CPA Leadership Report

Expanding Your Knowledge While Conserving Your Time

Vol. 11 No. 4, April 2013

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CPA Success

Practice Management

Are CPAs Too Nice?
Source: *Solutions for CPA Firm Leaders*

The following includes excerpts, reproduced with permission, from an article by Rita Keller.

In their work life, most Baby Boomers "grew-up" in a culture where an experienced partner (one of those old school, hardworking, maybe even somewhat of a tyrant types) threw a legal size red-rope folder on their desks and said, "Here, look at this and do what we did last year." End of conversation. If they made a mistake, they often got feedback in the form of critically written review notes and a harsh lecture.

As these CPAs evolved and eventually became partners in the firm, they couldn't wait to buy out and retire out the old "speak softly and carry a big stick" guys and swore, "We're never going to be a jerk like Old Joe!"

So what did these CPAs raised in a very strict, confined work environment do? They took the opposite approach. I call it the milk-toast road, meaning they avoided holding people accountable to the point where they began to avoid any confrontation whatsoever.

They have people working for them who they admit are not great performers, are not meeting expectations, and should have been fired years ago.

They have clients who abuse them. These clients make unreasonable demands on partners and make life miserable for the team.

They don't want to be mean to people so they only give critical feedback via written review notes. Confrontation is to be avoided at all costs.

They tolerate partners who should never have been made partners in the first place.

I love CPAs because they are such nice people. But are they really too nice at times?

For the complete article, read "Mean, Nice, Strict or Wimpy?" [http://goo.gl/siOaz]

From *Solutions for CPA Firm Leaders*, the newsletter of Rita Keller, March 2013, www.ritakeller.com.

Accountability: Closing the Performance Gap
Source: *CPA Practice Management Forum*

In this article, Bryan Shelton outlines a systematic approach for identifying performance issues in CPA firms. Often, Shelton explains, accountability problems arise because people "misdiagnose why performance gaps exist and therefore come up with the wrong solutions." Shelton recommends that firms apply the Behavior Engineering Model to analyze and improve performance. According to the model, performance is affected by two sets of factors. One set relates to the environment and one to the individual:

- Environmental factors: Information, resources, and incentives
- Individual factors: Knowledge, capacity, and motives

By separating external behavioral influences from individual behavioral drivers and analyzing each of the six factors, a firm can identify performance issues and improve accountability.

Shelton provides details on each factor, explains how applying the model makes analyzing performance issues more manageable, and shows how firms can increase accountability by "creating an environment that supports and rewards the behaviors and results the firm needs to grow and develop."

Often, the best factor to address first is information. In many firms, there's an "information gap" between individuals' understanding of their roles and the firm's expectations regarding their performance. Typically, information-based solutions have the biggest impact on performance and can be implemented at low or no cost. For example, closing the performance gap may just be a matter of ensuring that employees "know exactly what is expected of them and receive regular feedback on their performance."

For the complete article, read "A Model for Improving Performance and Increasing Accountability." [http://bit.ly/179mdz8]

From *CPA Practice Management Forum*, Vol. 9, No. 3, March 2013, p. 11.

Partner Compensation: MP vs. Rainmaker
Source: *CPA Trendlines*

The following is a complete reprint, reproduced with permission, of an article by Marc Rosenberg.

In allocating partner income, a firm needs to look at all performance attributes of each partner.

From a 35,000-foot altitude, firms should be reviewing these items for each partner:

1. The partner's role in the firm, the relative *values* of the various roles (MP, rainmaker, client handler, QC expert, niche specialist, administrator, etc.) and how *well* the role was performed.
2. The extent that the partner achieved his/her goals.

There are three different roles a partner can play:

Most partners are client handlers. Excellence in leadership, bringing in business, retaining and profitably growing a client base, helping staff grow, teamwork, and interpersonal skills are expected.

The MP's role focuses on profitability, execution of the strategic plan, holding partners accountable, effective firm governance, overseeing revenue growth, making the firm a great place to work, crisp decision-making, and effective succession planning.

