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Federal Tax Issues

• PREPARER PENALTIES • SECTION 121

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PRESIDENT'S MESSAGE

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Several years ago, CPAs went through a difficult time as we worked to regain trust and credibility with our clients, consumers and the public markets we serve. Today, we see the positive results of many people's hard work. CPAs operate in new regulatory environments that have increased the transparency of how we conduct business. The accounting degree is increasingly viewed as excellent training for every facet of business. Finally, firms have doubled their efforts to engage young people and, as a result, the CPA profession is thriving.

While we still have a number of significant challenges ahead – filling the pipeline with accounting students, making sure those students become CPAs, managing the impact of firm consolidation, peer review and mobility — we appear to be on the right track.

What's more, there is proof that our efforts to attract younger people to the profession are working. According to a Sept. 24 *BusinessWeek* article, "...the number of U.S. students graduating from college with accounting degrees has risen almost 29 percent since 2002." Interestingly, accounting firms dominated *BusinessWeek's* second annual ranking of the best companies for new college graduates. "This year, accountants became sexy," wrote *BusinessWeek* and accounting firms topped its list as the best places to launch a career."

Accounting students from several Florida universities agree. Brian Bight, who is in his first semester of the masters program at the University of South Florida, states, "I feel accounting is a great major for three main reasons: content, collegiality and career professionalism. A degree in accounting provides content with tangible and marketable skills, which are used universally throughout business. Accounting really is the language of business, and no other major can better prepare you for the professional workforce. Accounting also has a strong environment of collegiality. In most universities, there is a chapter of Beta Alpha Psi, the honors accounting organization that acts as a bridge to the academic and professional world. Once the student leaves the academic world, collegiality continues on. Certifications such as the CPA license and organizations such as the FICPA help a person continue to develop a strong network of highly ethical and professional people from every sector and industry in the professional world."

Kristen Lunak, a student in the University of Miami's Masters of Professional Accounting program, said, "I really like being able to do something that I am good at and that there is such a demand for in the marketplace. Through my classes and my internship this past summer, I began to realize how many possibilities there are for different kinds of work with an accounting degree. I really like the flexibility of career choices I'll have when I graduate."

Jessica Huber-Broege, an accounting student at Florida State University, believes the *BusinessWeek* article is right on. "I definitely believe the high rise in accounting degrees directly correlates with the high demand in the job market for accounting students," Huber-Broege said. "After Enron and the passing of Sarbanes-Oxley, the need for accountants skyrocketed. More students were exposed to the possibility of accounting because of its high profile in the news and media. It then became one of the 'it' majors on college campuses. Students are aware that if they graduate with an accounting degree, they will have a high probability of job placement. Students also know that the career advancements and financial benefits in the accounting profession are very good."

Rankings such as those recently received by the University of Florida and Florida State University also help to promote the profession. *Public Accounting Report*, an independent newsletter about the accounting profession, ranked the graduate programs at UF's Fisher School of Accounting among the best in the nation. The undergraduate and graduate professional programs in FSU's College of Business also were among the top-ranked.

"These rankings, coupled with recent high rankings in CPA exam passage, validate the efforts of our faculty and students," said Martin "Bud" Fennema, chairman of the Department of Accounting and FSU's Ernst & Young Professor of Accounting.

While there are many things our profession is doing well, we must remain focused as we forge ahead to meet the expectations of a new generation of CPAs, our clients and the public markets we serve. Collectively, we are viewed as an ethical group, and our services are in high demand. As long as we maintain high ethical standards while doing quality work, we should feel good about the CPA profession.

David L. Dennis

A handwritten signature in black ink that reads "David L. Dennis". The signature is stylized with a large, flowing "D" and "L".

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Preparer Penalties

Welcome to the New World

By Vicki Meyer, CPA

*I*t is claimed that the Spanish explorer Cortez burned his ships once he reached the New World in order to keep his crew well motivated. While not advocating anything as drastic, Congress changed the rules of engagement for all tax return preparers by amending Section 6694 of the Internal Revenue Code, as part of the "Iraq Funding Act" (P.L. 110-28, 5/25/07). The new rules basically extend preparer penalties to all tax returns, not just income

tax returns, and replace the standards that must be met for a preparer to take a position on a tax return.

Because of the scope of the rules, all tax practitioners will want to re-examine whether they meet the definition of a tax return preparer. The new rules apply to both signers and non-signers of tax returns. Practitioners should be aware of the new preparer standards, the effective dates of the changes and the existing rules for

preparers. With this motivation in mind, the practitioner can then take the necessary steps to prepare for the "New World."

Recap of the New Preparer Penalty Rules

The following table recaps the changes made to preparer penalties under section 6694:

Item	Prior Law	Under New Law
Returns covered	Income tax returns	All returns, including estate, gift, employment and information returns. Includes amended returns and claims of refund.
Persons covered	Signers and nonsigners; persons providing oral or written advice if that advice is relied upon to prepare a return	Signers and nonsigners; persons providing oral or written advice if that advice is relied upon to prepare a return.
Assurance levels needed for:		
Undisclosed positions	Realistic possibility of success (one in three chance of prevailing on the merits).	Reasonable belief at the time the return is filed of more likely-than-not (>50 percent) correct position.
Disclosed positions (Forms 8275 and 8275-R)	Not frivolous	Reasonable basis (somewhat less than realistic possibility).
Penalty for understatement	\$ 250	Greater of \$1,000 or 50 percent of the income derived by the tax return preparer.
Penalty for willful or reckless conduct	\$1,000	Greater of \$5,000 or 50 percent of the income derived by the tax return preparer.

Effective Dates

The effective date of the new penalty rules was for returns originally filed after May 5, 2007, the date of enactment. Bowing to pressure from the professional community, the IRS, in Notice 2007-54, provided transitional relief for returns due on or before Dec. 31, 2007. Therefore, all returns for tax years ending after Oct. 31, 2007, will be subject to the new rules. For years ending prior to this date, practitioners will want to refer to the guidance as provided under the Notice.

Other Preparer Rules to Keep in Mind

Only one person can be treated as the tax return preparer. The preparer can be either a signing preparer, or a nonsigning preparer (i.e., a person who provides advice, written or oral, that is relied upon to prepare a return). A person who only provides advice with respect to events that have not yet occurred is not a preparer. The standards must be met by the date the return is signed, or by the date a nonsigner provides the advice.

The preparer penalty can be assessed against the employer or partnership of an individual preparer in addition to the preparer if (1) one or more members of the principal management (or principal officers) of the firm or a branch office participated in or knew of the conduct; (2) the employer or partnership failed to provide reasonable and appropriate procedures for review of the position for which the penalty is imposed or (3) such review procedures were disregarded in the formulation of the advice, or the preparation of the return or claim for refund, that included the position for which the penalty is imposed.

The penalty under Section 6694(a) will not be imposed if, considering all the facts and circumstances, it is determined that the understatement was due to reasonable cause and that the preparer acted in good faith. Factors that will be considered in not imposing the penalty include: (1) the nature of the error causing the understatement (complexity); (2) the frequency of errors committed by the preparer; (3) the materiality of the particular error; (4) the preparer's normal office practice and system for promoting accuracy and (5) whether the preparer relied on the advice of another preparer.

The preparer penalties are separate and distinct, and are in addition to the penalty provisions of Circular 230 that may be assessed against attorneys, CPAs, enrolled agents and enrolled actuaries.

Preparer penalties exist for most state and local tax returns. Certain state taxing authorities will automatically incorporate specific changes to the Internal Revenue Code, including those relating to preparer penalties.



