CPA The Ohio Society of Certified Public Accountants
VOICE
March
April
2018

BUILDING CORE COMPETENCY IN M&A

ATTESTATION TUNE-UP

CPA AS CFO: MEETING CLIENT NEEDS, MANAGING RISK

THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

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51709	Cleveland/Westlake	4/26/18	8 a.m. - 11:30 a.m.	LaCentre Conference & Banquet Facility
51685	Beachwood	4/26/18	1:30 p.m. - 5 p.m.	Doubletree Cleveland East/Beachwood
51686	Cincinnati North/Sharonville	5/1/18	8 a.m. - 11:30 a.m.	Sharonville Convention Center
51688	Dayton	5/1/18	1:30 p.m. - 5 p.m.	Marriott University of Dayton
51689	Toledo	5/2/18	8 a.m. - 11:30 a.m.	Radisson at the University of Toledo
51690	Webcast	5/3/18	8 a.m. - 11:30 a.m.	
51687	Columbus/Polaris	5/3/18	8 a.m. - 11:30 a.m.	Quest Business Centers

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a word from our CEO

Have you explored our learning programs lately?

Spring is in the air and in addition to helping members celebrate the end of another tax season, we're working hard to develop a 2018 program line up that will help CPAs and their teams better address some of their thorniest business challenges.

We know the business environment isn't getting any easier and that's why our goal is providing you with targeted education for the challenges you're facing today, whether that's understanding the implications of tax reform or dealing with new regulatory requirements and competitive pressures from increased M&A activity.

New demands, new opportunities

CPAs also need to understand the opportunities that emerging technology can create. With those opportunities come an increased demand for higher level skills around data analytics, artificial intelligence and increasing automation of routine business functions.

In the Fall Advance series, 25% of members said they were starting to understand the impact of blockchain on the future of business while 75% had no clue. We also discussed how members expect technology to change their businesses over the next five years. While many were excited by the efficiencies and greater ability to analyze data, they also identified the need for more training and without it—how some might get left behind in the groundswell of progress.

The pace of change in our world can be mind boggling and OSCPA is working to help you interpret and leverage it to up your game in the coming year.

In our Member Value survey last year, learning new skills outside a current area of expertise was the third biggest challenge of members. In addition, 42% of you wanted more advanced courses on topics that are most relevant to you. I encourage you to look closely at some of the changes we've made in our programming as a result.

Learning becomes more targeted

The recent Strategic Accounting and Finance Summit helps financial professionals, especially those in corporate finance roles, move beyond delivering data to become strategic partners who drive business at a higher level.

The Spring CPE Conference digs deeper into evolving issues like data analytics, fraud risk assessment and management, and how to keep your company sustainable and relevant in the future.

We've also added technology tracks at each of our regional accounting shows and will once again present our annual technology conference for CPAs in management accounting as we partner with experts to map out how these new tools are playing an increasing role across the full spectrum of finance and accounting functions.

The spring Advance tour kicks off April 24 in Columbus. This complimentary event for members explores a wide range of topics that cover where the growth areas are in Ohio, how business disruption is increasing threats to infrastructure and

the supply chain and how technology is breaking new ground. We'll also review the CPA outlook for business, and walk you through a skills assessment to identify where you might need additional training to reach your personal best. When you attend Advance live in the spring and fall, you earn eight hours of complimentary CPE and benefit from unique information not available anywhere else. If you haven't explored our learning offerings lately, I encourage you to do so. Our team is working hard to be a valuable partner in your business success.

THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

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THE OHIO SOCIETY OF CPAs
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accounting & auditing

Attestation tune-up

SSAE changes affect 2018 engagements

By Laura Hay, CPA, CAE

As part of the AICPA's clarity initiative, Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*, was issued by the Auditing Standards Board in April 2016. Effective for reports dated on or after May 1, 2017, SSAE No. 18 replaces much of the prior SSAE guidance.

Restructuring of attestation standards

Similar to clarity updates for other standards, the attestation standards are reorganized and codified to make them more readable and easier to apply, including objectives and definitions sections, and separating requirements from application and other explanatory material. "AT" section numbers are replaced with "AT-C" sections for the clarified attestation standards.

The revised attestation standards include concepts common to all engagements, AT-C section 105, and sections that clearly differentiate requirements and explanatory material for specific levels of service:

AT-C section 205	Examination Engagements
AT-C section 210	Review Engagements
AT-C section 215	Agreed-upon Procedures Engagements

Additional subject matter sections address incremental performance and reporting requirements, and application guidance for specific subject matters, including prospective financial information (forecasts and projections), pro forma

financial information, compliance attestation and reporting on service organization controls. Therefore, the practitioner will need to consult the common requirements, level of service requirements and requirements specific to the subject matter as applicable to engagements.

Guidance for compilation and preparation of forecasts and projections previously included in SSAEs have been removed. SSARS No. 23, *Omnibus Statement on Standards for Accounting and Review Services*—2016 revised AT-C sections 70 and 80 to include requirements and guidance for preparation and compilation, respectively, of prospective financial information in the SSARSs literature. CPAs need to be aware that SSARS 23 was not a simple relocation of the requirements and guidance and that there are some significant changes for practitioners who perform preparation or compilation of prospective financial information.

Changes from previous attestation standards

Written assertion

For all attestation engagements, a written assertion is required from the responsible party about the measurement or evaluation of the subject matter against the criteria. In examination and review engagements, when the engaging party is also the responsible party, refusal to provide a written assertion requires withdrawal from the engagement, if permitted by applicable laws and regulations. If the engaging party is not the responsible party, the refusal is disclosed in the report and the use of the report must be restricted to the engaging party. In an agreed-upon procedures engagement, refusal to provide a written assertion must be disclosed in the report.

Risk assessment

SSAE No. 18 incorporates a risk assessment requirement for examination engagements. In an examination, the practitioner is required to obtain an understanding of the subject matter sufficient to identify the risks of material misstatement, and provide a basis for designing and performing procedures to respond to assessed risks and support the practitioner's opinion.

Engagement letters and representation letters

Written engagement letters and representation letters are now required for all attestation services, including agreed-upon procedures engagements. However, if a responsible party who is not the engaging party refuses to provide a representation letter, the practitioner is not required to conclude that a scope limitation exists if the practitioner is able to obtain satisfactory

oral responses from the responsible party to matters included in the representation letter. In that case, use of an examination or review report would be restricted to the engaging party. Oral responses should be documented by the practitioner.

Scope limitations

Previous requirements related to scope limitations have been clarified to provide more options, permitting the practitioner to assess the effect of the scope limitation, including whether the practitioner should issue a qualified opinion, disclaim an opinion or withdraw from the engagement.

Reporting on controls at service organizations

Changes made to requirements for reporting on controls at a service organization (commonly referred to as SOC reports), include monitoring the effectiveness of controls at subservice organizations, and the addition of robust risk assessment procedures by the auditor.

Reporting changes

Practitioners are advised to consult the revised standards for updated reporting language for all attestation services.

Common applications

Glenn Roberts, CPA, senior technical reviewer for OSCPA, identified applications of SSAEs most likely to be of concern for upcoming peer reviews:

Ohio title agency reviews

Practitioners performing title agency reviews for the Ohio Department of Insurance can no longer rely upon guidance published by OSCPA when the 2014 requirement went into effect, including sample letters and report language. Practitioners should consult the updated agreed-upon procedures guidance and report language in SSAE No. 18. Note that the attestation standards require practitioners to obtain a representation letter as part of these engagements, even though such a letter is not required by the rules promulgated by the Ohio Department of Insurance for title agency reviews.