The rainmaker is often the highest paid partner because partners perceive that bringing in business trumps all other performance attributes. But I've seen many rainmakers perform poorly in other important areas such as growing the staff, billing and collection, teamwork, and accountability. These need to be taken into account.

It's not enough to ask which of these three roles should be the highest paid. Firms need to look at:

- How well these roles were performed, and
- The "whole package" of performance factors, not just one or two.

For the original article, read "Who Should Earn More: The Managing Partner or the Rainmaker?" [http://goo.gl/gFPCk]

From *CPA Trendlines*, March 11, 2013, http://cpatrendlines.com.

How to Set Yourself Apart From the Competition
Source: *Partner Insights*

The following includes excerpts, reproduced with permission, from an article by August Aquila. It's adapted from an article by Ned Miller of MZ Bierly Consulting.

Here are seven things top CPAs do to stand out from the crowd:

1. They bring something relevant – ideas, industry information, partners – to every client or prospect meeting.
2. They focus the discussion on their customer's strategy, not on firm services or products.
3. They position the firm's capabilities before there's an explicit need. And they don't operate under the illusion that their business customers know everything that the firm can do.
4. They leverage senior management. In some instances top CPAs call upon their firms' CEOs to open doors with company brass; in other situations they use them to solidify their position with a long-term customer. The best CPAs are never afraid to ask for help.
5. They conduct regular relationship reviews of their top clients with their product partners. But it's not just an intramural exercise. They share their thoughts with customers in formal meetings and solicit feedback from their senior contacts about how things are going. (Savvy CPAs usually know when the best time for these discussions is, tying it to the client's planning cycle.)
6. Top CPAs take a longer-term view of building relationships. They think about where they want to be with a prospect two or three years down the road and plan accordingly.
7. They win "mind-share" first, by sharing insights and expertise. Most know how to engage in banter about sports and other "rapport-building" topics, but they realize that schmoozing doesn't score lots of points with C-level executives.

For the complete article, read "7 things that top CPAs do to stand out from the crowd." [http://goo.gl/ogCsx]

From *Partner Insights*, Aquila Global Advisors, LLC, March 2013, http://www.aquilaadvisors.com.

Critical Competencies for CPAs
Source: *CPA Success*

The following includes excerpts, reproduced with permission, from a blog entry by Tom Hood.

Our research from the CPA Horizons 2025 Project identified five critical competencies for the future (after the core technical skills):

1. Leadership: The ability to develop and share insights, and the aptitude to mobilize and inspire others to action.
2. Communications: The ability to give and exchange information with meaningful context, and appropriate delivery and interpersonal skills.
3. Strategic thinking: A future-minded and flexible mindset that thinks critically and creatively.
4. Collaboration and synthesis: Being effective at engaging others and working across boundaries to turn challenges into opportunities.
5. Being tech-savvy: Anticipating technology changes and how they can benefit others.

We put these skills in a framework we call The Bounce and show how the skills work across a career ladder and emphasize the importance of the key financial technical skills early in a CPA's career. Interestingly, this follows Malcolm Gladwell's "10,000-Hour Rule" from his book *Outliers*, in which he claims the key to success in any field requires about 10,000 hours to master a body of knowledge.

Applying this to The Bounce would show the first five years of a CPA career really working to master the critical accounting and financial body of knowledge. Then, at the manager position comes the turn and change of focus. It is this point at which the new skills like those listed above become critical.

The entry contains a short video that explains the concept.

For the complete blog entry, read "The Top 5 Skills CPAs Need Now." [http://goo.gl/jNypI]

From *CPA Success*, the blog of the Maryland Association of CPAs, March 7, 2013, http://www.cpasuccess.com.

Not for Women Only: Anyone Can "Have It All"
Source: *ConvergenceCoaching, LLC Inspired Ideas*

The following includes excerpts, reproduced with permission, from a blog post by Tamera Loerzel.

I'd like to expand the exploration of the issues that are traditionally associated with "women's issues" to be more inclusive, because I view them as broader business challenges.

Let's explore four strategies we can employ more broadly to create a culture in our firms that allows everyone to benefit, and ultimately "have it all" – which is what we're all striving for anyway!

