

Leaders' Edge

The newsletter of The Michigan Association of
Certified Public Accountants



Accounting & Auditing
Association Briefs
Continuing Education
Legislative & Regulatory
Of Interest
Tax Tidbits
Classifieds
Home

Article Archive

- [Leaders' Edge May/June 2008](#)
- [Leaders' Edge March/April 2008](#)
- [Leaders' Edge January/February 2008](#)
- [E-News Archive](#)
- [Business Edge Archive](#)
- [Money Management Articles](#)

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Top Stories

[Governor Granholm Signs CPA License Mobility Legislation into Law](#)

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[Q&A with CPA Ian Dingwall: Pension Reform](#)

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["Aviator" of the Profession - Kristine Volk](#)

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[From the Chair of the Board An Eye for the Future](#)

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Accounting & Auditing

[Fraud Tips: How to Identify High-Risk Employees](#)

[Michigan Moves Forward with AICPA Peer Review Facilitated State Board Access Process](#)

Tax Tidbits

July/August 2008



Learn More

Professional Development

- [Lunch & Learn: The Latest Ethics Update](#)
- [How to Conduct a Review Under the AICPA Practice-Monitoring Program](#)
- [AICPA/AHI Staff Training: Semi-Senior](#)
- [AICPA/AHI Staff Training: Beginning In-Charge](#)
- [AICPA/AHI Staff Training: Basic](#)
- [AICPA/AHI Staff Training: Supervisory](#)
- [The 31st Annual Small Practitioners Conference](#)
- [CPE Catalog Search](#)

Membership in MACPA

[MACPA Web site](#)

*Message from the
Chair of the Board*

[The Control Test for a MBT Unitary Business Group is Defined by Treasury](#)

[Michigan Business Tax Q&A Series – Credits](#)

Of Interest

[Three Tips for Career Growth to Survive Corporate Change](#)

Legislative & Regulatory

[MACPA Membership Terminated](#)

[MACPA Member Advocacy Reaches New Heights](#)

[CPAs Declare Candidacy for Primaries](#)

[Going... Going... Gone! U.S. Ethics Standards Going International??](#)

Continuing Education

[Save the Date for the Second Annual Michigan Tax Conference](#)

[Change Makes a Big Difference for Participants – MACPA's](#)

[Small Practitioners Conference](#)

Association Briefs

[In Memoriam](#)

[Annual Meeting Notification](#)

[Save the Date for the Fall Members Advisory Forum](#)

[Top](#)

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May/June 2008

Leaders' Edge[PRINT](#)

Top Stories

Governor Granholm Signs CPA License Mobility Legislation into Law

After more than a year of hard work and cooperation by many, Michigan became the 24th state to enact CPA license mobility provisions on Wednesday, June 11 when Governor Jennifer Granholm signed House Bill 5936.

The bill, now Public Act 161 of 2008, was sponsored by Representative Andy Coulouris (D-Saginaw), chair of the House Committee on Banking and Financial Services, and met little resistance throughout the legislative process.

MACPA collaborated with the Michigan State Board of Accountancy, the Michigan Department of Labor and Economic Growth, the National Association of State Boards of Accountancy, the Accountants Coalition and the AICPA to develop a sound mobile licensing policy focusing on protecting the public and the integrity of the CPA profession through lawful enforcement of licensing regulations, while allowing CPAs to serve out-of-state clients.

This complete success is a testament to the commitment of the MACPA Board of Directors, Legislative Advisory Group, grassroots network and government relations team.

Activity in Other States

On July 3, Pennsylvania passed mobility legislation providing mobility for out-of-state licensees coming from states that have enacted a comparable provision. This is similar to what was enacted in Georgia earlier in the year, limiting the privilege to those CPAs who hold permanent licenses in mobile states only. The enacted provision, however, will not take effect until 60 days after the Governor of Pennsylvania signs the legislation into law.

CPA license mobility initiatives are progressing in several other states.

Along with Pennsylvania, New Jersey and Delaware await gubernatorial approval of mobility legislation, while California and Massachusetts have mobility legislation working its way through their legislatures. (See this on a map [here](#).) The AICPA has identified 13 more states where legislative activity is likely to occur in 2009.

July/August 2008

Leaders' Edge

[PRINT](#)

Top Stories

Q&A with CPA Ian Dingwall: Pension Reform



As chief accountant of the Employee Benefits Security Administration, CPA Ian Dingwall is carrying out the Department of Labor's stepped up efforts in pension reform. A DOL study identified deficiencies in about one-third of pension audits nationwide. Armed with new audit standards that focus on increased documentation and reporting internal control deficiencies, Mr. Dingwall is leveraging the impact of his small staff by concentrating on the quality of independent audits by certified public accountants.



Mr. Dingwall addressed nearly 200 plan auditors at MACPA's 2008 Audits of Employee Benefit Plans Forum on June 11, 2008. He followed up his morning keynote address with an afternoon webinar broadcast to auditors in 30 states, then spent some time with Leaders' Edge Editor Marla Janness for this Q&A.



LE: Pension plan audits are the subject of a lot of attention from the DOL. Can you provide a brief overview of the issue, and explain the approach being taken by the DOL?

Ian Dingwall sits with Marla Janness, *Leaders' Edge* Editor, for an interview on pension reform.

Dingwall: Pension plans hold assets that participants expect to receive in retirement and to cover their health claims. At the DOL, we've determined we can leverage our limited resources to protect plan assets by making sure plan audits are done in accordance with professional standards. We've put an emphasis on disclosure, with the idea being that sunlight is the best "disinfectant." By requiring

plan administrators to account for plan assets through the Form 5500 process, and requiring independent public accountants attest to that information, we can be fairly comfortable that plan assets are being protected. The stakes are very high – the amount of money in pension plans is enormous and growing all the time.

LE: What pension plans are included?

Dingwall: Defined benefit plans and defined contribution plans – all kinds of plans including profit sharing plans, money purchase plans, 401(k) plans, ESOPs, etc.

LE: Why are the audits of pension plans so important?

Dingwall: The audits are important as a means of making sure plan assets are safeguarded.