HUD audit electronic submissions

Practitioners issuing agreed-upon procedures reports related to other submissions included with financial statements in HUD audits will need to amend procedures and reports in accordance with SSAE No. 18. They will also need to obtain a representation letter in connection with these reports. Since the audit and the agreed-upon procedures are separate engagements under professional standards, Roberts recommended that auditors obtain a separate representation letter for the agreed-upon procedures engagement.

Not-for-profit budget comparisons

Budgets that have expired at the end of the reporting period are considered to be historical financial information. Budgets that have not expired at the end of the reporting period are considered prospective financial information. Therefore, compilation or preparation engagements that include expired and/or unexpired budget information follow SSARS

performance and reporting guidance. Reviews of expired budgets would also follow SSARS guidance. CPAs are precluded from performing a review of prospective financial information.

What's next?

The AICPA Auditing Standards Board is currently considering:

- Revising the standards to remove the requirement for the practitioner to request or obtain a written assertion from the responsible party. This proposed revision is in consideration of situations where a client, frequently a smaller or less-complex entity, cannot or is unwilling to provide an assertion.
- Revising the requirements for an agreed-upon procedures engagement to permit increased flexibility with respect to the development of procedures and to permit the issuance of a general-use report.

*Laura Hay, CPA, CAE, is executive vice president of The Ohio Society of CPAs and staff liaison to the Accounting & Auditing Committee. She can be reached at **Lhay@ohiocpa.com** or **614-323-0682**.*

FAST FACTS

1. Similar to clarity updates for other standards, the attestation standards are reorganized and codified to make them more readable and easier to apply.
2. For all attestation engagements, a written assertion is required from the responsible party about the measurement or evaluation of the subject matter against the criteria.
3. Compilation or preparation engagements that include expired and/or unexpired budget information follow SSARS performance and reporting guidance.
4. AICPA Auditing Standards Board is currently considering revising the standards to remove the requirement for the practitioner to request or obtain a written assertion from the responsible party.

tax developments

Ohio Research and Development Investment Tax Credit

By Kaitlin Newkirk, CPA and David Randolph, CPA

A valuable and sometimes overlooked credit for Ohio businesses is the Ohio Research and Development Investment Tax Credit. This nonrefundable credit can offset Ohio's Commercial Activity Tax.

The permanent extension of the federal R&D tax credit (PATH Act) and Treasury's recent issuance of final regulations under Internal Revenue Code 41 (T.D. 9786) provide incentives for businesses to carefully reconsider how they can maximize their federal research credit (see, for example, Michael Krajcer, CPA, "Recent changes to the R&D tax credit provide improved incentives for businesses," *CPA Voice*, September/October 2017). Likewise, now is a good time for businesses to review their Ohio CAT tax returns to make sure they are claiming the Ohio R&D credit and maximizing the benefits it can offer. Because the Ohio credit derives from the methodology used for the federal calculation, the incremental effort to quantify and claim the Ohio credit should be minimal.

Optimizing the Ohio R&D Credit

The Ohio R&D credit is equal to 7% of the excess of (1) qualifying research expenses incurred in Ohio for the year for which the credit is being claimed over (2) the taxpayer's average annual qualifying research expenses incurred in Ohio for the three preceding tax years (Ohio Revised Code Section 5751.51). For those, Ohio prescribes to the same definition given under Internal Revenue Code Section 41. This definition includes both contract research expenses and in-house expenses, such as qualifying wages and supplies, and the definition of internal use software provided in the (taxpayer-friendly) final regulations issued Oct. 4, 2016.

Because of the complexities involved in identifying QREs, a number of mistakes are possible. One common mistake to avoid is understating the amount of wages that qualify. Treasury Regulation section 1.41-2(d)(2) provides that if "substantially all" of the services performed by an employee consist of qualified services, then all of the employee's wages are considered QREs for purposes of the credit. The "substantially all" test is applied year-by-year on an employee-by-employee basis; it is met if 80% or more of the employee's total work hours are spent on "qualified research" activities.

It is important to note qualifying research expenses must

occur within the State of Ohio in order to be eligible for the Ohio credit. Businesses should consider how the location(s) where they perform R&D affects their tax benefits in Ohio and elsewhere. Like Ohio, many other states offer R&D tax credits as a way to promote economic development. Multistate filers should employ a coordinated approach across all states in order to maximize overall state tax benefits.

Ohio businesses also should note the amount of contract research expenses that qualify for the Ohio credit differ favorably from the amount that qualifies for the federal credit. Only 65% (generally) of contract research expenses are considered QREs for purposes of the federal credit. In contrast, 100% of contract research expenses qualify for the Ohio credit provided the expenses occur within the State.

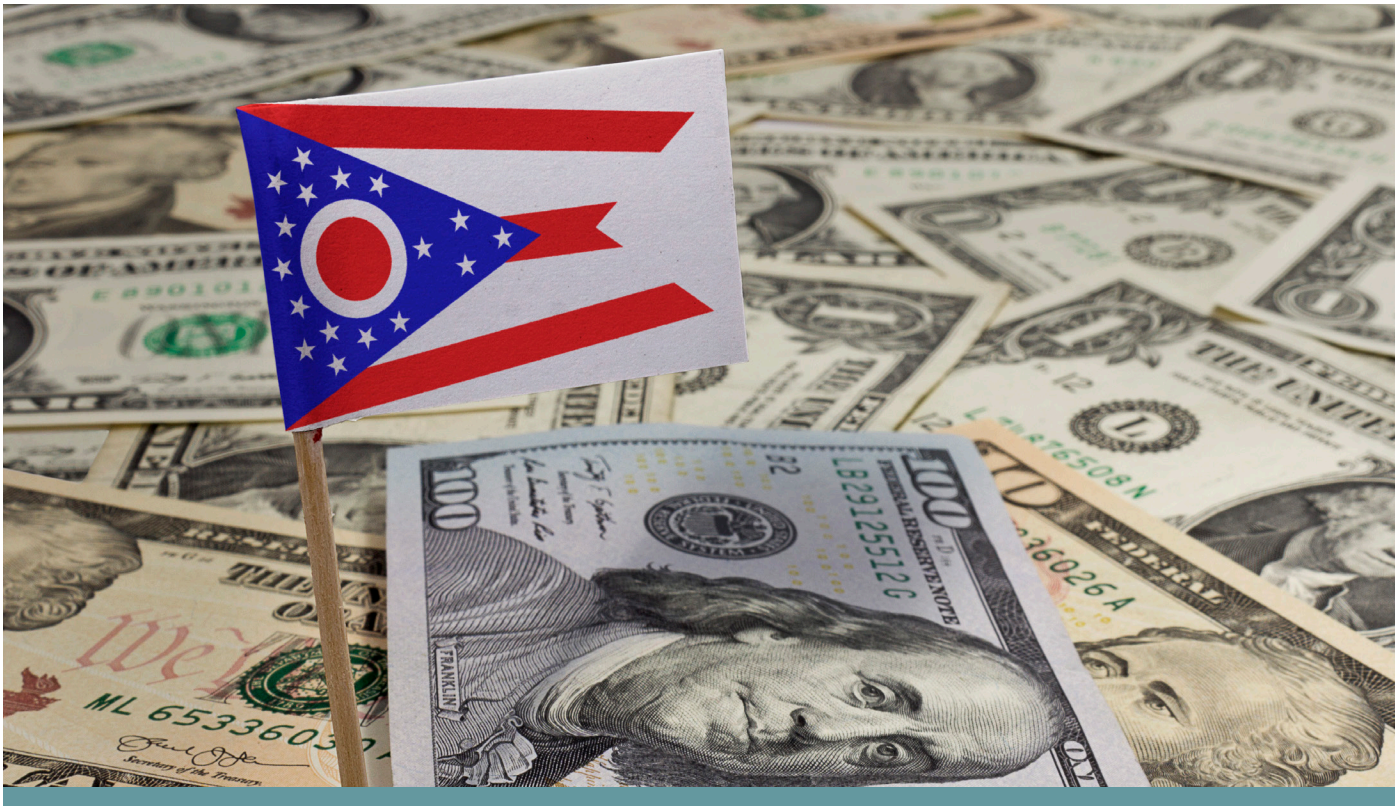
Claiming the Ohio Credit

Taxpayers are not required to follow a special application or approval process to claim the credit. The credit is claimed on a taxpayer's quarterly or annual CAT return filing and may be subject to audit by the state. The following documentation must accompany the filing:

- Federal Form 6765, "Credit for Increasing Research Activities," for the year of the Ohio credit being claimed.
- Ohio Form CAT CS, "Commercial Activity Tax Credit Schedule," for the quarter for which the taxpayer submits the report. The completed form must include the signature of an officer or managing agent of the corporation.
- Explanation of the taxpayer's credit calculation that provides the following details: (1) a description of the types of expenses (and amounts) that comprise the total amount of Ohio QREs for the current tax year, (2) the address of the location(s) where contract research, if any, was conducted within the state, and (3) total Ohio QREs for each of the three preceding years (used to calculate the preceding three-year average).

The Ohio R&D credit can offset all Ohio CAT other than the annual minimum tax. Any excess credit not used for the tax year in which earned carries forward for up to seven years. Taxpayers must file Form CAT CS quarterly to carryforward the available credits.

Ohio requires all businesses—regardless of federal tax year—to calculate the Ohio credit on a calendar year basis and claim the credit on the filing due in February of each year (Ohio Administrative Code Section 5703-29-22(C)(2)).



These requirements are an unwelcome burden, particularly for businesses that do not follow a calendar federal year. We echo the recommendations made by the OSCPA Ohio Tax Reform Task Force that would allow taxpayers to piggyback on the federal credit calculation and timing ("Improving Ohio's Tax Climate," issued June 2016, available from OSCPA at **http://www.ohiocpa.com/advocacy/ohio-tax-reform-task-force**).

Amending returns to claim prior year credits

Ohio businesses that originally failed to claim the Ohio R&D credit can amend up to four prior tax years (Ohio Revised Code Section 5751.08). In order to claim the credit, taxpayers should file amended CAT returns electronically for each quarter, beginning in the 4th quarter of the earliest eligible year. In addition to the regular filing requirements outlined above, taxpayers must file Form CAT REF, "Application for CAT Refund," with each amended return.

Kaitlin Newkirk, CPA, is a professor of accountancy at Xavier University and David W. Randolph, Ph.D., CPA (inactive) is an associate professor of accountancy at Xavier University.

FAST FACTS

1. Now is a good time for businesses to review their Ohio CAT tax returns to make sure they are claiming the Ohio R&D credit and maximizing the benefits it can offer.
2. Like Ohio, many other states offer R&D tax credits as a way to promote economic development. Multistate filers should employ a coordinated approach across all states in order to maximize overall state tax benefits.
3. Taxpayers are not required to follow a special application or approval process to claim the credit.
4. Ohio businesses that originally failed to claim the Ohio R&D credit can amend up to four prior tax years.

Building a core competency in MERGERS AND ACQUISITIONS

By James J. Caruso, CPA, CGMA

At many middle-market companies, mergers and acquisitions are few and far between. But if your company's strategy includes growth by acquisition, M&A needs to be a core competency. Fortunately, this does not require staffing a large internal transaction group. It is more about defining a disciplined and replicable process – a playbook – and cultivating the organizational knowledge to execute.

While it is beyond the scope of this article to detail the life cycle of a transaction, the phases of the acquisition process provide important context. These phases are sourcing potential targets and building a pipeline, screening for strategic fit, determining preliminary purchase price for a letter of intent, performing due diligence, negotiating the purchase agreement, and then closing and integration. Building a core competency requires developing and documenting a formal methodology around the transaction process; creating the appropriate tools, templates, and deliverables for each phase; and addressing human resource requirements.

Methodology

Your methodology must demonstrate a thoughtful, defined and repeatable approach. Processes exist within it. Processes are detailed sets of steps, activities, or tasks, whereas a methodology is a summarized, overarching approach.

A methodology should consider questions for each phase, such as these:

- What are the key objectives, milestones, decisions and deliverables?
- What are the major activities or decision criteria?
- What are the major work streams?
- What must happen sequentially, and what themes should run throughout (e.g., communication, risk management, project management, etc.)?

These areas will be addressed in more detail as you build out the process. At the beginning you are developing a high-level roadmap. Methodologies are often illustrated. Designing a visual solidifies your thinking about the process, helps structure the messy and ambiguous nature of knowledge work, provides a frame of reference, and demonstrates to stakeholders that a disciplined approach exists.

Tools, templates and deliverables

Every organization has processes that exist only implicitly. Too many high-level professionals fly by the seat of their pants, relying upon experience and routine. But do you really have a process if those activities are not documented? Knowledge work in general, and the complexity of M&A work in particular, can be nebulous and ambiguous. Only documentation can bring structure to the amorphous and make the intangible tangible. Dense narratives are not required, but project plans, Gantt charts, issue logs, and checklists are basic to a disciplined, replicable process.

A project plan does not have to be excruciatingly detailed; it can be a list of key activities. Develop a high-level master plan organized around the typical phases of a transaction, with supporting plans for the more complex activities. For example, "define integration plan" might be one line on the master plan, supported by a detailed integration plan, which in turn may have underlying plans for each functional area.[1] Simple Gantt charts focused on key work streams and milestones are helpful for visualizing timelines and reporting to stakeholders, especially when more than one transaction is in progress.

Checklists support key activities and tasks. Many professionals are resistant to using checklists, perceiving them as stultifying, but even veteran flight crews use a checklist before takeoff.[2] Consider what checklists are needed to support your project plans. Some examples may be screening criteria for strategic fit, metrics and data points for determining purchasing price, risks to focus on during due diligence, insurance coverages, and closing date readiness requirements.

The term "deliverable" often has the connotation of a consulting firm providing a report to its client. But it also refers to tangible work product generated internally. Key deliverables might include a pipeline report of potential targets, information request lists, a "transaction review" report for board approval, or a high-level integration roadmap.

Human resource requirements

Building a core competency in M&A may require certain additions, but it need not involve significant headcount or the creation of a dedicated group. Depending upon the existing skill set and capacity, you may already have someone who can manage the overall path to closing but need to hire someone to head up integration efforts, or vice versa. You may need a corporate development executive who can source deals, or perhaps you can rely on your private equity investors. Outsourcing is an option, too. Due diligence is typically outsourced, even at the largest companies. Still, someone needs to manage these work streams. Because M&A is episodic, consider candidates who can also contribute in other areas.

Conclusion

The lack of a formalized approach to M&A is endemic in middle-market companies that do not have dedicated transaction groups like their larger brethren. But by adopting fundamental techniques, a middle-market organization can create a professional, scalable core competency in M&A. The right team, following a formal methodology and process, supported by standardized tools and templates, can bring discipline to the messy nature of M&A work. Deploying a replicable process from an existing playbook allows the team to spend its time where it counts and avoid reinventing the wheel.