1. **Flexibility programs**. Firms that are mastering flexible options for their people understand that it's a one-size-fits-one definition for each team member and an evaluation about whether the program works for the firm, clients, and other team members.
2. **Results-oriented success measures.** Your top performers want to be measured on the results they deliver and not on whether they are doing the work in the office on a Thursday night or are logging in from home Thursday night after they've played a game of softball or had dinner with their children.
3. **Technology enablers.** If technology is a roadblock to working remotely or "anytime/anywhere," you'll not only disengage women, you'll run the risk of being perceived as old school by your rising stars who are the future of your firm.
4. **Career path clarity.** Foresight is required to look out over the next several years and identify the skill sets, experience, and levels needed in your organization. Planning is also required to understand what team members envision for their careers and their roles in your firm so that you can map their goals to the firm's vision.

Pick one of these strategies to implement (and you'll likely find that you'll make strides in the other three, too, because they are integrated).

For the complete blog entry, read "Having It All Isn't Just a Women's Initiative."
[http://goo.gl/TfXHI]

From *ConvergenceCoaching, LLC Inspired Ideas*, March 6, 2013,
http://blog.convergencecoaching.com.

An Innovative Technique for Improving Realization
Source: *The Marc Rosenberg Blog*

The following includes a complete reprint, reproduced with permission, of a blog entry by Marc Rosenberg.

Client work that goes beyond the original scope of the engagement – we've all done it.

Sometimes it's work that the client can and should do. Sometimes the extra work results from sloppy records that need to be straightened out.

Whatever the reason, virtually every firm performs work that was not included in the original fee quotation and which never gets billed because the firm failed to get approval to bill for the extra work.

Where does this familiar scenario lead? To a big fat WIP write-off.

To avoid these situations, the CPA industry has adopted a practice from the construction trade: Change orders. Contractors have gotten very good at getting their customers to sign off on these written quotes for additional work.

CPA firms need to get good at this too.

I recently spoke at a conference and listened to an MP describe a marvelous practice at his firm for improving realization. He offers his staff a bonus for every change order they get from the client. His thinking went something like this: "Our staff are in the trenches, doing the work and interacting with client personnel. They are in the best position to identify change order situations." At this firm, staff are encouraged to go directly to the client with the request for the change order or to check with a manager or partner first if they feel more comfortable doing it this way.

Checks are written to the staff every time they get a change order signed. (In other words, it's not part of a general bonus paid at the end of the year; it's paid as soon as the client pays the bill.)

What a great idea! In fact, it sounded so good that I asked all the people at this session why they wouldn't do it. Not one hand was raised.

For the complete post, read "CPA Firm Change Orders: The New Staff Bonus Incentive."
[http://goo.gl/iw1Nw]

From *The Marc Rosenberg Blog*, March 27, 2013, http://blog.rosenbergassoc.com.

Get Ready for the Next Big Thing
Source: *CPA Trendlines*

The following includes excerpts, reproduced with permission, from an article by Rick Telberg. The article is adapted from the forthcoming book Seven Keys to Successful CPA Firm Management.

Accounting firms have options today they never had before. Options to compete. Options in ownership. Options in staffing. Options in off-shoring and outsourcing. Options in technology. Options in management and governance. Indeed, the chief innovation in the CPA firm industry in the past 30 years is not, as is often said, technology. Technology doesn't change anything in and of itself; it simply expedites, according to Bruce W. Marcus writing in "Professional Services Marketing 3.0." No, change in the CPA business is driven by competition. And competition drives innovation. In turn, innovation is creating a diversity of options for progressive firms.

With the options available to CPA firms today, we're now seeing a mix of business models.

1. You can start a firm with a laptop and a cell phone in a corner of Starbucks.
2. You can do accounting without being an accounting firm.
3. You can do no accounting at all, just bring in the clients and ship the back-office work out of state or out of the country.
4. You can be global as a soloist, or you can be a global firm that operates like a bunch of soloists.

