet up to Qlik, WebFocus or Tableau. Big Data analytics are showing promise, and are another technique to spot trends in our data that we might otherwise miss.

- **REVISE AND REFINE YOUR PROCEDURES** – We believe that this decade should be dominated by workflow. Whether the workflow products are inside your ERP/Accounting Software, part of your DMS or an add-on like XCM software, virtually every business can benefit from a review of processes and procedures, choosing to make improvements and automating the workflow with software.

- **TRAIN YOUR PEOPLE** – You can throw all sorts of money at hardware and software and get little to nothing for it if you don't train your team. People need to understand the best way to use all of the software systems, how they interact, and what their role is in the use of the systems. Good people that are trained well can overcome the deficiency of poor systems, but even a great system will fail if people do not understand how to use it. Proper and sufficient training is a universal shortfall in public practice firms and industry businesses alike.

After thinking about the "new" recommendations for you, it became obvious that the recommendation categories were the same ones that I had included in a book almost 40 years ago. The components of proper computing were: hardware, programs, data, procedures and people (3PHD) and these have been a guide throughout my entire practice career. As it turns out, there is nothing new under the sun that isn't included in these categories. They serve as a management guide to ask the right questions to have IT working for the business.

Can You Make A Difference?

Unequivocally, yes! Even if you don't have an in-depth knowledge of technology, you can use the 3PHD framework from above to ask the Rudyard Kipling questions immortalized in the short poem:

I keep six honest serving men
(They taught me all I knew);
Their names are What and
Why and When And How
and Where and Who.

I've also referred to these questions in prior columns, but it is my belief that we are not asking enough questions. Why? Are we too tired, too busy, too lazy, too close to retirement, too profitable, too fearful of change, too content, or a "too" of your own making, too _____.

Consider stepping back from your day to day operations, block some time away from the office for reflection and planning to build a strategy for the future. If a technology has been in use for ten years, ask if there have been changes that make the older technology no longer useful. It is perfectly OK to continue using the same technology if the older technology is the best available or the most reliable.

The other extreme of this analysis is following the bright light of new technology like a moth follows a flame.

And you know what happens if a moth flies too close to a flame! A number of pundits have suggested simple models for business structure and models, technology, and operational considerations like billing and payments. Read, learn, and discuss with your peers and business partners what is working and what is not. Just because everyone else is doing it, doesn't mean that you should.

However, I'm also reminded of a saying I learned from Dr. Bob Spencer: "If the sandbox is too full, find a new sandbox." If you're offering a service that everyone else is, you should consider changing. And if work seems like too much of a drudgery, it is your responsibility to change it. Simplify your practice rather than making it more complicated. Get your procedures consistent. Do what you love to do. Your clients will be glad you did. ●

Document Management and Storage Systems

By Mary Girsch-Bock

How many hours have you spent searching for a document that is nowhere to be found? According to the *Wall Street Journal*, the average executive wastes six weeks every year searching for documents that are lost or misplaced, and that as many as one document out of 20 is lost or misfiled DAILY. And once it's been misplaced or misfiled, it can take more than 24 hours to recreate a document.

Even in today's "paperless" office, physical and digital documents are the lifeblood of accounting firms, which makes it even more important that firms have a method in place to handle documents efficiently. While larger firms have enthusiastically embraced advanced document management and workflow technologies, many smaller firms have yet to make the move. While larger accounting firms consistently handle a higher volume of documents than their much smaller counterparts, firms of any size can benefit from document management software. Fortunately, there are solutions on the market for all firm sizes and budgets, providing real benefit and productivity boosts.

These benefits include:

- **Better use of employee time.** In a paper-driven industry like accounting, up to 20 percent of an employee's time can be spent routing, copying, and filing documents. Document management software ensures that employees are spending more time managing their clients instead of mounds of paper.
- **Better office organization.** Without the need to physically file paper documents, there's no more looking through stacks of paper on your desk, nor bothering co-workers to do the same. The possibility of misfiling a document also goes away when using document management software, making it easy to streamline all documents for each client. Search functionality, which varies with each document management system, can also help firms locate documents within seconds, not minutes, and certainly not hours.
- **A document management system makes it much easier to share documents with colleagues.** It's been estimated that the average document is copied 20 times before it is filed. Instead of copying a document, or emailing it, employees can simply access the document directly from the document management system.
- **Document security is increased as well.** Without adequate security systems in place, firms run the very real risk of having confidential information fall into the wrong hands. While file cabinets do have locks, they also have keys. Using a document management system allows firms to control document access with solid password protection, while also ensuring that documents remain accessible to employees that need them.
- **What would your office do if a catastrophic event such as a fire or flood occurred?** Would you still be able to service your clients in the manner that they expect? With a document management system, you would.
- **Better management of document versions.** You don't want to spend hours creating or editing a document to find out that you've been editing the wrong version. Document management software helps to ensure that the document you're working on is the most current.
- **Anywhere access.** Cloud based document management software products allow remote employees to quickly access documents from anywhere, and the use of client/employee portals allows users to easily share documents safely and securely.

In this issue, we reviewed both Document Storage and Document Management solutions. Both products offer secure document storage and retrieval solutions, but document management products generally offer more robust features such as flexible integration options and a more high-level filing system, although these features can overlap between the two.

While several of these products can be used as a stand-alone document storage/management system, others are part of a suite of products that are designed to be used as an integrated workflow management solution.

Once the decision has been made to purchase a document storage or document management product, it's important to work with the software vendor to ensure that the product is setup correctly, particularly the more complex document management systems.

DOCUMENT MANAGEMENT	BASIC SYSTEM FUNCTIONS	ADVANCED MANAGEMENT & ARCHIVING FEATURES	CLIENT COLLABORATION TOOLS	INTEGRATION OPTIONS	HELP/ SUPPORT	OVERALL RATING
CCH Axcess Document/CCH ProSystem *fx* Document	5	5	5	5	5	5
Cabinet SAFE Cloud	4½	4½	4½	4½	4½	4½
Conarc iChannel	5	5	5	5	5	5
Doc.It Suite	4½	4½	4½	4½	4½	4½
eFileCabinet	4½	5	5	4½	4½	5
GoFileRoom	4½	5	4½	5	5	4½

DOCUMENT STORAGE	BASIC SYSTEM FUNCTIONS	CORE DOCUMENT STORAGE FUNCTIONS	CLIENT COLLABORATION TOOLS	INTEGRATION OPTIONS	HELP/ SUPPORT	OVERALL RATING
AccountantsWorld Cloud Cabinet	4½	4½	4½	4½	4½	4½
Drake Documents	4½	4½	4	4½	5	4½
OfficeTools WorkSpace	4½	5	4½	5	5	4½
SmartVault	4½	4½	4½	4½	4½	4½
Thomson Reuters FileCabinet CS	5	5	5	4½	5	5

The **Document Storage** products reviewed include:
- Cloud Cabinet by AccountantsWorld
- Drake Documents
- Office Tools Practice Mangagement Workspace
- SmartVault Document Storage
- FileCabinet CS by Thomson Reuters

The **Document Management** products reviewed include:
- Cabinet SAFE CLOUD
- Axcess Document/ProSystem *fx* Document by Wolters Kluwer, CCH
- iChannel by Conarc
- eFileCabinet
- Doc-It Suite
- GoFileRoom by Thomson Reuters

We also looked at one additional related system:
- Personable ScanWriter

If you're still unsure about which product would work best for your firm, be sure to visit the vendor websites, where additional information, startup guides and even free demos are frequently available. Then you can finally bid a not-so fond farewell to those lost documents forever. ●

Mary Girsch-Bock
Mary Girsch-Bock began her career as an accountant in the property management and healthcare industries. She is now a freelance writer specializing in business and technology issues and is the author of her first book, several HR handbooks, training manuals, and other in-house publications. She can be reached at mary.girschbock@cpapracticeadvisor.com.

Cabinet SAFE Cloud

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236133

2016 OVERALL RATING: 4.75

BEST FIT
This enterprise level document management product is best suited for larger accounting firms, and is also well suited for legal, manufacturing, healthcare, and HR industries.

PRODUCT STRENGTHS
- Product is scalable, with firms able to choose from three product levels
- Product integrates with a variety of third party applications as well as Microsoft Office and QuickBooks
- Product offers a variety of system add on options to increase functionality
- Workflow capability is included in the product (Gold and Enterprise)

POTENTIAL LIMITATIONS
- Users will likely require significant training

SUMMARY & PRICING
Cabinet SAFE Cloud is available in three editions: Silver, which runs $39 per user per month, and offers basic document management capability along with mobile access. The Gold level is $49 per user per month, and also includes the SHARE portal and Workflow functions. The Enterprise level pricing is available upon request, and offers advanced functions such as AP automation and accounting software integration, and well as a QuickBooks module. Initial setup fees, system implementation and training fees are all priced separately.

www.cabinetpaperless.com

CCH Axcess Document & ProSystem *fx* Document

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236161

2016 OVERALL RATING: 5

BEST FIT
Both CCH Axcess Document and CCH ProSystem *fx* Document from Wolters Kluwer are ideally suited for accounting firms already using CCH Axcess or CCH ProSystem *fx* products. The products can also be used as a stand-alone system.

PRODUCT STRENGTHS
- Both products offer excellent integration capability with other programs in the CCH Suite from Wolters Kluwer
- Products are similar in both navigation and functionality
- Product contains solid document retention capability
- Integration with the product portal allows firms to send and receive documents safely and securely.

