

# CPA Practice Advisor

Today's Technology for Tomorrow's Firm

SEPTEMBER 2018

VOLUME 28  
NUMBER 8

**BRIDGING THE GAP:**  
The Value of BIG DATA  
in an Accounting Firm

## WHY AND HOW:

# CRYPTOCURRENCY



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Point-of-Sale Systems  
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## Owning Your Mistakes: Is Autocorrect Our Enemy? Or Are We Our Own Enemies?

HOW MANY TIMES (or maybe I should ask, How many times a day...) does your computer or your phone autocorrect your typing to something that is troublesome, embarrassing, confusing, hilarious, incomprehensible, or maybe even all of those at once? As an editor, I feel like I should be extra diligent about rereading anything I type before I hit that Send or Publish button. And yet... I still get into autocorrect trouble on a regular basis.

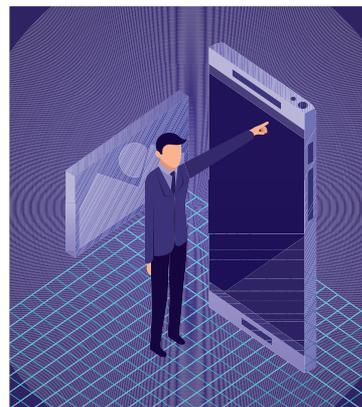
Anyone can make mistakes, and pretty much everyone does. But we had a fighting chance before email and smart phones. In the good old days an office assistant typed documents and memos, and then they were read over once or twice before they got signed and stamped and went in the mailbox. In lieu of texting, we relied on phone calls and talking to people, so the crazy misspelling mistakes that happen today in rapid-fire texting didn't have a chance to creep into our conversations.

That's not to say mistakes weren't made, and, actually, when we did make a mistake, we really didn't have anyone to blame but ourselves. Today, we can blame autocorrect, and so, in a way, autocorrect is our friend. Who hasn't pointed a finger at autocorrect when in fact we ourselves made

the mistake? "Oh, autocorrect must have done that – I would never have misspelled your name myself!"

Today it's on us to make sure our communications are clear and correct before we send them on their way to recipients. Which brings me to the issue of dealing with mistakes in general. Frequently people make mistakes and then try to cover up the problem (I can think of some politicians...). When we engage in a Watergate-style coverup, we hope we can get away with the mistake, we won't get caught, we worry about the consequences, how it might impact our job, our client relationships, our role in our workplace. Sometimes it seems easier to point fingers or to make excuses, blaming autocorrect or someone/something else.

Maybe it's because I'm taking those pain meds today to combat this morning's tooth extraction (so sad,



I'll miss that tooth – we've been together for a long time), but I think it makes sense to take the medicine, accept the blame, admit your errors. For one thing, you relieve yourself of the guilt when you are no longer carrying around the baggage of trying to remember who you told what about the problem. Face your problem, and then it starts to go

away. Once you own the problem, you can start working on a solution. Hide from the problem, and then not only do you have to continue the charade of deflecting blame, but it's more difficult to own the solution, because you're trying to solve a problem that you're claiming isn't yours in the first place. It gets complicated, and you can unravel that complication by just saying, yes, I did this.

Maybe this problem is going to cost you your job. Maybe you'll lose a client or a friend. But your honesty will serve you better than hiding behind your guilt. A fresh start with a clear conscience will feel better than the mask of insincerity. ■

— Gail Perry, Editor-in-Chief

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CRYPTOCURRENCY HAS MADE a lot of millionaires and multi-millionaires in the last three years. That said, remember cryptocurrencies are highly speculative, and you may want to think of this as a form of gambling. While I know many CPAs who love Las Vegas and New Jersey casinos, others would never lay a chip on a table or put a coin in a slot. Likewise, some believe that long-term wealth is built through the stock market and others believe it is simply a wealthy person's legalized gambling playground. While I would never tell you what to do or not to do, understanding that cryptocurrencies have risk and that cryptocurrencies can make you a lot of money are both important facts. The greatest risk to most of the cryptocurrencies is that they are not backed by any government.

According to Blockgeeks: "A cryptocurrency is a medium of exchange, created and stored electronically in the blockchain, using encryption techniques to control the creation of monetary units and to verify the transfer of funds. Bitcoin is the best known example." Further, a cryptocurrency 1) has no intrinsic value in that it is not redeemable for another commodity such as gold, 2) has no physical form and exists only in the network, and 3) its supply is not determined by a central bank and the network is completely decentralized.

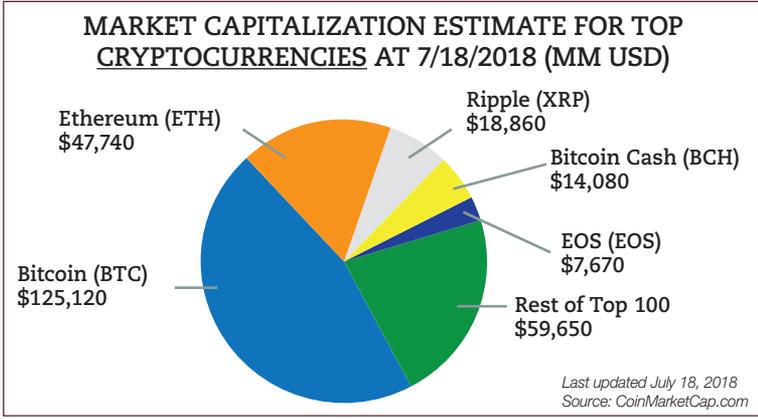
Like all of the emerging technologies we have covered in these emerging technology columns, cryptocurrency has pros and cons.

- On the positive side:
- Provides seamless, distributed, secure transactions
  - 100's of options, a few leading choices
  - Eliminates the involvement of banks
- On the down side:

- Not a fiat currency, or legal tender backed by a government, such as U.S. Treasury with a few exceptions
  - Theft has little recourse
  - Only a few are integrated with standard processing
- And there are clearly some risks:
- Money Laundering. As transactions are anonymous and unregulated it can be used to launder funds around the world.
  - Tax Evasion. It is virtually impossible for taxing authorities to enforce local tax regulations.
  - Black Market. It is the currency of choice for black market goods.
  - Valuation. The instability of the price makes it difficult to use in real world business transactions.

**WHY?**

- Cryptocurrencies have become very common:
- There are 1,500+ cryptocurrencies being purchased and sold in over 9,500 exchanges all-day, every day.
  - Many cryptocurrencies have failed. Some reports indicate as many as 900 have failed. If the cryptocurrency had value, this would have smacked of fraud.
  - The market cap of all cryptocurrencies exceeds \$281B USD and is growing at over 10% annually.
  - Bitcoin makes up about 45% of the market capitalization of the marketplace.
  - The daily trading volume exceeds \$14.5B USD per day.
  - Blockchain and cryptocurrency are cutting edge technology that are in their infancy. (last month's article: [www.cpapracticeadvisor.com/12419797](http://www.cpapracticeadvisor.com/12419797))
  - Compare your thoughts about the Internet in 1996 to your thoughts about it today.
  - This is a long-term technology that will take 5+ years



to gain mainstream adoption but has the possibility to truly change the world.

- It has the potential to change financial markets in the same way that the Internet changed communication and commerce in the last 20 years.
- It is highly speculative, volatile, changing constantly, but is constantly improving. There are measurable successes every year.

Cryptocurrency has evolved as a mechanism for organizations to launch new businesses by offering an Initial Coin Offering (ICO), similar to an IPO. An ICO is faster, less expensive and almost unregulated.

- Filecoin ICO raised \$257M
- EOS ICO raised \$180M
- Tezos ICO raised \$232M
- Bancor ICO raised \$153M

## WHAT? BITCOIN

- The oldest, most widely used, and highest market capitalization cryptocurrency.
- Proposed by Satoshi Nakamoto in a 2008 white paper, the current blockchain for Bitcoin started in 2009
- A Bitcoin is a “store of value,” just like any other investment, security, or fiat currency.
- It can be used to store wealth or conduct business transactions just like any other financial instrument.
- The algorithm sets a hard supply limit of 21M Bitcoins, which should be reached around the year 2140, with about 16.8M currently in circulation.
- Adjusts itself to generate a new block of transactions in its blockchain every ten minutes.
- Uses “proof of work” to verify transactions and volunteer miners who are paid in “printed” bitcoins for their work maintaining the bitcoin ledger.
- Is the “parent” currency to Bitcoin Cash and Bitcoin Gold, which were spun off in hard forks of the currency on 8/1/2017 and 10/24/2017.
- Bitcoin was a novelty technology for the first several years

of its existence. It was given away or traded for almost nothing in the beginning. It started gaining serious real-world value in 2015 and exploded in growth in 2017.

- In 2010, a person purchased two large pizzas for 10K bitcoin. At its peak valuation in 2017, those pizzas were worth \$180M.
- The price has always been highly volatile and speculative, sometimes changing upwards of +/- 50% in a given day.
- In the beginning, Bitcoin was the currency of choice for illegal goods, bribery, and other nefarious activities.
- Bitcoin investors have been affected several times by large scale data breaches which resulted in the loss of millions of dollars.
- Despite the significant ups and downs, Bitcoin's valuation has consistently increased by a minimum of 200% year over year. A \$10K investment in Bitcoin in 2010 would be worth upwards of \$150M in 2018.
- Bitcoin inspired additional blockchain and cryptocurrency technologies. Some of these technologies (e.g. Litecoin) were released to compete with Bitcoin, but others (e.g. Ethereum) were developed to fill a different need in the marketplace.

## ETHER

- Like Bitcoin, Ethereum is a store of value, but it is also a decentralized computational platform. Meaning, you can actually run applications or store data inside the Ethereum blockchain.
- The transaction times and processing fees are considerably lower compared to Bitcoin.
- Ethereum can be used in wide range of use cases from issuing insurance policies to performing supercomputer research for science discoveries.
- Currently utilizes Proof of Work but will be transitioning to Proof of Stake in future releases.

There is not currently a hard supply limit of Ether, but that might change in future releases. There are approximately 100M currently in circulation.

- Has wide adoption with technology, financial, healthcare and government agencies with the Enterprise Ethereum Alliance (EEA).
- Historically, Ether is the cryptocurrency with the second highest market capitalization, and it runs on the Ethereum open source platform, which is also used for many “alt-coins”.

- Proposed in 2013 by Vitalik Buterin, pre-seeded with funds from a crowd-sale in 2014 – system went live 7/30/2015.
- Adjusts its algorithm to create a new block in its blockchain every 14-15 sec.
- Miners are paid with transaction fees based on the complexity of the calculations needed – the units for this are called “gas.”
- The Ethereum platform is configured to allow version updates through “soft forks” – the current version is called Metropolis (vByzantium).
- There is an Enterprise Ethereum Alliance dedicated to the platform.

## RIPPLE

- Ripple is a centralized real-time gross settlement system, currency exchange, and remittance network.
- Offers secure, instantly nearly free global financial transactions of any size with no chargebacks.
- Focuses on interbank payments between financial institutions.
- Unlike Bitcoin, Ripple is a centrally managed blockchain with a US-based company behind the technology.
- The hard supply limit is 100B units with approximately 39B currently in circulation.
- A platform and a cryptocurrency (XRP), Ripple was created as a payment protocol to provide secure payments to members of an online network.
- Originally founded as OpenCoin, but renamed Ripple Labs – funded by venture capital.
- Has a smart contract platform as well.
- Has been adopted by some financial institutions for cross-border fund transfers.

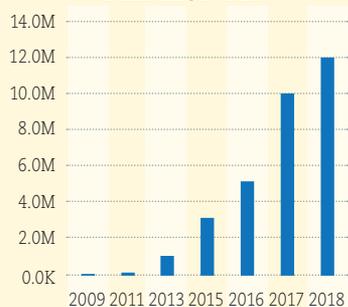
Here are some of the financial institutions using RippleNet:



## LITECOIN

- Nearly identical to Bitcoin; in fact, it is a fork of the original codebase.
- Main differences from Bitcoin: It uses a different hashing algorithm, increased total supply, and a decreased block generation time: 2.5 minutes compared to Bitcoin's 10 minutes.

NUMBER OF BITCOIN TRANSACTIONS PER MONTH



PRICE OF BITCOIN FROM APRIL 2017 TO APRIL 2018



# FROM THE TRENCHES

- It focuses on providing extremely fast and nearly free transactions throughout its network. Some transactions can be processed and verified in under a second.
- There is a hard supply limit of 84M Litecoins with approximately 55M currently in circulation.

## OTHER NOTABLE CRYPTOCURRENCIES

- Dogecoin, which was named after a popular meme.
- Golem, an open source, decentralized supercomputer.
- Basic Attention Token, linked to ads on the Brave web browser.
- Dentacoin, which aspires to be the “blockchain solution for the global dental industry.”
- Kyber Network, a token affiliated with a cryptocurrency exchange.

non-editable, transparent record of every transaction that ever occurred.

- Once the transaction is independently verified many times over, the Bitcoin is deposited in the recipient’s wallet.
- The system is always in perfect balance as it is mathematically not possible to be out of balance.

## THE EXCHANGES: KRAKEN, COINBASE, BITFINEX

- Exchanges are where users exchange traditional funds (e.g. fiat currency) for the cryptocurrency of their choice.
- Not every exchange sells every crypto. Generally, they sell the major currencies (e.g. Bitcoin, Ethereum, etc.). They may also sell specialized coins and tokens as well.
- Exchanges are generally NOT regulated by any government but are subject to banking regulations.

## Marketcap at 6/29/2018 (\$MM)

Currency	Symbol	Rank	Marketcap at 6/29/2018 (\$MM)
Dogecoin	DOGE	41	\$269
Golem	GNT	43	\$247
Basic Attention Token	BAT	50	\$202
Dentacoin	DCN	74	\$111
Kyber Network	KNC	78	\$102
Gas	GAS	86	\$92

Source: CoinMarketCap.com, 6/29/2018, 7:45A EDT

## HOW?

So how do Cryptocurrency approaches work?

- Miners are independent users, worldwide, and disinterested of each other. This ensures that collusion or fraud cannot occur in the processing.
- Miners verify details of the transaction by processing the transactions.
- Transactions are held to strict cryptographic standards. If a transaction does not meet those standards, then it is immediately discarded.
- Transactions are initially verified by a single miner, then verified by thousands of miners within hours.
- Once verified, the block is added to the chain. The chain is a permanent,

- Funds are deposited and withdrawn by ACH or wire transfer via the exchange’s local bank.

## WALLETS: JAXX, MYETHERWALLET

- A wallet is where cryptocurrency is stored and can be online, hardware or paper.
- An online wallet is a wallet that is stored with an exchange.
- A hardware wallet is a physical device that stores the user’s private key.
- A paper wallet is an offline backup of the user’s private key.
- It is recommended to use multiple wallets and have backup copies of the private key. This is for the user’s

safety, integrity and security. The key should always be confidential.

## BLOCK CHAIN MINING

- Mining is the process of calculating a block, validating the transactions, and adding them to the blockchain.
- For their effort, miners obtain new cryptocurrency as a reward. They are welcome to keep their new cryptocurrency or sell it on the open market.
- Rewards can vary depending on the blockchain and the current demand. If there is low demand than the reward is typically lower.
- There are two main types of mining:
  - o Proof of Work (PoW): Blocks are validated by miners through complex calculations and consensus is required.
  - o Proof of Stake (PoS): Blocks are validated by the user’s that actually use the system. User’s stake their current investment similar to a security deposit.