We want to know that plan assets exist, and that they are being properly administered. In many respects, the reporting process is an x-ray of how well a plan is being administered. The Form 5500 is a way we learn the identity of plans, what their assets are and how they're operated. We don't have the resources to go out to visit the millions of plans that exist, so we need to focus on the reporting process and emphasize the quality of the audits by the certified public accountants.

LE: How big is the problem with pension plan audits?

Dingwall: We know from doing an industry survey that about one-third of plan audits are not done in accordance with audit standards – they're deficient. In other words, the audit has failed one or more GAAS requirements.

LE: What underlying issues have led to these problems?

Dingwall: As a fundamental matter, auditors have not necessarily appreciated that plan audits are unique. Employee benefit plans require specialized knowledge, specialized audits. And, frankly, plan administrators generally haven't placed much value on the audit – many think of the audit as a commodity to fulfill a regulatory requirement. Because of that attitude, administrators haven't wanted to pay much for these audits. Plus, the auditors unfortunately have not done all the work they're required to do; many of them blame the fact that they've gotten a very low fee for these types of audits.

LE: How can CPAs help clients to understand the importance of the audit?

Dingwall: It's important to recognize that the client is the *plan participant*, the beneficiary. The client is *not* the guy sitting across the table from you. These audits are done on behalf of plan participants and beneficiaries who DO value these audits. They DO expect their plan assets to be there. They DO expect to realize their benefits. They care very much that these audits occur.

As an example, I'll tell you a real story about a woman named Jackie. Her husband was killed in 1982 in an air crash, and she now has a lot of money. A widow suffering with dementia and hospitalized, Jackie is counting on the system and the integrity of the system to make sure she receives the money she needs to live. She has no real ability to do anything more than trust the system. Accountants add the integrity to the system; and the independent audit is part of the integrity of the system. If the system has no integrity, then people don't save for retirement and they don't want to put their money into retirement plans. Frankly, the key is our independent certified public accountants. That's what the statute had in mind.

LE: What are the primary deficiencies you're seeing with the audits?

Dingwall: The audit deficiencies are generally related to areas unique to employee benefit plans – the audit of investments, the audit of contributions, the audit of benefit payments, participant data and allocations, and the audit of related party transactions (prohibited transactions). Auditors don't always appreciate the need to audit in these unique areas. Oftentimes, they (auditors) just don't do the work in these areas.

LE: What resources does the DOL offer to help auditors get it right?

Dingwall: The Department has a toll-free help desk number: 1-866-GOEFast (1-866-463-3278). Auditors can get answers to questions on filing requirements, preparation of Form 5500 and audit issues.

The [AICPA's Guide to Audits of Employee Benefit Plans](#) and the [Audit Risk Alert](#) are available from the AICPA store at www.cpa2biz.com or call AICPA at 888-777-7077

We're also working to improve the amount of educational materials available to auditors, so we're working closely with the AICPA's Audit Quality Center for Employee Benefit Plans. Each year, we write an *Audit Risk Alert* and the *Guide to Audits of Employee Benefit Plans*. And, we're always working to improve instructions to Form 5500. The rest is a matter of compliance assistance, we do answer the telephone... call the help desk toll-free number.

Up until now, we've focused educational and training opportunities at the national level, now you'll see us reaching out to the states. We're paying particular attention to states where we find the audit deficiency rate is worse than the national average.

LE: What level of concern and response have you seen in Michigan?

Dingwall: MACPA has seized the opportunity to creatively put together training programs to help solve the audit problems in Michigan. It has been the most proactive of all the state societies we have dealt with so far. Today's forum and webinar are examples of the level of importance placed on this issue. Plus, the MACPA has formed a special task force to develop future educational opportunities. The MACPA wants to make Michigan the best in pension plan audits.

LE: What is the DOL seeing/hearing related to the more stringent requirements for communicating internal control deficiencies, SAS 112 letters in particular?

Dingwall: In the past, when employee benefit plan auditors found indications of weaknesses, they didn't necessarily have to write a letter. SAS 112 mandates that plan auditors write to their clients and advise them about material weaknesses and significant deficiencies they find as a result of the audit. Before 112, which kicked in for the 2006 audit cycle, there was no requirement for such a letter. Now we're in the second year of the cycle, and we're reminding auditors that the 112 letters have to be given even if they repeat what was written last year. The 112 letters are still appropriate if the plan administrators have not cleaned up their act.

LE: What's the impact of the SAS 112 letter?

Dingwall: The auditors are writing the letters, and we're hoping administrators will take the letters seriously and take steps to ameliorate whatever problems the auditors are identifying. Unlike the report on financial statements, these SAS 112 letters are far more "living" documents. They are very valuable for the plan administrator because it tells them where they need to focus to fix their problems.

The biggest problem with the SAS 112 letters is that people don't want them because it

documents their failures. It's like a bad report card. Attorneys in particular have tried to protect their clients from getting these letters. So we caution auditors that they are required to give them under professional standards. If the auditors don't write the letters when there's a problem, we would view that audit as not being done in accordance with professional standards.

LE: What, if any, additional guidance is expected to help practitioners and plan administrators?

Dingwall: The AICPA plans to put out future compendiums of comments on SAS 112 and providing examples of SAS 112 communications.

LE: Can you tell us more about new requirements on the horizon, particularly in relation to 403(b) plans?

Dingwall: There's going to be about a 10 percent increase in the number of audits as a result of including 403(b) plans (plans of not-for-profit organizations i.e. local hospitals, private colleges, etc.). Starting with plan year 2009, audits will be required of 403(b) plans. In the past, they have filed abbreviated information with us. In the future, they will be required to report on par with 401(k) plans. Frankly, it's because there have been a lot of abuses in 403(b) plans, based upon complaints we've received.

LE: What does this mean for Michigan CPAs?

Dingwall: Between now and 2010 (when the 2009 plan audits are due), CPAs have an opportunity to make sure clients are on the right track. We'll require that financial statements be comparative. So, now is the time to reach out to clients and tell them about this new requirement. Make sure they're going to be able to put together comparative records for the 2008 year and the 2009 year, which is when the audit requirement actually starts.

LE: What would be your best word of advice for those CPAs performing only a few employee benefit plan audits?