There's even a model for an accounting business that operates for free; it makes its revenue on advertising. And how long will the 1040 business be around? Some 12 million customers disappeared from the paid-preparer market between 2010 and 2012 as they adopted do-it-yourself software programs.

The profession seems poised, I believe, for a great leap forward. Who knows what it will be? Maybe, in fact, it won't be one leap, but many. Whatever comes next will be built on the diversity of today's rapidly widening options. Looking at how diversity has affected other spheres – looking at it through historical, sociological, and technological lenses – suggests that the change will come so quickly we won't see it coming.

In fact, the next big thing is probably already here. We just don't know it yet.

For the complete article, read "'Keeping up' Is Not a Strategy." [http://goo.gl/C5ifi]

From *CPA Trendlines*, March 26, 2013, http://cpatrendlines.com.

Ten Benefits of Fixed Price Agreements
Source: *Solutions for CPA Firm Leaders*

The following includes excerpts, reproduced with permission, from a blog entry by Rita Keller.

I still meet many CPA firm owners who have never heard Ron Baker speak, nor read any of his books, blogs or articles. If you fit into that category and want to learn a whole lot in a very short time, read Baker's guest blog post [http://goo.gl/PkBTq] on the Xero blog site.

Baker explains the concept of Fixed Price Agreements (FPAs). If you are caught in the we-can-only-bill-by-the-hour trap, it's time to broaden your horizons. Take a few moments to read his brief explanations of each of the following advantages of the FPA:

1. Pre-qualifies the customer
2. Opportunity to cross-sell
3. Value pricing gains "ego investment" from the customer
4. Quoting fixed prices projects confidence and experience
5. Increases a customer's switching costs
6. Forces your firm to be effective
7. Overcomes buyer's emotions
8. The firm maintains the pricing leverage
9. Prices can be increased each year
10. Provides a competitive differentiation

For the original entry, read "Try It, You Just Might Like It – Fixed Price Agreements." [http://goo.gl/8vBww]

From *Solutions for CPA Firm Leaders*, the blog of Rita Keller, March 26, 2013, http://ritakeller.com/blog/.

Rev Up Your Recruiting
Source: *AICPA CPA Insider*

The following includes excerpts, reproduced with permission, from an article by Jennifer Wilson.

An estimated 78 million Baby Boomers will leave their firms, businesses, and organizations in the next 10 to 12 years. This exodus of talent will place extraordinary pressure on every U.S. organization's recruiting, training and development, performance management, and retention programs.

Is your firm ready? Consider these six strategies to help your firm compete:

- *Ensure your HR leadership is top-notch and empowered.* If your firm has more than 60 people, you should have a full-time HR manager in place. If your firm is smaller, ensure that a partner-level resource owns the HR function.
- *Rev up your recruiting engines now.* If your firm de-emphasized on-campus or experienced-hire recruiting in recent years, the time has come to reinvest in those areas – even if you're not actively hiring.
- *Be competitive and fair.* Make sure you are paying your people at or above market.
- *Re-recruit your top team members.* Focus on retaining your best and brightest by engaging them in meaningful discussions of their wants and needs and working with them to map a path within the firm that will meet those and the needs of the firm, too.
- *Assess and enhance your firm's culture.* How does it feel to work at your firm? Your firm's culture is a combination of factors, including the mindset and behavior of your leaders; the formal and informal stories you tell; your strategies, policies, processes, and programs; and more.
- *Let your people be your guide.* Form an employee advisory board (EAB) with a mix of generations, cultures, levels, and disciplines represented. Ask EAB members to solicit feedback from your people and bring forward ideas for change.

For the complete article, read "Six strategies to help you compete in an unprecedented recruiting cycle." [http://goo.gl/6sT2V]

From *AICPA CPA Insider*, March 11, 2013, http://www.CPA2biz.com.

Get Your Firm to Embrace New Technology
Source: *Accounting Today*

In this article, Seth Fineberg examines how firms make forward changes in technology, including how they gain support from key leaders and effectively incorporate new technologies into their work practices.

