

Leaders' Edge

The newsletter of The Michigan Association of Certified Public Accountants

May/June 2007



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[Navigator of the Profession: Profile of Paul MacDonald](#)

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[From the Chair of the Board Do You Know What You Don't Know?](#)

As a youngster, I remember hearing the adage, "You don't know what you don't know" and thinking, "I know more than you think I know." Thankfully, wisdom and experience do come with age, and now I realize there is always more to learn.

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Top Stories

State's Woes, Interstate Practice Dominate Members Advisory Forum

Patents on tax strategies, interstate practice and peer review were just three of the hot issues discussed at the information-packed Members Advisory Forum, held on May 9, 2007 in Lansing. Though these national issues are critical, Michigan's budget and business tax replacement problems took the limelight.

David Sowerby, renowned economist and portfolio manager from Loomis Sayles & Co., said five variables at the national level – the U.S. dollar, interest rates, inflation rate, oil prices, and income growth – impact the state's recovery and growth. While he insists Michigan is not in a recession and he painted a moderately optimistic picture for the state's recovery, he is very concerned about the number of companies moving out of the state or going out of business.

A panel discussion moderated by MACPA Lobbyist Tom Hoisington further explored the state's financial woes. Mitchell Bean, director of the House Fiscal Agency, offered a detailed look at where the state spends its money and predicted a 2008 FY budget shortfall of \$1,432,300,000 – double the FY 2007 shortfall. Doug Roberts, director of the Institute for Public Policy and Social Research at MSU and former Michigan treasurer, shared recommendations from the Governor's Emergency Financial Advisory Panel. Revenue increases, spending cuts, and reforming how public services are delivered are necessary, he said. Consolidation of local units of government and school districts should be considered, he suggested.

The third panel member, MACPA board member Greg Nowak, focused his attention on the various options for replacing the SBT. See [State Tax Debate Heads into Extra Innings](#) for more information.

Speaker Presentations Online

While it's not quite the same as being there, you can visit the [MACPA web site](#) to access detail-packed PowerPoint presentations from the May 9, 2007 Members Advisory Forum.

AICPA President and CEO Barry Melancon provided a big-picture view of several issues, all of which are certain to have a major impact on the profession. (Some of these topics are covered in more detail in other Leaders' Edge articles. Follow the links to read more.)

Easing the hurdles for interstate practice is a major focus.

Commonly referred to as "mobility," a big push is underway so that CPAs can more easily practice across state lines; and, as a result, more effectively serve clients as borders disappear in the business environment.

While the AICPA could attempt to change mobility restrictions at the national level, Melancon said the AICPA and National Association of the State Boards of Accountancy are committed to working through state boards to affect change. He said the two groups want to amend the Uniform Accountancy Act and state CPA societies and state boards of accountancies have renewed their efforts to achieve a newly revised provision that will accomplish this goal. Several states have already adopted or are developing mobility legislation.

Melancon painted a promising picture of the number of students enrolled in and graduating from accounting programs, and the numbers of students taking and passing the CPA exam. He remains concerned, however, about retaining young professionals and attracting enough future accountants to fill demands as Baby Boomer CPAs retire over the next decade. The need for new PhDs is at a critical point. Melancon says the number of new PhDs over the next three years will meet only half of the demand.

Melancon also discussed concerns about the patenting of tax strategies and efforts to develop accounting standards for private companies. (Read [Forces Shaping the Profession: The Four Ps](#) for more information on both topics.)

The Institute continues to work on (tax) seasonality pressures. Meanwhile, Melancon says AICPA initiatives to support small firms and provide resources are growing. He

Mobility Survey

The AICPA is conducting an online survey as a part of its ongoing effort to communicate and educate members on the complexities associated with obtaining interstate practice privileges. Please, take a moment to fill out this [survey](#)

called attention to [succession planning](#) resources and a new best practices [white paper](#) on staffing. Melancon also talked about the profession's [financial literacy](#) efforts and the successful launch of the [Feed the Pig](#) public service campaign.

State Board of Accountancy Chair Beth Bialy recapped accountancy reform legislation passed in December 2005. Different aspects of the legislation are in various stages of implementation. She focused on the state's new peer review mandate. Bialy said the MACPA and State Board worked together to secure an extension and phase-in for implementation of the requirement. The lead time needed to complete the peer review process and the need to spread out the influx of new participants were key considerations.

Bialy also said the State Board is reviewing the AICPA and NASBA proposals to determine what legislative changes would be required if Michigan were to follow suit with the mobility proposal.

Other highlights of the day included an entertaining look at politics and Lansing with Senior Capitol Correspondent Tim Skubick. In addition, participants enjoyed learning about MACPA initiatives, member activities and financial literacy efforts in an informative presentation from MACPA President and CEO Peggy Dzierzawski.

Top Stories

State Tax Debate Heads into Extra Innings

With the December 31, 2007 expiration of the Single Business Tax looming on the horizon, policy-makers in Lansing are under increased pressure from interest groups and the business community to answer questions regarding the future of Michigan's business tax structure.

Insiders have called for a concrete plan by June 1 in order to provide the time necessary for systems to be designed and implemented, forms to be developed, etc.; however, many of the same insiders predict, with the current budget deficit complicating matters, that resolution will not come until fall.

A possible light at the end of the tunnel appears to be the SBT replacement plan released April 25 by the House Democratic Caucus under the leadership of Speaker Andy Dillon (D-Redford Twp.). Rolled out in the form of a substitute for House Bill 4367 (H-1), an analysis of the lengthy legislation is available [here](#). Generally, the plan includes a 6.95% business income (profits) tax; .488 % net worth tax (.318% for financial/insurers/real estate sectors); \$700 Million in new credits (R & D, compensation, investment); 1.25% premiums tax on insurers (retaining existing credits); retention of existing \$350,000 threshold; 46% personal property tax cut on commercial property; 73% personal property tax cut on industrial property; and a 10% rebate trigger (if revenue comes in more than 10% above estimates, the difference is returned to taxpayers).

This plan, developed with the assistance of business groups and tax experts, including CPAs, was greeted with the expected support of those organizations involved in the "workgroups," such as the Big 3 automakers, the Michigan Manufacturers Association and the Detroit Regional Chamber of Commerce.

Read the MACPA Sub-Committee on Business Tax Restructuring [white paper summary](#) of technical observations on the possible imposition of sales tax on services in this issue of *Leaders' Edge*.

Additionally, Governor Jennifer Granholm appears to have abandoned her version of the Michigan Business Tax (or MBT – the same name being used by the House Democrats) when she signed-off on the new proposal.

The remaining question is the response of the Republican-controlled Senate and other associated constituencies who continue to push the “BEST” plan (an analysis of which is available [here](#)). A big lift quickly followed, when the Michigan Chamber of Commerce’s tax committee gave the plan a “thumbs-up” and AT&T made a public statement calling the plan a step in the right direction.

The new Michigan Business Tax, as proposed by the House Democratic Caucus, is characterized as incorporating elements of the Governor’s MBT model, the Senate Republican’s “BEST” plan, the Michigan Chamber’s plan, the Grand Rapids Chamber’s plan and others. Many predict this newest proposal may be the catalyst for a compromise between the Governor, House Democrats and Senator Republicans wherein the Senate agrees to this plan for SBT replacement and the House and Administration agree to the Senate’s plan for solving the current budget deficit with spending cuts.

The MACPA Legislative Advisory Group, Business Tax Restructuring Task Force, and staff of the Government Relations Department are monitoring the action in Lansing daily to keep MACPA members informed.

Top Stories

Forces Shaping the Profession: The Four Ps

The CPA profession is thriving. The image of CPAs among both the American public and business leaders remains incredibly strong. Now more than ever, CPAs are in great demand. But a strong profession's work is never done.

In a recent discussion with a group of state CPA society public relations professionals, AICPA President and CEO Barry Melancon, CPA, highlighted four forces shaping the accounting profession environment today. Dubbed the "Four Ps," they stand for the **pipeline** of accounting school graduates and new CPAs, the **patenting** of tax planning strategies, **private** company financial reporting and **professional** responsibility.

The Pipeline

One of the profession's most pressing needs is recruiting and training enough new CPAs to replace those reaching their retirement years. In the next 15 years 75 percent of current AICPA members will reach or approach retirement age. While firms across the country know all too well the challenges of attracting talent, there is good news in this area: the number of accounting degrees awarded increased 19 percent between 2000 and 2005, and there was a five-fold increase in the percentage of high school and college students planning to major in accounting.

Some credit for this improvement goes to the AICPA's *Start Here, Go Places* campaign, which for the past five years has offered high school and college students good reasons to consider a career as a CPA. More than one million students have logged on to the campaign's web site, www.startheregoplaces.com, to use interactive resources that bring to life the excitement of being a member of our profession. The site features dynamic tools, such as the Catch Me If You Can Forensic Accounting Game/Contest, the Turnaround Game and the Money Means Business Online Workshop, all of which expose 16–22-year-old students to the critical roles CPAs play in business.

