



# Leaders' Edge

The newsletter of The Michigan Association of  
Certified Public Accountants



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Dennis Echelbarger is the founder and president of Echelbarger, Himebaugh, Tamm & Co., P.C. (EHTC) in Grand Rapids. As firm president, Dennis acts as an advisor and consultant to small- and medium-sized businesses and nonprofit organizations in the areas of finance, acquisition, merger and sale. His son, David, is also a CPA and works as director of technology solutions at EHTC.

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Tax reform and the 2010 election are the hot topics in Lansing and throughout the state. As the rumor-mill predicted, policymakers are debating the merits of an expanded sales tax base to include services – coupling the service tax with a reduction in the sales tax rate and an elimination of the surcharge on the Michigan Business Tax. MACPA is making sure the voice of the CPA profession is heard throughout this "taxing" debate.

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## Top Stories

### **High Speed Fly-Over: Tax Changes Coming to Michigan**

*By John Lindley, Senior Director, Government Relations & Regulatory Affairs, MACPA*

#### ***40,000 Feet: Major Tax Reform Including Potential Service Tax***

As everyone is likely aware by now, a package of legislation was introduced in October 2009 by State Representative Mark Meadows (D-East Lansing) to expand the Michigan Sales Tax base to include services. These bills also repeal the Michigan Business Tax (MBT) surcharge and reduce the sales tax rate from 6% to 5%.

After review, this legislation appears to exempt business-to-business services, educational services, services provided by a physician, and services provided by a nonprofit. This is a lengthy and complex legislative package - one that will require continued analysis. Members of the MACPA State & Local Tax Task Force Subcommittee on Business Tax Restructuring are in the process of finalizing technical observations on this particular proposal as a means to illustrate the factors that must be considered in such a substantial change in tax structure.

It is important to note that while the leadership of the State House of Representatives, and the specific sponsor of this proposal, do not have intentions on moving it as-is, this legislative package generally is regarded as a viable vehicle for change.

Tax reform is on the top of nearly all legislative agendas in Lansing for 2010. Influential groups like the Business Leaders for Michigan (formerly Detroit Renaissance), the Detroit Regional Chamber of Commerce, and others, are calling for significant tax reform. Essentially, all tax reform conversations in Lansing include two elements – an expanded service tax and an MBT surcharge repeal.

#### ***15,000 Feet: Revenue Administrative Bulletins on Unitary Business Groups***

Two Revenue Administrative Bulletins (RABs) were released in draft form by the Department of Treasury at the end of 2009. RABs on the Michigan Business Tax Act Unitary Business Group Relationship Tests and Unitary Business Group Control Tests were released to stakeholders for comment periods that have since expired.

The MACPA State & Local Tax Task Force submitted considerable input from practitioners across the state on both draft RABs – representing the suggestions and concerns of MACPA members, truly the frontline for tax policy implementation.

The MACPA fully expects these RABs to be issued in final format in the first few weeks of 2010 and will be communicating broadly and immediately to membership upon their publication. Meanwhile, you can continue to view the draft versions at [Control Test](#) and [Relationship Test](#).

***1,000 Feet: MBT Technical Changes; K-Mart decision***

The MACPA State & Local Tax Task Force, Business Tax Restructuring Subcommittee and the MACPA Legislative Advisory Group have discussed and are moving forward with initiatives to provide clarity in different aspects of the MBT and even the old SBT. Conversations will be moving towards action in 2010 in regards to multiple issues, including clarifying the meaning of "indirect" control as related to attribution; clarifying "Materials and Supplies;" MBT safe-harbor expansion, an unintended consequence related to Renaissance Zone Credit application and others.

In addition to working with the Department of Treasury and the Michigan Legislature on these issues, MACPA will be discussing potential legislation to limit the application of the recent Court of Appeals Kmart decision. In the May 2009 decision, the Court upheld a Michigan Tax Tribunal ruling requiring a single member limited liability company (SMLLC) to file Michigan Single Business Tax (SBT) returns on a separate basis from its corporate owner, irrespective of a federal tax election to treat the SMLLC as a disregarded entity.

For more information on any of the technical items on the MACPA's agenda, contact the MACPA Government Relations Department at 248.267.3700 or [legislation@michcpa.org](mailto:legislation@michcpa.org).

