

# MAIN STREET **PRACTITIONER**

The Magazine for Tax and Accounting Professionals

## **Financial Abuse of the Elderly**



**What is Bitcoin?**

**Rainmaking – What will you do differently in 2018?**

## PRESIDENT'S MESSAGE



## FINANCIAL ABUSE OF THE ELDERLY



## WHAT IS BITCOIN?



# Main Street Practitioner

Publisher  
National Society of Accountants

Executive Vice President  
John G. Ams

Vice President and Director,  
Marketing and Member Services  
Jodi L. Goldberg

Press and Media Contact  
Eileen Erickson, APR+M, CAE  
[media@nsacct.org](mailto:media@nsacct.org)  
703-400-4401

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Main Street Practitioner is published  
by the National Society of Accountants,  
1330 Braddock Place, Suite 540,  
Alexandria, VA 22314.

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Accountants. Provided in digital format on  
[www.mainstreetpractitioner.org](http://www.mainstreetpractitioner.org)

## CONTENTS

February 2018

### FEATURES

**5**  
**FINANCIAL ABUSE OF THE ELDERLY**

**8**  
**DON'T LET YOUR CLIENT SUFFER THE CONSEQUENCES OF NOT PAYING WITHHOLDING TAXES**

**10**  
**WHAT IS BITCOIN?**

**13**  
**IS YOUR FIRM SERIOUS ABOUT SECURITY?**

**15**  
**CLIENT NEEDS ANALYSIS: THE PROCESS AND QUESTIONS**

**20**  
**RAINMAKING – WHAT WILL YOU DO DIFFERENTLY IN 2018?**

**22**  
**THE MANY HATS OF FRAUD PREVENTION**

### DEPARTMENTS

**2**  
**PRESIDENT'S MESSAGE**  
*Brian Thompson,*  
*NSA President 2017-2018*

**26**  
**ALL AROUND NSA**

**32**  
**TAX TOPICS**

**34**  
**LEGISLATIVE LINK**



**PAGE 8**  
**DON'T LET YOUR CLIENT SUFFER THE CONSEQUENCES OF NOT PAYING WITHHOLDING TAXES**

## PRESIDENT'S MESSAGE

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Brian L. Thompson, CPA,  
ABA, ATA, ARA  
NSA President, 2017-2018

### *For the Times They Are a Changin'*

For the times they are a changin' – These are fitting words from a song by Bob Dylan especially since passage of new tax reform legislation. What began as legislation for tax simplification and possibly to put tax preparers out of business, turned out to be job security, at least based on the number of client phone calls we've had to answer over the last month.

The most talked about change has been the passage of the 2017 Tax Cuts and Jobs Act which was signed into law in late December by the President. This tax legislation represents the most substantial change in taxes in the last 30 years. It includes dramatic cuts in the corporate tax rate, a new deduction for pass-through entities, increases in the standard deduction and child tax credits, the elimination of the personal exemption and changes in AMT and a host of other changes in deductions and credits. While most of the provisions in the new law are set to begin in 2018, clients have been calling asking how they are going to be affected by the changes. As we struggle to get through this filing season, the questions are likely going to continue.

You may find that you have questions of your own about the new tax law, or perhaps other issues regarding your client's tax returns and strategies as you work through the filing season. Tax Talk is a valuable member benefit where you can post your questions and receive some great feedback from knowledgeable members willing to share their expertise to help other members. This is one of NSA's most widely used member benefits and I invite you to check out the Tax Talk community available on MemberConnect.

I'm excited about a brand NEW community available to our members that is specifically designed to help you with accounting questions you may have. This new NSA community in MemberConnect is called the "Accounting Talk" and operates similar to Tax Talk but is designed for the purpose of helping members with accounting related questions and issues. Whether you are preparing financial statements for the year end, getting ready for peer review, have practice management questions, or need feedback about how to record a transaction, Accounting Talk is a wonderful new member benefit that will be a valuable tool for you. Check it out and post a question and or read the questions posted by others.

You can get to the new accounting community by clicking on the following link or accessing it in your list of communities on MemberConnect.

Best wishes on a successful filing season.

A handwritten signature in black ink that reads "Brian L. Thompson". The signature is fluid and cursive.

Brian L. Thompson  
President



# BE PREPARED FOR THE UNEXPECTED

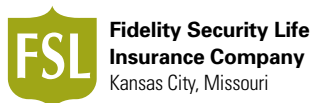
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# Financial Abuse of the Elderly

Jane Weisenfelder Brown

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*“The crime of the 21st century”* is the financial scamming which targets seniors, although this unconscionable misuse of trust is not making the headlines. Why is this happening? Many seniors are thought to have a considerable amount of money but it is not just the wealthy who are targeted. These unsuspecting victims represent every socio-economic group. Financial abuse and scams often go unreported or can be difficult to prosecute, so they are considered a “low-risk” crime. However they are devastating to the elderly among us and can leave them in a very vulnerable position with little time to recoup their losses. These adults are increasingly targeted and exploited by trusted caregivers, family members, and unscrupulous telemarketers, businesses, and scammers. According to the National Center on Elder abuse, financial abuse accounted for about 30 percent of all elder abuse that is substantiated and reported to adult protective services.

As accountants and tax professionals, we are allowed the privilege of having access to our elderly clients’ financial information. With this privilege comes the responsibility of being vigilant about the possibility of fraud.

In assisting the elderly with their personal finances, it is most important to treat them with kindness and patience. They are often overwhelmed by necessary paperwork, online tasks, required filings, documentation and financial issues. In addition to these tasks they may struggle with health issues, loss of a spouse, loss of independence, and loss of interest in their own financial matters. Seniors are often very diligent about keeping their paperwork and mail, but they need help in sorting through it all. They may reside in a senior living facility with few bills to pay but still have investments to manage and taxes to file.

Elderly individuals often have a trusted friend or relative who can assist them but many do not have any one at all. Often they have been taken advantage of by the very people whom they have always trusted. They want reassurance and assistance but their primary need is for someone they can trust. This is most probably the reason that they have hired you for tax or financial advice.

The client may be reluctant to report fraud or theft by a close family member and the accountant is not bound by law to report the suspected activity to the authorities. It is incumbent upon us, however, to help the client identify and remedy the problem even if that results in reporting the crime. We can assist them in changing bank accounts and passwords. We can help them consult an attorney to review their will, living will, powers of attorney, and health care advance directives.

An accountant should be aware of these potential signs of financial exploitation:

- Financial activity that is inconsistent with the client’s financial history. (increased or unexplained credit card activity, sudden change in account balances, unauthorized ATM withdrawals, and newly authorized signers on accounts).
- Confusion about recent financial arrangements/transactions by the client who is reluctant to discuss finances.
- Apparent forgery of the client’s signature.

*Continued on the following page*

- Unexplained transfer of assets to a family member or someone outside the family.
- Sudden appearance of previously uninvolved relatives claiming their rights to an elder's affairs and possessions.
- Payment for services that are unwanted or unnecessary.

In addition to abuse by trusted family members and friends, the elderly are targets for scammers who count on them to be very trustworthy and naive. Be vigilant about the possibility of these scams:

- Telemarketing/phone scams

This the most common scheme used to prey on older people. Many of the victims are used to shopping over the phone and might not be aware of the risk. With no paper trail these transactions can be very hard to trace and once a sale has been made, the buyer's name is then shared with other scammers.

Money is often solicited for fake charities, typically after a natural disaster.

- Counterfeit prescription drugs

These scams often operate via the internet and the prices are lower. They may be fake drugs that may be unsafe or will inflict harm.

- Funeral and cemetery

Scammers can read obituary notices to take advantage of a grieving widow or widower. They may claim that the deceased had an outstanding debt and try to extort money from the family. Funeral homes may try to add unnecessary charges to the bill when the family is unfamiliar with funeral expenses.

- Internet fraud

Pop-up Browser windows simulating virus-scanning software will fool victims into either downloading a fake anti-virus program (at a cost) or an actual virus that will open up the user's computer to a virus.

Unfamiliarity of web browsing makes seniors susceptible to traps such as e-mail/phishing scams. In this scam a person will receive an e-mail message that appears to be from a legitimate company or institution, asking them to "update" or "verify" their personal information. Often these e-mails appear to be from the IRS.

- Reverse mortgages

Scammers often take advantage of the fact that many people above a certain age own their own homes, a valuable asset that increases the potential dollar value of the scam. There is the potential for the borrower to be scammed, especially if they have recently received the equity in their homes. The home owner should be aware of people who are pressuring them to obtain a reverse mortgage, or those who stand to benefit, such as a home repair company who approached the older adult directly.

- Lottery and sweepstakes

Scammers often notify a victim that they have won a lottery of sweepstakes and need to make a payment to be able to receive their prize. Often a check will be sent to deposit into the victim's account but as soon as fees are received from the victim, the "prize money" check bounces.

- Investment schemes

Because many seniors are planning for retirement, many schemes target those who are looking to safeguard their cash for

*Continued on the following page*

their “Golden Years”. These are often complex financial products than are hard to understand. Many seniors are trusting when it comes to investing their money.

These individuals need your help and compassion. They have probably worked hard during their lives and used to be “somebody.” If you are hired by an elderly person for accounting, tax, investment, insurance or similar financial services, make it a priority to be the person in their life that they can trust. By minimizing possible financial abuse you will provide them peace of mind. This will enhance their quality of life and perhaps enable them to continue to live independently.



