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Leaders' Edge

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Top Stories

One CPA Elected to State House, One Narrowly Defeated



*Tom McMillin, CPA
Newly Elected
Member of the
Michigan House of
Representative*

Come January 2009, a CPA will take office in Lansing as a newly elected member of the Michigan House of Representatives. For the first time in many years, Michigan's CPA profession will have one of their own within the State Capitol – truly the best advocate for any profession.

As expected in the heavily Republican area of Rochester Hills, MACPA member Tom McMillin was victorious in his race over Democrat Randy Young to represent the citizens of the 45th House District. As a former Oakland County Commission and Mayor of Auburn Hills, Tom brings a wealth of local political experience to Lansing.

*Read an entire
overview of the
election results for
the state of Michigan
[here](#).*

In the most closely watched State House race, Republican Mary Treder Lang, CPA, was edged out by Democrat Timothy Bledsoe to represent the 1st House District, including the communities of Grosse Pointe, Harper Woods and a portion of the City of Detroit.

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Top Stories

Record Crowd Gets First Glimpse of Draft MBT Forms

One of the hottest sessions at the recent Michigan Tax Conference provided the first look at the [final draft Michigan Business Tax \(MBT\) forms](#). The MBT was a primary focus at the MACPA's two-day Michigan Tax Conference on November 5 and 6 in Novi. Floyd Schmitzer, director of the Bureau of Tax Processing in the Michigan Department of Treasury, unveiled the new draft forms to a crowd of nearly 600 CPAs, attorneys and financial executives and administrators.

The MACPA, the Michigan Department of Treasury and the Taxation Section of the State Bar of Michigan partnered once again to plan the conference. The event featured over 30 general and breakout sessions presented by more than 60 state and local tax experts from Michigan and around the country.

While the event showcased numerous national speakers, Michigan CPAs, tax attorneys and Department of Treasury officials explained the nuances of the tax. Several key sessions focused on two sticky MBT issues: unitary reporting and modified gross receipts.

Highlights of the first day, November 5, included six general sessions interspersed with targeted breakout sessions. In his keynote address, State Treasurer Robert Kleine likened Michigan's economic outlook to Castor Oil. "We're going to have to take our medicine – no matter how distasteful," he said. He predicted we could experience the longest post-war recession, saying the turbulent economic times may last 16 months or longer. For Michigan, he indicated, it started last December. "So we're already nine months into it," he said.

Luncheon speaker Ed Sarpolus, director of government affairs for the Michigan Education Association, shared his perspective on the election outcome. Recognized as the state's leading pollster and expert on election demographics, Sarpolus said results showed that Americans got comfortable seeing Barack Obama on the 6 o'clock news. Sarpolus noted that Obama won the white vote in Michigan. "Something Al Gore and John Kerry were not able to do," he said.

In other general sessions, a panel of tax experts and Department of Treasury officials discussed MBT issues and controversies, while another panel answered questions specific to modified gross receipts. A fourth general session featured Harley Duncan, of KPMGs Washington National Tax Office, and Doug Lindholm, president and executive director of the Washington-based Council on State Taxation (COST). The pair discussed multi-state taxation issues including remote sales tax collection, Internet tax, non-resident withholding, and

Couldn't attend the Michigan Tax Conference?

Get your own copy of the voluminous [handout materials](#) provided to Tax Conference attendees in CD or printed format.

MACPA Honors Nowak With Award at Tax Conference

Read the [story](#).

more.

On November 6, Senate Majority Leader Mike Bishop offered his views on the need for transformational change in Michigan. A supporter of downsizing state government, Bishop expressed his concern about spending levels and said he believes one key to a turnaround in the state revolves around significant changes in tax policy.

Bishop also thanked the MACPA and the accounting profession for serving as a valuable resource in Lansing. "You are integral in helping us sharpen the pencils and learn to use good business practices," he said. "Thank you for what you do. And, stay involved."

In a post-lunch shirtsleeve session, Floyd Schmitzer offered a detailed explanation of how the MBT would be administered. Other general sessions included a panel discussion moderated by WDIV anchor Guy Gordon on Michigan's economic development efforts and the considerations for doing business in Michigan; Paul Frankel, partner at Morrison & Foerster in New York, outlining significant case law developments in state taxation; and a panel of tax experts and Treasury officials addressing specific questions on unitary reporting.

The two-day conference drilled down to details on many issues in nearly 20 breakout sessions. The most popular breakouts were sessions relating to the MBT.

"The goal of this year's conference was to get participants' questions answered, particularly as it relates to MBT," said Judith Trepeck, chair of the Michigan Tax Conference Task Force. "We did that through the expert presentations and extensive Q&A sessions. Those questions not answered at the conference will be posted on the MACPA website," added Trepeck. Members can watch the [MBT page](#) of the MACPA website as the Q&As become available.

Mark your calendar now for next year's event – slated for the Rock Financial Showplace in Novi on November 3 and 4, 2009. "The first year of filing will be full of issues and information that you won't want to miss. We are saving a seat for you!" says Chair Trepeck.