POTENTIAL LIMITATIONS
- Those not using the integrated suite of CCH programs from Wolters Kluwer will not realize the same level of productivity

SUMMARY & PRICING
While either CCH Axcess Document or CCH ProSystem *fx* Document can be used as a stand-alone system, both products offer additional benefits if used with other Wolters Kluwer applications. For accounting firms already using Wolters Kluwer products, CCH ProSystem *fx* Document will be a welcome addition, offering solid integration with other Wolters Kluwer products, while the open API found in CCH Axcess Document make it better suited as a stand-alone application. Base pricing for CCH ProSystem *fx* Document starts at $2,780, while pricing for CCH Axcess Document is based on the number of users and can be obtained directly from Wolters Kluwer Tax & Accounting upon request.

www.cchgroup.com

Conarc iChannel Document Management

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236128

2016 OVERALL RATING: 5

BEST FIT
iChannel is well suited for larger firms that have more complex document storage/management needs.

PRODUCT STRENGTHS
- Free mobile app allows users to access documents at any time
- Product can be deployed both on-premises and hosted
- Contains completely integrated document management, workflow, email management, client portals, and CRM capability
- Offers complete integration with Microsoft Office applications as well as other third-party applications

POTENTIAL LIMITATIONS
- Complex system management would likely require skilled IT staff

SUMMARY & PRICING
The iChannel suite of applications, including Document Management, Workflow, CRM, Email Management, Email, Client Portal and E-Signature is $549 per year, per user, for up to 30 users. Volume pricing discounts are available to firms with more than 30 users. A one-time fee of $11K is also assessed for a third-party scanning engine, internal document routing tool, and PDF compressor. Product maintenance fees are assessed at 30% of the software cost.

www.conarc.com

DOCUMENT MANAGEMENT SYSTEMS

Doc.It Suite

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236187

2016 OVERALL RATING

BEST FIT

The product is well suited for small and mid-sized accounting firms that are seeking a completely integrated, comprehensive digital document management product.

PRODUCT STRENGTHS

- Doc.It offers a series of integrated modules for complete accounting firm document storage and management
- Multiple deployment methods are available
- The system is scalable, making it suitable for very small to large professional firms
- The system includes a complete PDF Editor

POTENTIAL LIMITATIONS

- Though the product is suitable for large firms, it may not be the best solution for the largest firms, such as those with more than 100 users.

SUMMARY & PRICING

Doc-It offers scalable pricing, making it a good option for very small to large firms. Pricing varies depending on the number of firm users. The first ten licenses run $35 per user per month. The next 20 licenses run $30 per user per month. Any licenses above 30 users are $25 per user per month. The subscription pricing includes unlimited telephone and email support, all product updates and enhancements, and unlimited web portal logins. Training and product implementation are assessed separately.

www.doc-it.com

eFileCabinet Document Management

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236112

2016 OVERALL RATING

BEST FIT

Firms of all sizes that are looking for a solid, cost effective product that offers excellent document storage and management capability.

PRODUCT STRENGTHS

- The product is available for both on-premise and online deployment
- eFileCabinet is scalable to meet firm needs, with three versions of the product available
- The system offers good integration options with a variety of professional applications
- A mobile app is available for iOS and Android devices

POTENTIAL LIMITATIONS

- While the product will work with a variety of applications, it does not contain complete integration with any tax applications

SUMMARY & PRICING

eFileCabinet is a solid document storage and management solution for small to mid-sized firms, and can benefit other industries as well. Along with the general subscription, eFileCabinet offers a variety of add-on tools including data conversion plans and additional data storage capability, along with OCR plans. For larger firms, an SQL version of the product is available.

www.efilecabinet.com

Thomson Reuters GoFileRoom

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236171

2016 OVERALL RATING

BEST FIT

GoFileRoom is part of the Thomson Reuters CS Professional Suite of applications, and is well-suited to mid-sized and larger firms with multiple departments and fairly complex workflow requirements.

PRODUCT STRENGTHS

- GoFileRoom offers seamless integration with other Thomson Reuters programs for greater efficiency
- Cloud platform allows anytime/anywhere product access
- A variety of add-on modules increase product functionality
- The dashboard interface offers easy system navigation from one central screen

POTENTIAL LIMITATIONS

- GoFileRoom only supports the Internet Explorer browser

SUMMARY & PRICING

GoFileRoom is designed specifically for accounting and tax professionals and is suited for larger firms that are looking for a complete practice management and document management product. Though not required, product training is may be beneficial to get the most benefit from the system. GoFileRoom is available as a monthly subscription, with the cost dependent on the number of product users. All add-on modules and training options are priced separately, with pricing available from Thomson Reuters upon request.

www.gofileroom.com

DOCUMENT STORAGE SYSTEMS

AccountantsWorld Cloud Cabinet

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236167

2016 OVERALL RATING

BEST FIT

Cloud Cabinet, from AccountantsWorld is an excellent document storage/management solution, particularly for firms already using the AccountantsWorld Power Practice suite.

PRODUCT STRENGTHS

- Cloud Cabinet is cloud-based with anytime, anywhere access
- Pricing includes both full portal functionality and free product support
- Offers full integration with AccountantsWorld Power Practice suite of products
- Easy-to-use interface

POTENTIAL LIMITATIONS

- Product does not offer advanced document management functionality

SUMMARY & PRICING

Cloud Cabinet is a robust solution for firms using the AccountantsWorld Power Practice suite, but can be used as a stand-alone system for bookkeeping services and tax firms. Cloud Cabinet pricing runs $595.00 per year, with additional storage available for $25.00 per year. Pricing includes both document storage and portal features. AccountantsWorld also offers a money back guarantee within the first 30 days of product purchase.

www.accountantsworld.com

ScanWriter Automates Data Entry for QuickBooks Users

For accounting firms currently using QuickBooks that offer accounting services for multiple clients, data entry can be time-consuming and cumbersome. Enter ScanWriter, from Personable, a handy application designed for QuickBooks users that automates the data entry process.

ScanWriter can be purchased alone, or teamed up with other Personable applications which include SourceLink, which provides document management capability, along with WorkFlow DMS, which offers easy document routing features. Used together, they offer complete digital document management functions for QuickBooks users.

Touting benefits such as 100 percent data accuracy in QuickBooks integration, as well as a significant reduction in data entry time, the product can manage a high volume of transactions, and offers batch processing capability. ScanWriter allows users to quickly scan an unlimited number of documents such as bills, credit card statements, bank statements, invoices, and receipts directly into the system, bypassing the tedious manual data entry steps.

ScanWriter works with both QuickBooks Desktop and QuickBooks Online, the product can be used with any TWAIN compatible scanner, or customers can purchase a compatible scanner directly from Personable if desired.

To scan in documents, both ScanWriter and QuickBooks applications need to be open. The product uses a variety of templates, called readers, which help to identify the data that needs to be read from each document that will be scanned in. To begin, a Master Reader is created for each type of document, such as invoices, bills, bank statements, and deposits. Users simply choose the appropriate reader and click on the data import button on the user navigation screen. The system can access files directly from a scanner or by accessing PDF files that are stored in the computer. Documents can be accessed individually, or an entire folder can be automatically scanned if desired. Once documents have been scanned, users can quickly review the documents for accuracy, validating any data that has not been correctly assigned. Once the file is approved, users simply click on the Import in QB button to import the data. If an error is found once a file has been imported, users can easily reverse the import by using the Undo the Last Import button.

For firms that handle a large number of transactions and use QuickBooks, ScanWriter can save a considerable amount of data entry time.

ScanWriter is available in Basic and Standard versions, with the Basic Edition with one workstation for a one-time fee of $995. A monthly plan is also available, which includes SourceLink, at a cost of $49.95 for 24 months. A monthly maintenance fee of $49 is required of both Basic versions. The Standard edition, including SourceLink and 100 customized readers, has a one-time cost of $3,995. Monthly fees for the Standard license run $199.00 monthly, with all product training and support included.

www.personable.com/ScanWriter_Overview.htm

DOCUMENT STORAGE SYSTEMS

Drake Documents

2016 OVERALL RATING 4.5

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236532

BEST FIT

The product is best suited for small to mid-sized accounting firms considering switching tax systems to the all-inclusive Drake package, which includes tax, planning, accounting, document management and other features.

PRODUCT STRENGTHS

- Product integrates with all Drake Tax applications as well as third-party add-ons
- The system is available as a desktop or hosted application
- Drake Documents is included with purchase of tax program
- An add-on portal is available for sharing documents

POTENTIAL LIMITATIONS

- Document management system only allows basic search functionality
- Drake Documents is only available with Drake Tax Software

SUMMARY & PRICING

A good choice for firms already using Drake Tax Software, or that plan to, Drake Documents provides basic management functionality. The product is not available as a stand-alone system, but is included in Drake Tax Software at no cost. Drake Tax Software's Unlimited Version is $1,295 per year and includes all federal and state tax packages, e-filing, and Drake CWU, which is an accounting and write-up package that includes bookkeeping, payroll, contractor payments, accounts payable and accounts receivable modules. The unlimited version also includes Drake Documents and Drake Tax Planner. There is also a Pay-Per-Return option, which allows users to pay individually for each return and includes 15 initial returns.

www.drakesoftware.com

OfficeTools WorkSpace

2016 OVERALL RATING 4.75

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236146

BEST FIT

OfficeTools WorkSpace is a strong fit for small to mid-sized firms that are in need of a complete practice management and workflow solution that includes a digital document management component.

