



# Leaders' Edge

The newsletter of The Michigan Association of  
Certified Public Accountants

July/August 2011



## Top Stories

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Today, social media is playing a bigger role in how consumers make decisions about whether to buy a product or service. Social media provides a platform for everything from their initial research to asking for a referral from a trusted source to reading reviews about your product or service.

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Many MACPA members will recognize this Navigator of the Profession, especially if they work with employee benefit plans. In June 2011, respected legal research publication Chambers USA named Gary Remer one of the top employee benefit plan attorneys in the country.

### [From the Chair of the Board The Year of the CPA](#)

When a CPA took office as governor of Michigan in January, I was elated. It's the first time in our state's history and only the third time in our nation's history that a CPA has been elected as a governor. As a profession, we were excited that Gov. Rick Snyder would utilize his CPA background, knowledge and expertise to revitalize our state. The opportunity to provide a warm welcome to Gov. Snyder at our Spring Members Advisory Council, which attracted the largest attendance ever, will remain one of the highlights of my year as chair of the MACPA.

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## Top Stories

### Better IRS Compliance Practice Means Big Change for Practitioners

#### *Firms prepare as their clients receive more notices and the IRS enhances technology*

*By Jim Buttonow, CPA*

Meet the new IRS. The kinder, gentler IRS. It's an agency with processes that are fast becoming structured, streamlined – and strangely quiet. Quiet, that is, except on paper.

More IRS notices are going out to taxpayers than ever before. In fact, since 2001, notice volume has increased 670%, to 201 million sent in 2009. This is the IRS being smarter about tackling what it considers a big problem.

In 2001, the IRS conducted a study to identify the amount of taxes that goes unpaid each year. The result: a \$345 billion tax gap – stemming mainly from a complicated and changing tax code, often vulnerable to fraud. The IRS quickly made plans to close this gap while maintaining itself as a customer service organization. The result: Improved technology and information systems that isolate compliance areas – and a dramatic increase in IRS notices.

For accounting firms, this means more work and more contact with the IRS because two thirds of taxpayers rely on their accountant each year for compliance. While this sounds like a potential problem, it can represent a tremendous opportunity to enhance client service and further strengthen the client-accountant relationship.

#### **IRS Shifts Compliance Practice**

While the IRS still conducts audits and face-to-face meetings, its compliance strategy for the 21st century is shifting. The IRS has realized that it must leverage its channels, such as tax preparers and IRS information systems, to close the tax gap.

This year, the IRS started regulating tax preparers by requiring registration and competency standards, a strategy that may have also reduced the number of preparers. There were more than 1.2 million registered preparers before IRS regulation; now there are less than 700,000. The IRS will continue to work with tax professionals so that preparers will assist with compliance.

In the 1990s, the IRS approached compliance through traditional methods such as audits and in-person tax collection. During the past 10 years, however, the IRS has improved its ability to target potential noncompliance through technology. The rate of e-filed returns is fast approaching the IRS target of 80%, and improved information systems have automated matching techniques and specialized, issue-focused notices—all aimed at narrowing the tax gap. The IRS reported the following results:

- For the more than 4.3 million information-matching notice discrepancy audits, the average return on investment for the IRS is \$1,670 per return with little involvement by IRS personnel.
- The IRS mail audit program, responsible for 78% of all IRS audits in 2010, averages almost \$6,600 in additional taxes owed per audit.
- With enhancements in notice and information systems, the IRS simultaneously improved its compliance practices and reduced personnel by 6% during the past 10 years.

In a speech in May, IRS Commissioner Doug Shulman indicated that the IRS is also looking ahead, analyzing taxpayer compliance data to recognize trends and improve compliance practices. He explained that the agency created an office of compliance data analytics that helps create hypotheses for compliance improvement, launches pilots to test hypotheses, and then implements enhancements if pilots are successful. The ultimate goal, Shulman said, is to take advantage of technology to modernize IRS processes.

Shulman also described a customer account data engine upgrade to take effect for the 2012 tax filing season. The agency's core account database, which holds basic taxpayer information such as current account balance and payments, will move its batch processing cycle from a weekly or bi-weekly basis to a daily basis, he said.

For practitioners, the upgrade means faster refunds for clients and dealing with IRS agents who have up-to-date information, Shulman said.

Among IRS efforts to improve compliance through technology, the most striking statistics involve changes to the IRS notice system. In 2001, the IRS issued about 30 million notices to 141 million individual and business taxpayers. From 2001 to 2009, IRS notice volume increased 670% to 201 million notices. In that same time period, the number of individual and business taxpayers increased by only 10% to 155 million.

This year, it's likely that the IRS will exceed the 201 million notices issued in 2009. For practitioners and their clients, this means more contact with the IRS.

### **Notices for Every Season**

Where the IRS is concerned, there is no defined busy season. IRS compliance systems and staff work year round on tax compliance issues, consistently monitoring activity and issuing notices.

The IRS sends certain types of notices throughout the year. For example, in May and June, practitioners can expect notices related to the tax returns they filed for their clients before the April 18, 2011, deadline. The following is a sampling of such notices.