Dingwall: First, I would stress a concern about the potential for fraud. Economically, it's not the best day for Michigan, and especially the Detroit area. There are a lot of employers who are looking at these pension plans as honey pots. When business is bad, people look for cash, see cash, take cash. CPAs really need to consider fraud – especially in this down economy.

Also, I think CPAs will need to make a business decision to determine if doing these audits is worth the investment. It takes quite an investment to do them correctly: time, effort and training. They are unique difficult entities to audit, and CPAs will have to decide to spend the time to do it right. They'll need to dedicate themselves to auditing these plans, as they are crucial to workingmen and women in America.

Editor's note: The views expressed in this article are those of the speaker and do not necessarily represent the official position of the Department of Labor.

Top Stories

“Aviator” of the Profession - Kristine Volk, CPA



*Kristine Volk, CPA, member of the
MACPA Board of Directors*

Kristine Volk is one of few people who can truly say that they are living their dream. Not only is she a successful CPA, but she also is pursuing her love of aviation. Along with coordinating exciting air shows throughout the state, she will soon be sworn into the Navy as a Public Affairs Officer by the Blue Angels. Although she's hit some bumps along her path, she wouldn't change where she is today. Kristine Volk is definitely flying high by serving her country and the CPA profession.

What made you decide to go into the accounting profession?

Speaking to accounting alumni while at Michigan State University convinced me that the accounting profession offered endless opportunities. Whether or not you have an accounting job throughout your entire career, having a solid foundation in accounting will help you in any position.

What do you enjoy most about being a CPA?

There's never a shortage of exciting projects to work on. CPAs are trusted advisors and can truly have a positive impact on individuals and the business community. We have extremely competent people leading our profession that are very passionate about safeguarding the public. I'm proud to be associated with such a terrific industry. It feels great to be a CPA!

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

My career path is very non-traditional, which shows that it's never too late to change directions. After graduating from MSU, I worked in industry for six years in various accounting roles. Passing the CPA and CMA exams and getting my MST from Walsh College while in industry were critical to securing a public accounting job. I then moved to the tax department of an international CPA firm for four years, became a tax manager and then went to a big four CPA firm. Since 2001, I've focused on executive search and business development for our profession. It's been an exciting journey that's allowed me to reinvent myself along the way.

You are about to begin your commission with the Navy Reserve. What will be your role in the Navy Reserve and what does it require of your time?

The U.S. Navy Blue Angels will swear me into the Navy as a Public Affairs Officer during the National Cherry Festival in Traverse City, and I couldn't be more excited! I'll work for the Pacific Fleet and travel to San Diego one weekend a month. Two weeks a year I'll also receive intense public affairs training that will benefit me as a CPA too.

Military service is quite a commitment for anyone. What made you choose to join

the Navy Reserve?

A breakfast with Admiral Braun, Deputy Commander of the Command Navy Recruiting Center, ultimately convinced me to go for it. I love doing volunteer work as the Distinguished Visitor Coordinator for USS Theodore Roosevelt (an active aircraft carrier) and Navy aviation demonstration teams like the Blue Angels. Admiral Braun encouraged me to think about joining the Reserves to make the relationship official. A few weeks later, my recruiter told me I had been formally accepted for one of the extremely competitive slots. There were so many people that jumped through hoops for me to make it happen. It will be an honor to serve my country and make everyone proud.

Describe your involvement in the National Cherry Festival Air Show in Traverse City.

In 2005, the NCF selected me as the Air Show Director. I was responsible for everything related to the air show – from coordinating pilots, crew and acts; dealing with the authorities such as the FAA, police, Coast Guard, fire; managing a budget and leading the volunteers. Fortunately, I had a terrific team during my rookie year that I relied upon heavily. Everyone came together to produce a great air show. Since then, I've partnered with the Navy on several events held primarily in Southeastern Michigan, which works better with living in Northville.

What was your role with the Red Bull Air Race in Detroit? This was the first time the race was ever held in the Midwest and shows Detroit among an impressive line-up of cities around the world.

Jon Rimanelli, CEO of Detroit Air Racing, asked me to help make the pitch to both Red Bull Air Race from Austria and Detroit stakeholders to bring the international race here in 2008. We spent many weekends drafting the proposal and scouting out race course sites and a temporary runway. In December of 2007, Jon and I were in a helicopter flying over the Detroit River selling our city to the Red Bull Air Race team. Everything came together. The air race drew 750,000 spectators and was extremely successful. Everyone loved it! The economic impact for the city was predicted to be \$64 million boosting the area too. It was televised in 130 countries around the world so it was great advertising for the city. Detroit looked fantastic and seeing the spectacular skyline plus energized crowds will hopefully change the minds of many that might have a negative impression of our community. It's a great feeling to know that a few unknown aviators like us could help rally the support needed. It was definitely a team effort that involved many people.

How do you balance your personal and professional life?

Balance? What's that? I love what I do professionally and as a volunteer. To be honest, I spend endless hours between everything and rarely have much free time. There are lots of Friday/Saturday nights spent at home catching up. It's so rewarding though, and I have met so many incredible people as a result. It doesn't feel like work. The best part of my volunteer position is seeing the smiles on people (including many MACPA members) that join me on the aircraft carrier while interacting with sailors or watching a child's eyes get big when they meet a pilot at an air show. Hopefully I've inspired a few people along the way to give back to their community too.

What has been your most meaningful accomplishment thus far (either professionally or personally)?

Passing the CPA exam meant the world to me. All of those long hours studying paid off and opened so many doors. Learning how to fly a plane is at the top of the list for personal accomplishments. There's nothing quite like flying solo for the first time! I'm also excited about starting a non-profit company geared to take care of enlisted Navy personnel (rather than officers) where we'll be able to brighten their days. USNL - Support Our Services only got off the ground in February and has already helped many sailors and their families.

What advice do you have for those considering entering the CPA profession?

Study, study, study! Never underestimate the value of having impressive grades. Internships are also key. They pay extremely well and provide unmatched experience that will help secure an awesome full-time position. I would encourage everyone to get really involved in the MACPA as early as possible. It's the perfect way to meet CPAs and learn more about the terrific opportunities available. It will help land a dream job too!