## What does this mean to the practice of accounting?

- QuickBooks Online payment processing
  - o You can accept Bitcoin right inside of QuickBooks Online.
  - o Low Fees. Starting from 0% to get paid in settlement currency. No additional surcharges or foreign transaction fees.
  - o No Chargebacks. Bitcoin transactions are irreversible. It guarantees on-time funds availability and reduces fraud.
  - o Quick Deposits. Bitcoin transactions are completed instantly, and local payouts occur the next-day.
  - o No Exchange Risk. You can choose to receive the exact invoice amount in settlement currency. No currency conversion risk.
  - o <https://paybycoin.intuit.com/>
- Credit Card Transactions by Monaco (MCO)
  - o A real-world credit card backed by virtual cryptocurrency.
  - o It will allow you to purchase real world items using cryptocurrency holdings.
  - o They will offer a variety of cards for every budget and spending habit, from high rollers to budget spenders.
  - o Low fees and cash back on purchases.
  - o <https://mco.crypto.com>

- Predicting and forecasting by Augur
  - o Augur combines the magic of prediction markets with the power of a decentralized network to create an accurate forecasting tool - and the chance for real money trading profits
  - o <http://www.augur.net/>

- Digital Storage by Sia and Filecoin
  - o Sia and Filecoin are decentralized storage platforms secured by Cryptocurrency technology.

- o Sia and Filecoin leverage hard drive capacity around the world to create a data storage marketplace that is more reliable and lower cost than traditional cloud storage providers.

- o In a nutshell, you can rent out part of your hard drive space to Sia or Filecoin and get paid for its use.

- o Alternatively, you could store information in either Cryptocurrency and have it available on any other device.

- o <https://sia.tech/> or <https://filecoin.io>

- Digital Identity Management by Civic
  - o Civic’s Secure Identity Platform (SIP) uses a verified identity for multi-factor authentication on web and mobile apps without the need for usernames or passwords.

- o Civic creates a digital identity of a user and stores that information on a public Cryptocurrency. That identity can then be used to interact with other 3rd parties.

- o That identity can be used to sign contracts, purchase goods online, sign up for websites, store medical records and much more.

- o <https://www.civic.com>



Here's a summary of what you need to know about cryptocurrency:

## Key Information

**Why is the new technology better?**

**How can you do this today?**

**Risks**

**Where/when to use**

**How much?**

**When expected in mainstream**

**Displaced technology or service**

**Other resources**

## TECHNOLOGY: Cryptocurrency

It makes electronic transactions frictionless and eliminates traditional banking methods

Bitcoin, Ethereum, Litecoin, XRP Ripple

Theft of tokens/coins

When regular currency is too hard to transact

Value floats with the market, relatively high costs to mine and create

Arriving now, more presence within two years

Traditional world currencies

*Accounting Today, CPA Practice Advisor*

and statistics that are important to you.

■ You can see the order books being processed in near real-time.

*o Coin Market Cap*

*o <https://coinmarketcap.com>*

■ Great site for tracking current price, volume, supply and market cap of top 1,500 cryptocurrencies.

■ Tracks performance of over 9,500 exchanges and markets.

■ Gives near real-time information across a currency or you can focus on a particular exchange market.

■ Great place to learn more about all the different blockchain applications.

*o Blockfolio - [www.blockfolio.com](http://www.blockfolio.com)*

■ The price of cryptocurrency changes on a minute-by-minute basis. It is important to keep up to date while on the go.

■ Blockfolio can track your entire portfolio in near real-time and calculate your gain or loss right from your mobile device.

■ Blockfolio also gives you breaking news about cryptocurrency and blockchain technology.

■ It is a free app and available for both iOS and Android devices.

## TAXABLE IMPACT

*o Tracking tax ramifications of your investment can be difficult. Virtually every transaction will trigger a taxable event. As such, you need to know if you have a gain or loss every time you conduct a trade.*

*o It is important to know your cost basis, sale price and date of every transaction.*

*o CoinTracking can automatically import your portfolio and track your transactions. It is helpful in determining if you have a tax liability at the end of the year.*

*o CoinTracking offers a free tier of their service that is perfect for the casual investor. They offer higher tiers for regular traders and professionals.*

*o <https://cointracking.info/>*

■ Learn more

*o [Reddit](https://reddit.com) - <https://reddit.com>*

■ Reddit is a social news aggregation and discussion site. It lets people create posts about news, share information, or discuss current events.

■ Posts are organized by subject into user-created boards called subreddits. All content is curated and moderated by the members of that subreddit.

■ Submissions are either voted up if deemed favorable or voted down if not favorable by the members of that subreddit community.

■ Wonderful tool to connect with others interested in blockchain and cryptocurrency. Contains the best discussion and latest news, but not always 100% accurate.

*o Subreddits*

■ [www.reddit.com/r/blockchains](http://www.reddit.com/r/blockchains) - Blockchains in general.

■ [www.reddit.com/r/CryptoCurrency](http://www.reddit.com/r/CryptoCurrency) - All cryptocurrencies.

■ [www.reddit.com/r/CryptoMarkets](http://www.reddit.com/r/CryptoMarkets) - Just the marketplaces.

■ [www.reddit.com/r/Bitcoin](http://www.reddit.com/r/Bitcoin) - Everything about Bitcoin.

■ [www.reddit.com/r/EthTrader](http://www.reddit.com/r/EthTrader) - Everything about trading Ethereum.

■ [www.reddit.com/r/litecoin](http://www.reddit.com/r/litecoin) - Everything about Litecoin.

■ [www.reddit.com/r/altcoin](http://www.reddit.com/r/altcoin) - Everything but Bitcoin.

■ [www.reddit.com/r/Futurology](http://www.reddit.com/r/Futurology) - Focused on future technology.

■ [www.reddit.com/r/investing](http://www.reddit.com/r/investing) - Discussions about investing.

Cryptocurrency is here to stay.

Just as you learned about market instruments and eventually purchased stocks, bonds and other holdings, we expect many will do the same with cryptocurrencies.

While theft has occurred, and fraud is certainly possible, you can see from the numbers in this article that this is a very active market.

We've tried to give you enough background to understand some of the fundamentals of the cryptocurrency market. Will you participate? ■

Implementing Cryptocurrency capture and processing into meaningful information is still complex and needs to be simpler.

## RECOMMENDED NEXT STEPS

How to get started with cryptocurrency using Ethereum as an example:

■ Create an offline wallet

*o There are many providers for wallets, but they mainly come in two categories, online and offline.*

*o An online wallet is typically housed with an exchange and is used for trading.*

*o An offline wallet is when the private key is stored offline and is best used for cold or long term storage of value.*

*o If you plan on holding your investment long term, it is strongly recommended you store your investment offline in a private wallet you directly control.*

*o When you create your wallet, it will create a public key and private key.*

■ Your public key is what you share with other people. It is the destination address for people to send you funds.

■ Your private key is how you unlock your wallet and access your investment. You should back this key up in at least two secure locations and safeguard it as you would cash.

*o DO NOT STORE YOUR PRIVATE KEY UNENCRYPTED ON ANY DEVICE.*

■ Create a trading account on a crypto exchange

*o There are dozens of U.S.-based exchanges to purchase currency. Some are geared toward new users, others on seasoned traders.*

*o If you're just getting started, check out Coinbase.*

*o Seasoned pro? Check out Coinbase.*

■ Purchase cryptocurrency on the open market – putting an order

*o Cryptocurrency is purchased similarly to traditional financial instruments.*

*o Most orders are placed as either a market or limit order. A market order will fill the order at the current market price. A limit order will fill the order at a specific price, but only when that price is available.*

*o You can fund your investment through a credit card, ACH, or wire transfer.*

■ Transfer your purchase from the exchange to your offline wallet

*o Again, once your order has been filled, it is strongly recommended you transfer your money off the exchange to your offline wallet for long term storage.*

*o You would transfer your funds to the public address of the wallet you created. It will take anywhere from 5 minutes to an hour for the transaction to post to your wallet.*

*o Ready to sell or purchase something? Log into your wallet and send funds to another public address.*

■ Watch the value

*o [CryptoWatch](https://cryptowatch.ch) - <https://cryptowatch.ch>*

■ An excellent trading tool for keeping an eye on virtually every currency and market in near real-time.

■ Highly customizable and allows you to focus on the markets, trading pairs

## Is Cash Becoming Obsolete?

YEARS AGO, WHEN working at an insurance company, I was processing payments that had been sent into the company's lockbox at the bank. After a particularly large batch, one of my co-workers said, "Just wait until cash becomes obsolete.

We'll all be using a card for money instead."

I laughed. My co-workers laughed. We're not laughing anymore.

Visit any coffeehouse and you'll see customers paying with the cell-phones. Go to a flea market or craft show and instead of a clumsy credit card machine, you'll see a nice little attachment on the seller's cellphone that processes payments instantly. Instead of a print receipt, you can have a receipt emailed to you.

All very different from the cash register, which is becoming rarer and rarer as time goes on.

While there will always be those who prefer to pay in cash, the vast majority of us carry little, if any cash on our person, instead preferring to conduct all transactions using our telephone or a debit or credit card.

The retail business has adapted accordingly, as technology has made it easier than ever to buy something. Those unable to adapt have ceased to exist, with an influx of online retailers poised to take their place, as online sales continue to exhibit impressive

growth from year to year. Today, 51 percent of Americans have indicated that they prefer online shopping, making it more important than ever before that even the smallest brick and mortar shops offer some form of online shopping.

We know that traditionally, the end goal of a retail business has been to increase sales. But what many retail businesses owners fail to comprehend is that making the shopping experience easy for their customers is just as important as the sale itself.

These are the common denominators that all retail businesses need, whether small or large, brick and mortar or entirely online:

- They need to process sales quickly and efficiently
- They need to have a backup system in place should their computer crash
- They need to be able to handle refunds and credits effectively
- They need to be able to produce accurate sales reports

While the needs of the giant big box store certainly differ from those of the small pet store near your house, they both need to be able to do the things listed above. They may also want to do other things to stimulate sales, such as tracking customer purchases on a loyalty card, targeting customers for sales events, tracking customer sales history, and manage inventory levels. For those with an online business, the needs differ, as an efficient online shopping cart becomes one of the most important things to utilize.

Of all the software products available for a niche industry, the point of sale software industry has perhaps experienced the most change over the last ten years. Point of Sale applications have added a multitude of features to its products, including integration with e-commerce sites and shopping carts, as well as the ability to process payments from anywhere, at any time.

Of course, one other thing that is an absolute necessity with any point of sale system is good support. I've seen retail operations come to a standstill when their computer goes down, or their Internet connection is lost. The sale is the lifeblood of the

retailer, and watching a potential sale walk out the door because your computer is down is not only painful, it's not necessary.

Like any software application, point of sale systems vary widely in features, functionality, and price. You and your client will know what features are necessary for their business, and we've included a chart that displays the availability of popular features and functions such as mobile accessibility, barcode scanning, customer tracking, inventory management, touch screen capability, and the availability of product support when you need it.

This is likely only the beginning of the changes the retail industry will experience in the coming years. As your clients look to the future, they'll need a product that offers them the ability to manage their business easily and effectively, both now and in the coming years. ■

Mary Girsch-Bock is 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@cpapractictheadvisor.com](mailto:mary.girschbock@cpapractictheadvisor.com)

	ONLINE/MOBILE ACCESSIBILITY	CUSTOMIZATION CAPABILITY	EXPEDITED CHECK-OUT PROCESS	SUPPORTS MULTIPLE REGISTERS/ LOCATIONS	MULTIPLE TRANSACTIONS	MULTIPLE TENDERS	TOUCHSCREEN CAPABILITY	BAR CODE SCANNING	CUSTOMER TRACKING	GIFT & LOYALTY CARDS	INVENTORY MANAGEMENT	SALES & INVENTORY REPORTING	INTEGRATION WITH POS HARDWARE	INTEGRATION WITH SHIPPING VENDORS	INTEGRATION WITH E-COMMERCE	EXTENDED HELP AVAILABLE
ACCUPOS	*x	x	x	x	x	x	x	x		x	x	x	x			x
ADDSUM ADVANCED		x	x	x	x	x		x	x		x	x	x	**x		x
CELERANT STRATUS	x	x	x	x	x	x	x	x	x	x	x	x	x	x	**x	
COUGAR MOUNTAIN DENALI		x	x	x	x	x	x	x	x	x	x	x	x	**x		x
CUMULUS – CAM COMMERCE	x	x	x	x	x	x	x	x	x	x	x	x	x	**x		x
KEYSTROKE		x	x	**x	x	x	x	x	x	x	x	x	x			
QUICKBOOKS	x	x		**x	x	x	x	x	x	x	x	x	x			x
RETAIL STAR – CAM COMMERCE	x	x	x	x	x	x	x	x	x	x	x	x	x	**x		x
VEND	x	x	x	x	x	x	x	x	x	x	x	x	x	**x		x
WASP		x	x	x	x	x	x	x	x		x	x	x			

\*ANDROID ONLY

\*\*AVAILABLE AS AN ADD-ON

## AccuPOS

[www.accupos.com](http://www.accupos.com)

AccuPOS is a point of sale application designed to integrate with both QuickBooks and Sage Financial products. AccuPOS is best suited for niche retail businesses such as gift shops, restaurants, bars, convenience stores and liquor stores. There is even a member-

ship edition for businesses that utilize a membership structure. Each AccuPOS version offered is designed specifically for a particular business type.

AccuPOS is designed to be installed on a PC or laptop application, though users can also install the application on their Android smart phone or tablet.

AccuPOS cannot be used with any Apple hardware or operating system at this time.

A free 30-day trial of AccuPos is available. Pricing for the product can be obtained directly from the vendor, with a single-user system typically costing less than \$1,000 per year, with optional

★ **4.5** 2018  
OVERALL  
RATING

add-on modules varying in price.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424831](http://www.CPAPracticeAdvisor.com/12424831)

## AddSum Advanced Accounting

[www.addsuminc.com](http://www.addsuminc.com)

Advanced Accounting from AddSum offers complete front/back office functionality. Advanced Accounting is designed for retailers and manufacturers, and along with complete accounting functionality offers a solid point of sale module. Advanced Accounting is best suited for small to mid-sized brick

and mortar businesses that do not need e-commerce functionality or touch screen capability.

Along with the Point of Sale module, Advanced Accounting also includes GL, AP, AR, Sales Order, Inventory Control, Bill of Materials, Payroll, Quotes/Contracts, System Maintenance and Utilities. All modules are included

when purchasing Advanced Accounting, which is designed to be installed on desktop, workstation, or network computer. There is a single version and multi-user version available for those that require multiple user access to the product.

Affordably priced for even the tightest budget, Advanced Accounting

★ **4** 2018  
OVERALL  
RATING

from AddSum costs \$299 per year for a single user system, and \$899 for unlimited users, with support purchased separately.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424827](http://www.CPAPracticeAdvisor.com/12424827)

## Celerant Stratus

[www.celerant.com](http://www.celerant.com)

Celerant Stratus Retail is a comprehensive suite of retail applications that are best suited for larger retail businesses with multiple locations that sell in-store and online, and it is well suited in an environment that processes a high

volume of transactions. The Celerant Stratus Point of Sale module, part of the retail suite, is designed for flexibility and can be used on Windows, Linux, UNIX, and Mac operating systems. In addition, Celerant Stratus offers mobile apps for Android, Windows, and iOS

smart phones and tablets. Celerant Stratus can be installed and hosted in-house, or users can opt to use Celerant's hosting service if they wish to have the product hosted off-site. The product is also available as a SaaS solution.

Pricing for Celerant Stratus is only

★ **5** 2018  
OVERALL  
RATING

available from the vendor.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424818](http://www.CPAPracticeAdvisor.com/12424818)

## Cougar Mountain Denali Point of Sale

[www.cougarmtn.com](http://www.cougarmtn.com)

Denali Point of Sale from Cougar Mountain Software offers excellent point of sale capability and is an excellent fit for small to mid-sized retailers that already use Denali applications. Denali Point of Sale is offered in two of the three Denali accounting pack-

ages available, with users able to add additional applications to any of the available packages if desired.

The latest version of Denali includes an enhanced interface that features both updated colors and icons. A new dashboard is also offered in the latest version of the application.

There are also various report updates included in the latest release as well.