What Practitioners Can Do To Prepare

Engagement letters: Practitioners should consider adding disclosure for new standards, including an explanation of the “more-likely-than-not” standards. Other modifications may include asking for a representation from the client that there exists a reasonable basis for the underlying classification of particular items in their accounting records. For example, representation may be sought that a reasonable basis exists for capitalizing an item versus expensing it, or for determining that a charitable contribution has been properly recorded.

Updating documentation standards to reflect “reasonable belief”: Practitioners will want to document the steps necessary to assess whether a position meets the “more-likely-than-not” standard. The preparer should have a documented affirmative belief, not just a belief derived from negative assurance. This will impose due diligence that is higher than under previous standards.

E-mail branding and written communication disclosures: Because practitioners are not always aware of when their advice may be used by a taxpayer, some practitioners are adding the blanket disclosure “any positions not ‘more-likely-than-not’ should be disclosed on the tax return,” similar to the generic Circular 230 disclosures that have been added to most e-mail and written communications.

Billing segregation: Tax return preparers will want to consider segregating return preparation fees from other services billed. The new law states that the penalty shall

be the greater of either the base fine or 50 percent of the income derived by the preparer. It is believed that the IRS will not have the discretion to assess the lower amount.

Pass-through entity disclosures: Disclosures may need to be added to the K-1s of non-clients for any position disclosed on the entity return. This is necessitated because the preparer of the return may be deemed a “preparer” of the returns of the partners, shareholders or beneficiaries of the entity’s return. For clients, adequate disclosures will need to be made on their returns as well as the pass-through entity’s return.

Communications with clients: Practitioners might want to consider communicating the following:

- The standards apply to all paid preparers; therefore, a taxpayer cannot avoid the new standards by hiring a different practitioner to prepare their tax return.
- In the past, returns could be signed without disclosure with a realistic (one in three) standard. The new, “more-likely-than-not” standard, may require additional research and analysis and may result in additional costs to the taxpayer.
- Identifying and planning for potential return positions will need to occur in advance of the normal preparation cycle to allow for sufficient time to pursue research or take any necessary actions. For example, early identification will allow time for engaging a research study or filing a Form 3115, Change in Accounting Method, for a particular item.

Monitor continuing developments:

Proposed regulations with regard to the new rules are scheduled to be issued in December 2007.

With proper planning and communications, practitioners should be able to navigate the “New World” of preparer penalties.

Vicki Meyer, CPA, is of counsel with the accounting firm Thomas Howell Ferguson, PA, in Tallahassee. She is a member of the FICPA Federal Taxation Committee.

If you need more information on the tax preparer penalty issue, the FICPA offers the following CPE courses:

“Protecting the Practitioner from NEW Preparer Penalties and Ethical Standards,”
beginning on Jan. 1, 2008
4 HOURS TECHNICAL BUSINESS CREDIT
Jan. 17, 2008 - Tampa
Jan. 18, 2008 - Orlando

Webcast:
“Tax Practice in Light of the New Tax Preparer Penalties and Ethical Standards: Navigating the Minefield!”
3 HOURS TECHNICAL BUSINESS CREDIT
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Nella Beardall

A Thanksgiving card from Carroll and Company Certified Public Accountants is more than a greeting; it's also a reflection of the Tallahassee firm's commitment to education.

Each year, the firm invites students from Gilchrist and Kate Sullivan elementary schools to submit original artwork for a chance to have their masterpiece featured in Carroll and Company's Thanksgiving greeting card. The firm also gives each school \$250 for classroom art supplies.

This year's grand-prize winners were Nella Beardall, a fourth-grader at Kate Sullivan Elementary School, and Rachel Stevenson, a fifth-grader at Gilchrist Elementary School. In addition to having their art on a greeting card, Nella and Rachel received an art supply kit, an annual

Creating Community

CPA Firm Supports

art in Education

By Erika D. Peterman

membership to the Tallahassee Museum of History and Natural Science and a supply of extra cards to share with friends and family. The eight runners-up received art kits, and the firm displayed a gallery of the students' artwork on Nov. 15 at its annual client appreciation night.

"Each year we look forward to showcasing these students' holiday spirit and creativity," said Managing Partner Rick Carroll. "Our hope is to inspire other businesses to help keep art in our children's education."

Lesley Madden, the firm's marketing director, said two of the firm's partners were inspired to create the contest after seeing a similar idea at a CPA conference. She said Carroll and Company plans to expand the contest to include other Tallahassee schools.



Rachel Stevenson

"That's their mission — to support education," Madden said. "The art contest is something unique and unexpected for a CPA firm."

FICPA Hosts Annual DOR Liaison Meeting

On Nov. 16, the FICPA hosted the annual liaison meeting between the Institute's Florida State Tax Section and the Florida Department of Revenue (DOR). The meeting, which dates back to the 1970s, also was broadcast live via Web cast on the FICPA Web site.

Highlights included a recap of the 2007 legislative session and proposed legislative concepts for 2008 from the FICPA and DOR, a discussion of real property tax and tangible personal property tax, and a presentation covering sales and use tax issues. Discussion leaders included DOR Executive Director Lisa Echeverri, General Tax Administration Director Jim Evers, Technical Assistance and Dispute Resolution Director Mary Zych, Deputy Director Vince Aldridge and Property Tax Oversight Director James McAdams.



Executive Committee Member José Valiente discusses the DOR Certified Audit Program.



DOR Executive Director Lisa Echeverri addresses meeting participants.

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Sell A Florida Home Within Two Years and *Pay No Tax?*

By Robert B. Cockrum, CPA, and Arthur C. Joy, Ph.D.

Sub-prime mortgages and adjustable rate mortgages are causing a commotion in the residential real estate market because some homebuyers chose to take the risk of these mortgages. Many homeowners with adjustable rate mortgages are facing a significant increase in monthly mortgage payments as their interest rates adjust upward to reflect current market conditions.

In addition to interest rate pressures, homeowners in Florida also are experiencing a double or triple digit increase in homeowner's insurance and real estate taxes. All of these conditions can significantly increase the cost of carrying a principal residence, which may force homeowners to sell their residences. Some of these sales have occurred in geographical areas within Florida that have experienced rapid appreciation over a short period, with the sellers realizing gains on sale. If the residence meets the two-year requirement of IRC Section 121, the realized gain on sale can be excluded from income up to \$250,000, or \$500,000 for a couple filing jointly. However, in many cases these home prices have increased so rapidly that homeowners are considering selling the residence before the two-year requirement of Section 121 has been satisfied. This raises the issue of the taxability of the gain at either ordinary or capital gains rates.

Florida taxpayers may be uniquely situated to take advantage of a special provision in Section 121, which allows a pro-ration of the \$250,000/\$500,000 exclusion, called the partial exclusion, for sales



Maybe



that fail to meet the two-year requirement. This is a result of increasing mortgage rates, insurance costs, real estate taxes and/or other occupancy costs that may be the mechanism facilitating Floridians to qualify for the partial exclusion.

Qualification for the partial exclusion is a facts-and-circumstances dependent test that requires an examination of available guidance. Currently, the entire arena of partial exclusion guidance is devoid of case law, revenue rulings or revenue procedures, with only one notice and fewer than a dozen letter rulings. None of these notices and letter rulings is applicable to increasing operational housing costs that result in financial distress that would provide a basis for the partial exclusion for sales occurring in fewer than two years. The primary source of guidance concerning financial distress is found in the Code¹ and one Regulation². With no other guidance and with analysis based on individual facts and circumstances, it is necessary to consider the following factors relating to financial distress caused by increased operating costs.

Step 1: The Code limits the scope of events qualifying for partial exclusions.