Fineberg notes that smaller firms may leave technology decisions primarily to one individual on the team, whereas larger firms may have a point person who conducts research, presents options, and "makes a pitch" for the purchase and use of certain technologies.

According to technology consultant Randy Johnston, firm leadership may be responsive to persuasive arguments regarding adoption of new technology, such as 1) It will improve our client service, 2) It will make our firm more competitive, and 3) We need to be proactive so that our firm stays fresh.

Examples of ways in which firms have introduced new technology include:

- Brian Kelsch, new to his firm, decided to offer small suggestions at first, such as a few updates to the firm's website to make it more modern. Eventually, Kelsch presented the idea of a document management system to the firm's decision makers. Kelsch has offered to be the guinea pig for tax season so he can offer firsthand insights on the product.
- Tammy Clarke began using an iPad and then pitched its use to the firm's key leaders. She and the managing partner eventually persuaded the partners to provide iPads for the team as a Christmas bonus – a gift that was well-received and is now widely used within the office.
- The firm Freed Maxick has incorporated technology use as part of its firm culture and core values, which paves the way for new technologies.

Vendors also work to network and educate firms on the value of technologies they offer.

For the complete article, read "Making the Pitch." [http://goo.gl/Q5OIt]

From *Accounting Today*, March 1, 2013, SourceMedia Inc., One State Street Plaza, 27th Floor, New York, NY 10004, 800-221-1809.

Develop Your People … Really
Source: *ConvergenceCoaching, LLC Inspired Ideas*

The following includes excerpts, reproduced with permission, from a blog post by Jennifer Wilson.

Yesterday, I had three conversations with leaders of firms in completely different geographies and of a variety of sizes about slightly different yet completely related topics: A lack of traction in a mentoring program, an inability to get engagement reviews completed by both staff and managers, and concerns that a partner group didn't have enough empathy and compassion to engage and develop people.

What concerns me is that the real root cause of these issues – the crux of the people challenge in public accounting – is that firms pay lip service to their commitment to people but do not reward those who develop people above those who do not.

No matter what a firm says, or has written related to the things they value, the truth is that they do not place the premium value – pay and promotion – on people development skills. I'll go even further on this: Firms make it difficult for their best people developers to dedicate the time to invest in people programs and activities because they must first focus on the "holy grail" items of client service, chargeability, book, and business development and there simply isn't enough time left for mentoring, training, performance managing, and career planning.

Please take the time to discuss this blog with your senior leaders. Ask yourselves what you'll need to change to place a genuine premium on people development.

Give real credit to those who do this work best. Clear their schedules so they can get on it immediately. Reward them when they show results that can be measured through retention rates, promotion of their direct reports, and ultimately increased profitability for your firm.

For the complete blog entry, read "Let's Stop Paying Lip Service to People Development."
[http://goo.gl/3yIjo]

From *Convergence Coaching, LLC Inspired Ideas*, February 27, 2013, http://blog.convergencecoaching.com.

Are Your Firm's Decisions Based on Reliable Information?
Source: *AICPA Insights*

In this blog entry, Erin Mackler discusses the importance of information accuracy in today's culture, in which we have instant access to so much information. Mackler says that in order for information to have "integrity," it's important to consider whether it's accurate, relevant, precise, timely, and complete. Information with integrity is fit for use in making business decisions.

Mackler describes an AICPA paper that helps professionals determine how to achieve and maintain information integrity. The paper addresses: 1) How the vast amount and complex nature of information impact practitioners, users, service organization assurance providers, and information preparers, 2) the information life cycle, the requirements for information integrity assurance, and the risks of some kinds of information, and 3) how to have and utilize information integrity, adding value and minimizing risk.

Mackler asks if your firm is "filtering" information in order to make the best possible decisions.

For the complete blog entry, read "With So Much Information, Who's to Say What's Accurate?" [http://goo.gl/Xeq2U]

From *AICPA Insights*, March 11, 2013, http://blog.aicpa.org.

Are Your Team Members Too Comfortable?
Source: *RedZone, Play of the Month*

The following includes excerpts, reproduced with permission, from an article by Accountants Advisory Group.