1 You can find more on this approach in The New One-Page Project Manager by Clark Campbell and Mick Campbell.

2 For more on this topic, check out The Checklist Manifesto: How to Get Things Right by Atul Gawande.

James J. Caruso, CPA, CGMA, is CFO for All Metro Health Care in Valley Stream, N.Y., and a member of the Pennsylvania CPA Journal Editorial Board. He can be reached at ***jcaruso@all-metro.com*** *and on Twitter* ***@jamesjcaruso****.*

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FAST FACTS

1. M&A is more about defining a disciplined and replicable process – a playbook – and cultivating the organizational knowledge to execute.
2. Your methodology must demonstrate a thoughtful, defined and repeatable approach.
3. Develop a high-level master plan organized around the typical phases of a transaction, with supporting plans for the more complex activities.
4. Building a core competency in M&A might require certain additions, but it need not involve significant headcount or the creation of a dedicated group.

public practice

CPA as CFO: Meeting client needs, managing risks

By Alvin Fennell III & Joseph Wolfe

Helping a client by providing CFO services might sound like a smart way to increase revenue and solidify the client relationship – but CPAs in public practice need to be aware of the related risks.

"Professional liability insurance policies generally exclude coverage for services rendered when the policyholder also performs management duties or assumes management responsibilities on behalf of the client," said Dave Sukert, JD, a senior vice president at Aon Affinity.

"Additionally, it doesn't matter whether a formal title like CFO is used to describe these activities," said Sukert. "Once an allegation is made that a CPA performed management duties for a client, it raises a potential insurance coverage problem associated with exclusions that exist in all professional liability policies. CPAs are consultants. Once you start performing management duties, or your client thinks you are doing so, you've crossed the line."

An old issue, now an emerging risk

"This issue has been around for 20 years," said Ken Mackunis, the president of the AICPA Professional Liability Insurance Program. Today many clients run their businesses online and with the technology available, they can ramp up business growth in months, rather than years. Many of these owners lack the skills to manage rapid business growth, so they turn to their CPA. It's a great new business opportunity.

"The good news," Mackunis said, "is that CPAs do not have to decline this type of work. It is possible for a CPA to render the services needed by the client, but practitioners should seek guidance in addressing the liability exposures and framing their role before agreeing to perform these services. The client might not fully understand what services they need. They might need consulting and controller type services to manage day-to-day accounting and tax functions, rather than a CFO. When CPAs frame the engagement as consulting, accounting and tax services, they minimize the risk that the client will expect them to assume management duties or perform management functions. Once the client considers you a decision maker, the liability exposure changes."

If your client actually needs a CFO, consult with both your lawyer and your insurance broker about potential legal and insurance coverage issues before deciding how to proceed. Depending on the circumstances, it might be appropriate to have your lawyer draft an independent contractor agreement for you that limits your legal liability while performing this function for the client. While this will result in payment of income taxable to you individually, it might be a more effective way to both help out the client and protect you and your CPA firm from liability under the circumstances.

Risk management guidelines

Be specific when you market your services

The work needed by these types of clients usually consists of traditional tax, accounting and consulting services. Promoting managerial or CFO services in advertising materials creates an expectation that you can serve in a senior management role for clients. A more effective means of communicating about your services is to promote it as "… outsourced tax, accounting and consulting services."

Do NOT make management decisions

Stay in your consulting role. Provide written recommendations to the client, requiring the client to make all management decisions, and to provide their decision and instructions in writing. Emails can be written quickly, and serve as important evidence in the event of a misunderstanding or dispute later. Communicating by phone might leave room for error. If there is an email chain confirming conversations, lawsuits by clients are less likely to be filed – and if they are, the written communications can serve as critical evidence both in your defense and in avoiding a coverage dispute.

Do NOT sign contracts for the client

Binding agreements and contracts should be left to the business owner. Only parties vested with the necessary written legal authority should enter into agreements on behalf of a business.

Clarify your role in your engagement letter

Engagement letters should clearly define the scope of services to be rendered. Clearly state the professional standards that apply to the services to be performed. In most cases, these will be the Statements on Standards for Consulting Services (SSCS) and the Statements on Standards for Tax Services (SSTS). During the engagement, the client might also request that financial statements be prepared or compiled for their use; these services are subject to the Statements on Standards for Accounting and Review Services (SSARS). When new services

are added, issue an updated engagement letter describing them and listing the applicable standards. Have the client sign the letter before rendering these services.

Stay within your scope of service

Once the scope of services has been defined, do not stray into performing services not covered by the professional standards listed in the engagement letter. Review the content of SSCS, SSTS and SSARS. Performing management duties or making management decisions for a client are not within the scope of these standards.

"My client is a friend. They would never sue me."

Even if a CPA-client relationship has been positive for many years, that can change when the client finds themselves in dire financial straits and they're looking for someone to blame.

Work with these simple precautions in mind, and you'll better protect yourself, your CPA firm and your client relationship.

Alvin Fennell III is the vice president of underwriting at Aon Affinity, the administrators of the AICPA Professional Liability Insurance Program since 1967. Al has more than 25 years' experience working with the Program. Joseph Wolfe is a risk management consultant working with Aon Affinity. Previously he worked with the Program's underwriter, CNA. Joe has 37 years' experience in the insurance industry. For more information, visit ***www.cpai.com****.*

This article is provided for general informational purposes only and is not intended to provide individualized business, risk management or legal advice.

FAST FACTS

1. Many clients run their businesses online and can see impressive business growth in months, rather than years, leaving them to turn to their CPA to help them manage it.
2. Practitioners should seek guidance in addressing the liability exposures and framing their role before agreeing to perform these services.
3. Provide written recommendations to the client, requiring the client to make all management decisions and provide their decisions and instructions in writing.
4. Once the scope of services has been defined, do not stray into performing services not covered by the professional standards listed in the engagement letter.

How managers can build trust with their employees

By Jessica Salerno, OSCPA content manager

It's been said that employees don't leave companies, they leave bosses. So as a manager, how can you make sure you're not the sole reason employees are turning in their two-week notice?

"It's about building a positive relationship by communicating with your people," said Marty Guastella, senior vice president of human resources at Oswald Companies, "so that you head off the possibility of a person making a permanent change because they don't feel a connection with their supervisor."

Guastella said a key part of strengthening your manager/employee connection is ensuring your direct reports feel they have a voice and play a role in their future at the company. If you view your relationship with employees as strictly transactional, you could be missing out not just on quality talent, but future success for the business.

"The stronger your business relationship is with the people on your team, the more likely there will be success for everybody," Guastella said. "That means for the individuals as well as your company."

Of course, certain factors are out of your control. Maybe your employee is looking for an increase in compensation that isn't possible or has a desire to switch industries. But if the only reason they're unhappy at work is because of you, it's your responsibility as a leader to address it.

"People don't leave supervisors they trust as long as all the other dynamics are in check," Guastella said.

And though it's true that sometimes certain personalities don't mesh, the employee would probably mention a more specific reason to leave: they did not feel recognized for quality work, no one is showing interest in their professional development or they're constantly being micromanaged. As their manager, you can address these issues before they become a problem by changing your behavior and actions.