Top Stories

Navigator of the Profession – John P. Pridnia, CPA



*John Pridnia, CPA
2008-2009
Secretary, MACPA
Board of Directors*

John Pridnia never takes his CPA credential for granted. After more than 25 years in the profession, and as partner/owner of Pridnia LaPres, PLLC in Muskegon, each day he faces new challenges and opportunities for professional development. John is actively involved in advancing the profession by serving as Secretary on the MACPA Board of Directors and as a member of MACPA's Political Action Committee. In addition to his work with the MACPA, John finds the time to volunteer in his community on various committees and boards of nonprofit organizations, including the Board of Directors of the American Red Cross in Muskegon, Oceana and Newaygo Counties. According to John, "We, as CPAs, have great talent in the financial area, where most charities need help." His ability in finding new ways to use his CPA credential to support others, whether by advancing the profession as a whole, or assisting important organizations within his community, is commendable. *Effective January*

1, 2009, Pridnia LaPres, PLLC will merge with The Rehmann Group.

What made you decide to go into the accounting profession?

I had a high school teacher that saw something in my schoolwork that caused him to suggest that I consider going into accounting. I went to a small high school that did not have an accounting class, so this teacher created a self-study/independent study class in my senior year, which introduced me to the world of accounting. I enjoyed it and decided to pursue it in college.

What makes going to work every day fun and exciting?

Every day is different and has different challenges. The ability to work with a variety of people on their tax and accounting needs is really an exciting part of this profession. After more than 25 years of working in the profession, I can truly say I get up most every day fired up to get to the office and begin another day. It is those challenges that keep you on your toes and make you a better advisor and CPA.

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

I don't think I would consider the path to where I am today having obstacles, but rather challenges. I am a firm believer that working hard and tackling challenges are part of being successful in your work and your personal life. If you are committed and give 110% in everything you do, the rewards and satisfactions are endless.

What is the most exciting aspect, for you, of serving on MACPA's Board of Directors?

Getting to be a part of the direction of your profession has to be the aspect that I would say is the most exciting. Also, the knowledge I have gained through my involvement at the Board

level and through the various task forces is so valuable in my professional development.

You've been very involved in the MACPA Political Action Committee and advocacy efforts. What steered you in that direction?

It seems that I have always been somewhat interested and involved in the political process through my father having served in the Michigan House and Senate. I learned early on how the legislative process consisted of many different ideals and interests; and those who were elected by us, were there to represent us. I truly value the open communication with people who enact legislation. The sincere gratitude from legislators for the education and assistance we provide to help them do their jobs is so satisfying, as well as important in the policy-making process in our state.

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

I am truly a "trout bum" at heart and any time I get the chance, I'm off to some river with fly rod in hand. It is my time for solitude and reflection on every aspect of life.

How do you balance your personal and professional life?

I am blessed to have an exceptional and understanding spouse who truly understands the philosophy of "work hard/play hard." We have always tried our best to be there for each other and for our two daughters. It is not always easy, nor can you be everywhere all the time, but their understanding and support is essential in the overall balance.

What has been your most meaningful volunteer experience?

I think one of the most rewarding things we can do as a CPA is volunteer time and expertise to those individuals and organizations in need. We, as CPAs, have a great talent in the financial area, where most charities need help. Throughout my career, I have had the opportunity to serve in many different volunteer roles, with each playing an important part in supporting our community. I would point to two most meaningful volunteer experiences. The first has been my many years of serving on the Board of Directors and various committees of the American Red Cross serving Muskegon, Oceana and Newaygo Counties. The second would be my time serving on the Hackley Hospital Board of Trustees. I have had more opportunities to see how the American Red Cross helps so many in our community at times when they need it most, and that has been so personally emotional and rewarding. My involvement at the Hackley Hospital Board of Trustees and the recent merger with Mercy General Health Partners has been a very challenging but also rewarding experience that will help serve our community's health needs well into the future.

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

This is such an exciting profession and great time to get into it. We play such an important role in so many different aspects of the financial world. It is not the same profession I entered some 20 years ago and I'm sure it will change many more times before I am ready for retirement. I think that's why I so much enjoy being a CPA. You have to adapt, be committed and find the type of work that gets you up in the morning, charged up and ready to get to work!

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

That is a tough question, as I think there are many things that are not just needed, but

imperative to the success of our profession. Education and educators are going to be the key to this success. We must to recruit and develop the educators that will lead the next generation of CPAs into the profession. We need great new graduates and people entering the profession to help fill the important roles and address technical aspects of our profession. We need leaders to help guide CPAs in our state and throughout the country in these changing times. We need to continue to strive to be "the most trusted advisor" and promote our independence, abilities and adaptability to an ever-changing economy. We have many challenges and many opportunities...stay tuned and hang on for the ride, as it will be exciting to be part of it.