- **CP23/24, Estimated Tax Discrepancies** – Retirees, small business owners, or investors who make estimated tax payments may receive this notice when estimated tax payments reported on their return were incorrect. Practitioners should review payments their clients made to the IRS to see whether the payments were posted correctly. If so, practitioners can facilitate payment of the balance or help dispute the

account discrepancy.

- **CP14, Balance Due** – Clients who did not pay an outstanding balance when they filed their return will receive this notice. Practitioners can help their clients make arrangements to satisfy the balance with the IRS.
- **CP2000, Underreported Income Adjustment** – Investors, small businesses, or taxpayers filing for early refunds may receive this notice when income was not reported on their return (most likely from 2009). Practitioners may need to reconcile the discrepancy and respond to the IRS or investigate whether the income reported is their client's income. It may have resulted from identity theft or an incorrectly filed information statement.
- **CP88, Refund Hold Due to Missing Tax Return** – Clients may receive this notice when the IRS has not received their tax return. This is more common for returns filed by paper or for e-filed returns that the IRS rejected with no follow-up. Practitioners should immediately file the return. If there is a balance due, practitioners can consider submitting a penalty abatement request with the return if there is reasonable cause or if the return was filed but not recorded by the IRS.
- **Letter 3850/1-B, Appointment Letters for Employment Tax Audit for the IRS National Research Program** – Employers receive this notice when they are selected for an IRS audit to determine whether their contractors are actually employees. Practitioners should review their clients' use of independent contractors.
- **CP12/CP13, IRS Adjusted a Filed Return Due to a Miscalculation, Changing the Refund** – Form 1040 filers may receive this notice when the IRS recalculates their return. Practitioners should recheck the return for accuracy, and if they dispute the adjustment, contact the IRS to correct the error.
- **CP11 Series** – Clients may receive these notices when they take new IRS credits or the earned income credit, or when the IRS adjusts the return due to a discrepancy. The IRS thinks there was an error on the return, resulting in a balance due. Practitioners may need to prove a credit to the IRS or help their client make arrangements for the unpaid balances.

### Practitioner Preparation

It's clear the IRS has turned to technology to boost compliance. And with more than 200 million notices on the way again this year, practitioners can expect more clients to look to them for immediate support.

To provide value all year long, firms need to manage their clients' post-filing activity. For most firms, that means reacting to notices. While it's necessary, it's hardly proactive. And many clients either don't provide all of the notices they receive or provide them with inadequate time for practitioners to prepare a response before IRS deadlines.

Tax firms can prepare now for increasing IRS activity. By managing their clients' post-filing activity and using best practices to address any issues or notices that arise, practitioners can respond quickly, monitor progress, and stay current on shifting IRS practices.

### About the Author

*Jim Buttonow, CPA, is cofounder and VP of product development with New River Innovation. He serves as chief architect of Beyond415™ ([Beyond415.com](http://Beyond415.com)), a Web-based application that*

*enables tax professionals to manage their clients' post-filing compliance. Jim is a 19-year IRS veteran with expertise in IRS practice and procedure. While with the IRS, Jim led multifunctional teams stationed across the US in the areas of examination, collection, filing, and appeals. Entries from his popular blog, [IRSMind](#), which provides practical solutions to IRS matters, have appeared in the Wall Street Journal. Contact Jim at [jbuttonow@NewRiverInnovation.com](mailto:jbuttonow@NewRiverInnovation.com).*

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## Top Stories

### Legislative Team Tackles Issues in Lansing and Washington D.C.

*By Michael D. Healy, Grassroots and Advocacy Programs Specialist, MACPA*

It's been a busy couple of months for legislative matters that affect CPAs. Hot button issues are prevalent at both the state and federal levels. The MACPA legislative team has taken their efforts to Washington and back home, as we hosted a major reception in support of U.S. Senator Debbie Stabenow.

#### A Hero to the Profession

While the MACPA has built many positive relationships with various key legislators over the years, perhaps none are as positive and fruitful as our friendly relationship to U.S. Senator Debbie Stabenow. Sen. Stabenow has been nothing short of a hero to the CPAs in Washington D.C. She was a major player in the successful effort to repeal the so-called 1099 requirement that came with the passage of the federal health care legislation. She also cosponsored legislation to ban the practice of patenting tax strategies. We are very lucky to have Sen. Stabenow, as a leader supporting our profession in Washington, on our side.

For that reason the MACPA recently hosted a reception in our Troy offices on behalf of Sen. Stabenow. She took time to sit down and talk to CPAs for more than an hour about the many issues affecting the profession and our state. The MACPA is proud to have such an ally of the profession and the reception was a great success.



*MACPA Board Treasurer Ramona Pearson thanks Senator Stabenow for supporting repeal of*

*the 1099 requirement.*



*MACPA Chair of the Board Greg Nowak expresses the need for tax return due date reform.*



*Senator Stabenow discusses the issues of major concern to CPAs at length. She took questions for nearly an hour, despite her staff's concern about the time.*

### **Advocacy in U.S. Congress**

This May, members of the MACPA Legislative Advisory Group and several MACPA Board members headed to Washington D.C. to attend the meeting of AICPA Governing Council and visit with nearly every member of the Michigan Congressional delegation.

