Leaders' Edge

The newsletter of The Michigan Association of Certified Public Accountants

The Michigan Association of MACPA Certified Public Accountants

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Navigator of the Profession – Amy Drouillard, CPA

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From the Chair of the Board

Forum Inspires and Educates

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Top Stories

Legislatures in 23 States Approve Law: Michigan One Step Closer to Adopting CPA License Mobility Provisions

Twenty-three states have approved laws to make it less burdensome for certified public accountants to represent clients across state lines. In Michigan, a bill has passed through the House of Representatives and was forwarded from a Senate committee to the full Senate on May 7. As of publication deadline, the Senate had not yet considered the bill. Approval is expected some time next week. The next step will be Governor Jennifer Granholm's signature to enact the law.

"Michigan's proposed legislation is the result of many months of hard work by the MACPA, the Michigan State Board of Accountancy and the Michigan Department of Labor and Economic Growth," explained MACPA President and CEO Peggy Dzierzawski. Sponsored by State Rep. Andy Coulouris (D-Saginaw), HB 5936 would enact a "no fees, no notification, no escape from jurisdiction" system for CPA license mobility across state lines.

The AICPA is seeking enactment of similar laws in every state so that a national uniform mobility system will become a reality for CPAs, CPA firms and the state boards of accountancy that regulate them. The AICPA has worked collaboratively since 2007 with the state boards of accountancy, the individual state CPA societies and the National Association of State Boards of Accountancy to update the states' laws.

"We are very pleased about how many states have enacted this uniform provision and want to thank the states for moving so quickly," said Barry C. Melancon, president and CEO of the AICPA. "We also thank the lawmakers and leaders of the accounting profession and the state accountancy regulatory community for their hard work and progressive foresight."

The changes to the states' uniform accountancy statutes are very important to CPAs and CPA firms of all sizes that practice public accountancy because it's common for CPAs to have clients with businesses in multiple states, Melancon explained. But the requirements for gaining a practice privilege differ so much from state to state it's almost impossible for CPAs to navigate.

"Now CPAs can practice in the 21 states that have updated their laws without seeking additional licenses or permits or comply with other notification requirements that do not necessarily protect the public," he said.

Governors in Connecticut and Maryland are prepared to sign legislation recently enacted by their legislatures.

"The momentum has really built for this mobility initiative," Melancon said. Bills are pending in 10 other state legislatures – Alabama, Arizona, California, Delaware, Massachusetts, Michigan, New Jersey, Oklahoma, Pennsylvania and South Carolina.

The 21 states that have adopted the uniform provision are Colorado, Illinois, Indiana, Idaho, Iowa, Kentucky, Louisiana, Maine, Minnesota, Mississippi, Missouri, New Mexico, Ohio, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin (see map). Under the provision enacted by the states, individual state boards of accountancy will automatically have jurisdiction over all CPAs and CPA firms practicing in their state.

Therefore, states will be able to discipline CPAs with out-of-state licenses, even if the CPAs are not licensed or registered in the state. The provision is included in the Uniform Accountancy Act, which is the model CPA licensing law that is written and endorsed by the AICPA and NASBA. For more information on the mobility initiative, please visit the MACPA web site and the AICPA web site.

Top Stories

Navigator of the Profession – Amy M. Drouillard, CPA

Amy Drouillard
Past Chair, MACPA
New Professionals
Task Force

Amy Drouillard is dedicated – to the profession, her firm, her clients, her community, and most importantly, her family. She also knows a thing or two about service, having been a CPA for about eight years, as well as an active member of MACPA for almost nine years. As a Past Chair of the New Professionals Task Force, Amy played a significant role in organizing several members to form MACPA's Komen Detroit Race for the Cure team in 2004. She commented, "It was great to have all the people downtown participating in such a great cause. It is important because it helps to spread awareness to others." Her volunteer service efforts don't stop there – she is also a repeat volunteer at MACPA's Tax Assistance Program and Junior Achievement's Accounting Blitzes. When faced with a challenge, whether personally, professionally or with volunteer work, Amy always dedicates 110% effort for superior results.

What made you decide to go into the accounting profession?
During my junior year in college, I decided to change my major from Hospitality Business to Accounting. I made the decision to change to accounting because I wanted to be a good business advisor and felt that accounting was the profession that would allow me to follow that desire.

What makes going to work every day fun and exciting?
It is the variety of projects that I have the opportunity to get involved with. Additionally, I work with a great group of people who make my job exciting.