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Message from the Chair of the Board

Partnerships Strengthen the Profession, Offer Unique Opportunities for Members



*Thomas H. Beard
2008-2009 MACPA
Chair of the Board*

A year after its introduction, the Michigan Business Tax is still the most significant topic around for CPAs and attorneys. The MBT was the primary focus at the MACPA's two-day Michigan Tax Conference on November 5 and 6 in Novi. This premier event drew a record-setting crowd – nearly 600 on the first day, and 500 the second – and featured state tax experts from around the country. The MACPA, the Michigan Department of Treasury and the Taxation Section of the State Bar of Michigan partnered to put the conference together.

For many, a highlight of the program was the Department of Treasury's revelation of the long-awaited [final draft MBT forms](#). The level of support and participation of Treasury is unprecedented – a Treasury representative participated in some way in nearly every session. It speaks to the great partnership between the MACPA, Treasury and the Taxation Section of the State Bar. More importantly, it provided our members with the opportunity to interact directly with Treasury staff.

Another high point of the event for me was the opportunity to recognize one of our members with a new award, created in honor of Thomas Hoatlin, the state's first Single Business Tax Administrator and Revenue Commissioner. Tom was visionary in that he saw the value of nurturing a productive relationship between the Michigan Department of Treasury and the MACPA. He cultivated what now, many years later, is a great partnership. This tax conference and Treasury's significant involvement is just one great example of that partnership.

The Thomas M. Hoatlin Award recognizes the MACPA State & Local Tax Task Force member that most significantly contributes to the lasting and mutually beneficial relationship between the MACPA and the Michigan Department of Treasury.

We proudly presented the first Thomas M. Hoatlin Award to **Greg Nowak**. Greg is State Tax Services partner with PricewaterhouseCoopers and has been an invaluable resource to state government officials throughout the development and implementation of the Michigan Business Tax. He exemplifies what Tom Hoatlin stood for ... cooperation and doing what is best for the State of Michigan and its people.

It is with this spirit of cooperation that the MACPA works to advance the profession and protect the public interest. Our great working relationship with the Michigan State Board of

Accountancy is another example. We're very pleased to include a column in this issue of *Leaders' Edge* written by [Licensing Director Joyce Karr](#).

We've also forged a new partnership with the Detroit Executive Service Corps to help small not-for-profits comply with 990 filing requirements (see the [story](#)).

These relationships are vital to the MACPA's commitment to build upon our strengths to meet the needs of members. As always, feel free to contact me or our President and CEO Peggy Dzierzawski with your concerns or feedback.

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Tax Tidbits

Treasury Released MBT Final Draft Forms

The Michigan Department of Treasury unveiled the Michigan Business Tax (MBT) final draft forms and instructions at [MACPA's 2008 Michigan Tax Conference](#) last week. If you were not able to attend the conference, Treasury has posted the draft forms [online](#).

Please note these are only DRAFT forms that cannot and will not be processed by the Department of Treasury. Final versions of the MBT forms and instructions will be released by the Department of Treasury in January 2009.

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Tax Tidbits

A Great Volunteer Opportunity for all MACPA Members!

If you're looking for just the right volunteer opportunity that will not only help numerous low-income families and individuals, but also sharpen your tax skills – your search stops here!

We are currently ramping up for our **2009 Tax Assistance Program**, a MACPA Communications Task Force initiative in partnership with the Accounting Aid Society. With just a few hours of required software training (CPE credit available), you will have the capability to prepare tax returns for low-income individuals and families at **Focus: HOPE in Detroit**. The program takes place during three Saturdays at the beginning of tax season, the dates are listed below. Training session dates are available [here](#).

Regardless if you're a seasoned CPA, new professional or accounting student, your volunteer efforts would be truly appreciated by the clients. The dates for the program are as follows:

- January 31, 2009
- February 7, 2009
- February 14, 2009

You can volunteer for one, two or all three days.

Last year, MACPA volunteers completed tax returns for 148 low-income clients with returned dollar amounts totaling nearly \$160,000 over the three-day program.

We have also teamed up with the Karmanos Cancer Institute to educate clients about the Michigan Department of Health's [Breast and Cervical Cancer Control Program](#) (BCCCP). Representatives from BCCCP will be on site each Saturday to distribute information on cancer screening, early detection and treatment availability, as well as to answer any questions or concerns.

If you are interested in volunteering for the 2009 Tax Assistance Program, please contact Wendi Salmons at wsalmons@michcpa.org or 248.267.3709.

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Tax Tidbits

MACPA Honors Nowak With Award at Tax Conference



*Greg Nowak, CPA
Thomas A. Hoatlin
Award Honoree*

CPA Greg Nowak, State Tax Services partner with PricewaterhouseCoopers and a member of MACPA's State and Local Tax Task Force, received the Association's first-ever Thomas M. Hoatlin Award at the Michigan Tax Conference on November 6, 2008.

Nowak, a specialist in state tax structuring, has been an invaluable resource to state government officials throughout the development and implementation of the Michigan Business Tax.

Presenting the award, MACPA Chair of the Board Thomas Beard said, "Greg has generously shared his expertise with the MACPA in many ways over the years, but especially most recently as a resource for the development of this conference, and on MBT issues in general. Greg exemplifies what Tom Hoatlin stood for ... cooperation and doing what is best for the State of Michigan and its people."