In all, a dozen MACPA member-advocates descended upon Washington D.C. delivering our message to the Michigan delegation. Federal matters are equally prevalent as state issues these days. At their meetings with Representatives and Senators, MACPA members discussed the dangers posed by tax strategy patents, the AICPA goal of revising tax return due dates, and federal tax policy simplification among the many other issues relevant to the profession in Lansing.

Soon after we met with the Michigan delegates, H.R. 1249, the patent reform bill that included the ban on tax strategy patents, was passed. The AICPA was an excellent leader in this effort on a national scale and the MACPA was eager to work with the Michigan Congressional delegation in that regard.



*Left to Right: Incoming Chair of the Board John Pridnia, U.S. Congressman Hansen Clarke, Legislative Advisory Group member Walt Koziol, MACPA directors Randy Paschke, and MACPA Legislative Advisory Group member Dennis Echelbarger.*

### **Back in Michigan Government**

The Michigan legislature is currently on their summer break and the MACPA is scheduling breakfast meetings between CPA constituents and key legislators while they are home. These breakfasts are informal, however, the many legislative issues on the plate for CPAs is a common point of discussion.

A primary legislative agenda item for CPAs is the **MBT technical corrections** legislation introduced by Senator Brandenburg as S.B. 368 and 369. CPAs are acutely aware, the MBT is the law of record for the years 2008-2011 and the effects of the technical issues and ambiguities found in the law will remain a matter of concern to the CPA until this legislation is

passed. We remain confident that action will be taken after the summer break. Contact the MACPA Government Relations Department for questions regarding content of this legislation or see it [here](#).

Now that the experience requirement and CPA mobility legislative changes are final, the related Administrative Rules are in need of significant overhaul. The MACPA is working with the Michigan Department of Licensing and Regulatory Affairs (LARA), the State Board of Accountancy, and our members to develop the new rules.

The MACPA has become aware of a potential conflict between two vital sections of law regarding **licensure of CPA firms**. The *Michigan Occupational Code* requires CPA firms to be owned by 51% licensed CPAs while the *Michigan Professional Service Corporation Act* requires 100% ownership by "licensed individuals." Initially it was thought that this may mean licensed CPA firms had to have 100% ownership by licensed CPAs. However after meeting with LARA officials it was determined that the *Professional Service Corporation Act* only requires that the owners be "licensed individuals" and does not specify a profession such as CPA. So ostensibly a firm can be owned by 10 CPAs and nine attorneys performing legal services for the firm, and still be in compliance. If you are unsure about your firm's compliance, feel free to give the Government Relations Department at the MACPA a call at 248.267.3700.

An old issue has reared its head again regarding the bright line test for third-party reliance on a CPA's work product. In 1996, the MACPA worked to pass a **privity** law that protected CPAs from being held liable for negative causes of a third party relying on their work product. While this law has served CPAs well, recent court rulings against CPAs have caused us to take another look at the regulations. Changes being discussed are intended to clarify the original intent of the laws. Good progress is being made in this arena.

The MACPA is also reviewing the regulations that currently allow the State Treasurer to depart from **generally accepted accounting standards** and procedures. In light of recent departures from GAAS by other states, the MACPA Legislative Advisory Group has initiated discussions with Governor Snyder's administration regarding the possibility of developing specific procedures to include the utilization of an existing advisory committee comprised of CPAs. These efforts are ongoing.

The Association is currently reviewing the new **Corporate Income Tax** for ambiguities and technical issues that may have been carried over from the MBT. This work is taking place now so the outcome remains unclear. Some issues from the MBT are in fact carried over, such as the issues regarding disregarded entities. The MACPA is actively reviewing this legislation with the help of our membership for other similar issues.

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## Top Stories

### Value of Social Media: Why Accountants Should Get Connected

By Hugh Duffy, *Build Your Firm*

Today, social media is playing a bigger role in how consumers make decisions about whether to buy a product or service. Social media provides a platform for everything from their initial research to asking for a referral from a trusted source to reading reviews about your product or service.

The reality is that these consumers are choosing the time and place to start a conversation with your firm, many times after using social media to conduct research. In light of this, you need to be communicating, sharing relevant information, educating and building a relationship with that person to increase business.

For many years, communication has been a one-way street, with businesses pushing information onto customers and prospects without any regard for what they wanted or needed, with the customers having little to no voice in affecting the process. With social media, customers now have a voice through a two-way dialog for businesses to communicate more directly with their customers and prospects.

By participating in social media networks, you have a better chance to connect with others and share ideas, keep up with changes in your industry, talk directly with your customers, stay informed, and increase the number of leads you generate for your firm.

#### Benefits of Participating

Social media, unlike Internet marketing, is not totally turnkey. However, if you put forth the effort, the benefits to your practice can be significant. These benefits include the following:

#### Social Media Links & Resources

Upcoming MACPA CPE programs related to social media:

- [Webinar: Ethics in Social & Business Networking](#)

- [Social Networking - Essentials for Business](#)

[CMO's Guide to the Social Landscape](#) chart compares social media tools and how they perform in terms of customer communication, brand exposure, traffic, and search engine optimization.