Denali Point of Sale is available in both the Ascent and Summit versions of the product, with users also having access to the Inventory module as well, though only Summit offers Multi-Location Inventory. There are also a

★ **4.75** 2018  
OVERALL  
RATING

variety of add-on options available from Cougar Mountain, with complete pricing available upon request.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424838](http://www.CPAPracticeAdvisor.com/12424838)

## Cumulus Retail

[www.cumulusretail.com](http://www.cumulusretail.com)

Cumulus Retail from CAM Commerce is a cloud-based point of sale application that is ideally suited for small to mid-sized niche retail businesses including apparel, footwear, gift and specialty stores, museum shops, and other verti-

cal retail markets. Cumulus is scalable; offering three editions of the application, with mobile apps also available for its point of sale, e-commerce, and inventory modules. Cumulus Retail also offers integration with QuickBooks Online.

The standard version is designed for

a single user per store and costs \$75 per month. The Advanced version is \$125, and the Premier version is \$199, with both the Advanced and the Premier versions designed for three users per store, though additional users can be added. The iCumulus eCommerce

★ **5** 2018  
OVERALL  
RATING

application is available in two versions, with the advanced version costing \$129 per month.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424820](http://www.CPAPracticeAdvisor.com/12424820)

# REVIEW: POINT-OF-SALE SYSTEMS

## Keystroke Advanced POS

[www.keystrokepos.com](http://www.keystrokepos.com)

Keystroke Advanced is just one of the point of sale applications available from Specialized Business Solutions (SBS). SBS also offers Keystroke Express, ideal for small retail businesses, and Keystroke Point of Sale, a mid-level

application well-suited for growing retail businesses. Keystroke Advanced is best suited for mid-sized or larger retail businesses and contains multiple databases and e-commerce integration. All Keystroke applications are designed to be installed on a local computer,

workstation, or network. The latest version of Keystroke also includes support for eWallet transactions including Apple Pay and Android Pay.

Keystroke Point of Sale is offering three versions of the application. Keystroke Advanced currently costs \$1,895

★ **4.75** 2018  
OVERALL  
RATING

per year, with Keystroke Express priced at \$495 and Keystroke POS at \$1,295.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424833](http://www.CPAPracticeAdvisor.com/12424833)

## QuickBooks Point of Sale 18.0

[www.quickbooks.com](http://www.quickbooks.com)

QuickBooks Desktop Point of Sale 18.0 is best suited for small to mid-sized retail operations that desire integration with other QuickBooks Desktop financial applications. Available in three

editions, QuickBooks Multi-Store can support up to 20 locations. Designed for desktop installation, QuickBooks Desktop Point of Sale now works with Microsoft Surface Pro 4, which provides a measure of flexibility for users.

QuickBooks Desktop Point of Sale is currently priced 40 percent below retail, with the Basic edition \$720 per year, the Pro edition \$1,020, and the Multi-Store edition now \$1,140.

★ **4.75** 2018  
OVERALL  
RATING

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424812](http://www.CPAPracticeAdvisor.com/12424812)

## RetailSTAR Point-of-Sale

[www.camcommerce.com](http://www.camcommerce.com)

RetailSTAR is a comprehensive application designed for niche retail businesses with multiple locations. The integrated e-commerce module makes RetailSTAR particularly well-suited to

those with a robust online store. For small retail businesses with a single location, RetailSTAR Lite is available, which offers the same features but is designed for a single location. Specialty editions of RetailSTAR are available

for apparel, footwear, sporting goods, pharmacy, food and beverage, and a variety of other industries.

Pricing for RetailSTAR and RetailSTAR Lite are both available on request from CAM Commerce.

★ **5** 2018  
OVERALL  
RATING

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424805](http://www.CPAPracticeAdvisor.com/12424805)

## Vend POS

[www.vendhq.com](http://www.vendhq.com)

Vend is a scalable point of sale application well suited for retail businesses of any size. Vend is designed to work online and works with iPad, Mac, or PC products, so users can use any or all platforms simultaneously. The product

will also work offline as well, with transactions syncing with the product when online capability is restored.

Versions include Lite, which is a good fit for small retailers, and costs \$99 per month; Pro, which is good for both single and multi-store retailers with up to five locations and costs \$129

per month; and Enterprise, which supports six or more locations, with pricing available upon request. All versions include automatic backup, integrated payments, unlimited products and unlimited users, and 24/7 phone and online support.

Both the Pro and the Enterprise

★ **4.75** 2018  
OVERALL  
RATING

versions include all product add-ons and e-commerce channels.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424816](http://www.CPAPracticeAdvisor.com/12424816)

## Wasp QuickStore Professional

[www.waspbarcode.com](http://www.waspbarcode.com)

Along with barcode scanning and inventory control applications, WASP Barcode Technologies also offers a point of sale application well-suited for small to mid-sized retail businesses. Wasp QuickStore Point of Sale is available in three versions: Standard, Pro-

fessional, and Enterprise. A complete software/hardware bundle is also available for each version of QuickStore Point of Sale.

The bundled version of QuickStore Professional is \$1,995 per year and includes one Checkout Lane License, Point of Sale Shoe, Cash Drawer, Pole

Display with Cable, Barcode Scanner with USB Cable, Autosense Stand, Thermal Receipt Printer with USB Cable, Power Supply, POS Keyboard with Magstripe Reader, and a USB Hub. A one-year product maintenance subscription which includes unlimited technical support is also included. A

★ **4.5** 2018  
OVERALL  
RATING

multi-store version is available with the same features for \$2,995. Custom solutions are also available from Wasp.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12424801](http://www.CPAPracticeAdvisor.com/12424801)

Read all reviews for POINT-OF-SALE SYSTEMS online at: [www.CPAPracticeAdvisor.com/12424797](http://www.CPAPracticeAdvisor.com/12424797)

## 3 Steps to Developing Your Next BIG Idea

By Steve Dusablon, CEO cPaperless

As much as we'd like to believe it, great ideas don't typically appear out of thin air. More often than not, the best innovations come from immersing ourselves in our work and becoming as familiar with it as possible. Of course, there's a bit of inspiration in all ideas, but learning is always the first step.

The most prominent example of this in my life has been the birthing of SafeSend Returns from idea to product. Although we were first to market with our e-sign solution, it took understanding of our existing cPaperless customers to bring this idea to life. Today, as we continue to improve our software, we are constantly seeking out the challenges of electronic tax return delivery and electronic signatures so that we can help automate the workflow. Familiarizing ourselves not only with what the product does, but also with what it doesn't do, is the most important part in coming up with the next iteration.

**Want to transform a customer problem into a brilliant product or service innovation? I recommend these 3 steps:**

**1. Listen and learn.** Your existing customers are your best resource for ideation. Listening to your customers is the number one recommendation I make; these are the folks who will communicate the problems that matter. They'll tell you what needs to be solved, and what areas could improve. These everyday challenges for your customers may not have been on the radar for your team. Listening to these real-world use cases will help you take the first steps to the next new idea. Set up regular meetings with existing customers and ask questions about how they use your product or service. Find out what they like, what they dislike, and their ideal experience. Innovation is created through identifying a pain point that is not being resolved by any current market solutions. Don't assume you know the problems, ask!

**2. Examine what works.** Sometimes the answers are not only in the challenge the customer is facing, but in what systems or products are actually working. In my case, I found myself returning to the paper tax return. Why was the transition from paper to electronic tax returns seemingly so impossible? How could we build an electronic assembly and delivery solution that acts like the beloved paper system, but is an even better experience for the customer? Was it possible to mimic a paper tax return in an electronic format? Examining what already works can often show you the way to a completely new idea. Stop focusing on the bad of what isn't working – and look to the good, then paint the picture of how it could be better.

**3. Mind-source.** Once you have a better understanding of the problem, have a brainstorm session with key members of your team. Consider creating an advisory panel of top clients. These key stakeholders could be your business partner, staff accountant, senior developer, power users, or experts in a particular field. From there, it's wise to perform use cases and determine every possible scenario that could crop up for your customers, and what potential problems those situations might cause. Record everything you learn during this process, consider it R&D. Your detailed instructions, write-ups, sketches, decks, or screenshots will be invaluable as you begin working. Remember, 10 brains are more powerful than 1 – mind source!

Your idea will only come to life after you've taken the first steps to understanding what customers need, what's working, and what can be created. From there, you can test, re-test, repair, and release your idea to the world. Once in the customers' hands, this process is ready to begin again as innovative companies never stop exploring. ■

*Steve Dusablon is the Co-Founder and CEO of cPaperless, LLC, a company that provides paperless software tools and consulting services to the accounting profession.*

## THIS MONTH'S TOP SMALL BUSINESS SOCIAL MEDIA POSTS

- How to Get Your Side Hustle off the Ground. **Harvard Business Review.** <https://bit.ly/2PF9AY2>
- 8 Ways to Make a Business Proposal Stand Out. **SCORE blog.** <https://bit.ly/2MyDzTM>
- The Basics of Intelligent Office Design. **Small Business Bonfire blog.** <https://bit.ly/2Pbz6Du>
- How to Take a Physical Inventory Count. **Homebase blog.** <https://bit.ly/2MCkmmk>
- 4 Ways to Win at Franchising. **PrimePay blog.** <https://bit.ly/2wtJrDv>

## LATEST SMALL BUSINESS NEWS

**7 Ways to Find a Small Business.** One of the biggest challenges of launching a new business is finding the cash to get things started, fortunately, there are options besides winning the lottery or receiving a large inheritance.

[www.cpapracticeadvisor.com/12426044](http://www.cpapracticeadvisor.com/12426044)

**Apple Becomes First Trillion Dollar U.S. Company.** Four times the value of Chevron. Five times Coca Cola. Nearly 10 times General Electric.

[www.cpapracticeadvisor.com/12423575](http://www.cpapracticeadvisor.com/12423575)

**Women-Owned Businesses Growing.**

Women started an average of 1,821 new businesses per day in the U.S. between 2017 and 2018, according to analysis in the 2018 State of Women-Owned Businesses Report.

[www.cpapracticeadvisor.com/12426777](http://www.cpapracticeadvisor.com/12426777)

**3 Realities of Being a Freelancer.** Many people are quick to assume that freelancers work fewer hours than the typical full-time employee.

[www.cpapracticeadvisor.com/12422576](http://www.cpapracticeadvisor.com/12422576)

**3 Sales Tax Mistakes New Business Owners Must Avoid.** Ignoring sales taxes, reporting incorrect figures, and missing due dates are among the most common errors.

[www.cpapracticeadvisor.com/12425696](http://www.cpapracticeadvisor.com/12425696)

Each month we explore the advantages and intricacies of developing and growing a niche practice.

This month we're examining what it takes to serve the niche of the commercial and professional fishing industry.

## RESOURCES FOR THE FISHING INDUSTRY ACCOUNTANT

- Excise Tax Benefits for Sport Fishing: <https://bit.ly/2C6HWAP>
- Depreciation and Amortization for the Fishing Industry: <https://bit.ly/2LZiaEp>
- Tax Advice for Anglers: <https://bit.ly/2Pe3w81>
- Accounting for AquaCulture Financial Reporting: <https://bit.ly/2wkwPPI>
- Treat Fishing as a Business - Lessons from a CPA: <https://bit.ly/2MZw6MM>

## Top Tax Tips for those in the Commercial Fishing Industry

By Mike D'Avolio, CPA, J.D.

TAX PROFESSIONALS CAN develop their skills and present themselves to clients and prospects as generalists, specialists in certain industries or a blend of the two. It's never too late to educate yourself and catch up with the tax (and accounting) requirements in certain industries, such as commercial fishing. The following article discusses some general principles and tax tips for clients or prospects in the commercial fishing industry.

### SELF-EMPLOYED STATUS

A fisherman is considered self-employed (and not an employee) and required to pay SE tax if he/she meets the following conditions:

- Receives a share of the catch or proceeds from the catch
- The share depends on the amount of the catch
- Receives a share from a boat with an operating crew of normally fewer than 10 individuals
- Generally, does not receive money from work other than a share of catch or proceeds

Consequently, there are no withholdings from your crew share for federal and state taxes. It is your responsibility to file tax returns and pay the taxes owed.

Under the Tax Cuts and Jobs Act,

beginning in 2018 there is a **new 20% qualified business income deduction** available to small business owners and self-employed folks.

### GROSS INCOME

Gross income from fishing includes amounts received from catching, taking, harvesting, cultivating, or farming fish, shellfish, crustacean, sponges, seaweeds, or other aquatic forms of animal or vegetable life.

A crewmember or sternman may be given a share of the catch to sell and could receive a Form 1099-MISC from the boat owner and another one from the buyer of the catch for cash (and for different amounts). Consider doing one or both of the following to prevent or respond to inquiries from the IRS: 1) have

the boat captain sell the entire catch and give you your share, and 2) receive a check as payment from the buyer of the catch (instead of cash).

### DEDUCTIBLE EXPENSES

Many expenses incurred while fishing are deductible, reducing your taxable income and the taxes owed. Deductible expenses include:

- Gear and supplies, including rain gear, gloves and boots
- Licenses
- Business telephone
- Airfare and travel expense to and from port
- Out of port lodging and meals
- Boat expenses such as galley provisions, fuel and unloading fees

A **tax credit** is allowed for the fuel used by vessels used in commercial fishing.

### EXPENSES WHILE AWAY FROM HOME

Fishermen typically incur large expenses for subsistence while away from home.

## Cast a Wide Net When Angling for Aquaculture Clients

By Becky Livingston

IF YOUR FIRM is focusing on the fishing industry, accessing those potential clients requires a diversified marketing tackle box. According to the 2017 Labor Force Statistics, nearly 25 percent of the employees in this industry are women, which could be a niche for your firm that suggests a different approach to marketing than you would use for their male counterparts.

income risk-coping mechanisms, and/or financial and estate planning could also be part of that package. You could also offer more traditional, outsourced services, such as payroll, financial record keeping, tax planning, tax preparation, and more.

### BUT, HOW DO YOU GET THEM TO NOTICE YOUR FIRM?

Begin by defining your target audience. What size fishery are you considering? Where are your clients located? What does a typical business in the segment look like? What industry and technical terms are they using? When are their income peaks and valleys? What are their specific pain points? The more you know about them, the better you'll be at speaking their language and securing the line.

From small fishing companies to large fisheries, it's more about the industry pain points than the actual function of fishermen and women that will help them get hooked on your services.

Knowing that fishing is a risky business allows you to create a risk-based service package that addresses, for example, their insurance needs for themselves, family members, and owners. Additionally, offering advice on crop diversification,



Meals are deductible when you're away from your **tax home** in pursuit of your trade, AND your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Depending on the facts, your main place of business or work may be a port, a vessel or the location of the business conducted during non-fishing months.

When meals can be deducted, you calculate them based on actual cost or the standard meal allowance. The latter is the federal rate for meals and incidentals, which will vary by area and when you travel. Meal expenses under either method must be reduced by 50% before being deducted. For lodging expenses, only the actual cost is allowed.

## DEPRECIATION

Fish tender vessels and fish processing vessels are classified as water transportation equipment and are depreciated over 10 years. Fishing boats, nets, pots or traps used in a fishing trade or business are depreciated over 7 years. You may be able to deduct expenditures in the current

year if you can establish that the items won't be used for more than a year. Under the new tax reform law, **bonus depreciation** has been increased from 50% to 100% and the **section 179** limit has been increased from \$500,000 to \$1 million.

## CAPITAL CONSTRUCTION FUND

It's smart to take advantage of the Capital Construction Fund (CCF) which was created to assist fishermen. The program allows fishermen to **defer taxable income** by making contributions to an approved depository and eventually using the funds to buy or improve a fishing vessel.

## ESTIMATED TAXES

Small business owners need to pay estimated taxes on time to avoid paying a penalty and there is a **special rule for fishermen**. If at least two-thirds of your gross income is from fishing, you can choose either of the two options and avoid the estimated tax penalty: 1) pay all of your estimated tax by January 15 and file your individual return by April 15, OR



file your individual return by March 1 and pay all the tax due.

## RECORDKEEPING

For most small business owners or self-employed folks, a business checking account or QuickBooks' software is the main source for tracking income and expenses. Supporting documentation or receipts must be maintained, such as fish tickets, paid bills, invoices, receipts and cancelled checks. It's wise to **organize** these records well and **store** them in a safe place in case of an agency inquiry down the road.