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## Top Stories

### Getting to the Money: 15 Tips for Collections in a Recession

By Dennis M. Echelbarger, CPA/CFF – Chairman, Echelbarger, Himebaugh, Tamm & Co., P.C.,  
Grand Rapids

As clients struggle with dwindling sales, constricted cash flow and tightened credit, it's more important than ever for practitioners to enforce best practices in billing and collection procedures. Consider the following tips to improve your firm's collections during tough times.

#### Start at the Beginning: Review Your Engagement Letters

1. Both the firm and the client should sign the engagement letter. Who should sign? For the firm, it should be the partner in charge of the account. Make sure whoever signs for the client is authorized to commit the client to the agreed-upon terms.
2. Your engagement letter should include the right to stop work if terms are not met. Many insurance carriers provide sample language or sample engagement letters and guidance.
3. Depending upon the client situation, consider requiring a personal guarantee.
4. Require a "retainer applied to final invoice" for new clients. The amount should cover about 45 days worth of estimated work, which provides enough time for one complete billing cycle and time for the client to pay. Your engagement letter must pinpoint the length of the engagement or specific service being provided. This makes it possible to identify the final invoice in order to apply the retainer.
5. Include a binding arbitration clause for fee disputes to head off unnecessary lawsuits.
6. Remember, before you commit to a new engagement with a client, professional ethics rules say you're not independent if the client still owes last year's fee.

*Editor's Note: These tips are gleaned from a recent MACPA workshop, "Getting to the Money: Collections & Billings or Who's on First?" This program will be presented again on January 29 in Southfield, as part of a half-day conference, "[Practice Issues Forum...Collections, Lending & Growth.](#)"*

#### Billing and Collection: Use a Multi-Faceted Approach for Success

7. Reconsider your billing and collection procedures. Management and partners should agree on overarching policies. It is vital to have a system in place.
8. Bill early and often. Don't delay billing and consider new payment policies, such as using e-mail to send invoices, using progress billings, providing a bill with completed tax returns for non-business clients, etc.
9. Your billing system should allow for special circumstances. For example, if a client is having cash flow problems, you may want to bill as soon as work is done, rather than waiting for a regular billing cycle. If a job is spread over three or four months, utilize progress billing.
10. If it's a long-term client with cash flow problems and the firm wants to continue

servicing the client, set up a payment plan on the existing debt and take prepayment (deposit) for new work.

11. The people that have the most contact on the job should be involved in the preliminary stages of putting the bill together. Otherwise, you may tend to write things off that you shouldn't, or not include billable items that should be included.
12. Some customers may like to pay a flat monthly fee. This works especially well for fixed fee jobs.
13. Make it easy for clients to pay with credit cards, on your website, use payment schedules, etc.
14. If it comes down to a collection problem, you should have a system – an internal policy – in place defining when the customer is contacted, and who makes the call. Usually, the shareholder/partner in charge of the account and/or the person closest to the relationship with the client should not be the one to make the collection call. Generally, an administrative staff member should make the collection call. Start at the client's accounts payable level and work up from there.
15. Keep a log of phone calls and letters. Your policy should specify the point at which you inform the client that the account will be sent to collections.

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## Top Stories

### Navigator of the Profession – Dennis Echelbarger, CPA



*Dennis Echelbarger,  
CPA,  
founder and  
president of  
Echelbarger,  
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Dennis Echelbarger is the founder and president of Echelbarger, Himebaugh, Tamm & Co., P.C. (EHTC) in Grand Rapids. As firm president, Dennis acts as an advisor and consultant to small- and medium-sized businesses and nonprofit organizations in the areas of finance, acquisition, merger and sale. His son, David, is also a CPA and works as director of technology solutions at EHTC.

A Past Chair of the MACPA Board of Directors, Dennis is currently on the board of the Association's Political Action Committee, which advocates on behalf of the accounting profession.

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

In college I took an economics survey course as an elective and the professor suggested I try an accounting course—which I did and liked. I also had an adjunct professor in my senior year who asked if I wanted to work at his firm during tax season, which I did and then was hired full time after graduation.

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

The satisfaction of helping all kinds of people and businesses become successful, and being able to help struggling individuals and businesses work through their problems. Also, I enjoy the fact that every day is a challenge and that I learn something new each day.

#### **Q. What made you want to get involved in government relations, and what do you hope to accomplish in working with legislators?**

I came to understand the need for our professional organization to be active in the political arena in order to be effective for our members. I hope to help bring insight and objective advice to the legislators who usually do not have expertise in the areas we do. I also (maybe naively) think I can help make a difference and be part of making needed changes at the governmental level.