The award is named in honor of Michigan's first Single Business Tax Administrator and Revenue Commissioner, Thomas Hoatlin, who cultivated a positive relationship between the Michigan Department of Treasury and the MACPA. The award recognizes a MACPA State & Local Tax Task Force member that most significantly contributes to the lasting and mutually beneficial relationship between the MACPA and the Department.

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Of Interest

The Secret to Understanding and Using Benchmark Information

By Brian Hamilton, MBA, Sageworks

Of interest to many types of financial professionals, benchmarks can be extremely valuable to the financial analysis process. However, benchmarking is a tool that is only effective when data is gathered correctly, and the benchmark information is utilized properly.

"Benchmarks" are financial metrics/ratios/results, which show average ranges of financial performance by companies in a given industry. There are many different types of financial benchmarks. When using benchmarks, a primary question should be addressed: what is the average level of performance for a given ratio/metric in a specific industry? In a way, a benchmark is a scorecard against which the relative strength of a company can be assessed.

Understanding the average financial performance of specific industries is important to both accountants and bankers, who want to understand industry conditions and how the companies they are evaluating compare to other companies in a given industry. For example, credit analysts at banks use industry benchmark data as a way to assess the relative health of a given company. Valuation analysts use benchmark data to assess the future earning potential of a company. Accountants use benchmark data as a way to identify any weak areas that need to be improved by their clients.

For numerous reasons, it has been a major challenge in the U.S. to access good quality industry benchmark data. Historically, companies that have sold benchmark data were selling data gathered largely from tax return filings. Data from tax returns tends to give conservative and unrealistically low numbers for operating profits. Further, private companies in the U.S. are not compelled to publish their financial results. Consequently, access to private company data is very limited, and sources of industry data may be unreliable.

When evaluating any industry data, the following items should be assessed:

The sample size.

If the sample size of the industry being reviewed is too small, conclusions may be faulty and financial results can be skewed and incorrect. When reviewing industry data and looking at a particular company in a given sales range, also make sure there are enough sample companies in a particular sales range, i.e. even within the same industry selection there can be a different number of companies represented in each sales range. Although there are no specific "rules," a good rule of thumb is to have at least five companies represented in each sales range.

The source of the data.

As noted previously, tax returns are generally not a good source of private company benchmark data. Real-time operating data is valuable.

The calculation of metrics.

Data providers may use different financial formulas, so it's important to know how the numbers are calculated. For example, metrics about profitability should be carefully scrutinized because net profit formulas vary dramatically, depending on the expense and/or revenue items included, i.e. net profit before taxes, net profit before taxes amortization and depreciation, operating profit, and net income after taxes.

The age of the benchmark data.

The frequency with which a data provider updates benchmark data is critical. Older data is sometimes of very little value; therefore, know the age of the data is being used.

What are the most important financial metrics when reviewing benchmark data? These three should be at the top of the list:

1. **Net Profit Before Taxes Margin.** The net profit margin is typically expressed as net profit before taxes during a given operating period divided by sales. A good way to look at net margin is to think of it as determining how many cents of profit a business extracts from each dollar it sells. There are many financial metrics that might be analyzed, but none is as important as the net profit margin.
2. **The Liquidity Ratios.** There are two major liquidity ratios. The first is the **Current Ratio**, which is expressed as current assets divided by current liabilities. Generally, this ratio indicates the overall liquidity position of a company. There are many limitations to the Current Ratio, but it is always good to know the relative strength of a company compared to its peers. The **Quick Ratio** is another liquidity ratio, typically expressed as cash plus accounts receivables divided by current liabilities. Many financial professionals put more weight on the Quick Ratio because it is a better measure of a company's very-term cash position. Again, the Quick Ratio is not a perfect indicator of liquidity, but it is helpful in understanding where a company compares relative to peers.
3. **Turnover Ratios.** Three major turnover ratios should be reviewed. **Accounts Receivable Turnover**, measured in days, is calculated as accounts receivable divided by sales times 365 days. It roughly indicates the number of days it takes a company to convert accounts receivable to cash. The lower the number, the better. Another important turnover ratio is Accounts Payable Days, calculated as accounts payable divided by cost of goods sold times 365 days. The **Accounts Payable Days** ratio measures the number of days it takes to pay vendors. The third turnover ratio is Inventory Days ratio, calculated as inventory divided by sales times 365 days. The **Inventory Days** ratio measures the average number of days it takes to sell inventory. The lower the number, the better. Generally, these turnover ratios are good indicators. Knowing how a company compares to its peer group will give a general idea how the company is managing its resources.

Benchmarking will grow in importance as financial professionals gain access to better data and use it more effectively in making decisions.

About the Author

Brian Hamilton is the co-founder and CEO of [Sageworks](#), where he manages overall strategy and product development. He is an original co-developer of "FIND" (Financial Information into Narrative Data), the company's core artificial intelligence technology which converts financial numbers into plain-language reports. "FIND" is the basis of ProfitCents™ and Sageworks Analyst™, applications that are used today by thousands of financial institutions and accounting firms throughout North America and the United Kingdom. He is a frequent speaker for many state CPA societies.