Step 2: The Regulation identifies financial distress as part of “unforeseen circumstances”, which it then defines.

Step 3: The Regulation provides only one example of operational cost financial distress.

Step 1: Section 121(a) requires a qualifying residence be owned and used as the taxpayer’s principal residence for two or more years prior to its sale. Congress recognized flexibility was necessary and provided in Section 121(c)(2)(B) three exceptions when employment, health, or unforeseen circumstances could be considered in allowing any period shorter than two years.

Step 2: Treas. Regulation Section 1.121-3 lists six factors³ that may be considered in the application to all three exceptions: employment, health or unforeseen circumstances. The third factor is the most important to Floridians: “Whether the taxpayer’s financial ability to maintain the property is materially impaired.”⁴ The Regulation defines unforeseen circumstances as “the occurrence of an event that the taxpayer could not reasonably have anticipated before purchasing and

occupying the residence.”⁵ Financial distress must be unforeseen and, therefore, it must arise during the period of occupancy from facts not reasonably anticipated at the time the property was purchased.

Step 3: The Regulation provides six examples of changes in financial situation.⁶ Example four of Treas. Regulation Section 1.121.3(e)(4) is the only example that deals with financial distress caused by increased operational costs, which would constitute financial distress. In this example, the taxpayer purchased a high-rise condominium unit in 2003 as his principal residence with monthly condominium fees. Three months after the taxpayer moved in, the condominium association replaced the building’s roof and heating system. Six months later, the condominium association raised fees by 100 percent to cover the cost of these repairs. In mid 2004, the taxpayer sold the condominium because he was unable to pay the increased condominium fee along with the monthly mortgage payment. Without further reasoning, the example states the taxpayer could not have reasonably foreseen the doubling of the condominium association fees and concluded the gain on the sale qualified for the partial exclusion rules. This example and the current lack of legal guidance could lead Florida CPAs to two interpretations that may be beneficial to their clients: One is based on the relative significance of the increase in costs; the other is based on what constitutes unforeseen circumstances.

Relative Significance

The example states in relative terms the condominium fees increased by 100 percent. No baseline for condominium fees or relationship to other condo ownership costs is provided. Therefore, let’s assume a condominium owner is making the following monthly payments:

Debt service	\$4,000
Condominium fees	500
Condominium insurance	150
Real estate taxes	300
Total	\$4,950

A 100-percent increase in the condominium association fees from \$500 to \$1,000 per month will increase total operating costs to \$5,450, but only by 10.1 percent. There is a perception difference in a 100-percent increase in a component of total cost and a 10-percent increase in total cost. The example only looks at a

component and grants application of the partial exclusion. This example also uses two separate repairs causing the component increase. This appears to allow either a single or a combination of increases in real estate taxes, fees, mortgage payments and/or insurance to satisfy the partial exclusion requirement, provided the unforeseen circumstances test is met.

Unforeseen Circumstances

Example four also sheds light on how the definition of unforeseen circumstances is applied to the facts when operating costs of a personal residence increase. The example states the condominium association replaced the roof and the heating system for a high-rise condominium building three months after the taxpayer moved in. These types of repairs are not minor or quickly decided and initiated. The taxpayer should have been able, with reasonable due diligence, to discover the existence of known needed repairs and probably discover any existing contracts to perform the repairs. In either case, the taxpayer should have had some form of notice of the major repairs at the time of purchase. What is not clear is whether the taxpayer had actual notice of the cost of the repairs.

Based on the definition of unforeseen circumstances, “an event that the taxpayer could not have reasonably anticipated,” the taxpayer’s actual or reasonable knowledge of the cost of the event must not be known at the time of purchase. Requiring some form of specific knowledge of the amount-added cost helps Florida taxpayers, as this is even broader than simply “reasonably foreseeable.” It is a higher standard and, therefore, more difficult to use against taxpayers. Homeowners with one-year ARMs know the interest rate will adjust upward. However, they will not know to what extent. The same is true for insurance and real estate tax costs.

Calculation of the Partial Exclusion

With the two positions supporting qualification for the partial exclusion, Florida taxpayers selling their principal residence and who satisfy the criteria defined above, have two methods to calculate the partial exclusion. Both methods are a form of pro-ratio of the maximum exclusion, either \$500,000 or

\$250,000.⁷ The eligible partial exclusion is not dependent on the amount of potential gain the taxpayer(s) will realize on the sale. The maximum partial exclusion is multiplied by one of two alternative fractions selected by the taxpayer:

$$\begin{aligned} \text{Months Fraction} &= \frac{\text{Number of months owned/used}}{24 \text{ months}} \\ &\quad \text{— or —} \\ \text{Days Fraction} &= \frac{\text{Number of days owned/used}}{730 \text{ days}} \end{aligned} \times (\$500,000 \text{ or } \$250,000)$$

The selection of the months or days fraction is fact-sensitive, and the taxpayer should test both for the best result. In most cases, the days fraction is best.

Conclusion

The financial impact of the confluence of increasing adjustable interest rate mortgages, taxes, insurance, and/or association fees on a taxpayer may provide justification for the application of the Section 121 partial exclusion rule. The application of the partial exclusion rule

requires consideration of the specific facts and circumstances. Unfortunately, the guidance provided by the IRS gives little finality to the law. However, the fact that a 100-percent increase in a condominium fee — which is only a small segment of the total cost of maintaining a principal residence and problematic as to when an event becomes foreseeable — is deemed adequate by the Regulation to be financial distress speaks loudly, considering the many financial pressures some Florida homeowners are facing.

¹I. R. C. Sec. 121(c)(2)

²Treas. Reg. Sec. 1.121-3

³Treas. Reg. Sec. 1.121-3 (b)(1) through (6)

⁴Treas. Reg. Sec. 1.121-3 (b)(3)

⁵Treas. Reg. Sec. 1.121-3 (e)(1)

⁶Treas. Reg. Sec. 1.121-3 (e)(4) Examples 2, 4, 6, 7, 8 and 10

⁷Qualification for the \$500,000 or \$250,000 exclusion is based on a use and ownership test independent of the partial exclusion rules. See Treas. Reg. Sec. 1.121-2(a)

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The Trials and Tribulations

By Troy Y. Manning, CPA

*I*t has been more than a year since the effective date of Statement on Auditing Standards (SAS) No. 112, “Communicating Internal Control Related Matters Identified in an Audit.” However, many auditors and their clients are still struggling with certain implementation problems relating to the evaluation and communication of the severity of control deficiencies identified in an audit of financial statements. This article covers the issues that have been the most challenging for auditors and clients.

Changing the Mindset: An Audit is Not an Internal Control

In certain instances, management and those charged with governance continue to have the mistaken belief that obtaining an audit of the entity’s financial statements constitutes an internal control. The problem with this mindset is that it often is accompanied by inadequate internal controls over financial reporting. The entity also may believe that a certain number of audit adjustments are to be expected and are a typical outcome of the audit process. Under these circumstances, the entity will find it difficult to understand why inadequate internal controls over financial reporting and audit adjustments could be indicators of control deficiencies that may be identified as significant deficiencies or material weaknesses.

It is important that management and those charged with governance understand that the entity is solely responsible for its own internal controls, including controls relating to financial reporting. Financial

reporting includes identifying, valuing and recording all valid transactions in a timely manner. It also includes the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles, including related disclosures. This concept of financial reporting requires a change in mindset, particularly for the smaller entities that believe their responsibility relating to internal controls only extends to the preparation of the trial balance.