PRODUCT STRENGTHS

- The product offers a complete solution that includes practice management, document management, client portals and CRM, and on online version
- WorkSpace offers several integration options with third party applications
- The document management system is intuitive to use, and offers a common-sense approach to managing documents that is frequently overlooked by more complex products
- Offers an optional client portal where documents can be downloaded to clients, or easily uploaded from clients

POTENTIAL LIMITATIONS

- May not be suitable for firms that do not need a complete practice management application

SUMMARY & PRICING

OfficeTools Workspace provides an excellent solution for small to mid-sized firms looking to utilize a complete practice management application that includes robust document management functionality. OfficeTools Workspace is priced at $700 per year for a single-user system, and $1,700 for a 5-user system. Online system access and client portals are available as an add-on for $990.

www.officetools.com

SmartVault Document Storage

2016 OVERALL RATING 4.75

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236182

BEST FIT

Small to mid-sized accounting firms would benefit from this document management product that also features a secure client portal. Firms using QuickBooks, FreshBooks, and Xero Accounting applications would also benefit from the solid integration.

PRODUCT STRENGTHS

- Product offers excellent document management capabilities
- Client portals can be easily customized to reflect firm branding
- Online application offers easy anytime/anywhere document management capability
- Offers an excellent selection of resources for new users to take advantage of

POTENTIAL LIMITATIONS

- May not be well suited to very large firms with more complex workflow requiremetns

SUMMARY & PRICING

SmartVault is an excellent solution for firms using Intuit products, as well as those using FreshBooks and Xero Accounting products, allowing users to easily access stored documents from their desktop, online via a browser, or on a mobile device. Available as an online subscription service, SmartVault Document Storage is available in a Tax Prep version for $20 per user per month. The Accounting Pro version is $35 per user per month, and is suitable for most small to mid-sized firms. There is also an Enterprise version of the product, with pricing available upon request. A Data Migration Service is also available, with pricing starting at $199. A free-30 day trial is available, with no credit card needed.

www.smartvault.com

Thomson Reuters FileCabinet CS

2016 OVERALL RATING 5

Read the full review and see expanded ratings for this product online at: www.CPAPracticeAdvisor.com/12236155

BEST FIT

FileCabinet CS from Thomson Reuters is an excellent document management system best suited to firms using the Thomson Reuters CS Professional Suite, although the product can be used as a standalone document management system.

PRODUCT STRENGTHS

- FileCabinet CS has thorough integration with the CS Professional Suite
- Also offers excellent integration with Microsoft Office applications including Outlook, Word and Excel
- Product is easily navigated

POTENTIAL LIMITATIONS

- The product offers little incentive to firms not using other Thomson Reuters CS applications

SUMMARY & PRICING

Firms using the CS Professional Suite will see the most benefit from FileCabinet CS. Various licensing models are available, including On-Premise, Virtual Office CS (with the product hosted by Thomson Reuters), and SaaS deployment (with the product leased and hosted by Thomson Reuters). Pricing for FileCabinet CS starts at $940 per year, with portals available through NetClient CS at an additional cost. Thomson Reuters also offers volume licensing and bundling discounts.

cs.thomsonreuters.com

Developers are Key to Helping Accountants Become Firms of the Future

In today's world, apps have become a natural extension of everyday life. Everyone is a consumer – even accounting professionals and small business owners – using apps to help run their business. Intuit has found that a typical QuickBooks Online subscriber may use five or six different apps on a daily basis that they expect to streamline and speed up their backend processes. Because of this, the Intuit Developer Group recognizes the value bookkeepers and accounting professionals bring to the developer community, and is committed to providing them with the tools and resources they need to continue helping their small business clients achieve success.

Intuit's QuickBooks Online ecosystem is an open platform, providing developers with an app roadmap and access to APIs so that they can successfully create the apps and solutions that are needed. The Intuit Developer Group helps developers identify specific small business pain points and create apps that will have the most impactful outcomes.

"The Intuit Developer Group is responsible for nurturing the Intuit ecosystem and working with our small business partners and developers. We're committed to giving them a space to develop and publish their apps," said Vinay Pai, vice president and Intuit Developer Group lead. "Intuit's mission is about helping small businesses and fueling their growth. My team is an extension of that – we want to do the same thing for developers."

Intuit remains committed to creating a seamless user experience for small businesses and their accountants, complete with integration between the apps and QuickBooks Online. To achieve this end goal, the Intuit Developer Group has put a rigorous review process in place that assesses each app's technical and security features. Ongoing relationships with developers are established throughout the process to ensure continuous communication and feedback is given on both ends. The cooperation between Intuit and its third-party developer partners results in apps that accountants know, use, love, and recommend to their clients.

The QuickBooks App Store currently hosts almost four hundred apps that can be filtered by industry or app type. From well-known apps, such as PayPal and American Express to apps native to QuickBooks Online, there is a wide variety of apps available for accounting professionals to enhance their practice and provide customized, value-based service to their clients. With so many apps on an open platform, navigating the app store can be overwhelming for some accounting professionals looking to recommend new apps for their clients. To overcome this challenge, Intuit works very closely with developers to help accountants by offering free trials of new apps and improving on the apps they already know, use and love.

Intuit has also been able to invest into creating a personalized experience within QuickBooks. Machine learning has been incorporated to make personalized app recommendations based on how subscribers use their accounts. The solution's algorithm looks closely at data from its 1.4 million businesses, such as industry, location, how they work and what's trending within their vertical. The data that's collected is all focused on making life easier for the end user – the small business owners and their accountants.

"Ten years ago, many accounting professionals could present a standard model to their clients and explain where the client fits in, but now a one-size-fits-all model doesn't work. Small business owners are very tech-savvy and more open to trying new solutions, but they're looking for what's going to make their lives easier. Today, we give small businesses a choice to select the best apps that can be customized to fit into their vertical and location," said Pai. "With everyone always on the go, it's a necessity to be able to access your data and apps anywhere, anytime. Our developers work hard to create the apps that allow accountants to work with their clients from anywhere. Every app that integrates with QuickBooks is also in the cloud, which provides a great deal of convenience for accountants and their clients. That's the beauty of online solutions."

As Intuit continues to look for ways to grow and develop QuickBooks Online, it places a priority on listening to its developer partners and customers. The company also pays close attention to industry trends to see which technology is resonating with accounting professionals and their clients. Intuit knows that accountants and small business owners prioritize saving time and growing their business, and they are looking for partners that can help their customers do just that.

"The QuickBooks Online ecosystem creates lots of opportunities to work beside us. As a company, we're not building vertical solutions, and we may not have every app that a small business owner needs to run their business. However, third-party developers can fill in that void because they do have apps for our customers' various needs. When these apps are able to integrate into accounting solutions like QuickBooks, all the business' data is there and categorized. For example, they can easily see their most loyal customer or highest business cost. This cumulative data then frees accountants from data entry to work with their clients on a more consultative basis – and that's our goal," said Pai.

As we talk about small business success and Firms of the Future, it's important to remember developers are instrumental to the success of the entire ecosystem. Through their apps and solutions, developers help arm small business owners and their trusted advisors for upward mobility.

"Accountants and small business owners, just like consumers, have big expectations. For example, a customer who sells online might use an e-commerce app like Shopify or Big Commerce. Not only do they expect that these apps will seamlessly integrate with QuickBooks, they also expect them to reduce the amount of time spent collecting data so they can focus on their business and their accountant can spend more time focused on being a trusted advisor. Our partnerships with developers allow us to deliver on these expectations," said Pai.

For more information on QuickBooks Online App Store and apps that integrate with QuickBooks Online, visit Apps.com.

Dependent Care Assistance Plans: A Fringe Benefit With Tax Benefits

By Ken Berry, J.D. - CPA Practice Advisor Tax Correspondent

Back in the 1950s, when TV shows like "Father Knows Best" were popular, the husband was usually portrayed as the sole breadwinner of the family, while the wife stayed home and raised the kids. Not anymore. These days, it's likely that both parents are working full-time for a living as someone else cares for their children during the workday. And single parents, such as the character of Dr. Miranda Bailey on "Grey's Anatomy," are more common than ever.

Of course, this can place strains on a household in other ways, both financially and emotionally. Most important: Who is going to watch the kids while you work?

To help ease the burden of hard-working parents, employers may institute a dependent care assistance plan for employees. Under such a plan, payments made to third parties like babysitters and day care centers are excluded from income if the costs would qualify for the dependent care credit. Similarly, if the employer provides accommodations on the business premises, the value of this benefit is tax-free.

Typically, a dependent care assistance plan may cover expenses necessary for the employee's gainful employment. The annual amount that may be excluded from taxable income is limited to the lesser of:

- The employee's earned income (or the earned income of the lower-earning spouse if the employee is married);
- The dependent care benefits received; or
- $5,000 ($2,500 if married and filing separately).

In other words, you can't reap the tax rewards if one spouse is a stay-at-home parent. Also, expenses paid to your dependents or your spouse or children under age 19 aren't eligible either.

Furthermore, the plan must meet these six requirements in the tax law:

1. It must provide dependent care assistance exclusively to employees.

2. Dependent care assistance can't discriminate in favor of highly-compensated employees (HCEs) or their dependents.

3. No more than 25 percent of the program's assistance benefits incurred during the year may be provided for shareholders or owners of the business.

4. The average benefits provided to non-HCEs must be at least 55 percent of average benefits provided to HCEs.

5. The plan must provide reasonable notification of the program's availability and terms to eligible employees

6. On or before January 31, each employee must receive a written statement showing the amounts paid or expenses incurred by the employer in providing dependent care assistance to the employee during the previous calendar year. An employer can satisfy this condition by reporting these amounts on the W-2s of employees.