**About the Author:**

**Jane Weisenfelder Brown, CPA** is a conscientious professional with over thirty-five years experience in public, industry, and non-profit accounting. Effective in organizing and managing financial data in a timely and efficient manner. Reputation for being ethical, accurate, dependable, self-directed and adaptable to diverse clientele. Experience in establishing relationships with elderly clients and assisting them with financial decisions and tax preparation.





# Don't Let Your Client Suffer the Consequences of Not Paying Withholding Taxes

Robert Horwitz

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Employment withholding taxes make up over one-third of all revenues collected by the IRS. The collection and enforcement of withholding taxes is thus a major concern of the Government. Employers in need of cash, either to operate the business or to fund their owners' lifestyles, frequently fail to collect and pay these taxes to the IRS. Sometimes third-party payroll tax companies abscond with the funds. This problem is serious and growing. As of the end of 2015, employers owed approximately \$45.6 billion in unpaid employment taxes, penalties and interest. And nonpayment of withholding tax can cost the government double: since employees are credited for paying the tax withheld from their wages, an employee can get a refund of the income withholding tax his employer did not pay to the IRS.

Few owners, officers and directors of businesses realize that not paying withholding taxes can become a serious problem personally. When the tax is not withheld and paid, the IRS not only comes down on the employer. It can also come down on the owners, directors and officers of the business, who can become personally liable for the unpaid withholding taxes. They can also end up going to jail.

Internal Revenue Code sec. 6672, allows the IRS to collect unpaid withholding tax from owners, officers and directors. It provides in part that...

Any person required to collect, truthfully account for, and pay over any tax imposed by this title who willfully fails to collect such tax, or truthfully account for and pay over such tax ... shall ... be liable to a penalty equal to the total amount of the tax evaded, or not collected, or not accounted for and paid over.

Because withholding tax is held in trust for the Government, the liability created by sec. 6672 is called the "trust fund recovery penalty."

There is a criminal counterpart to sec. 6672 – Internal Revenue Code sec. 7202. Its provisions mirror those of the trust fund recovery penalty:

Any person required under this title to collect, account for, and pay over any tax imposed by this title who willfully fails to collect or truthfully account for and pay over such tax shall ... be guilty of a felony...

Criminal prosecutions for not paying withholding tax were once rare. No longer. It has now become a priority for the IRS and the U.S. Department of Justice Tax Division, as seen the following recent press releases posted on the Tax Division's webpage:

July 19, 2017: CEO of Virginia Health Care Technology Company Sentenced to Almost 10 Years in Prison for \$49 Million

*Continued on the following page*

Shareholder Fraud and \$7.5 Million Employment Tax Fraud. <https://www.justice.gov/opa/pr/ceo-virginia-health-care-technology-company-sentenced-almost-10-years-prison-49-million>

July 6, 2017: Texas Business Owner Sentenced to Prison for Not Paying Approximately \$18 Million in Employment Taxes — Spent Funds on His Ranch, Travel to Las Vegas, Hawaii and France and other Personal Items. <https://www.justice.gov/opa/pr/texas-business-owner-sentenced-prison-not-paying-approximately-18-million-employment-taxes>

June 8, 2017: Former Las Vegas Strip Club Owner Pleads Guilty to Evading More than \$1.7 Million in Employment Taxes. <https://www.justice.gov/opa/pr/former-las-vegas-strip-club-owner-pleads-guilty-evading-more-17-million-employment-taxes>

The same elements are needed to impose liability under both the civil penalty provisions of sec. 6672 and the criminal penalty provisions of sec. 7202: a) a duty to collect and/or truthfully account for and/or pay over withholding tax; b) the failure to fulfill that duty; c) the failure was willful. A person who has a say over how the business' funds are used has a duty to collect or truthfully account for or pay over the tax. His actions are willful if he "knows that withholding taxes are delinquent, and uses corporate funds to pay other expenses, even to meet the payroll out of personal funds he lends the corporation."

For a number of years, there was a general belief that the willfulness element for purposes of criminal liability required evidence of "bad intent," i.e., that the responsible person intended to defraud the government or used the unpaid taxes for personal gain instead of paying necessary and legitimate expenses of the business. In recent years, this belief has evaporated. As the Ninth Circuit Court of Appeals held several years ago in affirming a criminal conviction for not paying withholding tax, "if you know that you owe taxes and you do not pay them, you have acted willfully." So the same action that can make a person personally liable for the unpaid tax can now end up putting her in jail.

Where a business has failed to pay employment taxes, the IRS's first step is to try to get the business to come current on filing returns and paying tax and to arrange to pay past due employment tax. If the business doesn't do so, or closes its doors still owing withholding tax, the IRS will conduct an investigation to determine who among the business' owners, directors and officers can be charged with a civil trust fund penalty. In a small but growing number of cases, the IRS will begin a criminal investigation.

In determining whom to prosecute, the IRS focuses on business owners and managers who have racked up large withholding tax liabilities over several quarters and those who have operated a string of businesses that don't pay withholding tax. The reported decisions and DOJ press releases for criminal convictions under sec. 7202 have one common element: the pyramiding of large amounts of unpaid payroll taxes over a number of taxable periods. Many of these cases also involve lavish spending by the defendant during the period the withholding tax was accruing, either through taking large salaries or through the payment of personal expenses directly by the business. But lavish spending is not necessary to transform a civil trust fund recovery penalty case into a criminal trust fund case. The Ninth Circuit has held that evidence that the funds were only used to pay legitimate business expenses is not a defense to a criminal withholding tax case.

Some businesses prepare their own payroll tax returns and many use payroll tax services to compute payroll taxes and prepare their payroll tax returns. Nevertheless, as is often the case, the accountant has to be the first line of the defense for keeping the client out of trouble with the IRS. With the Tax Division's new emphasis on criminal enforcement, it is important to get the word out to your clients that **a failure to pay trust fund tax not only has civil ramifications but also can result in a criminal prosecution of the owners and officers of a business.**

While you can never advise a client that she will not become a criminal target as a result of a past violation, there is one thing you can advise the client: withhold the tax, pay it to the IRS and file accurate employment tax returns.



#### About the Author:

**Robert Horwitz** has over 35 years of experience as a tax attorney specializing in the representation of clients in civil and criminal tax cases, including civil audits and appeals, tax collection matters, criminal investigations, administrative hearings and in civil and criminal trials and appeals in federal and state courts. He has served as a member of the Executive Committee of the Taxation Section of the State Bar of California and is Chair of the Taxation Section for 2015-2016 year. He was previously Chair of the Tax Procedure and Litigation Committee of the State Bar Taxation Section.



# What is Bitcoin?

Al Giovetti

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In October 31, 2008, Bitcoin (for the purposes of this article, and unless otherwise indicated, BTC will stand for all these virtual currencies) was created by person or persons unknown masquerading as Satoshi Nakamoto. An extensive Wikipedia article documents most of the information on BTC (<https://en.wikipedia.org/wiki/bitcoin>, references 15, 16 and 17). However, the field of BTC is changing daily, and becoming even more complex as it grows.

Many writers have likened bitcoin to the Wild West. As it was in those times, there are robbers, fraudsters, Ponzi schemes, embezzlement, and little to no regulation. So, strap on your six-guns or Henley rifle before you wander into this world. Or perhaps you should wait until some law enforcement enters the scene.

BTC is the most popular cryptocurrency; Wikipedia currently lists 24 cryptocurrencies. The dictionary definition of a “cryptocurrency (or crypto currency) is a digital asset designed to work as a medium of exchange using cryptography to secure the transactions and to control the creation of additional units of the currency. Cryptocurrencies are a subset of alternative currencies, or specifically of digital currencies.” (<https://en.wikipedia.org/wiki/cryptocurrency>)

Additionally, “Bitcoin appeals to those who do not trust banks or other financial institutions, who want to make quick, irrevocable transfers without paying for currency conversion, or who value privacy. ([http://money.cnn.com/2013/03/28/investing/bitcoin-cyprus/index.html?iid=HP\\_LN](http://money.cnn.com/2013/03/28/investing/bitcoin-cyprus/index.html?iid=HP_LN)) The supply of bitcoins is limited and controlled by an algorithm. (<http://www.americanbanker.com/bankthink/how-cryptocurrencies-could-upend-banks-monetary-role-1057597-1.html>). Unlike government-backed currency, no central authority can devalue bitcoins by printing more.”

Two years ago, I was asked to comment on bitcoin and virtual currency, especially as it refers to IRS Notice 2014-21. At that time, I declined to write anything on the issue. Another member of the press called me and I told them basically what the IRS notice said. Per IRS Notice 2014-21, issued March 25, 2014, virtual currencies such as Bitcoin are treated as an asset, specifically investment property like stocks and bonds, and not as a currency. Sale of the investment property (bitcoin) can lead to a gain or loss, as can the exchange of goods or services for other goods or services. The transaction or exchange of ownership of the assets or services involved triggers the taxable event. The fair market value of the goods or services is recorded on the transaction date when the BTCs are received by the service provider or seller of goods.

More information is available on the [IRS.gov](http://irs.gov) website.

On November 1, 2016, the IRS reaffirmed [IRS Notice 2014-21](https://www.irs.gov/irb/2016-48) with essentially no additional advice. Payments of wages by bitcoins are subject to the same rules and regulations relating to withholding of federal tax, state tax, FICA, and payments of federal and state unemployment tax.

BTC is [monitored](#), and beginning, ending, and average numbers can be generated for any specific date. This information

*Continued on the following page*



may be important in determining the fair market value of the BTCs exchanged for goods and services, or the basis of property acquired through death, gift, or exchange.