Explain any obstacles you had to overcome to get to where you are today.
I think the obstacle that makes me the most appreciative of where I am today would be the fact that I was able to fully fund my own college education at MSU and only have student loans of $600 when I was done! I worked as a "car hop" during the summer months and then found myself working several jobs during the course of my undergrad studies in order to finance my education. I think that truly taught me the value of a dollar and made me who I am today.

You have volunteered for the MACPA's Tax Assistance Program and the Accounting Blitz in the past. What did those experiences mean to you?
I have found that both provide me with an opportunity to give back to the community. It's very exciting and rewarding to be able to help low-income individuals who are not able to prepare their own returns in order to maximize the refund they receive by coming to the (MACPA Focus Hope) site to have their returns completed. The Accounting Blitz helps me to realize that making decisions starts in the early stages of learning. It's really exciting to go to the classrooms and have the children be excited about learning more about business.

What interests or activities are you involved in outside of work?
I am an active member in the Communications Task Force with the MACPA, along with being a member of the AICPA. I enjoy spending time with my family, running, yoga and, of course, being able to travel.

How do you balance your personal and professional life?
I try to keep things in perspective. I have to remind myself every day that it is not possible to control everything. I have a very supportive husband so it makes it easier to balance between personal and professional goals. I think it is important to have goals from a personal and professional standpoint and strive to achieve those. I try to balance both by being positive and enjoying each opportunity to the fullest.

What has been your most meaningful accomplishment thus far (either professionally or personally)?
As a professional, getting my CPA license and knowing I had reached a goal I had set out to achieve. From a personal standpoint, I have the ability to experience the joys that are associated with being a mom to my children, Jacob and Katie.

What advice do you have for those considering the CPA profession?
Welcome to the profession! What a great career choice you have decided to pursue. There are so many doors that will open up to you in this ever-changing profession.

What do CPAs need now to be successful in the future?
I think that to be a part of the solution, as well as helping your clients get the answer that best serves their business, is very rewarding. It leaves you with a sense of accomplishment. You must remind yourself that your clients and peers look to you as their trusted business advisor.

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Message *from* the Chair *of* the Board

Forum Inspires and Educates

If your actions inspire others to dream more, learn more, do more and become more, you are a leader.
- John Quincy Adams

Gail Sparks Pitts
2007-2008 MACPA
Chair of the Board

From the first note of Carla Sledge's Star Spangled Banner, the Spring Members Advisory Forum meeting delivered a big dose of inspiration and education. Over 200 participants attended the meeting on Tuesday, May 13, in Lansing.

Carla, a member of the MACPA's Board of Directors and Wayne County's CFO, shared her fabulous voice with us for the presentation of the colors by the U.S. Army Dewitt Recruiting Station Color Guard. It was a stirring start to a day jam-packed with esteemed speakers.

AICPA President Barry Melancon's keynote address provided an overview of national issues. Takeaways from Barry's presentation include these key points:

- Recent studies show **accounting enrollments**, graduates and hiring are up.
- Studies also confirm a **faculty shortage** issue, particularly with accounting Ph.Ds. The AICPA Foundation is securing funding to increase the number of Ph.Ds.
- The most significant challenge facing the profession is the movement toward a single set of principles-based **global accounting standards**.
- The momentum continues to build across the country for a unified CPA license **mobility** process. (Read more in our Mobility Update.)

Following his talk, Barry initiated roundtable discussions on a new **proposed forensic accounting credential**. Barry asked MACPA members for input on the credential, which will be considered by the AICPA Council next week.

We also heard from Mike Willis, the country's foremost expert on Extensible Business Reporting Language (XBRL). Mike explained the role XBRL would play in the global convergence of accounting standards. He also demonstrated how this system of communicating business and financial information can be an **incredible tool** for every CPA, as it can be useful for business reporting, statutory reporting, tax reporting and more. Mike "wowed" us by creating a few real-time reports in a matter of seconds. For those who would like to hear more from Mike, he will be back in Michigan on June 12, 2008 to speak at our *Accounting for the Tax Practitioners Conference*.

Another highlight was a presentation from MACPA President Peggy Dzierzawski. She showcased the **achievements of members** in the areas of advocacy, community outreach, financial literacy, CPA License Mobility, image enhancement, CPE development and student recruitment.

It also was great to hear from two Lansing insiders. Enjoying the opportunity to meet with a large group of CPAs for the first time as our **new Licensing Administrator**, Carol Flores, provided an update from the State Board of Accountancy. Our **Lobbyist, Tom Hoisington,** capped off the rewarding day with his astute analysis of the legislative turmoil surrounding the Michigan Business Tax.