Social media author Chris Boudreaux's extensive online [database](#) of social media policies and guidelines, which can be sorted by industry type.

[Social Media Matters](#), an overview of social media tools and tips to get started (from AICPA Social Media Toolkit)

[AICPA Social Media Toolkit](#)

(some resources are open while some are restricted to members of PCPS)

*Social Media No Longer 'The Next Shiny Object'* [article](#) explores results of recent Dell study.

**Trust marketing.** Social media helps you capitalize on the trust you have established with clients, friends and past colleagues over many years. In turn, you slowly attract more clients to your firm because your client's network will believe in you.

**Controlling your "personal brand."** Social media for professional services is about generating more awareness to you (and your practice) in your local market and making more connections with small business owners, enhancing your "personal" brand.

**Lower your marketing costs.** Social media, executed properly, can gradually lower your marketing costs for each new client. After starting slow, it will gradually pick up speed.

**Drive traffic to your website.** In social media, your sacrifices are often rewarded. Posting questions or responding to them with helpful advice helps you build trust with people. As a result, the recipient will often check out your site to find out more about you.

**Improved Search Engine rankings.** Google is changing the game on search engine marketing by placing a much heavier emphasis on real-time, user-generated search results. With the popularity of social media, your information is far more likely to appear if you are actively participating.

No longer can practices trying to attract small business accounts rely on search engine results as a source of lead generation and website traffic. The real-time results are getting preferred positioning – and, as a result, more search traffic.

### **Which Social Media Platform is Right for My Practice?**

Before starting any social media strategy, you need to determine which social networks are right for your firm. A basic rule is to consider what each network offers and how you can benefit from their resources.

For most accounting firms, getting the most bang for your buck comes from three networks: LinkedIn ([www.Linkedin.com](http://www.Linkedin.com)), Twitter ([www.twitter.com](http://www.twitter.com)) and Facebook ([www.Facebook.com](http://www.Facebook.com)).

### **Blogs**

While a blog can certainly be useful, it requires time and energy to be successful. You must make it interesting and relatable to the reader. Here are some guidelines:

- A blog must have a strong, personal voice. If your voice is boring, no one will read it.
- A blog needs to start and end with original content that is significantly better than anything else in your industry.
- Blogging takes lots of time. We're talking 2-4 hours a post to research, write, edit and post – and that's if you are a good writer.
- Blogs are not cheap. They require technical support to get them set up, a graphic designer to make it stand out and match your firm's identity and a dedicated writer to keep it up to date.
- To have a productive blog, you need to drive traffic to it. This takes time, effort and money.

## **You Tube**

Despite competing with a sea of videos featuring the latest craze, YouTube is a powerful, effective business tool. However, if you do not have time to write a script, video yourself and edit the video, it can be an overwhelming process.

There are three primary ways to use YouTube for your business:

### **1. Expertise and thought leadership**

- Upload recordings of presentations you've given to demonstrate authority, position yourself as an expert and build trust.
- Share slides from presentations that weren't recorded.
- Create short videos of valuable tips of interest to your prospects and clients to show off your expertise.

### **2. Marketing and advertising**

- Post customer video testimonials.
- Create a video explaining your services.
- Add your YouTube channel URL to your marketing and social media profiles.
- Show the results of someone using your services.
- Use a video to introduce your staff or show a tour of your office.
- Post links to your videos on various social networks.
- Add overlays to your videos to drive traffic to your website.
- Display company information in your videos including name, URL, phone number and email address.

### **3. Customer service**

- Create "how to" videos to help your clients and prospects with common issues related to tax planning, accounting, QuickBooks and incorporations.
- Answer frequently asked customer questions using videos.
- Embed videos on your website on appropriate pages.
- Go the extra mile by adding closed-captions or subtitles to your videos. Remember that not everyone can watch or hear videos in the same way.

## **About the Author**

*Hugh Duffy is co-founder and chief marketing officer of [Build Your Firm](#), a practice development and marketing company for small accounting firms and website development for accountants. Hugh teaches a series of accounting marketing workshops and frequently authors articles for state CPA society publications. He can be reached at 888.999.9800 x151, or at [hugh@buildyourfirm.com](mailto:hugh@buildyourfirm.com).*

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## Top Stories

### Navigator of the Profession – Gary Remer, JD, CPA



*Gary M. Remer  
Shareholder,  
Maddin, Hauser,  
Wartell, Roth & Heller,  
P.C.*

Many MACPA members will recognize this Navigator of the Profession, especially if they work with employee benefit plans. In June 2011, respected legal research publication Chambers USA named Gary Remer one of the top employee benefit plan attorneys in the country. Licensed as both a CPA and as an attorney, Gary is a shareholder in the Southfield-based firm Maddin, Hauser, Wartell, Roth & Heller P.C. In addition to his expertise in employee benefit plans, Gary has written and lectured extensively on tax topics, including at several MACPA conferences.

#### **Q. What made you decide to go into the accounting profession?**

When I started college I never considered going into accounting, especially in light of the fact that my father was an accountant. My view started to change once I took my first accounting class. Then after I took my first tax class I was truly hooked. No regrets whatsoever with the decision.

