The Trusted Professional

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SEC Adopts Disclosure Guidance for Climate Change

By CHRIS GAETANO
Trusted Professional Staff

NEW YORK—Public companies can now add climate change impacts to the list of things they may need to disclose on their annual 10-K reports, due to new interpretive guidelines approved, 3-2, by the U.S. Securities and Exchange Commission (SEC) on Jan. 27. The vote fell along party lines.

The guidelines, according to SEC Chair Mary Schapiro, are intended to clarify when climate change impacts might trigger already existing disclosure requirements; although Schapiro was quick to point out that the decision to release the guidelines should not be perceived as any sort of SEC opinion regarding climate change in and of itself.

"The Commission is not making any kind of statement regarding the facts as they relate to the topic of 'climate change' or 'global warming,'" Schapiro said "And we are not opining on whether the world's climate is changing, at what pace it might be changing or due to what causes. Nothing that the Commission does today should be construed as weighing in on those topics."

This is not the first time a government entity has weighed in regarding the investment impacts of climate change. In September 2007, New York Attorney General Andrew Cuomo, under the broad powers granted under New York state's 1921 Martin Act, subpoenaed the executives of five major energy companies—Xcel Energy, AES Corporation, Dominion Resources, Dynegy and Peabody Energy—

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Tax Season Prep

Members of the NYSSCPA's tax committees attend a face-to-face meeting with area IRS agents on Dec. 9. The meeting was sponsored by the Society's Relations with the IRS Committee.

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Program Aims to Increase Number of Ph.D.s in Accounting Education

By MELISSA HOFFMANN LAJARA
Trusted Professional Staff

NEW YORK—A significant increase in enrollment in accounting programs at colleges and universities nationwide is generally deemed a plus for the profession—the only trouble, as numerous studies have found, is that there aren't enough Ph.D. accounting professors to teach the courses. Accredited accounting programs typically require that approximately 50 percent of full-time accountancy faculty have a doctoral degree, according to a 2008 Treasury report, but as enrollment spikes, the corresponding increase in Ph.D.s is lacking.

"To meet the demands of the profession, and the quality we're looking for in the profession, we're going to be short the number of Ph.D.s necessary," said NYSSCPA President-elect **Peggy A. Wood.**

But the AICPA is looking to change that with its new Accounting Doctoral Scholars (ADS) program, intended "to solve the vexing shortage of Ph.D.s in accounting, auditing and tax faculty at our nation's universities," the organization said in its 2009 annual report.

"Our profession is at a critical juncture," ADS founder William F. Ezzell said in the introduction to the ADS report. "Many of the brightest students are again seeking careers in our profession. However, at this time we face a critical and growing shortage of academically qualified faculty in the accounting and tax programs at U.S. universities."

The future lack of Ph.D.s teaching accountancy was first identified in a 2003 report by the Association to Advance Collegiate Schools of Business. It was again documented in a 2005 joint report by the American Accounting Association and the Accounting Programs Leadership Group (APLG). A 2008 report by the Treasury's Advisory Committee on the Auditing Profession also addressed the issue.

The advisory committee noted in its report that "there is a high level of concern about the adequacy of both the near- and long-term supply of doctoral faculty, especially given the anticipated pace of faculty retirements."

The report notes that in 2006, about one-third of the roughly 4,000 accounting doctoral faculty in the U.S. were age 60 or older.

An NYSSCPA white paper on precertification education, approved by the NYSSCPA Board of Directors in 2008, addressed the shortage of Ph.D.s in accountancy, suggesting as a potential solution that universities change the requirement for professorship, allowing educators with practical experience and no doctoral degree a chance at more than just an adjunct faculty position.

"In the white paper, we tried to address alternatives to solving this problem," said Society Past President **Sharon Sabba Fierstein**.

This solution was also recommended in a

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Program Aims to Increase Number of Ph.D.s in Accounting Education

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Antionette Spina, chair of the Rochester Career Opportunities in the Accounting Profession program, talks to students about the benefits of entering the profession.

2008 report produced by the Treasury's Advisory Committee on the Auditing Profession. The committee recommended that public and private funding be used to increase doctoral accounting faculty at colleges and universities.

"Ensuring an adequate supply of doctoral accounting faculty in higher education is crucial to both retaining the academic standing of the discipline on campus and developing well-prepared and educated entry-level professionals," the report states. "The resource represented by these professionals is essential for high-quality audits. The Committee believes that high-quality audits are critical to well-functioning capital markets, and therefore the funding necessary to supply the healthy pipeline of doctoral accounting faculty to assist in providing these human capital resources must be made available."

That's where the ADS program comes in.

"This program takes people who are interested in becoming a Ph.D. and provides them with a scholarship to do that," Wood said.

The program is assisted by the financial support of more than 71 CPA firms, 44 CPA societies and other donors, including the NYSSCPA, which made a $50,000 commitment to the program.

After funding was obtained, representatives of the sponsoring CPA firms, state societies and other organizations began to design the program's framework, according to the report. They gathered data on which

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The Trusted Professional welcomes letters to the editor. In order to be considered for publication, letters must address editorial material previously published in *The Trusted Professional* and must include the writer's name and contact information. Letters to the editor should be no longer than 500 words and may not contain defamatory or potentially defamatory statements, personal attacks or endorsements. The editor reserves the right to edit letters for brevity, clarity and style. The writer's name will be published with the letter, but firm names will be omitted unless the letter speaks for the entire firm. The editor also reserves the right not to publish any letter. Letters to the editor are accepted by mail or via e-mail to clutolf@nysscpa.org.

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To update subscription information, contact Member Services at 800-633-6320.

Program Aims to Increase Number of Ph.D.s in Accounting Education

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schools were recent major producers of accounting doctoral faculty, and where the faculty at major accounting schools had received their doctorates.

In order to increase the supply of qualified candidates to doctoral programs in accounting, and to increase the capacity of additional students into doctoral study in auditing and tax, the ADS program seeks to—

- encourage experienced practitioners in auditing and tax to obtain their doctorate for a career transition into university faculty;
- provide financial support to enable selected candidates to pursue a doctorate in accounting;
- encourage universities to increase doctoral enrollments in auditing and tax, but not at the expense of existing funded slots;
- provide a peer-support network for experienced practitioners who make the transition to academia; and
- improve the educational preparation of accounting students.

The first scholarship recipients began taking ADS-funded classes in the 2009 fall semester and included 27 candidates studying at 39 participating universities, according to Ezzell. Among the participating institutions was Baruch College in New York City.

Nine of the candidates are in programs focused on tax and 18 in audit—the two practice areas experiencing the lowest growth in Ph.D. accounting faculty, with only 22 percent and 23 percent of the need met, respectively.

Students participating in the program must provide a written statement committing to a career transition into teaching and must have the potential to gain admission to a doctoral program at one or more of the participating universities.

Applications are reviewed by a selection committee, and those chosen attend an orientation conference. Following that conference, a final selection step meets to pare down the pool of candidates and provide a short list of alternates.

But this isn't meant to be a purely educational track, Wood said.

"They're really looking for people who have worked in the field. You can't just do it from book learning in our profession," she said. "It has to be a combination of fieldwork and book learning."

NYSSCPA member **Susan B. Anders** has both.

"I worked in public accounting for 15 years," she said. "I did a lot of teaching, both inside the office and training for clients, and I enjoyed it."

Anders began studying tax policy after finding herself befuddled by Congress' choices in the way it wrote tax law. But she never would have thought to pursue a Ph.D. until a friend encouraged her to consider it, she said.

"I spent five years in the Ph.D. program at Texas Tech," she said. "There were times when it made public [firm] accounting look really good, but now I have the best job in the world."

Anders comes from a blue-collar background—her parents were the first in the family to graduate from high school.

"I don't want people to think that just because their parents don't have Ph.D.s, they can't do it themselves."

Anders said she would encourage anyone interested in learning more about becoming a Ph.D. to contact her at St. Bonaventure University, where she teaches. She can be reached at sanders@sbu.edu.

Internships and experience in industry would qualify, Wood said.

"We need a combination of people with the skill sets, the research capabilities, who meet the needs of the colleges," she added.

"People are going to have to step up and go through Ph.D. programs," Anders said. "This isn't someone else's problem—this is our problem."