In addition, the Institute's Minority Scholarship program is working to improve the profession's diversity. In 2006 it distributed 130 awards, totaling \$423,000, to students in 90 different universities. During the past 15 years, the program has awarded

roughly \$8 million to more than 1,600 students. (See [related story](#) on scholarships recently awarded by the Michigan Accountancy Foundation.)

Yet the shortage of CPAs continues. While accounting firms hired 17 percent more entry level recruits in 2006 than they did in 2005, the need for CPAs is outstripping the supply. Another problem is that one in six CPAs left his or her firm in 2004 — two percent more than in 2003.

To reverse this attrition, the AICPA is helping young CPAs understand the advantages of remaining in the profession. In October 2006 the Institute launched the Young CPA Network, which provides practical information and professional resources — such as *The Edge*, a monthly e-newsletter, and a special web page, www.aicpa.org/YoungCPANetwork, designed specifically for AICPA members 35 years old and younger. These activities address important pipeline issues.

But CPAs, in firms of all sizes as well as in business, industry and government, also play a crucial role. They can help young people learn more about the benefits of being a CPA. At work, CPAs can implement mentorship programs and address issues important to the new generation. To learn more, visit www.aicpa.org and review the resources under the “Career Development and Workplace Issues” tab on the left navigation bar.

Tax Patents

The patentability of tax strategies is a growing concern among tax practitioners and taxpayers. In 1998, the U.S. Federal Circuit Court of Appeals, in *State Street Bank & Trust v. Signature Financial Group, Inc.*, held that business methods could be patented. Since then, 51 patents for tax strategies have been granted and 83 patent applications for tax strategies are pending (as of 2/28/07). The AICPA believes patents for tax strategies undermine the integrity, fairness and administration of the tax system and are contrary to sound public policy.

For many years the AICPA has worked closely with Congress and the tax authorities to ensure equity and simplicity in our tax system. Likewise, AICPA members help millions of individual taxpayers and businesses comply with federal, state and local tax laws. This experience has guided the Institute in considering the impact tax strategy patents would have on taxpayers, professional tax advisers and the public interest.

The AICPA believes patents granted for tax strategies:

- limit taxpayers' ability to fully observe Congress's intended interpretations of tax law;
- may cause taxpayers to pay more tax than Congress intended;
- complicate the provision of tax advice by professionals;
- hinder taxpayer compliance;
- mislead taxpayers into believing that a patented strategy is valid under the tax law; and
- preclude tax practitioners from challenging the validity of tax strategy patents.

The AICPA has written to the chairmen and ranking minority members of the Senate and House finance and judiciary committees, encouraging them to swiftly enact legislation to counteract tax strategy patents' harmful effects on the integrity of the tax system. In its correspondence, the AICPA recommended that Congress either restrict the patent office from issuing patents for tax strategies involving compliance with federal, state or local law or pass legislation granting taxpayers and tax practitioners immunity from patent infringement liability. CPAs can join the effort by educating their legislators about the importance of this issue and encouraging them to move forward with protections.

The issue of tax patents serves as a reminder that the profession will always face legislative or regulatory challenges that impact its ability to serve clients and employers. History has shown that once this substantive issue is solved, another will take its place.

Private Company Financial Reporting

Another force currently shaping the profession's direction is the growing realization that public and private companies and their constituents do not have the same financial reporting needs. One size of reporting standards — GAAP — does not fit companies of all sizes.

An AICPA-established task force interviewed more than 3,700 lenders, investors, sureties, business owners, financial managers and public accounting practitioners. While these interviewees said GAAP is highly consistent and useful in allocating capital, they also said too many GAAP requirements are insufficiently useful and relevant to the preparation of private company financial reports.

To address this issue, the AICPA and the Financial Accounting Standards Board (FASB) formed a committee last year to help FASB determine whether and where there should

be differences between existing and prospective accounting standards for private companies. In December 2006, Judith H. O'Dell, CPA, the principal and CFO of a family-owned real estate and construction firm, was named chair of the committee. Under her leadership, the committee is reaching out to all key constituents in financial reporting to understand and deliberate on their various perspectives.

The committee represents a broad, highly experienced group of constituents and consists of four CPA practitioners, four financial statement preparers and four users of private company financial statements. The committee will help the FASB continue meeting the financial reporting needs of smaller and private businesses and those that invest in them. The first meeting was slated for May 10-11, 2007 with subsequent meetings held quarterly. To learn more, visit www.pcfr.org.

Grass-roots research has demonstrated the need for standards that are more responsive to the needs of private companies. The solution may lie in new GAAP standards or in separate, private company standards. But it's clear that more relevant standards would give the practitioners who serve private companies better tools for preparing financial reports that meet the needs of all private company constituents.

Professional Responsibility

All CPAs share a growing concern over the inadequacy of average Americans' **financial literacy**. The continuing decline in the public's savings, retirement planning and financial preparedness testify to the seriousness of this crisis. In response, the AICPA with the support of the state CPA societies launched the 360 Degrees of Financial Literacy effort (www.360financialliteracy.org) in 2004.

Across the nation, CPAs have enthusiastically supported the effort, volunteering tens of thousands of hours to help Americans get on the right financial track. Extending the reach of the 360 program, the AICPA in 2006 established "Feed the Pig," a public service announcement (PSA) campaign with the Ad Council. The campaign aims to improve the financial knowledge and savings habits of 25–34-year-old Americans and features television, radio and PSAs and a web site, www.feedthepig.org.

Both programs' enormous success — made clear in media coverage and traffic at both web sites — testifies to the CPA profession's dedication to and active support of the public interest. Contact the MACPA for information on how you can get involved.

In the technical realm, the **Auditing Standards Board** approved eight new standards

to help auditors assess the risks of material misstatement in financial statement audits. They are effective for audits of financial statements for periods beginning December 15, 2006, and show auditors how to focus on those areas where the risk of misstatement is the greatest.

The standards also make clear that the overall objective of an audit is to provide *reasonable assurance* the financial statements are free of material misstatement, and clarify the term *reasonable assurance* means a high, although not absolute, level of audit assurance.

These standards as well as resources such as the Employee Benefit Audit Quality Center, Governmental Audit Quality Center, the Center for Audit Committee Effectiveness, the Audit Committee Toolkit and the Audit Committee Matching System together form the cornerstone of the AICPA's Antifraud and Corporate Responsibility effort. All work to help CPAs enhance their skills, perform high quality audits and protect the public interest.

Another way the AICPA serves the public interest is working to provide for a national **uniform mobility system** that would allow CPAs to serve their clients in more than one state while still protecting the state regulator's rights to protect the public.

With the increasing globalization of the business community, business is not limited to geographic borders, nor should the CPAs that serve them. CPAs often continue to be needlessly hindered from practicing in more than one state. The AICPA and National Association of the State Boards of Accountancy are working together to amend the Uniform Accountancy Act so that CPAs can more easily practice across state lines and state CPA societies and state boards of accountancies have renewed their efforts to achieve a newly revised provision that will accomplish this goal.

The CPA Profession, Forging Ahead

The Four Ps represent some of the primary forces shaping the environment in which CPAs work today. Each underscores CPAs' important public-interest role as providers of guidance to clients, businesses and consumers. They also represent opportunities. Whether through educating students about the benefits of being a CPA, reaching out to legislators, volunteering to improve Americans' financial understanding or enhancing skills to better serve clients and employers, CPAs can take part in shaping a vibrant future for the profession so that America continues to rely on CPAs.

Top Stories

Navigator of the Profession: Profile of Paul MacDonald



*Paul MacDonald,
CFO of the
Detroit Red
Wings*

For the past 15 years, CPA Paul MacDonald has been an integral part of one of the most respected sports franchises in history. As the Vice President of Finance for the Detroit Red Wings, his guidance has been essential to the great success of the team over the years. Paul also currently serves on the Michigan Association of CPAs Board of Directors. He began his accounting career in 1981 when he earned his CPA license. He not only gets to wear an NHL championship ring, Paul has the respected distinction of being the first CPA to have his name engraved on the Stanley Cup.

What made you decide to go into the accounting profession?

During high school, I took some accounting and business classes and did well in them. I found them to be most suitable for me. I also did a lot of manual labor during school, and decided that I did not want to do that type of work all my life, so merging those realizations brought me to the accounting profession.

As an integral part of one of the most respected sports franchises in history, can you name a specific experience(s) most memorable to you?

Obviously, our Detroit Red Wings winning the Stanley Cup was a great accomplishment for the entire organization. I am fortunate enough to have been around for three championships. They were all truly great.

Describe how you have made a difference by being a CPA.

Because the profession engages areas some people find difficult, or even scary, it is imperative to have professionals that can perform the necessary tasks, such as audits, taxes and internal financial work. Personally, I take ethics very seriously, and hope that I impose those values in fellow colleagues.

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

I have worked in public accounting as well as industry, and had to work through some

"Automotive Supplier Challenges" during the tough recessionary times of the late 1980s – early 1990s.

