CPA VOICE

The Ohio Society of Certified Public Accountants

January February 2021

GROWING DEBTS
AND DEFICITS ARE PULLING DOWN OUR FUTURE

ADVOCACY
ANNUAL REPORT

NEW YEAR BRINGS
ATTESTATION ALERTS

OPTIMIZE YOUR CPA FIRM FOR
M&A GROWTH TRANSACTIONS

THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

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a word
from our CEO

Rising to the occasion

In difficult times, leaders and lessons emerge. After 2020, I imagine you might have a whole new perspective on leaders you look to for guidance and lessons that have proven to be a benefit.

While reflecting on the experiences of last year is valuable for growing, it's time we forge ahead to create new opportunities and meet new challenges in 2021. And we may not know yet what those new opportunities or challenges will be, as the beginning of 2021 has already shown us to expect the unexpected.

But the preparation you've done so far and will continue to do is what will enable you to rise to the occasion of those unexpected and sometimes difficult moments. Mentoring young professionals, learning new tech skills, advocating for the business community, all of this is pushing you forward and ultimately, the accounting profession.

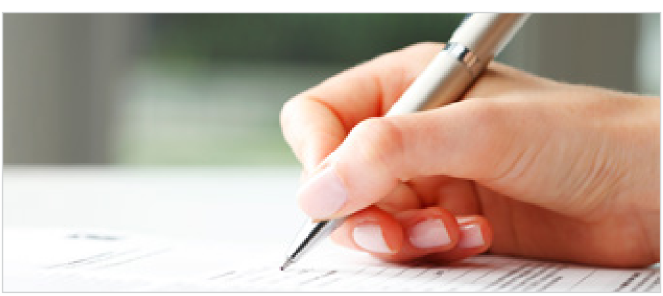
OSCPA is prepared to help you with these efforts, whatever they might be. Whether you're interested in growing your knowledge in the diversity, equity & inclusion space, brushing up your skills on recent A&A updates, or finetuning your managerial experience, we are your partner and advocate in these efforts. Our mission is to advance the accounting profession and build stronger communities across Ohio, and we are here to help you do the work you need to do to make an impact today and an impact ten years from now.

And while you're focusing on doing this valuable work, remember to stay open to anything that might surprise you or challenge your way of thinking. As the accounting profession evolves and changes, so can you, and you can be part of the efforts that continue to make this a profession of the future.

In parting, I will share something with you that I have shared internally with OSCPA staff: 2021 will be better- because we will make it so.

Self-Assessment Exam

JANUARY | FEBRUARY 2021
Product ID: #55243



Log in to **my.ohiocpa.com**, look up the exam using the product ID number above and answer the 12 required questions based on content in CPA Voice.

Costs

Members	Free
Nonmembers	$40

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

Online Instructions

1. Log in to **my.ohiocpa.com**
2. Search "CPA Voice" and then find the appropriate exam.
3. If you're a member, click "Enroll." If you're a nonmember, click "Add to cart" and purchase the exam.
4. On the Confirmation Page click “Go to your learning center.”
5. The exam will be available under the "Current" section. Turn off pop-up blockers, then click "Launch."

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.

accounting & auditing

New Year brings attestation alerts

By Laura Hay, CPA, CAE

Deferred implementations early in the 2020 pandemic have resulted in a flurry of activity as we begin the new year. Some key items to be aware of in 2021 attest engagement planning:

Revenue recognition implementation

ASC 606 was initially required for non-public entities for reporting periods beginning after Dec. 15, 2018, but in June was deferred to periods beginning after Dec. 15, 2019 for entities that had not yet issued financial statements. Delaying implementation was optional. That resulted in a period in which implementation was required for entities with a reporting period beginning after Dec. 15, 2018 that issued financial statements before June 3, 2020.

If ASC 606 was not implemented when required and the workpapers do not include evidence of consideration of the client's assessment of its impact before the issuance of the financial statements, the attest engagement will be considered nonconforming in peer review, even if it is determined after issuance that the impact would have been immaterial. It will be insufficient just to disclose the change in accounting method without having assessed the actual effects of implementation. If the client did not conduct an assessment, that would be a GAAP departure.

If the client and the firm have not obtained a sufficient understanding of the standard to assess its impact, that engagement would also be nonconforming. If members of the attest team have not already obtained sufficient training on revenue recognition implementation, it's important to ensure that this has been completed.

Risk assessment standards

The COVID-19 impact on business necessitates gaining an updated understanding of the risks faced by the clients' business, industry, supply chain, and other factors. Important elements of current compliance with audit risk assessment standards AU-C 315 and 330 include:

- Identifying and documenting risks of material misstatement (RMM).
- Assessing and documenting risks at both the relevant assertion level and the financial statement level.
- Performing and documenting procedures that address identified significant risks beyond basic procedures when basic procedures don't address the RMM.
- Documenting the linkage between the RMMs and audit procedures designed to address them.
- Evaluating and documenting the evaluation of the design and implementation of controls related to the audit.

Before Sept. 30, 2021, failure to comply with the risk assessment standards was treated for peer review as a Finding for Further Consideration. After Sept. 30, 2021, noncompliance will result in a deficiency or a significant deficiency.

A current AICPA exposure draft of a proposed SAS would amend AU-C 315 to make more explicit the requirement to specifically assess inherent and control risks and increase the specificity of what must be documented in the consideration of each component and the auditor's response to significant risks. If issued as final, the proposed SAS will be effective for audits of financial statements for periods ending on or after Dec. 15, 2023.

Review engagements

SSARS 25, *Materiality in a Review of Financial Statements and Adverse Conclusions*, amends four sections of SSARS 21 to align more closely the review obligations to auditing requirements and international standards. Judgments about materiality are made considering qualitative and quantitative factors in addition to the item's magnitude, including the financial reporting framework, and items deemed material to the users of the financial statements.

The pandemic environment increases consideration of inherent uncertainties in management estimates, goals, and biases. Like audit procedures, review procedures should be modified based upon these assessments of risk and should include a consideration of the entity's ability to continue as a going concern. Inquiries should be designed to address unusual or complex situations, significant transactions, and events subsequent to the date of the financial statements.