#### **Q. After getting your degree in accounting you went on to pursue your JD. What made you want to get into the practice of law?**

The idea to pursue the practice of law arose during my days as a revenue agent with the Internal Revenue Service. During that time I had the opportunity to interact with many different attorneys and was impressed with their ability to maneuver through and use the Internal Revenue Code to the advantage of their clients. Once I started law school I knew it was the perfect decision as I was one of those strange individuals that actually enjoyed attending law school. I guess that says something about my personality.

#### **Q. What makes your job great?**

What makes my job great is getting to know my clients and understand their goals. This goes beyond having the opportunity to work with them on tax and business matters. It is building trust so that the relationship goes from attorney to trusted advisor.

#### **Q. How does your accounting knowledge help in the practice of law?**

My accounting knowledge gives me a solid base to interact with business owners. Moreover, it provides me the ability to review financial information and work with other business professionals for the common good of our clients.

**Q. Explain any obstacles you had to overcome to get to where you are today.**

Over the last several years the economy was obviously the number one obstacle. However, the economy became a distraction to the real obstacle, forcing myself to challenge my own abilities to take my practice to a higher level.

**Q. What are your major professional accomplishments?**

Perhaps one of my proudest professional moments recently occurred. I was named by Chambers International as being one of the premier benefit attorneys in the U.S. Another great honor was having the opportunity to present at an AICPA conference.

**Q. What interests or activities are you involved in outside of work?**

Outside of work I coach my youngest daughter's soccer team and for my other daughter I go driving with her so that she logs enough hours behind the wheel to obtain her license when she turns 16.

**Q. What advice would you have for those considering entering the CPA profession?**

I would highly recommend the CPA profession to anyone interested in mapping out a career path. First of all, it always seems that there are plenty of opportunities for employment. It also provides an excellent background for pursuing any professional passions someone may have, even if not in the traditional role of a CPA.

**Q. What do CPAs need now to be successful in the future?**

CPAs need to remember that their real strength is not the ability to have the best technology but to always remember to get to know their clients and interact with them on a personal level.

**Q. Are you reading any books right now?**

I am currently reading The Great Workplace – How to Build It, How to Keep It, and Why it Matters by Michael Burchell and Jennifer Robin. I am always looking for ways to make the place I spend so much of my time better.

**Q. If you weren't in your current job, what would you like to be doing?**

If I could change jobs it would be to pursue being a full-time college or law school professor.

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## Message from the Chair of the Board

### The Year of the CPA



*Gregory A. Nowak,  
CPA, JD  
2010-2011 MACPA  
Chair of the Board*

When a CPA took office as governor of Michigan in January, I was elated. It's the first time in our state's history and only the third time in our nation's history that a CPA has been elected as a governor. As a profession, we were excited that Gov. Rick Snyder would utilize his CPA background, knowledge and expertise to revitalize our state. The opportunity to provide a warm welcome to Gov. Snyder at our Spring Members Advisory Council, which attracted the largest attendance ever, will remain one of the highlights of my year as chair of the MACPA.

On July 1, the Governor's office released a list of [achievements](#) from his first six months on the job. It's a lengthy and impressive list. And, I'm proud to say, many CPAs have served as a resource to make some of these things happen.

Of note is the Citizens Guide to Michigan's Financial Health (Day 31). The MACPA responded to a call for assistance through the creation of an MACPA Involvement in Michigan's Turnaround Task Force, which I will have the honor of chairing in my role as Immediate Past Chair. A subgroup of this Task Force, drawn from MACPA members with governmental accounting expertise, provided a list of recommendations on relevant metrics and effective ways to present information so Michigan citizens can better understand Michigan's financial position. CPAs played an important role in bringing this new level of transparency to our state's financial reporting.

Our Turnaround Task Force efforts are ongoing as we establish work groups to assist in the following significant areas:

1. examining formulas for revenue sharing and transportation
2. helping MEDC on the review of MEGA tax credit audit processes; and on the development of tools for use in the administration's economic gardening initiatives
3. developing resources and templates for use in consolidation of units and/or segments of local units of government.

Another area where members are serving as a resource to the state is in tax matters, particularly in regards to the Michigan Business Tax. Even though the State Legislature and Governor did away with the MBT ([Day 145](#)), we know the MBT isn't simply "history." A subgroup of our State and Local Tax Task Force has been working with the Michigan Department of Treasury, the administration and the legislature to identify and communicate technical issues within this tax law. We have also identified similar technical issues with the

new Corporate Income Tax and are providing input to help clarify that law before it takes effect.

This past year, the level of CPA volunteerism has been astounding. Another fine example is MACPA's Navy Tax Assistance program. Following a successful first year, this program was expanded in 2011 to include all branches of the armed forces. In recognition of our volunteers, the Navy presented the MACPA with a Certificate of Appreciation. Our members truly are making a difference helping rebuild our state, not only by serving as a resource to the governor and other state officials, but also by helping individual citizens and community groups.

This has been a truly remarkable year for CPAs.