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

The CPA profession is constantly evolving. CPAs must be able to embrace change and work with their clients to understand new rules/regulations. Having a positive attitude is critical in tough times. Network now to build your team of alliances for the future. You never know when you'll need to tap into your network for help and will appreciate it more than ever. The MACPA offers so many ways to get involved – from the Race for the Cure to joining a task force. There's a way for everyone to have fun plus make a difference – if they want to.

July/August 2008

Leaders' Edge

[PRINT](#)

Message from the Chair of the Board

An Eye for the Future



*Gail Sparks Pitts
2007-2008 MACPA
Chair of the Board*

Just one month ago, we were excited to announce that Michigan passed CPA license mobility legislation after more than a year of hard work by many of our members, the State Board, our Association staff and government officials. (See related [article](#).) This significant step made modifications to our state accountancy laws and regulations to ease interstate practice while maintaining adequate safeguards for the public. I applaud all the people who made this happen.

So what's the rest of the story? Mobility in Michigan is a great accomplishment, but does it end there? No.

Our hope is, of course, that all the other states will address this issue and provide similar relief for our CPAs who wish to practice outside of Michigan. The good news is ... we are more than half way there! In total, 28 states have enacted mobility legislation; three states await gubernatorial signatures, and two other states have legislation in process. The AICPA has identified 13 more states where legislative activity is likely to occur in 2009.

The MACPA is committed to keeping you informed as progress is made toward nationwide mobility. You'll continue to hear updates at various events, see articles in our publications, and access information immediately on our web page devoted to [mobility](#).

The MACPA has always been on the leading edge – and we plan to continue to stay there, providing you with top-name speakers, hot topics and the latest educational delivery techniques, including webinars and in-firm/company customized training.

A great example of this is our 2007 Michigan Tax Conference, which featured renowned speakers from around the country and drew nearly 1,000 attendees – making it the second-highest attended state tax conference in the United States, and the only one sponsored by a state CPA society. Our partnerships with the State Bar – Taxation Section and the Michigan Department of Treasury were key to the program's success. We're continuing to work with these partners for this [year's event](#), which promises to be another outstanding program.

In addition, partnerships with other organizations – the IRS, NABA, colleges and universities, Hospice of Michigan, Race for the Cure and others – help us strengthen and expand our reach to members, to students and to our communities.

As my year as Chair of the Board comes to a close, I want to express my deep gratitude to all of you who have made this year so remarkable and rewarding. Our task force members and board members, working hand-in-hand with our excellent staff, have created outstanding programs, enhanced valuable programs and advocated successfully on our behalf. Working together, we have proven once again that we are an Association with VISION, prepared to meet members' needs.

Thanks for making the year so productive! At the MACPA, no one does it alone. Because of your valuable time, hard work, dedication and commitment to the profession, Michigan is known for leading the profession and making a difference. On a personal note, my year as Chair of the Board has progressed expeditiously. Serving as Chair has allowed me the opportunity to get to know you better. I have had the distinct pleasure of working with many of you on various issues and projects. Whether our contact was at continuing education sessions, special meetings, or just a simple greeting, it means so very much to have had that personal contact with you. I am proud to have served as your Chair, and most appreciative and gracious for all that you do for the MACPA and our 17,000 members.

July/August 2008

Leaders' Edge

[PRINT](#)

Accounting & Auditing

Fraud Tips: How to Identify High-Risk Employees

By Ron Klein, JD, CFE

When Jerome Kerviel caused some \$7.2 billion in losses for the French bank Societe Generale in January 2008, the subsequent investigation showed that two basic rules of internal control had been broken and had enabled the trader to avoid the attention of his managers.

One of them was described on Bloomberg.com by Kerviel himself when he spoke with investigators: "The simple fact that I didn't take vacation days in 2007 should have alerted my managers. That's one of the first rules of internal controls. A trader who doesn't take vacation is a trader who doesn't want to leave his book to someone else."

The second rule was broken when Kerviel knew the specific days when checks on trading activity were conducted to detect large and overly risky trading positions. He would hack into the bank's computer systems to get around the checks when they occurred. The rule is: Do not be predictable in audit procedures; don't adjust to client schedules or announce the timing, location or nature of the procedures.

Other rules that would apply in this and other situations that often confront CPAs include:

- Make it harder for anyone to determine the mechanisms used by the auditor in detecting fraud;
- and
- Think in terms of a worst-case fraud scenario for the client (i.e., look for fraud).

Fraud often goes undetected until it's too late, partly because it is committed by employees who are trusted and whose activity is not verified. There is a natural human tendency to assume that one's associates and co-workers are basically honest, but this assumption can lead to a climate of denial in which fraud is difficult to detect.

A study by Hollinger and Clark of 12,000 employees over a 20-year period found that 90 percent of them engaged in workplace behaviors like sick-time abuses, pilferage, workplace slowdowns and shirking assigned work. More surprisingly, one-third of employees had stolen money or merchandise from employers, as reported in a February 2001 *Journal of Accountancy* article by Joseph T. Wells. The assumption that "our people wouldn't do that" is often incorrect.

There are a number of warning signs indicating that a person may be at risk of committing fraud. These include:

- unresolved financial problems,
- compulsive gambling,
- alcohol or drug abuse, and
- close relationships with a supplier who might conspire in a fraud.

Other signs that should cause concern include employees who:

- never take a vacation,
- work late all the time,
- constantly seem to live beyond their means, and
- are secretive about their work.

One of the most common reasons employees commit fraud has to do with motivation – the more dissatisfied the employee, the more likely he or she is to engage in criminal behavior. Employees who feel unfairly treated and harbor resentment toward their employers often rationalize embezzlement as “getting back what they owe me.”

CPAs should make every effort to advise and warn clients about fraud risks. CAMICO recommends two types of letters in this area:

1. **Engagement letters for all types of engagements**, to help bridge the “expectation gap” between what the client expects and what the CPA delivers. Clearly spell out the work you and others will perform and what you expect from the client. Describe the limitations of the work, especially as it pertains to detecting fraud.
2. **Advisory letters**, to warn clients about the general risks, to suggest steps clients can take to reduce risks, and to offer annual CPA services to help reduce the risks.

An informed client is better able to avoid fraud. If fraud is later uncovered, the CPA has documented evidence of the warning. Clients also need to be notified of “loose ends” such as sloppy bookkeeping and late bank reconciliations.