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AICPA Seeks CPAs for Passing Score Exam Panels

The AICPA is seeking nominations for CPAs interested in sitting on one of four panels that will reexamine the passing score of the new Uniform CPA Examination, CBT-e (Computer-Based Testing), which launches on Jan. 1, 2011.

The new exam introduces changes in exam content, format and structure. A review is required to ensure that legally defensible CPA exam pass/fail decisions continue to be made in protection of the public interest. The process will include convening four panels of CPAs—one for each examination section—to prepare the groundwork for the passing score decision by the AICPA Board of Examiners (BOE).

The AICPA BOE has the authority to set the passing score on the CPA exam. The BOE's Psychometric Oversight Committee (POC) is responsible for recommending methods and procedures for setting the passing standard, overseeing the analysis of data generated by content experts and reviewing the results for psychometric validity before they are presented to the BOE. The current plan for setting passing scores is similar to the one used in 2003–2004, when standard setting last took place in conjunction with the implementation of CBT. It calls for panels of content experts to review candidate performance on the examination and make judgments about it.

Panel Nominees

The AICPA is seeking nominations for passing score panel membership. Nominees should be CPAs who—

- have been licensed for 3–5 years;
- have supervised entry-level CPAs during the past year;
- have NO affiliation with CPA Examination review courses; and
- are willing to participate in an August 2010 two-day meeting in Chicago, Ill., at the expense of the AICPA.

The selection of panelists from among qualified nominees will be made to ensure broad representation from all segments of the profession and demographic categories. Panelists will be given training on their responsibilities as panel participants at the August meeting.

Training will be provided at each panel meeting on how to rate candidate performance profiles, which will consist of examination questions and candidate responses to them. Initial ratings by question type—multiple-choice questions (MCQs), simulations and written communication tasks—will then be developed by the panelists. The panelists will review and discuss the initial results before assigning final ratings of candidate performance profiles.

Submitting Nominations

Nominations may be submitted online at http:vovici.com/wsb.dll/s/4e5ag3f124, faxed to 609-671-2922 or e-mailed (including nominee names and contact information) to passingscorepanel@aicpa.org.

Information collected about nominees will be used only for the purpose of selecting panel participants.

The deadline for submitting nominations is March 31.

IRS Visits Society Tax Committee for Preseason Q&A

By **ANTHONY SARMIENTO**
Trusted Professional Correspondent

The NYSSCPA's Relations with the IRS Committee received an insider's view of the IRS's fraud investigations, collections and correspondence activity when six agency representatives visited Society offices on Dec. 9.

IRS Stakeholder Liaison Kim Young talks to the Relations with the IRS Committee on Dec. 9. Young was joined by fellow IRS agents from the Brookhaven office—Herman Tumm, center, a correspondence audits program manager, and Lynn Snyder, a tax compliance officer.

Finding and Fighting Fraud

What is the IRS looking for from practitioners?

"The commissioner's goal is to leverage the preparer community to ensure compliance and high ethical standards," said Peter Persampieri, who handles criminal investigations for the agency. The IRS's criminal investigation (CI) agents have been focused on a large number of schemes—an estimated $185 million worth—based on the new first-time homebuyer credit, which in some cases have resulted in tax preparers being sentenced for fraud, he said.

Persampieri offered a couple of examples of common frauds the IRS has seen, including professional practices with subchapter S corporations reporting fictitious losses.

The question arose as to whether the claims made by companies advertising an ability to obtain generous settlements from the IRS—that is, offers in compromise—constituted false advertising or, perhaps, even fraud. Potentially misleading claims and business practices are one of the reasons the IRS is now requiring the registration of paid tax preparers, said Patricia Haynes, who works with Persampieri in criminal investigations.

Michael Guth, an IRS territory manager of collections, answers NYSSCPA members' questions during the Relations with the IRS Committee's Q&A session.

Collections

Michael Guth, an IRS territory manager, said his current focus is on more efficiently managing his revenue officers' caseloads, in part, by having them make lien determinations within 10 days.

At a FAE conference this past summer, Nina E. Olson, the IRS's national taxpayer advocate, said the IRS uses liens against taxpayers far too often—an issue she also addressed in her annual report to Congress.

But Guth stressed that he does not sign off on lien requests lightly, especially if the lien is against a taxpayer's primary residence. He used, as an example, a case in which he overruled an agent who had recommended a lien on a taxpayer's primary residence but had overlooked another piece of property.

"A lien on a primary residence has to be our last resort," he said.

Guth noted that his office has hired a lot of new staff recently and lost older staff to retirement; he said that about 30 percent of collections managers have less than two years of experience. Several committee members believe that this has led to difficulty in reaching revenue officers and getting experienced managers to return calls on a timely basis, even though the agency

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IRS Visits Society Tax Committee for Preseason Q&A

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tends to be strict in the deadlines it sets for taxpayers and practitioners. Guth admitted the response times could improve, and suggested that practitioners contact their local Taxpayer Advocate Service office for help when they are not getting results through regular channels.

"Our goal is to make everyone accountable for the taxes they owe," said Herman Tumm, program manager for correspondence audits at the IRS's Brookhaven campus. "The IRS and taxpayers and preparers have to work as a team to close the tax gap."

Practitioners should be aware that correspondence audits—a tax return examination conducted by mail—can take about 200 days from the receipt of the initial letter to closing the audit, he said. Once a case is closed, the taxpayer may appeal the decision or request a reconsideration.

The agents left the committee with something to look forward to—members were told that the limitations of the agency's e-filing system would be resolved next filing year when the IRS debuts a new system.

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IRS criminal investigators Patricia Haynes and Peter Persampieri.

Committee Asks IRS for Basis Reporting Guidance

By MELISSA HOFFMANN LAJARA
Trusted Professional Staff

The IRS is proposing regulations that will implement a new federal law that requires stockbrokers to include certain client information when reporting securities sales to the IRS. But if the proposed regulations are adopted as written, there could be "unintended consequences" for paid tax return preparers, the NYSSCPA said in a recent comment letter to the IRS.

The Energy Improvement and Extension Act of 2008 requires brokers, when filing returns to the IRS, to include their customers' adjusted basis in a security and to report any gain or loss in the security as short-term or long-term.

The IRS's proposed rule, detailed in a Feb. 1 bulletin, relates to the reporting and determination of the basis of securities by brokers.

The proposed regulations, if adopted, would—

- alter how taxpayers compute basis when averaging the basis of shares acquired at different prices and that expand the ability of taxpayers to compute basis by averaging;
- implement new reporting requirements imposed upon persons who transfer custody of stock and upon issuers of stock

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Members of the Taxation of Individuals Committee during one of their two annual FAE conferences in 2009. From left, Barry S. Kleiman, Israel Keller, Peter Alizio, Chair Amy M. Vega, Henry A. Garris and William H. Jones.

Committee Asks IRS for Basis Reporting Guidance

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regarding organizational actions that affect the basis of the issued stock; and

• alter how brokers report short sales of securities and allow brokers and others until Feb. 15 of each year to furnish certain information statements to customers.

The NYSSCPA believes the proposed regulations might do something else—subject tax return preparers to the penalty provisions of Internal Revenue Code Section 6694.

Section 6694 imposes penalties on tax return preparers who "prepare returns taking positions that may not be fully supported by current law," according to the comment letter, whose principal drafters are **Scott M. Cheslowitz,** vice chair of the Tax Division Oversight Committee; and Taxation of Individuals Chair and Vice Chair **Amy M. Vega** and **Jonathan M. Horn,** respectively.

Under Section 6694 regulations, a tax preparer can be penalized if an unreasonable position results in an underpayment of tax.

"The tax return preparer is in the position of having to rely on the information that is provided, frequently in varying circumstances that are out of his or her control, and without clear guidance," according to the comment letter. "There could be circumstances in which erroneous information is reported by a broker to a taxpayer on a Form 1099-B with no reasonable basis for the taxpayer to know it to be erroneous and with a duly diligent preparer including the information in the tax return."

> **"What we're asking for is a safe harbor."**
>
> *—Jonathan M. Horn, vice chair, Taxation of Individuals Committee*

The Society is suggesting that the IRS provide additional guidance explaining a tax preparer's responsibilities in checking the veracity of basis numbers provided by a broker or taxpayer and asks what should be done if those numbers don't concur.