#### **Q. What was it like to watch your son enter the accounting profession?**

It was with great pride when I watched my son follow an accounting program and then apply to our firm for an internship and then a full-time position. He was able to establish an IT consulting practice (after working on the traditional side of the practice) that became a vital part of our firm. I felt even more pride when the ownership group elected him to be Managing Officer in January 2009, after I expressed the desire to focus all my time on customer matters.

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

I have a place "up north" that is my solitude. I also love to hunt, fish, read and attend sporting events, cultural activities and Broadway theatre.

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

Try it - but give it your best efforts. The profession is challenging but rewarding; you will have an opportunity to know and help many people who will make a difference in your life.

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

Being a CPA is much more than being good at numbers. It involves being able to understand the psychology of those involved and the situation itself. The knowledge to "know what you do not know" and to find the resource for the best answer to the situation is critical.

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## Message from the Chair of the Board

### New Year's Resolution: Is MACPA on Your List?



*Jonathan D. Anibal,  
CPA  
2009-2010 MACPA  
Chair of the Board*

Tax reform and the 2010 election are the hot topics in Lansing and throughout the state. As the rumor-mill predicted, policymakers are debating the merits of an expanded sales tax base to include services – coupling the service tax with a reduction in the sales tax rate and an elimination of the surcharge on the Michigan Business Tax. MACPA is making sure the voice of the CPA profession is heard throughout this “taxing” debate.

As we enter a new year – one that promises to drastically change the face of Michigan government – it’s a great time to consider your level of involvement in the political environment. Certainly, we’re not all cut out to run for public office; however, there are numerous ways we can – and should – get involved. The Association makes it easy:

- **Stay abreast of issues.** MACPA offers continual updates through E-News, legislative updates at task force meetings and events, and articles on the website and in Leaders' Edge.
- **Find out who your elected leaders are.** Better yet, call, write, or have breakfast. Forging a relationship will open the door for dialogue. You may be pleasantly surprised at how much our elected leaders value our opinion and financial expertise. (Login to the MACPA website, click on Government Relations, then select My Legislators in the left-hand menu bar.)
- **Be part of our grassroots effort.** Anyone can volunteer to become a participant in our State Legislative Keyperson Program. Our government affairs staff will help you establish a two-way relationship with your public officials. Your primary responsibility is to act as a resource for office-holders on tax, accounting and business-related issues. Read more about grassroots involvement on our website.
- **Give a few (more) dollars to the MACPA PAC.** Over the past decade, MACPA’s legislative agenda has been flooded with issues important to our profession including simple majority firm ownership;

150 hours; post Sarbanes-Oxley reform and more.  
Today we're dealing with expansion of sales tax to  
include services; tax-preparer  
licensure/registration; increased professional  
liability exposure; MBT reform, and more.

The MACPA's ability to effectively advocate on behalf of our profession is largely based on relationships with office-holders. Your PAC dollars are critical to the development of these relationships. PAC dollars help get us a seat at the table when these issues are discussed.

The upcoming November election is monumental: we'll elect a new governor, a new Senate and a new House. (Read more in this [article](#)) Furthermore, we'll charge them with creating policy to reinvent the state and transform the economy. They are going to need a lot of help. As they work to reshape Michigan's future, one of the key tools to affect change is tax policy – and that's our sweet spot. We need to be involved and let them know they can rely on CPAs to serve as honest brokers of valuable information.

Representation in the legislative process, and making it easy for you to get involved at some level, are among the many advantages of MACPA membership. It's a benefit – and just as valuable as saving money on CPE or through [affinity](#) programs like our auto and homeowners insurance programs.

Make it your New Year's resolution to take advantage of all the MACPA has to offer.

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## Of Interest

### **A CFO's Plan for Overcoming a Down Economy**

*By Richard Flynn, senior vice president and general manager for American Express OPEN*

You'd be hard-pressed to find a CFO who hasn't found this economy to be more than a little challenging, but the good news is that there may be a real payoff for all the hard work. In times like these, even the most accomplished and financially knowledgeable small business owners are in search of additional financial counsel to keep their businesses running. When these business owners seek special financial advice, one of the first people they turn to is most likely their CFO. As a result, a skillful CFO's stock and trade rises, and perhaps his or her role in the company will also grow.