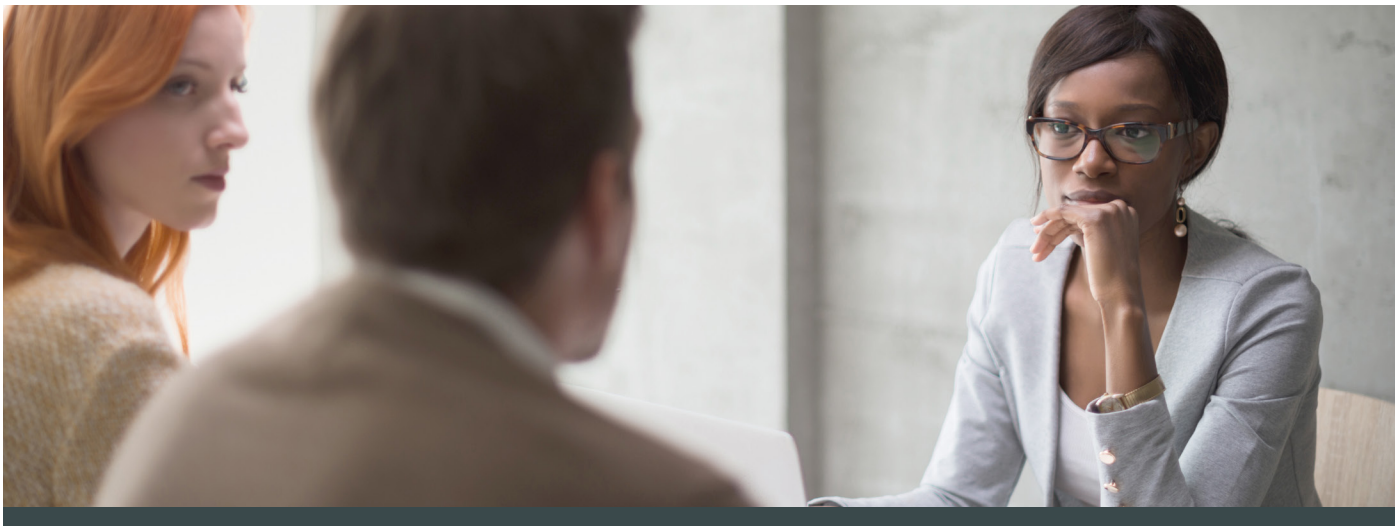
But you would never know someone felt this way if you hadn't been communicating with them on a regular basis. Guastella suggests you examine how you're leading your team. Being a leader means more than assigning tasks to your reports, and employees notice if you never offer feedback or neglect to check in on how things are going. He said managers should receive coaching or training to help them grow as leaders and recommended the book, "The Leadership Challenge."

If you and a member of your team can't seem to get along, Guastella suggested asking to speak with the individual privately. Remember not to go into the discussion feeling defensive. It can be uncomfortable, but having an open, honest conversation with your employee is part of what will help you gain their trust and learn how to be a better leader.

"It's about taking ownership of the situation and responsibility for your role," Guastella said. "A lot of managers and leaders don't want to do that, because they believe because they're the boss they should automatically command your respect. That couldn't be farther from the truth."

Guastella suggested scheduling regular meetings with your employees to check in. And you should resist the urge to reschedule anytime if something else comes up. It's important to show your employee that these check-ins matter to you. Building a strong relationship with your team isn't rocket science, but it does require your care, communication and commitment as a leader.

"People don't care how much you know until they know how much you care," he said. "Supervisors need to demonstrate a sincere interest for the people that work with them on their team."



Are you part of the $73,412 members are saving?

During the 2017 enrollment period, OSCPA members collectively saved $73,412 on their workers' compensation premiums through OSCPA's third party administrator, CompManagement. Membership can pay for itself, this is just one example—some members are saving thousands of dollars on their premiums.

If you pay into the Ohio Bureau of Workers' Compensation for workers' compensation premiums, CompManagement has savings programs and cost containment strategies that are already a part of your member benefits with OSCPA. You could be receiving a discount off your annual premium ranging from 20% to the maximum 53% allowed by the BWC. ***91% of OSCPA members enrolled with CompManagement are saving the maximum 53%***.

In addition to saving money, save valuable time and stress with consultative support. The responsible party handling worker's comp within an organization likely wears many other hats and it's not realistic to be an expert in all matters concerning workers' compensation. This is where a full-service TPA can assist your company and bring peace of mind that they are always a step ahead on making the right decision for both your injured workers as well as your bottom line. Members may also utilize the expertise of CompManagement's colleagues to review their policy and determine the programs that might garner the most savings, while keeping in mind their risk tolerance.

The next enrollment deadline is Nov. 19, 2018 for the 2019 policy year (July 1, 2019 – June 30, 2020).

It doesn't cost (or hurt) to get a quote! CompManagement offers a free, no-obligation evaluation to assist with your annual due diligence to compare discount opportunities and fees. This is an opportunity to compare third-party administrator services and receive valuable account information including rating options, premium estimate and claims history. CompManagement's experts will offer suggestions for participation in programs that can be stacked together to maximize your savings.

There are two ways to complete your request for a free evaluation and quote:

- Online: **https://resources.compmgt.com/AC3/AC3Info.aspx**
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compmanagement

New members and affiliates

525 new members and affiliates applied in **December**

662 new members and affiliates applied in **January**

The list of new members and affiliates is available on The Ohio Society of CPAs' website at **www.ohiocpa.com/quick-links/about-oscpa**

Not-for-Profit CONFERENCE

Discover strategies for staying ahead of the game and pivoting quickly in response to industry changes at the 2018 Cleveland Not-for-Profit Conference. Get the latest updates and learning you need so you and your organization can remain sustainable in the future. Sessions will focus on non-profit sector specific content and current issues that significantly influence your financial and tax reporting. In addition to new speakers and content, this year's event incorporates a package of On-Demand courses available for attendees that delve into additional relevant issues to extend your learning experience.

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TO REGISTER:
ohiocpa.com/nfpCbus18

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June 21, 2018
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THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

For assistance, contact your Member Experience Team at **800.686.2727**.

members in motion


Mike Brough, CPA


Greg Taylor, CPA


Kim Boydoh


Russell E. Majkrzak, CPA


Kateryna Protsenko-Blake, CPA


J. Kenneth Saggese, CPA


James B. Skakun, CPA

AKRON

George A. Malachin Jr., CPA, has been made partner at Linc Malachin & Dennis.

James B. Skakun, CPA, has been promoted to manager at Bober Markey Fedorovich.

CLEVELAND

Levin Swedler Kennedy has merged their practice with **Pease & Associates, LLC**.

Julie Boland, CPA, has been appointed to EY vice chair and central region managing partner.

Lisa Chavez, CPA, has been hired as a planning associate at Hartland & Co.

Kateryna Protsenko-Blake, CPA, and **Russell E. Majkrzak, CPA,** have been promoted to principal at HW&Co.

Michael Bigrigg, CPA, joins Bober Markey Federovich as senior manager.

COLUMBUS

Tim Schlotterer, CPA, has been promoted to director at GBQ.

MAUMEE

Mike Brough, CPA, and **J. Kenneth Saggese, CPA,** have been promoted to partner at Gilmore Jasion Mahler.

Greg Taylor, CPA, has been hired as partner at Gilmore Jasion Mahler.

MAYFIELD VILLAGE

Ken Haffey, CPA, of Skoda Minotti has earned the Certified Exit Planning Advisor (CEPA) designation from the Exit Planning Institute.

WESTERVILLE

Kim Boydoh has been hired at Nichols & Co. as chief solutions officer.

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THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

STRIVE program connects the dots of the accounting pipeline

By Jessica Salerno, OSCPA content manager

Jasmine Abukar, OSCPA manager of diversity and inclusion, asked the question that's had the accounting profession scratching its head for years: "How do we both recruit *and* retain students?"

The Ohio CPA Foundation's answer to this question is the STRIVE initiative, a broader effort to guide students through accounting pipeline programs from high school to undergraduate education.

"STRIVE is an acronym for Success Through Retention, Inclusion, Visibility and Engagement," Abukar said. "It encompasses what we're doing with our programs, and we want to make sure our students are successful first and foremost. We also want to retain these students as future accounting professionals."