"What we're asking for is a safe harbor, in effect," Horn said. "As long as there's nothing that clearly shows the client is lying, a [practitioner] should be able to accept the information without being subject to penalties."

There are a host of situations in which human error or intent could result in the acceptance of an inaccurate number by a tax preparer, Horn said. Scenarios with broker-to-broker transactions or transfers and step-ups in basis might not be treated properly. The commenters included some of these hypothetical situations in their comment letter and ask the agency to address them.

"These are examples of how our chins are out there," Cheslowitz said. "We said, 'There are a lot of ways a preparer could get burned.'"

Suggested Solution

The Society recommends that the IRS develop a type of form that would allow the preparer to advise the IRS that a contrary position to the broker reporting is taking place.

It also recommends that the IRS release guidance as to how to handle situations in which broker information is "incomplete, inaccurate in fact or inaccurate based on client assertions, in order for the tax return preparer to avoid a potential penalty situation."

A link to all Society comment letters can be found on the Society's Web site at www.nysscpa.org.

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HR Committee Update

By PEI-CEN LIN
NYSSCPA Human Resources
Committee Chair

Members of the Society's Human Resources Committee have had the benefit of three recent CPE sessions on diverse and important topics in the human resources (HR) practice area: employee overtime, immigration and strategic planning.

Update on Overtime Considerations

Joel J. Greenwald, managing partner of the law firm Greenwald Doherty LLP, addressed the HR Committee's questions related to overtime and exempt employees.

He reminded the committee that only exempt employees who meet statutory tests are not entitled to overtime. Employers should diligently review actual job duties and responsibilities, as well as minimum salary requirements mandated by federal and state law, to determine if a salaried employee meets exempt status.

Are all CPAs considered exempt? Again, Greenwald said it's essential to look at job duties rather than titles. The work of some junior accountants may be considered too routine to qualify them for an overtime exemption, he said.

Greenwald recommended that employers use the following action plan:

- Keep thorough time and pay records.
- Determine who is likely to be exempt from overtime pay based on the available exemptions outlined in employment laws.
- Draft compliant job descriptions.
- Review company or firm compensation structure.
- Revise policies and procedures to include certain "safe harbor" provisions that provide employers with a defense in case of pay errors.
- Train management for future compliance.
- When in doubt, talk to a lawyer.

Update on Immigration Issues

Marcia N. Needleman, an immigration attorney from Levitt & Needleman PC, offered committee members a look at the alphabet soup of immigration visas.

Needleman highlighted several nonimmigrant visa programs commonly used by U.S. businesses today and discussed the application processes of each:

H Visas: The H-1B visa program is used by some U.S. employers to employ foreign workers in specialty occupations that require theoretical or technical expertise in a specialized field, and a bachelor's degree or its equivalent. The term "specialty occupation" equates to that of "professional," Needleman said. To qualify for H-1B status, the applicant must have professional-level credentials, and the position must require such. Typical H-1B occupations include architects, engineers, computer programmers, accountants, doctors and college professors. The current annual cap on the H-1B category is $65,000. The H-1B Visa Reform Act of 2004 made available 20,000 additional H-1B visas for foreign workers with a master's or higher level degree from a U.S. academic institution, but these petitions cannot be filed more than six months in advance of the requested start date.

F Visas: Undergraduate and graduate students with F-1 status who have completed or have been pursuing their degrees for more than nine months are permitted by U.S. Citizenship and Immigration Services (USCIS) to work for, at most, one year on a student visa, with optional practical training in order to acquire practical experience in their field of study. An interim order was passed on April 8, 2008, allowing students in STEM disciplines—science, technology, engineering and mathematics—to legally work under optional practical training for 29 months.

L Visas: Nonimmigrant intracompany transferee L-1 visas are available to employees of an international company with offices in both a home country and the United States, or those that intend to open an office in the United States while maintaining home country interests. The visa allows foreign workers to relocate to the corporation's U.S. office after having worked abroad for the company for at least one year prior to being granted L-1 status.

A qualifying relationship must exist between the companies, as parent, subsidiary, branch or affiliates. Spouses of L-1 visa holders are allowed to work in the United States after applying for and receiving authorization by the USCIS, and their children can attend school. The L-1 visa enables the holder to have a temporary and a permanent intent at the same time, thereby allowing the holder to apply for lawful permanent residence while maintaining L -1 visa status.

The L-1 visa has two subcategories: L-1A, valid for up to seven years for executives and managers, and L-1B, for workers with specialized knowledge—valid for five years.

More information may be obtained through the USCIS Web site at www.uscis.gov/portal/site/uscis.

Strategic Planning for Human Resources

HR professionals can make a positive contribution to an organization's bottom line by developing a strategic plan, said Jason Boltax, founder and president of JHB Human Capital Management.

A strategic plan creates a structure the helps organizations realize their objectives. It should be visionary and flexible, yet foster a balance between an organization's capabilities and desires, and address performance gaps, Boltax said. It should also guide a company's decision making at all levels.

It's important to first examine strategic business goals and the internal and external factors critical to achieving them, Boltax said, as he proceeded to outline the steps to take in developing a strategic HR plan:

- **Analyze strategic resources and needs.** For each strategic objective in the organization's long-range plan, identify the business units and operations directly involved in carrying out different activities related to those objectives. For each critical business unit, employers should identify the resources available to meet strategic objectives and examine work processes and staff, internal/external relationships, finances, equipment and other resources.
- **Align HR strategies with business needs.** Employers should identify strategies to support employees and operations key to meeting strategic objectives in each critical business unit. This stage of HR strategy formulation requires greater input from the line supervisors overseeing key employees. It resembles an HR audit, but focuses, instead, on future needs, targeting key business units, positions and employees.
- **Set priorities.** Employers should look first at the available resources, and rank strategic business needs based on where HR interventions are most likely to improve outcomes. There should be a realistic assessment as to which strategies are unlikely to work without major changes in corporate culture, managerial style or employee mindset. In assessing feasibility, employers should consider bringing in outside resources to help implement strategic initiatives that could otherwise tax existing HR capabilities.
- **Create action plans.** The last step is to develop an action plan to carry out the strategic objectives. The action plan should outline objectives and their relevance to strategic business goals, as well as a methodology and timeline for initiating and concluding each phase.

Tools, such as a balanced scorecard, should be used to communicate, navigate and measure results. Boltax said that having a scorecard enables business units, teams and employees to adopt whatever behaviors and take whatever actions are necessary to achieve the stated goals.

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Interested in Writing for *The Trusted Professional ?*

Are you an NYSSCPA member interested in writing for *The Trusted Professional?*

No matter what your practice area, *The Trusted Professional* might be interested in publishing your work.

All published stories should be between 700 and 1,500 words in length and must follow Associated Press, not academic, style guidelines.

Submitted stories should be geared toward the education and general interests of the readership. Articles written to sell a service or to promote a business or office will not be considered. Final acceptance of material submitted for publication is at the editor's sole discretion.

Interested members should e-mail The Trusted Professional, *Editor Colleen Lutolf, at clutolf@nysscpa.org for more information.*

HR Committee: Tomorrow's Leadership Today

By CHRIS GAETANO
Trusted Professional Staff

When you think of a person who is leadership material, what type of character traits come to mind? Whatever your answer, you may want to rethink it. According to a panel of professional development experts talking to the NYSSCPA Human Resources Committee at the Society's New York headquarters on Feb. 11, the definition of leadership has changed.

The qualities we tend to associate with leadership are geared toward a societal model that no longer applies in all cases, said committee Chair **Pei-Cen Lin.** Many people lack a leadership style applicable to today's world.

"The command and control philosophy where you tell people what to do and what you want is largely gone," said **Philip F. Strassler,** who sits on two NYSSCPA committees. He believes the most vital leadership traits in this day and age are authenticity, good communication and the ability to work as a team member.

"We're dealing in very different times, very turbulent times," said Ellen Quint, senior manager of talent development for Deloitte & Touche, adding that it's become even more essential that professionals practice "ethical leadership" by making fast and sound ethical choices.

Quint pointed out that leaders today need to display positivity—a sense of confidence that, even if one is going through tough times, there's "a light at the end of the tunnel." She also emphasized innovation as an essential quality—people should be thinking about new ways to do things, not relying on what worked before.