## CLOSING

Hopefully, we've been able to enlighten you about some general principles and tax tips that pertain to commercial fishing. You don't need to stop at issuing tax and accounting advice and services to clients in a given field. Over time you may develop the accompanying business acumen too, which can bolster yourself, your practice and value to clients and prospects as an end-to-end trusted advisor. ■

*Mike D'Avolio, CPA & JD, is tax law specialist and staff program manager for Intuit's ProConnect Group.*

Additionally, research jargon in the region where potential clients are located and use that language in marketing, social media, traditional marketing, and website content. For example, terms for saltwater fishing are different than freshwater fishing. Below is an example of an online saltwater fishing ad versus a freshwater ad.

### SALTWATER AD:

*Aquaculture Business Advisors | Snappers Accounting LLC Tax planning, return filing, consulting, bookkeeping and more for fishermen + women. Drop us a line. 1-888-Salty-CPA.*

### FRESHWATER AD:

*Stop Fishing for a CPA | Walleye Accounting Services Avoid becoming IRS bait. We can help you with taxes, payroll, financial planning + more. Call today at 1-888-Hook-CPA.*

Also, pay close attention to the description and keyword tags used on your website. These tags are located in the code of your site and should include keywords phrases to help increase organic search result clicks. For example, the Snappers Accounting LLC firm's home page SEO meta tag description would be something like "Tax, payroll, and accounting firm specializing in the aquaculture and saltwater fishing industries for more than 25 years." The keywords meta tag for that page might include terms like, "aquaculture accountant," "saltwater fishing CPA," "fish farming business," "tax accountant," "aquaculture business solutions," etc.

The Walleye Accounting firm's website home page meta tag description might be something like, "Tax, payroll,

and accounting services for freshwater fishermen- and women-owned businesses for more than a decade." The keywords meta tag for their home page may include terms like "freshwater fishing accountant," "freshwater fishing CPA," "freshwater fish business," "freshwater business solutions," etc.

When it comes to social media, you can drop in photos of fishing activities, such as company events like a family fishing day, or even consider adding quotes and fun stories about fishing in your feed. Depending on the social media platform you use, keep things short, fun, and linked back to your website.

For video channel posts, keep videos informative and less than 2-3 minutes in length. Informational videos, how tos, and quick tips are great for this platform.

Keep in mind, catching those clients is going to take work. You'll have to repeatedly cast in order to get their attention. Once you've defined the audience and your services, think of a variety of ways to reach them, such as traditional marketing like print media and radio ads, search engine marketing, social media posts, events, webinars, podcasts, video, and more.

How do you plan to catch your next big fish? ■

*Becky Livingston is the President and CEO of Penheel Marketing, a boutique marketing firm specializing in social media and digital marketing for CPAs.*



## Building a World-Class Marketing Culture - Part II By Kristy Short, Ed.D

Let's begin with a definition: Your brand is the impression and perception of your firm that people hold in their minds. As the late Peter Drucker said, "Your brand is what you own in the mind of the consumer." Marc Gobé, author of *Emotional Branding*, takes it further by proclaiming that the brand is an emotional relationship with customers and prospects based on the cumulative effect of all interactions between them.

So, if your brand represents an emotional relationship between your business and community, it should not be taken lightly—especially in a profession that relies heavily on building strong, trusting relationships to survive. And to be clear, this isn't just a reference to a firm's aesthetics, such as name, logo, slogan, advertising, website and embroidered swag. While these elements are important brand expressions, it's your staff who are the most powerful vehicle for expressing your brand. Every interaction your employees have with clients and prospects is a far more important and memorable touchpoint that contributes to that emotional relationship, Gobé identified.

Why is this? Your staff, at all levels within the firm, are a powerful expression of your brand because unlike ink on a static page or a sign bolted to your building, they are thinking, feeling beings who interact personally and dynamically with clients and prospects. Therefore, to assure that your brand is expressed and experienced accurately and consistently during these interactions, staff require guidance and leadership. Creating a shared understanding of your brand is at the core of a world-class marketing culture.

So then, how do you accomplish this? The following leadership tools offer a great start:

*This article continues the series on creating a world-class marketing culture in your firm. Read Part I of this series at ([www.cpapracticeadvisor.com/12421307](http://www.cpapracticeadvisor.com/12421307)).*

**Mission/Vision/Values Statement:** This is the doctrinal cornerstone of your business. It spells out for everyone working in the company exactly why you do what you do, what you want to become in the future, and how you conduct yourselves when working and interacting with others every day—both in and outside of the office. You'll make a quantum leap in creating shared understanding and setting firm-wide accountabilities when you draft and adopt thoughtful language. The words of these statements will describe the collective beliefs and shape the collective behavior of your firm and will serve as the foundation for building your brand.

**The Brand Promise:** This is a straightforward piece of language that describes your ideal client, how you promise to serve them, and cites evidence or reasons they can believe your promise. Firms can use a basic formula to draft the brand promise: "For [description of your ideal clients], [your firm] is the only [type of firm, e.g. accounting and advisory firm] that provides/delivers [unique benefit/point of difference], because we [reasons to believe.]" In its raw form, this statement serves as an internalized frame of reference for training staff in client service. However, some firms also draft a client-facing version to share publicly. ■

Continue reading online at [www.cpapracticeadvisor.com/12424750](http://www.cpapracticeadvisor.com/12424750)

*Kristy Short, Ed.D, is Chief Communications Officer and a partner at Rootworks—the profession's leading membership-based education organization dedicated to helping accounting professionals find a better way of run their firms. Learn more at [rootworks.com](http://rootworks.com).*

### THIS MONTH'S TOP FIRM MANAGEMENT SOCIAL MEDIA POSTS

- Marketing Personality Can Help You Earn More Business. **Thomson Reuters blog.** <https://tmsnrt.rs/2LzXlYX>
- What College Football Can Teach You About Project Management. **AICPA Insights.** <https://bit.ly/2wkjIHq>
- How to Grow Your Accounting Practice the Right Way. **Firm of the Future blog.** <https://bit.ly/2PdidYY>
- 3 Ideas to Amplify Your Business Development. **Inovautus blog.** <https://bit.ly/2MX6Wyx>
- How to Get Online Reviews for Your Firm. **BuildYourFirm blog.** <https://bit.ly/2MTdJJB>

## LATEST FIRM MANAGEMENT NEWS

**Why the Future of Your Firm Depends on Hiring Women.** The AICPA has projected that 75% of CPAs will be eligible to retire in the next 15 years, and most will be men. [www.cpapracticeadvisor.com/12426040](http://www.cpapracticeadvisor.com/12426040)

**Chicago Marks 75th Anniversary of First African American Female CPA.** To honor the 75th anniversary of her becoming a CPA, the city of Chicago has officially declared Sunday, September 30 as Mary T. Washington Wylie Day. [www.cpapracticeadvisor.com/12426371](http://www.cpapracticeadvisor.com/12426371)

**San Francisco Firm Gives Back to Community.** The staff of SD Mayer & Associates changed out of business attire and rolled up their collective sleeves to volunteer at the SF-Marin Food Bank. [www.cpapracticeadvisor.com/12426805](http://www.cpapracticeadvisor.com/12426805)

**Accounting Firm Sends Team to Rwanda.** Warren Averett, LLC recently sponsored a team of employees to travel to Rwanda in partnership with Compassion International. [www.cpapracticeadvisor.com/12426041](http://www.cpapracticeadvisor.com/12426041)

**New Sage Program Gives Firms Roadmap to Support Future Growth.** The SAN Client Advisory Services Program builds on the growth of Sage's partner ecosystem across the U.S. [www.cpapracticeadvisor.com/12426049](http://www.cpapracticeadvisor.com/12426049)

# Practice Management Made Easier:

## Quickstart Templates and Work Notifications in QuickBooks Online Accountant

By Scott H. Cytron

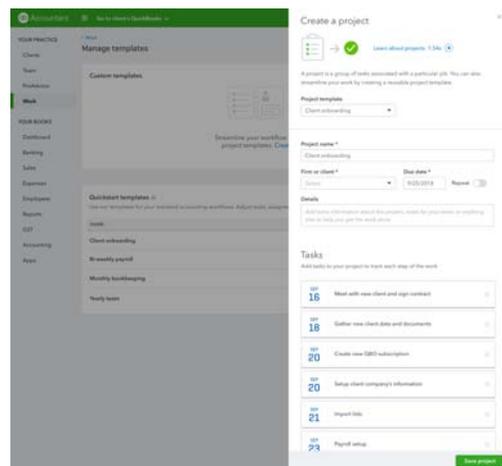
INTUIT'S ACCOUNTANT SEGMENT launched its first set of Practice Management tools within QuickBooks Online Accountant (QBOA) in May 2017. Since then, the team has consistently added new capabilities – all of them based on customer feedback – to help make Practice Management features within QBOA even more impactful. Two of the newest features are Quickstart Templates, which help streamline common firm workflows, and Work Notifications, which provide real-time communications on projects and tasks.

“We knew there had to be a better way for firms to spend less time creating projects and managing their tools, and more time serving their clients,” said Harsha Jagadish, a product manager with QBOA. “With Practice Management features in QBOA, we want to give accountants, bookkeepers and finance professionals the confidence that nothing will fall through the cracks. Now with Quickstart Templates and Work Notifications, accountants can streamline and automate all their workflows across their team, all in one place, making them more productive.”

### QUICKSTART TEMPLATES

In speaking with customers, Jagadish and his team discovered that most of the work done inside a firm is deadline-driven, repetitive, standardized and even manual; a firm would have to take the time to duplicate a project across a firm, even though most project tasks were the same. Firms needed a common workflow they could rely on to get their client work done as efficiently as possible.

Quickstart Templates are designed to do just that: create a set of standard templates for the most common accounting workflows that firms can then use to create projects. Accessible from the Work tab in QBOA and created in consultation with leading global firms, the templates for users in the U.S. can be used to set up projects and tasks for monthly bookkeeping, payroll, client onboarding and year-end tax work.



With Quickstart Templates, accountants can:

- Save time with fast and easy setup of projects and tasks.
- Ensure consistency in work processes across a team.
- Tailor templates to a firm's unique needs by creating custom templates.

### WORK NOTIFICATIONS

After Practice Management features went live last year, the number one request from users was a way to automatically notify firm team members when there was a new project assigned to them.

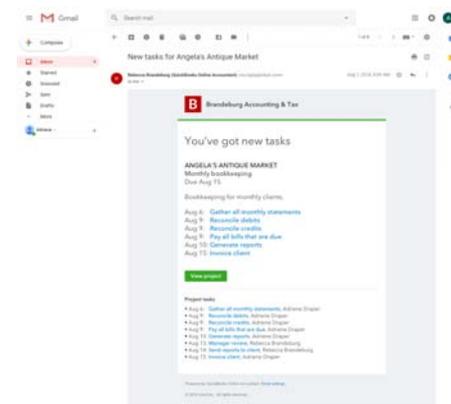
“Flying blind is no fun and entirely unproductive when it comes to keeping up with client work. Without some kind of notification, how could you possibly know something was there to work on

unless someone told you or took the time to send a message?” asked Jagadish. “Our goal, again, is to make sure firms work on their business instead of in their business, and we knew we had to make the process smooth and familiar.”

To address these concerns, the team added Work Notifications. With notifications, users receive

automatic updates and reminders on projects and tasks via email or Slack, enabling firms to stay on top of a team's progress and ensure everyone is informed when there are changes made to projects and tasks. While Slack notifications have been available since May, email notifications, which can be cus-

tomized to each user's individual preferences, began rolling out in September.



“We know that many of our users want to try to get away from email,” said Jagadish. “More firms are using Slack for real-time internal conversations, so it made sense to not only provide traditional email, but also include Slack for updates, so that there are now two easy ways to get notified about Work projects.”

Quickstart Templates and Work Notifications are available to QBOA users in the U.S., Canada, UK, Australia, France, South Africa and Singapore. For more information, view this video demo and plan to visit the Intuit booth at QuickBooks Connect 2018 in San Jose, Nov. 5-7. ■

Scott H. Cytron is president of Cytron and Company, a public relations, marketing and communications firm that niches in accounting and finance. He is also editor of Intuit's Firm of the Future and QuickBooks Online blogs. Contact him at [scott@cytronandcompany.com](mailto:scott@cytronandcompany.com).



The ProAdvisor  
Spotlight is sponsored  
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## Business Success Depends on Inventory

AS I DROVE past a restaurant, I was bombarded with signs advertising a new special. On a whim, I pulled into the parking lot, ready to try their new special. I sat down at one of the comfortable tables and placed my order with the waitress, who looked at me for a long moment then said, "I'm sorry, but we're out of that." I got up and left.

As I drove away, I thought how much this restaurant had spent on local advertising, only to run out of the product they were advertising. I also wondered how many customers walked out, and how much money they ultimately lost in the process.

Here are some other examples of how important inventory is to the success of a business. Every employee at Larry's business receives a laptop and a cell phone, enabling them to work remotely. But if no one is tracking them, Larry has no idea how many laptops they've given out, who has them, how many have been returned, or how many may be missing.

Then there's Joan, whose manufacturing business assembles and sells a component for small aircraft. But the

assembly line is down today because they discovered that one of the items needed to assemble the component is out of stock. Meanwhile, Joan's competitor across town is busy working on a large rush order that just came in from one of Joan's regular customers.

We are living in a world of instant gratification. When we buy something, we want it now. We don't want to wait if a product is on backorder. We'll just find another retailer who has the item in stock, another restaurant that sells the food we desire, another manufacturer that has the component we need.

That's why your business success depends on inventory management.

While losing potential customers by running out of stock can hurt a business's long-term health, not managing

inventory properly can have other negative effects. How does a retailer know what items are selling, and what items are not, if they don't track inventory? How do they know how much of a product to order, or how much not to order? While the last thing a business wants is to run out of inventory, like the restaurant above, the next to last thing they want is to store a large amount of inventory that is not being moved at all.

Managing inventory properly also works as a terrific theft deterrent. With management well-informed on inventory levels, removing items from inventory will immediately alert managers to possible theft.

For manufacturers, the lack of proper inventory management can result in a delay in products being assembled and shipped, which means a delay in monies received. And if you're constantly delaying shipment, it's likely that your customers will simply turn to another manufacturer, one that manages their inventory properly.

In fact, many business owners have turned to inventory management

applications to help them manage their in-house assets, such as computers and laptops that are checked in and out by employees. Bottom line, if you have inventory, you should have an adequate way to manage that inventory properly.

The good news is that there are more inventory management options available at various price points than ever before. The products reviewed here, like their pricing, vary tremendously.

We also looked at two inventory-related apps. We don't assign star ratings to the apps, because these inexpensive tools are not meant to compete with full-featured systems. Instead, they provide useful features that may be sufficient for some smaller entities, or can be used alongside a full inventory system.

Throughout the review process, we looked for particular features that are important to those in search of an inventory management product, such as deployment method available, mobile accessibility, asset and inventory tracking capability, barcode

	REMOTE/CLOUD ACCESSIBILITY	MOBILE APPS AVAILABLE	ASSET/INVENTORY TRACKING	SERIAL # TRACKING	BARCODE PRINTING/LABELING	ITEM IMAGES	KITTING CAPABILITY	MULTIPLE PRICING LEVELS	VOLUME PRICING & DISCOUNTS	MULTIPLE VALUATION LEVELS	INVENTORY REPORTING	INTEGRATION WITH ACCT APPLICATIONS	INTEGRATION WITH POS & E-COMMERCE	HELP & SUPPORT
ACCTIVATE INVENTORY	x	x	x	x	x	x	x	x	x	x	x	x	x	x
ADVANCEPRO	x	x	x	x	x	x	x	x	x	x	x	x	x*	x
ASSET PANDA	x	x	x		x	x					x	x		x
EZOFFICEINVENTORY	x	x	x		x	x					x			x
FISHBOWL WAREHOUSE	x	x	x	x	x	x	x	x	x	x	x	x	x	x
iNFLOW INVENTORY	x	x	x	x		x	x	x	x	x	x	x	x	x
OFFICEWISE	x		x			x					x			x
WASP INVENTORY	x	x	x	x	x	x	x	x			x			x
ZOHO INVENTORY	x	x**	x	x			x	x		x	x	x	x	x

\* optional module

\*\*ios only

### INVENTORY APPS

GOCANVAS	x	x	x		x	x					x			x
SOS INVENTORY	x		x	x	x	x	x				x	x	x	x

# INVENTORY MANAGEMENT: REVIEW

functionality and printing capability, labeling features, kitting capability for those assembling products, the ability to assign multiple pricing levels and

the ability to offer volume pricing and discounts to particular customers. We've also included a chart that highlights the availability of these and

other features in each of the products reviewed.