Don't confuse dependent care assistance plans with flexible spending accounts (FSAs) used to pay dependent care expenses. With a dependent care FSA, you can contribute up to $5,000 a year to your account on a pre-tax basis. Distributions for qualified expenses are tax-free. However, if contributions aren't exhausted by the end of the year, the remainder is forfeited. Employers may offset this "use-it-or-lose-it rule" by allowing a 2½ month grace period or a $500 carryover to the next year. ●

Ken Berry, Esq., is a nationally-known writer and editor specializing in tax and financial planning matters.

THIS IS PART OF A SPECIAL SERIES, "SWEET 16" FRINGE BENEFITS ON THE BOOKS FOR 2016, BY OUR RESIDENT TAX EXPERT, KEN BERRY, J.D. SEE THE FULL SERIES AT www.CPAPracticeAdvisor.com/12226461

Education Fringe Benefits Get an A+

By Ken Berry, J.D. - CPA Practice Advisor Tax Correspondent

If some of your employees are looking to go back to school, or to enroll in college courses for the first time, you might decide to lend a helping hand. An employer can set up a program that effectively pays for all or most of the costs on a tax-free basis. Usually, this is achieved through an educational assistance plan or a working condition fringe benefit.

1. Educational assistance plans: This is a formal plan supporting advanced education and training employees for new or improved skills. It can be established to provide benefits for graduate studies as well as an undergraduate degree. Generally, the maximum exclusion of $5,250 per year is available for tuition, books, equipment, fees and supplies for study that has a reasonable relationship to your business or is required as part of a degree program.

However, the plan can't cover the cost of a course or other education involving sports, games or hobbies or the cost of lodging, meals or transportation. Furthermore, the following requirements must be met:

- The plan doesn't favor highly-compensated employees (HCEs). The requirement concerning HCEs applies to most other statutory fringe benefit plans.
- The plan doesn't provide more than 5 percent of its benefits during the year to shareholders or owners. For this purpose, a shareholder or owner is someone who owns more than 5 percent of the business.
- The plan doesn't allow employees to choose to receive cash or other benefits that must be included in taxable income.
- The employer provides reasonable notice of the program to eligible employees.

Note that IRS no longer requires employers to file Form 5500 for educational assistance plans.

2. Working condition fringe benefit: Under the rules for working condition fringe benefits, an employer may provide educational assistance tax-free to employees. Unlike educational assistance plans, there is no dollar limit on the annual benefits.

To qualify for the tax exclusion, the expense must pass either of the following two tests.

- The education is required by the employer or by law for the employee to keep his or her present salary, status or job. The required education must serve a legitimate business purpose of the employer.
- The education maintains or improves skills needed for the employee to do the job.

However, even if the education meets one or both of these tests, it doesn't qualify for the tax exemption if it is required to meet minimum educational requirements of the job or it's part of a program of study that will qualify the employee for a new trade or business.

Your payroll department must account for education expenses under the regular rules for reimbursements. This may include amounts for transportation and lodging.

Finally, an educational institution may establish a tuition reduction program for its employees. As long as certain requirements are met, the reduction in cost is tax-free to the employees. For graduate study, the student must perform teaching or research activities for the educational organization.

Not only do these higher education programs help build morale, they may result in increased productivity for the business. Help your employees get ahead at the same time that you do. ●

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By Richard D. Alaniz

Regulations, Executive Orders and Court Rulings: Part 1—What Employers Need to Know Now

Election years often bring a flurry of legislative and regulatory activity. And this presidential election year is no different, as President Barack Obama tries to push through his final agenda items before leaving the White House.

The first of this two-part series will describe some key changes in federal regulations that may make it harder, more costly, and less efficient for employers to run their organizations.

Richard D. Alaniz is senior partner at Alaniz Schraeder Linker Farris Mayes, L.L.P., a national labor and employment firm based in Houston. He has been at the forefront of labor and employment law for over thirty years, including stints with the U.S. Department of Labor and the National Labor Relations Board. Rick is a prolific writer on labor and employment law and conducts frequent seminars to client companies and trade associations across the country. Questions about this article, or requests to subscribe to receive Rick's monthly articles, can be addressed to Rick at (281) 833-2200 or ralaniz@alaniz-schraeder.com.

White collar exemption

In May, Obama and U.S. Department of Labor Secretary Thomas E. Perez announced the publication of the final rule that updated overtime regulations. That new rule, which takes effect on December 1st, will automatically extend overtime pay protections to more than four million workers within the first year of implementation alone.

Under the previous regulations, certain salaried workers who made $23,660 per year were entitled to overtime. The new rule nearly doubles that amount. Starting December 1st, most salaried workers who earn less than $47,476 annually must be paid time and a half when they work more than 40 hours in a work week. Every three years, the pay levels will automatically update, beginning Jan. 1, 2020.

The federal contractor blacklisting rule

In July 2014, Obama issued Executive Order 13673, named the Fair Pay and Safe Workplaces Act. The order applies to the procurement under federal contracts of more than $500,000. It requires federal contracting agencies to collect information about potential prime contractor's three-year history of violations of 12 federal labor, employment, wage payment, and safety laws, including the Fair Labor Standards Act; the Occupational Safety and Health Act of 1970; the National Labor Relations Act; the Americans with Disabilities Act of 1990; and the Family and Medical Leave Act, along with "equivalent State laws." Dubbed the "federal contractor blacklisting list," the final rule is scheduled to be implemented this August.

In May 2015, the Federal Acquisition Regulatory Council published a proposed rule to implement the order. At the same time, the DOL also published its own guidance. In order to be eligible for contracts worth more than half a million dollars, contractors will have to self-report on their own records of compliance. At some undetermined point in the future, they will also need to self-report on the compliance records of their subcontractors.

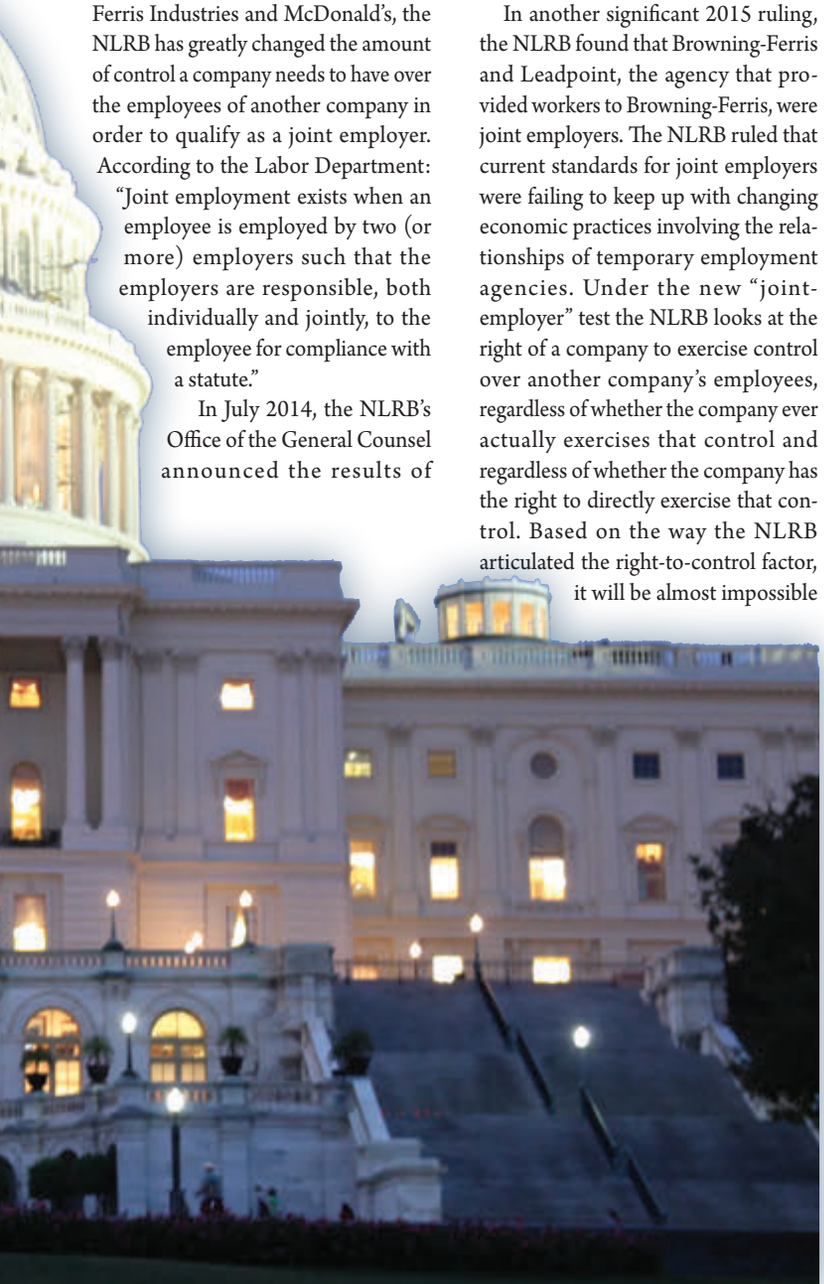
Joint employer

Employers who work with secondary companies and franchisers should be paying close attention to recent decisions by the National Labor Relations Board. In cases involving Browning-Ferris Industries and McDonald's, the NLRB has greatly changed the amount of control a company needs to have over the employees of another company in order to qualify as a joint employer. According to the Labor Department:

> "Joint employment exists when an employee is employed by two (or more) employers such that the employers are responsible, both individually and jointly, to the employee for compliance with a statute."