An internal control that extends to the preparation of the financial statements would be review and reconciliation procedures performed by a capable employee who is assigned the responsibility for accurate and complete financial reporting. If the entity does not have an employee with the capability to carry out this responsibility, or if the employee does not have the time to perform this function, it is perfectly acceptable for the entity to outsource this internal control to a third party. However, Ethics Interpretation 101-3 of the AICPA Code of Professional Conduct clearly indicates that the entity is precluded from outsourcing any internal control to the auditor, since this would represent a management function that would impair an auditor’s independence.

If the entity 1) does not have an employee capable of preparing accurate and complete financial statements and the entity decides not to outsource this internal control or 2) a capable employee, assigned with the responsibility for accurate and complete financial reporting, does not perform the designed internal control processes or procedures, the auditor would

of SAS 112

identify these situations as a control deficiency in the design of internal control over the preparation of the financial statements being audited. The reporting guidance provided in SAS 112 indicates that these control deficiencies should be regarded as at least a significant deficiency and a strong indicator of a material weakness.

A Prior Period Adjustment

Another troublesome situation is when the auditor identifies a material misstatement in previously issued financial statements that results in a prior period adjustment. According to SAS 112, this circumstance also is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness.

In most cases, the client will have difficulty understanding why a material misstatement, which the auditor failed to detect in a prior year, is considered a significant deficiency or a material weakness. This is particularly true when the client has the mindset that an audit of the entity's financial statements constitutes an internal control. Even though the facts and circumstances may reveal that the auditor should have identified the misstatement in a prior year, the fact remains that the material misstatement should have been detected by the entity's internal controls.

If the entity, rather than the auditor, finds a material misstatement in previously issued financial statements, this would indicate that entity's current year's internal controls had the ability to detect the misstatement. In this case, a significant



deficiency or material weakness does not appear to exist, and no reporting requirement applies.

Auditor is Engaged to Prepare the Financial Statements

What has been confusing for auditors is the ability to distinguish the requirements of the following two standards when the auditor is engaged to prepare the financial statements (a nonattest service):

- Ethics Interpretation 101-3 defines the general requirements that satisfy the independence standards when an entity engages the auditor to perform a nonattest service, such as the preparation of the financial statements. In order for the auditor to maintain independence, the entity should designate an individual who possesses suitable skill, knowledge and/or experience, preferably within senior management, to oversee the service. The individual designated should have a sufficient understanding of the service to be performed. However, the individual is not required to possess the expertise to perform or re-perform the services.
- SAS 112 provides guidance on evaluating the severity of an entity's control deficiencies identified in an audit of financial statements. This guidance is unrelated to the provisions used above to determine independence when the auditor is engaged to prepare the financial statements.

It is important to note the significant difference in the abilities between: 1) an individual who is capable of overseeing the nonattest service of financial statement preparation and 2) an individual who is capable of preparing the financial statements and is responsible for detecting material misstatements and performs certain functions (i.e., review or preparation of disclosure checklists) to reasonably ensure the financial statements are accurate. The former is an individual with a higher level of skills, knowledge and business acumen, and is typically a business owner or a member of management. The latter is an individual with greater "hands-on" skills and knowledge relating to accounting and financial reporting.

When the distinction in the two standards is understood, it becomes clear that it is possible for the auditor to

maintain independence in accordance with Ethics Interpretation 101-3 and still identify a significant deficiency or material weakness in the design or operation of an entity's internal control over the preparation of the financial statements. It also is possible for the auditor to prepare an entity's financial statements without this automatically indicating that the entity has a control deficiency.

Effect on the Client Relationship

The increase in the number of significant deficiencies and/or material weaknesses reported to management and those individuals charged with governance may result in a client relationship that becomes quarrelsome or contentious. In addition, implementation of the risk-based standards (SAS 104 to 111) will most likely result in a further increase in the reporting of significant deficiencies and/or material weaknesses. There may even be perceived pressures to "whitewash" (minimize) identified deficiencies in order to placate management.

Regardless, the guidance provided by SAS 112 is clear on how the auditor should use unbiased professional judgment in evaluating the severity of control deficiencies identified in an audit of financial statements. Differences in opinion in applying the requirements of SAS 112 should, at a minimum, fall within the standard's guidelines and requirements. A prudent official test also is provided by SAS 112 as the last step in the evaluation of the significance of a deficiency. Keep in mind that AICPA Rule 102 "Integrity and Objectivity" prohibits a member from subordinating his or her judgment when performing professional services.

Conclusion

Auditors can reduce many of the SAS 112 implementation issues by educating management and those charged with governance about their responsibilities relating to the design and operation of internal controls. It is important that the client understand that any reported significant deficiencies and/or material weaknesses provide opportunities for an entity to improve their processes and procedures to ensure accurate financial reporting.

Additional Guidance on SAS No. 112 follows:

- AICPA Audit Risk Alert "Understanding SAS No. 112 and Evaluating Control Deficiencies - A Companion to SAS No. 112"
- AICPA Interpretation No. 1 "Communicating Deficiencies in Internal Control over Compliance in an OMB Circular A-133 Audit" (www.aicpa.org)
- AICPA Governmental Audit Quality Center (www.gaqc.aicpa.org/resource) has a downloadable audio file of a member conference call on "The Impact of SAS 112 on Financial Statement Audits." This conference call is comprehensive and includes approximately 100 minutes of informative guidance on implementing SAS 112.
- The Private Companies Practice Section of the AICPA (www.pcps.aicpa.org) has developed an online toolkit that includes frequently asked questions, talking points, SAS 112 communication letters, a PowerPoint presentation and other useful information.
- Government Finance Officers Association (www.gfoa.gov) Recommended Practice entitled "Mitigating the Negative Effects of SAS No. 112."
- Federal Register Notice issued on June 26, 2007 on "Audits of State, Local Governments, and Non-Profit Organizations - Revisions to OMB Circular A-133" (www.whitehouse.gov/omb/grants/grants_docs.html)
- AICPA Audit Risk Alert: "Government Auditing Standards and Circular A-133 Audits" includes a comprehensive section relating to revisions made to Circular A-133.

Troy Y. Manning, CPA, is a partner at Cherry, Bekaert & Holland, L.L.P., a regional CPA firm, and is based in the firm's Tampa Bay office. She specializes in performing audits of local governments and not-for-profit organizations. Manning also serves on the FICPA Editorial Committee and the FICPA Accounting Principles and Auditing Standards Committee.

Firm celebrates *75 years*

By Erika D. Peterman

When Wilbur F. Divine III received his certificate in 1932 (No. 31), he became one of the first CPAs to be licensed in Florida. Divine, Blalock, Martin & Sellari, the West Palm Beach firm that still bears his name, celebrated its 75th anniversary in November, and it holds the distinction of being one of Florida's oldest accounting firms.

While details of the firm's earliest years are largely unknown, Principal Gary Sellari, CPA, and former Principal Wilbur F. Divine IV, CPA, worked together to trace its history back to 1932. The resulting historical notes, authored by Sellari, reflect just how much the accounting industry has evolved over the last three-quarters of a century. For example:

- The firm was once located in West Palm Beach's Harvey Building, where the IRS also maintained an office. "It seems the IRS agents would regularly visit the firm to utilize its tax research library, as it was far superior to what the Internal Revenue Service had at the time. That situation lasted for quite some number of years," Sellari said.
- According to Divine, when he was hired in 1943, each adding machine had handles on the side that had to be pulled so that a number could



Gary Sellari, Vice President; Ron Anderson, Partner; Mike Martin, President

be entered. "You often had to stand in line in order to have access to one of those machines," Sellari said. "The firm did not even have enough machines for each professional to have his own."