Name a major professional accomplishment.

It was earning respect and confidence of ownership, as well as being promoted to a position that shares in the management of one of their companies.

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

- Board of Directors, Ilitch Charities for Children
- Board of Directors, Michigan Association of Certified Public Accountants - almost 17,000 members
- Actively involved with the MACPA High School Leaders Conferences (to entice high school kids to join the profession)
- Member of Michigan Chapter of Institute of Management Accountants
- Treasurer of our homeowners association – 629 members
- American Red Cross Pheresis Donor (monthly donor of platelets, plasma, whole blood cells)
- Multitude of activities that my three girls are involved in.
- Play hockey 2 – 4 times per week, depending on the time of year.
- Occasional involvement with, and donations to, Navy personnel.

Are there any other interesting things about yourself or your career that you would like to share with other members, potential members and students?

I was chosen by ownership to be one of a select group to have their name engraved on the Stanley Cup. I am honored to say that my name is the first CPA to be included on the Cup.

What is your most meaningful volunteer experience?

I would say either the Pheresis donor program because I know it is helping those in need; or the MACPA High School Leaders Conferences, because I enjoy assisting students make a very difficult choice.

How do you balance your personal and professional life?

It starts with a very understanding and supportive family. Also, with the ability to be "connected" at home. I can come home and help the kids with homework, etc., and once they are in bed, I can do some additional work on my laptop. In addition, having been doing this type of work for over 14 years, I can anticipate a lot of the upcoming

project requirements, and try to be prepared well in advance.

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

Don't be afraid to pay your dues! Get involved in as many things as you can, such as different jobs, school clubs and volunteer work. The more you experience, the better prepared you will be for any profession.

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

I like to answer this by saying "strong morals and good ethical behavior" as my core answer. Also very important is the ability to know and comprehend how to use all the information technology that exists – hardware and software alike.

Message from the Chair of the Board

Do You Know What You Don't Know?



Sean Keenan
2006-2007 MACPA
Chair of the Board

As a youngster, I remember hearing the adage, "You don't know what you don't know" and thinking, "I know more than you think I know." Thankfully, wisdom and experience do come with age, and now I realize there is always more to learn.

That message was brought home at last week's MACPA Members Advisory Forum when I had the opportunity to deepen my understanding of several key issues affecting our profession. I want to call attention to a few concerns I think are important enough for every CPA – including you – to have on their radar.

One of the hottest topics under discussion is the replacement for the **Single Business Tax**. This issue is critical to us as business owners or managers, and in our professional roles as we serve our clients or corporate employers. The MACPA leadership has emphasized the vital role CPAs play as the "honest broker" in providing objective information on technical issues, practical implementation challenges and potential unintended consequences. An example of this is our recent white paper on taxes on services, which is available on the [web site](#).

While the MACPA hasn't taken a "position" on any of the tax proposals, we have been outspoken about the negative impact of one very narrow element in the version of the Michigan Business Tax currently under debate. Earlier this week, we issued a statement opposing the [unbalanced tax treatment of partnerships](#). It's an issue we believe to be an "error" or "oversight." A talented and dedicated subcommittee of our State and Local Tax Task Force has served, and will continue to serve, as a "go-to" source for state government leaders as various options are debated.

Mobility is another issue that should be on your radar, as *lack of mobility* adversely affects our clients and *all* of us. Constraints on interstate practice hinder our ability to be responsive to the changing business environment. The AICPA, NASBA and many

state societies have rekindled efforts to remove burdensome state regulations to allow CPAs to more efficiently practice outside their home states.

Moving forward on the mobility problem will be a top agenda item at the upcoming AICPA Spring Council meeting. If you have questions or concerns about mobility, please feel free to contact an MACPA [Executive Committee](#) member who will be attending the Council meeting later this month.

Another topic of utmost interest is the patentability of tax strategies. While **tax strategy patents** negatively impinge on taxpayers, professional tax advisers and the public interest, it may not be possible to restrict the patent office from issuing the patents. We learned from AICPA President and CEO Barry Melancon at the Members Advisory Forum that it *is feasible* to pressure Congress to pass legislation granting taxpayers and tax practitioners immunity from patent infringement liability. Essentially this would render the tax strategy patents unenforceable – similar to the way the medical profession approached patents on medical procedures years ago.

Following on the heels of the Spring Council meeting, the MACPA Executive Committee along with our Legislative Advisory Group will meet with numerous **lawmakers** in Washington, D.C. for face-to-face talks about tax strategy patents and other initiatives. We'll be visiting Sen. Debbie Stabenow and Congressman Mike Rogers, among others.

I urge you to join me in learning more about “what we don't know we don't know.” Several articles in this issue of Leaders' Edge can help you get started:

- [State Tax Debate Heads into Extra Innings](#)
- [Forces Shaping the Profession: The Four Ps](#)
- [State's Woes, Interstate Practice Dominate Members Advisory Forum](#)

Best regards,

SK

Tax Tidbits

IRS & MACPA Join Together for the Tax Conference That Has it All

Tax practitioners, if there is one program you need to attend this year it is the **2007 Tax Professionals and the IRS: Successfully Working Together Conference**. National and local speakers are coming together on June 13 at the Rock Financial Showplace to bring you the latest updates from the IRS.

Explore compliance issues and practice standards the IRS looks for with Robert Johnson, senior program analyst, Office of Professional Responsibility, Internal Revenue Service, Washington, D.C.

Local experts from the IRS will speak on employee benefit plans, reviewing the most common mistakes and how to avoid them.

Chris Bourque, assistant administrator of the Tax Processing Bureau, Michigan Department of Treasury, wraps up the tax season sharing issues the state faced over the past year and new information available to tax practitioners.

Charlie Brantley, regional director of examination, Internal Revenue Service, Philadelphia, PA, will address how IRS audit rates affect individual and business taxpayers, as well as touch on the direction the IRS is heading in the coming year.

Many other topics including IRS collections, the Notice CP2000 system, the Issue Management System and the Practitioner Priority Service will be reviewed.

This all-inclusive Tax-IRS update is not to be missed! To register for this event, simply fill out this [form](#) and return it to the MACPA, or go [online](#). For more information, please contact the MACPA CPE department at 248.267.3700.

Tax Tidbits

AICPA Comments to Congress on Taxpayer Confidentiality & Other Subjects

The AICPA recently submitted written [testimony](#) for the record of the Senate Finance Committee's April 12, 2007 hearing to examine tax administration and tax gap initiatives. While a good portion of this testimony is similar to the [previous testimony](#) to the House Ways and Means Committee, the section in which the Institute lays out its opposition to a particular taxpayer confidentiality provision is new and likely to be of interest to tax practitioners.

The AICPA said the provision would introduce "unnecessary burden and complexity that is at odds with well established modern business practices," and that it is "concerned the proposal has the potential to actually undermine the range and quality of professional tax services available to many taxpayers." The provision was included in S. 1321 that was crafted by the Senate Finance Committee during the last Congress. The Senate Finance Committee is continuing its work in this area this Congress so provisions of S. 1321 are still considered likely proposals.

The AICPA said, "We understand the Congressional concerns that emanate from instances in which unscrupulous or unethical return preparers have abused their access to tax return information and the AICPA remains resolute in its commitment to the privacy of taxpayers' return information. However, if this proposal were to pass in its current form, it would reverberate well beyond the offensive conduct at which it is aimed and negatively impact the fundamental relationships between taxpayers and their chosen professional advisors."

The disclosure of tax return information by the tax preparer to another professional in the accounting firm or to a third party in order to provide certain services—including estate planning, requests from lenders to the client's business or to provide a client's stockholders or management with appropriate financial information—should be allowed, the AICPA said. The Institute suggested the proposal be "modified to acknowledge the reality that CPAs and attorneys are already subject to a higher level of ethical

standards.”

In its testimony, the AICPA also commented on other provisions in S. 1321 regarding the understatement of taxpayer’s liability by tax return preparers, the penalty for aiding and abetting the understatement of tax liability, and the doubling of certain penalties, fines, and interest on underpayments relating to certain offshore financial arrangements.

Accounting & Auditing

Wrong Strategy + Wrong People = Fraud/Theft/Abuse

By Gary D. Zeune, CPA

Pretend you're a small business owner: you spend years of hard work building your business, only to discover a long-term trusted employee is stealing you blind. Don't think so? The average business loses 6 percent of revenue or \$9 per day per employee to fraud, theft and abuse. And I'll bet 6 percent of revenue is material to each one of you reading this article.

So what's the best way to prevent someone from robbing you blind? Don't hire them in the first place. To screen out the bad apples, do a background check on all job applicants. For example, people with financial problems are more likely to steal, as are people with drug, alcohol and gambling problems. And most common are employees having extramarital affairs. The money has to come from somewhere. Think about this: If the employee will cheat on his/her spouse, who they promised before God to be faithful to, what makes you think they won't steal your money to do it?