Wikipedia defines the “comfort zone” as a “behavioral state within which a person operates within boundaries which create an unfounded sense of security and will tend to stay within that zone without stepping out of it. To step outside a comfort zone, a person must experiment with new and different behaviors.”

The number of partners and managers in the CPA profession who fall into the definition above has reached epidemic proportions and is at the root of succession planning problems and a significant reason for massive consolidation in the profession.

How can firm management change the culture and move “comfort zoners” towards the Red Zone (a zone in which their performance can be enhanced and their skills optimized)? Here are a few ways:

- Develop a system of accountability with key performance criteria and progressive goals and objectives at all levels of the professional ranks. Implement a performance management system that rewards for higher levels of technical and professional competencies.
- Continuously require partners and managers to delegate work and clients down the pyramid and to take on more challenging work and more complex clients. Promote creativity and innovation of client services.
- Set new business goals and objectives that require partners and managers to engage more profitable and quality clients each year. Provide them practical practice development training in the areas in which they have the most potential to succeed.
- Once the “up or out” policy became less prevalent in the CPA profession, the comfort zone culture became more pervasive. A more balanced approach to an up or out policy should be instituted to motivate professionals to attain higher levels of success.

For the complete article, read “Move Out of the Comfort Zone and Into the Red Zone.” [http://bit.ly/128vns0]

From *RedZone, Play of the Month*, Accountants Advisory Group, March 2013, http://www.accountantsadvisory.com.

Leaders: Open Yourself to Change
Source: *Solutions for CPA Firm Leaders*

The following includes excerpts, reproduced with permission, from an article by Rita Keller.

Why aren't the owners (partners, directors, members, shareholders) open to change?

Seth Godin has some observations that pretty much describe the life in a CPA firm. I've tweaked his thoughts somewhat to apply to the CPA profession. Godin talks about three things we seek from a coworker, boss, or friend:

1. Open. Open to new ideas, leaning forward, exploring the edges, impatient with status quo… In a hurry to make something worth making. Experienced CPAs are in a hurry to meet government and client deadlines and it pretty much stops there. Challenge yourself to become more impatient with status quo.
2. Generous. Restless to find opportunities to be generous. Focused on giving people dignity, respect, and the chance to speak up. Aware that the single most effective way to move forward is to help others move forward as well. This year invest in sending some young accountants to a management conference or to a workshop in public speaking, supervising others and so on.
3. Connected. Part of the community, not apart from it. Hooked into the realities and dreams of the tribe. Able and interested in not only cheering people on, but shining a light on how they can accomplish their goals. In some of the larger firms (or firm offices) these days, team members tell me that some of the partners don't even know their names.

Want to have a growing, successful, profitable, fun and cool firm. As an owner, realize the fact that your own dreams can come true if you support others first.

For the complete article, read, "Firm Leaders – Are You Open, Generous and Connected?" [http://goo.gl/N5oxK]

From *Solutions for CPA Firm Leaders*, the newsletter of Rita Keller, March 2013, rkeller@ritakeller.com.

Succession Planning and M&A

Mergers Work . . . If You Do Them Right
Source: *The Marc Rosenberg Blog*

The following includes excerpts, reproduced with permission, from a blog entry by Marc Rosenberg.

Here are some reasons we have heard from textbook upward merger candidates for NOT pursuing an upward merger:

Reason #1: We fear a loss of control. Response: What do you fear? Name one thing. I have yet to talk to a hesitant firm that can name even one specific, valid fear. The loss of control issue is more a mindset or fear of the unknown that dissipates once the merger takes place.

Reason #2: We feel like we've failed the firm by merging out of existence. Response: What's the alternative – dying in your chair? By merging, the partners are being proactive about preserving their clients, providing jobs for their staff and giving themselves a way to retire gracefully.

Reason #3: We hear a lot from other firms that mergers don't work. Response: My experience is that mergers do work…if you do them right. The problem is that the right question wasn't asked.

