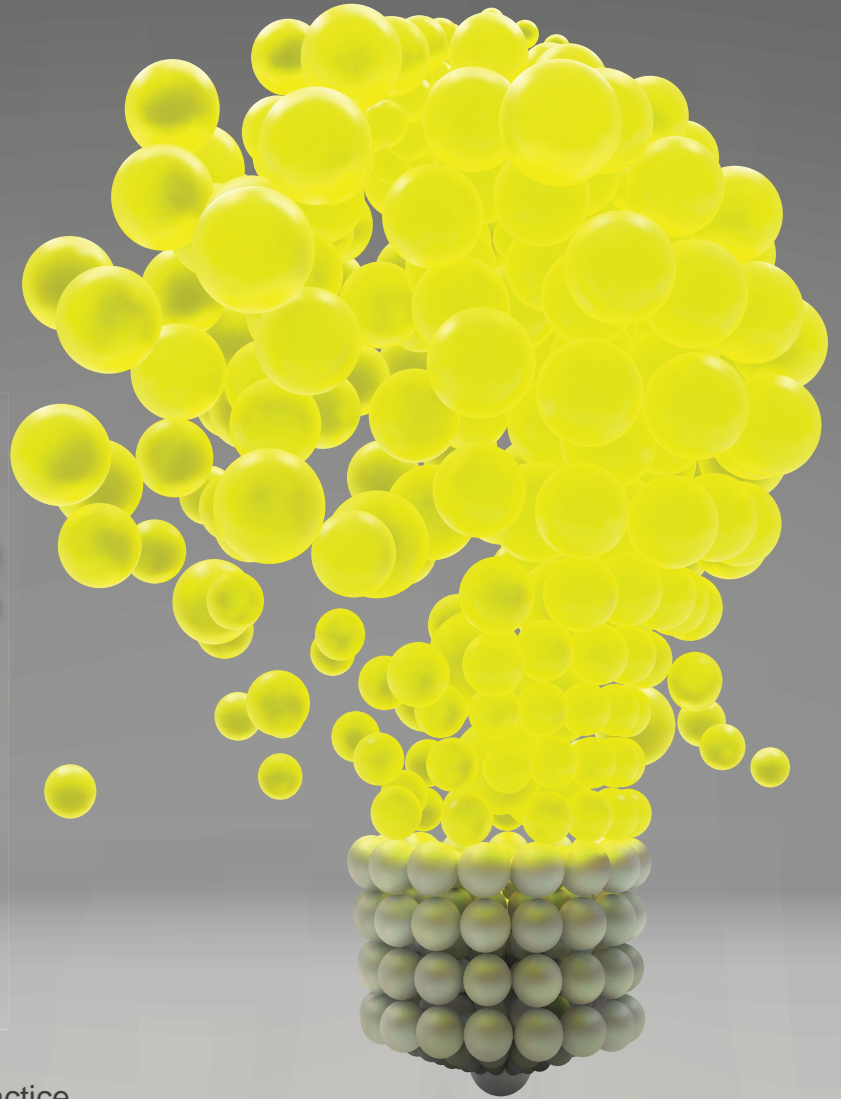


Summer 2018

Connecticut CPA

Advocacy. Community. Education.

Building a **Strategic Plan** for a Changing World



Members representing a cross section of practice areas, industries, geographic locations, and personal demographics are coming together to build a strategic plan to ensure the society's bright future. *page 8*

A publication of the Connecticut Society of Certified Public Accountants

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Features

- 4 *Editor's Note* Accounting: All in the Family
- 6 *From the Executive Director* Bringing You More
- 7 CTCPA Works to Address Issues Related to Public Act 18-49
- 8 CTCPA Strategic Planning Initiative: Members Spearhead a Plan for the Future
- 13 By the Numbers: Workplace and Professional Trends
- 13 Important CTCPA Peer Review Program Changes
- 14 Today's Sophisticated Spear Phishing Attempts Are Personally Targeting Finance Professionals
- 16 Embracing Ambition: Women in Accounting Leadership
- 20 Does Your Firm Provide Outsourced CFO Services? Meet Client Needs While Managing the Risks
- 22 Five Steps to Prevent Complex Inventory Frauds

Upcoming Programs and Events

- 10 Member Groups and Meetings
- 12 New and Young Professionals Upcoming Events
- 25 CPE Calendar
- 29 Support the Accounting Scholarship Foundation Golf Tournament
- 30 Need to Recruit New Staff? CTCPA Can Help!