- The firm insisted on reflecting "cents" on any documents. Said Sellari, "Rounding to the nearest whole dollar — much less to the nearest \$1,000, as is sometimes the case today — would have been heretical."
- In the early 1970s, the firm had a separate "audit room" that was used by professionals such as IRS auditors,

worker's compensation auditors, sales tax auditors, out-of-state auditors and insurance adjusters. "Today, the firm does many multiples of the numbers of tax returns that were done back at that time, and yet, on-site IRS audits are actually quite rare."

- Bookkeeping and tax compliance services were the firm's main activities from its inception into the 1970s — and until the advent of computers, most records and ledgers were maintained by hand. Now, the firm focuses much more on consulting and planning.



Information Under Siege:

Protecting your not-for-profit from identity theft

By Jon G. Lissack, CPA

Professional thieves hit hard and don't look back. They steal from unsuspecting victims with cold precision and little remorse. As technology has evolved, a new breed of criminal known as the identity thief has emerged and become a formidable threat to you and your organization.

Identity theft occurs when the personal information of another is wrongfully obtained and used to commit fraud. Criminals are searching tirelessly for ways to support their lavish lifestyles, and your identifying information (Social Security, credit card and driver's license numbers) has become their weapon of choice.

Americans are feeling the sting of identity theft with alarming regularity. A recent report indicates that approximately 8.4 million U.S. adults were victims of identity theft in 2006.¹ And, as they say in the real estate business, location is everything. Your risk can vary greatly depending on where you live and work. A case in point is the Sunshine State, which received poor grades on a recent report card. When identity theft victims are compared by state, Florida ranks sixth in the number of consumer complaints, with four of its metropolitan areas (Miami/Ft. Lauderdale, No. 6; Orlando; No. 13; Tampa/St. Petersburg, No. 25 and Jacksonville, No. 30) ranked in the top 30.²

SHOULD YOU BE WORRIED?

Eighty-five percent of Americans admit that they are worried about becoming victims of identity theft,³ and with good

reason. Identity theft is the preferred crime of the Information Age, and no one is immune. In fact, many elite not-for-profits (NFPs) such as the Children's Health Council (Sept. 2005; backup tape stolen) and the American Red Cross (May 2006; unauthorized access by dishonest employee) have had the personal information of their service recipients compromised.⁴

As a not-for-profit entity, you may be more susceptible to fraud than your for-profit counterparts for several reasons. First and foremost, your management team often believes that its employees are above reproach and places unrealistic trust in them. Furthermore, you typically do not have the resources to compensate your staff at rates enjoyed by employees in the for-profit world. This inability to pay competitive wages can result in an inadequate or inexperienced staff, and heavy reliance on the integrity and ability of volunteers. It also can tempt financially strapped employees to commit fraud. Finally, you possess a wealth of personal identifying information that is particularly enticing to an identity thief. After all, you collect sensitive personal data from various groups such as:

- Employees;
- Service recipients;
- Donors;
- Volunteers (including board members).

To make matters worse, often because of financial or budgetary constraints, your organization has limited funds available to defend itself against information thieves.

However, not mounting an aggressive defense against identity theft can have devastating consequences. If weak security practices contribute to a data breach, costs incurred by your organization in the aftermath can include the following:

- **Costly Lawsuits:** Identity theft victims often file suit, alleging negligence in protecting personal privacy. Additional lawsuits can come from federal or state agencies alleging inadequate security practices or failure to report the data breach in a timely manner.
- **Good Reputation Compromised:** A major data breach likely put your NFP into the media spotlight for all the wrong reasons. Brace yourself for the public backlash, because the math is pretty simple: Loss of public trust = Loss of revenue (from donors and grantor agencies).

HOW DO IDENTITY THIEVES STRIKE?

Identity thieves have a variety of ways to steal your organization's personal information, ranging from the unsophisticated to the technologically advanced.

Common methods include the following:

- **Dumpster Diving:** Thieves search in trash bins for unshredded credit card receipts and documents containing Social Security numbers or other personal information.
- **Insider Theft:** One of the greatest security risks that an NFP faces is from disgruntled employees. Identity thieves often strike deals with your employees, whereby money is given in exchange for information. Likewise, contracted workers, such as temporary service personnel and cleaning crews, have unique access to your office and may take advantage of lax security to steal information.
- **E-Mail Scams:** The most common scam involves "phishing," an electronic technique wherein identity thieves attempt to acquire sensitive information via e-mail by masquerading as a trustworthy entity. In the wake of Hurricane Katrina, many NFPs are receiving e-mails that claim a large inheritance has been left by a victim killed in a natural disaster. Other NFPs receive

unsolicited e-mails purportedly from the federal government or the Bill and Melinda Gates Foundation, with the promise of free grants. All of these scam e-mails have one thing in common: They ask for your bank account number so that the funds can be “conveniently” wired to your organization.

HOW CAN YOU PROTECT AGAINST IDENTITY THEFT?

Strong internal controls are your best defense to show that you are fulfilling your duty of care in protecting personal information. The following is a list of recommended practices that can limit your exposure to identity theft:

- **Perform Background Checks:** If a potential hire is expected to have access to financial or health data, a background check is highly recommended.
- **Educate Your Employees:** Upon hire, employees should receive training on IT security policies that stress protection of sensitive personal data. Training should emphasize an employee's responsibility to take immediate action when a data breach occurs, and to report misuse or abuse by employees and contractors to management.
- **Control Access to Physical Records:** Keep client, donor and employee records in locked cabinets. If you store sensitive data such as payroll or service recipient records off-site, make sure that the storage facility is secure. Storage lockers are popular targets for identity thieves.
- **Secure the Network:** Keep your network servers and backup tapes in a locked area. Use anti-virus and anti-spyware software and keep them updated.
- **Safeguard Mobile Devices:** Portable items such as laptops, Blackberries and flash drives are a favorite target of thieves. Be sure to guard portable devices carefully when you're in public areas such as restaurants and airports. If mobile devices are frequently taken off-site, consider encrypting files that contain medical, financial and other sensitive personal data.
- **Dispose of Information Properly:** Paper files should be shredded using

a cross-cut shredder. When disposing of computers, be sure to either remove the hard drive or physically destroy it. Never rely on the “delete” function to remove files, because they remain on your computer. Instead, be sure to remove sensitive data using a “wipe” utility program.

The

instances of identity theft are abundant, and the threats to your organization are very real. So the question is: What steps are you going to take to protect yourself?

Jon G. Lissack, CPA, is an audit manager at Tuscan & Company, P.A., a full-service CPA firm based in Fort Myers. He has nearly 20 years of public accounting experience and specializes in audits of not-for-profit organizations, special districts and local governments. Lissack is a member of several professional and civic organizations, including the FICPA Not-for-Profit Organizations Conference Committee and the Greater Fort Myers Chamber of Commerce.



¹ Javelin Strategy & Research: “2006 Identity Fraud Survey Report”

² January 2006 Federal Trade Commission report: “Consumer Fraud and Identity Theft Complaint Data”

³ Better Business Bureau/Privacy & American Business: “Security & Privacy – Made Simpler”

⁴ Privacy Rights Clearinghouse: “A Chronology of Data Breaches Reported Since the ChoicePoint Incident”

By Erika D. Peterman, Editor

Two FICPA members pursue legislative seats



Linda Myers



Sherry Campbell

CPAs Sherry Campbell and Linda Myers have more in common than their profession and an FICPA membership. Both are University of Florida graduates, county commissioners in rural communities and businesswomen with their own CPA practices.

Now, the two are running for separate seats in the Florida House of Representatives. Campbell, a Crestview Republican, is running for the District 5 seat, which Don Brown, R-DeFuniak Springs, is vacating because of term limits.