Payments to corporations (S or C) in BTC may require the issuance of 1099 for 12 different types of corporate entities. Payments to corporations which require Form 1099 filing include payments of attorney's fees or gross proceeds paid to attorneys, if federal income tax or foreign tax is withheld, medical and health care payments, etc. Please see the instructions for Form 1099 for more information.

Remember that a 1099-MISC with an amount in Box 7—non-employee compensation—must be issued and filed with IRS by January 31, in paper or electronically-filed formats. Penalties for non-filing Forms 1099 can be as high as \$530 (intentional disregard) for both the IRS copy and the payee copy. Not filing Forms 1099 when workers are reclassified as W-2 employees eliminates any qualifications for safe harbor treatment, severely increasing the penalties to bankruptcy levels for most small businesses.

Whenever a business pays an unincorporated entity (or certain incorporated entities) for services in the course of its business activity, both a Form 1099 and Form W-9 are required. Generally, you must obtain a Taxpayer Identification Number (TIN) from a payee even for a “one-time” transaction or you may be penalized. IRS suggests that you use Form W-9 to request TIN. You must make three TIN requests to avoid a penalty – an initial request prior to payment, a first annual request (end of the year of payment), and a second annual request (one year after the first request).

Without a TIN, the business payor must withhold 20% federal income tax. Rental properties are not considered businesses for purpose of issuing a Form 1099. See Publication 1281, Backup Withholding for Missing and Incorrect Name/TINs, for more information.

Not everyone agrees that virtual currency is investment property. Some state courts have ruled that bitcoin is not a currency, while other courts (US District Court in New York) ruled that bitcoin is money, and ruled that IRS' treatment of it as investment property was “irrelevant to the inquiry here.”

Bitcoin is not necessarily a “foreign” currency required to be reported on the FBAR (FinCEN Form 114, Report of Foreign Bank and Financial Accounts); however, if the BTC account is held in a foreign country, reporting will be required. For a more comprehensive description of convertible virtual currencies to date, see Financial Crimes Enforcement Network (FinCEN) Guidance on the Application of

FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies (FIN-2013-G001, March 18, 2013). A comprehensive article concerning the FBAR, Form 8938 and virtual currencies can be found at <http://www.thetaxadviser.com/issues/2014/may/clinic-story-07.html>. Also see 2016 Instructions for Form 8938, Statement of Specified Foreign Financial Assets, at <https://www.irs.gov/pub/irs-pdf/i8938.pdf>.

Taxpayers can make money “mining” bitcoins. Mining bitcoins is a process of individuals or companies using their computers to validate bitcoin transactions. If a taxpayer earns money by mining bitcoins, the fair market value of the bitcoins becomes taxable income on the date received. IRS Notice 2014-21 says that bitcoin mining rises to the level of a trade or business reportable on a Schedule C if the business is carried on to make a profit. IRS Notice 2014-21 references FS-2007-18, April 2007, “Business or Hobby?” cautioning taxpayers to determine whether their bitcoin mining is a business or a hobby, further complicating an already complex issue.

*Continued on the following page*





## How do bitcoins work?

The blockchain is a public ledger that records bitcoin transactions (The Economist, October 31, 2015). Peer to peer networks running bitcoin software maintain the integrity of transactions without any central authority. Approximately six times per hour, a new group of accepted transactions, called a block, is created and added to the blockchain and published to all nodes. As of November, 2016, a local copy of the blockchain is over 80 GB. Anyone with a full local copy is known as a full client, while those who access an online full client are referred to as lightweight clients.

Bitcoins are recorded as units. Small amounts of bitcoins are milli-bitcoin (one one-thousandth of a bitcoin) and micro bitcoin (one one-millionth of a bitcoin). Of course, bitcoins are held in bitcoin wallets, which can be virtual (software wallets) or hand-held (hardware wallets), which are thought to be more secure.

Virtual wallets can be online wallets held by internet services or on your local computer and are vulnerable to hacking and embezzlement.

Bitcoins can be bought and sold via online exchanges. On April 28, 2013, Ian Steadman, writing for Wired, reported that 45% of exchanges fail, and take client bitcoins with them. Since that time exchanges provide proof of reserves to provide safety for users.

Over 100,000 retailers take bitcoin as a form of payment. When you pay with bitcoins, often the fees are as low as 0%, and never go over 2%. In contrast credit card transaction fees are often over 2%. Bitcoin can be a cheaper way to accept money when cash or check cannot be used reliably.

Bitcoins are the preferred medium of exchange for ransomware users. Ransomware, such as Cryptolocker, spreads through legitimate looking email attachments, encrypts the hard drive of the computer. When you click on the legitimate looking attachment, the malware launches and infects your computer.

All offices need to adopt a no-click policy when it comes to email attachments to prevent this computer infection. The ransom for de-encrypting an infected hard drive is paid through untraceable bitcoins, which is preferred by the intelligent cyber felon.

Another interesting item was recently reported on page 2 of the December 2016 issue of the National Association of State Boards of Accountancy (NASBA) newsletter. The Australian Accounting Standards Board (AASB) is calling for clear guidance on how to deal with digital currencies such as bitcoin. AASB recently released a paper explaining why digital currencies require the attention of standard setters.

[“Digital Currency—A Case for Standard Setting Activity”](#) has stimulated NASBA Technical Research Director Nigyar Mamedova to report that the need for accounting and auditing standards for digital assets was presented at the International Auditing and Assurance Standards Board (IAASB) meeting on December 6, 2016.

While many enjoy the privacy afforded by digital currency, aka virtual currency, such as bitcoin, this also makes it attractive to the criminal community – all the more reason a system of tracking digital currency is vital in this day and age.



### About the Author:

**Alfred Giovetti**, immediate past president of NSA, is a principal at Giovetti and Giovetti Certified Public Accountants in Catonsville, Md., a full-service, small CPA firm he founded in 1992. He has been self-employed as an accountant since 1982. During this time he has worked as a lecturer and adjunct professor at local community colleges and the University of Maryland. Active in the industry, Giovetti has served on numerous state and national committees and presented at numerous organizational events including the Internal Revenue Service, Small Business Administration, Accreditation Council on Accountancy and Taxation, National Association of Accountants, Maryland Society of Accountants and NSA.



# Is Your Firm Serious About Security?

Jim Boomer

\*\*\*

This digital world in which we live is an exciting one with opportunities to connect, share and collaborate in ways we never imagined. Technology impacts almost everything we do in our personal and professional lives in some way. Most of those impacts are positive.

At the same time, today's environment can be quite scary. It seems that every time we look at the news, there is another major security breach. And what we see in the media is backed up by data. According to a report released by the Identity Theft Resource Center and Cyberscout, the number of tracked U.S. data breaches hit a record high of 1,093 – a 40 percent increase over 2015. So it's no surprise that most firms list security as a top priority. But is their behavior consistent with what they say? In my opinion, not as much as it should be.

## Investment is increasing

On the positive side, more and more firms are investing in the technology, training and processes to protect the sensitive data they possess. Whether it's intrusion detection software, bringing in an outside party to conduct a security assessment or implementing a security awareness and training program, firms are investing in a lot of the right things to create a more secure firm. Whether it's securing a perimeter in a war zone or an accounting firm, the strength of the defense is only as robust as the front lines. In your

## Data Breach Statistics from Symantec

*The top varieties of data breach in 2016 were:*

- Theft of data-36.2%
- Improper use of data-19.3%
- Unclassified or other-19.2%
- Phishing, Spoofing, or Social Engineering-15.8%  
(In 2016 the number of malware emails increased to 1 in every 131 emails. )

## Industries most frequently exposed to cyber crime:

- Services-44.2%
- Financial, Insurance & Real Estate-22.1%
- Top sub-sector breached: Business Services-24.2%

## Symantec's Security Best Practices

- Regularly back up any files stored on your computer or any other devices.
- Always keep your security software up to date, on all your devices, including mobile, to protect

firm, the front line is your people who are handling sensitive client data on a daily basis. An informed and diligent workforce is your best protection against an attack.

### It takes commitment

Unfortunately, when it comes to personal sacrifices required to take security initiatives to the finish line, there is often push-back. “The training takes too long!” “I can’t remember my password when I have to change it all the time!” “Why can’t I just email that tax return to the client?” These are just a few examples of the resistant comments and questions that confront the technology team.

Technology leadership should approach this as an opportunity rather than dismissing it as just another complaint from end-users. It is a chance to learn where the pain points are and to meet the challenge head on by finding solutions that make it less complex while still protecting the firm. It’s also an opportunity to align with firm leadership to ensure the business problem is clearly communicated when talking about a security initiative or solution. Otherwise, it’s easy to discount it as “just another technology project.”

### Change starts at the top

The biggest push back often comes from leadership. And most firms have one or more people on their team who think they are above the law. They simply choose to ignore training and look for ways to bypass security measures. It’s the responsibility of the leadership team to support the firm’s security initiatives not only through words and investment but also behavioral changes. In other words, leadership must walk-the-walk. And they must hold every one accountable, especially those few that make no attempt to change their behavior or increase their security savviness.

yourself against any new variants of malware.

- Keep your operating system and other software updated. Software updates will frequently include patches for newly discovered security vulnerabilities that could be exploited by attackers.
- Delete any suspicious-looking emails you receive, especially if they contain links or attachments.
- Be extremely wary of any Microsoft Office email attachment that advises you to enable macros to view its content. Unless you are absolutely sure that this is a genuine email from a trusted source, do not enable macros and instead immediately delete the email.
- On mobile devices, refrain from downloading apps from unfamiliar sites and only install apps from trusted sources. Also, pay close attention to the permissions requested by apps.
- Make sure passwords you use for your online accounts are unique and strong. Do not reuse passwords across multiple accounts, and enable two-factor authentication if available.
- Sign up to alerts from your bank so that you will be alerted if any suspicious transactions are made on your account.