As I prepare to pass the gavel to Incoming Chair John Pridnia, I'd like to express my appreciation to the MACPA membership and staff. I've enjoyed this opportunity to work with the most amazing group of members, task force leaders, board members, executive committee and staff. Peggy and the team at the MACPA lived through a major system overhaul project this year, they are deep into developing a new strategic plan that John will implement during his term, and they never cease to amaze me with their passion and commitment to excellence. Thank you.

Gregory A. Nowak

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## Top Stories

### Perspective

#### **Urgent Request from AICPA Chairman: Help Change Private Company Financial Reporting**

*By Paul V. Stahlin, CPA, Chairman, AICPA Board of Directors*

I'd like to take this opportunity to update you on one of the most important issues facing our profession, not down the road, but right now. It also involves a call to leadership action on your part.

The issue of private company financial reporting is at a now-or-never crossroad after 35 years of study, debate, task forces and committees. CPAs are critical participants in the process to bring long-overdue and much-needed change to accounting standards and your action today will greatly affect the future. You also can help get this across the finish line by enlisting the support of other private company stakeholders, such as business owners, bankers, venture capitalists and sureties/insurers.

A specially appointed [Blue Ribbon Panel on Private Company Financial Reporting](#) in 2010 explored accounting standards for private companies and their financial statement users and the process that leads to setting U.S. GAAP. Earlier this year, the panel presented game-changing proposals to the Financial Accounting Foundation (FAF), which oversees the Financial Accounting Standards Board (FASB).

FAF is now conducting outreach on, among other things, the panel's two major recommendations. They are for FAF to:

- Ensure changes and modifications are made to existing and future GAAP that recognize the unique needs of users of private company financial statements. All such changes would reside in the *FASB Accounting Standards Codification*<sup>®</sup>.
- Establish a new, separate board with standard-setting authority reporting directly into FAF. The board would coordinate activities with the FASB but not be subject to the FASB's approval or veto powers. This recommendation is to ensure sufficient and appropriate differences are set in GAAP for private companies.

FAF plans to issue an action plan this fall. It's critically important for CPAs and other stakeholders to show their support for the panel's recommendations, ahead of any possible FAF proposal. I am asking you, on behalf of the profession, to write to FAF immediately to help make sure FAF's action plan includes differential standards and a separate standard-setting body to enact them. The AICPA has created an [online letter-writing tool](#) to assist you and other stakeholders with whom you are in contact. Personalized letters are best, of course, and you can use the tool to do that as well.

To learn more about the challenges facing private companies and their financial statement

users, access an issue paper, an FAQ, videos, articles, and free archived webcasts for CPA firms and CPAs in business and industry, as well as other resources, on [www.aicpa.org/privateGAAP](http://www.aicpa.org/privateGAAP). Also provided on that site is an [education toolkit](#) to help you enlighten others on the issue and encourage them to speak out.

I also am personally asking each of you to champion the cause with non-CPA stakeholders; we are much more likely to get the results necessary for permanent, effective accounting standards for private companies if we work together with other affected constituencies.

After all this time, there's finally an opportunity for real change. If it doesn't happen now, it might never.

Please be a part of history. Let's make private company financial reporting more relevant and less complex. Private companies need this change, and need it now. Help the Blue Ribbon Panel's recommendations become a reality. Write to FAF today!

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## Of Interest

### MACPA Members Give Back

#### *Stories of CPAs Making a Difference in their Communities*

##### *Editor's Note:*

*CPAs are trusted advisors to businesses, organizations and individuals, helping them make sound financial decisions. But, Michigan CPAs go much further than that. Our members are an extremely dedicated group of volunteers who spend countless hours devoted to causes and organizations within their communities. They know there are real people and real problems behind the numbers. Our members' tremendous level of volunteerism and personal commitment in their communities is extraordinary. For that reason, we are proud to highlight the CPA profession's important contributions to Michigan citizens and communities. The following is the sixth in a series of articles.*

#### **Plante & Moran Cares Builds Commitment to Volunteerism; Donates Thousands to Domestic Violence Shelters**

Plante & Moran, PLLC's yearlong grassroots community service project to support domestic violence shelters throughout the firm's footprint brought out the creative – and competitive – side of its staff, as individual office initiatives and firm-wide efforts resulted in raising over \$57,000 for the cause and an additional donation of an estimated 500 staff hours.

"Since 2008, we have used our Plante & Moran Cares initiative as a formal way to coordinate firm-sponsored volunteerism," explains Managing Partner Gordon Krater, CPA. "This year's results reflect that a greater understanding of the need for personal involvement and commitment to charitable concerns such as domestic violence shelters, as well as a deeper level of community entrenchment through volunteerism, are taking root throughout the firm."

Each year, Plante & Moran Cares selects a worthy cause that will be supported by staff in its 18 offices throughout Michigan, Illinois and Ohio. P&M Cares Office Champions oversee the charitable efforts of individual offices, coordinating logistics with the charities, planning fundraising events, arranging for volunteers and donations and communicating with staff. In addition to generating cash and in-kind contributions, Plante & Moran Cares spawns friendly competition among offices, sparked by a grand prize for the firm's top fundraising office. This year's fundraising bag of tricks included:

- The Ann Arbor office's win of a Facebook competition getting people to vote for the office's sponsored shelter, Ann Arbor-based SafeHouse. That social media outreach netted SafeHouse an additional \$1,300 check.
- The Grand Rapids office took silent auctions to a new level and hosted a fundraising

extravaganza that was supported by vendors, clients, local businesses, staff, family and friends, raising nearly \$7,000 in one day for Safe Haven Ministries.