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Of Interest

403(b) Plans — Early Action Needed to Meet New Requirements

By Theresa K. Banka, CPA & Lori J. Palmer, CPA, Plante & Moran

Beginning with the 2009 plan year, organizations subject to the Employee Retirement Income Security Act of 1974 (ERISA) will generally be required to have their 403(b) plan's financial statements audited, if they have more than 100 eligible participants as of the beginning of the plan year.

These audited financial statements will be a required attachment to the plan's Form 5500. Plan sponsors should take early action, as the Department of Labor (DOL) requires the statement of net assets information be comparative. Thus it will be necessary to obtain the 2008 net asset and investment detail information from the asset custodian.

Although the first audit is not required until the 2009 plan year, many accounting procedures and internal controls should be in place now in order to monitor and account for a 403(b) plan properly. Auditors typically look at the accounting procedures and internal controls over investments, contributions, distributions and the participant data reporting cycles, as well as service organization monitoring, as part of a benefit plan's audit. Early consideration of the significant accounting procedures and internal controls may help plan sponsors meet their fiduciary reporting and disclosure responsibilities, and it could help make the newly required audit more efficient.

It is difficult to provide a comprehensive list of the accounting and internal controls each plan sponsor should have since each plan is unique. The degree to which transactions are processed electronically (without paper support) can significantly affect the plan sponsor's control procedures (ability to review, authorize/approve, monitor, etc.).

Plan sponsors hold fiduciary responsibility under ERISA to ensure the safeguarding of participant accounts and plan assets. Having the proper accounting processes and internal controls in place may help fulfill this responsibility. Some of the more significant internal controls the plan sponsor should have in place over its 403(b) plan are outlined below.

- **Investments** – The plan sponsor should regularly receive and review investment statements from the investment custodian. Additionally, the investment statements should be in the name of the plan, not the plan sponsor, to signify the assets are owned by the plan.
- **Reconciliations** – Reconciliations for various aspects of a 403(b) plan should be prepared on a regular basis (e.g., monthly or quarterly, as well as annually).
 - Contributions should be reconciled from payroll records to the wire transfers or cash disbursement upon transmission of the contributions.

- Contributions should be reconciled from payroll records to the investment statements.
 - Listings of distributions by participant should be reconciled with plan investment statements.
 - Total participant account balances (sum of all participant accounts) should be reconciled to total investments on a regular basis.
- **Eligibility** – Eligibility is an important factor to be considered in many aspects of a 403 (b) plan. The plan sponsor needs to ensure that participants eligible to participate in the plan are notified on a timely basis of their eligibility and that only eligible participants are participating in the plan. It is also important that only eligible distributions, in the proper amounts, be distributed from the plan – whether the distribution is due to participants receiving loans, a “normal” distribution, or a hardship distribution. There are statutorily provided and plan-specific requirements for distributions; it is important to satisfy these requirements.
 - **Distributions** – Distribution applications or reports should be reviewed. If the plan has vesting provisions, calculations supporting the distribution and forfeiture amounts should be reviewed and maintained. Any forfeiture should be used in accordance with the plan document.
 - **Compensation** – In practice, compensation used in determining employee deferrals and employer contributions (if applicable) is often inconsistent with the compensation definition in the plan document. Controls should be in place to ensure that the compensation used to determine contributions is consistent with the plan document’s definition of compensation.
 - **Timeliness of Contributions** – Participant contributions should be remitted to the plan within the remittance guidelines prescribed by the DOL. A DOL regulation requires that defined contribution plans, including 403b plans, remit employee contributions to the plan as soon as they can be reasonably segregated from the employer’s general assets. In no case can this amount of time exceed 15 business days after the end of the month in which the amounts were withheld. The 15-business day rule, however, is not a safe harbor rule. The DOL has interpreted “as soon as they can be reasonably segregated” as being as little as two days after amounts are withheld from participants’ compensation. A good rule of thumb is to remit contributions to the 403(b) plan within the same timeframe in which payroll taxes are remitted.
 - **Service Provider Monitoring** – Typically, investment management and participant recordkeeping functions are outsourced to one or more service providers. The plan sponsor should complete a review of these service providers’ Report of Internal Controls and Tests of Operating Effectiveness (commonly referred to as SAS70 report) to ensure those providers have controls in place at their respective organizations and that those controls are operating effectively. A SAS70 report typically covers controls over the initiation of transactions, purchases and sales of investments, recording of investment income, and allocations to participant accounts. If a SAS70 report is available, it is important for the plan sponsor to review the report and follow-up on any exceptions

noted (especially those exceptions related to allocations to participant accounts).

- o SAS70 reports also contain a “user controls” section. User controls are essentially the controls the service organization presumes the plan sponsor has in place. It is therefore critical that the plan sponsor review the user controls defined in the SAS70 report and ensure the applicable controls are in place and operating effectively at the plan sponsor.