Whether co-leadership will actually become a widespread trend remains to be seen, but one thing is certain: if CFOs are to advance in stature, they will have to do their best to keep their companies afloat, regardless of what the economy sends their way.

Fortunately, as challenging as this economy is, the basic goals and principles of sound financial management remain the same. CFOs, however, will need to put greater emphasis in some areas, such as managing risks, building steady profit, and maintaining healthy cash flow. To help you identify new ways to adapt to the economy and usher your company through to better times, consider how you're dealing with the following three areas.

#### **Focus on Risk**

Risk is always something a CFO must keep in balance, but the current economy creates an environment where risks are greater and less predictable at every level, from big-picture industry issues to day-to-day collections and vendor relationships. In this environment, one of the greatest financial risks is to continue operating under existing business assumptions. Be wary of any assumptions you have made about the downturn and its duration. While optimism has its place, counting on a recovery too soon could lead to overstated revenue projections and overly large budgets, and a resulting depletion of reserves. The current recession may have reached its end, but we're still in uncharted territory and don't know when substantial recovery will take place.

To keep risk under control, reassess your growth and earnings projections. For many companies, earnings and growth projections calculated on a yearly basis, for example, may prove to be too inaccurate over time, given the increased volatility of a down economy.

Revisit projections made six months or more ago and assess how accurate they have been to date. If there are already considerable discrepancies between projections and reality, you may need to adjust current budgets to stave off losses. And for the future, you may want to consider the benefits of projections and budgets for shorter periods, potentially trading annual calculations for bi-annual or quarterly figures.

In addition to adjusting assumptions, developing contingency plans can also help reduce risk. In better times, conventional planning and budgeting serve well, but a volatile environment with multiple heightened risks requires multiple backup plans. Developing several worst-case scenarios can benefit any company by helping to avoid on-the-fly decisions if the worst does occur.

One area to look at is the risk passed on by customers and vendors. Evaluate which of your customers and vendors are the most critical to your business, and take the initiative to learn about their solvency and overall financial strength. For new customers or vendors, exercise the option of doing a credit check through Dun & Bradstreet. You may also want to take the extra step of requesting trade references and bank references, which can provide detailed information about business dealings with the company in question.

For existing customers or vendors, take a look at their track record with your own company over the past six months. If a vendor's delivery time has lengthened or reliability has slipped in any way, it's safest to assume risk has also increased. Likewise, customers whose payment time has extended significantly, may be greater risks. In addition, stay abreast of industry news that affects vendors and customers. A loss of large accounts, increased market turbulence, lower stock prices, or rising raw materials costs for either customers or vendors all serve as warnings of elevated risk. Being aware of rising risks will allow you to plan accordingly, should a customer's or vendor's situation take a turn for the worse.

If customers appear to be growing credit risks, you will want to reassess any credit you extend as soon as possible. You may also simply want to encourage customers to pay by credit or charge card, so that you will be guaranteed timely payment and avoid the risk of slow payment or non-payment. Customers will still be able to delay payment and may also appreciate the benefits and rewards that a number of charge and credit cards offer.

### **Look for small but steady gains**

Most companies build profitability in small steps, not through major high-profit opportunities, which tend to arrive sporadically even in the best of times. In a slow economy, profitability is more than ever likely to be the result of long-term discipline and small, consistent gains.

Target predictable savings and discounts that will help boost profits in a time when profits are soft. Trade terms, for example, are one such opportunity. With diligence, these seemingly small advantages can be significant over the long term. While some terms will allow you to defer payment when cash is short, nearly all reward early payment with a discount. Delayed payment may present greater benefits depending on your organization's cash flow, but when paying early is an option, the rewards are worthwhile. Although one or two percent seems like a small amount, it's a deal since these savings represent cash that can be reinvested in your business. If you're not able to take advantage of trade terms with some or all vendors, look for other options, such as credit and charge cards that offer cash-back rewards, miles, or other advantages, or those that offer trade-like terms.

Opportunities for discounts may be less abundant in a down economy, but there is often room for negotiation. Identify or create additional opportunities by assessing vendor relationships across the board. If you provide steady business to a vendor but haven't been able to negotiate better payment terms, discounted prices, or other advantages, then consider how

you might better your standing, whether now or in the future. For example, consider whether it is worthwhile to formalize a standing order, instead of ordering on an as-needed basis. You might also gain negotiating power by consolidating your business with one vendor.