*Data and best practices are courtesy of Symantec, sourced from the April 2017 Internet Security Threat Report.*



#### About the Author

**Jim Boomer**, CEO of [Boomer Consulting, Inc.](#), is an expert on managing technology within an accounting firm. He serves as the director of the Boomer Technology Circles, The Advisor Circle and the CIO Circle. He also acts as a strategic planning and technology consultant and firm adviser to CPA firms across the country. Accounting Today called him a “thought leader who can help accountants create next-generation firms.”

Jim is a prolific writer with a monthly column in The CPA Practice Advisor and has been published in a number of industry publications including Accounting Today, Accounting Web, the International Group of Accounting Firms and several state society publications.



# Questions Answers

## Client Needs Analysis: The Process and Questions

Kirk Ward

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So, you've decided that one of the best ways to sign a new prospect is to convince them you are the resource that can answer their needs the best, and you're going to do this by going to your first appointment with them all fired up to do a Client Needs Analysis (CNA), right?

But, do you know what questions to ask during your all powerful needs analysis?

Knowing what to ask when interviewing a prospect for the first time is often a tricky undertaking. I always found it helped to have a script, even a poorly written one from the Tom Hopkins School of high pressure selling.

Among that genre of strong closing scripts, there aren't many guides for the complex sale that accountants make, or selling to the specific industries or niches you wish to target. So, what'cha gonna do when you ain't got no script?

So, in the interest of making myself sound really cool and knowledgeable, I'm going to write about how what to ask when you're doing a client needs analysis. If you want to expand beyond what I spew here, you'll have the knowledge that will allow you to easily create your own questions for any target firm, industry or specialty.

Admittedly, like everything else, things change, but the basic concerns most businesses have are still the same: cost, labor, revenue, safety, taxes and liabilities. It all becomes a balancing act, and the better you are able to help your client prioritize and balance their concerns, the more they will respect you as an industry expert. This is where the money is: being recognized as an expert advisor who can solve the client's needs.

And, as a (dare I say) "Trusted Advisor," you are there to help your client with their business, not just the recording of data, or the reporting of taxes. You are there to advise your client on all their business needs. Accounting is merely the tool you use to expose those needs and budgets are where you propose solutions and guide your client.

So, in order to understand your prospect, or client, one of the first things you should do is get a subscription to a couple of major trade publications for the industry, niche or specialization that you are targeting and start getting an overview of the industry.

For example, if you're targeting a lawn maintenance firm, get a subscription to Lawn & Landscape (it's a great magazine, and I still keep my subscription active so I can judge how my own yard man is doing).

If you're targeting a restaurant, get subscriptions to magazines such as Nation's Restaurant News and Restaurant



Business Magazine.

You can check out <http://freetrademagazines.com> and find a lot of trade magazines for niches and specializations you may want to target. Many are available in print and online versions.

By subscribing to and reading those trade publications, you will have the opportunity to develop some industry specific knowledge that you can use when you are trying to carry on a conversation with your prospect.

**Tip** – Having industry and company specific information gives you the opportunity to establish rapport and build on your open ended client needs analysis dialog.

Once you've made an appointment to hold a conversation with the prospect, you need to have some specific information about the prospect itself. This can be public information, hints of something that you may have picked up while preparing for your first appointment with them, or industry info.

Remember, clients are going to look to you as an expert. What kind of expert they are looking for depends on their needs. So, if you want to keep your client, or get new ones, then you need to know what needs you have to satisfy, and how to satisfy them.

Now, before you can start trying to fill the blanks, you have to know what they are, and there is only one way to figure that out: play detective and dig in a little with the right questions. Of course you may not get an answer, but if you know what the right questions to ask are, and how to ask them, then if you don't get an explicit answer, you can get close to figuring out the answer.

There are basically two kinds of questions you can ask, open ended, and tie down.

Open ended questions are questions you use to elicit information, whereas tie down questions are questions you use to elicit commitment.

Open ended questions can be further broken down into background questions, challenge questions, history of critical events questions, urgency questions, benefits questions and solution questions, and they are best used in that particular order.

For example, your first series of open ended questions should be designed to put your prospect at ease, establish rapport, and avoid putting them on the defense. A good series of questions would be designed to explore and understand the prospect's background.

Basic background questions might be something like:

- "I've done some research on your company and feel like I have a decent understanding of your background, but I'd really like to learn more about it from your perspective. Could you please tell me a bit more about yourself, how you got into this business, and about your company?"
- "What are some of your company's goals over the next year or two?"
- "What is working well for you now?"
- "Are there any areas where you see opportunities for improvement?"

By asking background questions first, you warm them up for deeper inquiry.

Hopefully, your research will have exposed a lot of this information prior to your meeting, and knowing most of the answers will help you develop the rapport you need.

As the prospect responds, you want to be able to understand their motivations for entering the industry, even if it is something as simple as a restaurateur saying "My spouse makes great soup."

**Big Point to Remember Here** – At this point you are gathering information. You have not established enough rapport to be challenging the prospect's management style.

You want to spend some time not talking about yourself, or your practice. As a matter of fact, at this point in the game,

every time you mention your practice and what you offer, you are turning the prospect off. They just don't care about you or your practice. They care about themselves, and want you to also.

If you have any thought at all that your prospect wants to hear about you, or your practice—even though they invited you to find out what you could do for them—and both of you know that helping them is why you are there, this is not the time to talk about it. Take this opportunity to ask them some challenge questions instead.

Challenge questions are what you ask to discover more about the prospect's needs and whether you can help them solve their problems.

Begin with a direct question about the problems facing them might open some doors in your mind. Hopefully, if you were listening while you were establishing rapport, you were able to pick up on some ideas as to what the prospect is facing.

Examples of challenge questions are:

- “What problems do you see facing you and your company right now?”
- “Are these the same types of problems that are facing others in the industry?”
- “What do you find most challenging about these problems?”
- “When did you first start noticing these problems?”
- “Do you currently have anyone working with you to solve these problems, and if so, how effective are you finding them to be?”

**Another Big Marketing Tip** – One major question that most people forget to ask is to ask if others in the industry are having the same type of problem. For example, if decreased foot traffic is a problem for the restaurateur, then you want to ask if anyone else is having the same type of problem. Many people don't want to admit they're unable to solve their problems, so they'll often answer affirmatively.

**Major Tip** – If the prospect tells you who is suffering from similar challenges, you've just picked up potential leads. It won't be an actual introduction, but it is another party worth researching and approaching later. Commit these names to memory.

Once you've been able to identify your prospect's most serious problems, it's time to see if you can understand what caused the problem and see if you can find a different way of solving the problem.

This is a shorter phase of the needs analysis, but will help both you and your prospect understand why the status quo isn't good enough.

Here are a few questions to help you draw out the problem history:

- “How were things before these problems developed?”
- “What happened to cause these problems to escalate?”
- “What has changed to cause these problems to become so serious?”

As you come to understand the history behind the prospect's problems, and have an idea about what triggered their rise to the level of immediacy, you are ready to begin asking questions that identify the negative impact that will arise if the problems are not addressed.

These are called urgency questions, and they may include something like:

- “How soon are you hoping to have these problems solved?”
- “How have these problems affected your business?”
- “How have these problems affected you personally?”

- “If these problems are not solved in the immediate future, how could it negatively impact your business?”

At this point, you should have established rapport with your prospect, identified their needs, and gotten them to start thinking about the problems they face.

Your next step is to start drawing out a bit of the history.

For example, that restaurant owner we were talking to may have identified food costs as a problem, you may want to ask them when they first noticed that food costs were getting out of control, what happened that the food costs to start rising, and what have they noticed that they think may have caused this rise to become so serious.

Drawing out the prospects problem history should have caused their feeling of urgency to have built up enough connection so that they feel the problems you have identified are worth solving.

Following the history exploration, you want to find out if the problems have affected the prospect personally, and what will happen if they are not solved in the near or immediate future.

And finally, you want to help them see the positive outcome if you are able to help them solve their problem. You want them to be able to visualize how much their life would improve if you could make their problems go away.

Without identifying solutions, you want to paint a picture in their mind of how much better their life would be if these problems were solved.

Here is where you want to start them on the emotional buying journey as you start asking benefit questions.

Yes, this is the beginning of the close. You are starting to close the sale, and this is where you want to start using some “tie down” questions. Benefit questions are primarily tie down questions, where you are working to get the prospect to commit.

Benefit questions can go like this:

- “If I could solve your problem today, how much additional revenue do you stand to gain, or how much will you save in costs and resources?”
- “How much closer would it bring you to hitting your goals?”
- “What would it mean for your business?”
- “How could this positively impact your life outside of work?”

By now you have probably stirred up some positive emotions around finding an immediate solution to their biggest problems.

**Remember This Key** – Buying decisions are made on emotions more than on anything else.

If you have completed this aspect of your client needs analysis, you know whether you can help them or not. Either way, it is time to thank them for the opportunity to learn about their issues, and walk away.

Yes, that is what I said. Now is not the time to be presenting your solution to their problems.

I’ll bet you didn’t see that one coming, did you?

Instead of going into your close and talking to the prospect about your services and your solution to their problem you need to step back and take some time to analyze their problem.

For the time being, all you should do is look at your potential client and say something like:

“I think I have a good idea of how my services can handle this problem, but if you don’t mind, I’d like to go back to the office and do some more analysis and put together a solution that is specifically designed for your unique situation. Can we meet again on (first option) or (second option)?”