Myers, a Palatka Democrat, is pursuing the District 21 seat being vacated by Joe Pickens, R-Palatka, also because of term limits.

If elected, Campbell and Myers would be the only CPAs in the Legislature, succeeding FICPA member Fred Brummer, who left the House in 2006 because of term limits. From 1998 until his departure, Brummer was the lone CPA at the Capitol. Myers said she was surprised to learn that CPAs were so underrepresented at the state level.

"That's actually a very large disconnect," she said. "People in our industry have skills that are needed, and whether you are a candidate yourself or whether you work with organizations in the policy arena, you need to be there."

Moving to the next level

Sherry Campbell came to public office in 2003, when then-Gov. Jeb Bush appointed her to the Okaloosa County Board of Commissioners to replace a resigning member. She was elected to the board 20 months later, and now hopes to bring her years of government and business experience to the state level. Campbell said her CPA background has given her special insight into one of the state's primary economic engines.

"My clientele has been small business, which makes up a huge part of the economy of Florida," said Campbell, who owns a CPA firm bearing her name. "You have an arena of all different areas of business, whether it's construction, banks, auto repair, pharmacies or medical practices."

Campbell and her husband, a physician, have made Crestview their home for 25 years. But the self-described former "Army brat" spent the first part of her life in a variety of places, including New Jersey, Colorado and Germany. Her family settled in Florida whenever they were unable to accompany Campbell's father, including the years he served in Vietnam.

"I went to 10 schools between the first and 12th grades," she said. "You learn to be very adaptable and size up situations very quickly. That has helped me all throughout my business career."

If elected, Campbell said that one of her goals is "to be a part of the tax solution" for the growing Sunshine State. While acknowledging that government needs funds to provide services and infrastructure, Campbell said that shouldn't prevent Florida's businesses and individual residents from prospering.

"Things that have worked for years in Florida just aren't working as well as they used to," said Campbell, whose practice specializes in tax. "The state is trying to

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adjust, but sometimes it's hard to get on the right path to find the solution. We need to make things as fair and equitable as we possibly can."

Agriculture and job creation are other pressing issues in Campbell's rural district, which includes parts of Okaloosa, Walton, Holmes, Washington and Jackson counties. She admits she's entering a competitive race: As of this writing, two other Republicans and a Democrat are vying for the District 5 seat as well.

"I'm excited about the opportunity to be in the House. You never know where your life's journey is going to end up," she said. "I find it fascinating to be able to be part of this process, and I think I have a lot to offer."

'Bringing the numbers alive'

Concerned about the direction in which Putnam County was heading — and troubled by the lack of opposition to an incumbent — Myers successfully ran for the Putnam County Commission in 1998 and was re-elected in 2002. She is certain that her CPA background has made her a more effective public servant.

"So much of government is understanding where the money's coming from and the effective use of money as it's

spent," said Myers, who previously has served on the FICPA's State Legislative Policy Committee. "Bringing the numbers alive is something I could do for my fellow county commissioners."

Myers came to the CPA profession later in life, having graduated from UF with a bachelor's degree in the natural sciences. Her family moved to Palatka for her husband's job, but Myers had a difficult time finding work there in her field. After opening a boating business and then a computer education center, Myers brought what is now a Dunkin' Donuts franchise to Palatka. But while the business succeeded, Myers' first husband succumbed to a long illness in 1989.

Suddenly a single mother of two, Myers began taking business classes at the local junior college, where she discovered she had an affinity for numbers and their connection to business. She hired management for the doughnut shop in 1990 and returned to UF full-time, earning a bachelor's and a master's degree in accounting. Myers passed the CPA exam on the first try, and now acts as "a traveling CFO" for several small businesses. She also works with her husband Vernon Myers, a community banker.

Like Campbell, Myers sees her professional background as an advantage in shaping public policy.

"You hone a skill in trying to explain to someone with absolutely no financial background why the numbers are important," Myers said. "That's a skill that we as CPAs have, and I think our communities use (it) on a regular basis."

Myers' district includes parts of Bradford, Clay, Lake, Marion, Putnam and Volusia counties. Among her priorities are economic development, affordable health care, honoring trust funds and protecting Florida's small businesses from overregulation. Above all, she said, the Legislature must take a comprehensive look at the way it funds services at the state and local level, and resist "quick fixes."

"Floridians are crying out for a fair transparent manner to provide services. We need to honor that request," Myers said. "I think CPAs have such a role to play to play in that arena."

The FICPA will closely follow these two House races and hopes that Campbell and Myers' example will inspire other CPAs to run for the Legislature in the future.

For more information on candidates who are seeking office in the 2008 elections, please see the Florida Division of Elections Web site at: <http://election.dos.state.fl.us>, and click "Candidates and Committees."



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The FICPA Board of Governors approved the 2008 FICPA legislative and regulatory policies at its December 6, 2007 meeting in Tallahassee. They can be found by visiting our Web site at www1.ficpa.org/ficpa/GovernmentalAffairs/Resources.

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By Renee Watters, Department of Revenue



New Business Owners' Guide Revised

*F*or business owners new to the state of Florida, the Department of Revenue (DOR) provides a handy guide that includes important information about tax issues in Florida. It can be found at <http://dor.myflorida.com/dor/gta.html> at the bottom of the page under the green "Businesses" bar. This guide covers sales tax, discretionary sales surtax, use tax, local option tourist development tax, annual resale certificates and how to file and remit tax, among other topics. It also serves as a resource guide for obtaining forms and getting answers to questions, as well as finding out where local service center locations are throughout the state.

Annual report published

DOR has just published its newest annual report. You can find it at <http://dor.myflorida.com/dor/report/>.

The report focuses on the DOR's commitment to service and highlights each of its three primary lines of business: collecting taxes, collecting child support and overseeing property taxes in the state. The report is posted along with individual infographics that visually describe each of the primary roles of the department.

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*The March/April
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Florida CPA Today
puts the spotlight
on young CPAs.
Look for the next
issue in your
mailbox during
the first week
in March.*

Annual Board of Governors Meeting

Members of the FICPA Executive Committee and Board of Governors convened in Tallahassee last month to discuss Institute policy, share committee and task force updates, trade chapter best practices and recognize outstanding

members. Activities kicked off Dec. 5 with a meeting of regional representatives, chapter presidents and presidents-elect, concluding with an update on the FICPA's 2007-08 business plan on Dec. 7.



Jose Valiente, Vice President, Executive Committee; Tony Argiz, Member-at-Large, Board of Governors; Ed Duarte, President, Miami-Downtown Chapter; Shan Shikarpuri, President, Suncoast Chapter; Michael Torres, President-Elect, Miami-Downtown Chapter



Florida State University's Anderson Professor of Accounting Bill Hillison, fourth from left, poses with FSU alumni. Hillison is the FICPA's 2008 Outstanding Educator of the Year.



Florida Auditor General David Martin addresses participants.

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The Strategic Alliance for South Florida CPAs



Chapter presidents and presidents-elect collect awards for chapters that sponsored the 2007 Minority Summer Residency Program. The chapters are: Atlantic, Central Florida, Jacksonville, Palm Beach, Polk County, Suncoast and West Coast.

Investing in the Future:

*Foundation awards
\$173,000 in scholarships*

The FICPA Educational Foundation Board of Trustees traveled the state during September and October to award scholarships to 90 deserving accounting students across Florida.

"It's a real privilege to award these scholarships," said Monte Kane, Educational Foundation Trustee. "I remember what it was like to be a student. These scholarships really mean a lot to the students who receive them."