> "The command and control philosophy where you tell people what to do and what you want is largely gone."
>
> *—Philip F. Strassler, member, Partnerships and LLCs Committee*

Tom Kruglinski, a training and organizational development professional with Retensa, LLC, also noted that the nature of leadership has changed over time, adding that, in his view, adaptability is the most important trait for someone to have in today's world. Those who can adapt to change quickly are especially suited for an economy filled with uncertainty.

Of course, such discussion begs the question as to how one should go about developing these "new" leaders. Kruglinski said that it's important to remember that "people matter, relationships matter, trust matters." He said leaders should model behaviors they want to promote and be good examples.

"Really, what you have to do is walk the [walk]," said Kruglinski.

Some people simply make better leaders, Strassler said, but everyone needs training and development to bring out natural leadership skills. He noted that people typically enter the accounting profession as technicians, not managers, and require training to obtain managerial skills. Born leaders will surface and should be given additional responsibilities that align with their capabilities.

Quint agreed, saying that it's important to provide individuals with the opportunity to apply and test their skills. She added that these qualities can be very situation-specific. For example, the ability to lead well in a partnership is very different from being able to do so in a more traditional corporation. Partnerships, she said, need more consensus building than the corporate world and are more relational in nature.

Panelists also discussed their personal experiences with leadership development. Kruglinski said that his previous employer hosted an 18-month program for classes of about 15 people, consisting of six off-site sessions and an intense one-on-one coaching program. He noted that there were people who came to find out that they weren't cut out to lead.

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NYSSCPA 113th ANNUAL ELECTION MEETING AND DINNER

Thursday, May 13, 2010
New York Marriott Marquis
at Times Square
1535 Broadway, at 45th Street
New York City

2009–2010 President, Presiding
David J. Moynihan, CPA
•Introduction of Honored Guests and Officers
•Election of Officers and Directors

President-elect's Address
Margaret A. Wood, CPA
2010–2011 President

Join Your Friends and Colleagues at the Dinner to:

- Congratulate the winners of the Society Awards
- Elect the 2010–2011 NYSSCPA officers and directors.

Reception: 7th Floor Foyer, 5:45 p.m.

Meeting and Dinner : Astor Ballroom, 6:45 p.m.

• For Society members wishing to attend the meeting portion only, seating will be provided at 6:45 p.m. The time for the business meeting is approximate. RSVP by April 23.

REGISTRATION FORM

NYSSCPA 113th Annual Election Meeting and Dinner
Thursday, May 13, 2010
New York Marriott Marquis at Times Square
1535 Broadway, at 45th Street
New York City

Total cost of dinner is $190 per person.
Reservations must be received by April 23.
Enclosed is a check for $________ to cover________ ticket(s)
for the following person(s):

Name (Please Print)

Certification No. ______
Firm ______
Address ______
City______ State ______ Zip
Telephone______
E-mail______
Method of payment:
☐Check made payable to NYSSCPA
☐MasterCard ☐ Visa ☐ American Express
Credit Card No.

Expiration Date

Cardholder's Name

Cardholder's Signature

Tables accommodate ten persons.
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Risk Management

War Story: Proposed Firm Merger

By CHRISTOPHER PIETY, J.D.

***Editor's Note:** "War Stories," drawn from Camico claims files, illustrate some of the dangers and pitfalls in the accounting profession. All names have been changed.*

Leo Newburg, CPA, had an accounting and auditing practice but was looking for ways to increase his income. This led to his interest in branching out into litigation support services and business valuations.

Sven Bates, CPA, was a colleague and acquaintance of Newburg's from a stint with a Big Four firm earlier in their careers. Since then, Bates had acquired an ABV designation and developed a business valuation practice in the same city where Newburg practiced.

One of Newburg's larger clients, Amalgamated Conglomerates, Inc. (ACI), needed a financial statement audit and business valuation report for a lawsuit over legal rights to some of the technology used in global positioning systems (GPS). ACI's attorney e-mailed a request to Newburg for those services, and, before replying, Newburg approached Bates with the idea of working together on the engagement with an eye toward learning how to perform valuations.

Bates responded enthusiastically to the proposal and mentioned that many of his own clients needed the kind of A&A services that Newburg provided. Bates had even lost some clients to other firms that provided more A&A services than Bates did, so he proposed a "trial period" for a possible merger of his firm with Newburg's. If they worked well together on this and subsequent engagements, they would then discuss a merger.

Newburg was excited about the opportunity to learn new skills, and when he met with Bates the next day, Bates promised to take him carefully through the specific steps involved in a valuation. The main problem was that there was not much time before the valuation and audit reports were due in court, and Bates pointed out that they would have to work long hours to meet the deadline.

When Newburg and Bates discussed the engagement, they agreed on an 80/20 split of the $60,000 fee, with Bates getting the 80 split for sharing his valuation expertise. Bates also persuaded Newburg to sign the engagement letter, due to a "minor" dispute Bates had with a member of ACI's management team over a valuation of a spouse's business in a divorce settlement.

As the two delved into the valuation work, it turned out to be much more complex than Bates had originally estimated. Most of his time was taken up in figuring out how to appraise the highly specialized GPS technology developed by ACI, leaving little time for instructing Newburg on the specific steps involved. Bates had to hurry through the process, taking a few shortcuts here and there and just managed to complete the valuation report the day it was due in court.

The report turned out to be a major factor in ACI winning the lawsuit, but soon afterward, the court decision was appealed. The appellate court judge appointed another CPA firm to review the business valuation report, and the firm mailed a request for the workpapers to Newburg, who had signed the engagement letter. Newburg asked Bates to provide the documents, but Bates was not forthcoming with them and cut off all communications with Newburg, who had to face the appellate court and ACI by himself.

Since Newburg was unable to answer any of the questions regarding the valuation, the judge reversed the earlier court decision, and ACI demanded the return of the $60,000 fee from Newburg (who had only received $12,000 of it). ACI also sued the CPA for damages and legal fees in the amount of about $90,000.

Loss Prevention Tips

A common error is in using a "trial period" as a substitute for a proper due diligence process for proposed firm mergers. A trial period is not a bad way for firms to get to know each other, as long as it doesn't replace due diligence, and the firms accept the fact that they take on a certain degree of joint liability for each other's work as soon as they start working jointly. By signing the engagement letter, Newburg took on all of the liability for Bates' work.

The fact that Bates had a dispute with a member of the client's management team should have been a red flag for further examination and for not going forward with the engagement.

As is often the case, the liability problem was caused by the work of one of the firms, but the other firm had to carry the burden of the liability. Sometimes, liability will stem from past work done by one of the firms before the merger. The other firm then has to help foot the liability costs without having received any of the revenues from the work—a situation that can strain a merger to its breaking point.

A proper valuation of ACI's GPS technology would have included an expert appraisal of the technology. When a valuation report is submitted as part of a lawsuit, the work will most likely be evaluated by an expert witness who will point out the ways in which the work is deficient.

Christopher Piety, J.D., is vice president of claims for Camico (www.camico.com).

For information on the Camico program, contact:

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SEC Adopts Disclosure Guidance for Climate Change

(Continued from page 1)

for information on whether their SEC filings adequately described their companies' financial risks related to their emissions of global warming pollution. About a year later, Cuomo's office negotiated the first binding agreement with Xcel, compelling them to disclose an analysis of these material financial risks. He made similar moves with AES and Dominion over the following year.

The SEC guidelines highlight three areas as examples of when climate change may trigger SEC disclosure requirements.

The first is the potential impact not of climate change itself but of climate change legislation and regulation—such as when a company needed to spend a material amount of money on carbon credits under a cap-and-trade system. According to the SEC guidelines, public companies need to assess whether any enacted climate change regulation or legislation, is reasonably likely to have a material effect on that company's financial condition or operational results. This includes pending legislation, unless management decides that it's not reasonable to assume the regulation or legislation in question will be enacted, according to the SEC. In all other cases, the company would need to proceed as if it were, and disclosure is required.

> **"We are not opining on whether the world's climate is changing, at what pace it might be changing or due to what causes."**
>
> *—SEC Chair Mary Schapiro*

This area need not be limited only to negative consequences, though—climate-related changes resulting in a positive impact on a company's bottom line could also be disclosed, such as when a company's emissions level is below their allotment.