### **Sync accounts payable and receivable**

To create optimum cash flow, accounts payable and receivable have to be more than well managed; the two must work in lockstep. While accounts receivable will always present greater unpredictability, streamlining accounts payable can lend more focus to cash flow efforts. Assure that outflows are not continually due before receivables by standardizing payment dates whenever possible. Negotiate payment dates with vendors and creditors to streamline payments and better coordinate them with the receivables cycle. This can also help reduce the distraction of dealing with payments in a scattered manner and will create more focus in areas of accounting that require greater attention and effort.

Look at late payers to determine how you can help keep them on track. When a customer is past due, immediately open a dialogue to understand the situation. In addition to learning more about the customer's situation, evaluate your own organization's role in late payments. Spot checks in specific late-payer cases will help you determine whether your own accounting system is getting invoices to the customer promptly. Keep in mind that getting the invoice in the mail is not the last step. Invoices must reach the appropriate customer contact and must contain all essential information, such as purchase order and vendor numbers, so that the customer can process the invoice in a timely fashion.

Challenging times are undoubtedly here for at least a little longer, but with perseverance and a measured approach that's based on sound financial principles, CFOs can help guide their companies through to better times. Building solid footing in the downturn will not only keep the company resilient today, but will also position the business to profit from the many opportunities that will come with a stronger economy. And with any luck, having served your company well through the bad times, you'll be rewarded with a stronger role in leading the company when the economy bounces back.

## Accounting & Auditing

### ARSC Approves the Issuance of SSARS No. 19

The AICPA Accounting and Review Services Committee in late 2009 approved a new compilation and review standard that includes the most significant changes since 1978. "The new standard makes important changes that should be welcomed and applauded by many smaller firm practitioners," says Carol McNerney, chair of ARSC and a partner with the firm of SS&G Financial Services in Akron, Ohio. The final standard will be available by early 2010.

The standard's effective date is for periods ending on or after December 15, 2010, with the exception of paragraph 2.21, which may be implemented early. Paragraph 2.21 states in part, "The accountant is not precluded from disclosing a description about the reason(s) that his or her independence is impaired."

According to McNerney, this particular change has long been supported by many smaller firm CPAs as well as users of compilation reports. "This amendment allows CPAs to explain in their compilation reports the reasons why they are not independent, providing transparency to users and offering flexibility for our members. They can either continue to merely say they are not independent or, if they choose, they can now describe the reasons for the independence impairment."

Another significant change that smaller firms should appreciate is that this new standard separates the compilation guidance from the review guidance. Mike Glynn, technical manager for the project, says that he has heard this request over the years. "We have a large number of members who only perform compilations and no reviews. They've been saying we should split the two so that the compilation guidance is easier to use and not mixed in with the review guidance. I'm happy that this project has allowed us to make that change to help smaller firm practitioners," says Glynn.

Other significant changes to the SSARSs included the following:

- A discussion of how the accountant obtains limited assurance through the performance of review procedures.
- The introduction of the term review evidence to the review literature.
- A discussion of tailoring the review procedures based on the accountant's understanding of the client's industry, knowledge of the client, and awareness of the risk that he or she may unknowingly fail to modify the accountant's review report on financial statements that are materially misstated.
- A discussion of materiality in the context of a review engagement.
- A requirement that an accountant document the establishment of an understanding

#### **AICPA Resources on SSARS No. 19**

Visit the AICPA  
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of

[SSARS No. 19 —  
Compilation and  
Review  
Engagements](#)

[White Paper —  
Significant  
Change to  
Compilation  
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Requirements  
When  
Independence Is  
Impaired](#)

with management through a written communication (that is, an engagement letter) regarding the services to be performed.

- The establishment of enhanced documentation requirements for compilation and review engagements.

The final standard differs from the exposure draft in two major ways:

First, the ARSC decided to retain the concept of limited assurance rather than moderate assurance. The ARSC had proposed to use the term moderate assurance to describe the level of assurance that the accountant aims to obtain in a review engagement in order to harmonize with the terminology used in the international review standards. However, after the exposure draft was issued, the International Audit and Assurance Standards Board began looking to revise the international review standard from moderate to limited.