The preceding controls are some, but not all, of the key controls a plan sponsor should have over its 403(b) plan. During a plan audit, auditors will be required to gain an understanding of these controls.

Auditing standards require auditors to communicate significant deficiencies in internal controls that come to their attention. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the plan’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the plan’s financial statements that is more than inconsequential will not be prevented or detected. Auditors must communicate these matters in writing to all individuals involved in overseeing the strategic direction and operations of the plan, in addition to the plan’s management.

As noted above, early consideration of the significant accounting procedures and internal controls could help the plan sponsors meet their fiduciary responsibilities over the plan, comply with the necessary reporting and disclosure requirements, and help make the audit more efficient. It would be beneficial to designate an individual at the plan sponsor to be responsible for overseeing the plan’s operation, ensuring the plan sponsor has the appropriate controls in place and that the plan complies with the reporting requirements of the DOL.

About the Authors

Theresa K. Banka, CPA, Plante & Moran, has more than 19 years of experience and is the firm-wide technical leader in employee benefit plan accounting and reporting matters, and in the development of the firm’s employee benefit plan financial audit approach. Theresa can be reached at 248.223.3572 or theresa.banka@plantemoran.com.

Lori J. Palmer, CPA, is assurance senior manager and benefit plan audit specialist, Plante & Moran. Lori is a leader of the firm’s employee benefit practice in Western Michigan and she assists in the development of the employee benefit plan financial audit approach. She has 12 years’ experience providing benefit plan services to clients and manages audit- and tax-related assignments for defined benefit, defined contribution, and health and welfare plans. Lori can be reached at 231.932.5640 or lori.palmer@plantemoran.com.

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Legislative & Regulatory

Democratic Tidal Wave Washes Ashore in Michigan

In an election that saw record voter turnout across the United States, results in the State of Michigan were no exception to the nationwide Democratic tidal wave.

Starting at the top of the ticket, and not surprising, President-elect Barack Obama took all of Michigan's 17 electoral delegates, with a 57 percent to Senator John McCain's 42 percent. This result was expected after the Republican nominee's October 2nd withdrawal from further campaigning in Michigan.

In the race for a seat in the U.S. Senate, incumbent Carl Levin held off the challenge of Republican nominee State Representative Jack Hoogendyk of Kalamazoo. Levin has held his Senate seat since 1979.

Perhaps the most significant indicators of Michigan's mood of "change" were the electorate's rejection of incumbent and Republican-backed Michigan Supreme Court Justice Clifford Taylor and the defeat of two incumbent Republican Congressmen. Democrat-supported Diane Marie Hathaway defeated the incumbent Justice Taylor 49 to 39 percent (Libertarian candidate Robert Roddis received 11 percent) in an expensive and frequently negative campaign.

Longtime Congressman Joe Knollenberg (R-Bloomfield Hills) was unsuccessful in earning a ninth term in Washington, DC. Former Democratic State Senator Gary Peters beat Knollenberg in a hard-fought Oakland County race, winning roughly by 52 to 43 percent. In the south-central Lower Peninsula, current State Senate Democratic Leader Mark Schauer (D-Battle Creek) unseated first-term Republican incumbent Congressman Tim Walberg (R-Tipton), giving the Democratic Party an 8-7 majority in Michigan's Congressional Delegation.

State Legislature

Finally, and another sign of the Democratic momentum, the party's 58-52 majority in the Michigan House of Representatives was expanded to 67-43, a nine-seat gain and the largest majority of either party in nearly four decades. No Democratic or Republican incumbents were defeated; rather, the nine-seat gain by Democrats took place within the 46 open seats vacated due to term limits.

For more information on all of Michigan's election results, visit the Michigan Secretary of State's website at www.michigan.gov/sos.

Legislative & Regulatory

State Board Column: Continuing Professional Education

By Joyce A. Karr, CPA, Licensing Division Director, Bureau of Commercial Services, Department of Labor & Economic Growth

It's time to check your progress toward completing the required continuing professional education (CPE) for the upcoming reporting period. In six months, the State's licensing staff will notify licensees to report the CPE credit hours earned during the period 7/1/2007 through 6/30/2009. As a refresher, the Accountancy Licensure Act requires Michigan CPAs, as a condition of license renewal, to annually complete a minimum of 40 qualifying credit hours of CPE. Additionally, CPAs must self-report (on forms provided by the Department) the completion of this requirement to the Michigan State Board of Accountancy biennially by July 31 of the odd years.

The annual CPE requirement consists of a minimum of eight credit hours in accounting and auditing, a minimum of two credit hours in professional ethics, and the balance of the credit hours earned in an approved subject. Since the reporting period is biennial, a minimum of 80 CPE credit hours must be completed by the reporting date, which includes 16 credit hours in accounting and auditing, and four credit hours in ethics. No more than 50 percent of any requirement may be completed through self-study courses or instruction. Credit hours cannot be claimed for repeating a course or taking a second course similar to one previously taken within the same reporting period.