Many states' laws require employers to make a clear and conspicuous disclosure to an employee or job candidate that a consumer credit check will be conducted. Informing job applicants up front of the check is also an effective screening technique.

Even if you screen your employees, it's no guarantee against being ripped off. There are three things needed for an employee to steal: need, opportunity and rationalization, known as the "triangle of fraud."

Want to save money by reducing fraud and strategy..... attend Gary's upcoming sessions on [Government & Non Profit Fraud on June 19, Complying with the 11 Most Dangerous Standards on June 29 and Fraud: 17 Things](#)

Employees who steal often feel exploited or underpaid. For example, employees often think, "They're paying me ten dollars an hour, and making seventy off me." It's a typical justification.

Business owners should also make sure there are strong internal controls in place to protect the money. The same person should not handle incoming and outgoing funds. One of the easiest, and zero or low-costs controls, is to have your business bank statement sent to you at home so you can review the transactions. Be alert for missing expenses (like not paying sales tax), a preventive control. In addition, no matter how busy you are, review and sign every check that goes out, a detective control.

*Remember,
Trust is
NOT a
Control.
Trust is a
feeling,
not a
control.*

*You Need to
Know for
2007 for
CEOs,
CFOs,
business
owners and
CPAs in
public
practice on
June 30.*

In an all too common example, 63-year-old Carol Ann Huang, was sentenced in federal court in San Jose, Calif., to six and one-half years in prison for embezzling more than \$11 million from her employer, a Los Altos businessman who was a general partner in several business acquisition firms in San Francisco.

She pleaded guilty in 2003 to one count of mail fraud and one count of money laundering in connection with a scheme to embezzle \$11 million from 1996 to 2002. Huang provided false payroll data to a processing company handling payrolls for two of her employer's companies.

U.S. Attorney Kevin Ryan said Huang also cashed out her employer's life insurance policy without his authorization, put up his Los Altos residence as security on an unauthorized line of credit, and routinely forged his signature on official papers and letters.

A defective compensation system will get you sued

Ever heard, "People behave the way you pay them to behave?" That is, your compensation system is the primary 'driver' of how employees behave. Compensation systems are supposed to motivate people to work, but defective systems can drive illegal or dangerous behavior that puts the company at risk of a lawsuit.

For example, long-haul drivers are typically paid by the mile, without additional pay for hours spent waiting for shippers and receivers to load and unload their trucks. It's estimated that 80-plus percent of drivers comply with the federal regulations. It's an open secret in the trucking industry that some drivers maximize their incomes by breaking the speed limit and driving more hours than permitted by law.

If that pressure results in an accident, the driver, the trucking company and, in some circumstances even the receiver, could face a multi-million dollar lawsuit.

After a number of lawsuits for auto accidents involving delivery drivers, Domino's Pizza Inc. learned its lesson about its compensation strategy. About 10 years ago Domino's had a 30-minute delivery guarantee. To encourage drivers to get there with the pie, some stores paid drivers a bonus of one percent for delivering a minimum number of pies on time, according to testimony from one employee.

The system cost Domino's BIG bucks. In 1993, the company reached a \$2.8 million settlement with the family of an Indiana woman killed by a driver allegedly speeding to meet the 30-minute guarantee.

Later that same year, a jury awarded a St. Louis woman \$750,000 in actual damages plus \$78 million in punitive damages. She was injured by a Domino's driver who ran a red light. Rather than appealing, Domino's and the woman later settled for an undisclosed amount. The company ended its 30-minute guarantee a few days later.

Tips on avoiding fraud and theft and drive employee behavior that benefits your company

There are a zillion ways to get employees to do the right thing. Here are a few techniques:

- Conduct a background and credit check on all new employees (consult your attorney first)
- Reward employees through profit sharing or other incentives
- Compensate employees fairly
- Separate accounting and check writing functions between employees and owners
- Have the business bank statements sent to your home
- Add theft insurance to your business insurance plan

Wellington Blvd. Suite D, Powell, OH 43065. For questions, call 614.761.8911 or e-mail gzfraud@bigfoot.com. For 50+ articles on fraud and strategy visit his web site www.TheProsAndTheCons.com.

1. *2004 Report to the Nation on Occupational Fraud and Abuse, Association of Certified Fraud Examiners, www.acfe.com/documents/2004RttN.pdf.*
2. *Gary Green, manager of business services, Owner-Operator Independent Drivers Association, which has a nationwide membership of 113,000, "Compensation systems at heart of many a court case," Business First Columbus, August 20, 2004.*

Of Interest

Safeguarding Your Business Internet Presence: Legal Protection, Liability Prevention

By Patricia F. Claire, MPA, JD, Willingham & Coté, PC



Patricia Claire will be speaking on the topic of this article as well as the CANSPAM law at the [CPE Mega Conference 3](#) in Lansing, Michigan on June 22, 2007.

Throughout the U.S. economy, using the Internet for many primary, traditional business purposes has become an everyday practice for multitudes of companies, their customers and suppliers. New business models are developed to take advantage of unique features of conducting business online. However, with the new opportunities the Internet presents to businesses, new problems – legal and technological – arise as well. These issues apply to your business or CPA firm, as well as to a CPA firm's clients.

Many companies are reassessing fundamental issues of legal protection and liability avoidance to safeguard their online presence. Basic legal principles affecting intellectual property ownership and contracts apply to Internet activity, and new statutes and regulations are developed as new issues emerge.

One of the unique elements of the Internet is that much of the ownership of a web site consists of what is known as intellectual property ("IP"). Basic types of intellectual property are trademarks, copyrights, patents and trade secrets; each is governed by different laws and procedures for protection.

Building the IP Portfolio: Copyright

Reviewing a company's web site for legal protection immediately raises the issue of who owns the "content" of that web site (for example, graphics, text, underlying computer programs). Businesses often make the assumption that their company owns all of the content of the web site. You may be surprised to find that this very often is

not the case. Nothing can be taken for granted when it comes to the ownership of a web site.

To identify and protect ownership of the web site, these among other questions need to be answered: were assignments of rights given to the business by independent contractors? Have trademarks and copyrights been registered? Who is responsible to develop the portfolio of IP assets of the business?

A basic legal issue of ownership of web site content is: who is the "author," who created the content? If an employee created it in the course of employment with the company, then that company is the owner under an important concept called "works made for hire." However, any agreement with an outside web site developer or content contributor needs to be carefully reviewed to see that ownership in the content passes to the business, which expects to own it. Just using the words "work made for hire" is not enough to transfer ownership. In addition to assignment of ownership, it is possible to use the copyrighted materials of others on the business web site, under license from the copyright owner.

It is important to verify the source of all materials that will be used on the company web site. The possibilities abound for infringement of the works of others. The company should develop positive measures to avoid infringement and accompanying liability.

Once direct ownership or appropriate licensing is secured, the correct copyright notices would be displayed on the web site, and application for registration filed with the U.S. Copyright Office.

Trademarks

Concerns about web site protection also include the ownership of any trademarks or service marks used on the site, such as slogans, logos or words. A trademark serves to identify the source and to distinguish the goods or services of the owner of the mark from the goods or services of anyone else. Trademark protection is a separate process from copyright protection, and different rules apply.

Fortunately, trademark identification and protection generally presents simpler issues than does copyright. If a business has not previously identified its trademarks, it is advisable to do so, and to screen them for the possibility of infringement, in connection with creating an online presence. Companies that create an online presence using existing or new marks should consider federal registration of the marks.

The standard process of search, refinement and registration applies. Because of the Internet, searching has expanded to include domain name registry and informal searching via search engines for potentially conflicting use.

The Internet provides ample means to search for infringement by others using the same or a confusingly similar mark for similar goods or services. The converse also is true: a company might find a cease and desist letter arriving from another business that believes it has spotted infringement of its mark. Prudence dictates that trademarks to be used online be fully searched and protected so these increasingly frequent claims can be overcome.

Privacy

Concerns about online privacy receive a great deal of public attention, as the spotlight is turned on the unprecedented opportunities that exist for undisclosed online surveillance, profiling, sale and use of personally identifiable information. Government agencies flooded with complaints investigate web sites and take legal action against privacy violators. What steps should every company be taking with regard to privacy considerations of the users of its web site?

Relationships with Web Site Users

A business web site may be a "traditional" commercial web site providing a retail catalog and on-line purchasing opportunities; if not, it still will have some relationship with its users. The site may provide detail about the goods or services of the business, employment opportunities, a portal to other web sites, or general information on topics in the field in which the business operates. The desired users may be other businesses: suppliers, purchasers, retailers, distributors, franchisees or other affiliates. Desired users may be individuals: potential employees, subscribers or consumers of goods or services.

A business may use its web site, in any of these capacities, as a means of collecting information about its users. Or because of relationships with web-based companies such as advertising brokers, the web site of a business may serve as a tool for third parties to collect information about the users, a cause of increasing concern.

Governing Online Privacy

With a few exceptions, the development of privacy policies for web sites has been a voluntary effort. Privacy of personal information is an evolving area of the law,

accelerated by the growth of the Internet. Only a few United States and foreign laws affect web site privacy, and affected companies should have implemented a compliance plan.