The proper way to measure if a merger "worked" is to look at the reasons why you did the merger in the first place and see if those goals were met. (1) Did you firm up your buyout? (2) Did your clients react well to the merger and were they retained? (3) Did the firm you merged with provide you with younger partners and bright young staff that you didn't have before the merger? (4) Has being part of a larger firm given you more ways to satisfy your clients and attract new ones? (5) Are you making more money?

For the complete entry, read "CPA Merger Mania: Why Aren't We Jumping For Joy?" [http://goo.gl/UTYGL]

From *The Marc Rosenberg Blog*, February 21, 2013, http://blog.rosenbergassoc.com.

Marketing

How Clients Decide Your Firm is the Right Firm
Source: *Accounting Today*

In this article, author Michael Cohn presents the results of a study by Hinge Research Institute to determine how clients choose professional service firms, including accounting and financial firms.

The study indicated that accounting firms as a whole are facing significant changes, such as retirement of large numbers of Baby Boomers, regulatory reforms, and emergence of online marketing as a means of gaining new clients.

When asked about the best way to reach clients, both sellers and buyers of accounting and financial services weighed in:

- Building a personal relationship – 33 percent of sellers, 37 percent of buyers
- Education – 10 percent of sellers, 21 percent of buyers
- Becoming known for doing effective work – 19 percent of sellers, 11 percent of buyers
- Referrals – 17 percent of sellers, 11 percent of buyers

Buyers of accounting and financial services were asked how they chose the firms they had decided to do business with, revealing the following:

- Collaborative knowledge and skill sets within the firm – 46 percent
- Agreement terms and expense – 30 percent
- Previously existing relationships – 30 percent
- Good match, shared values – 22 percent
- Someone on the team is specialized – 18 percent
- Referrals – 16 percent
- Positive reputation – 13 percent
- Firm size – 8 percent
- Customer service – 7 percent
- Flexible, responsive – 7 percent

For the complete article, read "Study Looks at How Clients Pick Accounting Firms."
[http://goo.gl/HyaZy]

From *Accounting Today*, March 1, 2013, SourceMedia Inc., One State Street Plaza, 27th Floor, New York, NY 10004, 800-221-1809.

Marketing Isn't Enough
Source: *CPA Practice Management Forum*

In this article Gale Crosley warns firms that marketing, though a powerful tool, isn't enough to create growth. It "helps till the soil of growth," Crosley explains, but "tilled soil with no seeds taking root is pretty much a useless pile of dirt."

To move your firm forward, you need an overarching growth strategy to guide your marketing activities so that you're doing the right things in the right places, and targeting the right audience. These strategies should be based on the following three elements:

- Services. They should be customized for different types of buyers and communicated in language buyers understand.
- Distribution channels. These are people, organizations, or other resources that connect you with your buyers.
- Buyers or buyer groups. These are buyers with common needs profiles, such as "trucking companies with nationwide operations," "high-net-worth widows," or "near-retirement corporate executives."

A good strategy for sustainable growth continually adjusts these three elements as markets change. Crosley details steps firms can take to develop a comprehensive strategy, including financial analysis, segmenting, and market research.

For the complete article, read "Marketing? You Bet You Should! – But if you want to grow, it's not enough." [http://bit.ly/16fBknz]

From *CPA Practice Management Forum*, Vol. 9, No. 3, March 2013, p. 13.

Risk Management

Is It Time to Fire Your Clients?
Source: *Journal of Accountancy*

Author Amy Waldron recommends that CPA firms evaluate their clients annually to determine whether they're still a good fit and to identify and terminate any problem clients. Although firms are often reluctant to terminate a long-term relationship and give up the associated revenue, maintaining such a relationship can hurt the firm's profitability and increase the firm's litigation risk.

Common indicators of a problem client include:

- Nonpayment or consistently late payment of fees
- Frequent price or service complaints
- Disagreements or disputes over fees, aggressive tax positions, accounting treatments, or other issues
- Disputes among the client's partners or shareholders
- Difficulty obtaining, or consistent delays in receiving, requested information
- Patterns of failing to follow or ignoring advice
- Consistently negative reactions to suggested improvements
- Lack of management integrity
- Lack of internal controls
- High accounting and management turnover
- Poor treatment of CPA firm staff
- Poor treatment of the client's own accounting department or evidence that accounting oversight is not a priority
- Potential and actual conflicts of interest between the CPA and the client

Waldron offers guidance on terminating the relationship in a formal and effective manner.