Set a time to get back together, say goodbye and leave.

Your prospect will be pleasantly surprised, and should by now be thinking “Hey, these folks are actually interested in solving my problems, not just signing me up.”

At this point, you want the prospect to see you as a thoughtful and introspective expert with their best interests in mind. You want them to think of you as having their interests first on your mind.

Asking for their business at this point defeats that by making the engagement seem more important than the solving of their needs. Remember, this is not about you, it is about understanding and solving their needs and wants.

You want to take the time to go back to your office and carefully weigh their situation, and if you have associates, discuss their problems with them. Then, you want to use that time to develop a custom solution that specifically meets their needs, and solves their specific problems.

Come back in a few days with a custom proposal that is designed to solve the needs that you and they identified at your first meeting. Give them the solution that will make their life better, just as you discussed the first time you met.

I guarantee you that once they see that you are not there to sign them as a client; that you are there to solve their unique problems, they will be waiting for you with pen in hand, and when you deliver, you will have a client for life.



#### **About the Author**

Kirk Ward, developed and sold a small chain of taco stands after a youthful career in broadcasting, and used the proceeds to finance his accounting education, graduating from Baylor University in the early 1970's.

After a fifteen year career as an “Asset Based Load” examiner or auditor, focused on contract compliance and fraud prevention, Kirk started and built several accounting and payroll practices in cities across the Southeast, authored a Special Enrollment Examination Review manual for Micro-Mash, a leading computer based training firm (now a part of Thompson-Reuters), and retired to the North Georgia mountains.

After retirement got boring, Kirk moved online to provide accountancy marketing tools and resources to independent, local, practitioners on the Practice Builder Publishing website at <https://practicebuilderpublishing.com>





# Rainmaking – What will you do differently in 2018?

**Monika Miles**

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This is the third article in a 3-part series from Monika Miles.

I'm excited to be back in this third installment about Rainmaking, or building your client pipeline. We previously talked about how to think differently about the Rainmaking process, and then how to find the time to actually do it. This month, we'll talk about a few small things you can do differently this year that will likely yield big results for you in 2018!

We've all heard the quote attributed to Albert Einstein that "insanity is defined as doing the same thing over and over again and expecting different results". Yet, often we find ourselves doing just that. And it occasionally takes something to remind us to make some calculated changes that may lead to something better. I admit that I'm largely a creature of habit as well. But I also know that when I've opened myself up to trying something new, I'm usually glad that I did!

So, what does that have to do with Rainmaking and building your business? As accountants and tax preparers, you're in a service related business and you likely have to generate revenue for your firm. You know that having a steady pipeline of potential projects and referral sources is a great way to systematically grow your business. Sometimes, just tweaking a few things in your plan and carrying them out throughout the year can pay big dividends. Here are some suggestions for changes you might implement this year to achieve better results.

**Make a written plan.** I know – that seems almost too simple. Yet, many people don't do it. It's said that people who write down their plans are 9 times as likely to achieve the goals they set out to achieve than those who don't. That's quite a difference. Draft your plan with measurable milestones and goals. Don't be afraid to set stretch goals. But also be realistic. If the plan is too crazy and you can't possibly achieve the goals, you'll get discouraged.

**Review your plan frequently.** Even people who write down a plan and have good intentions about following it often don't review it during the year. If you wait until the end of the year to be accountable to yourself (or others) about your progress toward the goal, you will likely find yourself surprised – and not in the good way! I recommend to review your plan at least monthly. If you've set measurable goals, you should be able to break them down into monthly (and even weekly) goals or milestones. As you review them monthly, you can celebrate successes, evaluate areas for improvement, and adjust the goals as needed.

**Take on one new marketing outreach tool.** Have you been thinking about adding a blog to your repertoire? Make this the

year. And don't feel like you have to start out blogging weekly. Start with once per month. (Experts will recommend that you do it at least once per week, but if that is too daunting, you can do less.) What about freshening up your website? Or revamping your e-newsletter? How about your social media presence? When was the last time you updated your Linked-In profile or posted an article to that site? Make sure to add your new marketing tool to your plan and then take realistic steps toward getting started.

**Consider a mastermind group or a coach.** Whether through a formal or informal setting, there is strength in numbers. If you are a small business owner or entrepreneur, it's often lonely at the top and difficult to know where to go for advice or idea sharing. A coach or trusted network can often help you get out of your own way. When we get stuck, it's often because we fail to delegate, or get overwhelmed with client work. Then the pipeline building, networking and future revenue generating activities cease. It becomes a cycle that's difficult to break. A coach or peer group is often able to objectively help you take a look in the mirror and get you going in the right direction again. I've worked with a coach for several years, and it has been an investment that has really paid off.

**Invest in education.** This could come in many forms. You might consider attending sales training classes, or reading a couple business books about referral strategies or closing the deal. It might include attending a conference or even taking yourself on a retreat that includes some training and some relaxation. The truth is that we all are continuing to learn as technologies speed up around us. It's important to remember that sometimes we need to work ON our businesses rather than just IN them!

And finally, **don't forget to celebrate the accomplishments along the way.** Start by giving yourself kudos for finishing up 2017. And then periodically celebrate your victories throughout the year. Treat yourself to that nice bottle of wine, or a dinner date with your spouse or significant other. Buy those fabulous designer shoes (or whatever equivalent that is for you) when you hit that Q1 revenue goal you set, particularly if it was a stretch goal! Make it fun. Remember - with a clear vision, purpose and a great attitude, you can set yourself up to achieve whatever you're striving for. Best of luck to you for a prosperous 2018! Let me know if I can help at [info@milesconsultinggroup.com](mailto:info@milesconsultinggroup.com) and [www.jumpstartrain.com](http://www.jumpstartrain.com).



#### About the Author

Monika Miles is President of [Miles Consulting Group, Inc.](http://www.milesconsultinggroup.com) – a professional service firm in San Jose, California specializing in multi-state tax solutions (sales tax and income tax) and addressing state and local tax issues such as nexus and product taxability for clients doing business across state lines. In addition to her technical tax practice, Monika also helps other professionals to grow their pipelines and enhance their practice development activities through a program called *Jumpstart Your Rainmaking*.



# The Many Hats of Fraud Prevention

Jennifer Elder

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Nothing related to fraud is good news.

The bad news is that fraud is committed at every level of an organization — by employees, managers and executives. Even more bad news is that no department is immune. Fraud occurs in accounting, operations, sales, customer service and even the C-suite.

Worse news is that the Association of Certified Fraud Examiners (ACFE) estimates the typical organization loses 5 percent of its revenue to fraud every year. When you consider that most organizations would be happy to add just a half-percent to net income, let alone revenue, losing 5 percent of revenue to fraud is a staggering amount. Finally, the even worse news is that fraud is on the increase and is expected to continue rising.

What chance does the CFO or finance professional have against all that bad news?

While it may seem to be a daunting task, you can win the battle against fraud. In order to stem the tide and prevent fraud, the finance professional needs to wear many different hats – realist, psychologist, assessor, controls expert, translator, trainer and sheriff.

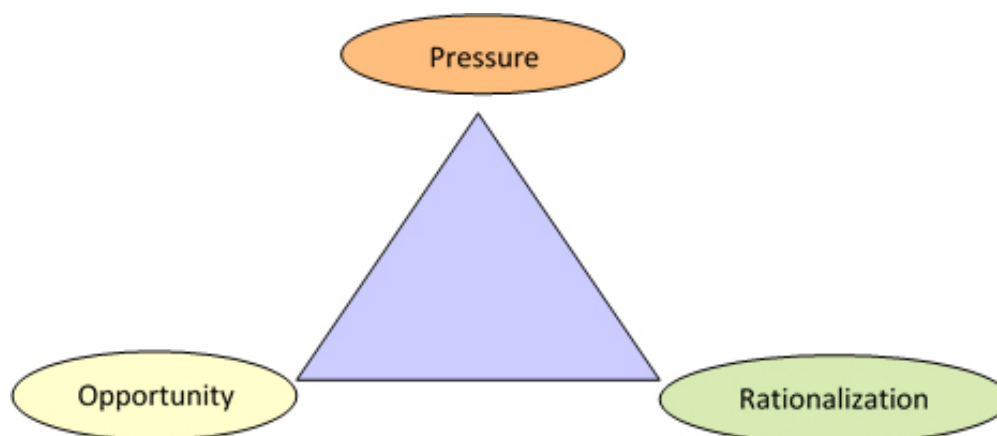
## Realist

The first step in preventing fraud is recognizing that there’s a problem. Too many of us read about fraud in the news and then say, “How horrible, but that would never happen here.” Unfortunately, fraud is an equal opportunity employer hitting private, public, government and nonprofit organizations. In addition, while fraud is more common among employers with fewer than 100 employees, organizations with more than 10,000 employees are not exempt. Fraud can (and probably will) happen in your organization, no matter what type or size. Be a realist accept that fraud exists, and start taking steps to address it.

Type of organization	Percentage of fraud occurrences	Number of employees	Percentage of fraud occurrences
Public	39%	< than 100	32%
Private	28%	100 – 999	20%
Government	17%	1,000 – 9,999	27%
Non-Profit	10%	> 10,000	21%
Other	6%		

## Psychologist

One of the difficulties in preventing fraud is that fraud can take many forms. Similar organizations may not be subject to the same fraud risks. So, there is no one-size-fits-all approach to dealing with fraud risk. In order to address the problem of fraud, you have to understand the underlying theory that explains why a normally honest person would suddenly become dishonest and commit fraud. The “fraud triangle” identifies three factors that lead to fraudulent behavior — pressure, rationalization and opportunity.