In July 2014, the NLRB's Office of the General Counsel announced the results of investigations into 181 charges of violations of employee rights against McDonald's franchisees and the parent company, McDonald's USA LLC. While finding some of the charges without merit and others still under investigation, General Counsel Richard F. Griffin, Jr., found merit in 43 of the charges. He then took the ruling even further, finding that both franchisees and franchisors could be potentially liable for the violations. In February 2015, the NLRB filed more complaints against McDonald's for back pay and to reinstate workers who had been fired. The agency also wanted McDonald's to pledge to change working conditions. In March 2016, the NLRB took McDonald's to court.

In another significant 2015 ruling, the NLRB found that Browning-Ferris and Leadpoint, the agency that provided workers to Browning-Ferris, were joint employers. The NLRB ruled that current standards for joint employers were failing to keep up with changing economic practices involving the relationships of temporary employment agencies. Under the new "joint-employer" test the NLRB looks at the right of a company to exercise control over another company's employees, regardless of whether the company ever actually exercises that control and regardless of whether the company has the right to directly exercise that control. Based on the way the NLRB articulated the right-to-control factor, it will be almost impossible for an employer who utilizes contract labor not to be a joint employer with its contracted staffing company. In January, Browning-Ferris launched its own legal challenge against the ruling.



Wellness programs

In May 2016, the U.S. Equal Employment Opportunity Commission (EEOC) issued its final rules for wellness programs under the Americans with Disabilities Act (ADA) and Genetic Information Nondiscrimination Act (GINA). The rules, which apply for plan years starting on and after January 1st, provide some guidance for companies looking to develop wellness programs that comply with federal laws.

Under the new rules, employers must make sure that their wellness programs are reasonably designed, and the information collected be used to target specific conditions that have been identified. That means programs cannot put too much of a burden on employees, involve procedures that are too intrusive, and cannot lead to any illegal discrimination under the ADA, GINA, or any other laws. They also cannot require employees to pay significant costs for medical treatment.

Employee wellness programs must also be "voluntary." Among other things, that means employers cannot retaliate against any employees who choose not to participate in the program. The EEOC has also ruled that incentives, such as gift cards, gym memberships and discounts on health care premiums, cannot be more than 30% of the cost of self-only coverage. That percentage is less than the maximum amount permitted under the Health Insurance Portability and Accountability Act.

The rules also clarify that there is no distinction between wellness programs that are part of, or outside of, a group health plan. The new rules apply to all wellness programs that involve obtaining medical information from employees.

The EEOC also stressed that employers must keep all medical information they receive through wellness programs completely confidential.

OSHA electronic record keeping

In May, the Occupational Safety and Health Administration (OSHA) published a final rule on electronic reporting of workplace injuries and illnesses. While the agency said the rule was designed to "nudge" employers, others are referring to it as a "name and shame" approach. Starting August 10th, employers in high-hazard industries must send OSHA injury and illness data that will be posted on the agency's website (OSHA has indicated it won't being enforcing this reporting until Nov. 1, 2016). According to OSHA, the rule will modernize injury data collection to better inform workers, employers, the public, and OSHA about workplace hazards.

Under the new rule, organizations with 250 or more employees in industries covered by the recordkeeping regulation must electronically submit to OSHA injury and illness information from OSHA Forms 300, 300A, and 301. Companies with 20-249 employees in certain industries must electronically submit information from OSHA Form 300A only.

> STARTING AUGUST 10TH, EMPLOYERS IN HIGH-HAZARD INDUSTRIES MUST SEND OSHA INJURY AND ILLNESS DATA THAT WILL BE POSTED ON THE AGENCY'S WEBSITE.

As overwhelming as these new regulations seem, there are even more to come. In the face of this ever-increasing employment regulation, it is important for employers to stay up-to-date on all the changes that may affect their businesses. By being proactive in reviewing all policies that are affected by these changes, employers can hopefully avoid committing violations and the costs they incur. The second part of this series will explore court rulings and state-level legislation of which employers need to be aware.

Congress Considers Bill Banning Online Sales Taxes By States

By Gail Cole

A bill has been introduced in Congress that would take the legs out from under existing remote sales tax laws.

Tired of Congressional inactivity on internet sales tax, a growing number of states have enacted legislation enabling them to tax sales made by out-of-state sellers. The majority of these laws maintain that a connection between a state and seller is created by a seller's affiliation with in-state residents, such as referrals or a link on a website (affiliate or click-through nexus).

More recently, several states have enacted economic nexus legislation affirming that there is an economic need to tax remote sales. These states, determined to win the right to tax online sales once and for all, hope their laws will be challenged so they can argue their case before the United States Supreme Court and ultimately reverse Quill Corp. v. North Dakota, the 1992 case that upheld the physical presence requirement for nexus. As state after state has created laws, Congress has remained mostly silent on the issue.

And now the fallout.

Three internet sales tax bills have been gathering dust in Congress since the start of 2015:

- Marketplace Fairness Act of 2015 (MFA)
- Remote Transactions Parity Act (RTPA)
- Online Sales Simplification Act (OSSA)

The first two, MFA and RTPA, differ in the details but are similar in nature. Both allow states to tax sales (above a certain threshold) by remote sellers and both provide exceptions for small remote sellers. The third, which exists in draft form only, is quite different from the other two: sales would be sourced to the origin rather than destination state and a flat rate of tax would be established for remote sellers from states with no sales tax. States could require in-state sellers to collect tax on all interstate sales, and there would be no small seller exception. There has been little follow-up to these measures since their inception.

Last week, a fourth piece of legislation was introduced, this one seeking to prevent states from taxing any seller lacking a physical presence. The No Regulation Without Representation Act of 2016 (H.R. 5893) seeks to codify the physical presence requirement upheld in Quill.

Taxation with representation only

According to bill sponsor Congressman Jim Sensenbrenner (R-Wis), "States should not have the ability to tax non-citizens, plain and simple. This legislation would help reduce burdensome overregulation, keep government overreaches in check, and ensure that only residents of a state are subjected to tax obligations." Under his bill, "a state may not obligate a person to:

- Collect a sales, use or similar tax;
- Report the sale;
- Assess a tax on a person; or
- Treat the person as doing business in a state for purposes of such tax, unless the person is physically present in that state during the relevant tax period.

The bill also establishes a de minimis physical presence under which "physical presence" does not include any of the following:

- Referral agreements with in-state persons who receive commissions for referring customers to the seller
- Presence for less than 15 days in a taxable year
- Product delivery in-state by a third-party
- Internet advertising services not exclusively directed towards, or exclusively soliciting, in-state customers

Finally, it protects non-sellers: "Sales tax payment, collection or reporting obligations may only be imposed on a purchaser or seller having a physical presence in the taxing State." It would take effect January 1, 2017 — long before a challenge to Quill is likely to make its way to the Supreme Court.

Possible fallout

It's too early to tell if this measure will have any traction. However, if enacted, the click-through and affiliate nexus laws in place in numerous states would likely be trumped by the bill's de minimis provision. Notice and reporting requirements such as the one established in Colorado would also be preempted by the physical presence requirement. And there would be little point in continuing the legal battles currently underway over the Alabama and South Dakota laws (with an eye to reverse Quill), as the federal law would take precedence over the Supreme Court.

No matter what happens, sales tax software-as-a-service (SaaS) facilitates tax compliance throughout the tax cycle, for businesses of all sizes.

Gail Cole is a sales tax expert for Avalara with a penchant for digging through the depths of BOE sites and discovering and reporting rate changes across the country.

Taxing Pokémon

By Gail Cole

have an 11-year-old son, so I know a little something about Pokémon. I've examined hundreds of Pokémon cards, diligently reading through the descriptions and attempting (futilely) to make sense of the game. I've read the books, seen some TV shows. I even have a favorite — Pikachu, of course.

But I don't pay close attention to the world of Pokémon (and my son doesn't have a phone), and so somehow the U.S. introduction of Pokémon Go on July 6 passed without my notice. I'm a bit embarrassed to admit that it wasn't until last week that I learned of it, after inquiring why a neighbor was scanning her surroundings with her phone. My first thought: I wonder how many people will be hit by cars because of this? My second: what are the tax applications of an app this big?

Within a few hours, I'd learned of the first reported car crash caused by a driver playing Pokémon Go, and also reports of nefarious activity — of people tracking the whereabouts of gamers in order to rob them. As hard as it is to imagine, I've even heard of people wandering into Bosnian minefields (real ones!) while playing. The real world can be a dangerous place when seen through a virtual window.

It took a little legwork for me to uncover some of the sales tax implications.

Taxing Pokémon

PokéStops draw gamers to real locations to stock up on digital game gear, and savvy business owners located near PokéStops have realized that spending a little money on digital lures can draw more potential customers to their vicinity. An Atlanta café spent $40 on such digital lures, which it then refreshed every 30 minutes. In a similar vein, a San Francisco deli nestled between a PokéStop and a battle arena created a charging station for phone batteries drained by the game. Deli owner David Nottage III intends to capitalize on the craze by adding more Pokémon-related activities soon.

Are these forms of advertising, or participation in a game, or digital goods/services? Gamers may not care, but it matters. Blending the real and virtual worlds is new territory for taxation, but determining the type of transaction is essential to determining its taxability.

Advertising

Advertising services are generally exempt from sales tax in Georgia. However, "charges by the seller that are necessary to complete the sale of taxable property" are taxable. Is the money spent to lure a customer to a PokéStop and a sale considered "necessary to complete the sale?" Time will tell.