- The East Lansing office took the grand prize with its clever introduction of the Blue Blazer. Inspired by the green jacket for The Masters golf champion, the office held a ten-day event titled "The Quest for the Blue Jacket." Greg Walthorn, a member of the Plante Moran Financial Advisors team, won the honor of donning the now-coveted blue blazer. As Grand Prize winner, the East Lansing office's shelter of choice, End Violent Encounters (EVE), was awarded an extra \$5,000 from the firm.
- In Chicago, staff donated funds for one unlucky partner to wear a ballerina costume for a day, all for the benefit of Connections for Abused Women & their Children. Other donations throughout the firm came from office game nights, putt-putt golf tournaments, trivia contests, themed collection drives and cook-offs.

"The level of creativity and camaraderie generated as a result of Plante & Moran Cares has been an unexpected bonus," observes Krater. "It's an affirmation of the multiple benefits of incorporating community service into a corporate vision."

What's next on the P&M Cares agenda? The firm announced at its June 30th annual conference that the P&M Cares initiative for the fiscal year beginning July 1, 2011 is the Boys and Girls Clubs of America.

If you are giving back to the community, the MACPA wants to know! Submit your story to [publications@michcpa.org](mailto:publications@michcpa.org) to be considered for an upcoming issue of *Leaders' Edge*.

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## Legislative & Regulatory

### Value of a Lansing Voice

The MBT wasn't eliminated because a lot of businesses didn't like it. In fact many believe that for every business hurt by the MBT there may have been one it helped. The MBT was eliminated because an unbiased and even-keeled voice of citizens made clear that this tax structure was creating unnecessary complexity for business in Michigan. Joining in that chorus, the CPAs' voice, while not advocating a position, expertly conveyed the difficulty this tax policy created for business.

Now the MBT is dead and a smarter tax structure has replaced it; further, tax amnesty was offered by the state. All of that occurred in a short six-month timeframe.

More than ever, CPA participation is making a strong impact on the direction of our great state. With a CPA as governor as well as an historic four CPAs in the Michigan House of Representatives, the profession is better represented than ever.

With continued effort, the future remains bright for our profession. In the coming months we expect to see technical corrections to the still relevant MBT, and we will determine appropriate action resulting from our review of the new Corporate Income Tax. Moreover, we are working to resolve dangerous conflicts within regulatory law and to clarify laws regarding CPA liability to third parties that rely upon their work product.

That CPAs continue to be heard in state government is vital while so many issues are on the table.

This voice doesn't come easy, and we need your help. We must support elected officials that are supportive of the CPA profession. Please consider contributing to the MACPA Political Action Committee (PAC) today. You can simply click the link [here](#) or call the MACPA Government Relations Department at 248.267.3700.

The MACPA is the only organization representing you as a CPA in Lansing and we need your support. Please consider making a contribution to the MACPA PAC.

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## **Legislative & Regulatory**

### **MACPA Member Suspended**

Robert T. Bassman, of Troy, agreed to a settlement agreement with the MACPA and AICPA on February 8, 2011. Without admitting or denying the charges Mr. Bassman agreed to a two year suspension of his membership with the MACPA and AICPA, effective February 8, 2011. MACPA PAC.

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## Accounting & Auditing

### New Series of SOC Reports Replaces SAS 70 Reports

Since spring 2010, the AICPA has been informing CPAs about a transformation of Statement on Auditing Standards No. 70, *Service Organizations*. The next generation of service organization reports offers a series of reporting options aimed at providing users with information they need about entity controls that have been outsourced to a service organization. The three new reports are called Service Organization Control Reports<sup>SM</sup>, or [SOC reports](#) for short.

In recent years, SAS 70 was being used improperly. Many service organizations' marketing materials claimed they were "SAS 70 certified" or "SAS 70 compliant" when there never was such a designation. In addition, many service organizations indicated that the SAS 70 audit examined nonfinancial subject matter, such as security, availability, processing integrity, privacy or confidentiality, when that was never an intent of the standard.

To conform U.S. standards to international standards, the AICPA's Auditing Standards Board in April 2010 under its [Clarity Project](#) issued a new attestation standard that superseded SAS 70's guidance for service auditors. Furthermore, to alleviate past SAS 70 misunderstandings and to better meet market needs, two authoritative attestation guides have been developed to assist with the new SOC engagements, including a separate guide that illustrates the examination of controls over nonfinancial areas.