For today's successful business owner, inventory management is not

a luxury – it's a necessity. Luckily, there are a variety of products to choose from, so why not start your search today? ■

## Acctivate QuickBooks Inventory

[www.acctivate.com](http://www.acctivate.com)

Acctivate is an inventory management module designed specifically for QuickBooks users. Acctivate offers easy integration with QuickBooks applications, and is available on the cloud or as an on-premise application. Built for both distributors and online retailers,

Acctivate also offers order management and purchasing functionality along with customer and sales management capability.

Acctivate includes barcode software designed specifically for mobile devices that allows users to scan products in and out of inventory, and even complete

a sale. This technology can also be useful for those delivering products, always ensuring accurate inventory counts.

Acctivate's base system includes complete inventory management, order management, purchasing, and a customer CRM, with various add on applications available as well. Acctivate

★ **4.75** 2018  
OVERALL  
RATING

offers a 14-day trial for those interested in trying the product out. Acctivate pricing is available upon request directly from the vendor.

**Read the full review  
for this product online at:**  
[www.CPAPracticeAdvisor.com/  
12426095](http://www.CPAPracticeAdvisor.com/12426095)

## AdvancePro Supply Chain Management

[www.advanceprotech.com](http://www.advanceprotech.com)

AdvancePro Supply Chain Management is optimally designed for wholesale, distribution, manufacturing or retail businesses of any size. The product contains a comprehensive list of features that are designed to manage inventory and warehouses, while offering order management, pricing management, and

vendor management capability.

AdvancePro offers multiple deployment options, including both on-premise and cloud-hosted capability. AdvancePro mobile also provides mobile inventory management and sales capability and can be used with both iOS and Android smart phones and tablets.

AdvancePro Supply Chain core product provides complete sales, order entry, and inventory management capability, while add-on modules offer e-commerce and various web services. AdvancePro offers three versions of its product: Essentials, which is billed at \$110 per user, per month; Professional, which runs \$150 per user, per month;

★ **5** 2018  
OVERALL  
RATING

and an unlimited Enterprise level version.

**Read the full review  
for this product online at:**  
[www.CPAPracticeAdvisor.com/  
12426079](http://www.CPAPracticeAdvisor.com/12426079)

## Asset Panda

[www.assetpanda.com](http://www.assetpanda.com)

Asset Panda is a flexible online asset management tracking program. Well suited to service businesses that maintain multiple assets, Asset Panda does not offer typical inventory management capability, though basic inventory

tracking is available in the application. Asset Panda offers mobile capability and is compatible with iPhone, iPad, and Android smart phones and tablets. The mobile app also offers convenient inventory/asset check in and check out from any location and completely

integrates with the online application.

Subscription pricing for Asset Panda starts at \$1,400 per year, with pricing based on the number of assets that need to be tracked, not the number of system users. Complete pricing details are available directly from Asset Panda, and

★ **4.5** 2018  
OVERALL  
RATING

those interested can register for a free-14-day trial that can be downloaded from the Asset Panda website.

**Read the full review  
for this product online at:**  
[www.CPAPracticeAdvisor.com/  
12426096](http://www.CPAPracticeAdvisor.com/12426096)

## EZOfficeInventory

[www.ezofficeinventory.com](http://www.ezofficeinventory.com)

EZOfficeInventory is an online asset tracking and inventory management application that is best suited for businesses that need to manage a large amount of business related tools, machinery, or other assets or internal inventory. Not suitable for retailers or

online merchants, EZ Office Inventory offers six different plans that are suitable for small businesses, large, enterprise operations, and everything in-between. The product also offers a mobile app that works with iOS, Android, and Windows smart phones and tablets to easily scan asset barcode labels for quick check in and check out.

EZOfficeInventory offers a variety of plans including Silver and Gold plans which are considered starter plans. The Silver Plan supports up to 50 users and 200 items, while the Gold Plan starts at \$49 per month, and supports up to 100 users and up to 500 items. Diamond, Platinum, Corporate, and Unlimited plans are also offered, with all plans

★ **4.75** 2018  
OVERALL  
RATING

offering a free 15-day trial. All plans offer mobile apps, QR code scanning, GPS location, and reporting capabilities.

**Read the full review  
for this product online at:**  
[www.CPAPracticeAdvisor.com/  
12426094](http://www.CPAPracticeAdvisor.com/12426094)

Read all reviews for INVENTORY MANAGEMENT online at: [www.CPAPracticeAdvisor.com/12426070](http://www.CPAPracticeAdvisor.com/12426070)

# REVIEW: INVENTORY MANAGEMENT

## Fishbowl Warehouse

[www.fishbowl.com](http://www.fishbowl.com)

Fishbowl offers warehouse and manufacturing management software that is designed to integrate with QuickBooks Desktop, QuickBooks Online, and Xero. Fishbowl offers both U.S. and Canadian

versions of the application and is well suited for both retailers and manufacturers, offering a version only for inventory management as well as a version that includes both manufacturing and inventory management capability.

Fishbowl Warehouse starts at \$4,395 for a lifetime license for a single user (with subscription phone support). Additional users can be added. Fishbowl offers a free trial version.

★ **5** 2018  
OVERALL  
RATING

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12426089](http://www.CPAPracticeAdvisor.com/12426089)

## inFlow Inventory

[www.inflowinventory.com](http://www.inflowinventory.com)

inFlow designs software for small businesses including retailers, online merchants and distribution businesses. inFlow is available as an on-premise solution as well as a cloud application that can be installed on any number of computers for complete integration. The cloud appli-

cation can be accessed from any type of device including smartphones and tablets. iPhone and Android apps are also available that allow users to use their cell phone as a barcode scanner, allowing for each check in and check out of all inventory products. inFlow currently offers three editions, suitable for the smallest business

to enterprise level organizations.

inFlow is offered in three editions: Essentials, which is \$69 per month and supports up to two users; the Advanced edition, which is \$149 per month and suited to those manufacturing products; and an Enterprise level edition costing \$599 per month for up to 10 users. All edi-

★ **4.75** 2018  
OVERALL  
RATING

tions include updates, enhancements and product support. A free trial is available.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12426088](http://www.CPAPracticeAdvisor.com/12426088)

## Officewise Inventory Software

[www.officewise.com](http://www.officewise.com)

Originally offered as a purchase order management system in 2012, Officewise has added both accounting and inventory functionality in recent years. Officewise is well suited for small to mid-sized businesses that need to manage a small number of inventory products. Officewise is not suitable for manufacturers, as it

does not currently support assemblies or warehouse management. The product is scalable, with four versions available, including a free version ideal for burgeoning businesses with users able to easily scale up to the next version at any time.

The four versions are: The Free version, limited to a single user and three transactions; Basic, which costs \$8.95 per

month and supports a single user and 10 transactions a month; Standard, which costs \$24.95 per month and supports three users and unlimited transactions; and Professional, which is \$39.95 per month and includes five users, unlimited transactions, and a budgeting and planning feature. With the exception of the Free version, all Officewise versions

★ **4.25** 2018  
OVERALL  
RATING

include reporting and exporting capability as well as a custom dashboard feature. Officewise also offers a free 30-day trial for those that are interested in learning more about the product.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12426077](http://www.CPAPracticeAdvisor.com/12426077)

## WASP Inventory

[www.waspbarcode.com](http://www.waspbarcode.com)

WASP Inventory from WASP Barcode Technologies is well suited for businesses of any size that need to track warehouse inventory. Along with inventory management, WASP also offers complete Asset & Equipment Tracking software for businesses that need to track internal

assets, as well as Time & Attendance, Barcode Software, Package Tracking, and a Point of Sale application designed for smaller retail operations.

WASP Inventory's on-premise product is available in three editions: Standard, starts at \$795 per year for one user; Professional, priced at \$2,695

per year for 5 users; and Enterprise, at \$4,495 for unlimited users. WASP InventoryCloud starts at \$3,495 includes 5 users but can be scaled upward. All editions include unlimited customers, vendors, transactions, and warehouses, with the cloud version also offering an iOS/Android app. Software/hardware

★ **4.75** 2018  
OVERALL  
RATING

bundles are also available, and unlimited support is included in the price of the application.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12426081](http://www.CPAPracticeAdvisor.com/12426081)

## Zoho Inventory Management

[www.zoho.com](http://www.zoho.com)

Zoho Inventory Management, is part of Zoho's suite of applications designed for small to mid-sized businesses including online merchants. Along with inventory management, Zoho also offers financial and CRM capability. The inventory module offers complete inventory tracking and management, purchase

order and sales order management, integrated shipping, and multiple warehouse management capability. The product is designed for global use, with U.S., UK, Canadian, Australian, Indian, and Global editions available.

Zoho Inventory offers a free version of the application that works best as an intro to the product for very small

retail operations. The Basic edition, which runs \$29 per organization per month, supports up to two warehouse locations and up to 10 system users. The Standard edition is \$79 per month and supports up to five warehouse locations, and up to 15 users. There is also a Professional edition that is \$249 per month and supports up to

★ **4.5** 2018  
OVERALL  
RATING

10 warehouses and unlimited system users. A 14-day trial is available for those interested in learning more about the product.

Read the full review  
for this product online at:  
[www.CPAPracticeAdvisor.com/  
12426097](http://www.CPAPracticeAdvisor.com/12426097)

# INVENTORY MANAGEMENT APPS: REVIEW

## GoCanvas Inventory App

[www.gocanvas.com](http://www.gocanvas.com)

GoCanvas offers numerous inventory apps including the Inventory Tracking Sheet with Barcoding, which allows users to easily track inventory products along with supplies. The app can track a variety of details, including beginning and end dates, item number,

product description, current quantities available, and the date of the last inventory. The product can also track non-inventory items as well, making it easy to track company assets along with inventory. GoCanvas also offers a series of online reporting options that can be exported as a CSV file for

complete customization.

GoCanvas is available in four editions; Free – which is designed for one user, Business, which runs \$45 per user per month, and has a 5-user minimum, and the Professional edition, which is \$55 per user per month. There is also an Enterprise edition available, with

pricing available upon request. Those interested in GoCanvas can sign up for a free demo.

**Read the full review for this product online at:**  
[www.CPAPracticeAdvisor.com/12426084](http://www.CPAPracticeAdvisor.com/12426084)

## SOS Inventory

[www.sosinventory.com](http://www.sosinventory.com)

SOS Inventory is an inventory, manufacturing, and order management add-on application designed for QuickBooks Online users. While QuickBooks Online offers basic inventory functionality, SOS Inventory provides complete inventory management capability, while syncing

automatically with QuickBooks Online lists and transactions, eliminating the need to enter data twice. SOS Inventory offers multi-currency capability, and the customizable dashboard makes it easy to manage inventory and all related tasks from a central location.

Best suited for smaller retail

businesses and manufacturers, SOS Inventory is available in three editions: Companion, which supports a two-user maximum, and costs \$39.95 per month; the \$79.95 per month Plus, which supports three users and offers multiple location tracking, serial number and lot tracking and barcoding; and Pro, which

is \$119.95 per month and supports up to five system users and includes work-in-progress capability, as well as landed costs and process manufacturing.

**Read the full review for this product online at:**  
[www.CPAPracticeAdvisor.com/12426080](http://www.CPAPracticeAdvisor.com/12426080)

CPA Practice Advisor

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## Costly Mistakes of a Sales Tax Audit

By Mary C. Thomas, CPA, J.D.

**NO BUSINESS WANTS to be subject to an audit. But if it does happen to one of your clients, how can you best advise them on what to do? You may not offer audit services as part of your accounting practice, but you can offer sound guidance**

**and provide a common-sense approach to help your client survive their review.**

When a business owner receives a notice of routine audit, there are typically three responses: (1) panic, (2) non-responsiveness, or (3) careful planning. There are many effective and structured ways for your client to handle an audit. Participating in the audit without sufficient planning, documentation and a good understanding of the rules can almost ensure that the audit is an unpleasant, costly experience.

### **WHAT CAN YOUR CLIENT EXPECT, AND HOW CAN YOU ASSIST?**

The taxing authority will send a letter listing all of the documents that should be made available for review during the audit. It is your client's responsibility to provide the requested documents. Failure to provide the requested documents will not forestall the audit, and if the requested records are not produced, the taxing authority has the right to estimate the audit deficiency.

This is a worst case scenario. Estimates of tax due are never a gift to the taxpayer. It is in your client's best interest to cooperate with the auditor and provide the requested documents. If the client does not have the records, you should help the client explore other avenues to obtain them.

Audits are deadline-driven. Do not

underestimate the value of knowing and preparing to adhere to the specified deadlines. Nothing is worse than being required to pay a questionable bill because your (correct) objection was late.

Stay abreast of what is going on with your client's audit. It is imperative that you know quickly if there are any issues that can be addressed before the auditor completes the fieldwork. Work with your client to ask for updates about any potential issues throughout the audit process. You want to ensure you have the most time to present the auditor with information that can reduce a deficiency.

The quicker you can come to a resolution, the more money your client is likely to save. Interest ticks away until the taxing authority is paid. Avoid prolonging the audit when possible and resolve as many issues as possible with the auditor.

No one approach is best for every client. But there are universal errors to avoid. You and your client should approach an audit professionally and courteously with the understanding that everyone has a function in the process, including you. ■

*Mary C. Thomas is a Texas CPA and attorney who works in state and local sales/use tax. As a principal of Thomas, Thomas & Thomas, PC, she helps business owners and accountants comply with sales/use tax regulations.*



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# Online Sales Tax Compliance:

## *Why Even Small Businesses Need Automation* By Shane Ratigan, J.D., LL.M.

WHEN ANY ARTICLE on sales tax is above the fold on the first page of any printed or online publication, it's either a very slow news day or a very big deal. In late June, the business and tax community witnessed a case that made headlines coast to coast. The Supreme Court's verdict was in and the South Dakota v. Wayfair Inc. decision was officially a big deal.

By now, chances are you've either developed a fairly good understanding of the genesis of the Wayfair case and its outcome, or know enough about it to know nearly every tax accountant's clients with online sales will somehow be affected. There still is a lot to legally sort out as the decision is interpreted and applied by the sales tax states, but a consensus regarding its effects is forming.

The consensus among most observers and experts is that multistate sales tax collection and compliance obligations will expand for many sellers. Assuming this is a well-rooted consensus – and I think it is – businesses and their advisors must consider the practical effects of what it looks like to be the new normal.

In many ways, sales taxes are a very local phenomenon with individual states and local government entities establishing taxing jurisdictions based on existing political boundaries or unique boundaries created for sales taxes alone. These many jurisdictions apply rates, set reporting rules and, in some cases, apply their own taxability determinations to transactions within their boundaries. In turn, the states and

the local jurisdictions they encompass use sales tax collections to pay for government services and obligations that tend to benefit citizens on a local basis.

Civics 101 aside, the resulting patchwork of applicable rates, exemptions, deductions, forms, documentation requirements, taxability determinations, filing obligations and enforcement techniques presents a daunting challenge. This challenge is compounded when the number of states into which an organization makes sales increases. Bottom line? This situation is prime for an automated solution.