Member Matters

- 5 Accounting in Extraordinary Times: The CTCPA Annual Meeting
- 26 Welcome, New Members!
- 27 Company Moves and Promotions
- 27 Member News
- 28 Member Snapshots
- 30 Classifieds



Meeting you where you are

CTCPA events and programs span the state



We're bringing our events across the state to give members more opportunities to connect, engage with experts, and share ideas.

Here's a sampling of where we're heading this year for our **Regional Meetings**, local **chapter meetings**, free **members-only educational sessions**, **new and young professionals events**, **professional development** and **CPE programs**, and more.

Register at www.ctcpas.org/membermeetings.

A publication of the Connecticut
Society of Certified Public Accountants

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The Goldstein Family – Amy, Joshua, Rachel, and Adam



The Grindle Family – Sharon, Kaitlyn, and David

Editor's Note + + + + +

Accounting: All in the Family

Certain professions seem to run in families. It's not uncommon to see families with multiple doctors, nurses, firefighters, or police officers. When I first came to the CTCPA, I found out that there are "CPA families," too. Lots of them. So many, in fact, that we wrote a *Connecticut CPA* cover story profiling several of them a few years back.

I'm happy to report that at this year's CTCPA Recognition Reception, an evening celebrating the path to the profession, the tradition continued. As we celebrated the state's newest CPAs and Accounting Scholarship Foundation grant and scholarship recipients, we had three family connections in the room that night.

Joshua Goldstein, a Georgetown University student who hails from East Lyme, took home the Rising Senior Accounting Scholarship. Joshua is a three-time CTCPA scholarship winner, having already received a high school scholarship and the Rising Junior Accounting Scholarship. He was joined by his sister **Rachel Goldstein**, a student at The Williams School, who was named a high school scholarship recipient this year. Rachel will be studying accounting at the University of Pennsylvania in the fall.

We also honored **Kaitlyn Grindle** of Lyman Hall High School, who was joined at the event by her parents – both CPAs and CTCPA members – **David Grindle** of Simone Macca & Larow and **Sharon Grindle** of Lenkowski Lonergan & Co. Kaitlyn will be heading to Fairfield University in the fall.

To top it off, Connecticut State Board of Accountancy member and CTCPA Past President **Marcia Marien** of PKF O'Connor Davies was among the officials who presented a CPA certificate to her cousin, **Nicholas Marien** of Fiondella, Milone & LaSaracina.

I often wonder what it is that makes accounting run in families. A genetic disposition toward problem solving, strategic thinking, or telling stories through numbers? Or maybe these young people were inspired by watching their parents, grandparents, aunts, or uncles engaged in a profession they love and the quality of life it affords?

My husband is a CPA, and this year for Father's Day our kids both filled out one of those papers shaped like a neck tie with a series of questions about their dad. My daughter's responses included "My dad's job: 'Connecticut CPA'; My favorite thing to do with my dad: 'Math.'" Maybe we have another future accountant in the making in our house as well?

Whatever the reason, we'll continue to celebrate these connections from past to present to future as we move forward in an ever-evolving profession. Does your family tree have branches with multiple accountants and CPAs? Drop me a line at kirstenp@ctcpas.org. We'd love to hear your story.



See you next issue,

Accounting in Extraordinary Times: The CTCPA Annual Meeting



Pictured (from left) are keynote speaker Barry Melancon, CEO of the Association of International Certified Professional Accountants, newly installed 2018-2019 CTCPA President Susan Martinelli of RSM US, Immediate Past President Brad Kronstat of Connecticut Gardens, and CTCPA Executive Director Bonnie Stewart at the 2018 CTCPA Annual Meeting.

Thank you to our Event Sponsor



See more photos at www.ctcpas.org/photos.

More than 250 CTCPA members and guests braved storm-damaged roads to attend the 2018 CTCPA Annual Meeting at Cascade in Hamden. The facility was running on generator power at the beginning of the event following powerful storms in the area the previous evening.