SSARS 25 takes effect for engagements performed on financial statements for periods ending on or after Dec. 15, 2021. Early implementation is permitted.

New attestation service - direct examination

In September 2020, the AICPA ASB issued SSAE 21, *Direct Examination Engagements*, adding a new AT-C section 206 to the attestation standards. SSAE 21 enables practitioners to perform an examination engagement without an assertion

from the client on the underlying subject matter. In a direct examination, the practitioner obtains reasonable assurance by measuring or evaluating underlying subject matter against criteria and expressing an opinion that conveys the results of that measurement or evaluation. This new service allows practitioners to report on new and emerging nonfinancial subject matters for entities that don't have the internal expertise to measure or evaluate the matter. However, the client still accepts responsibility for the underlying subject matter.

AT-C 205 remains but is renamed *Assertion-Based Examination Engagements*, for engagements in which the practitioner obtains a written assertion from the responsible party. Additional changes are added to AT-C 205, including the ability to include information in the examination report that goes beyond the minimum elements of the standard.

SSAE 21 takes effect for reports dated on or after June 15, 2022, and early implementation is permitted.

Cash flow analyses

Cash flow analyses are critical right now for struggling small businesses. Practitioners should be aware of the differences between compiled projections or forecasts with a report (under AR-C 80) and consulting engagements, as the goals and objectives of these levels of service are different. Be sure to clarify with the client any third parties that will be receiving this information.

Now is a good time to review firm practice aids, and to note that with these emerging changes, updating once every few years will be insufficient to capture the pace of upcoming changes.

Laura Hay, CPA, CAE is executive vice president of The Ohio Society of CPAs and staff liaison to the Accounting Auditing and Professional Ethics Committees. She can be reached at ***Lhay@ohiocpa.com*** *or* ***614.321.2241****.*

FAST FACTS

1. ASC 606 was initially required for non-public entities for reporting periods beginning after Dec. 15, 2018, but in June was deferred to periods beginning after Dec. 15, 2019 for entities that had not yet issued financial statements.

2. Important elements of current compliance with audit risk assessment standards AU-C 315 and 330 include identifying and documenting RMM and assessing and documenting risks at both the relevant assertion level and the financial statement level, among others.

3. Practitioners should be aware of the differences between compiled projections or forecasts with a report (under AR-C 80) and consulting engagements, as the goals and objectives of these levels of service are different

OHIO
CPA PAC

2020
Ohio CPA/PAC

ANNUAL REPORT

THE
OHIO SOCIETY
OF CPAs
ADVANCING THE STATE OF BUSINESS

Scott D. Wiley, CAE
President & CEO

Mark LaPlace, CPA
Ohio CPA/PAC Chair

Dear Colleagues:

We are fortunate to have one of the leading government relations teams in the nation in our corner, working to protect our interests and advance the state of business in Ohio. And thanks to you, we also have one of the largest and most influential association political action committees in the state. This essential combination makes The Ohio Society of CPAs a powerful force in advocating for our profession and Ohio's business community.

Your membership in The Ohio Society of CPAs and your contributions to Ohio CPA/PAC make this possible. Both are necessary to fuel the vital work our government relations team does on your behalf. Because of your support, Ohio CPA/PAC has been able to elect Ohio state legislators and statewide officeholders who understand and will appropriately address the challenges that the CPA profession and Ohio business community face.

The distribution of PAC dollars is not done in a vacuum. Your Ohio CPA/PAC board works with OSCPA's government relations team to thoroughly research each candidate's viewpoints and carefully invest PAC dollars where they will make a meaningful difference to protect your professional interests.

We thank you for your continued commitment to and financial support of the work we are doing on your behalf.

Sincerely,

Scott D. Wiley, CAE
President & CEO

Mark LaPlace, CPA
Ohio CPA/PAC Chair

Ohio CPA/PAC
Impact in 2020

Effective issue advocacy is built on three foundational elements: professional lobbyists (funded by your investment in OSCPA membership), Ohio CPA/PAC contributions and your informed voice on the issues at stake. The first two elements help fund the work and the last helps us carry important measures across the finish line.

Your contributions to Ohio CPA/PAC fueled OSCPA's 97% success rate in endorsing pro-business candidates.

The pandemic threw all of us a curveball that required us to be nimble in our approach to government relations. And yet, OSCPA was once again able to secure many significant wins as well as essential COVID-related protections.

Federal issues:

- Extended federal tax filing due date to July 15

Municipal issues:

- Maintained centralized collection of net profits muni tax
- Retained elimination of municipal throwback rule
- Preserved Net Operating Loss uniformity
- Won Ohio Supreme Court challenge to existing municipal tax reform provisions
- Worked to defeat prejudgment attorney fees for municipal tax debts
- Ensured SERPs are not subject to municipal income tax.

State issues:

- Spearheaded effort to ensure accounting services to be deemed essential during pandemic
- Won pandemic-related qualified lawsuit immunity protection for businesses and health care organizations
- Protected the Business Income Deduction in the budget bill against a 60% reduction in the $250,000 deduction and elimination of the 3% flat rate.
- Led the effort to allow Ohio CPA candidates to accelerate their careers by taking the Exam sooner
- Worked with the Ohio Department of Taxation to fix the PTE credit carryforward issue
- Pushed to shorten the statute of limitations for actions upon contracts
- Blocked CAT rate increase
- Prevented assessing state sales tax on CPA professional services
- Secured the extension of tax filing and payment deadlines to July 15
- Drove the effort to extend 1st and 2nd quarter estimated tax payment deadlines to July 15
- Backed temporary change of municipal withholding to workplace location
- Pressed for state/federal conformity, ensuring PPP loan forgiveness would not be subject to Ohio's income tax or CAT
- Worked to resolve member Ohio Business Gateway problems
- Advanced regulatory red-tape reduction
- Championed the extension of 2020 license renewal deadlines
- Secured a law change so CPAs can provide professional services to medical marijuana businesses without putting their license at risk.