In the absence of new laws specifically targeting web site privacy policies, federal and state agencies alike are making use of existing laws to prevent unfair and deceptive trade practices in the operation of web sites. The *Michigan Consumer Protection Act* has been used against business web sites that fail to disclose, or that misrepresent, their privacy policies.

A Web Site Privacy Policy

Some businesses are surprised to find how extensively their web site has been set up to collect information about the users. Lack of knowledge about information collection practices can lead to legal problems for the web site owner, which is responsible for the accuracy of the privacy policy stated on the web site as reflected in actual practices.

Because so many web sites already state privacy policies, there is a tendency to simply copy the written policy of another, comparable site. This rarely will result in a company's actual information privacy practices being expressed in its written policy, yet accurate expression is a key to avoiding complaints of unfair and deceptive trade practices.

Often the process of writing a privacy policy for its web site prompts a company to assess its information privacy practices and its relationships with third party collectors of information about its users. Attempting to meet the basic, voluntary FTC standards can have positive effects for a company: defining the business purposes for which it is collecting, using and keeping user information through its web site; creating and posting a clearly stated privacy policy that it adheres to; and creating a competitive edge amidst companies that fail to take these measures to the satisfaction of consumer and business users.

About the Author

Patricia F. Claire, MPA, JD, practices trademark, copyright, licensing and Internet law with Willingham & Coté, P.C. in East Lansing, Michigan. Pat will be speaking on the topic of this article as well as the CANSPAM law at the [CPE Mega Conference 3](#) in Lansing, Michigan on June 22, 2007. She can be reached at pclaire@willinghamcote.com.

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Of Interest

Meeting Your Career Goals with the MACPA

A perfectly balanced life might be just a dream, but the good news is, as a member of the MACPA, a more fulfilling career is within your reach. Whether you are looking to get involved in one of our many member activities, expand your business through our networking opportunities, or take advantage of exclusive member benefits and resources – we've got you covered.

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3. *Business Edge* – All the information necessary to stay sharp in the business.

Make your career goals a reality and renew your membership with the MACPA today. Visit www.michcpa.org or call 248.267.3680 today!

Legislative & Regulatory

Ethics Q&A

The Professional Ethics Task Force of the Michigan Association of CPAs recently received an inquiry regarding the payment of finders' fees in obtaining an audit client. The Task Force was also asked what ethical issues would be raised if a finder's fee agreement had provisions requiring the CPA to provide the finder all engagement letters or correspondence pertaining to the engagement or related fees, as well as all invoices.

The inventory involves the following provisions included in the AICPA/MACPA *Code of Professional Conduct*:

1. Rule 503 – Paragraph .01: Referral Fees
2. Interpretation 502-5. Ethics Section 502, Paragraph .06: Engagements Obtained through Efforts of Third Parties
3. Rule 301, Paragraph .01: Confidential Client Information

Referral Fees

Under Code Section 503, "any member who accepts a referral fee for recommending or referring any services of a CPA to any person or entity or who pays a referral fee to obtain a client shall disclose such acceptance of payment to the client."

Therefore, entering into a finder's agreement in which the agreement's terms are in accordance with the AICPA/MACPA *Code of Professional Conduct* would be permissible as long as the member discloses the arrangement with the client.

In addition, the agreement would be expected to meet all legal requirements. A member should seek legal counsel pertaining to any legal matters related to the code provisions discussed in this article.

Engagements Obtained Through Efforts of Third Parties

Members are permitted to obtain engagements through the efforts of third parties. According to Interpretation 502-5, "the member has the responsibility to ascertain that

all promotional efforts are within the bounds of the Rules of Conduct. Such action is required because the member will receive the benefits of such efforts by third parties, and members must not do through others what they are prohibited from doing themselves by the Rules of Conduct.”

A third party engaged in a marketing campaign on behalf of a member is only permitted to do what the member can do.

Confidential Client Information

Under Rule 301, Confidential Client Information, “a member in public practice shall not disclose any confidential information without the specific consent of the client.”

Any finder’s fee agreement should not have a provision in it that could even inadvertently result in disclosing confidential client information. Potential problems include, but are not limited to, the following:

1. Providing engagement letters which may directly or indirectly include information about a client.
2. Providing invoices showing work performed may indicate problematic areas or company plans.

Any member having questions regarding finders’ fees pertaining to the rules and interpretation as discussed in this article is invited to contact the MACPA Professional Ethics Task Force at 248-267-3700.

Legislative & Regulatory

Stay on Top of Legislation Via MACPA Web Site

A key component to the MACPA Government Relations program is ensuring that Association members are aware of important developments in state government and changes to Michigan state law that have an impact on the CPA profession.

The main objective in providing quality political advocacy includes representing the interests of the CPA; however, to do so, MACPA must rely on the expertise of informed members. Making it easy for members to identify and understand legislation deemed important to the profession, appropriate bills are posted on the Association's web site. Bills are categorized by content areas such as tax policy, regulation of the profession and general business administration. Bill text, formal analyses and statements of position are all available inside the [Key Legislation](#) portion of the MACPA Government Relations page.

The CPA community, as a state-licensed and regulated segment of the workforce, functions, in many instances, based on the decisions made by elected office-holders. As with many policy decisions made by members of the Michigan Legislature, these individuals are asked to make informed decisions affecting your livelihood with little working knowledge of the issues at hand. Frequently these decisions come with unintended consequences.

To aid both members of the Association and the elected officials who represent them, the Government Relations staff and Legislative Advisory Group continually monitor state government activity, acting as an impartial resource in disseminating information to both parties.

Legislative & Regulatory

Peer Review Q&A: Quality Control Standards

By Robert C. Thompson, CPA, Dennis, Gartland & Niergarth, and member of MACPA Peer Review Task Force

Quality control standards continue to generate questions and confusion regarding monitoring and the peer review process, despite the fact that Statement of Quality Control Standard No. 3, *Monitoring a CPA Firm's Accounting and Auditing Practice*, went into effect ten years ago. The following Q&A speaks to some of the frequent inquiries addressed by the MACPA Peer Review Task Force. Additional questions on monitoring will be addressed in the next several issues of *Leaders' Edge*.

Q –Who is required to follow Quality Control Standards? Since our firm doesn't do any audits, we don't have to worry about this, right?

A – The Auditing Standards Board of the AICPA issued Statements on Quality Control Standards. Any firm enrolled in an approved peer review program is obligated to adhere to quality control standards established by the Institute. Quality control standards apply to a firm's accounting and auditing practice; meaning all audit, attest, accounting and review, and other services for which standards have been established by the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee.

Q – What do the quality control standards require?

A – Every firm, regardless of size, must have a system of quality control for its accounting and auditing practice. The required elements of this quality control system are independence, integrity and objectivity; personnel management; acceptance and continuance of clients and engagements; engagement performance; and monitoring.

Legislative & Regulatory

Exposure Draft Proposes Major Changes to Peer Review

Changes Would Facilitate State Board Access in States with Mandatory Peer Review

The AICPA Peer Review Board (Board) released an exposure draft on April 16, 2007 containing proposed revisions to the AICPA Standards for Performing and Reporting on Peer Reviews and Interpretations to the Standards. The exposure draft is available on the [AICPA Peer Review Program](#) and [Center for Public Company Audit Firms PRP's](#) web sites.

Under the proposal, one set of Standards and Interpretations would be created within the AICPA Peer Review Program for all AICPA members subject to peer review. Other proposals include a reengineered reporting process, changes to engagement and report reviews, and more principles-based Standards.

One of the key changes would facilitate state board of accountancy access to peer review results. AICPA President and CEO Barry Melancon explained how this would work at the Members Advisory Forum on May 9, 2007 in Lansing.

Melancon said in the states with mandated peer review (39 states, including Michigan), the state societies would advise firms that peer review results would be posted on a secure state board access-only web site unless the firm opts out. Firms would receive a confirmation upon posting. Firms also could request peer review results be made available to other state boards.

The proposed changes are expected to result in a more efficient and effective peer review process. However, since the proposed changes are significant, all interested parties (especially peer reviewers, peer reviewed firms and peer review users) are encouraged to review them and provide feedback to ensure your views are considered. The comment **deadline is June 30, 2007**. The exposure draft contemplates that the revised Standards and Interpretations will be effective for peer reviews commencing on or after January 1, 2009.

Many factors have influenced the current reevaluation of the *Standards* and *Interpretations*, most notably feedback received from peer review users, including feedback received from an on-line poll of AICPA members. The feedback was considered by an AICPA Board of Directors task force established in May 2005, which issued a report of recommendations to enhance the Program in February 2006. That report of recommendations was considered by a Joint Peer Review Task Force and the Board's Standards Task Force, which have been addressing harmonization issues and other program enhancements since 2004.