Automation of sales tax calculation and reporting is inevitable for many sellers. For most large sellers, implementation of an automated solution is already in their rear-view mirror, yet many others, in the face of Wayfair, are only now considering how to conquer nationwide sales tax compliance. Automation as a principle is a sound one, and the sales tax environment's complexities make a good case for leveraging the benefits of an automated solution. For most organizations touched by Wayfair, automation provides a valid

solution and is a likely outcome for many of them.

The usefulness of an automated solution is unquestioned, but a high-functioning sales tax administration solution requires more than just a subscription. In the wake of Wayfair, it's imperative that organizations assess their sales tax profile from a high altitude to gain insight into past period issues, current practices that work or don't work, and stakeholder expectations. This early assessment should address the people, processes and technology currently available or in use, and provide a basis on which to improve an organization's competency in all three of these vital areas:

- The first step is to **create a simple roadmap** to be a more efficient, accurate and risk-averse sales tax administration based on a high-level look. Start by looking back, for example. What is the plan to deal with jurisdictions where physical nexus may have existed in prior periods, but in which a company was not registered? What is the status of exemption certificates for exempt buyers in states where the company was not registered previously?
- Next, **set some important milestones** going forward. Based on existing and soon-to-be-invoked state-by-state rules, what is the expected breadth of a company's collection obligations? Are the items or services it sells taxable in all jurisdictions?
- Finally, **get the most out of any solution**. Assess the strengths and weaknesses of the options available. Plan for a seamless integration with existing people, processes and technology, and rely on tax and automation professionals to help meet deadlines and ensure expected outcomes.

The path to optimized sales tax functioning is unique to each organization. Automation is a natural milestone on that path for many companies, but taking the time to draw a map is crucial. ■

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## How to Avoid Payroll Fraud

By Mike Kappel, CEO, Patriot Software

Although there's no way to guarantee that employees won't commit payroll fraud, you can take measures to prevent it or catch it quickly. Set up controls to protect your company from payroll fraud and other kinds of small business fraud cases. Here are some things you should do to secure payroll at your business.

### 1. ESTABLISH CHECKS AND BALANCES

If you pass along responsibilities to employees, make sure you don't entrust everything to one employee. Different staff should set up new hires, process payroll, and handle accounting. And, you should have more than one employee doing each task.

Keep an eye on employees who have access to account numbers and payroll checks. These employees could fabricate ghost employees and falsify wages. And pay close attention if you only have one employee who handles payroll. Don't allow payroll staff to generate their own paychecks.

### 2. ASK EMPLOYEES TO REPORT SUSPICIOUS BEHAVIOR

The recent study (<https://bit.ly/2woXnOH>) found that whistleblowers are the most common and effective way that employers discover fraud in the workplace. Establish an anonymous method for tips and clear steps for reporting suspected fraud. You might not be able to see every detail that goes on in your business, but employees are most likely in a better position to spot payroll fraud red flags.

### 3. CONDUCT INTERNAL AUDITS

An internal audit is when someone working within your company checks your business' finances, operations, or management. You can conduct internal

audits at random times to catch employees off guard. The audit looks at financial records to find where money is going, helping to find gaps in records.

### 4. CREATE A SEPARATE PAYROLL ACCOUNT

Keeping all your business funds in one bank account might be an invitation for fraud. A payroll account lets you separate your payroll funds from your general business funds. This way, you will only put enough money into the payroll account to cover employee wages and taxes. Using a payroll account also makes it easier to reconcile your bank statement and maintain accurate records.

### 5. MAKE SURE PAYROLL TAX DEPOSITS ARE BEING MADE

Because an employee running payroll might be pocketing taxes, it's important that you verify that correct tax deposits are being made. Log in to EFTPS periodically to make sure that accurate, timely deposits are being made and also review tax filings to make sure your deposits add up.

### 6. DO YOUR DUE DILIGENCE BEFORE YOU HIRE

Obviously, no business owner intentionally hires employees with fraudulent behavior. But you need to do your due diligence before you extend a job offer. Make sure you do reference checks. Talk with the candidate's previous employers. Find out about any suspicious behavior or even past instances of payroll fraud. Do a thorough background check to see if the candidate has a criminal record. Require drug and alcohol screenings as well. ■

## THIS MONTH'S TOP PAYROLL SOCIAL MEDIA POSTS

- What to Expect from a Nanny Payroll Provider. **The SurePayroll blog.** <https://bit.ly/2wnXavG>
- 5 Time Tracking Compliance Issues and How to Avoid Them. **PrimePay blog.** <https://bit.ly/2PKmvYI>
- How to Manage a Cafeteria Plan. **Paydays Made Easy blog.** <https://bit.ly/2PLL3k5>
- Preparing Your Business for a Payroll Tax Audit. **Cirrus Payroll blog.** <https://bit.ly/2BX17gg>
- Should Your Payroll Go Paperless? **Zenefits blog.** <https://bit.ly/2PL8aLG>

## LATEST PAYROLL NEWS

**California Considers Ban on Mandatory Arbitration.** The #MeToo-driven bill would ban California employers from requiring workers to sign arbitration agreements. [www.cpapracticeadvisor.com/12426414](http://www.cpapracticeadvisor.com/12426414)

**High Income Wage Earners Need to Review Their W-4.** The Tax Cuts and Jobs Act made major changes to deductions, exemptions, the CTC, tax rates and brackets. [www.cpapracticeadvisor.com/12425546](http://www.cpapracticeadvisor.com/12425546)

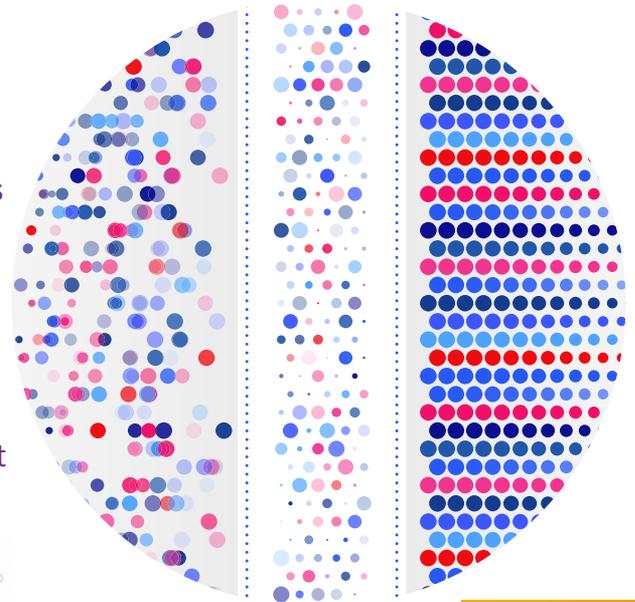
**Xero and Gusto Partner for Payroll.** New partnership that will allow Xero users to have integrated access to Gusto's full-service payroll solution. [www.cpapracticeadvisor.com/12425145](http://www.cpapracticeadvisor.com/12425145)

**Missouri Voters Strike Down "Right to Work" Law.** Unions are celebrating Missouri voters' decision in August to strike down a state "right-to-work" law. [www.cpapracticeadvisor.com/12424668](http://www.cpapracticeadvisor.com/12424668)

**Retailers Already Competing for Seasonal Workers.** Major retailers are already posting help-wanted ads for their busy season, weeks or even months earlier than usual. [www.cpapracticeadvisor.com/12422565](http://www.cpapracticeadvisor.com/12422565)

# Tax Organization

WHAT ARE YOUR favorite tools for getting and staying organized? As the autumn tax season is upon us, and spring tax season will be here soon (there's always a tax season looming...), I checked in with some members of the *CPA Practice Advisor* community to find out if they have some apps that can help us organize tax records. Whether you use these yourself or recommend them to clients, the tools we discuss here might just make your future tax seasons a little less chaotic.



**Doug Sleeter**, founder of The Sleeter Group and former producer of SleeterCon, offered a list of his favorite tax-related organization apps.

- **Google Drive** – This cloud storage option allows you to not only free up storage space on your own computer and other devices, you can access your files from anywhere. Similar options include Microsoft's **OneDrive**, **DropBox**, **Apple iCloud**, and there are others. Whichever cloud storage option you choose, you're likely to find that once you try cloud storage, you won't want to go back to hard drive storage.



- **FileThis** – Use this app to connect to your accounts from utility companies, banks, credit cards, and service providers. The app automatically fetches, downloads, and stores monthly invoices in a central, organized place on the web. Your clients can give you access to their FileThis account to retrieve any statements you need.



- **Quicken** – According to Sleeter, this is "Still the app of choice for home bookkeeping." Quicken is the first personal finance app I ever used, and I found it to be startlingly easy and extremely useful. Several of my tax clients still use Quicken to organize their personal financial records, and the statements they send



- **Expensify** – If you need to track, submit, and store expense receipts, Expensify will do all of that for you.



- **Bill.com** – Sleeter says Bill.com is a "Great app for handling all business and personal payables and receivables." Use Bill.com to pay invoices, get approvals from your team, view your payment history and audit trail, create and send invoices to customers, track invoices and incoming payments, and get paid directly to your bank account.

**Samantha Mansfield**, director of professional development and community at CPA.com, said, "I am not a preparer, so from someone that

submits files I use **Genius Scan**. It is easy to use. The version you pay for allows

password protecting the file, and it cleans up the images when you are "scanning" with the camera on your phone. The free version of Genius Scan let's you scan images and save them as PDFs. The paid version can save documents as JPEGs and exports

directly to several cloud applications. **Alina Nikishina**, implementation and project manager at The Mastery Network, a consultancy that helps professional firms gain a competitive edge by gearing up to add more advisory services



into their practice, said, "I love **MileIQ** for tracking business vs. personal mileage for tax record keeping. It's easy to use because it works in the background as you drive, so you don't need to press "start" or "stop". At the end of the year, you have a great report that is generated for tax source documents."



**Kacee Johnson**, strategic advisor at CPA.com, recommends, **SafeSend Returns**. "It digitizes the complete tax assembly and delivery process. I also love that it provides visibility to the firm on the status of their clients' returns while delivering reminders to the tax payer on important dates with amounts due!"



**Chris Hooper**, CEO of Accodex, is a fan of **Receipt Bank**. "It enables us to have a permanent, online record of all receipts and invoices the client has received over the year in order to substantiate their deductions on their tax returns."



Finally, **Harjit "RJ" Virk** recommends the personal finance tool, **Mint.com**. "I use it myself and recommend it to friends, family and clients. It builds simple and easy budgets and tracking of income and expenses."



What apps do you love? Let Gail know: [gail.perry@cpapracticeadvisor.com](mailto:gail.perry@cpapracticeadvisor.com)



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## Profanity in the Workplace

THE USE OF profanity in everyday conversation has become pervasive, especially with Gen Xers' and millennials, but others as well. We can all point to well-known politicians and celebrities that all too often use profanity in their daily dialogue. Recently, it has become a badge of honor for the Hollywood crowd. When profanity is used outside of the workplace, as part of social interaction, as distasteful as it may be, it has no legal significance. It can be a totally different issue when used in the workplace.

Often, when profanity is used in the workplace, managers and supervisors are reluctant to address it for fear that they will be seen as prudish or part of the speech police. However, employers need to carefully consider their response to profane or obscene language when used by employees.

As discussed later, in some circumstances, cursing or the use of offensive language is considered protected activity under the National Labor Relations Act. And this law applies in both union and non-union workplaces. In other cases, profane language, when tolerated and pervasive in the workplace could create a hostile work environment that carries with it legal liability under anti-discrimination laws.

### WHY YOU MUST ADDRESS PROFANITY

A recent federal court case in Portland, Oregon, involved an employee

with strong Christian beliefs who was subjected to workplace profanity that included the use of God's and Jesus Christ's names in cursing. The employee had informed those that used such profanity that she found the language offensive because of her religious beliefs. The jury found the company liable for permitting a hostile work environment based upon her religion. Religion is one of the fundamental categories deemed protected under the provisions of Title VII of the Civil Rights Act.

Virtually every workplace will have one, two, or perhaps even several employees who use crude, obscene or profane language. This may sometimes include supervisors. Many workplaces will also have employees who find such language deeply offensive. Balancing those competing concerns, while at the same time staying in compliance with all relevant laws can be a

tricky task. Employers must actively address the issue before significant problems arise. Ignoring obscene or crude language can harm customer relations, cause the business to appear unprofessional, and even worse, put employers at risk of claims of allowing a hostile work environment, as was found in the Portland case referenced above. In one recent case, the National Labor Relations Board overturned an employee's termination for profanity where it found the company "had a general laxity toward profanity in the workplace."

### WORKPLACE PROFANITY

In some workplaces, profanity may be common and accepted conduct. In others, it may be clearly unacceptable. And in some organizations, it may be both. At a restaurant for example, cursing and sexual banter in the kitchen, while not appropriate, may be a regular occurrence.

However, the same language would be considered unprofessional, inappropriate and unacceptable in front of customers. Obscene language that may be occasionally heard on a shop floor is almost always considered unacceptable in the front office.

Another challenge with managing potentially offensive language in the workplace is its subjectivity. What one person may find shocking or profane may not be a problem for someone else. While profanity and obscenities have different degrees of offensiveness, certain words or phrases are clearly improper and cannot be tolerated in the workplace. For example, ignoring slurs about race, gender, ethnicity, disability, or sexual orientation as well as sexual innuendos, can form the basis for claims of unlawful harassment and hostile work environment. In certain circumstances, profanity can even form the basis for claims of workplace violence. According to the U.S. Department of Labor's (DOL) "Workplace Violence Program" approximately 2 million persons are victims of non-fatal workplace violence every year. The DOL considers "verbal abuse including offensive, profane and vulgar language" to be included in the forms of violence among coworkers. Such conduct, if tolerated, would certainly be strong evidence of a hostile working environment.

## EMPLOYEE PROFANITY ON SOCIAL MEDIA

Employee communications on social media sometimes include profanity or obscene remarks. Perhaps the rationale is that since it is done in cyberspace, it is not quite so personal. The question is whether such Facebook comments can be considered profanity in the workplace if they somehow relate to work, to a co-worker, or company management. The NLRB has addressed the issue in several cases and more often than not concluded that the conduct was protected under Section 7 of the NLRA because it related to working conditions or the comments were in support of another employee's criticism of management.

## WHAT ACTION EMPLOYERS SHOULD CONSIDER

The issue of profanity in the workplace can seem like a no-win proposition for employers, therefore to some, ignoring it may sometimes appear the easiest approach. However, as seen in the cases discussed, ignoring profanity can leave an organization vulnerable to complaints, lawsuits, and perhaps worst of all, permitting a workplace to become hostile to customers and/or employees. Obviously, a proactive approach is a better course both legally and operationally. It should include the following: Consider your industry, employees and culture. These are all critical considerations in dealing with such a subjective issue. There are no hard and fast rules, with the possible exception of banning the use of racial, ethnic, gender-based, disability-based and religious slurs. These have almost always led to complaints and more often than not, legal action. Otherwise, employers should consider how their organization operates on a day-to-day basis, what is considered normal and acceptable for



their industry, how much contact employees have with customers, and similar practical factors. But that is not to say that tolerance of profanity should be the operating rule in any workplace.

Because this is such a subjective area of employee relations, employers should develop policies to quickly escalate issues up the management chain whenever issues including workplace profanity arise.

### ■ Put your Policies in Writing

Workplace profanity policies should be as specific as possible and clearly stated in the employee handbook. The policies should be addressed in employee orientation as well as in periodic training. They should also

set forth the disciplinary measures for violation of the rules.

Today, employees who are called to account for violating company profanity rules sometimes try to claim First Amendment protections of freedom of speech. However, the First Amendment does not apply in the workplaces of private employers. Profanity thus has no constitutional protection in the private workplace.

### ■ Train Managers and Supervisors

Your managers and supervisors should receive training about how to respond to profanity in the workplace. An isolated outburst should be distinguished from a pattern or routine use of profanity. In addition

to learning how to properly respond to employee concerns, they should clearly understand that use of profane language by them in front of employees is totally unacceptable. They must lead by example.