In California, advertising services (including planning, advertising, radio spots and public relations) are also generally exempt, but tangible personal property sold in addition to services is often taxable. The Pokémon-related activities the San Francisco deli plans to create may or may not have tax consequences.

Amusement

"Charges for participation in games and amusement activities" are subject to tax in Georgia. Pokémon Go players may purchase add-ons to enhance their game — will the Georgia Department of Revenue consider these taxable amusement sales?

In California, however, separately stated charges for optional entertainment are generally exempt, as are admission charges for various amusement and entertainment venues.

Digital goods and services

I saved the gnarliest area of tax for last, although charges associated with Pokémon Go are most likely to be considered some sort of digital good or service. In fact, Pennsylvania's new tax on digital goods, effective August 1, 2016, is already being called the Pokémon Tax.

Lures aren't the only way to spend real money in the Pokémon world. Although free to play, "Players can spend real money on PokéCoins, the in-game currency of Pokémon Go." 99 cents gets you 100 PokéCoins; $99.99 buys you 14,500. According to developer Niantic Labs, this is a way for "players to buy consumable items they could normally find in the wild without too much effort" (The Verge).

Neither California nor Georgia apply sales tax to digital goods and services, so long as no tangible personal property is involved (see Publication 109). Yet these policies could be challenged by Pokémon Go, which merges the virtual and real worlds, and any similar future creations. And in a growing number of states and countries, including Nebraska, Tennessee, and Washington, these transactions are already subject to tax. Several other states, like Vermont, are considering such a tax.

An added tax complexity of sales of digital goods and services is that can be difficult to pinpoint exactly where a transaction occurs. Enthusiastic Pokémon players are already embarking on road trips to up their games. How is tax determined when a resident of Washington, where digital goods are taxable, traverses the country to New York, where they're not? What about when purchases are made along the way in a variety of states? If tax applies, is the rate determined by the location of the phone or the billing address associated with the sale? Does the location of the server come into play?

The world of digital goods and services is fast-paced and states struggle to keep their tax laws and policies up-to-date. Given the amount of time it takes to enact legislation or vet a new policy, it's an almost impossible task. It's too soon to know exactly how the blended real and virtual world of Pokémon Go will impact sales tax, but it's only a matter of time before employees at state departments of revenue or state legislators put down their phones and look into this.

August SALT Checklist

- ☐ Checkup: Make sure clients are collecting and remitting sales tax in all appropriate states
- ☐ Do clients have a process in place to track use tax? If they are making purchases and not paying sales tax, help them set up a use tax plan.
- ☐ Do clients have a process in place to collect and to validate certificates?
- ☐ Review sample of certificates, signed, not expired.
- ☐ Do clients have a dedicated process in place to file sales tax returns? Help them with automating this process if necessary.
- ☐ Are clients taking advantage of available discounts for prepayment?

By Paul McDonald

4 Common Change Management Failures Managers Need to Avoid

In today's business environment, public accounting firms must be prepared to pivot with speed and agility at a moment's notice. Changing standards and regulations, emerging technologies, and business risks are just a few of the dynamics managers must monitor closely. And to help their firm respond to and adapt to change successfully, they must excel at change management.

That's easier said than done, of course, which is why delving into what not to do during a transition can be a useful exercise. Knowing what change management mistakes derail success can help you to guide your organization, and your team, more confidently.

Here are four common change management failures and tips for avoiding them:

Paul McDonald is senior executive director at Robert Half, the world's first and largest specialized staffing firm. He writes and speaks frequently on hiring, workplace and career-management topics. Over the course of more than 30 years in the recruiting field, McDonald has advised thousands of company leaders and job seekers on how to hire and get hired.

Failure #1: Ignoring change

When you see change on the horizon, your response should not be to stick your head in the sand and pretend it isn't happening.

For instance, if competitors are reducing costs and increasing efficiencies by embracing cloud technology, why should your firm resist the trend? If moving to the cloud can create potential long-term benefits for the business, the transition will likely be well worth any adjustments your team might need to make in the short term.

Instead of ignoring change, you can move your business ahead by actively seeking it out. Become a great prognosticator of what's coming in the accounting field by remaining hyper-aware of pending regulations and other factors that could cause disruptions to the industry and your clients.

Failure #2: Poor communication

The very worst thing you can do when change is coming is to not talk about it with your teams. Because if you don't, they will — as soon as they sense it. And the resulting rumors are often worse than the change actually turns out to be.

CFOs in a Robert Half Management Resources survey said communication is the top success factor when leading a team through change. Even if you don't have all the details, share as much information as you can — and do it face to face with your staff whenever possible.

As the organization undergoes change, be sure to emphasize the benefits and opportunities employees are likely to experience because of the transformation. Likewise, be honest about any potential downsides — including how disruptive the change may be. Sugarcoating issues or being unrealistic about the time and effort required to implement it or adapt to it will work against your success.

But don't just talk to them about it. Once the business has set a new course, involve employees in the process. Make it a two-way conversation: Your employees need to know their opinions and ideas on how to implement change are welcome and valued.

Keeping the lines of communication open, providing frequent updates, and adhering to consistent messaging are all imperative.

Failure #3: Setting the wrong tone

Change management requires creating a sense of urgency so employees will understand the importance of the move and help the business transition. However, if you hit the gas too hard and don't give your team time to digest the news, you may end up overwhelming them or fostering resistance.

Likewise, if you move too slowly, you may not inspire your staff to embrace the transition. Their lack of interest in the initiative could undermine your organization's ability to achieve its objectives.

Failure #4: Absence of accountability

If you don't set clear roles and expectations for your employees, they are likely to feel that a change is something happening to them instead of something they are a part of. Make sure everyone is accountable, in part by assigning team members well-defined responsibilities.

When your employees reach key milestones, acknowledge their achievements and show your appreciation. This will help to keep them engaged. It will also underscore how important individual contributions are to the big picture the firm is trying to realize.

Change is hard. That statement may be a cliché, but that doesn't make it any less true. Avoiding the four common change management failures outlined above can help make the transition smoother for your employees — and increase the likelihood your business will achieve the positive outcomes the change is meant to generate.

Back to School Tax Tips for 2016

By Isaac M. O'Bannon, Managing Editor

As the final weeks of summer tick away, back-to-school sales are ramping up and it's time to think about getting those kids back in the classroom. It's also a good time to think about a variety of tax breaks and deductions available for qualifying expenses.

To help, TaxAudit.com, which specializes in IRS audit defense, has crafted a list of back-to-school tax tips for 2016.

"Most Americans don't think about taxes when it comes to school, and understanding which school costs are deductible or not deductible can be challenging," said Dave Du Val, TaxAudit.com's chief customer advocacy officer. "For example, private school tuition is not deductible, but the child care component of private school tuition may be deductible for children under the age of 13. Also, for parents of college students, 529 plans are not federally taxable. Any money withdrawn from the account, as long as it is used for qualifying college expenses like a laptop or books, is not taxable."

The tax tips include:

PRIVATE SCHOOL TUITION AND SCHOOL UNIFORMS

The cost of private school or parochial school tuition is not deductible. However, the child care component costs of private school tuition for children under 13 may qualify the taxpayer for a tax credit. School uniforms are also not deductible even if they are required.

BEFORE AND AFTER SCHOOL CARE CAN BE DEDUCTED

For a child under the age of 13, the cost of before or after school care may qualify the taxpayer for a tax credit if it is a qualifying expense.

TAX DEDUCTIONS FOR SCHOOL FUNDRAISERS ARE LIMITED

You are required to reduce your deduction by the market value of any goods or services received in return for your charitable donation.

MOVING EXPENSES TO GO TO COLLEGE ARE NOT DEDUCTIBLE

Going away to college is not moving for a job and is not considered a moving expense deduction by the IRS. However, the expenses for moving from college for that first job may be eligible for the moving expenses deduction.

EARNINGS IN 529 PLANS ARE NOT FEDERALLY TAXABLE

The earnings in 529 plans are not taxable. The money grows tax-free and withdrawals are not taxable as long as the money is used for eligible college expenses.

USE TAX-DEFERRED ACCOUNTS TO PAY FOR EDUCATIONAL EXPENSES

You can use tax-deferred accounts (i.e., a Coverdell Educational Savings Account) to pay for qualified educational expenses including books and computers for elementary, high school and college expenses.

STUDENT LOAN INTEREST IS DEDUCTIBLE ABOVE THE LINE

Student loan interest is generally deductible as an above the line deduction, meaning you do not have to itemize in order to claim the deduction on your federal income tax return. There is a student loan interest deduction of up to $2,500 for paying interest on a student loan used for higher education. The amount of the student loan interest deduction is gradually reduced if the taxpayer's modified adjusted gross income is within a certain range.

AMERICAN OPPORTUNITY CREDIT (AOC)

The AOC can amount to $2,500 in tax credits per eligible student and is available for the first four years of post-secondary education at a qualified education institution. Up to 40% of the credit is refundable, which means that the taxpayer may be able to receive up to $1,000, even if the taxpayer has no tax liability. Eligible expenses include tuition at an eligible institution, books and required supplies, but not room and board, medical expenses, insurance, etc. Income limits apply. The taxpayer is now required to have the 1098-T from the qualified educational institution to take the AOC, and the credit has to be based on amount paid and not billed.

LIFETIME LEARNING CREDIT

Up to a maximum of $2,000 credit per year for qualified education expenses paid for a student in an eligible educational institution. The credit is a nonrefundable credit of 20% of a maximum $10,000 in qualified education expenses. There is currently no limit on the number of years a taxpayer can claim the credit. Income limits apply. Please keep in mind, this credit does not allow for some of the items that are allowed for the AOC. This credit is generally applies only to tuition and fees.