The most significant conclusions from the work of the Board of Directors and Joint Peer Review task forces are the recommendations to:

- Merge the AICPA's two peer review programs (AICPA and CPCAF PRPs), and
- Reengineer the reporting process to be more understandable and usable in light of the growing mandate that the results of peer reviews be made more widely available.

To further these recommendations, the exposure draft proposes to create one set of *Standards* and *Interpretations* within the Program for all AICPA members subject to peer review. This includes those members' firms currently enrolled in the CPCAF Peer Review Program. Other proposals include a reengineered reporting process, changes to engagement and report reviews, and more principles-based *Standards*.

We strongly encourage you to review the exposure draft and provide your feedback so your comments and ideas are heard. **The comment deadline is June 30, 2007.**

Because the MACPA is interested in member concerns, we would like to be made aware of your perceptions and recommendations. When responding to the AICPA, please copy the MACPA Peer Review Department at peerreview@michcpa.org to help us support our members' interests.

Legislative & Regulatory

MACPA Issues White Paper on Services Tax

Daily headlines about Michigan's business tax replacement debate bring about and harbor uncertainty for a community desperate to know how they're going to be affected when the Legislature finally gets around to making a decision. Interest groups like the Michigan Chamber and Michigan Manufacturers Association have lined up to communicate their positions, attempting to ensure their respective constituencies are properly protected. Policy makers are thus faced with conflicting messages on a daily basis.

To ensure that office-holders and taxpayers have a full understanding of the effects of proposed changes, the MACPA Sub-Committee on Business Tax Restructuring has developed and provided to Michigan office-holders a white paper summary of technical observations on the possible imposition of sales tax on services.

MACPA has always remained an honest broker on issues of taxation. In general, this debate is no different. The unbiased opinion of our membership, some of the brightest tax professionals in the country, is held in very high esteem in Lansing. MACPA members promote high standards of quality, objectivity, integrity and practicality in the services they provide to clients.

The Association believes its role is to provide technical commentary to ensure that the guiding principles of simplicity, fairness and ease of administration are in the forefront of these difficult discussions on Michigan's tax structure. The white paper is not directed at and should not be construed as a critique of any current proposal, or a statement of either support or opposition to the concept of the imposition of a sales tax on services. It is to serve merely as an informative reference.

Download the white paper, *Technical Observations on an Imposition of a Sales Tax on Services*, from the [Legislator Resource page](#) on the MACPA web site.

Continuing Education

FIN 48, Risk Assessment & Other Key Topics Added to CPE Line-Up

The MACPA is always looking for new continuing education programs to offer members. Through direct member suggestions, examining CPE evaluations and turning to outside resources for ideas, the Association made many new additions to its continuing education roster.

Among topics that ranked high on the Association's radar was **FIN 48** — the Financial Accounting Standards Board's (FASB) recent pronouncement concerning accounting for uncertainty in income taxes. Multiple courses have been added to help educate members on these important changes in tax documentation and disclosure requirements.

Changes in Risk Assessment command attention due to the substantial impact on how audits are performed. The Association promptly scheduled courses to answer questions on the multitude of changes in Risk Assessment.

Additionally, courses geared toward accountants in the **construction industry** have been added; Adapting QuickBooks for Construction and Estimating Cost-to-Complete for Accountants. New courses on Microsoft 2007 and the New Form 990 are all a part of the latest MACPA continuing education course catalog, as well.

Feel free to search the [online course catalog](#) for topics of interest. If you do not see a particular topic you'd like to learn more about, please let the [MACPA Continuing Education department](#) know.

Technovision

Save Time by Integrating QuickBooks With the Rest of Your Office

By Thomas G. Stephens, Jr., CPA, CITP, K2 Enterprises

As a stand-alone application, **QuickBooks** is the leading accounting software application for small businesses all over the nation; presently, over 3.5 million small businesses rely on QuickBooks to record and track day-to-day transactions. For this singular purpose QuickBooks is a stellar performer. However, to truly realize all of the benefits QuickBooks has to offer, one should look into how to integrate QuickBooks with other applications, including those in the Microsoft Office suite and various tax applications offered by Intuit and other technology companies.

Integration with Microsoft Office

Microsoft Office remains the desktop suite of applications in use by approximately 90 percent of all PC users today. Included in the Office suite are desktop standards such as Word, Excel, and Outlook – three applications most accountants use on a daily basis. Fortunately, QuickBooks integrates very well with each of these three applications, allowing users to realize substantial gains in productivity.

QuickBooks and Word

QuickBooks works seamlessly with Word, allowing users to prepare mail-merge letters, customized invoices, and other pieces of communication for vendors, customers and/or employees. For instance, one could use this feature to prepare a letter to all employees advising how much accrued vacation time is available; in fact, such a letter is available as one of many pre-defined templates in QuickBooks. Users can customize these templates and create new ones as required to meet specific needs.

To prepare mail-merge letters integrating QuickBooks with Word, select **Company** and **Prepare Letters with Envelopes** from the menu. Next, choose the nature of the

Learn more from **Thomas Stephens** about **Internal Control Procedures for Quickbook** Users at a [June 15 seminar.](#)

letter – collection, customers, vendors, employees, etc. – and select the names for whom the letter will be prepared. Select the base template for the letter, enter appropriate signature information, press **Next**, and QuickBooks will create the letters in Word. Users can even edit individual letters if necessary before printing and create envelopes as part of the seamless integration between QuickBooks and Word.

QuickBooks and Excel

QuickBooks integrates with Excel in a number of ways that, once learned, offer substantial productivity gains to users. For instance, most QuickBooks users already know that it is possible to export QuickBooks-based reports to Excel. What many are not aware of, however, is the ability to export these reports with Excel's **Auto-Filter** feature enabled to facilitate finding critical data on the report quickly and easily.

For example, suppose an auditor wanted to find all transactions entered or edited by a particular user during the period under audit. To complete this task in mere seconds, simply export the QuickBooks **Audit Trail** report to Excel with Auto-Filters enabled and select the desired user from Excel's drop-down filters. To export the Audit Trail or any other report to Excel with Auto-Filters enabled, click the **Auto Filtering** check box on the **Advanced** tab of the **Export Report** window.

Excel is also useful when importing data into QuickBooks. In fact, QuickBooks directly integrates with Excel to streamline the process of importing customer, vendor, account or item information. To begin this process, select **File, Utilities, Import, and Excel files** ... from the menu. Then select the Excel file to import and define a "map" of the data; in this instance, the map tells QuickBooks where to look for specific fields in the Excel data. Finally, establish preferences for how QuickBooks should handle error and duplicate records, click **Import**, and QuickBooks will import the selected data.

One additional way in which QuickBooks integrates with Excel is in the area of payroll reporting. The **Summarize Payroll Data** in Excel report option provides users with a number of Excel worksheets and **PivotTables** of key payroll data. Included in this workbook are: Employee Journal, Year-to-Date Summaries, Hours Worked Report, Rates & Hours by Job Report, State Wage Listing, Deferred Compensation Report, and a Form 943 Worksheet. Filtering and customizing these reports for specific needs are quite easy as most of these reports are PivotTables.

In addition, subscribers to QuickBooks' **Enhanced Payroll for Accountants** service have access to a number of Excel-based payroll reports, which are useful in analyzing

clients' payroll costs. Newly-available in 2007, these reports include: Paycheck Detail Report, Payroll Register Report, Payroll Expense Summary and Chart Report, Employee Year-to-Date Summary Report, Employee Cost Comparison Report, and 941/940/State Liabilities and Payments Report. Accountants in public practice supporting QuickBooks clients should find these reports quite useful when working with clients' payroll data.

QuickBooks and Outlook

Most users of QuickBooks maintain name and contact information for customers and vendors in at least two locations – QuickBooks and Outlook. Not only is initial entry of this data repetitious, but on-going maintenance is time-consuming and is often overlooked. So, for example, when a customer's billing address changes, oftentimes data is updated in either QuickBooks or Outlook, but not both. To solve this problem of inconsistent data, QuickBooks includes a utility to synchronize data from the Customer List, Vendor List, and Other Names List with Outlook. To begin this process, select **File**, **Utilities**, and **Synchronize Contacts** from the menu to launch the Synchronize Contacts function. This will cause a two-way synchronization of information between QuickBooks and Outlook. As a two-way synchronization, if data on a particular contact in QuickBooks is newer than corresponding data in Outlook, then the Synchronize Contacts function will update the Outlook data; conversely, if Outlook contains the most recent data, then the update occurs with the QuickBooks data.

Integration with Income Tax Applications

It's no secret that Intuit publishes QuickBooks along with ProSeries and Lacerte professional tax preparation software. It should also be no secret that QuickBooks integrates quite well with both of these applications to dramatically reduce the amount of time required to complete a tax return for a QuickBooks-based company. This integration reduces the amount of time accountants require to complete a tax return for a QuickBooks-based company by up to 75 percent. In fact, integrating with tax applications is so powerful that other leading tax software applications – including ProSystem fx and UltraTax CS – have built utilities which allow QuickBooks data to be imported into their software.