Pressure refers to a financial need. It is the catalyst that motivates an individual to commit fraud. For an employee, it may be that a family member lost their job, their house is in foreclosure, or medical bills are piling up for a sick child. For an executive, it may be the need to meet board and investor expectations, budgeted sales targets or loan covenants.

Rationalization is how an individual justifies committing fraud. Most people, including fraudsters, consider themselves honest. The fraudster often sees themselves as a victim of unusual circumstances and has to develop an explanation that makes illegal behavior acceptable. Rationalizations can range from helping oneself to helping others. Common justifications for committing fraud:

- “I deserve it.”
- “I’m only going to borrow the money.”
- “I’m underpaid and overworked.”
- “I have to take care of my family.”

Opportunity is the ability to actually commit a fraud. Opportunity increases with ease and lack of oversight. The fewer steps involved to commit fraud the more likely it is to occur. With inventory, if there are no restrictions on access and any employee can walk in at any time, there is greater opportunity for theft. If a salesperson can submit an order of any value without providing a customer’s purchase order, there is greater opportunity to submit fake orders.

## Assessor

Since fraud takes so many shapes and forms, the CFO needs to analyze their own organization to assess its unique fraud risks. There are several tools for assessing fraud risk. First, using the fraud triangle, look around your organization to identify potential problem areas. Are there any employees who might be struggling financially? Are there any executives who might



have an incentive to manipulate revenue or earnings? Consider both internal and external pressures. An employee may have external financial pressures, or there could be internal pressures, such as not earning as much as a co-worker. For an executive, the external pressure may come from the need to meet bank covenants, or internal pressure could come from the CEO's stated desire to meet budgeted revenue.

A second tool for assessing fraud risk is simply to ask your employees, "How could someone steal from our company?" or "How could someone manipulate earnings?" The employees are the ones most familiar with the day-to-day operations, and they are aware of how to circumvent policies and procedures. Look for the areas most frequently mentioned.

### Controls expert

Once you have identified the high-risk areas for fraud, it's time to implement mitigating controls. Simply stated, effective internal controls ensure that what you want to happen will happen, and what you don't want to happen won't happen. For each of your risk areas, consider whether you can implement preventative controls such as approvals and authorizations for certain transactions, increased physical security of valuable assets, or segregation of duties.

### Translator

Internal control policies and procedures cannot be considered independently of IT. General controls, such as the use of passwords, and application controls, such as restricting access to programs or files, can significantly strengthen your fraud prevention program. Unfortunately, IT and finance professionals may have different departmental goals and objectives and often speak completely different languages. Successful implementation of fraud prevention controls requires establishing a common understanding between the two departments.

### Trainer

Training, or really the lack of training, is often the reason why internal controls fail. Even good controls designed to prevent fraud can be ignored or circumvented if they are not understood. A process that is not properly documented and explained is not likely to be followed consistently.

The unfortunate result is that many employees see controls as rules put in place to make their lives more difficult. Every control process should be fully explained to everyone involved. The easiest way to find out whether a process is understood is to ask your employee, "Why do you do it that way?" My least favorite answer is, "Because that's the way it's always been done." An employee that has no understanding of the reason behind a process won't mind bending the rules if asked. Training sessions covering the need for and purpose of controls should be made across all departments and at all levels in your organization.

### Sheriff

The final role in fraud prevention is the most important.

The role of sheriff has two parts. First, the CFO has to be the enforcer. Two major deterrents of fraud are the fear of being caught and the fear of punishment. Internal controls are the organization's way to catch a thief. The sheriff has to hold everyone accountable for complying with the internal control policies and procedures. Establishing an investigation protocol for when fraud is suspected or detected will also increase the likelihood of catching a fraudster. Once caught, the fraudster must be held accountable. Quietly firing a fraudster to avoid bad publicity does not instill the fear of punishment. Filing criminal charges or a civil claim is far more effective.

The second part of the sheriff's role is to deputize everyone in the company to be fraud seekers. All employees should be on the lookout for fraud. Provide fraud training for all employees. The training should be customized to the department and

level, focusing on the frauds they are likely to see. “See something, say something” should be every organization’s mantra. One CFO/sheriff can’t prevent or detect much fraud on their own, but with the eyes and ears of every employee assisting, it will be exponentially more difficult for a fraudster to be successful.

Fraud is constantly evolving. The CFO and the team of finance professionals must have a multi-faced approach to be successful in the prevention of fraud. They must wear many different hats—and wear them at all times. Fraudsters are always thinking of new ways to commit fraud; you must always be thinking of ways to stop them.



#### About the Author

**Jennifer Elder CPA, CMA, CIA, CFF, CGMA, MS** helps accountants advance their careers and organizations increase retention by developing powerful communication skills. Jennifer works with companies and their emerging leaders to increase employee engagement and client value by understanding personality styles, generational characteristics, and communicating clearly, concisely, and persuasively.

As a consultant and keynote speaker Jennifer is known for being energetic and enthusiastic. She has conducted seminars for the Fortune 500, the US Government, State CPA Societies, and CPA firms in 48 states and 5 countries. She is both a business strategist and an accounting expert who can make the complicated simple, practical and useful. She is a published author, writer for the AICPA’s CPE Direct, named a “2015 Woman to Watch” by the AICPA and MACPA, and been awarded Outstanding Educator by the AICPA for the past four years.

When not on the road teaching, she is either living on her boat on Chesapeake Bay or skiing the slopes of New Hampshire with her husband and two cats (no the cats don’t ski!) You can reach her at 410-231-1881, or [jelder@sustainablecfo.com](mailto:jelder@sustainablecfo.com)

# • ALL AROUND NSA

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## MEMBER BENEFITS SPOTLIGHT: CYBER ATTACK PROTECTION

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Cyber attacks are becoming more common. In 2017 there were several major cyber attacks that exposed vital personal information about millions of people.

Remember these?

- Verizon was attacked and 14 million personal records were stolen.\*
- Equifax suffered a breach that exposed the identities, credit information, and other data of 143 million people.\* One of them might be you.
- It has also been revealed that Yahoo was attacked and nearly a billion email addresses were compromised just a few years ago.

NSA, through its insurance administrator, FTJ, offers these products that help “Main Street Practitioners” in the event that their systems are compromised.

### Cyber Liability Insurance

Accounting and bookkeeping firms face security challenges other small businesses don’t because of the sensitive data they retain for client tax preparation and payroll. Social security numbers, bank account information, and other types of highly sensitive financial data can be easy pickings for a hacker if your security is lax.

In a world where you see and hear about cyber-related events, businesses failing and client lawsuits, it might be possible to still think that it couldn’t happen to you. Not so. The incidence of data theft and security breaches is steadily rising. Cyber Liability insurance provides protection for your firm’s liability to third parties for network or security breaches.

### LegalShield/IDShield

Our insurance plan administrator FTJ now offers LegalShield and IDShield memberships for our members. LegalShield provides 24-7 access to legal assistance from a lawyer near you. IDShield offers a range of services, including: risk monitoring, identity restoration, and password management.

To learn more about how these products can protect you, your family, and your business in the event of a cyber event, go to <http://www.ftj.com/nsa> or call 800-821-7303.

*The National Society of Accountants sponsors these insurance plans as a service to members, but does not incur expenses or income from their sales. FTJ wants NSA members to be completely satisfied with the plans NSA sponsors. Should you decide that a life or health plan you have purchased is not right for you, return your certificate (without claim) within 30 days and your money will be refunded promptly – no questions asked, and no forms to fill out. For more information, visit [www.ftj.com/nsa](http://www.ftj.com/nsa), or call FTJ at: 800-821-7303.*

\*Source: [ZDNet](#)

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## NSA IS ACCEPTING ACCOUNTING SCHOLARSHIP APPLICATIONS

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**The 2018 Scholarship Application Window is Now Open - Scholarship applications are due April 1, 2018.**

The Foundation awards scholarships to undergraduates who are U.S. or Canadian citizens majoring in accounting at an accredited two- or four-year college or university in the United States. Since it was formed in 1969, the NSA Scholarship Foundation has awarded over \$1 million to dedicated students pursuing a career in the accounting profession.

In 2017, The Foundation awarded over \$37,950 to 30 deserving students. Applicants for awards are judged on the basis of scholastic achievement, demonstrated leadership ability, and financial need. They must have a “B” (3.0 on a 4.0 scale) or better grade point average.

Scholarships typically range from \$500 - \$2,500.

For eligibility requirements, award details, selection requirements and more, download the: [NSA Scholarship Guidelines & FAQs](#)

[Apply Online](#)

Spread the word to tax and accounting students! More information can be found at [www.nsacct.org/scholarships](http://www.nsacct.org/scholarships)

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## Accreditation in Accountancy

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ACAT credentials can help you build your career in tax and accounting.

For students nearing graduation or new to the accounting profession, the Accreditation Council for Accountancy and Taxation (ACAT), which is affiliated with NSA, offers an Accredited Business Accountant (ABA) credential. No experience is required to take the ACAT Comprehensive Examination that leads to the ABA credential. However, two years of college-level accounting and one year of accounting experience are required to earn the credential.

Learn more and find out which credential is right for you at <http://www.acatcredentials.org>



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## ACCOUNTING TALK IS HERE!

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NSA is proud to introduce a new community for members: Accounting Talk. This forum is the perfect compliment to NSA's Tax Talk, where members share advice on hundreds of tax topics and issues.

Accounting Talk is focused on accounting topics from a practical perspective, rather than the ins and outs of taxes. Members can share information gained from their years of experience, as well as pose and answer questions from the community at large.