Similarly, the guidelines also advise registrants to note when international climate treaties come into play, such as the Kyoto Protocol, an international agreement that was intended to control carbon emissions in major industrialized nations.

Another area explored by the interpretive release is the indirect effects of climate change and climate change regulation. This mostly centers on changes in business trends resulting from action taken to counter climate change. The document notes, for example, things like decreased demand for goods or services that produce significant greenhouse gas emissions, or increased competition in developing new, environmentally sound products. Another example is the cost to a public company's reputation if consumers disagree with the business's environmental policies.

The guidelines also say that public companies should monitor whether the physical impacts of climate change itself would trigger disclosures. For example, a company with significant holdings on coastlines may need to take the potential for property damage and operational disruption into account under the new interpretive release.

Schapiro, said that the guidelines were a simple, common sense clarification of already existing rules, noting that it's not especially remarkable to conclude that a company must consider whether potential legislation, such as that relating to climate change, is likely to have an impact on a company's finances, nor is it unusual to insist that shareholders be informed if it does.

> **"For most companies, it will be a footnote, though certain industries will be hugely affected by climate change, and those that consume huge amounts of resources will be most directly affected."**
>
> *—Richard Jeffreys, vice chair of the NYSSCPA Investment Management Committee*

"Today's guidance will help to ensure that our disclosure rules are consistently applied, regardless of the political sensitivity of the issue at hand, so that investors get reliable information," Schapiro said during the public meeting.

Commissioner Kathleen Casey, a Republican, voted against the measure, saying that the release was largely unnecessary. She said the document itself does not attempt to make the case that disclosures relating to climate change have been deficient in the past.

The current disclosure regime related to environmental issues is already "highly developed and robust," Casey said. Registrants will have the common sense to recognize when climate-change-related disclosures will be necessary, leading her to believe that the release is, essentially, a solution looking for a problem.

"I can only conclude that the purpose of this release is to place the imprimatur of the Commission on the agenda of the social and environmental policy lobby, an agenda that falls outside of our expertise and beyond our fundamental mission of investor protection," said Casey.

Commissioner Luis Aguilar, however, disagreed and said that the risks that come with climate change and climate change regulation can have significant impacts on a company's bottom line and so should be disclosed to investors. He noted that management disclosure and analysis is the place to disclose the issues that keep management up at night; if climate change keeps them up at night, this should be disclosed. Further, he said, the SEC has a responsibility to take the environment into account when thinking of regulations.

"The Commission's action today is a first step in an area where the Commission will begin to play a more proactive role, consistent with our mandate under the National Environmental Policy Act of 1969, to consider the environment in our regulatory action," Aguilar said.

Richard Jeffreys, vice chair of the Society's Investment Management Committee, said that the guidelines will only affect a few types of companies in any

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SEC Adopts Disclosure Guidance for Climate Change

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significant way, namely those that are heavily subject to climate change regulation. These companies, he said, will be significantly affected over time. So the result will be a large number of new disclosures from a small, but significant, section of the economy.

"For most companies, it will be a footnote, though certain industries will be hugely affected by climate change and those that consume huge amounts of resources will be most directly affected," Jeffreys said. "These are the ones everyone will talk about, like the energy sectors and the mining sectors. ... They're the ones that will have the most to cope with."

NYSSCPA SEC Practice Committee Chair **Anthony S. Chan** agreed that the impacts of this interpretive release will be very industry specific—if one thinks one's current disclosure level is sufficient, it's no different from describing any other risk factor in one's 10-K report. Further, he said, companies in industries that would be affected by these guidelines are already taking climate change into account in anticipation of regulations and laws down the road.

"They're not waiting for this guideline to come out for additional disclosure and I think most of the organizations that this has an impact on have already been considering it," said Chan.

This bears out in, at least, the insurance industry: In March 2009, the National Association of Insurance Commissioners (NAIC), a voluntary association of elected or appointed state regulatory officials overseeing the insurance industry, adopted a mandatory requirement that insurance companies disclose to regulators the financial risks—and actions taken to respond to those risks—they face from climate change. Under these regulations, all insurance groups with annual premiums of $500 million or more will be required to complete an Insurer Climate Risk Disclosure Survey every year, with an initial reporting deadline of May 1, 2010, according to an NAIC press release.

Where the SEC's guidelines may prove beneficial is in stabilizing and standardizing climate change disclosures, Chan said. This will help people develop a common language when talking about how climate change is affecting a company's bottom line.

"Now that there is specific guidance, people will be a little more sensitive and focused. I don't think it will have a drastic impact on the quality of disclosure," he said. "At the end of the day, I think this is just asking the company to be a little more prudent and be more complete in the transparency of their disclosure."

Jeffreys noted that, at the moment, there isn't a lot of demand for such disclosures from investors. However, as climate change and climate change regulations advance, such information will become increasingly important to investors and investment managers when making long-term strategic choices, he said. The guidelines, therefore, are paving the way for a financial infrastructure that will grow in importance as time—and the climate change discussion—continues.

For example, Jeffreys anticipates the rise of an environmental consulting industry for companies struggling to meet climate change regulations; the labor required to not only track but control emissions will represent a cost to companies that will need to be disclosed to investors.

Provided a cap-and-trade system similar to the one in the European Union gets implemented in the United States, Jeffreys said that investment companies will have a strong disincentive to buy businesses that generate significant carbon liabilities, favoring, instead, companies that can actually generate profit by selling carbon credits.

Murray Rosenblith, a fund manager with the New Alternatives Fund, an alternative energy mutual fund, agreed, saying that, in the future, a company's profitability will be highly influenced by the extent to which it makes accommodations for climate change.

"In the long term, good environmental policies would seem to indicate a company would be more stable and perhaps profitable even if they are not so at the moment, because a company with a negative green footprint (i.e., that is producing greenhouse gases or is in some way contributing to climate change), will run into [issues] down the line as regulations tighten up, and they're going to have to spend money to address these problems which will cut into or reduce profitability," Rosenblith said.

He noted, though, that the guidance will probably not affect the investment strategies of his fund too heavily, since it already examines climate change impacts of potential investments as a matter of course.

Some public companies won't be impacted too much by the interpretive release until a larger regulatory framework is in place. This was the sentiment of David Neurohr, a corporate communications spokesperson with Allegheny Energy, a publically traded power generation company based in Pennsylvania.

"We report on climate change extensively right now and will continue to do so, but it can only go so far until some final regulations are in place and can be quantified," Neurohr said.

The global nature of climate change will be the real regulatory challenge, said Jeffreys. If companies can just move to a place where regulations are less stringent, the impact of legislation, as well as the relevance of climate change disclosures, are diminished.

"Just like financial regulations … if you don't want people to get out of [them], you want a global approach," said Jeffreys.

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> **"I think this is just asking the company to be a little more prudent and be more complete in the transparency of their disclosure."**
>
> *—NYSSCPA SEC Practice Committee Chair Anthony S. Chan*

New Members

Welcome New NYSSCPA Members

New members who joined the NYSSCPA between Dec. 3, 2009, and Feb. 15, 2010:

Buffalo

Adam J. Batesky
Meagan Burke
Emily C. Del Monte
Kelley C. DuVal
Victoria Dynarski
Daniel Falkenhagen
Nicole Fischer
Patrick Hanavan
Joseph Interlandi
Ashley Kippley
Dan Matteo
Sean M. McIntyre
Mark N. Mercer
Donald Monroe
Amanda Moses
Thanh Nguyen
Cecilia S. Nimako
John D. Pohlman Jr.
Megan Rupp
Ian Sadlocha
Daniel Schmitt
Michelle Steiner
Matthew Tower
Jie Wen Zhang