Congratulations to **Susan Martinelli** of RSM US, who took over the CTCPA presidency from **Brad Kronstat** of Connecticut Gardens, as well as the rest of the 2018-2019 CTCPA Board of Directors and Advisory Council members.

In addition, **Edwin Muenzner** of Edwin Muenzner, CPA was honored with the Jack Brooks Leadership Award for his

outstanding work on behalf of the Connecticut accounting profession.

Past Presidents **Phil DeCaprio** of DeCaprio CPA & Associates, **Joe Germain** of Germain and Rooney, and **Ralph Takala**, retired from EY, also brought back a favorite CTCPA tradition, presenting the “Award of the Ribbons” to past presidents **John Turgeon** of CohnReznick, **Ann Jevne** of Resnick Advisors, **Greg Lainas** of Robert Half Management Resources, **Noelle Taddei** of Post University, **Camille Murphy** of Murphy & Company, **Brian Kelleher** of Fiondella, Milone & LaSaracina, **Bruce Blasnik** of PKF O’Connor Davies, and **Bob Boudreau** of Novak Francella. President Martinelli

also presented Immediate Past President Brad Kronstat with his award.

Keynote speaker **Barry Melancon**, CEO of the Association of International Certified Professional Accountants, spoke about “Accounting in Extraordinary Times.” According to Barry, the accounting profession will be unrecognizable in 10 years, thanks in large part to some of the technologies that are bringing disruptive change to not only the accounting profession, but our entire world as we know it. Cybersecurity, blockchain, artificial intelligence, data analytics, and cognitive technologies are on course to radically alter the way businesses perform compliance, tax, and financial forecasting functions.

Thank you, Gold Sponsors!



Thank you, Silver Sponsors!





From the Executive Director

Bringing You More

Since its inception, the Connecticut Society of CPAs has brought its members valuable opportunities to network and learn together. As the world continues to change faster and faster, we're shaking things up and bringing you more. More ways to connect with each other, to

share information about regulatory and legislative issues that are changing on an almost daily basis, to set yourself apart as a leader and grow your personal brand.

More Ways to Connect.

Strong relationships are key. We are bringing you opportunities, both in person and via our advocacy efforts, to connect with the DRS, IRS, FASB, legislators, and more. (Read more about our extensive efforts working with the DRS in response to Public Act 18-49 on the page at right.) We're also connecting you with fellow members and experts at the forefront of today's ever-changing technology. We'll help you learn how to leverage technology to advance your company and your career, whether you're actively employing the latest tools or you're still not sure what artificial intelligence and blockchain are all about.

More Ways to Engage.

The synergy of CTCPA members working together is palpable. In the past year we have vastly expanded opportunities for you to engage with colleagues, participate in peer-to-peer discussions, and join groups for specific geographic areas, public accounting and private industry specializations, and demographics. There's something for everyone and, with your help, we're always working to develop more. (Find a listing of our member groups and programs on pages 10 and 11.)

More Ways to Grow.

We are here to help empower your success. Whether you're a seasoned professional, just starting out in your career, or somewhere in between, there's a leadership role for you here at the CTCPA. We're always looking for our next committee chairs, chapter chairs, roundtable discussion leaders, and others.

What's more, three out of five current CTCPA members (and the profession as a whole) will have reached retirement age in the next 15 years. This means even more opportunities to step up and be noticed. And it's already started. Our Board of Directors, Advisory Council, Strategic Planning Committee, CFO and Controller Roundtable, Southeastern Connecticut Chapter, and more are engaging leaders – from public accounting and business and industry – who are early in their careers.

The benefits of holding a leadership position are win-win: help the profession grow and thrive while you showcase your skills, reputation, and success.

Help Us Stay Strong!

As a current member of the CTCPA, I hope I can count on you to be our ambassador when you speak to colleagues and associates. I have been making the rounds, meeting with members from one side of the state to the other, listening to and implementing your ideas and suggestions. We will continue to morph as the profession and practice environment do. We're here fighting for your interests. I appreciate your support and ask that you encourage others to join our ranks. There is strength in numbers – please help us stay strong.