The other major difference is that the non-independent review is not part of the final standard. The ARSC received a number of comments on this proposal, both for and against. As a result of the great interest in this topic, the ARSC decided it made the most sense to defer this issue so it could hold additional meetings with key stakeholders. These additional meetings will be used to further discuss with stakeholders the issues that many smaller firm members face in trying to serve their small business clients and to better understand why some stakeholders are opposed to the non-independent review concept. The focus of the issues deal with the ARSC proposal that would have permitted an accountant to provide a review service while also performing a nonattest service to help smaller businesses maintain aspects of their internal control over financial reporting, the purpose of which is to improve the reliability of the client's financial statements. This topic will be revisited by the ARSC in 2010.

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## **Association Briefs**

### **Navy Tax Return Program Sets Sail This Month**

Last summer, MACPA Board Member Paul McDonald got the experience of a lifetime when he flew with the Blue Angels, the U.S. Navy's Elite Flying Team. As thrilling as the flight was, a lot more than Paul "took flight" that day.

MACPA President and CEO Peggy Dzierzawski was also at Willow Run Airport, talking with some of the officers about the issues facing U.S. Navy personnel. The conversation turned to an exploration of how the MACPA could help our servicemen and women. The Navy Tax Return Program, with Paul McDonald as the chair, was born.

Starting this year, Navy personnel can have their tax returns completed at no charge by MACPA volunteers on Saturday, February 20 and Saturday, February 27, 2010. Both dates will take place at the Accounting Aid Society Headquarters, located at 7700 Second Avenue, Ste 314, Detroit, MI 48202.

If you are interested in volunteering for this new program, volunteer training will take place on Wednesday, February 10, 2010 at the MACPA office in Troy. To sign-up or for more information, please contact [Jill Rafferty](#) at 248.267.3747.

Firms interested in preparing returns should also contact [Jill Rafferty](#), 248.267.3747

Details will be made available to Navy personnel during drill weekends at Selfridge Air National Guard Base, which begin at the end of this month.

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## Legislative & Regulatory

### **Term Limits Peak in 2010; MACPA Presence in Lansing More Vital Than Ever**

*By John Lindley, Senior Director, Government Relations & Regulatory Affairs, MACPA*

The goal of the MACPA Political Action Committee (PAC) is simple: Safeguard the CPA profession by maintaining positive relationships with the members of the State Legislature. Term limits have made this job more difficult than ever, but the MACPA's efforts are solid and our successes are many.

Since the full thrust of term limits began to curtail the careers of state lawmakers, Michigan has had 403 different officeholders in the State Legislature. In addition to the 110 current members, 213 other representatives have "termed-out" for a total of 323 different members of the State House in the past 11 years. The numbers in the Senate are smaller, but significant nonetheless. Thirty-five members have "termed out" over the past several years and there are currently 38 members serving. Additionally, term limits have, or will, take their toll on the four Constitutional offices of Governor, Lt. Governor, Secretary of State and Attorney General.

While the last decade has been a revolving door in Lansing, this November's election promises to be Michigan's most noteworthy yet. All 38 State Senators are up for election; fully three-quarters (29) are termed out and will be vacating their seats. In the House, all 110 representatives are up for election; one third (33) cannot run again and will be vacating their seats. The turnover in the House will ultimately be even higher, though. Many of the Representatives who are eligible to run again are expected to vacate their House seats to run for the Senate, opening up even more seats in the House to "rookie" lawmakers. Overall, Michigan could see as many as 100 new legislators taking office after the November 2010 election.

With such massive turnover, the complex issues affecting the profession may be lost on a newly elected official. Further, term limits have put more of the burden on the CPA profession to educate these newly elected officials.

This is where your PAC contributions are put to work. Through the generosity of the MACPA PAC, the profession has a seat at the table when important issues arise. Without this opportunity, new legislators would overlook the CPAs' often-complex issues. Because of your PAC contributions, when the MACPA invites a member to breakfast, the issue is not if the legislator can meet with our CPAs, but when.

Please contribute to the MACPA PAC today so we can continue building upon our success by forging relationships with many incoming members of the Michigan legislature.

Contributions may be made via our website [here](#), or call the MACPA directly and give by phone at 248.267.3700.

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## **Legislative & Regulatory**

### **Thank You to All 2009 PAC and PEF Contributors! (Is Your Name on This List?)**

Thank you to all 1,443 2009 MACPA Political Action Committee (PAC) and Political Education Fund (PEF) [contributors](#). Your generosity and leadership has helped raise awareness for the CPA profession in Lansing, protecting the integrity of the designation from harmful public policy! With your help we have protected CPAs from legislation that would have increased professional liability exposure for regulated professionals such as CPAs, among our many other accomplishments.