Advocacy **in Action**

The need for effective issue advocacy was heightened during 2020. From addressing the pandemic's civil litigation concerns to pushing for CPA Exam reform to the Ohio Supreme Court challenge of preserving hard-won municipal tax reforms, OSCPA demonstrated the value of its nationally recognized government relations team.

OSCPA invited members to get an inside view of the legislative process at Advocacy in Action. Formerly known as Legislative Leadership in Action / YCPA Day at the Statehouse, Advocacy in Action was open to all who wanted to learn more about issue advocacy. More than 100 people participated in the virtual event that featured interactive sessions with state legislators, a look at the impact members can and do have on the outcome of issues, and a review of OSCPA's top advocacy initiatives.

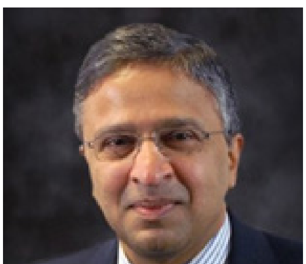
Proceeds from Advocacy in Action went to establish The Ohio CPA Advocacy Fund. Created to help pay for white papers, research, PR campaigns and other materials designed to support and advance key legislative initiatives, the Ohio CPA Advocacy Fund is yet another way OSCPA is working to protect your professional interests.

Your leading partner and influential voice for a thriving business environment...

OSCPA and Ohio CPA/PAC are working together for a better legal, legislative, and regulatory climate for CPAs and businesses. If it is an issue impacting you, your business, your client or your license, we ensure the right people take notice.

State Representative Bill Roemer, CPA
Ohio House District 38
Member since 1982

"As a legislator and member myself, I've found a great partner in OSCPA. I've joined forces with The Ohio Society of CPAs multiple times to make sure legislation—especially issues impacting Ohio businesses—is as fair, simple and predictable as possible."



Ranjan Manoranjan, CPA
Principal, Prime AE Group, Inc.
Member since 1980

"OSCPA's powerful advocacy efforts protect the integrity of the CPA license and profession. Nobody else has our backs like OSCPA and the Ohio CPA/PAC."

Roger Geiger
VP/State Executive Director
NFIB Ohio

"The Ohio Society of CPAs has always been one of the most respected and highly effective business lobbying groups in Columbus. They always bring incredible expertise and strong political clout to the table. Even if they don't always agree, state legislators and statewide officials respect and value OSCPA's important voice."

Lifecycle of a contribution

Members voluntarily invest in Ohio CPA/PAC

Ohio CPA/PAC Board strategically allocates funds to legislator campaigns

Ohio CPA/PAC builds allies at the Statehouse who support OSCPA's interests

Ohio CPA/PAC strengthens your voice and influence

Financial **Overview**

$212,259

Ohio CPA/PAC candidate contributions given in 2019-2020 Election Cycle

103

Total number of incumbent and new candidate recipients in this election cycle.

In Ohio elected office 2019-2020:

96 Republicans, 49 Democrats. Republicans hold veto-proof majority control in Ohio House and Ohio Senate and chair all committees. Summary of Ohio CPA/PAC contributions made to candidates:

80

Republicans

23

Democrats

84

Won

4

Lost

13

Not up for reelection

2

Withdrew or retired

2019

$121,559

raised from **1,087** donors

2020

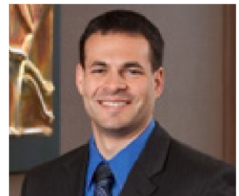
$113,024

raised from **995** donors

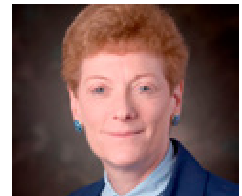
Meet your Ohio **CPA/PAC Board**

Mark LaPlace
Chair

Jane Pfeifer
Treasurer



Jeff Brooks
Trustee



Ann Gabriel
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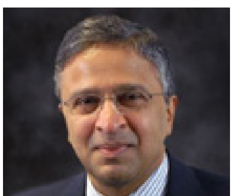
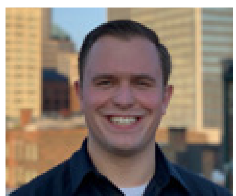


Ranjan Manoranjan
Trustee



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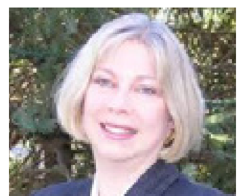
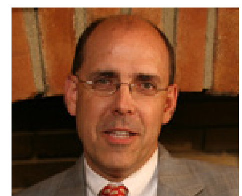
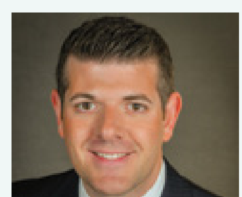


Sandy Pierce
Trustee

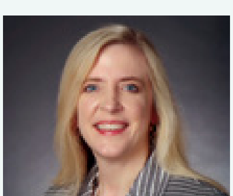


Matt Yuskewich
Trustee

Meet your **Issue Advocacy Team**

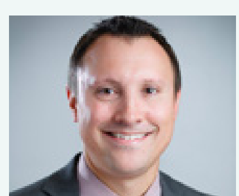


Scott D. Wiley, CAE
President & CEO

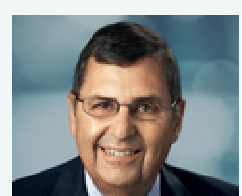


Laura Hay, CPA, CAE
Executive Vice President

Barbara Benton, CAE
Vice President,
Government Relations



Gregory Saul, Esq., CAE
Director, Tax Policy



Glenn Roberts, CPA
Senior Technical Reviewer

Thank you

to our contributors - 2020

The Ohio Society of CPAs' political action committee, Ohio CPA/PAC, is a critical part of OSCPA's successful legislative arsenal.

Without the financial support of members like you, Ohio CPA/PAC would be unable to continue the stellar track record it has achieved over the years. Ohio CPA/PAC gives you the opportunity to ensure your voice is heard by those who can affect change.