## CONCLUSION

Like jokes and other idle banter, profane or obscene language can be a non-issue to some, while seriously offending others. Employers need to carefully consider what will be acceptable in their particular workplace. What may be tolerated in one, could lead to legal claims in another. ■

# 6 Tips to Carry the Summer Heat Through the End of 2018

By Jodi Chavez

WITH UNEMPLOYMENT CURRENTLY at the lowest it has been in 18 years, it comes as no surprise there is a shortage of skilled talent. However, running a successful accounting firm at optimal efficiency and speed requires you to have the best employees on your team. With the market swinging in favor of job seekers (both proactive and passive), now is the time to think ahead and consider how to retain and attract skilled talent to keep your business blazing into 2019. Here are tips to ensure your firm remains a hot commodity long into the winter months and new year.

## IGNITE YOUR RETENTION EFFORTS

With such a tight labor market, competition is fierce among employers for talent. No matter how much you excel at retaining talent, in today's market even the most loyal employees can be lured away by competitors promising better offers. Research shows that workers tend to leave for better pay, training and growth opportunities. In this historic talent market, you can't afford to lose your best workers, so consider ramping up retention efforts with these best practices:

**1 Training/reskilling** - Accounting and finance roles are not just about crunching numbers anymore, and as artificial intelligence enters the workplace, there will be even greater need for critical thinking, problem-solving and analytical skills over the next 10 years, according to the Bureau of Labor and Statistics. Employers must ensure their workforce is properly trained in these key skill areas. Unfortunately, nearly 40 percent of U.S. workers say their employers have not offered upskilling opportunities.

**2 Fair pay** - Equality in pay is a big concern for today's workers, yet the existence of it depends on who you ask. The majority (82%) of companies believe they offer equal pay regardless of gender, but only a little more than half of workers agree. Keep up-to-date with attractive and

competitive compensation levels and be sure you are offering equal pay. Failing to do so could cause employees to jump ship.

**3 Opportunities to grow** - If there are individual employees who have had a huge impact on your bottom line, be sure to recognize and reward them accordingly. And when new opportunities open up internally, try to find existing employees who can grow into the role or take on additional responsibilities.

## MAKE A BIG SPLASH WHEN ATTRACTING NEW TALENT

The demand for top-tier talent is growing — and the shallow overall talent pool, combined with growing demand from companies looking for exceptional candidates, is driving longer hiring periods along with increased pay rates. As a result, it's time to get creative in your attraction efforts. Whether you're hiring for a full-time role or a temporary opportunity, the reality is that strong candidates are in high demand and often have multiple job offers at a time. To attract new talent, it's crucial to provide perks and benefits that enhance your employees' experience. Here are just a few ways you can do so:

**4 Tech-suite 2.0** - Tech innovations have impacted the way people work. By revamping your tech-suite, and adding analytics and collaboration tools, you can attract the

type of tech-savvy candidates you'll need to succeed in the future. At the same time, while technology can cater to what employees want, companies must also work diligently to ensure the human element of the work isn't lost. Focus on fostering a positive company culture and you'll be able to attract stronger candidates down the line.

**5 Flexibility** - The majority of workers say the ability to work from anywhere at any time helps them maintain a healthy work-life balance. Providing more flexible work arrangements and allowing employees to work from home a portion of the time can enhance your talent pipeline.

**6 Benefits** - Benefits can be an even stronger incentive than salary for candidates considering job offers; on the other hand, unattractive benefits packages may drive candidates away. In fact, 66 percent of workers agree that a strong benefits and perks package is the largest determining factor when considering job offers.

By embracing the recruiting realities of the accounting and finance industry, you'll be better prepared to attract and retain the best talent — and give your organization a competitive edge. Turn up the heat as we approach the last quarter and lay down a strong foundation to end the year on a high note. ■

*With more than 22 years' experience in the staffing industry, Jodi oversees the field organization and provides direction for Randstad's life sciences, finance and accounting, human resources, sales and marketing and legal staffing capabilities. Throughout her career, Jodi's entrepreneurial drive and strong business acumen have led to increased revenues, gross profit growth and improved ROI. Along with a proven track record of building high performing teams, she brings a wealth of knowledge in strategic planning and execution, mergers and acquisitions, brand strategy, social media and multi-generational leadership.*

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# 7 TIPS to Find and Prevent Payroll Fraud

By Tiffany Couch, CPA/CFF, CFE

**"RICK" WAS A salt-of-the-earth man who had built a profitable and successful farming operation. Now in his early 70's, he was ready to step back and let his children take over the day-to-day logistics of running the multi-million-dollar farm. He placed operations in his sons' hands, while his daughter took over the office, including accounts receivable and payable, and issuing employee payroll.**

Everything went well for about five years, but people began noticing that the daughter was coming into the office less and less. Worse, some vendors were complaining that invoices hadn't been paid, or the payments were incorrect. Then, it was discovered that the company's payroll taxes hadn't been paid, which led to further investigation. It didn't take much analysis of the farm's books to learn the daughter had been issuing herself three or more paychecks per week. Upon closer inspection, there were hundreds of checks clearing the bank that weren't in the register at all! The books were so manipulated, it was almost impossible to understand how much was stolen, but in the end the fraud tipped the scale at more than a half-million dollars.

At first blush, payroll fraud might seem difficult to pull off – after all, shouldn't it be obvious? But a well-hidden fraud is not obvious to most business owners. And, unfortunately, by the time most payroll frauds are discovered, months or years have passed, resulting in large losses. Payroll fraud can occur in any business, in any industry – from the mom-and-pop corner market to a billion dollar publicly-traded company.

Payroll fraud is a form of asset misappropriation. In this scheme, an employee abuses his or her access to company payroll systems to issue unauthorized payments. The most common payroll fraud schemes include:

**Ghost employee schemes.** A fake, terminated or non-existent employee or vendor is issued checks that the fraudster cashes for personal gain. This is more common in companies where supervisors manage large staffs and are not reviewing compensation in detail as a smaller organization might. Employers should conduct periodic audits of their payroll reports to ensure employees are getting the correct pay. It's also essential to review Social Security numbers to make sure there aren't duplicate or missing numbers that point to a ghost employee scheme. Another red flag is multiple direct deposits to the same account or the issuance of checks to employees at the same address.

**Timesheet fraud.** This is common in businesses that pay their workers an hourly rate. An employee inflates his or her hours or punches the clock for an absent employee. To deter this scheme, supervisors should verify and sign timecards for each pay period or use biometric systems.

**Rate Adjustment.** This is a fraud where employees

increase their rate of pay, pay themselves overtime, or intentionally give themselves a bonus or commission not actually earned.

**Lack of deductions.** Federal withholding tax, state withholding, Social Security, and benefits deductions that are required to be deducted from the employee's check but aren't. Instead, the employee effectively allows the employer to pay for the tax or benefit.

**Un-repaid payroll advances.** This is a passive fraud. An employee requests a payroll advance but doesn't pay it back. This is easiest to execute when the accounting staff records the advance as an expense rather than charging it as a balance sheet item, or never monitors for repayment, eventually forgetting the advance was issued.

Payroll fraud is especially frustrating because it's preventable. Even small businesses can implement simple internal controls that reduce risk. The best measure is a simple review of payroll reports after it has been approved and processed to verify payee names, rates of pay, hours and deductions are appropriate. Additional controls include:

1. **Separate payroll set-up, approval, and processing functions.**
2. **Require employees to take mandatory vacation time.**
3. **Cross train and rotate job duties of employees in payroll and human resources.**
4. **Implement a direct-deposit system for payroll and bonuses.**
5. **Require managers to approve timesheets and overtime requests.**
6. **Review bank statements and cancelled checks each month, making sure the payee matches the entry in QuickBooks.**
7. **Establish a zero-tolerance policy for fraud and prosecute violators to set an example.**

Payroll fraud is a costly and potentially devastating crime because very often payroll is a company's most significant expense. To reduce the likelihood of insider theft, employers should stay up to date on who in the organization is being paid and how much is authorized. It's critical to keep a close eye on money in and money out to disrupt fraud and prosecute the perpetrator. ■

*Tiffany Couch is CEO and founder of Acuity Forensics, a national forensic accounting firm. She is also the author of **The Thief in Your Company**, a book that explores the financial and emotional impact of fraud on organizations of all sizes. She can be reached at [tcouch@acuityforensics.com](mailto:tcouch@acuityforensics.com) or (360) 573-5158.*

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## Role of Financial Leaders Continues to Expand

By Isaac M. O'Bannon, Managing Editor

Financial leaders continue breaking the mold and expanding their influence throughout their organizations. In a Robert Half Management Resources survey, finance executives most frequently reported their roles have grown over the past three years to include more human resources (39 percent) and information technology (28 percent) efforts.

Finance leaders were asked, "In which one of the following areas outside of traditional accounting and finance responsibilities, if any, has your role expanded most over the past three years?" **Their responses:**

Human resources	39%
Information technology	28%
Operations	21%
Sales or business development	6%
Marketing	6%
	100%

You can view an infographic at <https://bit.ly/2KPsFmQ>.

"Financial executives' positions involve playing many roles — part strategic advisor, part data scientist, part collaborator — in addition to their traditional responsibilities," said Tim Hird, executive director of Robert Half Management Resources. "They collaborate with human resources in areas as diverse as hiring and compensation, compliance, and organizational culture. They also pair with their IT counterparts on initiatives ranging from technology investments and systems implementations to cybersecurity."

Deeper understanding of HR and IT has enabled financial leaders to address staffing challenges by adopting a robust labor model, Hird added. "Accounting

and finance departments rarely enjoy extra resources, and added work or major events, such as an acquisition or a large accounts reconciliation initiative, can set off alarms and panic," he said. "In response, executives are using more comprehensive staffing strategies, including automating routine tasks so employees can focus on higher-value projects and working with managed services providers for access to specialized, scalable teams on demand."

For additional insights on staffing strategies financial executives employ, see The Labor Model for Finance in the Digital Age from Robert Half and Protiviti at <https://bit.ly/2nCJaCA>.

Robert Half Management Resources highlights five skills today's financial executives need:

- **Leadership** — Developing and retaining a talented team are top priorities for accounting and finance managers. Executives must excel in guiding their staff, including managing and motivating a multigenerational workforce.
- **Collaboration** — As their roles expand into nontraditional areas, financial executives can succeed only if they work well with colleagues in other departments.
- **Communication** — Financial leaders must be comfortable sharing information with diverse audiences, from entry-level staff to the CEO and board of directors.
- **Technological aptitude** — Financial executives don't need to know all the tricks of new tools, but they should have an innate curiosity about them and a short learning curve.
- **Change management** — Change can be scary, particularly when it comes to work. Leaders must be able to share company news, good and bad, and what it means for their teams. ■

### THIS MONTH'S TOP ACCOUNTING & AUDITING SOCIAL MEDIA POSTS

- Remaining Relevant: The Auditor of the Future. **Tom Hood, via LinkedIn.** <https://bit.ly/2ofNPBL>
- How AI Can Help Improve the Audit Process. **AICPA Insights.** <https://bit.ly/2MEbudG>
- FASB Amends Disclosure Requirements for Defined Benefit Plans. **Wolters Kluwer blog.** <https://bit.ly/2NryQjf>
- Ransomware: How Can You Save Your Files? **Thomson Reuters blog.** <https://tmsnrt.rs/2MC9Mts>
- The 7 Habits of Highly Ineffective Auditors. **CCH TeamMate blog.** <https://bit.ly/2PasB3l>

## LATEST A & A NEWS

**XBRL Costs for Small Companies Have Declined 45%.** The cost of XBRL formatting for small reporting companies has declined 45 percent since 2014, according to an updated pricing survey from the AICPA. [www.cpapracticeadvisor.com/12426056](http://www.cpapracticeadvisor.com/12426056)

**GASB Proposes Improvements to Reporting of Conduit Debt Obligations.** Proposal would provide a single method for government

issuers to report conduit debt obligations and related obligations. [www.cpapracticeadvisor.com/12425695](http://www.cpapracticeadvisor.com/12425695)

**Accounting Pros Expect Cryptocurrency to Expand in Business Use.** Blockchain isn't just disrupting how business is conducted, it's disrupting the demands on accounting and finance functions. [www.cpapracticeadvisor.com/12425690](http://www.cpapracticeadvisor.com/12425690)

**Financial Execs Plan to Modernize Com-**

**pliance in Coming Year.** Resource levels for compliance teams are expected to increase (27.5 percent) or stay flat (37.6 percent) in the year ahead for the majority of organizations. [www.cpapracticeadvisor.com/12425691](http://www.cpapracticeadvisor.com/12425691)

**FASB Proposes Narrow-Scope Improvements to Accounting for Lessors.** Proposal would reduce costs and ease implementation of the leases standard for financial statement preparers. [www.cpapracticeadvisor.com/12425694](http://www.cpapracticeadvisor.com/12425694)



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## 5 Ways Poor Performers Hurt Your Accounting Firm

ALMOST EVERY EMPLOYEE gets off their game at some point in their career. It's not the end of the world, and the right kind of coaching often will turn around underperformers and get them back to full productivity.

But how long do you spend trying to bring them up to speed?

In a competitive recruitment market, it can be tempting to just keep poor performers around and hope they'll eventually grow into the role. But there are real costs to this strategy — and not just financial. Here are five ways a poor performer can hurt your team:

**1 Low morale** — More than nine in 10 finance executives in a Robert Half survey said poor hiring decisions affect their team's morale. It's easy to see why. When an accountant or auditor doesn't pull their weight, the rest of your staff have to pick up the slack. For professionals in the accounting field, one of the main drivers of happiness is being treated with fairness and respect. It's neither fair nor respectful to make staff work longer hours or carry a heavier load because a colleague's work isn't up to par. The last thing you want is a team of discouraged, stressed-out employees.

**2 Reduced productivity** — Poor performance kicks off a domino effect of negativity. As team morale drops, output quality and quantity begin to suffer. And soon you find that one problem employee has eradicated much of the cohesiveness, productivity and goodwill of your team.

Not only do the bad apple's coworkers suffer, but so do you. Respondents in the Robert Half survey reported they dedicate an average of 26 percent of their time to supervising poorly performing employees. That's more than 10 wasted hours a week they could have applied toward tasks with a greater ROI, such as business development or renewing clients.

**3 Undermined authority** — Employees notice everything you do and will judge you when you make a bad hire. If you make a bad enough choice, they may even lose faith in your ability to lead. You could find yourself with team members who second-guess your decisions and are unenthusiastic about your initiatives. This leads to staff conflicts, slows down the progress of firm initiatives and further impacts performance, theirs and yours.

**4 Lost business** — Your clients rely on your firm for accurate results. An underperformer not only fails to deliver on this promise but can upset clients in other ways. Missed deadlines, unprofessional communication and nonrenewing clients can occur when a public accounting firm underdelivers.

**5 Significant costs and time to find a replacement** — Eventually, you'll have to replace chronic underperformers. That eats up even more of your money, energy and time. One Robert Half study found it takes 17 weeks for management to rectify this situation. With the overall unemployment rate around 4 percent, and even lower in high-demand fields like accounting, a position could sit empty for longer than that.

### HOW TO HIRE SMARTER

How can accounting firms avoid paying the high costs of a poor performer? The answer is to be proactive by making a sound decision the first time around. Here are tips:

- **Pay competitively.** This is a must in today's tight talent market. Compensation packages that fall below candidates' expectations are probably not going to win them over to your side. Use industry resources such as the Robert Half Salary Guide for Accounting and Finance Professionals to help determine what your top pick's starting salary should be.
- **Hone in on soft skills.** A new hire could be an auditing genius and a whiz with several financial systems. But if that person clashes with colleagues and clients, he or she simply doesn't belong on your team. During the recruitment process, pay as much attention to candidates' interpersonal abilities as their accounting and technological prowess.
- **Work with a staffing agency.** Properly recruiting and vetting candidates takes time, time many managers may not feel they have available. A specialized recruiter can handle much of the work involved and help make the hiring process faster and more effective.