TUITION AND FEES DEDUCTION

The Tuition and Fees Deduction is an above the line adjustment and applies to qualified education expenses for higher education for an eligible student taking undergraduate, graduate or post graduate courses. The deduction gradually phases out after a certain income range. There is no limit to the number of years the deduction can be claimed.

ROTH IRA

Remember, up to $5,500 of the income earned by the student can be contributed to a Roth IRA, which will grow tax-free. The earnings are taxable and subject to a penalty only if withdrawn before the age of 59 ½.

Why Attracting Female Accounting Talent is not One-Size-Fits-All

By Amy Vetter

In a recent column, I explored how we can empower female accountants who want it all. As a working mom myself --I own a small business in Ohio and am global vice president of education and head of accounting U.S. at Xero-- I've learned that it is about knowing your breaking point and building a supportive network.

The most important discovery I've made, however, is that what works for one woman might not work for another. While many accounting firms correctly recognize the need for female talent in their practice, too many treat related recruiting and retention activities as one-size-fits-all. Despite their best intentions, this approach won't move the needle.

While I'll be exploring this issue in-depth at my Women in Business panel at Xerocon in August, I've asked a few of my peers to share their perspective on how to nurture female talent in the accounting space.

Kimberly Ellison-Taylor, CPA, CGMA, Vice Chairman of the Board of Directors, AICPA: ***Embrace the Non-Traditional Path***

It is no secret that there is a well of untapped potential in the accounting profession. By continuing to work towards recruiting the best and brightest students, we're able to draw from a larger pipeline of talent in the accounting profession.

But the work doesn't end once these students earn their CPA license. Working towards a more diverse and inclusive profession also means focusing on retaining talented CPAs of all backgrounds. And through these dual efforts of recruitment and retention, I believe we'll see more females in senior leadership positions. The reason I am confident we'll close the gap is the work being done across the profession in the Public Practice, Business/Industry, Education, Not-for-Profit, Government, and Consulting areas.

One of the initiatives that especially resonates with me is increasing awareness to the many ways individuals enter the profession so that we identify talent from a broader pipeline perspective. While every path may have a unique nuance, I have met many professionals, both male and female, who have made choices around their family dynamic. Most notably, firms and organizations that are able to offer different work schedules and more flexibility have achieved great success with attracting and retaining top talent, especially as it relates to females.

And while it's important to not over generalize, the approach that worked for baby boomers in 1970 or 1980 will not be the best fit for millennials. There is no cookie-cutter approach. How, when, and where we work are not generic factors that can be assumed--our value proposition to the candidates must be clear as well as the outcomes we expect.

Today's "traditional" journey through the profession has actually become the "nontraditional" path. As part of the strategy to increase our talent pipeline, practice leaders may want to consider that today's "ideal" candidate has many dimensions. The blueprint to the next senior position must be clearly communicated and developed with the specific professional in mind. Hiring managers may need to analyze their recruiting strategies and adjust accordingly.

For example, I grew up in inner-city Baltimore and majored in information systems, as my college didn't have an accounting program. After getting my MBA from Loyola University and attending a community college to get an accounting certificate I passed the CPA exam at 29. From where I grew up, to my educational background and the age I started in the profession, I have followed a non-traditional path.

However, I was fortunate to have answered the call of the Maryland Association of CPAs (MACPA) to engage and volunteer in the profession. And this has allowed me a platform to share my experiences and give back. Mentorship, sponsorship and coaching are all important aspects as we seek increasingly higher levels of responsibility and among others, the MACPA has served in each role throughout my career.

Joanne Cleaver, President, Wilson-Taylor Associates: ***Business Development is Make or Break***

As women progress in their careers, especially in the professional services space, many are tasked with business development responsibilities. Too many, however, only have their first exposure to business development once they've reached a senior manager level. Coupled with the fact that this is often when women begin having kids, it can be an overwhelming experience.

Rather than throwing senior female talent into the proverbial business development deep end without a lifeboat, accounting firms should begin to integrate business development training from the get-go. That's not to say that entry level employees and senior managers should be held to the same business development standard. However, all employees should have an appropriate level of business development exposure, regardless of title level.

As firms look to bring employees into the business development process, they must first understand that networking today is very different than it was 10 years ago. Relationships that were once made on the golf course are now made in cyberspace, via tools like Facebook and LinkedIn. Your business development value is no longer based only on traditional factors, such as how many non-profit or charity boards you sit on, but also on how well you engage with users on social media.

Understanding this paradigm shift will be helpful in determining the business development roles and responsibilities appropriate for each title level. An entry level employee, for example, might be given credit for sharing a blog post on LinkedIn. On the other hand, a senior manager might be measured on how effectively she leverages her connections in order to drive new business.

By scaling up business development responsibilities over time, employees build confidence and gain relevant experience. Thus, when it comes time to drive and own a firm's business development activities, female employees will feel empowered to succeed, not fearful and overwhelmed.

Amy Vetter, CPA.CITP, CGMA (@AmyVetterCPA) is Xero's Global Vice President, Education & Head of Accounting, USA.

Is Retirement By 65 An Unrealistic Goal For Gen Xers and Millennials?

By Isaac M. O'Bannon, Managing Editor

People age 35-plus don't think they will be able to retire when they hit the traditional retirement age. While 87 percent of those surveyed who are working full time say they want to retire someday with nearly 70 percent of those hoping to retire by 65, just over half don't expect to retire by 65 or at any age. That's according to a new "life transitions" survey released by AARP's Life Reimagined.

"Although this group acknowledges that they will be working longer, fewer than one in five people across the Gen Xer and Boomer demographics say the thing that motivates them to get up in the morning is going to a job that fulfills them."

These findings are in line with the Bureau of Labor Statistics, which predicts that the labor force participation among 65-74 year-olds will hit 32% by 2022, up from 20% in 2002.

"This new survey points out differences between traditional ideals and today's expectations of both Gen Xers and Boomers as evolving realities begin to take shape, especially when it comes to work," said Carey Kyler, vice president of consumer experience and strategy at Life Reimagined. "And, many are feeling overwhelmed by the challenges that these new life transitions present, which is why AARP first launched Life Reimagined. People are looking for help navigating these new realities and figuring out what to do next in their careers or work."

Fears: What's keeping them up at night? Besides fears about retirement, the survey found that half of people ages 35+ are "kept up at night" by financial concerns, along with:

Nearly as many are concerned about physical health challenges (42%), about a fifth worry about relationship issues (22%) and others have worries about work (20%).

A third feel their health will be the most important challenge they face in the next five years (34%). This is higher than the proportion who feel their most important challenge will be related to their children (13%), their work (10%), (re)discovering their purpose (9%), their home (9%), or their romantic relationships (8%). Over half dread having health problems (62%), losing someone they love (59%), and having less money (55%) in the next five to ten years.

Motivations: What's getting them up in the morning? To assess what is driving this group of Americans before and during retirement, the survey found:

One third find spending time with friends or family gets them most excited about the day (33%). If money was not a factor, most would volunteer or donate to a cause (69%) and travel the world (58%). Most who are working full-time and want to retire some day would like to travel (85%), pursue a passion (76%), or volunteer (69%) in retirement. Half who are working would do a different kind of job if they could (49%). The most popular types of ideal jobs for those who would switch are doing something that helps or teaches others (30%) and doing something creative or artistic (25%).

Managing Transitions During a Longer Mid-Life Phase: How are they navigating what's next? The survey also touched on the challenges that life transitions bring, and how people manage them:

Recognizing that they'll need their money to work for them longer, 73% of respondents expect their "mid-life" phase will or may be longer than generations before. In fact, just 16% of adults 35+ who are working full time believe they will be able to retire at a younger age than their parents' generation.

- Nearly half (46%) of those surveyed say they will be older than their parents' generation when they retire. When faced with a difficult situation, nearly 4 in 10 are most likely to make a plan (38%) while roughly a quarter are most likely to connect with others (26%).
- Fewer are most likely to withdraw from others (16%) or indulge themselves (8%).
- Major barriers to navigating transitions in life include having enough money (49%) and feeling overwhelmed (31%).
- About a fifth also cite not knowing where to begin (23%), finding helpful resources (21%), not having support from family and/or friends (21%), and not wanting to think about it (20%).
- 76% of adults 35+ say having enough money is a barrier of some kind (major or minor) to navigating life transitions, which can encompass a number of areas including career, financial or relationships.

LABOR FORCE PARTICIPATION AMONG 65-74 YEAR-OLDS WILL HIT 32% BY 2022, UP FROM 20% IN 2002

— BUREAU OF LABOR STATISTICS

ransomware

Is Your Accounting Firm At Risk?

By Christopher Stark

In this day and age, accounting firms need to be just as aware of cybersecurity threats as they are of filing deadlines and tax guidelines. One of the most vicious cyber threats in history is affecting small businesses, individuals and accounting firms right now- ransomware.

Ransomware is a type of malicious software that encrypts files, blocks access to computer systems then requires an anonymous payment, and has the ability to make a dramatic and devastating impact on your business. A recent report released by the FBI claims ransomware infections caused more than $1.6 million in losses last year for individuals and businesses- an absolute pandemic, as stated by *TechTarget*.

It only takes one click of a mouse for your firm to quickly become infected with ransomware. Often times, it occurs when staff opens attachments within emails. These emails may appear to contain important client data or a shipping confirmation, but they are just disguised malware. Microsoft Malware Protection Center notes your firm's infrastructure can also become exposed to ransomware when employees access fake or suspicious websites.