Bonnie Stewart, Executive Director



Hot Topics with the DRS in Fairfield County

DRS General Counsel **Louis Bucari** joined us for our free two-hour Easton CONNecTion program to discuss the most recent changes to state tax law and how the state's tax landscape is expected to change in the coming year.



CFO and Controller Roundtable Discusses Strategic Partnerships

Our CFO and Controller Roundtable Chair **Brad Hillman** of Global Steering Systems brought together a panel on three strategic partners every CFO and controller needs to know. Special thanks to **Lisa Delfini** of Marcum LLP, **Alan Lieberman** of Shipman and Goodwin, and **Leah Reimer** of Cantor Colburn for speaking!



Free Professional Headshots and Communications Tips and Tricks

We recently headed out to Deloitte in Stamford to take professional headshots for staff and interns and speak about business communications do's and don'ts. We'd love to speak to your company! Drop Mark Zampino a line at markz@ctcpas.org.

CTCPA Works to Address Issues Related to Public Act 18-49

By Bonnie Stewart, Executive Director

During the last weeks of the state legislative session, there is always a rush to pass a large number of bills in a short period of time. Often these bills, while well-intended, are not in the best form. Every year, measures pass that have technical issues; sometimes two contradicting bills even pass. It's the nature of legislative session, and this year was no exception.

In the last hours of this year's session, two measures passed, both of which were intended to try to neutralize some troublesome impacts of the federal tax legislation on Connecticut residents and, specifically, pass-through entities. In such cases, we then need to wait until the governor determines whether to veto, sign, or let the legislation go into effect. (If there are contradictions, the legislation enacted last rules.)

On May 31, 2018, Governor Dannel Malloy signed Public Act 18-49, *An Act Concerning an Affected Business Entity Tax, Various Provisions Related to Certain Business Deductions, the Estate and Gift Tax Imposition Thresholds, the Tax Treatment of Certain Wages and Income, and a Study to Identify Best Practices for Marketing the Benefits of Qualified Opportunity Zones.*

The act, according to the DRS, "fundamentally changes how Connecticut taxes income earned by partnerships and S corporations, including limited liability companies treated as partnerships and S corporations for federal income tax purposes (referred to collectively as 'pass-through entities')."

Because the act wasn't signed until about two weeks before the June 15 deadline, practitioners were in need of a great deal of clarification and guidance that the DRS didn't have time to develop and issue before the deadline. Making matters worse, the bill was retroactively applied.

Implementation of Public Act 18-49 has presented many technical problems and issues of timing. For example, newly enacted pass-through entity tax (PET) provisions – requiring retroactive application of first-quarter estimated payments already submitted to DRS and immediate generation of second-quarter estimated payments – were extremely difficult to facilitate.

Practitioners were unclear on the basis to be used for calculating these new provisions, and interest or penalties that may accrue as a result. Other provisions calling for retroactive decoupling of bonus depreciation, and the need to amend returns already filed, also placed an enormous burden on the profession.

Despite the difficult position the DRS staff were in, they did their best to work with the tax preparer community to issue guidance and answer questions as quickly as possible. We have been in daily communication with DRS officials as issues have been unfolding. Right out of the gate we solicited questions from CTCPA members, collated and prioritized them, and shared them with DRS staff, who answered those questions through guidance.

At press time, we were continuing to work with both the DRS and the governor's office in hopes of resolving a number of remaining issues. The next regular legislative session won't take place until January, so our best chance of having our concerns addressed sooner would be for a special session to be called before then.

Given the circumstances, CTCPA sent a letter to Governor Malloy requesting issuance of an Executive Order waiving penalties and/or interest resulting from the bill being applied retroactively or any other difficulty resulting from Public Act 18-49.



CTCPA, DRS Liaison Dinner connects members, DRS officials

A dozen DRS officials attended our recent liaison dinner meeting, where members had an exclusive opportunity to meet directly with DRS staff. Held in cooperation with the Connecticut Bar Association, the evening included open dinner discussions with DRS representatives at each table

We further requested one of the following concerning Public Act 18-49:

- Expansion of the scheduled June 25 veto override session call to include legislative fixes;
- Calling of a subsequent special legislative session to include legislative fixes; or
- A commitment via DRS to address fixes during the 2019 regular legislative session.