The State's licensing staff audits select licensees' CPE reports after each reporting period ends. The licensee is responsible for providing documented evidence to support the CPE credit hours earned and reported when notified of a CPE audit. It is important that licensees ensure that all courses claimed are qualifying courses. For example, the CPE audit in 2007 discovered that some licensees claimed professional ethics credit hours for non-qualifying courses.

Since we are on the subject of ethics, it is important to note that while a course contains the word "ethics" in its title, the course may not qualify to fulfill the professional ethics CPE requirement established by Rules R 338.5210(2) and R 338.5255(j) of the State Administrative Code. This means the ethics course must be oriented towards CPAs, where the CPA is learning about exercising professional judgment in ethical matters. A course based solely on reviewing compliance with the statutes and rules will not qualify as professional ethics credit, nor will a course geared toward ethics in a state other than Michigan. However, credit hours earned in compliance counts toward general CPE if the course contributes to professional competency in a field in which the licensee has responsibility. While the state licensing staff does not pre-qualify CPE sponsors or courses, and you have a question about a specific course, we would be happy to evaluate it and provide you a determination.

In addition to accounting, auditing and professional ethics for CPAs, other CPE qualifying

subjects listed in Rule R 338.5255 of the State Administrative Code are: management advisory services; information technology; mathematics including statistics, probability and quantitative applications to business; economics; finance; business law; business management; taxation; financial advisory services; and, business valuations.

Finally, while timely fulfilling the CPE requirement to renew a license is the law, there are many benefits to the CPA, their employers, customers/clients and other stakeholders. The intrinsic benefits include increased customer confidence, enhanced skill and problem-solving flexibility for today's marketplace with rapidly changing circumstances. The extrinsic benefit is increased regulator and public confidence in licensees who make the effort to enhance their professional competence, maintain critical professional skills and are serious about maintaining the public trust. These extrinsic benefits will be evidenced by a decreasing number of complaints filed by the public as well as increased public confidence in Michigan's CPAs.

If you have questions about CPA licensing or CPE, please contact Stacie Bayes, Assistant Licensing Administrator for Accountancy at 517.241.9219 or bayess@michigan.gov. Information regarding Accountancy Licensing is at www.michigan.gov/accountancy.

Legislative & Regulatory

Getting Back to Ethics Basics...

The frenzy and anticipation of the presidential election is now behind us. Hundreds of millions of people now look to one man to change history and reverse the economic turmoil eroding U.S. markets and threatening global supply and demand. Perhaps this is the ideal point in time for practitioners to reexamine the very core of their own business and professional ethics and get "back to basics."

It seems too many times CPAs become entangled in the AICPA and MACPA *Code of Professional Conduct* and strive to understand the reasoning and practicality of the changes to the *Code*. Since 2004, the ethics code sections dealing with independence, integrity and acts discreditable to the profession have become more precise and much more descriptive. This is the result of not only the business community's increased expectations and dependence on CPAs, but also because of the expanding interaction of practitioners in the global economy and not just the "local economy." Perhaps now is the time for practitioners to stop and review the fundamental cornerstones that provided the basis for our expanded code of professional conduct.

The four general ethics standards found in [ET Section 201](#) of the *Code of Professional Conduct* form the essence of the ethical guidelines in the practice of accounting. Consider the basic elements of these general standards:

1. Professional Competence
2. Due Professional Care
3. Planning and Supervision
4. Sufficient Relevant Data

If CPAs can adhere to these four basic standards, the framework of their practice structure will be a strong foundation for the international ethics standards that will soon be upon us.

The core of a successful accounting practice is not only your client base; it is your ability to apply basic ethical standards and deal with the coming practice changes that we can expect in 2009 and beyond.

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Legislative & Regulatory

Carla Sledge Named to State Board of Accountancy

Governor Jennifer Granholm recently appointed Carla Sledge, CPA, CGFM, to the Michigan State Board of Accountancy. Sledge, of Franklin, is chief financial officer for the Wayne County Charter. She will represent certified public accountants for a term expiring June 30, 2012. She succeeds Alan C. Young whose term has expired.

A long-time member of the MACPA, Sledge recently completed a term on the MACPA Board of Directors. In 2006, she served as president of the Government Finance Officers Association.

The Governor also reappointed Mary Nickolas of Franklin, retired vice president of Airline Tariff Publishing Company, to represent the general public for a term expiring June 30, 2012.

The State Board of Accountancy is responsible for the certification, registration, and licensing of certified public accountants and the regulation of the practice of public accounting by individuals, firms, and corporations.