On the bright side, many clients expect their CPAs to give them advice about potential weaknesses in their financial operations. When CPAs meet this expectation, they increase their perceived value and create practice opportunities.

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About the Author

Ron Klein, JD, CFE, is vice president-claims counsel with CAMICO Mutual Insurance Company (www.camico.com). He is responsible for advising the claims department, especially on high exposure claims, and is the chief claims strategist.

July/August 2008

Leaders' Edge

[PRINT](#)

Accounting & Auditing

Michigan Moves Forward with AICPA Peer Review Facilitated State Board Access Process

Michigan is participating in early adoption of the AICPA Peer Review Facilitated State Board Access (FSBA). What is Facilitated State Board Access?

*Read more about
Facilitated State
Board Access on the
MACPA [website](#).*

Since its inception in 1988, the Peer Review program has continued to evolve to keep up with changes in the business and regulatory environments. The AICPA FSBA process is the next step in this evolution.

After carefully evaluating the various options, stakeholders determined that the best way to address the user demands for greater peer review transparency, while considering member and state CPA society concerns, was to use the existing peer review process to facilitate the voluntary disclosure of peer review results to state boards of accountancy. FSBA uses an opt-out process that allows peer review results to be made available to select boards of accountancy on a voluntary firm basis, using a secure, board access-only website.

The intent of this new process is to create a nationally uniform system through which CPA firms can satisfy state board peer review information submission requirements, increase transparency and retain control over their peer review results. The AICPA and CPA state societies are working together to allow this process to become the primary means by which all boards of accountancy obtain peer review results.

Over time, this new process is expected to help to make submission of a firm's peer review information easier.

Michigan's tentative plan to begin participating in the FSBA process this fall will help to ensure a smooth transition and national implementation of this process, which is expected to occur in May 2009.

As more details become available, watch for additional articles from the MACPA as well as direct communications sent to firms.

Tax Tidbits

The Control Test for a MBT Unitary Business Group is Defined by Treasury

By Ed Kisscorni, CPA & MBA, MACPA State and Local Tax Task Force

The Michigan Department of Treasury has provided further guidance on how they see the use of Internal Revenue Code (IRC) provisions to define the meaning of "indirect" control as provided in Section 117 of the Michigan Business Tax Act (MBTA). Frequently Asked Question (FAQ) U34 references IRC Section 318 to define constructive ownership and IRC Section 1563 for excluded ownership interests. FAQ U34 discusses the control test in terms of a parent-subsidary controlled group of entities, a brother-sister controlled group of entities and a combined controlled group of entities.

Generally, a unitary business group is a group of related persons whose business activities or operations are interdependent. More specifically, a unitary business group is two or more persons that satisfy both a control test and one of two relationship tests. [MCL 208.1117(6)] A unitary business group is a single taxpayer under the MBT and must file a combined return. [MCL 208.1117(5) 208.1511] Foreign persons and foreign operating entities cannot be part of a unitary business group.

Control Test. The control test is satisfied when one person owns or controls, directly or indirectly, more than 50 percent of the ownership interest with voting or comparable rights of the other person or persons. In particular:

"Unitary business group" means a group of United States persons, other than a foreign operating entity, 1 of which owns or controls, directly or indirectly, more than 50% of the ownership interest with voting rights or ownership interests that confer comparable rights to voting rights of the other United States persons [MCL 208.1117]

A person owns or controls more than 50 percent of the ownership interest with voting rights or ownership interest that confer comparable rights to voting rights of another persons if that person owns (1) more than 50 percent of the total combined voting power of all ownership interests with voting (or comparable) rights or (2) more than 50 percent of the total value of all ownership interests with voting (or comparable) rights.

Indirect ownership is generally determined using IRC 318 or analogous authority, except that the Department will apply IRC 318 to all forms of ownership interests, such as partnership and membership interests, and not just corporate stock. For example, attribution to and from a partnership may be determined under IRC 318(a)(2)(A) and 318(a)(3)(A). However, the attribution will be of ownership interests, including – but not limited to – partnership interests, stock and membership interests; attribution will not be limited to corporate stock.

Parent-Subsidiary Controlled Group of Entities. A parent-subsidiary controlled group of entities satisfies the control test. A parent-subsidiary controlled group of entities means any

group of one or more chains of entities connected through ownership with a common parent if (1) the common parent directly owns more than 50 percent of the ownership interest with voting or comparable rights of at least one other entity, and (2) more than 50 percent of the ownership interest with voting or comparable rights of each entity other than the common parent is owned directly by one or more of the other entities.

Brother-Sister Controlled Group of Entities. A brother-sister group of entities may also satisfy the control test. An individual that is not a sole proprietor or owner of a disregarded entity or otherwise engaged in a trade or business resulting in business income or gross receipts under the MBT is not unitary with the entities in which that individual has a controlling interest. However, brother-sister group of entities may satisfy the control test through the indirect ownership rules of IRC 318 - this is referred to as a brother-sister controlled group of entities.

Combined Controlled Group of Entities. Finally, a combined controlled group of entities satisfies the control test. A combined controlled group of entities means three or more entities each of which is a member of a parent-subsidary controlled group of entities or brother sister controlled group of entities and one of which is a common parent entity of a parent subsidiary controlled group of entities and also is included in a brother-sister controlled group of entities.

Excluded Ownership Interests. For purposes of determining ownership or control under the control test, the Department will apply IRC 1563 to exclude certain ownership interests from determination of ownership and control, except that the Department will apply IRC 1563 to all forms of ownership interests and not just corporate stock.

About the Author

Ed Kisscorni, CPA MBA is director of state and local taxation with Echelbarger, Himebaugh, Tamm & Co., PC. He serves as a member of the MACPA Board of Directors and is a member of the State and Local Tax Task Force. Read his blog at www.michiganstateandlocaltax.com.

July/August 2008

Leaders' Edge[PRINT](#)

Tax Tidbits

Michigan Business Tax Q&A Series – Credits

As a service to MACPA members tackling the first year under the new Michigan Business Tax (MBT), the Association continues to provide guidance on this new tax based on questions posed by members regarding implementation. The second installment of this MBT Q&A series focuses on new and existing credits, how they are taken and to whom they apply.