All 2009 MACPA PAC and PEF contributors are recognized [here](#). (Capitol Club members who made an exceptional contribution of \$100 or more are noted in bold.) If your name does not appear on this list, please consider contributing in 2010. We still need your support!

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## Legislative & Regulatory

### Ethics Q&A: Tax Preparation Presents Sticky Situation in Partnership

*This column highlights issues and questions submitted to the MACPA Professional Ethics Task Force. Responses may not consider all of the unique circumstances that are part of an ethical inquiry.*

**Scenario:** *A CPA is engaged by a close friend (Partner A) and individual client to do monthly bookkeeping and prepare tax returns for a partnership (ABC LLC). Partner A and his brother (Partner B) are 50-50% partners. Partner A effectively controls the partnership and its finances and Partner B is a passive investor. The CPA worked with Partner A monthly and met with Partner B only once a year in connection with tax return preparation. The CPA becomes aware that Partner A is aggressively passing personal expenses through the partnership. What obligation or ethical responsibility does the tax preparer have to make sure Partner B is aware of his brother's conduct and is there any authoritative literature supporting this ethics interpretation?*

To restate the question, what obligations or ethical considerations does the tax preparer have with Partner B in making sure he is aware of Partner A's conduct? And is there authoritative literature supporting this ethics interpretation?

First, the Professional Ethics Task Force of the Michigan Association of CPAs can only respond to the circumstances as they relate to Professional Ethics, as opposed to state law.

Based on this narrative, there are four main rules of the AICPA/MACPA Code of Professional Conduct which seem to apply. They are:

- **102-1 (Integrity and Objectivity), Subsection C:** A member cannot sign or permit or direct another to sign a document containing false or misleading information.
- **102-2 (Conflict of Interest):** Based on your judgment, can the service be performed with objectivity? Have potential conflicts of interest been disclosed
- **202 (Compliance with Standards):** In performing services for a client, a member must comply with standards for that service.
  - *AICPA Statements on Standards for Tax Services, Standard 3, Paragraph 4 states, "[w]hen preparing a tax return, a member should consider information actually known to that member from the tax return of another taxpayer if the information is relevant to that tax return and its consideration is necessary to properly prepare that tax return. In using such information, a member should consider any limitations imposed by any law or rule relating to confidentiality."*
- **301 (Confidential Client Information):** Confidential client information shall not be disclosed without consent from the client.

Also see:

- [391-21 \(Member Providing Services for Company Executives\)](#): A Q&A discussing services to a company and its executives.

### **Explanation**

Based on the above information, there seems to be three distinct clients to consider. Partner A, ABC LLC and Partner B (102-2). Even though all three are clients, confidential information/knowledge obtained while preparing one client's information, cannot be shared with another client.

In this case, ABC LLC is a separate client and you were hired by Partner A to represent ABC LLC. If you only report to partner A on the ABC LLC books and tax return, then you cannot specifically share that information with Partner B, without prior consent from Partner A, on behalf of ABC LL (301).

If you believe Partner A is misrepresenting information, you are required to approach the service with integrity and objectivity (102-1). (i.e. Can you ethically represent the client and sign a tax return? [202]).

Questions regarding the circumstance above may be directed to the MACPA Professional Ethics Task Force at [ethics@michcpa.org](mailto:ethics@michcpa.org).

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## Association Briefs

### MACPA Takes to the Court... and the Ice for Accounting Education

After the continued success of our alliance with the [Detroit Red Wings](#), the MACPA is pleased to announce two new additions to our lineup – the [Detroit Pistons](#) and the [Grand Rapids Griffins](#). For tickets purchased on each of the teams' MACPA nights, a portion of the proceeds will be donated to the Michigan Accountancy Foundation's Fifth/Graduate Year Scholarship Program.

Join us for MACPA Night at the Palace of Auburn Hills on Friday, February 19 and watch the **Detroit Pistons** take on the Milwaukee Bucks. MACPA guests will receive a free gift, join in a group picture after the game, and even take a post-game free throw shot on the court! For all MACPA members, their friends and family, tickets are **only \$20** in the 200-level (reg. \$40), or upgrade to the lower level for **only \$45** (reg. \$80).

Hockey more up your alley? If you're a West-sider, head to Van Andel Arena for one of three MACPA nights with the **Grand Rapids Griffins** of the American Hockey League. MACPA members, family and friends can purchase \$13 tickets for **\$10** (Upper Level) or \$17 tickets for just **\$13** (Lower Level). If you're from the East side of the state, stay tuned for more Red Wings game nights to be announced soon.