Contributions of $500 or more

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Daniel Borton, Cincinnati
Jeffrey Brooks, Hudson
Michael Colagiovanni, Cleveland
Deloitte PAC
Scott DeVenny, Cincinnati
Crystal Faulkner, Cincinnati
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FEATURE

GROWING DEBTS AND DEFICITS

are pulling down our future

By Edward R. Jenkins Jr., CPA, CGMA

What's the difference between "equity" and "resilience?"

In real terms, essentially nothing: equity is resilience. Equity gives you, a company, or a government the ability to take a hit – a hit like a recession or a pandemic. The big question now is whether or not the United States has the equity to return to normal after a crisis. To consider this issue, I explored the growing U.S. debt, the concomitant reduction in equity and the implications of debt growth on government and the economy as a whole.

Current state

The most recent audited financial statements of the U.S. government give us this data[1] as of Sept. 30, 2019: assets, $3.99 trillion; liabilities, $26.94 trillion; and equity (net position), -$22.95 trillion. The federal debt held by the public included in liabilities is $16.86 trillion.

The statements are audited by the Government Accountability Office, which disclaims an audit opinion because of material deficiencies in the U.S. government systems of internal control.[2] So, we cannot be entirely confident that the statements fairly present the net position. But, as presented, we have multiples of debt to our assets as a country.

As of this writing, there were 330,400,989 people in the United States.[3] That works out to $69,470 of deficit equity per man, woman and child. Another way to look at that number is that every child born today owes $69,470 in federal government liabilities.

The Federal Reserve uses a somewhat different measure of the outstanding federal debt. According to the data warehouse of the Federal Reserve, "FRED" from the Federal Reserve Bank of St. Louis, the debt outstanding by sector report shows there was $18.84 trillion outstanding by the U.S. government,[4] higher than the $16.86 trillion in the financial statements.

Another important note is the present value of the net unfunded social funds obligation, which is not included as a liability in the statement of position of the U.S. government. The required (unaudited) supplementary information includes disclosure of the social funds (Social Security, Medicare, Railroad Retirement, etc.). The present value of the net unfunded position of the social insurance funds as of Sept. 30, 2019, was $59.1 trillion.[5]

Thus, the deficit equity position of the U.S. government could be said to be $59.1 trillion unfunded plus $23 trillion deficit equity (net position) for a total of $82.1 trillion. We have spent and committed to spend $82.1 trillion more than we have. That's $248,843 per man, woman and child.

Where are we now?

So, what's happened to that status since Sept. 30, 2019? Well, Congress has passed continuing resolutions to extend current budgets and spending, the Secure Act, and four separate coronavirus bills (as of this publication). According to the Federal Reserve Bank of St. Louis, the total federal debt outstanding at the end of June 2020, was $22.48 trillion.

The two largest holders of U.S. Treasury securities are China and Hong Kong at 18.92% of total foreign holdings and Japan at 18.24%.[7] That means each of China/Hong Kong and Japan hold about 5% of outstanding U.S. Treasury securities.

The Congressional Budget Office recently issued *An Update to the Budget Outlook: 2020 to 2030 in September 2020*.[8] It stated, "CBO projects a federal budget deficit of $3.3 trillion in 2020, more than triple the shortfall recorded in 2019. That increase is mostly the result of the economic disruption caused by the 2020 coronavirus pandemic and the enactment of legislation in response. At 16% of gross domestic product, the deficit in 2020 would be the largest since 1945."

For older folks, a concerning part of the coronavirus legislation this year will be the impact on social funds. Much of the taxpayer relief was in the form of deferrals of social funds taxes. According to the CBO, current collections of all withheld taxes are all recorded using a predetermined allocation between income taxes and the social fund trusts. So, the current accounting is not reflecting the actual impact of the legislation on the social funds tax withholdings. In fact, the impact of lower receipts is causing a reduction in the amount allocated to income taxes.

Some of the legislation supplies credits for sick and family care leave via credits toward payroll taxes. Another provision provides a deferral of the company portion of 2020 social funds taxes to 2021 and 2022. President Donald Trump's executive order on Aug. 8, 2020, *Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster*,[9] allows deferral of the employee portion of social funds taxes to 2021. With all of that deferred tax, what happens if bankruptcies go up by a third over the prior year? While payroll taxes may not be discharged in bankruptcy, the ability to collect the taxes is compromised. And the bankruptcy rate is, in fact, up 33% over 2019.[10] What happens to collections if an employee who deferred their social funds tax liability loses their job?

The CBO report says the Treasury will make reallocations between income taxes and social fund taxes in future years to correct for the misallocations in 2020.[11] Starting in fiscal 2020 with a $59 trillion unfunded present value of the social funds, the coronavirus legislation and executive order could easily catapult the net unfunded position to a previously unimaginable level.

Does any of this matter?

Interest rates are very low, and the Federal Reserve can just print more money, so who cares if we have a lot of debt? Not so fast, however: there are implications to the massive amounts of federal debt outstanding.

The Committee for a Responsible Federal Budget in April 2019 published a paper that summarizes the reasons why rising debt is significant.[12] If you are wondering who comprises this group, it includes earlier Federal Reserve Board chairs, senators, Office of Management and Budget directors, among others. Here are the committee's observations about the consequences of high (and rising) debt:

- Rising debt slows income growth because the issuance of more debt "crowds out" funds that could be used for productive investment in capital assets. That crowding-out reduces labor productivity, which ultimately negatively affects income and wage growth.
- Rising debt will cause interest to claim a greater proportion of the federal budget, reducing funds available for other fiscal expenditures.
- Rising debt reduces resilience for future shocks to the economy.
- Rising debt is a claim on future generations. I already showed the per-citizen debt load with and without the social funds present value of the unfunded obligation.
- Rising debt exposes the United States to a fiscal crisis.

As a consumer-goods-driven economy, drops in income slow the overall economy. The current pandemic-induced recession is yielding a significant contraction in GDP.