We continue to work on behalf of our members to address the issues. We'll bring you the latest via our website and e-communications as the DRS issues additional guidance in the coming months.

Check our Public Act 18-49 web hub at www.ctcpas.org/PA1849 to view the guidance issued to date as well as other helpful news and information.

Check our web hub at www.ctcpas.org/PA1849 for news and guidance issued to date.



The CTCPA Strategic Planning Committee

CTCPA Strategic Planning Initiative

Members Spearhead a Plan for the Future

By Caitlin Bailey O'Neill, Assistant Editor

When CTCPA Executive Director **Bonnie Stewart** set out to find a member to help rework the society's mission statement and strategic plan to better carry us into the future, she found just the person on the Board of Directors to oversee it: **Marie Benedetto** of Marie L. Benedetto, CPA, MST; Innovative Business Solutions.

"Designing and facilitating strategic plans and project goals for clients is truly a love of mine," Marie said. "Of course I would want to do this for the CTCPA!"

Marie quickly tapped one of her associates, **Carl Johnson** of CRJ Consulting, to serve as a co-facilitator on the initiative. Marie and Carl had met not long after his retirement as managing partner of BlumShapiro and began to collaborate on strategic planning and workshops.

Together, the two have 55 years of CTCPA membership on their resume (including stints on the Board of Directors, Advisory Council, Golf Tournament Committee, Audit Committee, and Nominating Committee). Their underlying drive from the beginning of the process? To help the CTCPA stay relevant to current and future members.

"There are big changes coming to the profession, mainly driven by technol-

ogy, and we need to evolve through these changes," said Carl.

"Bearing witness to the rate of changes in our economic environment and business world through the advancement of technology as well as other factors has fueled my fervor in remaining relevant to my clients," Marie agreed. "Therefore, I would look to the CTCPA to support me and our profession in remaining relevant in the marketplace."

The duo are leading the charge with the help of a Strategic Planning Committee comprising 15 CTCPA members representing a wide diversity of geographic regions, expertise, and demographics. The committee is being co-chaired by **Dan Crawford** of Stanley Black and Decker and CTCPA Past President **Brian Kelleher** of Fiondella, Milone & LaSaracina.

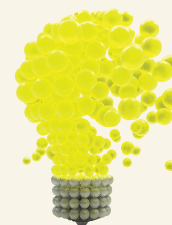
What's been accomplished so far.

- The Board of Directors, Advisory Council, and staff members participated in Strengths, Weaknesses, Opportunities and Threats (SWOT) analyses on the issues facing the CTCPA today and tomorrow.
- The Strategic Planning Committee has gathered and will utilize extensive data on the local and national economy, business trends, technology, demographics, and more.

- The Strategic Planning Committee has engaged in several brainstorming sessions, creating a vision/mission and value statements that will be utilized and revised throughout the process.

What we're working on now.

- Eight subcommittees, led by Strategic Planning Committee members, are taking a **deep dive into specific areas** (more at right).
- The Strategic Planning Committee will use member and subcommittee feedback to **create a broad-scope strategic plan** that meets the needs of our members through 2025.



We need your input!

If you have ideas, suggestions, information, or data to share with any of our subcommittee members as they complete their work, please reach out to the staff liaison listed with each subcommittee at right or call the CTCPA office at 860-258-4800.

Member input is vital to this process and we encourage your participation!

To read the full interview with Marie and Carl, go to www.ctcpas.org/strategicplan.

Strategic Planning Subcommittees

Communication/Branding



Chair

Brian Kelleher

Fiondella, Milone & LaSaracina



Vice Chair

Michael Bolingbroke

Robert Half Management Resources



Staff Liaison

Kirsten Piechota

kirstenp@ctcpas.org

Communication preferences vary greatly from person to person. How can we ensure we are disseminating news and information to our members and the value of the CPA brand to the public in the most effective ways possible?