Many thanks to the volunteers of the MACPA Business Tax Restructuring Task Force for developing responses to these member questions; however, the responses issued are not official and may vary based on the interpretation of the MBT statute. For this reason, guidance from the Michigan Department of Treasury also is provided below.

MACPA Guidance:

[Credits Carried Over from the SBT](#)

[New Credits Created for the MBT](#)

[Small Business Credits](#)

Treasury Guidance:

[Credits](#)

MACPA members seeking additional guidance on the MBT may submit their questions via the online MBT Q&A resource available at www.michcpa.org/mbtqa.

July/August 2008

Leaders' Edge[PRINT](#)

Of Interest

Three Tips for Career Growth to Survive Corporate Change

The biggest difference between today's employment world and that of our fathers' is the rapid pace of corporate change. Expectations of company stability and long lasting employment are a thing of the past. If one isn't tuned into the signals of corporate change it can mean an unexpected layoff and months of unemployment and job searching. Do you have a career management plan to ensure your career growth in times of corporate chaos?

To prevent career disaster, live by these three rules of career management:

- Expect change.
- Adjust quickly to change.
- Build a strong professional network in good times.

Expect change

Change in the work place is far less traumatic when it is expected as the norm. One of the most important career management skills is the ability to detect signs of corporate change. For instance:

- Rumors of corporate merger or takeover
- Corporate profit levels spiraling downward
- No end-of-year bonuses given
- Hints of layoffs to trim the budget
- Upper management suddenly resigning
- Your peers jumping ship to the competition

Don't get caught off guard by holding on to a false sense of security or displaced loyalty. Those who fear change trust corporate loyalty rather than face the reality of their precarious position in the corporate food chain. Expect change and keep your eyes and ears open—or you could be the last in line when it's time to find new career opportunities.

Don't wait for change to strike. While your job is secure and your work environment is stable, take steps to keep your skills highly desirable in the job market. For starters:

- Stay current with technology trends of your industry
- Get certified if appropriate
- Keep your resume current at all times
- Be ready to interview at a moment's notice

Adjust quickly to change

Your ability to keep your career momentum building in the midst of corporate chaos depends on your skill at adjusting quickly to change. First, don't over analyze your dilemma. Too often

valuable time is wasted trying to figure out ways to make a bad situation work. Second rule, don't take it personally, or you won't be able to plan your exit strategy clearly. Third, take action as soon as possible.

If your resume is kept current at all times you will be ahead of the pack when others consider moving on as well. Your resume should be updated every six months. For quick updating keep an ongoing record of your accomplishments as you overcome work challenges.

Maintaining confidentiality during a job search while still employed is a challenge that requires discretion and level headedness. Ideally, no one in your company should even suspect that you are looking for other employment. Resist the urge to speak to coworkers about your decision for action. Not only do loose lips sink ships, but why put ideas in the minds of others who may become your interview competition?

Keep your regular work hours and try to schedule interviews during off-work time. Avoid posting your resume online where your employer may find it.

Build a strong professional network in good times

One thing that hasn't changed over the decades is the fact that a majority of people still get new positions faster through networking. What used to be called the "good ole' boy system" is as active in the job market as ever. Technology will never replace the need to be connected to a vast network of people who can help you find new career opportunities quickly.

The problem is that most people ignore their network until they need it. Bad idea. If you haven't kept in touch with former coworkers how will you know how to find them when you need them?

If your professional network is slim to none, get working on it right now. There are many great venues for building your network: professional associations, college alumni groups and former colleagues to name a few. Take time to meet with non-work people on a regular basis. Get to know them as friends and develop relationships built around mutual interests, friendship and trust. Make relationship building your lifelong habit and you'll never be without help when you need to make a career change.

More than ever, proactive career management is essential to professional growth. Keep these rules of surviving corporate change as the building blocks of your career management plan and you'll stay in control of your professional growth and income potential.

About the Author

Deborah Walker, CCMC is a career coach helping job seekers compete in the toughest job markets. Her clients gain top performing skills in resume writing, interview preparation and salary negotiation. Learn more at www.AlphaAdvantage.com.

July/August 2008

Leaders' Edge[PRINT](#)

Legislative & Regulatory

MACPA Membership Terminated

At a hearing of the AICPA's Joint Trial Board, conducted in accordance with the AICPA and MACPA Joint Ethics Enforcement Program, in regard to the conduct of Robert F. Lewis, CPA, the Joint Trial Board found Mr. Lewis in violation of Rule 501 - Acts Discreditable of the AICPA/MACPA *Code of Professional Conduct*. As a result, Mr. Lewis' membership within the AICPA and MACPA was terminated.

July/August 2008

Leaders' Edge

[PRINT](#)

Legislative & Regulatory

MACPA Member Advocacy Reaches New Heights

Thanks to the support of so many members, the MACPA's Political Action Committee, Legislative Advisory Group and government relations staff can boast several significant legislative achievements over the past few months. Of course, at the top of the list is the success of the yearlong CPA license mobility initiative, which cleared its final stage in the policy-making process with the Governor's signature on June 11. The unanimous support of the State House and Senate was a testament to the open lines of communication with the State Legislature MACPA has nurtured over the years.

Not only has MACPA been successful in facilitating the passage of legislation benefiting the profession in 2008, but Association efforts have also proven successful in amending legislation harmful the profession. Case in point: [House Bill 4887](#), sponsored earlier this year by State Rep. Fred Miller (D-Mount Clemens) originally proposed that all employers in the State of Michigan be prohibited from using a job applicant's credit score as a factor in employment decisions. MACPA was able to secure an amendment to HB 4887 that exempts CPAs and public accounting firms from this proposed measure; another testament to the Association's efforts in advocacy.

Campaign support is the cornerstone to such success. The MACPA, through its Political Action Committee, makes contributions to like-minded candidates who hold many of the same principles in helping to protect the integrity of the CPA profession.

Consider that three MACPA members are running for State House this year. Mary Treder-Lang, CPA of Grosse Pointe Farms, Tom McMillin, CPA of Rochester and J. Garza, CPA of Gibraltar have all declared for their districts' Republican August primary. Needless to say, it is imperative that the Association provide significant financial support to these candidates. It has been many years since a CPA has held such an influential position within state government. Their expertise in taxation and finance not only brings benefit to MACPA members, but to all Michigan citizens. (Read brief [profiles on these candidates](#) in this issue of Leaders' Edge.)