If you missed this event, but want to know more, PowerPoint presentations from our Members Advisory Forum are available for review online. Mark your calendar for the MACPA's 2008 Fall Members Advisory Forum, scheduled for September 23, 2008 at the Rock Financial Showplace in Novi.

It was truly an inspiring day. I appreciate the opportunity to work with such a remarkable group of speakers and participants.

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Accounting & Auditing

Treasury Dept's Committee on Auditing Profession Making Progress; Report Due this Summer

Reliance on complete, accurate, transparent and trusted financial statements form the backbone of America's capital markets – the strongest in the world. Front and center in the process is the CPA profession, the independent auditors of publicly held companies.

To ensure the vitality of the capital markets and the CPA profession in today's marketplace, the U.S. Treasury Department last October formed the **Advisory Committee on the Auditing Profession**. AICPA President and CEO Barry Melancon is one of the accounting profession's representatives on the 21-member committee and also serves on one of its three subcommittees. A report on the committee's work will be published this summer.

Arthur Levitt Jr., former chairman of the SEC, and Donald T. Nicolaisen, former chief accountant of the SEC, co-chair the committee, which will make recommendations to Secretary of the Treasury Henry Paulson Jr. about how to encourage a more sustainable auditing profession. Issues being examined by the committee include audit firm concentration, financial soundness, audit quality, liability risk, and employee recruitment and retention.

Committee members were culled from several affected groups: auditors and investors; and small and large public companies, insurance companies, lawyers and regulators. Official observers for U.S. and international regulatory and policy bodies also attend the meetings.

The committee has met several times and held many public meetings where it heard from numerous witnesses. Witness testimony is available on the Treasury Department web site at www.treasury.gov/offices/domestic-finance/acap/submissions-12032007.shtml.

Also active in serving as a resource to the committee is the Center for Audit Quality, an AICPA affiliate. The CAQ submitted a letter to the committee outlining the current state of the public company audit environment. The letter is available on the CAQ's web site (www.thecaq.org).

Three subcommittees were formed to focus on specific areas: Human Capital, Concentration and Competition, and Firm Structure and Finances. Each of these subcommittees also met several times and will share preliminary findings with the full committee in March. Topics these subcommittees will pursue include:

- The **Human Capital Subcommittee**, of which Melancon is a member, is charged with examining the auditing profession's ability to cultivate, attract and retain the human capital necessary to meet developments in the business and financial reporting environment and ensure audit quality for investors.

- Exploring audit market competition and concentration, as well as the impact of the independence and other professional standards on the market and investor confidence are discussed in the **Concentration and Competition Subcommittee**.
- Organizational structure, financial resources and communication of the auditing profession are being covered by the **Firm Structure and Finances Subcommittee**.

The full committee will consider the subcommittees' recommendations. For additional developments heading to the final report, visit www.treasury.gov.

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Accounting & Auditing

Evaluating and Communicating Internal Control Deficiencies

By Suzanne M. Holl, CPA

Confused about liability implications of SAS No. 112? Communication is key. And, small-business clients may need special attention.

SAS No. 112, *Communicating Internal Control-Related Matters Identified in an Audit*, supersedes SAS No. 60 and provides guidance to auditors on identifying, evaluating and communicating matters related to entities' internal control over financial reporting.

Issued in May 2006, it is effective for audits of financial statements for periods ending on or after Dec. 15, 2006. The new auditing standard is not intended or designed to change the scope or limits of an audit of a company's financial statements. In simple terms, the auditor is *not required* under SAS No. 112 to perform procedures designed to search for and identify deficiencies in internal control.

The new standard is only meant to address the deficiencies an auditor may become aware of during the course of audit procedures and, therefore, is influenced by the nature, timing and extent of the procedures performed. Consequently, it is important to have appropriate engagement letter language in place to avoid confusion or a client's "expectation gap" with respect to the firm's responsibilities and the inherent limitations of the audit engagement.

SAS No. 112 has two significant requirements:

1. The auditor must ***evaluate*** the control deficiencies that he or she has become aware of to determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
2. The auditor must ***communicate in writing*** significant deficiencies and material weaknesses to management and those who are charged with governance.

Regarding the second requirement, for some smaller clients, or in the case of an owner-managed client, management and those who are charged with governance may be the same people. However, in larger organizations, governance is broader than just the management component and is considered the collective responsibility of the board of directors, an audit committee, partners and anyone else designated by the organization as having responsibility for governance. Clearly, in order to comply with the requirements of SAS No. 112, it is important that the CPA uses appropriate judgment when determining the "who" in the definition of those who are charged with governance.