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In Memoriam

C. Arnold Carlson
September 23, 2008
Bloomfield Hills, MI

Joined MACPA: December 31, 1958

Certified: August 1, 1958

Edward E. Flagg
August 31, 2008
Midland, MI

Joined MACPA: March 31, 1997

Gilbert L. Lee, Jr.
September 24, 2006
Newton, MA

Joined MACPA: October 21, 1949

Certified: August 9, 1949

Wayne R. McKenzie
June 21, 2008
Livonia, MI

Joined MACPA: October 31, 1975

Certified: September 30, 1975

James S. Olszewski
November 29, 2007
Sylvania, OH

Joined MACPA: January 15, 2004

Sandra Pixley
July 30, 2008
Howell, MI

Joined MACPA: March 31, 1998

Certified: March 6, 1998

Edwin J. Schiff
September 29, 2007
West Bloomfield, MI

Joined MACPA: April 30, 1958

Certified: February 11, 1958

Ruthe Ann Urban
September 18, 2008
Birmingham, MI
Joined MACPA: June 30, 1999
Certified: September 4, 1998

Willard D. VanTuyle
September 4, 2008
Bay City, MI
Joined MACPA: September 30, 1956
Certified: June 13, 1956

George Washington
Detroit, MI
Joined MACPA: October 20, 1950
Certified: July 27, 1950

Gary C. Zywicke
September 18, 2008
Waterford, MI
Joined MACPA: April 30, 1969
Certified: October 28, 1968

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Association Briefs

The Reporting Year Is Fast Approaching....Are You Prepared?

June 30, 2009 marks the end of the CPE reporting period, which means you must have your 80 hours of required continuing education credit completed.

You still have eight months to acquire credit, but do not wait till the last minute. Get a head start today by registering for courses through the Michigan Association of CPAs.

The MACPA offers continuing education programs through a variety of different formats on a plethora of valuable topics. Attend one of the Association's seminars or conferences on [International Financial Reporting Standards](#) (IFRS) to find out how **conversion from U.S. GAAP to IFRS** will affect you and your organization.

Read a [related article](#) from the Michigan State Board of Accountancy

The Michigan Department of Treasury has unveiled the final draft **Michigan Business Tax forms**. The MACPA will offer instructions on these forms at several [conferences and seminars](#) offered throughout the state, including the [Michigan Tax Workshop](#) in December.

Is your busy schedule keeping you from attending the conference or seminar of your choice? In an effort to help our members save time and money, the Association offers multiple continuing education [webinars](#) on important topics. You "attend" webinars from the comfort of your personal computer.

If you need training in specific areas, the simple solution is to search the MACPA's online [Course Catalog](#) by keyword, location, credit type or vendor. The Association offers focused training on [Extensible Business Reporting Language](#) (XBRL), the [Michigan Business Tax](#), continuing education for professionals in [business and industry](#), as well as courses on accounting and auditing and ethics topics. *Please keep in mind, you are required to have a total of 16 hours of accounting and auditing credit and 4 hours of ethics credit for the reporting period.*

For more information on any MACPA continuing education opportunity visit the MACPA's [website](#) or contact the CPE department at 248.267.3700. June 30, 2009 is just around the corner, do not put it off any longer, register for the courses you need today!

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Association Briefs

Volunteer Opportunity: Small Not-for-Profits Need Help from CPAs on 990s

A new initiative launched by the MACPA in conjunction with the Detroit Executive Service Corps will help the smallest of not-for-profits comply with requirements to file form 990. Charities and other tax-exempt organizations are required to file the 990 annually. Many of these small not-for-profits are mission-driven and are providing outstanding services to the communities to which they serve.

"Many small not-for-profits don't file a 990 because they don't know they should, they lack the resources to pay a professional to prepare the form, or they're confused by the complexity of the instructions," said CPA Jim Bayson. "They need to be in compliance, plus some of these small groups discover that they need a 990 when they apply for a grant from a foundation or state agency," added Bayson.

Bayson, a retired Plante & Moran partner, is spearheading the partnership between MACPA and DESC to find CPAs and firms willing to provide free services to help qualified not-for-profits file form 990.

Through the program, the MACPA will identify firms and individual CPAs willing to provide pro bono assistance. Small not-for-profits meeting certain criteria will be identified by DESC, and matched with MACPA's volunteers.

"If your firm participates, the MACPA will let the DESC know of your interest," explained Bayson. "The DESC will screen the candidate and contact your firm to determine if you would want to handle the engagement. If it's a 'go,' the firm would be given the not-for-profit's contact information."

In order to be eligible for free services, the not-for-profit must qualify to file form 990EZ and cannot be using a CPA firm currently.

Bayson explained that firms preparing any forms would have an engagement letter signed by the not-for-profit acknowledging the fact the firm would not be paid and accordingly would not be signing the return. The engagement letter would also limit the liability, if any, to the firm.

"CPAs and firms will be able to provide these services at their convenience," said Bayson. He noted that many not-for-profits could obtain extensions so the forms could be completed at the convenience of the CPA firm and not necessarily during a busy time.

Bayson said in addition to feeling fortunate to be able to give back something to the community, he has had the chance to meet highly dedicated and passionate people trying to improve the communities in which they serve.

"This is a great opportunity for firms and sole practitioners to provide community service, plus it's work that's suitable for young staff members," noted Bayson.

The legal profession has been providing pro-bono work to not-for-profits in the tri-county area through a group called Community Legal Resources.

CPAs and firms interested in providing pro bono service to help small not-for-profits file 990EZ forms should contact Jill Rafferty by [e-mail](#), or phone 248.267.3747.