Interest rates on federal debt are running a little more than 2%, with the expectation that interest rates will go lower in the short run as investors seek less volatility. In the intermediate term, rates are likely to rise if and when inflation begins. A 2% increase in rates would double interest costs to roughly $760 billion per year. The interest rate risk does not exist in a vacuum. Because interest rates are linked to inflation, any event that could cause inflation, which reduces purchasing power, would have the double whammy of a rise in interest rates. Therefore, the joint risk of potential inflationary shocks to the economy (global or domestic) and interest rate risk is a formidable downside to high and rising U.S. government debt.

The Federal Reserve has reduced the discount rate to essentially zero. It has also been undertaking quantitative easing again to keep lots of cash in the economy by buying U.S. government securities and other securities, such as collateralized mortgage obligations. In other words, the Federal Reserve has already used most of its arrows of monetary policy. Both fiscal and monetary policies are in "wide open" stimulus mode to combat the pandemic-linked recession. In other words, the United States is already at full throttle and we're not yet past the pandemic or the related recession. The economy would be severely stressed if another shock hit.

The current generations in power are not only spending their children's and grandchildren's inheritance, but they are spending the future generations' earnings. That's right: current generations have spent all of their money and are now spending future generations' earnings. Those claims will severely limit future generations' ability to run the country, potentially being a massive strategic weakness.

If equity does represent resilience, the United States has a severe lack of ability to take another hit. That is an economic weakness. The more frightening weakness is the strategic weakness. In the paraphrased words of the Chinese Foreign Minister in the TV show Madam Secretary, "Why would we wage war? If we wanted to take over the U.S., we would just foreclose."

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Edward R. Jenkins Jr., CPA, CGMA, is professor of practice in accounting for Pennsylvania State University in University Park, managing member of Jenkins & Co. LLC in Lemont, and a member of the Pennsylvania CPA Journal Editorial Board. He can be reached at ***erj2@psu.edu****.*

FAST FACTS

1. The deficit equity position of the U.S. government could be said to be $59.1 trillion unfunded plus $23.0 trillion deficit equity (net position) for a total of $82.1 trillion.

2. Starting in fiscal 2020 with a $59 trillion unfunded present value of the social funds, the coronavirus legislation and executive order could easily catapult the net unfunded position to a previously unimaginable level.

3. The current generations in power are not only spending their children's and grandchildren's inheritance, but they are spending the future generations' earnings.

Optimize your CPA firm for M&A growth transactions

By Kate Krupey

As CPA firms look at their future, many are considering how mergers and acquisitions might play a part – particularly post-COVID.

Indeed, in separate, recent remarks, M&A consultants such as Allan Koltin, CEO of Koltin Consulting, and Robert Fligel, founder and president of RF Resources, predicted an increase in M&A activity over the next year, likely fueled by a pandemic-driven economic downturn.

Firms often look to make an impact on securing their future in times of great uncertainty. Mergers can help by adding talent, diversifying service lines and securing succession planning. However, not all acquisitions are successful, and many take more time and effort than expected to realize the expected return on investment.

One of the most common areas firms neglect in preparation for an M&A opportunity is the optimization of their own internal processes. Optimized, documented, well-communicated and trained processes – in both the service lines and in the administrative work that supports the service lines – is a key factor in driving the value of the merger. When two firms come together without that level of organization and commitment to continually improving their processes, the deficit shows up in culture. The two cultures will come into conflict when trying to put those processes together, and that will slow down the realization of ROI. This takes significant focus, so to avoid trialing this in the first few acquisitions, it is best to prepare ahead of time!

To get started, develop an M&A team to evaluate your firm's strengths and weaknesses. Where do you struggle in your own firm in following an efficient and effective set of processes? Assign key project leadership and partner-level sponsorship for your improvement projects. Consider your internal resource capacity for smaller projects and consider industry process consultants for some of the heavy lifting. The key to success here is making sure there is enough executive sponsorship and that those sponsors are ready to stand behind this work when it comes to the people side of change. That said, doing the work upfront will go a long way toward setting the stage for success.

Historically, IT has been brought in after the M&A deal was done. This has led to difficult and sometimes nightmarish scenarios when systems and standards were not aligned, and IT is left to sort out details. Those details can have a negative material effect on both the ROI and the fledgling newly combined culture. We see these risks mitigated when IT is brought in early in the deal so that system and standard differences can be factored into the planning up front.

Cloud's role in M&A

Deloitte recently published an article, Mergers and Acquisitions Love the Cloud, that said "cloud technology now gives executives the opportunity to simultaneously transform

not only their cost structure but also their capabilities by replacing aging, capital-intensive technology with a more flexible, subscription-based operating model that can ramp up or down as business needs dictate, as well as accessing advanced cloud-based capabilities based upon best practice."

Firms that centralize their technology platforms and service delivery in the cloud can use these capabilities to explore firms outside of their local region or evaluate key opportunities in new business services. Once your firm has transitioned to cloud infrastructure, it does not matter where employees are when they connect to resources. This model allows IT to quickly onboard new employees so they can turn their focus to the task of integrating systems and data.

Ultimately, it is all about centralization and commonality. There are basically two different methods for integrating the processes and technology of newly merged firms.

First is the "let's leave them alone" approach. This allows for each firm to continue using their current technology and processes. This can seem like the best way to appease everyone in the beginning. Depending on the time of year in relation to Tax Season, it might in fact be necessary for a short time. But the drawback is that the longer firms stay in their own technology and processes, the longer it will take to create one culture and to, in turn, realize the expected ROI.

The second approach is to integrate early. While this does take upfront planning, this method creates a culture of collaboration while stakeholders from both firms come together to select or change processes so that there is as close to one way to do things as possible. Agreeing on significant applications and processes upfront will allow for the progression of change management (with all of its ups and downs) to happen promptly.

Having a cloud-centric model dramatically eases the transition. By delivering all your technology needs from the public cloud, the ability to scale quickly to meet the new demand is almost instantaneous. Moving data, adding new applications as needed, and providing a centralized delivery point allows users to work from anywhere immediately. No waiting on telecom for connections and configurations.