Here are brief descriptions of the three new SOC reports:

- The examination of controls that pertain to financial reporting at a user organization has been moved to a new Statement on Standards for Attestation Engagements, [SSAE 16 – Reporting on Controls at a Service Organization](#), which results in a SOC 1<sup>SM</sup> Report. This report examines controls at a service organization that impact a user entity's controls over financial reporting. This report is to be used only by auditors of user organizations and the management of user entities. SSAE 16 makes clear that the auditor is required to obtain the same level of evidence and assurance as did the former SAS 70 service auditor engagement. A new attestation guide, [Service Organizations: Applying SSAE No. 16, Reporting on Controls at a Service Organization](#), will help practitioners perform and report on these engagements.
- A SOC 2<sup>SM</sup> Report provides detail on controls at a service organization covering security, availability, processing integrity, confidentiality or privacy. It is generally a restricted-use report. To assist practitioners with these report engagements, the AICPA developed a new authoritative guide, [Reporting on Controls at a Service Provider Relevant to Security, Availability, Processing Integrity, Confidentiality or Privacy](#). The SOC 2 guidance was designed to fill the market void where SAS 70 may have been applied incorrectly.

- SOC 3<sup>SM</sup> Reports are Trust Service examination reports. They cover the same subject areas as SOC 2, but in a shortened version (about one page, in fact) that can be used in a service organization's promotional efforts. SOC 3SM reports can be used as a marketing tool, with potential customers for instance, to show they have appropriate controls in place to mitigate risks on the nonfinancial subject matters.

SAS 70 audits for service organizations should no longer be performed as SSAE 16 is effective for service auditors' reports for periods ending on or after June 15, 2011, with early application permitted. The new attestation guides became effective upon issuance. So, all three reporting options for service organizations are now illustrated, including the new reports for examining and reporting on controls over security, availability, processing integrity, confidentiality or privacy. Visit [aicpa.org/soc](http://aicpa.org/soc) for more information.

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## Association Briefs

### 34<sup>th</sup> Annual Small Firm Practitioners Lands in Ypsilanti in August

Calling all small/sole practitioner firms – don't miss [MACPA's 34<sup>th</sup> Annual Small Firm Practitioners Conference!](#)

We hope to see you at our new location, the Marriott Ypsilanti at Eaglecrest, Thursday, August 25 – Friday, August 26, 2011. You are also invited to join us on Wednesday, August 24 for an optional afternoon of pre-conference workshops and networking opportunities. We've added **two new Experience Exchange Workshops** to Wednesday's pre-conference agenda, with topics including Michigan Business Tax issues and a working review of your engagement letters.

This conference is designed specifically for the needs of a small or sole practitioner. You'll hear great speakers, network with colleagues and visit with exhibitors. Hear a professional issues update from the AICPA's small firm guru, **Jim Metzler**, get benchmarking information from other small firms across the country from **Marc Rosenberg**, director of the Rosenberg MAP Survey, and hear how CPAs are involved in Michigan's turnaround from MACPA President and CEO **Peggy Dzierzawski**.

Just a few of the timely breakout sessions you can choose include:

- Critical CIT & MBT Issues
- Practice Valuation – What's My Practice Worth?
- Billings & Collections – Getting What's Due without Being Too Pushy
- Experience Exchange Workshops that let you share ideas and experiences with your peers

For complete event information, click [here](#) or download the conference [brochure](#).

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## Association Briefs

### Photo Highlights: Management Information & Business Show

Network with your peers and receive first-class education at MACPA's 2011 Management Information Shows!



This year's show celebrated MACPA's 110th Anniversary.



The MACPA membership booth featured a 110th anniversary cake at its center.



Attendees had the chance to win one or more of hundreds of prizes.



This slot car racing game in the Exhibit Hall was a favorite of attendees.



New for 2011 was a sit-down lunch, served buffet style.



Participants got to see new cars from the Suburban Collection, including this convertible Camaro.

Become a fan of MACPA on [Facebook](#) to view more photos from the Show!

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## Association Briefs

### In Memoriam

George Baditoi

June 5, 2011

Farmington, MI

**Joined MACPA:** November 18, 1949

**Certified:** August 9, 1949

Gary M. Canu

February 28, 2011

Rochester Hills, MI

**Joined MACPA:** September 30, 1990

**Certified:** July 31, 1981

Robert A. Cleaver

May 16, 2011

Dewitt, MI

**Joined MACPA:** November 30, 1972

**Certified:** September 21, 1972

Marcellus J. Eshman

February 19, 2011

Fraser, MI

**Joined MACPA:** December 31, 1954

**Certified:** January 22, 1951

Matthew V. Johnson

May 9, 2011

Plymouth, MI

**Joined MACPA:** August 31, 2001

**Certified:** September 11, 2002

Edward F. Kliber, Jr.

May 20, 2010

Grosse Pointe, MI

**Joined MACPA:** August 30, 1955

**Certified:** January 27, 1955

Steven A. Linder

May 7, 2011

Novi, MI

**Joined MACPA:** April 30, 1981

**Certified:** April 30, 1981

John A. Mickus  
February 19, 2010  
Clarkston, MI

**Joined MACPA:** February 28, 1970  
**Certified:** October 14, 1969

Joseph J. O'Brien Sr.  
March 11, 2010  
Dearborn, MI

**Joined MACPA:** March 31, 1957  
**Certified:** February 1, 1957

Cormac M. O'Byrne  
May 11, 2011

Grosse Pointe Park, MI  
**Joined MACPA:** July 31, 1981  
**Certified:** March 20, 1975