When integrating QuickBooks with ProSeries tax software, users establish a **Tax-Line Mapping** for each account in the Chart of Account List. This map essentially tells ProSeries on what line of the tax return the balance in the specified account belongs. Once established, these mappings roll forward to the next year, further minimizing the amount of time required to complete subsequent year returns. After all accounts have

been mapped to the appropriate lines on the tax return, select **Accountant, Export Balances to ProSeries 2006...** from the menu to export the balances to ProSeries.

QuickBooks integrates into Lacerte tax software through Lacerte's **SmartMap** technology. SmartMap establishes most tax line assignments automatically upon importing QuickBooks data into Lacerte. Users can then use drag-and-drop technology to make adjustments as necessary to the SmartMap automatic assignments.

A full discussion of the steps required to integrate QuickBooks with non-Intuit tax applications is beyond the scope of this article. However, most of the integration routines utilize some type of trial balance application, such as, Trial Balance CS or ProSystem fx Trial Balance, as an intermediary application. Regardless of the exact steps required to integrate QuickBooks into a tax application, the benefits are usually well worth the effort.

Integration with Sales Tax Applications

Sales tax compliance is one of the most difficult issues facing small business owners and their accountants today. With over 8,000 taxing jurisdictions in the United States and a maze of ever-changing regulations to contend with, knowing what the appropriate sales tax rate is for a particular transaction presents a formidable challenge. Fortunately, for QuickBooks users seeking to ease the administrative hassles of charging and reporting sales taxes, there is a service available which integrates with QuickBooks and effectively "outsources" sales tax compliance much in the same way many companies have outsourced payroll tax compliance. This service – AvaTax ST from Avalara – integrates with QuickBooks over the web to validate customer addresses and charge the correct amount of sales tax to the customer based on the validated address. Further, AvaTax provides detailed reports by taxing jurisdiction, thereby streamlining the process of preparing sales tax returns.

Summary

QuickBooks is a powerful application for small business accounting and remains the leader in its market. However, end-users and accountants alike can extend the functionality of this best-selling product by taking full advantage of the many integration opportunities provided by the software.

From working seamlessly with Word, Excel and Outlook, to minimizing the amount of time required to complete an income tax return, to easing the hassles of complying with sales tax laws and regulations, the examples cited represent only a few of the

integration opportunities with QuickBooks. The QuickBooks Solutions Marketplace (<http://marketplace.intuit.com>) is one of many great resources to learn more about specialized applications with rich QuickBooks integration features. Take advantage of these integration opportunities to leverage your investment in QuickBooks software.

About the Author

Thomas G. Stephens, Jr., CPA, CITP is a member with K2 Enterprises where he develops and presents educational programs to members of the accounting profession on a variety of topics, including QuickBooks. The integration features described in this article are based on QuickBooks: Premier Accountant Edition 2007 and Microsoft Office 2003. Your results may vary with other versions of these applications.

Association Briefs

MAF Invests in the Future of the Profession

The Michigan Accountancy Foundation (MAF) recently selected **25 accounting students** to receive the [2007 MAF Fifth/Graduate Year Scholarship](#) in the amount of **\$4,000**. This prestigious honor was awarded to applicants who exemplified outstanding academic and civic achievements throughout their college years.

The goal of the scholarship is to assist the recipients in funding their fifth year of college education required for CPA licensure. Since its inception in 1961, the Foundation has strived to increase the number of accounting graduates who will make a positive impact on the profession.

This year, a total of \$100,000 was awarded in scholarships, which is a significant jump from \$88,000 in 2006. The Foundation is supported by generous donations from MACPA members, professional firms and other CPA leaders.

The 25 recipients will be publicly recognized at the MACPA Awards Dinner on September 10, 2007 at the Townsend Hotel in Birmingham. MACPA shares in the Foundation's mission to promote and encourage the future of the profession.

According to Amber Nettell, a past scholarship winner from the University of Michigan-Flint, "It is an honor to have received the MAF Scholarship that recognized my efforts as a student, community service volunteer and professional. I am truly lucky to be part of the new generation of accountants. More than ever before, this is a great time to be entering the accounting profession. The past four years have brought incredible change and opportunity for accountants."

The MAF and MACPA congratulate the following **MAF Fifth/Graduate Year Scholarship** winners for their accomplishments:

Sara Blomquist, Northern Michigan University
David Collado, Grand Valley State University
Jennifer Culbertson, Wayne State University
Christy Fantino, Oakland University

Michael Gano, University of Michigan
Dennis Glandon, Grand Valley State University
Nicole Korinek, Michigan State University
Renee Mannino, Oakland University
Jennifer Matera, Michigan State University
Gabriela Mayer, Oakland University
Eveann Meerhof, Western Michigan University
Ruth Naebeck, Eastern Michigan University
Johanna Rossow, Michigan Technological University
Casey Shelters, Grand Valley State University
Jaclyn Sweeney, Albion College
David VanDamme, Oakland University
Cara Whitney, Saginaw Valley State University

Peggy Haw Jury/MACPA Leadership Scholarship

Mary Little, University of Michigan-Flint

Big Four Firm Minority Scholarships

Leigh Blanchard, Grand Valley State University
Tiffany Holloway, Michigan State University
Larry Hooker II, Eastern Michigan University
Ashley Morris, Michigan State University

Eleanore Kline Memorial Scholarship – Single Parent

Michael Abercrombie, University of Michigan-Dearborn

Robert A. Bogan Scholarship – Metro Detroit Area Student

Matthew Prunte, Michigan State University

Farwell Foundation/Wise & Wise, PLC Scholarship

Jenifer Skonieczny, Oakland University

Paul Goebel Group Scholarship

Casey Shelters, Grand Valley State University

The Rehmann Group Scholarship

Sara Blomquist, Northern Michigan University

Association Briefs

High School Students Get Career Motivation!

A student's career decision is often made at the high school level. MACPA's goal is to motivate them to consider a career in accounting as they plan the next step in their education.

The Association recently wrapped up its fifth year of [High School Leaders Conferences](#). These fun-filled and informative events are tailored to college-bound high school students to get them excited about a career in accounting. Universities and colleges throughout Michigan host the half-day conferences featuring presentations and exercises about various aspects of the profession. Board members and other members of MACPA graciously volunteered their time as speakers.

Conferences were held at Michigan State University (January 30), Aquinas College (February 13), Western Michigan University (February 21), Wayne State University (February 27) and Oakland University (March 1). Students and their teachers gained clear insight on what it takes to be an accountant, as well as the perks and opportunities that come with the CPA credential.

Overall, the conferences garnered an excellent turnout of students and educators. Nearly 540 students, along with 90 educators, attended the events.



This year, one of the highlights was a "Feed the Pig" exercise. As an extension of the AICPA and Ad Council's national *Feed the Pig*[™] campaign, the goal of the exercise was to encourage young adults to take control of their finances at an early age and save their money. Several students and teachers remarked it was "very entertaining."

According to one teacher from Rockford High School, "This is an outstanding conference that gives students an overview of the many exciting careers in the field of

Benjamin Bankes stopped for a photo op with students at the Wayne State University High School Leaders Conference

accounting." Teachers, as well as the students, thoroughly enjoyed themselves as the speakers navigated through the accounting profession.

A student from Fowler High School commented, "The speakers were very informative and prepared. They are passionate about what they do and it makes for a great atmosphere." Another student from South Christian High School simply stated, "This conference helped me to decide my future."

The MACPA thanks our partner, *The National Association of Black Accountants*, as well as our sponsors: *Deloitte, Ernst & Young, KPMG, PricewaterhouseCoopers and Plante & Moran*, for helping to make these conferences a success!

Association Briefs

The MACPA and Community Are Devoted to the Fight Against Breast Cancer

There are so many ways to show support in the fight against breast cancer, and participating in the 16th Annual Komen Detroit Race for the Cure® is one of them. The MACPA has been actively involved in the Race for the past four years, and this year promises to be the best yet.



Aside from being a Stage Sponsor and participating in the Race itself, the MACPA volunteered to decorate 1,000 pink ribbons. The Association asked members and the local community for volunteers to help decorate the ribbons, and the response was tremendous. The ribbons, with messages of love and courage, will adorn the race path on Saturday, June 16, 2007.



Girl Scout Troop 608 was looking for a way to reach out to the community and was excited to lend a hand decorating ribbons for the Race. They used 3-D stickers, glitter and puffy paint to write messages, honoring those who have struggled with breast cancer.



Troop Leader Linda Hyde remarked, "Girl Scouts are about 'making the world a better place,' and I thought this would be a good way to do that. Also, I hoped it would generate interest in the Race for the Cure."

Five local area schools volunteered to help the cause: Sashabaw Middle School, Academy of the Sacred Heart, Troy High School, West Hills Middle School and Woodhaven High School. Together, the students decorated almost 700 ribbons for the Race for the

Members of Girl Scout Troop 608 join together to decorate ribbons to help fight breast cancer.

Cure®.