When looking at the firm's application inventory, it is important to have a solid strategic vision. Some firms take a best of breed approach, while others take a single-vendor solution approach. Both have pros and cons, but whichever direction you take, moving a firm's staff to any new applications will be an effort. Make sure you consider training and support time from the application side in your calculations.

Be mindful too of application and data history. Many times, if the acquired firm is running different applications, you might need to support them for their historical view or go through the historical data conversion to the different platform. Understanding the costs of such an endeavor is important to the overall impact on ROI.

If extensive M&A is in your future – or if you just have your eye on one or two core acquisitions – taking the time to build and create a strong plan before the acquisition will go miles toward gaining the ROI you expect faster.

Kate Krupey is a Netgain Consultant and President of CoreBlue Advisory, LLC.

FAST FACTS

1. One of the most common areas that firms neglect in preparation for an M&A opportunity is the optimization of their own internal processes.

2. To get started, develop an M&A team to evaluate your firm's strengths and weaknesses.

3. When looking at the firm's application inventory, it is important to have a solid strategic vision.

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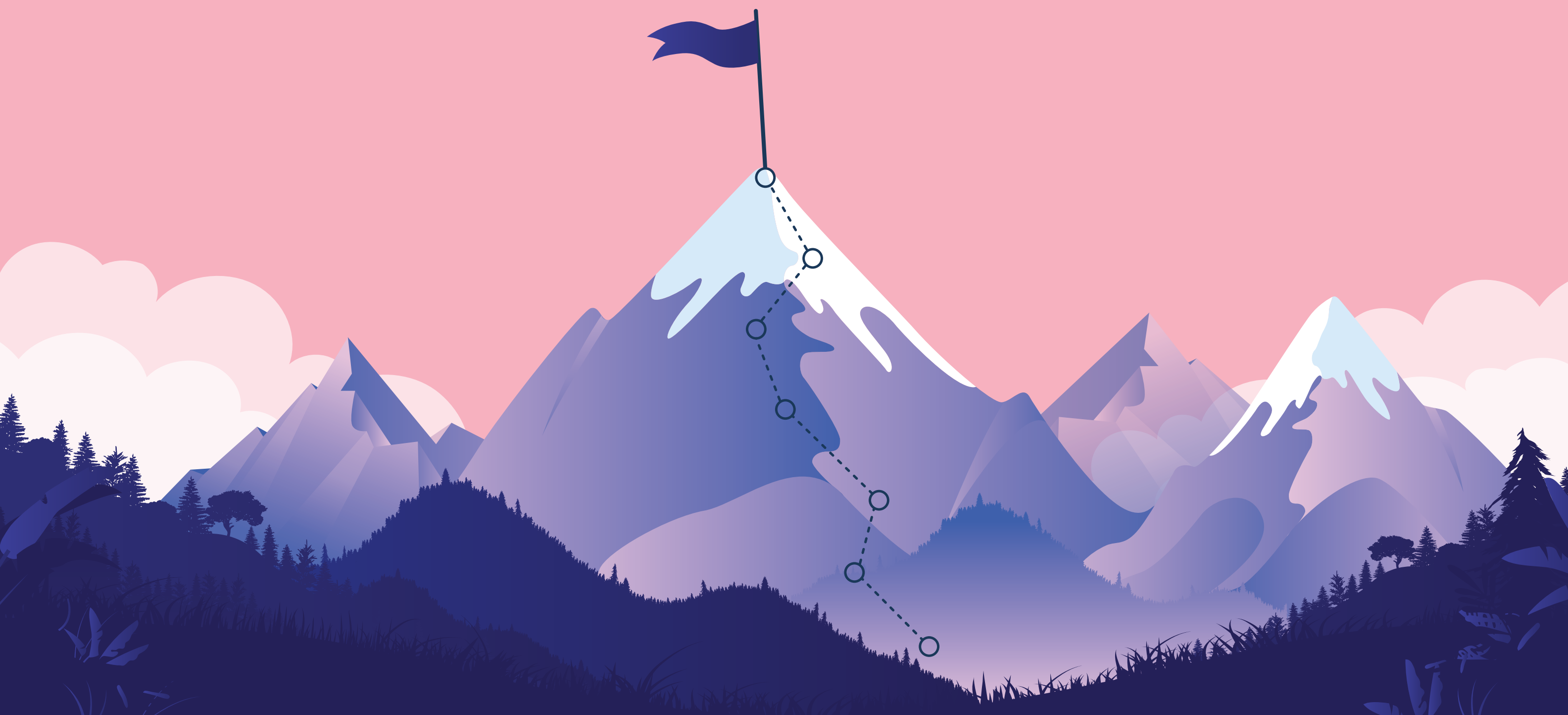

Leading others to lead

By Alan D. Sobel, CPA, CGMA

> "As a leader, you set the tone for your entire team. Communicate your vision."
>
> *– General Colin Powell*

Much has been written about "tone at the top." A great tone brings everyone to a higher level of performance. But the wrong tone may be the first way that success is derailed, especially if that tone doesn't support the strategic objectives of your organization. In the worst case, the wrong tone could result in colleagues working against the company's goals. Why would anyone be motivated to ensure an objective is achieved if leadership of an organization doesn't set the right tone?

The importance of people

Throughout my professional career, I have strongly believed that the most important responsibility of any leader is the professional development of the people they lead. It is more important than the organization's growth. It is more important than delivering excellent client service. It is more important than processes, technology and policies. It is even more important than your own professional development, although one could argue that it's a leader's personal development that results in the effective development of others.

Leveraging the development of others is the catalyst that allows other key drivers in business to be successful. Regardless of length of service or experience or level of expertise, the development and nurturing of people in any organization is the key to success. Very few company leaders can succeed on their own. Most rely on a motivated, highly skilled team to achieve the company's tactical and strategic goals. It is the people in an organization that create the capabilities that allow for growth. The bottom line is that no matter how fast a business wants to grow, it is limited without highly competent employees.

Setting priorities

Unfortunately, fostering the professional development of others is not a top priority for some leaders. This is not usually from a lack of understanding its importance, but rather because it takes a lot of time, effort and commitment. It's not as simple as just sending people to a CPE program or watching a webinar, although those can be effective tools to help professionals develop.