The standard does attempt to define certain key terminology. However, it is very apparent that a great deal of professional skepticism and judgment is required when applying this guidance to "real-world" scenarios. CPAs need to exercise their own good judgment in assessing and concluding “whether prudent officials, having knowledge of the same facts and circumstances, would agree with the classification of the deficiencies.”

“Prudent” in this context means that CPAs will need to be careful or diligent in performing their duties. From a liability perspective, the requirement to communicate in writing certainly appears to be a strong loss-prevention tool. CAMICO has long advocated that CPAs put all significant communications in writing and that these communications be directed at management and those charged with governance.

In our experience, a defense is almost always more successful when based on documentation rather than memory. Also, the contents of the written communication can be expanded beyond the required elements specified in the new standard to include other matters that may be of potential benefit to the client, as well as other items that may help to avoid the client “expectation gap.” This approach is simply good client service.

Small-Business Clients

CPAs also should give special attention to the implications of SAS No. 112 as it relates to small-business clients. Typically, there are many inherent limitations in the accounting procedures of small businesses that may cause control deficiencies. Probably the most common internal-control shortcoming in small businesses is an inability to segregate duties.

For example, if your client is a small business, and the owner relies on a long-time employee to handle all the bookkeeping, payroll and banking responsibilities, the owner might spend little to no time reviewing the bookkeeper’s work. If your firm has been engaged to quarterly review certain procedures performed by the bookkeeper, including bank reconciliations, would the work performed by your firm be viewed as compensating controls and an adequate substitute for the owner’s lack of oversight? As clarified under SAS No. 112, the answer is no, as only the controls that the client has in place can be considered when evaluating compensating controls. In this scenario, the lack of appropriate segregation of duties and management oversight would be considered a material weakness and would need to be communicated in writing to the owner.

Professional skepticism is important when focusing on the consideration of compensating controls to determine if they appropriately mitigate the significance of a control deficiency.

Jury Standards

Even the more restrictive requirements under SAS No. 112 as it relates to identifying, evaluating and communicating significant deficiencies in internal control are still below the expectation level and responsibilities jurors often place on CPAs. CAMICO claims experience shows that the public expects CPAs to follow the professional standards **and** to “get it right.”

Consequently, CPAs who focus only on professional standards to the exclusion of jury standards will be treading on thin ice. From our experience, the key to “getting it right” is to follow professional standards, meet client expectations, and adhere to the public’s perception of CPAs’ responsibilities. This formula is clearly the best loss-prevention technique for protecting the public interest.

Remember, communicating internal-control matters in writing to clients offers CPAs an opportunity to better serve their clients, to better protect themselves, and to enhance existing client relationships.

About the Author

Suzanne M. Holl, CPA, is vice president of loss-prevention services with CAMICO. She provides CAMICO's member-owners with information on a wide variety of loss prevention and accounting issues.

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Accounting & Auditing

News & Notes from the State Board of Accountancy – Licensing Issues

By Carol Flores, Licensing Administrator, Licensing Division

As the new Licensing Administrator, I would like to thank MACPA for providing me with the opportunity to reach members through The *Leaders' Edge*. I welcome your feedback regarding areas of interest and any questions you may have as we begin this new era of information sharing.

Certificate of Enrollment

Michigan candidates for the CPA Exam may now use the Certificate of Enrollment form. The form allows candidates to apply, schedule and take sections of the Uniform CPA Exam up to 30 days prior to meeting their educational requirements through NASBA.

Please note the form was cancelled after the exam transitioned from paper and pencil to a computerized format because additional test windows were being offered throughout the calendar year. However, the additional test windows did not assist all students if they graduated late in the spring and could not take sections of the exam because of late graduation. Therefore, a recent change in policy was made and candidates may now access the form through NASBA's web site.

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Tax Tidbits

Michigan Business Tax Q&A Series – Materials and Supplies

As members tackle their first year under the Michigan Business Tax (MBT), MACPA continues to take the lead in providing advice on implementing the new tax law. To further this effort, the members of the MACPA Business Tax Restructuring Task Force will select specific areas of the MBT that may be considered ambiguous or misleading without further interpretation. Over the next several issues, *Leaders' Edge* will feature official Department of Treasury guidance to help clarify important facets of the MBT.

Kicking off the series is the Department of Treasury's interpretation of "materials and supplies, including repair parts and fuel" as indicated in Michigan Compiled Law (MCL) section 208.1113(6)(c).

Many people have interpreted the terms "materials" and "supplies" to encompass all consumable tangible personal property; in other words, tangible items that are expensed rather than capitalized. However, Treasury's position differs as indicated by its response (M4 linked below) interpreting "materials and supplies." The state has taken the position in their FAQs that the deduction is limited to items that are "used or consumed in and directly connected to the production or management of inventory or the operation or maintenance of assets." It is not clear what the basis is for the position that only items consumed in connection with inventory and assets are deductible.