STRIVE connects the programming dots for students so they know what opportunities are ahead as they continue their education. For example, a student who attends High School Accounting Career Day will learn about Accounting Careers Awareness Program (ACAP-Ohio) a week-long program for racially underrepresented high school students.

It's not enough to simply expose students to all that accounting has to offer; there needs to be a continuation of opportunity to encourage them to stick with accounting. Another crucial component of the initiative is the emphasis it places on inclusion.

"A pipeline program like STRIVE is ensuring the future of accounting is representative of the communities it serves," she said.

As more students make their way through the pipeline programs, she noted those individuals make great examples for younger, underrepresented peers who are at the beginning of their accounting exploration journey.

"Visibility is important," Abukar said. "We need to send a message to the students that it's not just about you becoming an accountant. There are a lot of people who look like you and come from where you come from who have succeeded. These students need to have role models to emulate."

Students have an almost overwhelming amount of choices to make as they continue their education and go on to pick a career. Through programs like STRIVE, OSCPA is ensuring accounting is at the top of students' minds when they take the next step.

"It's really important that we continue that engagement piece to retain those students," she said. "We don't want them to lose that enthusiasm and as an organization we want to maintain the momentum that we have with them."

*Go to **www.ohiocpafoundation.org** to learn more about The Ohio CPA Foundation and how you can support High School Accounting Career Days and other student outreach initiatives.*

THE OHIO CPA FOUNDATION
Investing in the Future

Support for this program is made possible by Foundation donors.

Disciplinary Actions 2017

Daniel Henning – Milford, OH
As a result of an investigation of alleged violations of the codes of professional conduct of The Ohio Society of CPAs and the AICPA, Mr. Henning, with the firm of Kamphaus, Henning & Hood, CPAs, Inc. entered into a settlement agreement under the Joint Ethics Enforcement Program, effective September 11, 2017.

Information came to the attention of the Ethics Charging Authority (ECA) (comprised of The Ohio Society of CPAs' Professional Ethics Committee and the AICPA Professional Ethics Executive Committee) alleging potential disciplinary matters with respect to Mr. Henning's performance of professional services on two separate audit engagements. The first on the audit of the financial statements of a housing authority as of and for the year ended December 31, 2012 and the second on a housing authority audit as of and for the fiscal year ended July 31, 2014.

The ECA reviewed information publicly available on the Federal Audit Clearinghouse's website, the auditors' reports, financial statements, and working papers, as well as other relevant documents Mr. Henning submitted to support his responses. Based on this information, there appears to be prima facie evidence of violations of the rules of The Ohio Society of CPAs and the AICPA's and codes of professional conduct as follows:

Rule 202 – Compliance with Standards

With Respect to both Engagements

1. The Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 ("A-133 Report") indicates that the audit was conducted in accordance with the HUD Consolidated Audit Guide and included verbiage specific to requirements in the Guide, to which the entity was not subject. (AICPA Audit Guide – Government Auditing Standards and Circular A-133 Audits ("AAG-SLA") par. 13.31, HUD Consolidated Audit Guide 2000.04 REV-2, Chapter 1)
2. The purpose alert paragraph in the A-133 Report failed to state that the scope of the testing of internal control over compliance and the results of that testing were based on the requirements of OMB Circular A-133. (AAG-SLA par. 13.31, AAG-GAS par. 13.26)
3. The Summary of Auditor's Results utilized outdated verbiage, referencing unqualified rather than unmodified opinions and reportable conditions rather than significant deficiencies. (AAG-SLA par. 13.40, AAG-GAS par. 13.34)
4. The Summary of Auditor's Results failed to disclose the dollar threshold used to distinguish between Type A and Type B programs and whether the auditee qualified as a low-risk auditee. However, on the Page Tower engagement, the Type A threshold was incorrectly disclosed on the Schedule of Expenditures of Federal Awards as $500,000 rather than $300,000. (AAG-GAS par. 13.34, OMB Circular A-133 §__.505)

With Respect to the December 31, 2012 Engagement

5. The reporting of the federal program identified as having been audited as major was inconsistent; the Schedule of Expenditures of Federal Awards indicated that the Section 202 Demonstration Planning Grant was non-major but the Summary of Auditor's Results indicated that it was audited as major. Furthermore, the Data Collection Form inaccurately reported that the Demonstration Planning Grant had not been identified and tested as part of CFDA 14.157. (AAG-SLA par. 13.40, 13.52-13.53)

With Respect to the July 31, 2014 Engagement

6. The Schedule of Findings and Questioned Costs indicated that no current year findings were reported under the HUD Consolidated Audit Guide, to which the entity is not subject. (AAG-GAS par. 13.34)

Rule 203 – Accounting Principles

With Respect to both Engagements

1. The components of cash flows from investing activities in the statement of cash flows are inappropriately presented at net amounts rather than gross. (FASB ASC 230-10-45)

With Respect to the December 31, 2012 Engagement

2. The policy for determining which items are treated as cash equivalents for purposes of inclusion in the Statement of Cash Flows is not disclosed in the financial statements. (FASB ASC 230-10-50-1)
3. The components of temporarily restricted net assets were not fully disclosed in the financial statements. (FASB ASC 958-210-45-9)

With Respect to the July 31, 2014 Engagement

4. The entity failed to make required disclosures related to intangible assets. (FASB ASC §350)

Agreement:

In consideration of the ECA forgoing further investigation of Mr. Henning's conduct as described above and in consideration of the ECA forgoing any further proceedings in the matter, Mr. Henning agreed as follows:

a. To waive his rights to further investigation of this matter in accordance with the Joint Ethics Enforcement Program (JEEP) *Manual of Procedures*.

b. To waive his rights to a hearing under The Ohio Society of CPAs' bylaw Article VII section C and the AICPA bylaws section 7.4.

c. To neither admit nor deny the above specified charges.

d. To be admonished by The Ohio Society of CPAs and the AICPA.

e. To comply immediately with professional standards applicable to the professional services he performs and to submit evidence of such compliance.

f. To provide an attestation immediately, then every six months for a period of three years that he is no longer performing audits. If he returns to performing such work, he agrees:

- To complete 33 hours of continuing professional education (CPE) courses (*Applying the Uniform Guidance for Federal Awards in Your Single Audit; Advanced Topics in a Single Audit; Annual Update for Accountants and Auditors; Audit Workpapers: Reviewing Field Work Documentation; Audit Workpapers: Documenting Field Work*) prior to commencing such work and provide evidence of such completion (e.g., attendance sheets, course completion certificates, etc.).
- To comply with directive e. above, Mr. Henning agrees to hire an outside party, acceptable to the ECA, to perform pre-issuance reviews of the reports, financial statements, and working papers on three engagements performed by him over one year from the date he returns to performing audits to be selected by the ECA. He must submit the names of the chosen reviewers to the ECA for approval no later than 30 days after returning to performing audits. Also, no later than 30 days after returning to performing audits, he must submit a list to the ECA of the audits and reviews he expects to issue reports in the upcoming 12 months. The ECA will select three engagements for pre-issuance review and communicate them to him.

Mr. Henning agrees to permit the outside party to report quarterly to the ECA on his progress in complying with this agreement as stated herein to comply with professional standards. The report should provide the reviewer's comments in detail for each engagement and should include a description of the nature of the entity reviewed, the entity's year end and the date of the review. The first report is due 120 days after the reviewer has been approved by the ECA with subsequent reports due every 90 days. He agrees to have this pre-issuance review performed at his expense. The ECA has the right to extend the period of time and number of engagements subject to pre-issuance review if there are deficiencies.