Let's face it, when a client or customer calls, we drop everything to address their needs. When a deadline is approaching, and we all know there are daily deadlines, we will work overtime to meet those deadlines. But too often the time devoted to coaching our most valuable assets are neglected, or put on hold until the next day, or the next or the next.

Another concern is often the cost associated with developing our people. Setting the tone starts by recognizing that investing in people is not a cost, but a way to add value to our service delivery models.

Although it is important to be a cheerleader and advocate, leading by example sets the tone by doing the things that you are asking others to do. Great leaders work with their teams to encourage professional development and affirm it as a priority. Leaders can demonstrate that they care about their people by constantly reinforcing the business case of how developing others adds incremental value to an organization.

Our efforts and investment in our staff don't always pay off. We can do everything right, and still people leave organizations. Setting the tone means that you keep moving forward, making changes and preparing the business to keep improving. Leaders must always play to the highest common denominator and avoid accepting an "it's not worth it" mentality. Organizations cannot afford to have leaders with a negative attitude or who project that nurturing the team can lead to wasted efforts.

Instead, keep an open mind, set the right tone and provide the tools to help everyone be their best. Who knows, your young associate may grow into the next great executive — or may even be your successor!

Alan D. Sobel, CPA, CGMA, is the managing member of SobelCo LLC. He is the 2020/21 president of the NJCPA and can be reached at ***alan.sobel@sobelcollc.com****.*

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DEI in 2021 – This time will be different

By Margaret D. Finley, CPEC, CDP

“Moving from Strategy to Execution”

Welcome to DEI 2021. I believe the business case for DEI is no longer up for debate. Top-performing organizations have committed to the notion that their initiatives and focus will be different in the wake of the unrest following George Floyd’s killing in the spring of 2020. Moreover, Floyd’s death resulted in protests that moved many companies and organizations to say “enough is enough,” and "we must do something different.” Now, months later, the protests are more muted and the economy is still struggling from the devastation of COVID-19. Creating a diverse, equitable and inclusive organization could very easily fall in the corporate pecking order—again, if we don’t move the strategy to execution. If doing what you are doing is not moving the needle – stop threading it. If companies are going to make real headway, corporate leaders will have to change their strategic approach.

Companies and organizations have embraced the need to have a diversity focus like never before, and they are putting meaningful resources behind their commitment. To move from strategy to execution, there must be actionable objectives and strong measurement. I have longed believed that what gets measured and rewarded – gets done. Here’s how you can develop strategy and move to execution:

Establish a solid infrastructure. You can’t develop or execute an effective DEI Strategic Plan without first establishing an infrastructure. Think about trying to build a house without pouring a foundation. A common mistake is relying on a few select executive leaders to establish a vision and priorities that guide the whole organization’s DEI efforts. Just like DEI isn’t a one-time initiative, it shouldn’t be owned by a small group of leaders. While you do need strong, visible backing from C-Suite leadership, that is not enough to drive the cultural transformation necessary to see tangible results. Successful organizations engage employees from across their organizations to develop their DEI Strategic Plan, translate that plan into action, run point on implementing DEI priorities and move to execute on those priorities.

Dive deep. Developing a successful strategy requires a comprehensive, complex understanding of all the factors that contribute to diversity, equity and inclusion in your organization. If you want to drive significant change, you must delve deep to identify the root causes preventing your organization from being as diverse, equitable and inclusive as you aspire it to be. This means identifying differences in the employee's experience, values and beliefs across the company to ensure that change is relevant for each individual. To do this, you must gather relevant data where you can find it, analyze results of engagement surveys and offer both public and anonymous ways to share concerns and suggestions. Some best practice examples our clients have employed include hosting DEI town halls, gathering feedback during staff meetings and from affinity groups, using an anonymous suggestion box and hiring external consultants to conduct focus groups and interviews with employees.

Develop your game plan. Now that you've uncovered your pain points, you can take a step back and determine your DEI goals, priorities, and subsequent tasks and activities. This starts with a vision that defines what a diverse, equitable and inclusive workplace means to your company, and then lays out an actionable plan for addressing the root causes identified during your deep dive. When identifying your goals and priorities, don't shy away from the hard stuff. In many cases, finding strategies to address the root causes and overcoming your barriers means you have to get uncomfortable and confront any proverbial elephants in the room! And as we all know, that is not easy to do. However, I believe it is this level of commitment and execution that yields the best outcomes and results. Once you have a clear vision and understand your goals and priorities, you are ready to build out your roadmap for moving to execution.

The secret sauce of success – Ingredients of a strong DEI strategic plan

Vision – Provide a clear, compelling direction that inspires commitment from employees at all levels.

Goals – Make them SMART laying out objectives at a high level, your end result. For example, what do you want to be different a year from now?

Prioritize – Break your goals down into tangible focus areas.

Action – How will you achieve your priorities and goals?

Accountability – Who is accountable for what and in what timeframe?

Timeliness- Target interim dates and completion dates to measure and evaluate progress.

Metrics – Remember as I said earlier, data is your best friend at work. Outline how you will measure the effectiveness, progress, and impact of your efforts.

Your DEI journey is a marathon – Pace yourself and keep at it. Establishing and sustaining a culture that values and promotes DEI requires sustained attention and engagement across the workforce. Cultural change takes years and the most successful efforts often require a multi-year commitment of 3 to 5 years. (I've had the pleasure of leading and seeing the positive results of such an effort.) Take the time once a year to review your progress against your metrics and adjust your plan accordingly. Shifts and headwinds will come; resilience is key to arriving at execution.

Margaret D. Finley, CPEC, CDP is the OSCPA diversity, equity and inclusion strategist.

Virtual event gives high schoolers opportunity to learn about profession

By Jessica Salerno, OSCPA senior content manager

The 2020 pandemic impacted in-person learning opportunities, not only for accountants and CPAs but also for the future of the profession.