Manhattan/Bronx

Melissa A. Abbott
Valentina Afanasii
Elvis O. Amoako
Lola Barbarash
Nicholas L. Bennett
Evander Boone
Antonio Brasse
Dean A. Brazier
Joy Brigis
Michael Brodsky
Valbona Bushi
Brandon R. Campbell
David L. Chang
Dadirai Chidawu
Kelly H. Chow
Ariel Cohen
James G. Collins
Victor M. Cuevas
Rosanna Delia
Phung L. Diep
Beth E. DiSiena
Thomas Faineteau
Chana Finkelstein
Nia N. Forshee
Jennifer Francis
Susan Franklin
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Sheldon M. Geller
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Joseph A. Gonzales
Mary J. Grecco
Shaun Greenwald
Owen G. Grier
Mary T. Grogan
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Daniel Hernandez
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Eric Holt
Wayne Huang
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Timothy Kim
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Ruby Y. Leung
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Judy Lombardi
Andrew T. Marcinek
Alba Martinez
Bradley H. McGrath
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Amy Mock
Robin Mokhtar
Erick J. Morillo
William A. Muchinsky
Jaclyn R. Nicholson
Maria Nikoloudakis
Lawrence M. Noe
Brian C. Nuzio
Jeremiah J. O'Connor
Daniel Peltz
Nicole Perkins
Antonino Platania
Harold Prandy
Vard Rafailova
Vincent A. Randazzo
Stephanie Roman
Vivian Russo
Eudine A. Santo
Erica Schaffer
Michele Schlereth
Philip B. Schwegman
David C. Scott
Mukesh C. Shah
Bernard Shapiro
Jessica S. Sheldon
Constantine Sophos
Daniel Sternbuch
Jeremy A. Steuer
Elizabeth Bodziony
Yaakov Tambor
Marta Truskolaska
Sheetal Uppal
Craig D. Weiner
Matthew T. Wisser
Anne Wong
Hei Wong
Silvia S. Yehezkel
Joshua Zimmelman

Mid Hudson

Leona H. Chan
John Kosakowski
Renee Nesheiwat

Nassau

Brunella Belmonte
Elizabeth A. Burke
Susan M. Carlozzi
Amy N. Catalfomo
Keenan P. Dalal
Sari J. Ferraro
Guy A. Finocchiaro
Gizell Galvan
Sheldon I. Gordon
Susan M. Grbic
Geri A. Gregor

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New Members

Welcome New NYSSCPA Members

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Chris Grieco
Sherly Gschweng
Leonard H. Hoffman
Melissa S. Mencher
Ira Minkoff
Anne M. Paccione
Kathleen Phillips
Jayson S. Prisand
Michael C. Rose
Leida M. Torres
Brett Walitt

Northeast

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Steven Galluscio
Kendall D. Gillis
Benjamin Henderson
Emily J. McDonald
Adam D. Rinaldi
Sarah A. Walls
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Korin Padel
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Rose Pinzon
Nalini Ramdass
Michael Reff
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Joseph Battaglia

Westchester

Emily Beck
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Tiffany Carroll
Nicholas F. D’Amico
Simbarashe Jokonya
James Magaletta
Paul E. Morris
Eugene J. Riordan

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John D’Amico
Linda R. Dunne
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Augusta Giusti
Lynda A. Hampson
Rochel Herz
George Jakowenko
Lauren T. Joyce
Ammini S. Kumar
Christopher J. LaPorta
Rosemarie M. Lewis
Pascalina Matolo
Donald R. Milligan
Michael R. Patrone
Michael C. Ringel
Kwesi A. SimmsParris
Yumin Tan
Melissa A. Theodore

Haitian School Founded by Rochester CPA Looks to Rebuild

By **CHRIS GAETANO**
Trusted Professional Staff

Since the tragic Jan. 12 earthquake in Haiti that left hundreds of thousands dead and many more destitute, Rochester Chapter member **David G. Young** has been leading an effort to bring relief to the suddenly homeless students of the school that he helped found two years ago. His firm has been matching, dollar for dollar up to $20,000, any donations sent to Heart of God Haiti, a Christian-aid organization that he and his wife Julie helped found in 2008. Enlisting the help of his community, Young has, so far, raised $60,000 in aid for the earthquake's survivors.

Rochester Chapter member David G. Young, center, in front of the Christian school he cofounded with Dicksent Jean Welch, right.

The school, after it was demolished by the earthquake that decimated Haiti on Jan. 12.

"When I saw the news, I was just devastated, because I knew right where the school was and the news report said the government buildings were gone, and I knew our school was just a couple of miles away," Young said."I knew our school was down."

Because the country's communications infrastructure was heavily damaged in the earthquake, Young was unable to contact anyone in Haiti, including Dicksent Jean Welch, a native Haitian with whom Young cofounded the school.

Young's fears were compounded by not knowing the whereabouts of the 7-year-old boy he and his wife were planning to adopt. A day later, they learned he was safe, but it was more than a day and half later that they got news about the school from Welch, who had survived the quake.

All 200 students had been in the building at the time, he said, along with their teachers and parents. When the quake hit, the entire building collapsed around them, burying them in the rubble and killing 40 children. When the survivors were dug out, there were no relief supplies waiting for them. Young immediately wired some money to a Western Union in nearby Dominican Republic, but when Welch tried to pick up the money, he was not allowed to bring it over the border into Haiti, since he is not a Dominican citizen. Help came in the form of a Western Union employee there named, appropriately enough, Angel, according to Young. In what Young admitted was a calculated risk, the money was rewired to Angel who, in turn, gave the money to Welch. Once that was done, Angel helped Welch buy food, water, blankets and tents. It was time to set up camp.

Young continued to aid from afar. He logged onto Google Earth and was able to find a safer location in which to move the students and their families.

"Because where they were, there was lots of, well, we were concerned about looting and gangs and dead bodies and disease," Young said. "So once we had a place to send money … Welch was able to move the people to the camp we named Camp Victory—in the countryside close to the D.R. border."

While Welch was moving 291 people—160 children plus teachers and parents—to safer ground, Young was busy setting up his dollar-for-dollar fundraiser. One of the first companies he reached out to, Shift 4, set up its own matching fund.

"I have been incredibly grateful," Young said. From our organization, unequivocally, every single nickel goes into the mission down there in Haiti. There's zero overhead, zero salaries, zero money's being scraped off the top," said Young.

Young first became involved with Haiti and its people when he was stationed there by the Army during his second tour of duty, having previously served in Afghanistan in 2001. While there, he befriended Welch, who served as his interpreter. Years later, after spiritually advising Welch while he recovered from a serious car accident, the two worked together in setting up a school, founded as a way to practice their ministry and spread their faith while providing affordable children's education in a country where few such opportunities exist.

Over the course of about a year, Young and Welch found a building to lease, procured furniture and other supplies and hired teachers. The school officially opened its doors to 115 students in August 2008. According to Young, the new school was based on a teaching philosophy that was quite different from that of other institutions.

"Our whole philosophy was to have Haitians working with Haitians, as opposed to a lot of other NGOs [non-governmental organizations] with new teachers coming and going," said Young.

The school was aimed at helping students

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Save These Dates

BUFFALO

Buffalo New Tax Help Hotline
When: March 18, 5:30–8:30 p.m.
Contact: Tim Holescher (tjh@tsacpa.com) if you want to volunteer.

Educator's Night with Student Awards
When: April 27 (Time TBA)
Where: Salvatores Italian Gardens (6461 Transit Road, Depew)
Contact: Sandy Augustine (saugust@hilbert.edu)

MANHATTAN/BRONX

113th Annual Election Meeting and Dinner
When: May 13, 5:45 p.m.
Where: New York Marriot Marquis (1535 Broadway, Manhattan)
Cost: TBD
Contact: Nereida Gomez (ngomez@nysscpa.org)

MID-HUDSON

Post-Busy Season Mixer
When: April 22, 5:30 p.m.
Where: Torches on Hudson (90 Front Street, Newburgh)
Contact: Rebecca Hasbrouck (845-567-9000 or rhasbrouck@vddw.com)

NASSAU

Chapter Meeting with the Relations with Bankers Committee
When: March 24, 4–6 p.m.
Where: Crest Hollow Country Club (8325 Jericho Turnpike, Woodbury)

Joint Nassau/Suffolk Chapter Meeting and Dinner
When: March 24, 6–8:30 p.m. (please RSVP by March 18)
Where: Crest Hollow Country Club (8325 Jericho Turnpike, Woodbury)
Cost: $50 in advance; $60 at door
Contact: Frank Scala (cpinto@ck-co.com)

Women's Focus Group
When: May 14, 12–2:30 p.m.
Where: The Milleridge Inn, (585 North Broadway, Jericho)
Cost: $30
Contact: Christine P. Hallahan (c.hallahan@pascpa.com)