Our hope is that this forum will provide members with a source to ask or discuss their accounting issues just like they do now with tax topics on Tax Talk.

To join the community, go to [www.nsacct.org/accountingtalk](http://www.nsacct.org/accountingtalk) and click “Join Community”

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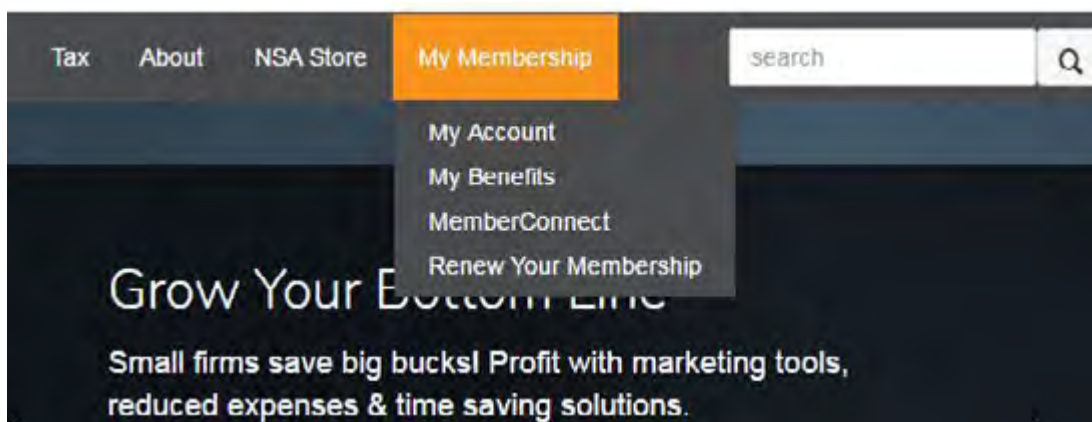
## NSA ENCOURAGES MEMBERS TO UPDATE THEIR PROFILE

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Each NSA member has a unique online profile page that allows them to pick and choose what information is displayed to the public. This profile is displayed to members, but is the result displayed when the public searches from the NSA website home page, and from queries on ChooseATaxPro, the consumer facing website.

People searching for a tax professional will want to know about members' experience, scope of business, credentials, and other information. Studies have shown that people are more likely to respond to a profile that includes a photo of the member.

Updating your online profile is easy. Log in to [nsacct.org](https://nsacct.org) and click on My Membership in the menu bar. Then visit [My Account](#) – here you can update your profile information, view your NSA sales history, change or reset your user name and password, renew online, and connect to your member benefits.



*My Membership Unlocks NSA Member Benefits and Account Information*

When you visit NSA's website, all the information you need is available to you in the top navigation under the My Membership button, on the left of the search box.

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## MEMBER BENEFITS SPOTLIGHT: CYBER ATTACK PROTECTION

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Cyber attacks are becoming more common. In 2017 there were several major cyber attacks that exposed vital personal information about millions of people.

Remember these?

- Verizon was attacked and **14 million personal records** were stolen.\*
- Equifax suffered a breach that exposed the identities, credit information, and other data of **143 million people**.\* One of them might be you.

It has also been revealed that Yahoo was attacked and nearly a billion email addresses were compromised just a few years ago.

NSA, through its insurance administrator, FTJ, offers these products that help “Main Street Practitioners” in the

event that their systems are compromised.

### **Cyber Liability Insurance**

Accounting and bookkeeping firms face security challenges other small businesses don't because of the sensitive data they retain for client tax preparation and payroll. Social security numbers, bank account information, and other types of highly sensitive financial data can be easy pickings for a hacker if your security is lax.

In a world where you see and hear about cyber-related events, businesses failing and client lawsuits, it might be possible to still think that it couldn't happen to you. Not so. The incidence of data theft and security breaches is steadily rising. Cyber Liability insurance provides protection for your firm's liability to third parties for network or security breaches.

*Continued on following page*



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## MEMBER RESOURCES FOR TAX SEASON

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Tax season is here, and NSA has your back.

*NSA members have access to information, products, and unique discounts to help them serve their clients better and manage their practice better during the rush of tax season. The more you take advantage of, the better your membership gets.*

### Tax Research & Information

**NSA Tax Help Desk:** Active & Associate members get five federal tax questions researched and answered free each year.

**CCH Tax Center:** NSA members get code, regs, court cases, daily tax news, briefings, and tax alerts.

**NSA Tax Talk:** Members can ask and answer questions for your peers, as well as search the Tax Talk archives anytime online by topic or keyword.

**Post to Tax Talk**

**Search Tax Talk**

### Tax Tools and Resources

**Income & Fees Survey Data:** Know what your competition is charging with the latest data from the 2016-2017 survey that includes fees for tax preparation and other services broken down by state, geographic region and practice size.

**NSA Resource Libraries:** Download sample client, disclosure, and engagement letters, the [2017 tax organizer](#) and more.

**NSA Bookstore & Discounts:** Members save on CCH publications and Master Tax Guide, Quickfinder, TheTaxBook; RIA/PPC, cyber liability insurance, office supplies, credit card processing, client newsletters, shipping, and much more!

**Master Tax Guide:** Download the CCH 2017 Master Tax Guide by chapter.

**Technology Search:** When you need help finding the right accounting or tax software for your practice, use the free Technology Search for help.

**2017 Federal Tax Key Facts and Figures:** A quick reference guide for income tax rates and more.

Whatever it takes. NSA is here for you! If you have any questions about your NSA membership, please contact NSA Member Services toll-free at 800-966-6679 or email [members@nsacct.org](mailto:members@nsacct.org).

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### Quick Links to NSA Member Benefits

**My Account**

**My Benefits**

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## MEMBER BENEFITS SPOTLIGHT: CYBER ATTACK PROTECTION, continued

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### LegalShield/IDShield

Our insurance plan administrator FTJ now offers LegalShield and IDShield memberships for our members. LegalShield provides 24-7 access to legal assistance from a lawyer near you. IDShield offers a range of services, including: risk monitoring, identity restoration, and password management.

To learn more about how these products can protect you, your family, and your business in the event of a cyber event, go to [www.ftj.com/nsa](http://www.ftj.com/nsa) or call 800-821-7303.

*The National Society of Accountants sponsors these insurance plans as a service to members, but does not incur expenses or income from their sales. FTJ wants NSA members to be completely satisfied with the plans NSA sponsors. Should you decide that a life or health plan you have purchased is not right for you, return your certificate (without claim) within 30 days and your money will be refunded promptly – no questions asked, and no forms to fill out. For more information, visit [www.ftj.com/nsa](http://www.ftj.com/nsa), or call FTJ at: 800-821-7303.*

\*Source: [ZDNet](#)



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## SAVE THE DATE FOR NSA'S 2018 ANNUAL MEETING

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NSA's 73rd Annual Meeting is coming to Minneapolis on August 23 through August 25, 2018!

This year's annual convention in Minneapolis, MN will be an excellent combination of education, networking and social events. Prior to the event, NSA will be offering an EA Exam Review Course & ATP Review Course/Exam. This review is a comprehensive and intensive—and we mean intensive—course geared toward a single purpose: to help you master tax basics and pass the EA exam.

Detailed study notes will be provided for each topic, including figures and charts that prove the old adage that "...a picture is worth a thousand words." Hundreds of past exam questions from the open-exam era and many more potential questions on newer topics are incorporated and each is reviewed in class so the real exam itself will look like an old friend. Study tips, tricks and shortcuts are a staple of this course.

Breanna Whitlock, who presented at the NSA Annual Convention in Reno last year, returns on Saturday, August 25. Her class will focus on America's aging population, including topics like: death planning, elder planning, medicaid and asset protection. Attendees will learn how tax preparers and accountants can help clients plan now for what inevitably happens to us all.

More details and registration for the 73rd Annual Convention will be announced soon.

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## FEBRUARY 2017 NSA CONNECTED WEBINARS

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The NSA is offering a special Tax Cuts and Jobs Act webinar on February 8<sup>th</sup>. **Spaces are limited: register now.**

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### Tax Cuts and Jobs Act. Who are the Winners and Losers? Encore Presentation

Thursday, February 8, 2018

1:00-4:00 pm (EST)

IRS CE: 3 Hours/Federal Tax Law; NASBA CE: 3 Hours/Taxes

[Register for the Encore Presentation](#)

The Tax Cuts and Jobs Act (H.R.1) will impact nearly every individual and business. Signed by President Trump on December 22, this bill is bigger than anything we have seen in 30 years. Are you ready?

*Timothy Sundstrom, CPA, CFP*

## REGISTER FOR ACAT SPRING/SUMMER 2018 EXAMS

### Registration for the Summer 2018 ACAT Exams is Open

Registration is now open for the Accreditation Council for Accountancy and Taxation® (ACAT) spring/summer 2018 exams for accountants, tax preparers and students seeking to earn the Accredited Business Accountant/Advisor (ABA), Accredited Tax Preparer (ATP) and Accredited Tax Advisor (ATA) credentials. The Comprehensive Examination for Accreditation in Accountancy (ABA), Accredited Tax Preparer (ATP) exam and the Accredited Tax Advisor (ATA) exam can be taken between June 1 – July 20, 2018 at test sites across the United States.

### More About ACAT Credentials



The ABA is a high-level credential that tests the technical proficiency of accounting and tax professionals in financial accounting, financial reporting, financial statement preparation, taxation, business consulting services, business law and ethics. Emphasis is on a practical approach to public accounting. To become an ABA, candidates must pass the Comprehensive Examination for Accreditation in Accountancy

and have three years of related work experience, up to two of which may be satisfied through college credit. In Iowa and Minnesota achieving the ABA designation meets state regulatory requirements to practice public accountancy.