For the complete article, read "Clients: The end is near." [http://goo.gl/xRCoS]

From *Journal of Accountancy*, American Institute of Certified Public Accountants, February 2013, http://www.journalofaccountancy.com/Issues/2013/Mar.

Are You Criminally Liable for Your Client's Fraud?
Source: *The CPA Journal*

In this article, the authors review the current state of the law regarding a CPA's criminal liability in federal securities fraud and tax fraud cases. Traditionally, the distinction between malpractice and a crime comes down to state of mind. Malpractice generally involves negligence, while criminal fraud requires an intent to do wrong or knowledge that, for example, a financial statement contains a material misrepresentation.

But the doctrine of "willful blindness" blurs the line between malpractice and fraud, potentially exposing careless CPAs to criminal prosecution. To be guilty of fraud, a CPA must *know* that financial statements are false, but such knowledge is notoriously difficult to prove. Therefore, prosecutors often rely on willful blindness, which allows jurors to *infer* knowledge if they believe that an experienced, intelligent CPA could not have let financial irregularities pass without knowing that they were a cover for fraud.

For example, in *U.S. v. Weiner*, 578 F.2d 757 (9th Cir. 1978), "the court explained that a prosecutor need not prove that the auditor actually *knew* of the financial statement's falsity. It is enough to show that the accountant had reason to be suspicious but deliberately avoided learning the truth."

The best way for CPAs to avoid criminal liability is to thoroughly investigate any suspicious circumstances or irregularities rather than turning a blind eye.

For the complete article, read "Criminal Liability of CPAs in Federal Securities Fraud and Tax Fraud Cases." [http://goo.gl/7Wiq3].

From *The CPA Journal*, A Publication of the New York State Society of CPAs, March 2013, http://www.cpajournal.com.

Are You Complying With These Frequently Violated Professional Standards?
Source: *CPA Success*

The following includes excerpts, reproduced with permission, from a blog entry by Bill Sheridan.

The AICPA's Professional Ethics Division has released lists of the most frequent violations it has documented during audit investigations over the past two years. The lists focus primarily on government/not-for-profit investigations and those centering on employee benefit plans. Here's the scoop:

Most frequent government/NFP violations

Single-audit issues:
- Failure to accurately identify and test all major programs
- Incorrect dollar threshold used
- Improper risk assessment
- Missing information in the SEFA

Auditor's reporting:
- Improper audit report date
- Character of examination and degree of responsibility
- Summarized information
- SAS No. 115
- Opinion units and departures not specified
- Omitted required opinion and report wording

Audit procedures:
- Allocation of indirect expenses
- Failure to obtain sufficient competent evidential matter
- Inadequate documentation
- Failure to utilize or customize an audit program

Financial statement deficiencies related to:
- Reporting expenses
- Donated services
- Failure to disclose the nature and amount of donor-imposed restrictions
- Fair-value disclosure
- Management discussion and analysis
- Improperly classified revenues
- Unreserved fund balance
- Interfund balances
- Disclosure of prior-period adjustments
- Disclosure concerning liabilities and debt service
- Subsequent events

Other:

- Failure to comply with CPE requirements

Most frequent employee benefit plan violations

Auditor's reporting:

- Improper audit report date
- Character of examination and degree of responsibility
- Improper certification

Audit procedures:

- Failure to obtain sufficient competent evidential matter
- SAS 70 reports
- Inadequate documentation
- Failure to utilize or customize an audit program

Financial statement deficiencies related to:

- Benefit responsive contracts
- Fair-value disclosure
- Accumulated plan benefits
- Other financial statement deficiencies

For the complete blog entry, read "Heads Up: Most Frequently Violated Professional Standards." [http://goo.gl/wEV1t]

From *CPA Success*, the blog of the Maryland Association of CPAs, March 26, 2013, http://www.cpasuccess.com.