If you haven't already done so this year, please consider making your annual **tax-deductible** MACPA PAC contribution this summer. Membership dues have already been sent, so it's quick and easy. Simply send your contribution along with your annual dues payment. (You may also contribute online at www.michcpa.org/pac). Do your part and be a leader for the profession!

July/August 2008

Leaders' Edge

[PRINT](#)

Legislative & Regulatory

CPAs continue to impact the political scene in Michigan. The MACPA is pleased to provide information on members who have filed candidacy for elected office. The following candidates will be on the district ballot in the August 8 primary. Other CPAs running for office should contact the MACPA Government Relations Department at 248.267.3710 or by e-mail.

Michigan House of Representatives



J Garza, CPA (R) – Gibraltar

Candidate for: 23rd House District (Brownstown Township, Flat Rock, Gibraltar, Grosse Ile, Huron Township, Rockwood, Sumpter Township and Woodhaven)

Professional Experience

Certified Public Accountant; J Garza CPA PLLC
President; Gibraltar Rotary Club
Treasurer, President; Kingsbridge Condominium Association

Public Service Experience

City Council member and Mayor Pro Tem; Gibraltar (elected position)

Education

Undergraduate degree in Business/Accounting from Western Michigan University
Certified Public Accountant

MACPA members interested in supporting the Garza campaign can visit www.jgarza2008.com.



**Mary C. Treder Lang, CPA (R) –
Grosse Pointe Farms**

Candidate for: 1st House District (Grosse Pointe, Grosse Pointe Township, Grosse Point Farms, Grosse Point Park, Grosse Pointe Woods, Harper Woods and part of Detroit)

Professional Experience

Business Development, Accretive Solutions
Senior Executive, Siemens, Inc.
North American Sales Director, LINX Technologies/Mosler Inc.
Various management positions, Ameritech
Auditor, KPMG

Public Service Experience

Member, Grosse Pointe Chamber of Commerce
Member, Detroit Chamber of Commerce
Member, League of Women Voters, Grosse Pointe

Education

Bachelor of Science, Accounting and Marketing; University of Dayton
Certified Public Accountant

MACPA members interested in supporting the Treder Lang campaign can visit www.mary4house.com.



Tom McMillin, CPA (R) - Rochester Hills

Candidate for: 45th House District (Rochester, Rochester Hills and Oakland Township)

Professional Experience

Auditor, national accounting firm
Corporate Finance Analyst, NYSE/SEC corporation
CFO, property management company
Owner, Michigan Community Auditors, PLLC
Contract CFO consultant
Discussion leader, MACPA budgeting & forecasting session

Public Service Experience

Councilman & Mayor, City of Auburn Hills
Commissioner, Oakland County
President of Board, Mt. Clemens Charter School

Education

Undergraduate degree in Accounting/Economics, University of Michigan
Certified Public Accountant

MACPA members interested in supporting the McMillin campaign can visit www.TaxpayersForTom.com.

July/August 2008

Leaders' Edge

[PRINT](#)

Legislative & Regulatory

Going... Going... Gone! U.S. Ethics Standards Going International??

By Michael E. Slomski, CPA MSF, chair of the MACPA Professional Ethics Task Force

Just when you thought the ink in the recent changes to the *AICPA Code of Professional Conduct* was about to dry, the AICPA Professional Ethics Executive Committee (PEEC) is on the move again.

Changes in the world economy, especially in the shrinking global marketplace, have made it all too evident that a lack of continuity exists in the application of accounting ethics around the world. Professional organizations in the respective countries that comprise global "sub-markets" have established their versions of ethics standards to require fair and consistent financial reporting from their members. The quandary that has arisen is how do these various ethics standards come together for practitioners around the world? How do CPA firms from international practice units arrive at a level of assurance that will allow for reliance on "attest" financial statements prepared by "cross border" professional accountants?

The solution can only be found in international ethics standards designed to promote practice efficiency in the new global marketplace.

Spearheading the resolution to these questions is the International Federation of Accountants (IFAC). IFAC was organized in 1977 with the obvious foresight of coming changes to worldwide financial reporting. The primary goal of IFAC since 1977 has been the establishment of global standards for auditing, quality control, accounting education, governmental accounting and last, but not least, ethics standards. The organization is comprised of more than 155 member organizations located throughout more than 120 countries and territories. This equates to a constituent membership of well over 2.5 million accountants. With such a widespread diversity of membership it is essential for the establishment of a common ground, a common ethics language that will be applicable and relied upon by all the organizations that represent IFAC membership. The AICPA is an integral voice in this membership.

CPAs will ask themselves: "Why should international ethics standards concern me... I only have domestic clientele in the United States?" In addition, with the majority of AICPA members being represented by sole practitioners and small firms, questions may also arise as to the practicability of small practitioners being subject to an international code of ethics standards.

The answer is straightforward according to the May 2008 *Journal of Accountancy*. "U.S. practitioners who operate solely within the U.S. are increasingly likely to be expected to meet requirements on par with those of the IFAC because under the IFAC's Statement of Membership Obligations, member bodies (such as the AICPA) agree to use their *best efforts*

to meet these obligations, among them to have standards of conduct that are not less stringent than IFAC.”

The AICPA is currently working on the convergence of U.S. ethical standards with those of IFAC. The overall final outcome of this convergence process remains to be seen; yet it should be obvious to practitioners that a generic version of worldwide ethics standards is in the works.

The IFAC ethics standards are all encompassing – they apply to all members whether in public or private practice, governmental employment or academia.

Over 100 standard-setting organizations have already adopted the current IFAC Code with the goal to promote efficiency in their members’ attest engagements and minimize any difficulties in the determination of ethics compliance between foreign CPA firms. Changes in the future of the accounting profession and ethics are certainly on the horizon.

For more information, log onto the IFAC website at www.ifac.org/ethics or the AICPA website at www.aicpa.org.

July/August 2008

Leaders' Edge[PRINT](#)

Continuing Education

Save the Date for the Second Annual Michigan Tax Conference

The first-ever Michigan Tax Conference, partnered and hosted in 2007 by the Michigan Association of CPAs, State Bar of Michigan Taxation Section and State of Michigan Treasury Department, drew a sell-out crowd.