The exam is divided into two parts: Practice 1 and Practice 2. **Practice 1** covers financial accounting and financial statement preparation, presentation and reporting. **Practice 2** covers the taxation, business law, business accounting and ethics.

The ABA is accredited by the National Commission for Certifying Agencies (NCCA), an independent resource recognized as the authority on accreditation standards for professional certification organizations and programs.



The ATP is a leading national credential for tax practitioners who have a thorough knowledge of the existing tax code and the preparation of individual tax returns with an expertise in comprehensive 1040 issues including supporting schedules, self-employed returns, and ethics. To become an Accredited Tax Preparer, candidates must pass the 100-question ATP exam.

*Accredited Tax Preparers (ATP) and Accredited Business Accountant/Advisors (ABA) are exempt from taking the Annual Federal Tax Refresher (AFTR) course and exam that is part of the Internal Revenue Service (IRS) voluntary Annual Filing Season Program (AFSP) and automatically qualify for the IRS Annual Filing Season Program Record of Completion.*

ATPs and ABAs who are Annual Filing Season Program (AFSP) Record of Completion Holders are included in the IRS public directory of tax return preparers and have limited representation rights, meaning they can represent clients whose returns they prepared and signed, but only before revenue agents, customer service representatives, and similar IRS employees, including the Taxpayer Advocate Service.



The ATA is a premier national tax credential for practitioners who handle sophisticated tax planning issues, including planning for owners of closely held businesses, planning for the highly compensated, choosing qualified retirement plans and performing estate tax planning. Their expertise covers tax returns for individuals, business entities, fiduciaries, trusts and estates, as well as tax planning, tax consulting and ethics. To become an Accredited Tax Advisor, candidates must pass the 100-question ATA examination and have three years of experience in tax preparation, compliance, tax planning and consulting, of which 40 percent must be in tax planning and consulting.

The exam fee for both Practice 1 and Practice 2 of the ABA exam is \$400 or \$250 for one Practice of the exam. The ATA and ATP exam fees are \$250. The deadline for registration is May, 30.

ABA and ATA candidates must pass the exams and meet experience requirements to earn the credentials. A blueprint for each exam with more information on topic areas is available at [www.acatcredentials.org](http://www.acatcredentials.org).

The National Society of Accountants (NSA) offers preparatory course [study guides](#) for both the ABA, ATA, and ATP exams and preview exams, which mirror the topics and question format of the ACAT exams.

To learn more about ACAT credentials, [click here](#).

**Register Online**

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

# Tax Topics

In this issue, we address some topics the Tax Help Desk has encountered, including capital losses in estate property sales, and opportunities related to tax reform.

**Q-1** Regarding the personal residence of a deceased individual that is inherited by family members as beneficiaries of the decedent's estate...Can a loss be taken or deducted upon the sale of the decedent's residence by the beneficiaries of the estate?

**A-1** Yes, the sale of the personal residence of the decedent—which receives a stepped-up basis under IRC Sec 1014—can produce a deductible capital loss to the beneficiaries. The capital loss is the product of the closing costs and the capital improvements that are made, or incurred, by the beneficiaries.

The fair market value (FMV) at the date of death, and the stepped-up basis, becomes the basis of the asset—the former home of the decedent—to the beneficiaries. They then need to fix-up the residence prior to its sale, adding costs to the basis. The sale also produces some closing costs, which are part of the basis upon the sale of the residence. This may mean that the sales price (which is typically the FMV at date of death) is going to be less than the basis, thus producing a loss on the sale.

The key here is that the personal residence is considered a capital asset in the hands of the beneficiaries, as long as none of the beneficiaries move into the decedents' residence, or fail to move out after the death of the taxpayer. So the old home of the decedent really needs to be vacant, be listed for sale, or in the process of being fixed-up and sold, to create this capital loss.

**Q-2** Another issue or question that seems to be popular—which is also pertinent to the death of a taxpayer—is the whole estate tax issue. It was on the verge of repeal with this latest tax law change, but survived. The use of trusts, and the need for estate tax planning has become, or will become less necessary. The Tax Cuts and Jobs Act of 2017 (TCJA) literally doubles the basic estate tax exclusion under IRC Sec 2010.

**A-2** This change in the tax law does not eliminate estate planning, it just changes the landscape a bit. What it does, is open an opportunity, to discuss estate planning with your clients. Tax practitioners and accountants have the perfect chance to review a client or taxpayer's estate plan, including: trusts, wills, the possible need to modify or eliminate an irrevocable trust, or evaluate a taxpayer's A/B trust plan.

Another key point is that we still need to be aware of estate planning as an issue, because State estate rules may not follow the Federal law changes.

The fact that this issue is addressed in the Tax Cuts and Jobs Act of 2017 simply gives us some opportunity for an additional engagement and some billings this summer.

**Q-3** At the Tax Help Desk we have been receiving a lot of questions regarding S-Corporation shareholders' health insurance premiums. This issue has had more "ups and downs" than a roller coaster ride.

**A-3** The S-Corporation shareholder can still take a self-employment health insurance deduction under the provisions of IRS Notice 2008-1. This is the whole included in the W-2, but not subject the amount to FICA, and Medicare, withholding rule.

There are some new rules regarding medical reimbursement plans and one really needs to look at IRC Sec 9831(d). This code

NSA's tax research team is busy helping members answer the toughest Federal tax questions.

# Tax Topics

section covers the new qualified small employer health reimbursement arrangement (QSEHRA). There are also IRS Notices that tax practitioners really need to look at in the area of S-Corp health insurance. So before you talk to your S-Corp shareholder, look at the IRC Section mentioned above, as well as IRS Notice 2015-17, IRS Notice 2017-20 and 2017-67. This should provide you and your client with all you need for a “new” HRA.

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**Q-4** Is the Net Operating Loss (NOL) carryback really going away?

**A-4** Yes, unfortunately, this is true and is effective for an NOL arising in tax years ending after December 31st of 2017. This is a part of the new Tax Cuts and Jobs Act of 2017. So for this filing season—right now, filing the 2017 tax return—will be the last year that tax practitioners will be able to take our clients' NOL's back two (2) years to claim refunds.

Beginning with the 2018 tax returns that we will file in calendar year 2019 taxpayers can only carry an NOL forward, but there will be no limit to the number of years that it can carry forward. In other words, the NOL carryforward will no longer be limited to 20 years.

There is one exception to this loss of a carryback, and that is regarding a farming loss. The farming loss ,or farming NOL, as defined within IRC Sec 263A(e)(4), will still be afforded a two (2) year carryback under the new law.

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In conclusion, there are many tax rules and laws that we need to keep straight in our minds as we file our taxpayers' 2017 Form 1040's. At the same time we have to keep in mind all of the changes that this new tax act has brought to everyone's attention. This will make for a rather trying tax season as two sets of tax laws will be playing on our minds, if not also in the minds of our clients.

We wish you success and profits in the upcoming tax season and do not hesitate to take advantage of your NSA Member benefits and use the [Tax Help Desk](#). **You have 5 free questions every year that you can submit to us, and we are here to help.** Drop us an e-mail anytime at [taxresearch@nsacct.org](mailto:taxresearch@nsacct.org)



# Legislative Link



John Ams  
Executive  
Vice President

## NSA Sends Letter To Hill Urging More Funds For IRS

In light of the need for tax reform guidance and the overall decline in IRS customer service due to limited budgets, NSA on January 25 sent a letter to House and Senate Appropriations Committee members asking for an increase in the IRS budget. The letter, signed by NSA President Brian L. Thompson, and NSA Executive Vice President John Ams, urges Committee members to substantially increase appropriations for the IRS from the proposed level of slightly more than \$11 billion in order to provide the agency adequate resources to perform its mission. “The Committee budget recommendation would fund the IRS, in total, below their fiscal year 2008 level,” noted the letter, citing a report from the House Subcommittee on Appropriations.

According to Thompson, this funding level also leaves the future uncertain for both the IRS and the taxpaying public. “It’s interesting to note that in the midst of one of the largest tax reform initiatives in more than 30 years, we are seeing budget cuts to the one organization responsible for establishing definitive guidance and regulations, and helping interpret provisions of the newly-created Tax Cuts and Jobs Act,” Thompson noted. “Frankly, we question whether many of the estimated benefits of the Act can be realized in the absence of this much-needed IRS guidance,” he added.

[A copy of the letter is available here.](#)

## IRS Expected To Offer Online Withholding Calculator In February

IRS said that by the end of February it would have an online withholding calculator ready to help employees determine whether to adjust withholding as a result of the tax reform law.

The impact of the new tax reform law (Pub. L. No. 115-97) is meant to show up in paychecks no later than February 15, the IRS said when it issued new withholding tables for employers. The tables reflect the new law’s much higher standard deduction and adjusted tax rates, but they keep the personal-exemption-based withholding allowances set last year for 2018—even though the law eliminated personal exemptions.

As a result, employers are concerned there may be mismatches between the allowances employees have registered for 2018 and the withholding that will be suitable for them under the new system.

Peter Isberg, president of the National Payroll Reporting Consortium, said January 16 that Consortium members had not expected the IRS’s instruction that employers should rely on existing W-4 forms, where employees list personal exemptions. It was surprising, but at least it makes the initial process easier than requiring employees to file new W-4s, he said. Isberg said that, once the online withholding calculator is available, he expects the agency to issue a revised W-4 but not require employees to file new ones. Instead, he expects the IRS to “strongly encourage employees to review their status.”