Messages of encouragement such as: "Help People Get Better", "Faith, Trust, Believe," "Never Give Up" and "Believe in Yourself" were written on the pink ribbons.

Students also included names on the ribbons, in recognition of loved ones affected by breast cancer.

MACPA member firm Plante & Moran graciously set aside time to give employees the opportunity to add their messages to the ribbons. Their efforts were greatly appreciated, considering the busy schedules of accountants during tax season.

The MACPA sends a special thank you to everyone who participated in decorating ribbons. For all of those who would like to see the finished product, join the MACPA team in the Race for the Cure®. Help save a life. [Registration](#) is easy, and just a click away.

Association Briefs

MACPA Officers and Directors Nominated

In accordance with Article VII, Section 2 of the MACPA Bylaws, the Nominations Committee met on March 26, 2007, and nominated officers and directors for terms expiring on the dates listed below. The following is a report from the Committee.

Officer Nominees

(Terms expiring August 31, 2008)

Chair of the Board – Gail Sparks Pitts, Oakland Community College, Rochester Hills

Chair-Elect of the Board – Thomas H. Beard, Godfrey Hammel Danneels & Co. PC, St. Clair Shores

Treasurer – Jonathan D. Anibal, Boston Charter Inc., Waterford

Secretary – Gregory A. Nowak, PricewaterhouseCoopers LLP, Detroit

Past Chair – Peggy Haw Jury, Plante & Moran PLLC, Flint

In accordance with the MACPA Bylaws, Article V, Section 4, Sean C. Keenan, KPMG, Detroit, will serve as Past Chair of the Board for a two-year term ending August 31, 2009.

Director Nominees

(Terms expiring August 31, 2008)

Carla E. Sledge, County of Wayne, Department of Management & Budget, Detroit

(Terms expiring August 31, 2010)

Stephanie W. Bergeron, Walsh College, Troy

L. Charles Bokemeier, Michigan State University, East Lansing

Samuel L. Hodges, Sam Hodges & Associates, Troy

Edward S. Kisscorni, Echelbarger Himebaugh Tamm & Co. PC, Grand Rapids

Paul W. Steih, Ernst & Young LLP, Toledo, OH

Kristine A. Volk, Horn Murdock Cole, an Accretive Solutions Company, Troy

Association Briefs

Customized Training Solutions Put to the Test – and It Passed With Flying Colors

As a trusted source for continuing education, the MACPA is now offering to bring our instructors and curriculum to your location through a new program – Customized Training Solutions (CTS). The goal is to provide high quality, results-oriented training specifically designed to meet your organization's needs. You pick the topic, date and location and the MACPA handles all the details.

Jerry Biederman, audit professional practices director of Comerica Inc., was one of the first to try Customized Training Solutions. Here is what he had to say about the new program.

Q. What was your overall impression of Customized Training Solutions? Did you and your staff enjoy the experience?

A. We were very pleased with all aspects of the training experience. The feedback we received from attendees was consistently positive regarding this training session.

Q. Do you feel CTS met your needs in terms of the education expected? Speakers, materials, our preparedness?

A. The feedback we received from attendees regarding the quality of the discussion leader was very positive. We had positive comments regarding his presentation and facilitation skills, style of presentation, and his knowledge of the subject matter.

Also, we were pleased in that there were no administrative requirements on our end. The instructor brought all the materials with him and everything was coordinated very efficiently by the MACPA in advance, so all we needed to do was have a room available for the session.

Q. Did you customize your training or did you choose from one of the CPE programs we offer? What training topics were covered?

A. We chose from the existing CPE programs, specifically those courses that qualify for the ethics training requirements for Michigan CPAs. We did not customize the session,

however, I was able to have a conversation with the instructor in advance to discuss the audience for the training. Based on this discussion, the instructor was able to tailor certain aspects of the training content in order for it to be most relevant to internal auditors in a corporate environment.

Q. What type of format did you choose, 1-2 hour, 4 hour, or 8 hour? How many of your staff attended?

A. We selected a 4-hour format to correspond with the Ethics reporting period requirements, and the session was easily integrated as a session within a multi-day training program being coordinated by our department for all staff members. We had a total of 27 attendees.

Q. Would you utilize CTS again?

A. Based on our initial experience with the MACPA Customized Training Solutions, we will definitely consider them for additional training needs in the future.

Q. Do you have any additional comments?

A. The speaker was very well informed on the subject matter of the training, and he included in his discussion several unique aspects/stories pertaining to the case studies that were not in the training materials. It was apparent the speaker had done additional research, and his obvious interest and enthusiasm in the subject was a key factor in the success of the training.

Association Briefs

In Memoriam

We sincerely regret the loss of our fellow members and extend deepest sympathies to their families and friends. (Links are provided to obituaries and death notices, where available.)

Iris D. Allen

February 8, 2007

Redford, MI

Joined MACPA: 08/31/63

Certified: 09/12/61

<http://www.detroitnewspapers.com/deathnotices/print.cfm?id=139329>

Gerald H. Dryer

March 4, 2007

Clinton Township, MI

Joined MACPA: 11/30/73

Certified: 09/13/73

<http://www.detroitnewspapers.com/deathnotices/print.cfm?id=140937>

Marlin N. Hoffman

December 12, 2005

Walled Lake, MI

Joined MACPA: 08/31/91

Certified: 12/03/91

<http://www.detroitnewspapers.com/deathnotices/print.cfm?id=96000>

Arthur Silverstein

January 23, 2007

Grand Rapids, MI

Joined MACPA: 04/15/50

Certified: 01/27/50

<http://obits.mlive.com/GrandRapids/DeathNotices.asp?>

[Page=Notice&PersonID=86206827](#)

Jeffrey R. Suchomel

June 2, 2006

Santa Clarita, CA

Joined MACPA: 09/30/92

Certified: 11/02/92

Paul E. Wertsch

March 6, 2004

Grand Rapids, MI

Joined MACPA: 11/30/57

Certified: 08/08/57

Association Briefs

Accounting Educator of the Year Call for Nominations

Each year, the MACPA Accounting Educator of the Year Award is given to an accounting professional that invests their time in the classroom, preparing and inspiring future professionals. Whether it's giving an introductory lesson on taxation to sophomores or teaching seniors advanced auditing, help us spotlight someone who continually pursues teaching excellence and contributes greatly to the advancement of the profession.

The MACPA Accounting Educator of the Year Award recognizes educators who excel in teaching accounting and promoting the CPA profession. The stellar individuals who receive this award not only emphasize the importance of accounting education to the profession, but also exemplify the role professors play in supporting the CPA profession.

Eligibility

- Currently teaching, or recently retired from accounting education in the last 12 months
- Employed by a post secondary accredited (North Central or above) educational institution in Michigan
- Must have taught one accounting course within the past 12 months
- Cannot be a prior recipient of the MACPA Accounting Educator of the Year Award or serve on the Accounting Educator Award Selection Ad Hoc Committee
- Need not be a CPA or hold a doctoral degree
- Need not be a member of the MACPA
- In addition, educators who are noted for their reaching abilities, but are now predominately involved in administration or research, are eligible for the award.

Nominate a peer for the MACPA Accounting Educator of the Year today plus visit the MACPA web site to learn about other [MACPA awards](#).

If you know someone who contributes greatly to the advancement of the profession,

submit a nomination form today, or contact David Johnson at 248.267.3752, or via e-mail at djohnson@michcpa.org.

Nominations are due to the MACPA by June 30, 2007.

Association Briefs

Save the Date for the MACPA Awards Dinner

Mark your calendars for the annual **MACPA Awards Dinner!** This year's event will be held on **Monday, September 10, 2007** at the Townsend Hotel in Birmingham. Please join us as we honor and celebrate the professional achievements of our members. You will also have a chance to meet your potential future colleagues as the 25 winners of the **2007 Michigan Accountancy Foundation Fifth/Graduate Year Scholarship** are introduced at the dinner.

Association Briefs

ABC's Professional Connections – Networking with Other Professions

Attorneys, Bankers, and CPAs will have the opportunity to develop their referral network by attending ABC's Professional Connections, an exclusive networking event. It will be held Thursday, May 31, 2007 from 4 – 6:30 pm at the Radisson Kingsley Hotel in Bloomfield Hills.

To kick off the evening, the event features a short presentation: The Do's and Don'ts of Networking, by Barry Demp, president of [Barry Demp Coaching](#).

"Due to the nature of their work, these three professions are interconnected in many ways," says Jean Jernigan, Member Solutions and Business Development Assistant Director. "This kind of event is an excellent opportunity for bankers, CPAs and attorneys to make key connections and build business leads."

ABC's Professional Connection is held in partnership with the [Brighton Bar Association](#), [Detroit Metropolitan Bar Association](#), [Macomb County Bar Association](#) and the [Washtenaw County Bar Association](#) to round up the best and brightest of Michigan and sponsored in part by [BNA Tax Management](#), [Core Solutions Group](#), [Paychex](#) and [TM Group](#).

To download the registration form, [click here](#).