With the success of last year's conference, attracting more than 1,000 attendees, the three partners are planning a sequel. The conference will be held at the Rock Financial Showplace in Novi on November 5th and 6th.

One attendee from last year's conference said, "The conference was top notch, great speakers, great accommodations and well run!"

"There was a wide variety of people from industry, large, medium and small public accounting firms, the (Treasury) Department and law firms. Such a diverse group led to interesting discussions," said another attendee of last year's event.

The 2008 Michigan Tax Conference promises to be just as informational, with the return of top-notch speakers Richard Pomp, Doug Lindholm, Harley Duncan and Paul Frankel. Between these four, you will be updated on developments in state taxation, including the Michigan Business Tax (MBT), and multi-state tax issues.

In addition to the national and state tax updates, the conference will include sessions on MBT issues and controversies, MBT administration, State Treasury update, state legislative update, XBRL, the cost of doing business in Michigan, plus so much more.

Reserve your spot today, do not delay. To register, please contact the MACPA CPE department at 248.267.3700.

July/August 2008

Leaders' Edge

[PRINT](#)

Continuing Education

Change Makes a Big Difference for Participants – MACPA's Small Practitioners Conference

This year's Small Practitioners Conference at the Amway Grand Plaza Hotel in Grand Rapids has undergone an extensive format change in response to the dramatic increase in travel expenses. Participants have the option of earning up to 18 credit hours, while minimizing the cost to do so because the Conference has been reduced to two days, instead of three. The two-day event, on Thursday-Friday, August 21-22, packs in exciting keynote presentations, experience exchange workshops, ethics sessions, a fun and exciting entertainment night, and much more.

Presentations include:

- ***Predictions & Realities in the Small Practitioner Market Place*** by Richard Caturano, CPA, president and CEO of Vitale Caturano in Boston. His keynote presentation is followed up by his breakout session entitled Three Keys to the Realities.
- ***Small Firm Focus on the Profession*** by Jim Metzler, CPA, vice president of Small Firm Interests for the AICPA.
- ***Hot Trends in Accounting ... Right off the Press!*** from Rick Telberg, editor at large for the AICPA Insider/Bay Street Group.
- ***Private Company Financial Reporting Committee Update*** from Judy O'Dell, chair of the Private Companies Financial Reporting Committee in Chestertown, MD.
- Plus many others!

In addition to the conference, MACPA is offering two new add-on programs on Wednesday, August 20:

- **Peer Review: Great...Where Do I Start?**
8:30 a.m. – 4:00 p.m.
8 Hours of CPE
Coupled with two-day conference, participants can earn up to 26 credit hours
Registration Fee: \$315 Member/\$415 Non Member
- **Small Firm Advantage**
12:00 p.m. – 4:00 p.m.
4 Hours of CPE
Coupled with two-day conference, participants can earn up to 22 credit hours
Registration Fee: \$129 Member/\$179 Non Member

Please contact the MACPA Continuing Professional Education department at 1.888.877.4CPE to register or register [online](#).

July/August 2008

Leaders' Edge[PRINT](#)

Association Briefs

In Memoriam

Nathan Blumenfeld
December 25, 2007
Oak Park, MI

Joined MACPA: March 31, 1960

Certified: February 2, 1960

Max Dubrinsky

October, 2007
Birmingham, MI

Joined MACPA: April 30, 1965

Certified: February 1, 1965

Lamont McAlvey

April 8, 2008
East Lansing, MI

Joined MACPA: October 31, 1954

Certified: July 29, 1954

Joseph McSweeney

Farmington Hills, MI

Joined MACPA: April 30, 1964

Certified: January 24, 1964

Richard P. Newton

April 17, 2008
Livonia, MI

Joined MACPA: December 31, 1964

Certified: July 30, 1964

Wendell Nichols

February 26, 2008
Coral Gables, FL

Joined MACPA: May 19, 1948

Certified: January 19, 1948

George Benda

October 26, 2007
Royal Oak, MI

Joined MACPA: December 31, 1966

Certified: August 9, 1966

Albert J. Bozzi
April 21, 2008
Joined MACPA: October 31, 1954
Certified: July 28, 1955

Martin L. DeBats
Fremont, MI
Joined MACPA: November 30, 1955
Certified: July 28, 1955

William Hurst
January 11, 2008
West Bloomfield, MI
Joined MACPA: March 31, 1971
Certified: February 1, 1971

James Carty
December 18, 2007
Joined MACPA: April 30, 1957
Certified: February 1, 1957

Charles Gutwald
March 8, 2008
Grosse Pointe, MI
Joined MACPA: October 31, 1959
Certified: August 5, 1959

William Zack
March 18, 2008
Bingham Farms, MI
Joined MACPA: March 15, 1949
Certified: February 2, 1949

Howard Wright
June 11, 2007
Mineral, VA
Joined MACPA: March 31, 1960
Certified: February 2, 1960

July/August 2008

Leaders' Edge[PRINT](#)

Association Briefs

Annual Meeting Notification

In accordance with the [MACPA Bylaws](#), Article 8, Section 1, an Annual Meeting of the Association shall be held each year within six months after the last day of the fiscal year. The time and place of the Annual Meeting shall be designated by the Board of Directors and the members shall be notified by mail communication or by publication in an official publication of the Association. This year's Annual Meeting is scheduled during the Fall Members' Advisory Forum on September 23, 2008 at the Rock Financial Showplace in Novi.

July/August 2008

Leaders' Edge[PRINT](#)

Association Briefs

Save the Date for the Fall Members Advisory Forum

The MACPA's premier event, the Fall Members Advisory Forum, is just a few months away.

Members Advisory Forum is your opportunity to hear about the latest issues and developments affecting the accounting profession from national and local leaders. This year's event features a keynote presentation from incoming AICPA Chair Ernest Almonte, as well as an update on Association initiatives and accomplishments.

Join us on September 23, 2008 at the Rock Financial Showplace for this first-class event. Do not delay, register today by contacting the MACPA CPE department at 248.267.3700. The cost to attend is \$129 for members and \$229 for non-members.