But Mary Paydock, a rising junior at Northwest High School, attended the Ohio CPA Foundation's high school accounting event in the summer and said the online aspect didn't hinder the event from being informative and eye-opening.

"There is a lot that I didn't know about how diverse accounting is," Paydock said. "It's really interesting."

Paydock heard about the event from her accounting teacher, and although she said she would have enjoyed attending in person, she appreciated the depth of knowledge and effort it took to make the event more personal.

She said she especially enjoyed learning about how many different areas of specialization there are for accountants, and that the profession is focused more on advising companies and clients on their businesses. Although she enjoys math, Paydock said it was reassuring to learn accounting is much more than numbers.

"When we did breakout rooms, I got to talk to a panel of college students and ask them questions," she said. "It felt really personalized."

She said she also appreciated the focus on bringing diverse individuals into accounting, an aspect she said she would like to learn more about.

And although she originally thought she'd be a math major in college and attend The Ohio State University or Miami University, she's now looking into accounting, as she said she thinks it offers the best path to securing a job after graduation.

Paydock was also one of the students to attend to win a $500 scholarship. She said she didn't expect to win but was happy and surprised to hear the news.

"Getting that email telling me I had won was really exciting, especially with quarantine going on there wasn't much else happening," she said. "I really enjoyed attending, because accounting seems like a really supportive community."

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members in motion

AKRON

Leif Erickson, CPA, and **Brandon Fredericks, CPA,** have been promoted to principle at Apple Growth Partners.

Eric Flickinger, CPA, ABV, of Apple Growth Partners, was recognized by the AICPA as one of 22 outstanding young CPAs in the area of business valuation.

COLUMBUS

GBQ and **HW&Co** were named Best of Business 2020 by Columbus CEO.

Kaiser Consulting was recognized by Columbus Business First as one of Central Ohio's 2020 Best Places to work.

Kim Zavislak, CPA, was named managing partner at KPMG.

CLEVELAND

A'Shira Nelson, CPA, of Apple Growth Partners was named one of Crain's Cleveland's Forty Under Forty recipients.

Apple Growth Partners launched a new initiative, IMPACT, to help grow Black-owned businesses in Northeastern Ohio.

Disciplinary actions 2020

Pizza, Anthony F. of Sylvania, Ohio
As a result of an investigation of alleged violations of the codes of professional conduct of the Ohio Society of CPAs, Mr. Pizza, with the firm of Anthony F. Pizza, CPA, entered into a settlement agreement under the Joint Ethics Enforcement Program, effective Jan. 27, 2020.

Information came to the attention of the Ethics Charging Authority (ECA – the Ohio Society of CPAs Professional Ethics Committee) alleging a potential disciplinary matter with respect to Mr. Pizza's performance of an audit as of and for the year ended Dec. 31, 2011, but was not enrolled in peer review.

The ECA has reviewed the findings in the referral, Mr. Pizza's response to those findings, and other relevant documents Mr. Pizza submitted to support his response.

Based on this information, there appears to be prima facie evidence that Mr. Pizza has violated the following rule of the Ohio Society of CPAs code of professional conduct.

Rule 501, Interpretation 501-5 – Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies
As the partner responsible for peer review compliance, Mr. Pizza failed to ensure his firm complied with the requirements of the Accountancy Board of Ohio and those of the Ohio Society of CPAs to undergo a peer review. (Ohio Administrative Code 4701-13-11; the Ohio Society of CPAs, Bylaws – Article VII Section A.)

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

a. To waive his rights to a hearing under the Ohio Society of CPA's bylaws Article VII, Section C.

b. To neither admit nor deny the above specified charge.

c. To his expulsion from membership in the Ohio Society of CPAs.

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

Himmell, Roger B. of Dayton, Ohio
As a result of an investigation of alleged violations of the codes of professional conduct of the AICPA and the Ohio Society of CPAs, Mr. Himmell, with the firm of Roger B. Himmell, CPA, entered into a settlement agreement under the Joint Ethics Enforcement Program, effective Oct. 12, 2020.

Information came to the attention of the Ethics Charging Authority (ECA – AICPA Professional Ethics Executive Committee and Ohio Society of CPAs Professional Ethics Committee) alleging a potential disciplinary matter with respect to Mr. Himmell's performance of professional services in the compliance attestation engagement and audit as of and for the year ended Dec. 31, 2013.

The ECA has reviewed the findings of the U.S. Department of Education, Mr. Himmell's responses to the ECA's inquiries, and other relevant documents Mr. Himmell submitted to support his response, including the compliance attestation engagement report and related workpapers and relevant correspondence.

Based on this information, there appears to be prima facie evidence that Mr. Himmell has violated the following rule of the AICPA and the Ohio Society of CPAs codes of professional conduct.

Rule 202 - Compliance with Standards

1. The practitioner failed to sufficiently document the procedures performed to: (AT Sec. 601, AT Sec. 101.100-.103)
    a. obtain an understanding of the specified compliance requirements. (AT Sec. 601.40)
    b. plan the engagement. (AT Sec. 601.41-.44)
    c. consider relevant portions of the entity's internal control over compliance. (AT Sec. 601.45-.47)
    d. obtain sufficient evidence for testing compliance with specified requirements. (AT Sec. 601.48-.49)
2. The practitioner initially failed to obtain sufficient evidence for testing compliance with specified requirements. (AT Sec. 601.48-.49)
3. The practitioner failed to comply with the continuing professional education requirements of Government Auditing Standards. (*Government Auditing Standards*, 2011 Revision, par. 3.76)
4. The practitioner failed to document his considerations of independence in accordance with Government Auditing Standards. (*Government Auditing Standards*, 2011 Revision, par. 3.59)

Agreement
In consideration of the ECA forgoing further investigation of Mr. Himmell's conduct as described above, and in consideration of the ECA forgoing any further proceedings in the matter, Mr. Himmell 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 AICPA bylaws section 7.4 and Ohio Society of CPAs bylaws Article VII, Section C.

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

d. To his admonishment by the AICPA and Ohio Society of CPAs.

e. To comply immediately with professional standards applicable to the professional services he performs.

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

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

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.

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