Hiring mistakes are expensive in more ways than one. But when you're careful about the choices you make to begin with, you can avoid paying the high price of having a low performer on your team. ■

## 4 Data Security Tips for Tax Professionals

By Isaac M. O'Bannon, Managing Editor

Tax professionals fall victim to identity theft, too. In recent years, hundreds of tax professionals experienced data thefts or breaches that exposed their clients' personal information to cybercriminals and to tax-related identity theft. As cybercriminals increasingly target this data, the IRS and its Security Summit partners are sharing lessons learned by tax pros to help others avoid being targeted by identity thieves.

They recently shared tips and actions they wish they had taken to safeguard their customers and their businesses. These suggestions, pulled anonymously from victimized professionals, offer an opportunity to learn from these common mistakes and avoid a devastating breach of their client and business data.

Although the Security Summit -- a partnership between the IRS, states and the private-sector tax community -- is making progress against tax-related identity theft, cybercriminals continue to evolve, and data thefts at tax professionals' offices is on the rise. Thieves use stolen data from tax practitioners to create fraudulent returns that can be harder to detect and harder to distinguish from legitimate taxpayer returns.

### LESSON 1: GET CYBER INSURANCE COVERAGE

A common refrain from tax professionals who have been victimized by cybercriminals is they either were glad they had -- or wish they had -- insurance coverage for data loss.

Many tax professionals maintain business policies that may cover property and liability, but it may not fully cover data thefts. Tax professionals victimized by these crimes recommend they also explore cyber coverage for data breaches. This may require an addendum or rider to

the policy. Practitioners also suggest that the dollar amount of the policy be large enough to cover expenses.

Some insurance companies provide teams of experts in the event of a data theft, assisting tax professionals in identifying the source of the data breach and resolving it. These teams may also help notify clients or provide extended protections. Just as important, these teams of experts may assist tax professionals proactively, helping make sure adequate safeguards are in place to prevent a data theft.

Another recommendation: If using cloud storage, ask the cloud service provider about cyber insurance coverage in case the provider's systems are breached.

### LESSON 2: PASSWORD PROTECT EACH CLIENT ACCOUNT

Many tax software products also enable tax professionals to password protect each client account. Tax professionals who have experienced data thefts acknowledge that this can be a hassle, but worth the trouble should they experience a breach. They suggest password-protecting every account as a critical safeguard against cyberthieves.

Strong passwords can help prevent cybercriminals from accessing computer systems and accounts. Passwords should be eight characters or longer, a mix of letters, special characters and numbers, include an easy to remember phrase and be unique for each account.

See *Protect Your Clients, Protect Yourself: Tax Security 101* for more information on passwords and encryption. ■

Continued online at  
[www.CPAPracticeAdvisor.com/12424911](http://www.CPAPracticeAdvisor.com/12424911)

## THIS MONTH'S TOP TAX SOCIAL MEDIA POSTS

- IRS Deals Blow to SALT Deduction Cap Work-arounds. **Tax Foundation.**  
<https://bit.ly/2MyURQx>
- New Pass-Through Rules Could Add \$1.3 Billion in Compliance Costs. **Forbes.**  
<https://bit.ly/2LAGm9s>
- Confessions of a Young Tax Practitioner. **AICPA Insights.**  
<https://bit.ly/2Q1tDQA>
- IRS Changes Compliance Assurance Process Program. **CCHTaxGroup Blog.**  
<https://bit.ly/2BUmONP>
- 4 Ways Tax Pros Can Boost Their Social Media Presence. **Canopy blog.**  
<https://bit.ly/2wue4rW>

## LATEST TAX NEWS

**Traffic Stop Leads to \$580,000 Tax Fraud Case.** A strong odor of marijuana led deputies to search the car, where they found multiple credit cards, three laptop computers and more.  
[www.cpapracticeadvisor.com/12425689](http://www.cpapracticeadvisor.com/12425689)

**Combat Zone Contract Workers Qualify for Foreign Earned Income Exclusion.** The Bipartisan Budget Act of 2018 applies for tax year 2018 and subsequent years.  
[www.cpapracticeadvisor.com/12426796](http://www.cpapracticeadvisor.com/12426796)

**IRS Says Tax Pros Need to Protect Their EFINS, PTINs and CAFs.** Cybercriminals sometimes post stolen EFINS, PTINs and CAF numbers on the Dark Web as a crime kit for identity thieves.  
[www.cpapracticeadvisor.com/12425544](http://www.cpapracticeadvisor.com/12425544)

**The Downsides of Property Tax Caps.** Property tax caps may be hampering municipalities' ability to fund basic services and are exacerbating inequality.  
[www.cpapracticeadvisor.com/12423580](http://www.cpapracticeadvisor.com/12423580)

**Nonprofits Uncertain of New Tax Law Changes.** The new tax law could result in a decrease in annual giving anywhere between \$13 billion and \$20 billion.  
[www.cpapracticeadvisor.com/12423578](http://www.cpapracticeadvisor.com/12423578)



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## A USER'S GUIDE TO ENCRYPTION PART TWO: Encryption of Portals and Messages

PROTECTING DATA IN transit is harder than encrypting data at rest, since it must allow users to transmit data to a remote user, regardless of the computing platform or internet connection method used by the recipient. There are many ways that data can be intercepted in transit from one location to another when someone uses an insecure method like regular e-mail or regular FTP to transmit the data across the internet.

If you think of the internet as a post office and the contents in pieces of mail as packets of data, it's important that any confidential information is placed in a secure "envelope" or other packaging (encryption) before it is transmitted through the post office. An unprotected message or an unencrypted data transfer on the internet is like a postcard sent through the post office in that it may be read by anyone who handles it along its journey, and senders and recipients have no expectation of privacy when using these insecure methods. We use three different techniques to protect messages in transit – encrypted portals, e-mail encryption, and file-level encryption, and a brief summary of each approach follows.

### ENCRYPTED PORTALS

Also called "client portals" in our industry, these are websites which are designed to allow you and your clients to securely exchange data through these password-protected portals, which use Transport Layer Security (TLS) to secure data while it is transmitted between a computer or device and the portal. There are literally hundreds of tools which can be used as a secure portal, includ-

ing offerings from Sharefile, XCM, Doc-It, CCH, Thomson Reuters, Tax-Caddy, Box, Microsoft, and others.

### E-MAIL ENCRYPTION

Sending normal e-mail outside of your organization is like sending the message and any attachments in a postcard – they can be intercepted, retrieved, modified, and forwarded to others with impunity. While e-mail servers use TLS security when transmitting messages to each other, the servers (and their administrators) have access to the unencrypted data, and can do with it as they like. There have been a number of attempts at applying encryption to individual e-mail messages – SMIME, PGPmail, GPGmail, and others. While all of these methods work, all have proven to be too difficult for the average end user, and are rarely used in practice.

There are a wide range of services which use a combination of technologies to protect e-mail and attachments in transit. Some of the more popular approaches include the following:

■ **Portal-based solutions** – These solutions can use Outlook add-ins to convert messages and attachments to a portal message with a

downloadable attachment. Some of the solutions which use this approach include ZixMail, ShareFile Secure E-mail, and CPASafeSend.

### ■ Information Rights Management (IRM) based solutions

– These solutions use server-based validation to decrypt the message on the recipient's end and grant access to the message based on validating the login of the recipients. Microsoft offers these solutions as part of its Azure Rights Management Services and Office 365 Message Encryption, and additional solutions are available which work with e-mail hosting from Google, Zoho, and others.

■ **Webmail-Based Solutions** – Some solutions use a combination of webmail, PGPmail, and portals to secure data transmission to others like Switzerland's ProtonMail and Canada's HushMail. Unfortunately, these solutions can't be used to store or transmit client tax data since their servers are not based in the United States.

### FILE LEVEL ENCRYPTION

A final approach used by some is file level encryption using tools like AESCrypt, 7-Zip, or the password protection built into Microsoft Office and Adobe Acrobat, and then attach the file to an unencrypted e-mail. While this is not a good solution for many reasons which I won't address here, I've seen some users take this approach, which could subject you to liability under relevant data protection laws and regulations.



Regardless of which approach you and your firm take to securing messages and file transfers, it's crucial that you consult your cyber insurance and malpractice vendors to learn what methods are accepted/recognized by your policies. You should also review your strategy with your attorney, and train your staff and clients on how to transmit files to and from your firm with directions, videos, and admin staff who can walk clients through the process. No file transmission method is perfect, and once you've implemented a solution, your admins may want to enable Data Loss Prevention settings to prevent users from sending e-mail attachments without using the appropriate methods.

We will continue our discussion of encryption next month when we will cover securing Wi-Fi and accessing data over a virtual private network (VPN). ■

## Focus on Billable Hours Drives Millennials Away

DID YOU EVER hear that joke about the CPA who died and was met at the gates of heaven and was told he was 170 years old? The CPA replied, "There must be some mistake, I'm only 63." In response, he was told, "We don't go by chronological age, we count your years by the number of hours you've billed your clients."

Our profession was built on a simple business model: For each hour we worked, we would bill our clients for that time, then multiply by a rate which we would establish. It was simple and it seemed to work relatively well for most firms. But then something happened: Our clients suddenly realized that they didn't care how long it took us to perform a task, the value they received had no relation to how much time we spent on a project. We then started to spend countless hours after the work was completed and the bill went out trying to explain our time charge to angry clients.

The point of this article isn't the age old question of billable hours vs. value pricing. The focus today is the

value our people provide to our firms and how we measure that value in a way that doesn't drive them away.

One of the biggest factors driving away millennials from our industry is the deadlocked focus by firms on billable hour goals for their people, which just seem to be increasing every year. Millennials are feeling undervalued and receive negative feedback simply based on this one metric, and it is driving them away.

Over and over again, the process is the same. Millennials may be doing amazing work on jobs, increasing the efficiencies, adding true value to the clients and they are not recognized for that outstanding work simply because the billable hours for the job went down. If a member of your

firm working on one of your clients is able to achieve those positive results but with fewer billable hours, isn't that a good, dare I say great thing?

While billable hours may be an easy method to project and budget firm revenue for the upcoming year and can be used as a starting metric for evaluating our people, it is by no means the only metric that should be used.

Before we go any further, our profession's focus on billable hours hasn't really changed much in the past. In fact it really hasn't changed at all, so we should stop and ask why it is suddenly becoming a problem?

When we look at this issue, it can really be broken down into two main problems:

- The consensus of most CPA firm partners is that the focus on billable hours regarding firm staff has never been an issue before, is actually misguided. Firm employees have never really cared for the billable hours metric, but they were simply more muted in their disdain. Just about every baby boomer partner in the country today will tell war stories about how many hours they had to work based on the unyielding demands of the partners when they were coming up through the ranks. For those in Generation X, they had the same views, but for the most part, kept quiet as they continued on their never-ending quest to hopefully make partner someday.

- Millennials see this as an archaic business practice which lacks any connection to what an employee



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contributes to the client or the firm. It is a business practice which does not support the growth and success of our firms and, even worse, it is actively hurting our firms.

Firms that want to be successful in the future need to shift how they evaluate what their employees contribute to the firm and move past this archaic system.

Our number one goal when working with our clients, which I think all three generations can agree upon, needs to be adding value to that client relationship. Adding value is not a measurement of time and never will be.

If Walmart can use big data and analytics to know that in certain parts of the country before a weather related disaster strikes, the two top selling items are six packs of Miller Lite and strawberry Pop Tarts, and rush more inventory to its stores, CPA firms can do better than valuing their staff solely on billable hours.

Here are the questions you need to ask to evaluate your people, and they don't include billable hours.

- Does this person add value to the firm's clients?
- Does this person add value to the firm?
- Does this person support the firm's vision?

Stop driving away future millennial partners at your firm, and break away from the sole focus on billable hours. By doing this, you will not only retain and engage your millennials, but your firm will actually become more successful. ■





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# The Value of **BIG DATA** in an Accounting Firm

**BIG DATA HAS become a buzzword in the accounting profession, and like other trending topics such as blockchain, AI and machine learning, it's one that CPAs really need to understand.**

The definition of big data goes beyond the quantity of information. Most big data experts think of it in terms of the three Vs.

- **Volume.** Quantities of data that are too big for traditional data management to handle. For example, from Facebook's launch in February of 2004 to November of 2015, more than 250 billion photos were uploaded to the site.
- **Velocity.** Data streams in at an unprecedented speed and must be dealt with promptly. Returning to the Facebook example, approximately 350 million new photos are added each day. Imagine having to process, file and later be able to retrieve that much data on a daily basis.
- **Variety.** Data comes in all types of formats. Of course, Facebook doesn't just store photographs. People also share status updates, videos, documents and more. Much of that data is doesn't easily fit into rows and columns of a spreadsheet.

But the important thing to really understand about big data isn't its enormity. As SAS points out, "It's what organizations do with the data that matters. It can be analyzed for insights that lead to better decisions and strategic business moves." That is what makes big data relevant to

the accounting profession.

Big data impacts nearly every aspect of auditing, tax, accounting and advisory services. Accounting firms have access to a goldmine of data. The question is how firms can tap into that unexplored value and revenue that's right under their noses.

## DATA-DRIVEN AUDITS

The Institute of Chartered Accountants in England and Wales (ICAEW) report, *Data Analytics for External Auditors*, provides a few examples of how big data is changing auditing. For example, audit sampling is on its way to obsolescence. Auditors are increasingly running tests against all transactions in ledgers and focusing their analysis on outliers or exceptions that are flagged by an automated program.

## MONITOR AND IMPROVE BUSINESS PERFORMANCE

With real-time reporting technology, accountants are increasingly able to aggregate data across all clients within an industry or market to come up with meaningful performance benchmarks. Rather than discussing lifeless ratios, accountants can show their clients how and why the competition is outperforming them. This level of real-time analysis can

help you sell higher-value services such as budget forecasting and cash-flow management. This is also a reason your firm should be focused on and developing expertise in specific niches.

## RISK IDENTIFICATION AND MANAGEMENT

Companies do not operate in a bubble, so their accountants must regularly consider the impact of external forces on their clients' business performance. This could be anything from regulatory changes to fraud, supply-chain risks or mergers and acquisitions.

Big data can help accounting professionals see the bigger picture by predicting shifts in consumer behavior, identifying red flags for fraud and anticipating economic trends. The sooner accountants can identify these risks, the better chance they have of helping clients mitigate risks and protect performance.

## IMPROVE THE CLIENT EXPERIENCE

The convergence of cloud technology and big data means accountants and auditors aren't limited to analyzing a client's financial records on a monthly, quarterly or annual basis. Data is available in real time, so clients can have more regular conver-

sations with their accountants and receive intelligent, timely insights.

Big firms aren't the only ones with the resources to start leveraging big data. While they might be at the forefront of building technology and hiring data scientists, analysts and researchers, even small firms can tap into the possibilities. Many solution providers in the audit technology space are moving quickly toward the future of big data, and we should see access to that technology trickling down to smaller firms over time. In the meantime, it's important to make sure that your talent is developing the skills necessary to make the transition to being data-savvy advisors. A few resources are the PwC course *Data-driven Decision Making* and Harvard professor Jelani Nelson's course *Algorithms for Big Data* (available on YouTube).

The availability of significantly more data and technology that can be used to analyze it can be a differentiator for your firm. But access to new technology isn't enough. Firms need to ensure it gets implemented and used. That will require a shift in mindsets and skillsets. Firm culture and a willingness to learn and change will determine whether you adopt and use new capabilities and capitalize on the opportunities that big data will bring. ■

# IN THE NEXT ISSUE OF

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<b>MONTHLY THEME</b>	Cloud Accounting
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<b>BUILDING YOUR NICHE PRACTICE</b>	Political Accounting
<b>APPS WE LOVE</b>	House & Home
<b>SPECIAL SECTION</b>	2018 "40 Under 40" & "20 Under 40"



**OCTOBER 1: DEADLINE FOR EXTENDED TRUST & ESTATE TAX RETURNS**

**OCTOBER 8: COLUMBUS DAY**

**OCTOBER 13: BIRTHDAY OF U.S. NAVY**

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