As indicated in Treasury response M17, the Department has stated that the deduction for materials and supplies also applies to a service provider, but only if the service provider maintains an inventory of goods for sale or has depreciable assets.

The following question and response topics regarding the definition of "materials and supplies," linked below, are available via the Department's FAQ archive updated last on April 22:

- Definition of "materials and supplies" (M4)
- "Purchases from other firms" (M14)
- Applicability to Service Providers (M17)
- Fuel as "purchases from other firms" (M45)
- Interplay of Assets (M37)

Any additional questions on this topic may be submitted via the MACPA Q&A Forum where members of the Business Tax Restructuring Task Force will address them and forward the queries to the Department of Treasury for further consideration. If you have any questions you would specifically like the Department of Treasury to address, submit them via the MACPA Q&A Forum as well.

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Of Interest

Teamwork at Its Best – MACPA Partners with the IRS

For the second year in a row, the IRS partners with the MACPA to present *2008 Tax Professionals and the IRS: Successfully Working Together*. The event is scheduled for Friday, June 13, at the Rock Financial Showplace, Novi.

Jam-packed with critical information for every tax practitioner, topics such as What's New with the IRS, Taxpayer Burden Update, Michigan Department of Treasury Update, IRS Preparer Penalties, plus much more, are thoroughly discussed by expert IRS and tax speakers.

This unique program partnership fosters effective relationships between tax professionals and the IRS. Once again, MACPA is excited to take the helm in terms of planning, promoting and providing on-site coordination of the event. Along with MACPA, other partners include:

- Independent Accountants Association of Michigan
- Michigan Society of Enrolled Agents
- State Bar of Michigan – Taxation Section
- National Association of Tax Professionals – Michigan Chapter
- Michigan Association of Financial Providers
- National Society of Tax Professionals

For more information, please click here for the event flyer or call the MACPA CPE Department at 1.888.877.4273. Click here to register online.

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Of Interest

Gage Your Firms Performance and Make Educated Management Decisions

Are you a managing partner at an accounting firm or do you own your own firm? The AICPA's Private Companies Practice Section (PCPS), together with the Texas Society of CPAs, (TSCPA) are asking that all managing partners of accounting firms, large or small, nationwide participate in the 2008 PCPS/TSCPA National MAP Survey.

This is your opportunity to benchmark your firm against others like yours. Compare your firm's management policies and financial results on a national scale, and gain strategic guidance to help build a more profitable practice. When you complete this survey you will receive the results free of charge and be able to compare data tailored to your firm's size, specialty and region.

The 2008 survey is shorter, with 40% fewer questions, plus it is more targeted and user-friendly. Do not miss this golden opportunity for your firm. The survey will be open through Friday, July 11. Do not delay, take the survey today!

For more information visit the MACPA web site at www.michcpa.org or call us at 248.267.3700.

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Of Interest

Feeling the Pinch at the Pump? The MACPA Can Help

Every day you turn on the news there is another story about increasing gas prices. According to MSNBC.com, gas prices are almost 67 cents higher today than this time last year, and experts do not rule out the possibility that we could reach a national average of $4 per gallon in coming weeks.

In the April 21, 2008 issue of E-News the MACPA offered tips (see sidebar) to help improve your fuel economy. While these measures may help save on gas costs, they will not eliminate them. And, let's face it, you cannot stop driving; that is, unless you are given an alternative to getting in your car. That is exactly what the MACPA is offering, a way to stay at home, or at your office, and still earn your required 40 hours of continuing education.

MACPA webinars are a great gas-saving CPE alternative. Webinars allow for live, group-study directly from your home or office computer. Participation in webinars has skyrocketed over the past year. In 2007. the association, along with our partners Society InSight and ACPEN, offered 84 webinars, with more than 1,900 participating members. This year the MACPA will offer more than 100 webinars on a variety of topics including ethics, accounting and auditing scams, doing business internationally and international accounting standards . For a complete listing of webinars please visit the MACPA online CPE Course Catalog, and search by course type 'webinars'.

Customized Training Solutions (CTS) is another gas-saving CPE alternative offered by the MACPA. With CTS, members get in-house, high quality results-oriented training specifically designed to meet your organization's needs. We will bring our instructors and curriculum to you – all you need to do is pick the area of study and decide on a time and date. It is that easy. The MACPA provides CTS training and resources in auditing, tax, management, leadership, IT, internal controls, ethics, fraud, computer training, strategic planning and more. Programs can be taught in one-, two-, four- or eight-hour formats. Cori – did I interpret this correctly? You had 1-2 hour, 4 hour or 8 hour formats.