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## Association Briefs

### In Memoriam

Mark D. Hausermann, CPA

September 30, 2008

Portage, MI

**Joined MACPA:** December 31, 1993

**Certified:** December 20, 1993

Lawrence C. Holaly, CPA

November 17, 2009

Grand Blanc, MI

**Joined MACPA:** April 26, 1979

**Certified:** April 26, 1979

Robert C. Julin, CPA

September 10, 2009

Plymouth, MI

**Joined MACPA:** October 31, 1963

**Certified:** July 24, 1963

Melvin G. Scheske, CPA

November 14, 2009

Sturgis, MI

**Joined MACPA:** April 30, 1962

**Certified:** February 5, 1962

Edward M. Wegrzyn, CPA

November 18, 2008

Roseville, MI

**Joined MACPA:** May 31, 1961

**Certified:** January 25, 1961

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## **Association Briefs**

### **MACPA Brochure Arms Taxpayers With Valuable Information**

When it comes to submitting tax returns this year, do not let those in your community become a victim.

Unfortunately, some unscrupulous individuals take advantage of the elderly, immigrant and low-income populations during tax season. Professional tax preparers are supposed to provide a client with advice, provide follow-up support and answer questions with regard to a client's tax return. However, many citizens are not aware of their rights when it comes to hiring tax preparers; and they fall victim to criminal, improper or fraudulent tax preparation.

It is for this reason that the MACPA's Taxpayer Awareness Task Force developed the [Taxpayer Awareness Campaign](#) and the "Top 10 Questions to Ask a Tax Preparer" brochure. This campaign and brochure provide information and tools to help protect Michigan citizens during tax season.

From questions to ask prior to hiring a tax preparer, to tips, hints and warning signs, the "Top 10 Questions to Ask a Tax Preparer" brochure provides valuable information for taxpayers this tax season. The brochure, available in English and Spanish, is a complimentary resource from the MACPA. If you would like to request a copy or multiple copies of the "Top 10 Questions to Ask a Tax Preparer" please contact [Corinne Duluk](#) at 248-267-3717. MACPA members are encouraged to share this resource within their communities.

The Taxpayer Awareness campaign will also include speaking engagements with community organizations. MACPA members interested in learning more about the campaign or wishing to volunteer are asked to contact [Corinne Duluk](#) at 248-267-3717.

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## **Association Briefs**

### **Mark Your Calendar for the Spring Members Advisory Symposium**

Spring will be here before you know it, so mark your calendar now for the 2010 Spring Members Advisory Symposium. This premier event for accounting professionals brings you the high-level updates you need on the latest changes in the accounting profession.

AICPA President and CEO Barry Melancon will share the most pressing issues facing the profession on a national level. MACPA President and CEO Peggy Dzierzawski will give a detailed account on how members of the MACPA have made an impact on the profession over the past year. Plus, we will have an update from Lansing detailing what to expect with regard to changes in the tax law, the coming election and more.

The 2009 Spring Members Advisory Forum will be held on May 11, 2010 at the Kellogg Hotel & Conference Center in East Lansing. Will look forward to seeing you there.

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## Association Briefs

### Extra! Extra! Read All About Members on the Move in MACPA's New Member Connection

To help you stay in touch with your fellow MACPA members, the Association now features member news in an online section called "[Member Connection](#)." From promotions and certifications to awards and announcements, you'll find it all in Member Connection! Some recent news items include:

- Donald Hunkins received an honorary doctorate from Northwood University
- Andrea Dickerson and Eric Ryan were promoted to Senior Accountants at Andrews Hooper & Pavlik in Grand Rapids
- David Kristick was named an associate at Plante & Moran's Macomb Office
- Michael Tribble was selected as the 2009 Outstanding Alumnus of Saginaw Valley State University's College of Business and Management
- Kyle McKeown was featured in the Middleville-Caledonia Sun & News for his work as a board member of the Thornapple Area Enrichment Foundation (TAEF).

If you or someone you know has received a promotion, a professional award or was featured in a news story, let us know! Contact Michelle Greene in the Communications Department at [mgreene@michcpa.org](mailto:mgreene@michcpa.org) or call 248.267.3700.

Please include as much detail as you can, including any links to articles and/or press releases. Please note, we may not be able to post all recognition.