Keeping your data and applications safe and secure from ransomware attacks, while increasing your clients' awareness of malicious software, requires collaboration with your internal IT department and/or managed IT provider. There are three things you can do to better protect your firm and clients: examine your current IT infrastructure, update security measures, and educate your staff and clients.

EXAMINE CURRENT IT INFRASTRUCTURE: Your firm stores and accesses client information on a daily basis, so you must make sure this critical information is kept safe. To ensure client files are protected, your firm should perform a security audit to identify vulnerabilities in your organization's IT infrastructure. The New Jersey Society of Certified Accountants (NJCPA) recommends partnering with a third-party security firm to conduct a Vulnerability Assessment or Penetration Test at least once each year. The results from the security audit can help your firm establish a plan to close any security gaps that make your organization vulnerable to ransomware.

In addition, you should review and test your disaster recovery and business continuity plans each time your IT environment changes. In the event of a ransomware attack, these plans are invaluable. *IT Business Edge* notes disaster recovery plans can help your firm get systems back up and running after a cybersecurity attack. The same article

also advises that business continuity plans enable staff to remain productive while cybersecurity issues are being resolved.

UPDATE SECURITY MEASURES: When ransomware infects an organization's IT infrastructure, it can restrict access to critical information stored within the computer system. Because of this, it is important for your CPA firm to be proactive in updating security measures. Your firm's data backup procedure is a key security measure that should be top of mind. *TechAdvisory.org* advises that small to mid-size businesses that work with critical client information should perform daily backups. Frequent backups will minimize your organization's loss of data in the event of a ransomware attack.

Along with updating your firm's data backup procedures, you should also consider where your data backups are being stored when revamping security measures. Many organizations store their backups to on-site servers within their IT infrastructure, making their data vulnerable to ransomware attacks. To ensure your data backups will not be infected by malicious malware, you should consider storing data backups on servers at a secure off-site storage facility. This will allow your organization to restore its IT infrastructure from the most recent backup in the event of a ransomware attack.

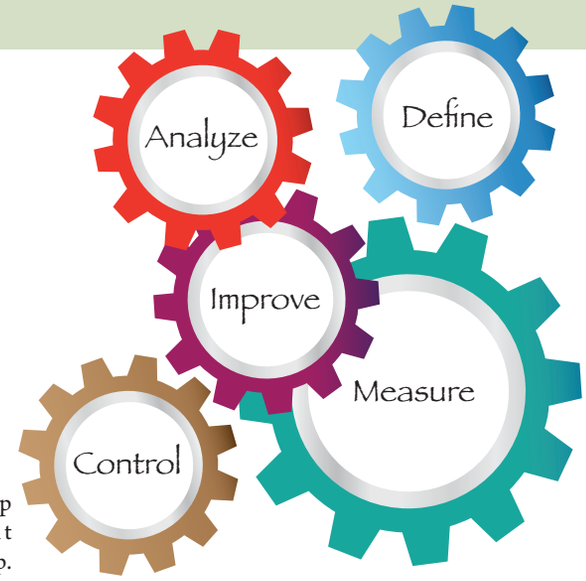
EDUCATE STAFF AND CLIENTS: As mentioned earlier, emails containing suspicious attachments and fake websites can lead to your firm becoming infected with ransomware. To minimize the likelihood of your staff opening these types of emails or websites, collaborate with your internal IT department to develop and implement cybersecurity training courses. Cybersecurity training courses will help educate your staff on the different types of ransomware threats. Once your employees become well-versed on the types of email attachments they should not open and websites they should not access, then they can pass along their knowledge to your clients as advisory services. The American Institute of Certified Public Accountants (AICPA) recommends that firms provide advisory services in which their staff educates clients on their organization's security measures, potential cybersecurity threats, and steps they can take to ensure their critical information is safe and secure.

Examining your IT infrastructure, updating security measures, and educating staff and clients will help you protect your organization and client base. If your organization's IT department or IT managed provider is struggling to keep up with the latest cybersecurity threats, a cloud service provider with extensive cybersecurity experience can step in and fill the gap in areas where you feel your firm's security practices are lacking. Whether you are working with your IT department or consulting a cloud vendor, your firm's top priority must be keeping your IT infrastructure and your clients' data safe from any cybersecurity threats, including ransomware.

WHETHER YOU ARE WORKING WITH YOUR IT DEPARTMENT OR CONSULTING A CLOUD VENDOR, YOUR FIRM'S TOP PRIORITY MUST BE KEEPING YOUR IT INFRASTRUCTURE AND YOUR CLIENTS' DATA SAFE FROM ANY CYBERSECURITY THREATS, INCLUDING RANSOMWARE.

Christopher Stark is the founder, president and CEO of Cetrom, an industry-leading provider of custom cloud solutions that transform the way businesses succeed. With nearly 30 years of experience in all facets of the IT industry, and some of the industry's most prestigious technical certifications, Stark employs unmatched insight on the future of IT to serve clients across many markets, including the CPA and accounting industry.

By Jim Boomer, CPA.CITP



The Ultimate "Best Practice" for Accounting Firms

By Jim Boomer

Conference Season

The summer and fall months officially kick off conference season. The time when you send out your best and brightest to learn and explore from their peers and "bring back great ideas". And many conferences do their part to help facilitate the sharing of great ideas through "best practice roundtables" and asking speakers to share their own best practices that they've seen tried within firms. This all sounds well and good except for one fundamental flaw that those of us in the Lean world identify way too often in organizations: It's not just taking the idea that counts. What matters is:

- Identifying how these ideas actually help solve a problem and will lead to improvement within your organization; and
- Strategically deploying these new ideas and getting buy in to actually implement them.

That's right – there's a problem with sharing best practices and thinking these are the long-awaited silver bullets you've been missing. How does it fit within your organization? How does it fit your culture? Your personnel? Is it solving an actual problem you have or does it just add more clutter, stacking, and convolution to an already convoluted process that you have? Unfortunately, I see many firms that fail to answer any of these questions before "implementing" these best practices. And the lackluster results and lack of firm-wide adoption of these ideas speak for itself. Then we repeat the cycle next year.

Jim Boomer is a shareholder and the CIO for Boomer Consulting, Inc. He is the director of the Boomer Technology Circles™ and an expert on managing technology within an accounting firm. He also serves as a strategic planning and technology consultant and firm adviser in the areas of performance and risk management. In addition, Jim is leading a new program, The Producer Circle, in collaboration with CPA2BIZ and the AICPA.
jim.boomer@cpapracticeadvisor.com

Following a proven roadmap

This is where the structured and formal approach of the Lean Six Sigma D-M-A-I-C model (Define, Measure, Analyze, Improve and Control) can be the differentiator and catalyst your organization needs. It's not that the best practices are wrong. What is crucial, however, is that you identify which ideas and best practices actually will solve problems your organization is facing. Not just on paper but in reality. The ideas that, when strategically inserted into your opportunity areas, will lead to optimal results.

- **DEFINE –** Define the problem that you are trying to solve. This includes identifying the specific process that you want to improve (i.e., business tax, individual tax, client accounting services, audit, billing, etc.) and setting expectations and timelines for the project.
- **MEASURE –** Map out the current process step by step. Document what is REALLY happening instead of what SHOULD be happening. This helps identify the areas of opportunity in the process.
- **ANALYZE –** Put the current process under a microscope to identify the wasteful activities in the process, work loops and quality issues. Ultimately, identify the areas of opportunity.
- **IMPROVE –** Develop ideas and solutions into the areas of opportunity discovered during the Analyze phase and develop the new and improved process.
- **CONTROL –** Develop a plan to train, rollout and implement the new process, sustain buy-in and encourage continuous improvement!

This model is quite simple, actually. By defining process objectives, measuring the current state of your process, and analyzing that current state to identify where your deficiencies are, you know where to focus your improvement ideas. You don't appear scattered with your changes. Instead, you're focused. You build a case for change. And you explain the ever crucial "why" to everyone that needs to buy in to show how certain ideas and best practices actually solve real-world issues you are facing. This makes the Control phase (aka "Buy In") much smoother.

Firms and organizations that use this approach to process improvement report and realize far greater productive results than organizations only concerned with accumulating and trying to deploy best practices in a shotgun manner. It's a much more structured and proven approach.

Are you engaged in accumulating best practices or creating results?

I like to make the statement that the ultimate best practice is following the DMAIC roadmap to select and deploy individual best practices. Does it take time and effort? Yes. Does it require developing strategies around buy-in and thinking ahead? Yes. Do you need to build a case for change? Yes. But you can either spend that time now and build a culture around continuous improvement and optimal process performance to better serve clients. Or you can take the easy way out and force feed best practices into your firm in a scattered approach. This will cost you far more - multiples of the DMAIC roadmap investment - year after year., repeating this vicious cycle with more best practices next year.

"The definition of insanity is doing the same thing over and over again and expecting different results" – Albert Einstein

If your firm has struggled deploying best practices and one-size fits all ideas in the past, why don't you try something different this year? The secret many CPA firms are discovering is that by following the Lean Six Sigma process improvement model (DMAIC) they are changing from one-off small gains to transformational firm gains to productivity and client service. Lean Six Sigma enables your firm to properly align your people and processes with your technology. And, ultimately, build an organization that lives and breathes a culture of continuous improvement.

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Just Announced Speakers:

- Jim Boomer
- Jim Bourke
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Additional speakers to be announced soon.

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DECEMBER 1, 2016