The next time you register for a continuing education event, rather than considering the drive time and the cost of gas, opt for a MACPA webinar or schedule some MACPA in-house training. We guarantee you will acquire the same high level of knowledge you have come to expect from MACPA programs, and you'll keep more gas in your tank.

Tips to Improve Fuel Economy

• Keep your engine tuned, maintain tires at the correct pressure, change the air filter regularly and use energy-saving motor oil.
• Avoid aggressive driving such as rapid acceleration and braking. It can lower fuel economy up to 33 percent on the highway and five percent around town. This can cost as much as $0.49 per gallon.
• Watch your speed - high speed creates more wind resistance. Every five mph driven over 60 mph can cost an additional $0.10 per gallon.
• Be aware that running electric accessories like an air conditioner can also reduce fuel economy by five to 25 percent.

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Legislative & Regulatory

Ethics Q&A: Ethical Implications of a CPA Becoming a Real Estate Broker

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

Q: I am a licensed CPA who is considering becoming a real estate broker with my firm. What ethical implications must I keep in mind when acting as the real estate broker?

A: There are several provisions of the *Code of Professional Conduct* to keep in mind.

As a member in public practice, you must maintain objectivity and integrity. You cannot sign anything that is either materially false or misleading.

Code section 55.04 states that “members employed by others to prepare financial statements or to perform auditing, tax, or consulting services are charged with the same responsibility for objectivity as members in public practice and must be scrupulous in their application of generally accepted accounting principles and candid in all their dealings with members in public practice.”

You also may use the CPA designation, along with employment title, on a business card, on stationery/letterhead or in paid advertisements as indicated by Code sections 191.130-.131 and 591.075-.076. “However, if the member uses the CPA designation in a manner to imply that he or she is independent of the employer, the member would be knowingly misrepresenting facts in violation of rule 102 [ET section 102.01]. Therefore, it is advisable that in any transmittal within which the member uses his or her CPA designation, he or she clearly indicate the employment title.”

The *Code of Professional Conduct* allows for practice as a CPA in combination with another licensed profession; however, the ethical standards for each professional group must be observed.

It must be clear that when you are acting as a real estate broker, you are not acting as a CPA. If at all possible, it is recommended that you develop an engagement letter to describe exactly what service(s) is being provided.

Legislative & Regulatory

Why Should I Get Involved in MACPA PAC?

The MACPA Political Action Committee affords members and the CPA profession statewide a larger voice on matters before the State Legislature. With the dedicated support of MACPA PAC contributors, the Association has been able to maintain and grow its efforts in political advocacy, protecting the integrity of the CPA designation.

A voluntary contribution from you and your colleagues to the MACPA PAC allows the Association to support like-minded candidates for public office who understand how policy affects your bottom-line. These candidates include House and Senate committee members who have expertise in the areas of finance and taxation, as well as leaders who set the legislature's policy agenda.

Please consider a tax-deductible contribution today. If you're still uncertain as to the benefits of the MACPA PAC, perhaps these convincing comments from a few of your colleagues will help you understand why this investment is so important:

A Strong Voice in Lansing:

"As Chair of the MACPA PAC Board, it is my goal to make sure we raise awareness for the profession in Lansing. I have seen first-hand that access to the policy-making process really does allow the Association a voice on behalf of its members. Without that voice, it's very possible that legislation could bring about unintentional yet adverse effects on our profession."

John Pridnia, CPA – MACPA PAC Board Chair

Everyone Has a Stake:

"Every single one of our firm's partners here in Michigan makes an annual contribution to the MACPA PAC. They understand how important it is that CPAs are able to participate in establishing the laws that directly affect their livelihood."

Greg Nowak, CPA – Partner, PricewaterhouseCoopers

"Believe it or not, more than half of all MACPA members do not work in public accounting. The majority, like me, are from industry and the MACPA PAC represents us too. As CPAs, regardless of where we work, our commitment is always to advocate good business as trusted professionals. It is a contribution to the MACPA PAC that provides another avenue for us to support issues that are good for business and good for our communities."

Doug Roosa, CPA – General Auditor, MASCO Corporation

CPAs Desire to Help:

"Our profession is well-respected among members of the Michigan Legislature. They recognize the MACPA as a technical resource on fiscal and tax-related matters and it's the PAC that allows us greater exposure among office-holders who require our working knowledge in pursuing good public policy."