He agrees to inform the ECA of any changes in the composition of his practice, changes in his role during the period he is subject to the pre-issuance reviews or if he has not performed any audits or reviews. If his practice changes and he is no longer involved with audits or reviews, no longer acts in a supervisory capacity on such engagements, or has not performed such engagements during the above specified period, he must inform the ECA of this and the ECA may require that he attest every six months for three years as to the nature of his practice. If, during the three-year attestation period he returns to performing such engagements, he must inform the ECA and undergo the pre-issuance reviews.

- To further comply with directive e. above, Mr. Henning agrees to submit six months after the completion of the pre-issuance reviews, a list of the highest level (audits, reviews, and compilations with note disclosures) of engagements that he performed in the period between the date of completion of those pre-issuance reviews and the end of the six-month period following completion of the pre-issuance reviews. The ECA will select one of these engagements for review. Mr. Henning will be informed of this selection and will be asked to submit information to include a copy of his report, the financial statements, and working papers related to that engagement for review by ECA. The ECA may extend the period to select an engagement to ensure a suitable selection is available. A peer review undergone by his firm would not exempt him from this requirement.

Mr. Henning agrees to inform the ECA of any changes in the composition of his practice, changes in his role or if he has not performed any audits, reviews, or compilations with note disclosures until a suitable work product is selected for review. If his practice changes and he is no longer involved with audits, reviews, or compilations with notes disclosure, no longer acts in a supervisory capacity on such engagements, or has not performed such engagements during the above specified period, he must inform the ECA of this and the ECA may require that he attest every six months for three years as to the nature of his practice. If, during the three-year attestation period he returns to performing such engagements, he must inform the ECA of this change and the ECA will select a suitable work product for review.

After an initial review of such report, financial statements, and working papers, the ECA may decide he has substantially complied with professional standards and close this matter. Or, the ECA may decide that an ethics investigation of the engagement he submitted is warranted. If, at the conclusion of the investigation, the ECA finds that professional standards have in fact been violated, the ECA may refer the matter to the trial board for a hearing or take such other action as it deems appropriate.

g. To be prohibited from serving as a member of any ethics or peer review committee of The Ohio Society of CPAs or the AICPA until he has completed all directives in this letter. This restriction will be communicated to those responsible for appointments to such committees. In addition, if he applies to join any other committee of The Ohio Society of CPAs or the AICPA, he must inform those responsible for such appointments of the results of this ethics investigation. This requirement shall remain in effect until the ECA determines that the work product submitted to comply with directive h. above substantially complies with professional standards.

h. To be prohibited from teaching continuing professional education courses approved by the AICPA or the state societies in the areas of auditing and accounting, Government Auditing Standards and OMB Circular A-133/ Uniform Guidance until he has completed all of the directives included in this letter. This restriction will be communicated to those responsible for engaging CPE instructors at The Ohio Society of CPAs and the AICPA. This requirement shall remain in effect until the ECA determines that the work product submitted to comply with directive f. above, if applicable, substantially complies with professional standards.

i. To be prohibited from performing peer reviews in any capacity until the directives in this letter have been completed. This prohibition will remain in effect until the ECA determines that the work product he submitted to comply with directive f. above, if applicable, substantially complies with professional standards. This restriction will be communicated to his peer review oversight agency.

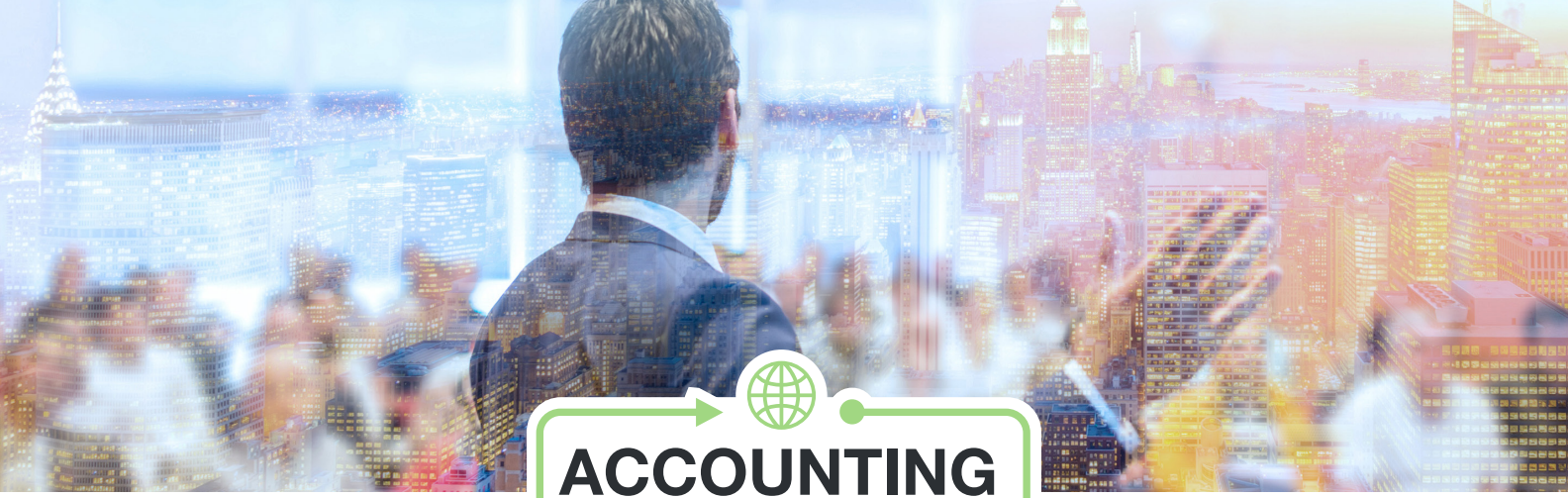
j. That the ECA shall provide a copy of this settlement agreement to the AICPA's Peer Review Division staff, his peer review administering entities and his firm's peer reviewer.

k. That the ECA shall publish his name, the name of his firm, the charges, and the terms of this settlement agreement.

l. That the ECA shall monitor his compliance with the terms of this settlement agreement and initiate an investigation where the ECA finds there has been noncompliance.

Carolyn C. Kaufman – Hudson, OH

Under the automatic disciplinary provisions of the OSCPA bylaws, Ms. Kaufman's membership was terminated effective December 18, 2017, following a conviction of a felony under the laws of any state or of the United States; conviction of any crime, an element of which is dishonesty or fraud under the laws of any state or of the United States.



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Aug. 28, 2018 | Columbus | Product #51393

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CPA VOICE
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Self-Assessment Exam

MARCH | APRIL 2018 Product ID: #51708

Answer the 12 required questions on the next page based on content in *CPA Voice* and submit your answers to The Ohio Society of CPAs. Receive a grade of 70% or better and earn one hour of CPE credit in specialized knowledge.

Costs

Members $25
Nonmembers ... $40

Exams remain available online – and may be completed for CPE – through the same month of the following calendar year.

Online Instructions

1. Go to **ohiocpa.com/VoiceExamMA18**. Log in to receive the member rate.
2. Purchase the exam.
3. When you are ready to take the exam log in to the OSCPA Store and click "current registrations," click on "visit classroom," and then click "take quiz."
4. Be sure to print the automatic confirmation page for your records.

Print Instructions

1. Take the exam as an open-book test, recording your answers on the answer sheet by filling in the appropriate circle (pen or pencil is fine).
2. Then, fill out the registration information. Check payment must be submitted with the exam. Please print clearly.
3. Mail this page, along with your payment, in an envelope to: **The Ohio Society of CPAs CPA Voice Exam, 4249 Easton Way, Suite 150, Columbus, OH 43219**.