This year, the Educational Foundation significantly increased the number of scholarships awarded. In 2006, the foundation awarded \$126,000 to 67 accounting students. This year, it was able to award almost \$50,000 more than last year. Educational Foundation President Maria A. "Mia" Thomas attributes the increase to CPAs who really care about the profession, and who have contributed resources and money to help the Foundation expand its scope of giving.

"With increasing costs for college students, and the AICPA predicting that, by 2020, three out of every four CPAs will be nearing retirement age, the Foundation realizes it is extremely important that we take the lead in supporting and cultivating Florida's best and brightest students," Thomas noted.

There also is a real need for qualified accounting instructors in Florida's colleges and universities. In addition to providing scholarships to fourth- and fifth-year accounting students, in 2008, the foundation will unveil a new \$15,000 Ph.D. scholarship program to help encourage more students get a Ph.D. and become accounting instructors.

CPAs are encouraged to become members and support the mission of the Foundation. For more information about becoming a member or contributing to the Educational Foundation, please visit www.ficpa.org/edfoundation or e-mail edfound@ficpa.org.



Educational Foundation President Maria A. "Mia" Thomas, far left, poses with students from Flagler College, the University of North Florida and Jacksonville University at a Jacksonville Chapter meeting. Fifth from left is Michael A. Taber, recipient of the Douglas James Davis Scholarship. Educational Foundation Trustee Tom Torres is at far right.



Mia Thomas, far left, poses with University of Central Florida scholarship recipients (in alphabetical order) Stephanie L. Banks, Julie L. Harrington and Stephanie Thiemann.



Southwest Florida Chapter President Jack Eisenga, far left, and Educational Foundation Trustee Pat Gallagher, far right, pose with scholarship winners from Gulf Coast University and Hodges University. They are (in alphabetical order): Patrick Callan, Alicia Glassman, Carolin Kiesinger, Michelle Perez-Macias and Heather Vanagas.

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Laguerre, Hilda L. Potosme, John
Shannon*

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Christopher I. Hartmanis

Dania

Cristhian Q. Lewis

Delray Beach

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Knowles, Steven M. Posner, Wei
Zheng*

Fort Lauderdale

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Norris*

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Alicia L. Sarkoff

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Angelika M. Isaacs, Kemble L.
Ng, Anna Sargsyan*

Merritt Island

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Titusville

*Megan E. Baker, Constance J.
Schuessler*

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Eccleston, Michael A. Goldberg*

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Scott R. Karp, Canuta Ritchson,
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Tobiasson*

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N. Miami Beach

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Jay A. Anderson

Plantation

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Pompano Beach

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Whyte*

Tamarac

*Miguel Nesbeth, Johanna M.
Proano*

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Nicholson, Edna M. Sheffler*

Apopka

*Bryan C. Combs, Deborah L.
Gano, Sammia E. Pratt*

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Paul Gargagliano

Casselberry

Carmen R. Atwood

Clermont

Renee C. Varga

Heathrow

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Jacksonville

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Denisse Herrera

Leesburg

Russell F. Casson

Ocoee

Zheng Jiang

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Sharon R. Ecker, James S. Girvin,
Lourdes M. Gonzalez, Julie L.
Harrington, Jennifer L. Haynes,
Pauline Ho, Douglas R. Horner,
Joseph J. Lakman, Christopher A.
Losgar, Susana Mapili, Samantha
L. McCarthy, Susan K. Orihuela,
Adriene K. Pierce, Shaelyn A.
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Roofner, Stephanie Thieman,
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Xiong, Peggie Yu*

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Shirley Tsang

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Damion Lee, Aldo E. Zepeda

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Natessa Lamothe

Miramar Beach

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Pembroke Pines

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Financial Fitness Friday Wins Award



Last year's Financial Literacy Chair, Ken Strauss, and member Terry Seaton participate in Financial Fitness Friday last April.

The FICPA has received a national award for Florida's Financial Fitness Friday, a public outreach program of the Institute's Financial Literacy Committee. The American Society of Association Executives (ASAE) & the Center for Association Leadership chose the FICPA as one of only nine winners of the Award of Excellence. The honor — part of the 2008 Associations Advance America Awards — puts the FICPA in the running for the 2008 Summit Award, the ASAE & the Center for Association Leadership's highest level of recognition for associations. The Summit Awards will be chosen in July.

The Financial Fitness Friday call-in, which has been held twice, is designed to raise awareness of April as national Financial Fitness month and to promote the value of the CPA profession. Last April, volunteers answered the public's financial questions, which came via phone and e-mail from across the state.

FICPA member Terry Seaton, CPA, said participating in last year's Financial Fitness helped inspire him to join the Financial Literacy Committee. "I had an interest in this area to begin with. It was an area that matched up with my knowledge and skill set," said Seaton, owner and president of Seaton Financial Advisors, LLC, in St. Augustine. "To see the Institute win an award for the event is very gratifying."

Wall Appointed to Cost Accounting Standards Board

The federal Office of Management and Budget (OMB) has appointed Richard J. Wall, CPA, to the Cost Accounting Standards (CAS) Board. Wall, a Florida State University College of Business alumnus, is former partner and national director of Ernst & Young Government Contract Services, and is retired. The OMB is under the Executive Office of the President.

Wall, who is one of four new board members, will serve a four-year term. The CAS Board is vested with the authority to issue, amend and rescind cost accounting standards and interpretations used by contractors to consistently estimate, accumulate and report costs tied to certain high-dollar government contracts.

In a statement, OMB Administrator for Federal Procurement Policy Paul A. Dennett praised the credentials of the board's newest additions. "Their combined public and private knowledge and experience in cost accounting will greatly contribute to resolving the complex matters that come before the (CAS) board," said Dennett, who also acts as board chairman.

FICPA members Maria E. Caldwell, CPA, and Marshall D. Gunn Jr., CPA, were elected chairman and vice chairman, respectively, of the state Board of Accountancy. Caldwell is a director/manager at Deloitte & Touche LLP in Miami, and Gunn is managing partner of Gunn & Company, CPA, PA, in Tampa.

Calhoun Receives *NASBA Award*

The National Association of State Boards of Accountancy (NASBA) recently presented FICPA member Charles H. Calhoun III, CPA, Ph.D., with its 2007 Distinguished Service Award. Calhoun, who chairs the Department of Accounting and Finance at the University of North Florida, was honored for his "unswerving commitment and dedication to enhancing the mission of NASBA." He is the ninth recipient of the award since its establishment in 1999.

In addition to being a longtime member of the FICPA and the American Institute of CPAs, Calhoun served on the Florida Board of Accountancy from 1991 to 2001, and was chair in 1994 and 2001. Since joining NASBA in 1992, he has been a member of several committees, a representative to the International Federation of Accountants and director-at-large of the Association's Board of Directors. The FICPA named Calhoun its Outstanding Educator of the Year in 2002, and he is a two-time recipient of the Outstanding Seminar Leader Award.

Calhoun earned his bachelor's, master's and doctorate degrees from Florida State University, where he later worked as an accounting instructor. He was an associate professor of accounting at the University of South Carolina and department chairman at the University of Miami before moving to UNF 12 years ago.



TRANSITIONS

Boca Raton: Bentman & Geller, CPAs, PA, announces the opening of its new offices at 4855 W. Hillsboro Blvd., Ste. B-3, Coconut Creek (33073). The new telephone number is (954) 428-4735 and the new fax number is (954) 428-4737.

Fort Lauderdale: RSM McGladrey announces that **Kathy Thomas-Beck** has been named Employee of the Year. Also, RSM McGladrey has been engaged by Florida Capital Bank to provide internal auditing and compliance services.