Doug Relyea, CPA – MACPA State and Local Tax Task Force Chair

Protecting Us Against Competing Interests:

"We now realize the effects of term limits (as they operate in Michigan) on our State Legislature and how important Political Action Committees have become in developing and maintaining relationships with office-holders both existing and new. Legislators soon get to know who their allies are through regular contact and financial support. The MACPA realizes this and always supports and meets with legislators to help them understand the profession's needs and interests."

Dennis Echelbarger, CPA – Member, MACPA Legislative Advisory Group

One of Our Own:

"Prior to my election to the State House, I was working as a CPA in industry. I was encouraged to receive the support of so many of my colleagues through the MACPA PAC. Not only was the support a key component in my victory, but it helped to reinforce the idea that MACPA members needed me to stand tall on matters important to the profession."

Mayor Daniel S. Paletko, CPA (Dearborn Heights) – Former Michigan State Representative

Contribute today by mailing your personal check to MACPA PAC, PO Box 5068, Troy, MI 48007-5068, by calling the MACPA at 248.267.3700, or by visiting the Association's web site at www.michcpa.org.

Legislative & Regulatory

Senator Stabenow Latest to Support Ban on Tax Strategy Patents

U.S. Senator Debbie Stabenow has joined her Michigan colleague, Senator Carl Levin, as a co-sponsor of federal legislation seeking to ban the issuance of patents on tax strategies. Senate Bill 2369, endorsed by both the MACPA and AICPA, would allow tax practitioners and clients the freedom to utilize interpretations of tax law and allow for the validity of tax strategies to be challenged on behalf of their clients without risking legal recourse.

Current law defined by *The Patent Act of 1952* provides that patents may be granted for innovations that are useful, novel and non-obvious. And as a result of a 1998 U.S. Federal Court of Appeals case, *State Street Bank & Trust v. Signature Financial Group, Inc.*, it is held that business methods fall into this category of patentable inventions.

Since the decision in 1998, more than 60 patents on tax strategies have been issued with many more applications pending. They cover a variety of areas including estate and gift tax, pension plans, charitable giving and deferred compensation.

However, in recent years the concern of tax practitioners, taxpayers and congressional tax writers over the patenting of tax strategies has grown. In 2006, Congress began to formally address the issue. Prior to a hearing of the Subcommittee on Select Revenue Measures of the House of Representatives Committee on Ways and Means, the AICPA voiced its opposition to such patents. The AICPA spoke before Congressional staff and generally supported the testimony given by, among other leading experts, IRS Commissioner Mark Everson. Testimony highlighted how legal restrictions on the use of tax strategies harm the public.

In essence, patents on tax strategies undermine the integrity of the nation’s tax system, creating inequalities among taxpayers and restricting tax preparers from advising and protecting their clients to the full extent of the law.

This issue, already addressed by the House of Representatives in the passage of House Resolution 1908, the *Patent Reform Act of 2007* is now being taken up through S. 2369 in the U.S. Senate. The MACPA congratulates Senators Stabenow and Levin for recognizing this important legislation and applaud their public support.

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Legislative & Regulatory

AICPA Issued Revised Peer Review Standards – Effective January 1, 2009

The AICPA Peer Review Board has released revised standards for *Performing and Reporting on Peer Reviews* and Interpretations to the *Standards*. The revised guidance is expected to result in a more efficient and effective peer review process. Since the revisions are significant, all interested parties, especially peer reviewers, peer-reviewed firms (including those responsible for their firm's quality control functions) and peer-review users are encouraged to become familiar with them.

Many factors have influenced the current reevaluation of the *Standards* and Interpretations, most notably comments 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. Their conclusions and proposals were released in April 2007 in an exposure draft with a comment deadline of June 30, 2007. The comment letters, which reflected stakeholders' continued strong interest in improving peer review, were carefully considered, and their feedback was incorporated into the final guidance approved by the Board in late 2007.

Revisions to the *Standards* include more principles-based standards and changes to engagement and report reviews. Also, the reporting process has been reengineered to include a shorter and more concise peer-review report, which enhances its clarity, comparability and understandability.

To ensure program integrity and usefulness, the proposed revisions were designed to meet stakeholders' needs. The revisions recognize the public interest in the quality of the accounting, auditing and attestation services provided by members' firms. They also recognize the importance peer review plays in the state board of accountancy licensure process and for other regulators such as the Government Accountability Office.

To further these objectives, the revised guidance creates 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.

The revised *Standards* and Interpretations are effective for peer reviews commencing on or after January 1, 2009. We encourage you to review and become familiar with the revised guidance.