SUFFOLK

Joint Nassau/Suffolk Chapter Meeting and Dinner
When: March 24, 6–8:30 p.m. (please RSVP by March 18)
Where: Crest Hollow Country Club (8325 Jericho Turnpike, Woodbury)
Cost: $50 in advance; $60 at door
Contact: Frank Scala (cpinto@ck-co.com)

Suffolk Chapter's 9th Annual Long Island Ducks Outing and Picnic
When: June 18, 5:30 p.m. picnic, 7:25 p.m. ballgame (please RSVP by May 18)
Where: Citibank Park (3 Court House Drive, Central Islip)
Cost: Picnic and game ticket: $30 adults; $24 for kids 9 and under. Game ticket only: $10.
Contact: Melissa Portelli (mportelli@hrrllp.com)

WESTCHESTER

IT Trends CPE Session
When: March 18, 7:45–9:15 a.m.
Where: Merrill Lynch White Plains (360 Hamilton Ave., 8th Floor)
Cost: Free
CPE Credit: 1
Contact: Jake Meyer (Jacob.Meyer@genspring.com) or Deborah Rubin (Dbrubin@optonline.net)

Employment Issues in Labor Law CPE Session
When: April 21, 7:45–9:15 a.m.
Where: Merrill Lynch White Plains (360 Hamilton Ave., 8th Floor)
Cost: Free
CPE Credit: 1
Contact: Jake Meyer (Jacob.Meyer@genspring.com) or Deborah Rubin (Dbrubin@optonline.net)

Westchester Business Environment CPE Session
When: May 19, 7:45–9:15 a.m.
Where: Merrill Lynch White Plains (360 Hamilton Ave., 8th Floor)
Cost: Free
CPE Credit: 1
Contact: Jake Meyer (Jacob.Meyer@genspring.com) or Deborah Rubin (Dbrubin@optonline.net)

Annual Golf Outing
When: June 22 (time TBA)
Where: Saint Andrews Golf Club (10 Old Jackson Avenue, Hastings-on-Hudson)
Contact: Jeff Schwartz (jeff@stantonandleone.com)

President's Dinner
When: May 25, 6 p.m.
Where: Willow Ridge Country Club
Cost: $50
Contact: Kate DeMello (KDeMello@berdonllp.com)

CPA Roundtable

The CPA Roundtable is a new monthly Chapters Newsletter feature where we ask CPAs from around the state to weigh in with their thoughts on an issue relevant to the profession. If you are interested in becoming a roundtable participant, drop us a line at cgaetano@nysscpa.org.

QUESTION:

How has the accountancy reform law affected you?

SCOTT M. ADAIR
Rochester Chapter member

The new accountancy reform law has affected me in three ways.

The first was in my capacity as a Society board member: While I'd heard about regulatory changes to our profession since my board service began, it was only when the law passed that I began to truly learn about and understand its full impact. I attended four or five sessions on what impact the law had for all of us and thought, after each one, "I learn something new every time." As each provision was clarified I felt it imperative to talk to industry members and nonmembers to make sure they were aware of the changes. These discussions continue, because, as you can imagine, not everyone is as well-informed as the readers of *The Trusted Professional.*

The second way was in my role as a CPA in industry. The very first thing that crossed my mind was, Oh my God, where are all my CPE certificates? My auditing career was focused on learning and improving through interaction with others in the profession as well as CPE. Since moving into industry, though, my attention to CPE had been lacking. In complying with the new law, I quickly remembered how much of a difference CPE makes in delivering our services regardless of whether it's to employers or clients.

The third way was in my role as an individual who really cares about the profession. It's hard to believe that it's been a year since Gov. Paterson signed this bill into law. I'm looking forward to the continuing efforts of the New York State Society in keeping all of us informed on current developments, as I truly believe that the law is a helpful component to ensure that we all provide the best services to our clients and employers as professionally as possible.

Scott M. Adair is the chief financial officer for Monroe County, New York, and sits on the NYSSCPA Board of Directors. He can be reached at scottmadair@nysscpa.org.

LEON J. GUTMAN
Manhattan/Bronx Chapter Member

As a recently retired CPA, who was a financial executive for a publicly held company for the past three decades, how the new accountancy reform law affected me is a very interesting question.

During my career, I always felt the need to keep in touch with my fellow CPAs, maintain my skills and keep myself informed of the latest business and financial developments, although, as a CPA in industry, the state had no formal requirements to retain such a title at the time. Still, I felt that in order to perform my duties and insure that my employer was getting the best financial service, keeping current in my field was the least I could do for both my employer and myself. Even after retiring and working on individual income taxes for a handful of individuals, I feel the same responsibility.

Once retired, I thought that I would no longer need or have the interest in taking the continuing education sessions. However, I find that it has become more compelling, now that I am retired and no longer involved in daily business activity, to keep myself up to date by attending education sessions. The reform law has brought the question of how I am affected to mind, but, in reality, the act only reinforces my understanding of what it means to be a CPA in that it imposes the need to keep current in business and financial matters.

Leon J. Gutman is a retired CPA and can be reached at lg1887@comcast.net.

ANTHONY CASSELLA
Suffolk Chapter member

The new accountancy reform law has reestablished industry accounting as a true profession. By requiring education and accountability, employers are being reminded of the reason they hired CPAs to begin with: They provide great numeric aptitude and objectivity due to their training and experience.

I personally get a lot of my credits through committee CPE and industry-related conferences, whereby I gain about half of my credits very inexpensively, if not for free. As the CEO of a small business, I also find it easier to find the time in smaller bites, preferring half-day conferences, committee sessions and the like, over full or multiday sessions (though these are still available for those who prefer them).

The world is moving faster than ever before, and it is difficult to survive without having regular education to keep up with it. The state has provided a fair amount of flexibility, and the FAE has taken advantage of this by providing industry concentrations. All in all, this should make the profession much stronger in the future.

Anthony Cassella sits on the NYSSCPA Board of Directors and several statewide committees. He can be reached at tony@cassellamanagement.com.

THOMAS E. RILEY
Syracuse Chapter member

I don't feel like it's really affected me at all.

Of course, that's not exactly correct, as my area of practice—taxation—is now covered under these new regulations. Still, I never practiced as though I was unregulated. I worked in the attest area to get the experience necessary to be certified. During this time, I came to embrace independence and professional ethics.

Throughout my career, I have been with CPA firms with a focus on excellence. We always tried to be the best firm we could be, with personnel who have the best learning available. We have voluntarily been part of the peer review program since the mid-90s and joined the AICPA's Quality Centers for our practice areas as soon as they became available. So, the quality review requirement is nothing new.

Where the new law has affected me has been in my discussions with CPAs I encounter who are currently working but are not in public accounting, or are retired and serving on the boards of nonprofit entities. Most of their concerns have been due to a lack of knowledge about the law. There is occasional grousing about the CPE requirements but, in a rational conversation, CPAs acknowledge that learning is a lifelong process and that if they take CPE tailored to fit what they do, they will be better at what they do. Initially, there was quite an uproar from retired CPAs serving on boards, who did not believe that they should be subject to the CPE rules. New York has since issued a clarification, though, that should relieve their concerns.

There is one way that it affects me personally. My daughter, who works in the accounting department of a publicly traded manufacturer, will have an easier time obtaining the experience necessary to obtain her CPA certificate.

Thomas E. Riley is an NYSSCPA Past President and chairs the Legislative Task Force. He can be reached at thomas.riley@parentebeard.com.

Suffolk

Investing in the Next Generation

By John S. Shillingsford
Suffolk Chapter President

I hope your tax and audit season is going smoothly. This is a very busy time for our profession, and we shouldn't lose sight of our commitment to the young professionals and CPAs who work with us.

These young professionals and CPAs are our future, and we must invest in these young people so they can become the next generation of trusted professionals. We can all recall the days when we were coming up the ranks, wanting to learn as much as possible.

I recall a mentor at my first job who told me to be a "sponge" and absorb as much information as possible. He told me I was surrounded by various professionals who, collectively, have in excess of 100 years of experience. This was one of the best pieces of advice I received when I started in the profession.