Gainesville: James Moore & Co., announces that **James A. Halleran** and **Ronald N. Mason, Jr.**, have been admitted to the partnership.

Naples: LarsonAllen announces the promotion of **Frederick F. Burns** to principal.

Orlando: Averett, Warmus, Durkee, Bauder & Thompson, PA, announces that **Stuart K. Furman** has joined the firm as a Principal.

Orlando: Carr Riggs & Ingram LLC (CRI) announces the acquisition of the Cuthill & Eddy Practice from its partners.

Pensacola: O'Sullivan Creel, LLP, announces the promotion of the following members to partner: **Kelley Chamblin**, **Jeff DeWeese** and **Tammy McGaughy**.

Sarasota: Kerkering, Barberio & Co., PA, announces that shareholders **Susan B. Grundy** and **Sharelle Turner** recently completed a specialized educational program in professional divorce planning and are now Certified Divorce Financial Analysts™.

St. Petersburg: Gregory, Sharer & Stuart, PA, announces that **Jeremy Hill** has been hired as a Staff Auditor and that **Anthony Scuotto** has been hired as a Tax Staff Accountant.

St. Petersburg: Lisa Smithson & Company announces a change to the firm's name to **Is and company**, effective Dec. 1, 2007. Also, **Is and company** announces the addition of **Gary Hardie** as Director of Taxation.

Stuart: Hill, Barth, & King, LLC, announces that **Richard (Rich) P. Mishock** has been promoted to Manager.

WHO'S NEWS

Chas Hoyman, of Hoyman Dobson, in Melbourne, has won the "Gary R. Cunningham Distinguished Service Award for Economic Development" from The Economic Commission of Florida's Space Coast (EDC).

Steve Messing, of Berkowitz Dick Pollack & Brant, LLP, in Miami, has been appointed to the Accounting Advisory Board of the University of Florida, Fisher School of Accounting.

Richard R. Shavell, of Shavell & Company, PA, in Boca Raton, was awarded *South Florida Business Journal's* 2007 Key Partners Award in the "Tax" category of Accounting Services.

Boca Raton: Shavell & Company, PA, was named "*Construction Industry Business of the Year 2007*" for national involvement in the Associated Builders and Contractors, Inc. (ABC).



Kathy Beck



Fredrick Burns



Kelley Chamblin



Jeff DeWeese



Jeremy Hill



Tammy McGaughy



Richard Hill Mishock



Anthony Scuotto

The space for "Who's News," "Transitions" and other announcements published on this page is limited to news focusing on promotions and new hires for members of the FICPA, speeches by members at professional conferences, and other firm news such as recognition of business achievements. We do not publish FICPA committee appointments as a part of this feature because of space limitations.

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Tallahassee local CPA firm is expanding its Audit & Tax Departments. Candidates should be CPA or CPA-eligible w/ 2-5 yrs public accounting exp. Competitive compensation, excellent benefits w/ an energetic team-oriented culture. Send resume in confidence to tcreel@ccrcpa.com or fax to (850) 878-7000.

Progressive Amelia Island CPA firm seeks individual w/ 7+ yrs of complex 1040 & business tax prep/review exp for part time/seasonal work. Fax resume to (904) 261-5515. No phone calls.

The **City of Fort Lauderdale Police & Fire Retirement System** is seeking an **Assistant Administrator**. This position will be assisting a managerial official in directing, analyzing & coordinating administrative activities, participating in budget development & proposing solutions to administrative problems. Exp w/ Public Retirement Systems preferred. Salary range \$40k to \$50k plus liberal fringe benefits. Please e-mail resumes to Lwenguer@fortlauderdale.gov or fax to (954) 828-5532.

Small Tampa CPA firm seeks accountant w/ min of BS/BA degree & 3 yrs exp in taxes & auditing. Must possess analytical & computer skills & the ability to work & communicate effectively w/ others. Fax resume to (813) 932-6172 w/ salary requirements.

Immediate Opening for Experienced Tax Accountants - Presser, Lahnen & Edelman, one of Jacksonville's largest local CPA firms, is seeking full-time experienced tax accountants.

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Full-time position; E-mail: recruiting@plecpa.com or fax (904) 296-4208.

S. Fla. investment mgmt firm seeks individual for full-time position of assistant controller. This person will assist or be responsible for monthly closes, preparing the audited financial statements, tax reporting, budgeting & forecasting, & other special projects as required. Candidate will have 4+ yrs of work exp from a Big 4, National or Regional CPA Firm and/or relevant work exp in private industry as a Sr accountant/assistant controller. Exp in preparing audited financial statements is a must. CPA highly preferred. Familiarity w/ IFRS is a plus. Salary \$75K-\$90K. Relocation costs negotiable. Send resume w/ salary requirements to hr@hansberger.com or fax to the Human Resource Manager at (954) 713-2525.

Jacksonville Beach CPA firm is seeking a CPA w/ 3-5 yrs of exp in the areas of tax, compilation & review. We offer incentive compensation, benefits package & a tremendous opportunity for growth at Swindell, Bohn, Durden & Phillips. Please e-mail your resume to sphillips@sbdpcpa.com.

S. Broward CPA Firm looking for preparers & reviewers of individual and/or fiduciary tax returns during tax season. Flexible part-time or full time schedules: nights & weekends also available. Exp preferred. E-mail to krtax@kr-cpa.com or fax attention Jana at (954) 962-1021.

Tax Manager: Maitland CPA firm seeks tax manager w/ small to medium client base. Possible ownership opportunity for career oriented individual. Must be able to provide planning, preparation & tax review services. Excellent fringe benefits & working conditions. Please mail, fax or e-mail resume to Taylor, Lombardi, Hall & Wydra, P.A., Attn: Cynthia Wydra, 875 Concourse Parkway South, Suite 100, Maitland, FL 32751. Fax (407) 539-2383. E-mail cwydra@tlh-cpa.com.

Experienced Tax Return preparer needed for growing Gainesville CPA tax practice immediately. Candidates should have degree & CPA or Candidate & have completed business & personal returns. E-mail resume to tax@timdeeganpcpa.com or fax to (352) 337-0040.

OFFICE SPACE

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Accounting, Bookkeeping & Tax Practice ++\$600,000 revenue seeking CPA w/ accounts to join firm for eventual buyout of Managing Partner. Mid Palm Beach County Location. Creative solutions, Ultra Tax, Focus Hotel Software Programs – Growing Practice, excellent opportunity; aaawm24@aol.com.

MISCELLANEOUS

Free – How to Fire Bad Clients. When was the last time you fired a bad client? Learn how – the right way. Visit mostad.com/fire or call Mostad & Christensen at (800) 654-1654.



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March-April Issue — Deadline: January 28

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1. Members of the Atlantic Chapter participate in Making Strides Against Breast Cancer walk Oct. 20 in Boca Raton.

2. Board of Governors member Nancy Soderholm greets "Feed the Pig" mascot Benjamin Bankes – member Dave Bergstein – at the 22nd Annual Accounting Show in Fort Lauderdale.

3. Tampa Bay firm Kirkland, Russ, Murphy & Tapp, P.A., held its annual Firm Day event at the Safety Harbor Spa and resort in Safety Harbor. In addition to participating in team-building exercises, employees assembled 10 new bicycles, which were donated to Toys for Tots.

4. Member Jo-Anne Kunin and Board of Governors member Sheri Schultz enjoy the 22nd Annual Accounting Show in Fort Lauderdale.

5. Gold Coast Chapter President J. Deede Weithorn is sworn in as a Miami Beach City Commissioner on Nov. 21.



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