Self-Assessment Exam Results

Respondents taking the exam online receive their results immediately. Respondents who pass with a grade of 70% or better receive one hour of CPE credit in specialized knowledge, as approved by the Accountancy Board of Ohio.

ANSWER SHEET

1.	a	b	c	d	7.	a	b	c	d
2.	a	b	c	d	8.	a	b	c	d
3.	a	b	c	d	9.	a	b	c	d
4.	a	b	c	d	10.	a	b	c	d
5.	a	b	c	d	11.	a	b	c	d
6.	a	b	c	d	12.	a	b	c	d

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Email: _____

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Business Address: _____

City: _____ State: _____ Zip: _____

Telephone: _____

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Columbus, OH 43219

Attestation tune-up: SSAE changes affect 2018 engagements

1. Effective for reports dated after _____, SSAE _____ replaces much of the prior SSAE guidance related to attestation engagements.

A. May 31, 2017; 18
B. May 1, 2017; 17
C. May 1, 2017; 18
D. Dec. 31, 2017; 18

2. CPAs need to be aware that SSARs no. _____ was not a simple relocation of the requirements and guidance for prospective financial information but there are some significant changes for practitioners who prepare or compile prospective financial information.

A. 23
B. 24
C. 18
D. 21

3. Which of the following circumstances would the outside accountant be required to withdraw from an engagement?

A. The party responsible for the attestation engagement refuses to provide a written assertion about the measurement or evaluation of the subject matter against certain criteria. The responsible party is not the engaging party.
B. The party responsible for the attestation engagement refuses to provide a written assertion about the measurement or evaluation of the subject matter against certain criteria. The responsible party is also the engaging party.
C. Answers A and B are correct.
D. Neither answer A or B is correct.

4. What is likely to be a concern for upcoming peer reviews?

A. Ohio tile agency reviews- practitioners must now rely on guidance provided by the OSCPA.
B. HUD audit electronic submissions-practitioners issuing agreed upon procedure reports related to other submissions included in the financial statements of HUD audits will no longer need to amend their procedures and reports in accordance with SSAE 18.
C. Not-for-profit budget comparisons- compilation or preparation engagements that include expired and/or unexpired budget information must follow guidance provided in the SSARS.
D. All of the above answers are correct.

Ohio Research and Development Investment Tax Credit

5. What taxes can the Ohio Research and Development Investment Tax Credit offset?

A. Ohio's CAT (Commercial Activity Tax).
B. Ohio's state income tax and Ohio's CAT.
C. Ohio's state income tax and Ohio's school district tax.
D. All of the above answers are correct.

6. The "substantially all" test for determining whether the entire amount of an employee's wages qualify for Ohio's Research and Investment Tax Credit is applied year-by-year on an employee-by-employee basis; it is met if _____ or more of the employee's total work hours are spent on qualified research activities.

A. 75%
B. 80%
C. 85%
D. 70%

7. What documentation must accompany the CAT filing when claiming Ohio's Research and Investment Tax Credit?

A. Federal Form 6765
B. Ohio Form CAT CS
C. Explanation of the taxpayer's credit calculation
D. All of the above answers are correct.

Building a core competency in mergers and acquisitions

8. What <u>is not</u> one of the phases of the acquisition process?

A. Sourcing potential targets and building a pipeline of potential acquisition targets.
B. Screening for a strategic fit.
C. Determining preliminary purchase price.
D. Building a core competency.

9. What is a requirement for building a core competency in mergers and acquisitions?

A. Screening potential targets.
B. Screening for a potential fit.
C. Creating the appropriate tools, templates, and deliverables.
D. Determining the preliminary purchase price.

10. A methodology for mergers and acquisitions should include questions for each phase of the acquisition, including:

A. What are the key objectives, milestones, decisions and deliverables related to the acquisition?
B. Who are the target company's main customers and suppliers?
C. What types of products and services does the target sell and what type of sales growth is expected going forward?
D. Will the current owner of the target company continue to work for us going forward?

CPA vs. CFO: Meeting client needs, managing risks

11. Professional liability insurance policies for accounting firms generally exclude coverage for services rendered when the policy holder also performs _____

A. Compilation services.
B. Preparation reviews.
C. Management duties.
D. Attestation engagements.

12. What did the author <u>not recommend</u> as a way to reduce professional liability exposure for firms considering offering CFO related services?

A. Be specific when you market your services: do not advertise that you or members of your firm provide managerial services.
B. **<u>Do not</u>** sign contracts for your client.
C. Clarify your role in your engagement letter.
D. Only deviate from your scope of services when necessary.

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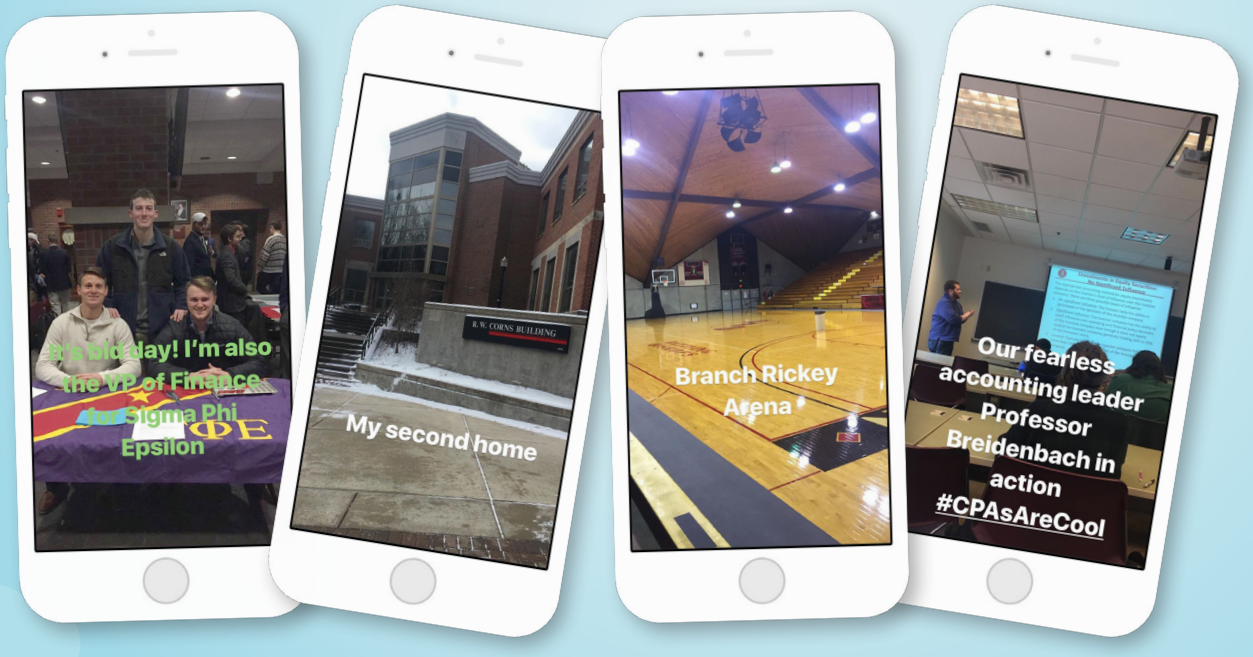
Social Chatter

Instagram **TAKEOVER**

Ohio Wesleyan University student Brady Roesch did a "takeover" of OSCPA's Instagram for the day, which meant he posted pictures of his daily life around campus from our account. Roesch is majoring in finance economics and minoring in accounting, and the takeover was a fun opportunity for future accounting majors to see what college is like from a student's perspective. Follow us on Instagram **@ohiocpas** and watch for more takeovers in the future!



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