As we come into our chapter's fiscal year end, we have been introduced to several new members through *The Trusted Professional* and the NYSSCPA's membership services. We've reached out to new members by sending them a welcome letter, a recent chapter newsletter, a committee service application and a follow-up phone call or e-mail.

Our chapter has received several new committee service applications during the course of the year, and we're excited about the level of interest that's been created at the chapter level. We've been able to successfully re-energize a few committees as well as increase involvement in others. The success of membership recruitment in any chapter rests primarily with the initiatives set out by the board and other chapter leaders. I'd like to congratulate our chapter and executive boards for their assistance in this matter.

The chapter is also in the process of kicking off its fourth annual scholarship program. The scholarship committee will be mailing out applications to various high schools for their consideration. This program targets Suffolk County high schools and allows students who meet predetermined eligibility requirements to apply for a scholarship.

The chapter will also hold its fourth annual membership drive in May 2010. It is here that we recognize our scholarship winners. The event's primary purpose is to create membership interest through awareness of the chapter's purpose and benefits. Keeping with tradition, we'll have a past president or two speak about their experiences within the chapter and how they helped them in their professional careers.

We're also in the process of organizing the second annual High School Web Cast, where a panel of CPAs in public and private practice will speak to local high school students about their areas of expertise.

This program, founded by Past President **Lisa Martinelli-Bowman,** is organized by the Cooperation with Educational Institutions Committee and was extremely well-received in its first year. This year's event is scheduled for May 2010. Please contact Lisa Martinelli-Bowman at lisam@owenpetersen.com if you're interested in becoming a committee member or a participant on the panel.

Mark your calendars for March 2010, as we will be holding our semiannual Banker/CPA Joint Networking Event at the Crest Hollow Country Club. Please be sure to go to our Web site for more information.

The chapter is a great way for CPAs and CPA candidates to enhance their careers and network with other professionals. I encourage you to review the calendar and attend some of our upcoming events.

I continue to see a lot of new faces at our chapter events, and on behalf of the board we thank you for all of your support. We also welcome any thoughts, ideas or suggestions that you may have.

Good luck to all in meeting the deadlines. Remember, spring is right around the corner.

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Haitian School Founded by Rochester CPA Looks to Rebuild

(Continued from page 19)

become self-sufficient. In addition to spiritual studies, the children learned basic reading, writing and arithmetic on top of what Young called basic life skills, such as hygiene, first aid, container gardening and chicken raising. Student achievement went beyond expectations, he said, leading many of the children there to eventually become more educated than their parents. This led to the decision to open the school up to the students' families as well, with parents paying for their own education through working part-time at the school.

Like any diligent CPA, Young, who had since returned to the U.S., returned to Haiti in June 2009 to verify that the money being sent to Haiti for the school was being used for its intended purposes.

"It was that and more," he said.

Students taking the national exam that year didn't just pass, he said, but scored high enough to earn recognition from the country's Ministry of Education.

The school owes its academic success, Young said, to the way in which it was structured. He said it was less like a typical school and more like a community center, with activity and education going on all year. The involvement of parents and other community members with the school also helped people stay engaged. The school saw increased enrollment, eventually expanding to 200 students.

Rochester Chapter member David G. Young, left, and Dicksent Jean Welch, right, speak to students at the school they cofounded in Haiti.

But then, the quake.

Donations will go toward the purchase of food, water and medical supplies, though the ultimate goal, he said, is to relocate and rebuild in a different location. The plan is to move the school to a different area, this time in the mountains, and set up not just the school but a dormitory, a medical center and a farm. The school won't just provide a primary education but vocational training as well so that people will be able to find employment upon leaving.

"But we'll need to move out of the Port-au-Prince area into the countryside because there's no way we can rebuild where they were because there's nothing," Young said. "Just rubble."

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Queens/Brooklyn

Queens and Brooklyn Members Get Ethics Update

By **CHRIS GAETANO**
Trusted Professional Staff

Why does fraud seem to be happening so frequently today?

Ernest Patrick Smith, an NYSSCPA Professional Ethics Committee member and specialist in audits, forensic accounting and internal accounting, worked to answer that question at the Queens/Brooklyn Chapter's annual ethics seminar on Jan 19.

Poor ethics, Smith said, can stem from poor judgment. He reminded the audience of CPAs that choosing to enter the profession requires adherence to codes of conduct and ethical guidelines. He encouraged the group to exercise best judgment and listen to their instincts when making ethics calls.

"If something does not look right, call someone, exercise good judgment," Smith said, because once a course of action has been chosen, that decision may be difficult or impossible to take back.

He also discussed examples of ethical violations in the professional realm involving things such as exercising exploitive influence on clients for financial gain; moral unfitness in the practice of the profession; failure to make available to clients—upon request—copies of documents prepared for and paid for by the client; performing unauthorized services; and failing to respond to State Education Department inquiries within the statutory 30-day response period.

Queens/Brooklyn Chapter Executive Board member Jean G. Joseph and Citibank Vice President of Commercial Banking John Lim at the chapter's annual ethics seminar on Jan. 19.

Sponsor representatives of the Queens/Brooklyn Chapter's ethics session are, from left, Jeff Lang, personal wealth manager; Lim and Jenny Morales, Citibank vice president and branch manager.

Beyond ethics violations, Smith also talked about different examples of unprofessional conduct, including allowing an unauthorized person (i.e., a person other than a partner or employee of a firm) to practice public accountancy or issuing an opinion if attest work has not been done.

Jean G. Joseph, who helped organize the seminar, said that the event drew about 40 members who had a lot of questions for Smith.

"Everyone was interested and paying attention and asking questions," Joseph said. "It was a very, very good group and they were very much involved."

The event was a cooperative effort between the Queens/Brooklyn Chapter and the Society of Chinese-American CPAs (SCACPA), a partnership that has been at the heart of several previous chapter events, thanks to the coordination of Queens-Brooklyn Chapter member **Jenny Wei,** who is also the president of the SCACPA.

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Buffalo

Buffalo Chapter Gears Up for Tax Hotline Questions

By **CHRIS GAETANO**
Trusted Professional Staff

When members of the public have tax questions, CPAs usually have answers.

Buffalo Chapter CPAs will be supplying those answers in two four-hour shifts on March 18 when they participate in the chapter's third annual Tax Help Hotline at the *Buffalo News'* offices.

After three years, Buffalo Chapter members know what to expect from the paper's readers.

According to chapter member **Tim Hoelscher,** the first year the event was held there wasn't a moment's pause—people, evidently, had a lot of tax questions.

"The phone did not stop ringing ... the four hours we were there," he said.

That was the year the federal stimulus package brought with it a number of changes to the tax code, Hoelscher said, and it seemed everyone had questions about how it would affect them.

Last year, callers asked more generic questions, like how one should calculate Social Security obligations.

Hoelscher expects callers this year to have a lot of questions related to the number of new laws and regulations passed this year.

"The energy credits, the new home buyer credits … the government retiree credits and the Making Work Pay credit—the interaction of how all these credits interact is baffling," he said. "Do we expect the people who benefit to understand it? It's really amazing."

Even for a professional like himself, it can get confusing, Hoelscher said. For example, one caller hadn't filed a return in about eight years and was wondering how to start.

Sometimes, callers don't quite know how best to phrase their question and the CPA needs to tease out what specifically it is the caller is looking for. Others are under the impression that the volunteers are with the government and question why they haven't yet received a refund. And sometimes, said Hoelscher, they'll get a question that they can't answer on the fly. In these cases, they'll refer the caller to someone who might be able to help or offer to work with them more extensively at a later date.

"So we've been stumped. We're not flawless," Hoelscher said. "But we pride ourselves on trying to find the right answers or at least a number to call at the state or IRS. We are the best people to give them the answer."

When asked, he agreed that, in the grand scheme of things, it would probably be much easier for these people to just hire a CPA. Hoelscher, who sits on a statewide liaison committee for New York state and the IRS, said that there's a lot of frustration related to people not unwilling to spend the money on a professional.

"I think people are just so foolish to not go to a CPA, because I'll bet that half the time they're missing out on the benefits they are entitled to and I just think they don't understand," said Hoelscher.

Still, he said, he and the other chapter volunteers enjoy fielding the questions each year.

"I plan on doing this each year as long as I am able," Hoelscher said. "It's a great benefit available to the people here in Buffalo."

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