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Technovision

Thinking about CITP? Now's the Time **- MACPA Members Benefit from the State Society CITP Challenge**

The American Institute of Certified Public Accountant's 2008 State Society Certified Information Technology Professional (CITP) Challenge has been underway and is continuing through July 31, 2008. The MACPA supports the AICPA's on-going efforts to raise awareness and recognition of the CITP credential that is exclusively available to CPAs.

The CITP credential is a unique credential as it distinguishes CPAs with a broad range of competencies in business and technology, whether they work in public accounting, consulting or business and industry. By becoming a CPA.CITP, your credential conveys that you have the independence and objectivity unique to the CPA and the business acumen necessary to align IT innovation with the needs of the business.

MACPA members receive benefits from our participation in the CITP Challenge. Currently members are invited to attend an upcoming ***AICPA 2008 Top Technology Initiative*** web seminar on May 23. Members can receive special AICPA discounts, including a $200 discount off the CITP program-enrollment fee for all members who apply for their CITP credential by July 31, 2008.

For more information about current events and discounts, and the CITP Credential, visit: http://infotech.aicpa.org/Memberships/citp+challenge+-+prospective+applicants.htm

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Association Briefs

In Memoriam

Richard Barnhill
November 2, 2007
Bloomfield Hills, MI
Joined MACPA: June 30, 1981
Certified: July 24, 1961

Bruce Barrett
January 15, 2008
Chelsea, MI
Joined MACPA: July 31, 1980
Certified: March 27, 1980

Robert H. Bell
February 29, 2008
Kalamazoo, MI
Joined MACPA: November 30, 1975
Certified: September 30, 1975

Raymond Booth
November 5, 2007
Brighton, MI
Joined MACPA: December 31, 1958
Certified: August 1, 1958

Raymond Borders
November 24, 2007
Shelby Twp, MI
Joined MACPA: July 31, 1981
Certified: March 26, 1981

Mano Hardies
March 14, 2008
East Lansing, MI
Joined MACPA: November 30, 1999

James R. Hyman
January 31, 2008
Scotts, MI
Joined MACPA: July 15, 2005
Certified: February 22, 1979

Gerald Kosco
November 13, 2006
Commerce Township, MI
Joined MACPA: April 30, 1979
Certified: April 26, 1979

Roger Mack
April 2, 2008
Mason, MI
Joined MACPA: May 31, 1991
Certified: January 24, 1991

Robert P. McBain
January 4, 2007
East Grand Rapids, MI
Joined MACPA: October 31, 1971
Certified: September 15, 1971

Gordon Niemi
December 12, 2007
Traverse City, MI
Joined MACPA: December 15, 2003

Melvyn Shewach
December 31, 2007
West Bloomfield, MI
Joined MACPA: May 31, 1970
Certified: April 20, 1970

Donna Smith
March 26, 2008
Troy, MI
Joined MACPA: September 24, 1981
Certified: September 24, 1981

Irwin Van Noord
October 10, 2007
Grand Rapids, MI
Joined MACPA: April 30, 1955
Certified: January 27, 1955

Oliver G. Ward
December 22, 2007
Grosse Pointe, MI
Joined MACPA: May 31, 1963
Certified: January 25, 1961

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MACPA Officer and Director Nominations

In accordance with Article VII, Section 2 of the MACPA Bylaws, the Nominations Committee met on May 7, 2008, 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, 2009)
Chair of the Board – Thomas H. Beard, Godfrey Hammel Danneels & Co. PC, St. Clair Shores
Chair-Elect of the Board – Jonathan D. Anibal, Marsh USA Inc., Detroit
Treasurer – Gregory A. Nowak, PricewaterhouseCoopers LLP, Detroit
Secretary – John P. Pridnia, Pridnia LaPres PLLC, Muskegon
Past Chair – Sean C. Keenan, KPMG LLP, Detroit

In accordance with the MACPA Bylaws, Article V, Section 4, Gail Sparks Pitts, Oakland Community College, Bloomfield Hills, will serve as Immediate Past Chair of the Board for a two-year term ending August 31, 2010.

Director Nominees
(Terms expiring August 31, 2011)
Kathy M. Downey, Plante & Moran, PLLC, Clinton Township
Robert S. Gigliotti, The Rehmann Group, Troy
Randolph C. Paschke, Wayne State University, Detroit
Ramona H. Pearson, Ramona Henderson Pearson CPA PC, Detroit
Douglas P. Roosa, Masco Corporation, Taylor
Millian M. Toms, Millian M. Toms CPA, Bolingbrook, IL

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CPA Running for Office? We Want to Know

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. CPAs running for office should contact the MACPA Government Relations Department by e-mail or phone 248.267.3710.