External Community



Chair

Daniel Crawford

Stanley Black & Decker



Vice Chair

Marie Kulesza

Central Connecticut State University



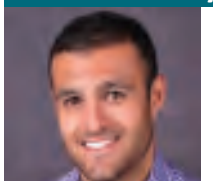
Staff Liaison

Cindy Panioto

cindyp@ctcpas.org

How can we help our members better connect with, serve, and expand their communities – staff, clients, vendors, affiliates, etc.? What is the local and national economic outlook and what will business look like in the future?

Fiscal Viability



Chair

Kevin O'Keefe

Cigna



Vice Chair

Carl Johnson

CRJ Consulting



Staff Liaison

Julie McNeal

juliem@ctcpas.org

Fiscal viability is imperative to the long-term success of the CTCPA. How can we manage expenses, grow the membership, and leverage new sources of revenue to ensure the CTCPA is financially secure now and in the future?

Member Benefits



Chair

Karen Cunningham

Karen Cunningham, CPA, MST



Vice Chair

Michael Ganino

Dworken, Hillman, LaMorte & Sterczala



Staff Liaison

Liz Frazza

lizf@ctcpas.org

How can we maximize value for our members? What benefits should be added, enhanced, or eliminated? What will our future members look like and what benefits will best serve them and their companies and clients?

Education Exploration



Chair

Michael Maksymiw

Marcum



Vice Chair

Stacy Koehler

Goldblatt Bokoff



Staff Liaison

Lisa Bugryn

lisab@ctcpas.org

How can we continue to deliver high-quality education in an increasingly competitive marketplace? How can we expand to additional industries – strategic planning, project management, advisory/specialty services, etc.?

Future Professional Accountants



Chair

Stacy Koehler

Goldblatt Bokoff



Vice Chair

Michael Maksymiw

Marcum



Staff Liaison

Mark Zampino

markz@ctcpas.org

With 75% of today's CPAs expected to retire within 15 years, how can we help fill the pipeline? How do accountants and CGMAs fit into the mix? Should we include other professional accountants/advisory experts in our membership?

Governing Bodies



Chair

Vanessa Rossitto

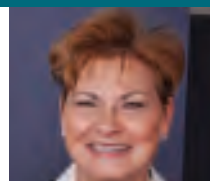
BlumShapiro



Vice Chair

Paul Iannone

Attorney at Law



Staff Liaison

Bonnie Stewart

bonnies@ctcpas.org

How can we strengthen our relationships with the State Board of Accountancy, IRS, DRS, FASB, and others? How can we leverage these relationships to provide more value to our members? What is the future of self-regulation such as peer review?

Technology



Chair

Dana (Rick) Richardson

Richardson Media & Technologies



Vice Chair

Mark Torello

Whittlesey Technology



Staff Liaison

Melissa Thompson

melissat@ctcpas.org

Artificial intelligence, blockchain, and data analytics are among technologies poised to disrupt "business as usual" in the profession and the world. How can the CTCPA become a resource to help members learn, adapt, and stay on the cutting edge?



MEMBER Groups and Meetings

CTCPA boasts 18 committees and councils, free regional professional education breakfast meetings, dinner programs, and more, providing specialized learning, collaboration opportunities, and professional connections not available anywhere else.

>> Free Members-Only Meetings

www.ctcpas.org/membermeetings



Torrington CONNECTION

Northwestern Connecticut Chamber of Commerce
8:30 - 10:30 a.m. • CPE Credits: 2 • Free

This Litchfield County/Greater Waterbury educational series features professional, regulatory, and economic topics.

What Your Small Business Needs to Know About Nexus Wednesday, July 18

Speaker: **Ryan V. Leichsenring**, Robinson & Cole

Save the date for these upcoming programs:

Wednesday, September 19 Wednesday, November 14



Easton CONNECTION

Easton Public Library, Easton
8:30 - 10:30 a.m. • CPE Credits: 2 • Free

This Fairfield County educational series features professional, regulatory, and economic topics.

Working with Connecticut Probate Courts Thursday, August 16

Speaker: Probate Judge **Domenick N. Calabrese**

Save the date for these upcoming programs:

Thursday, September 20 Thursday, November 15
Thursday, October 18 Thursday, December 20



Friday Focus for Members in Industry

CTCPA Education Center, Rocky Hill
8:30 - 10:30 a.m. • CPE Credits: 2 • Free

These free two-hour educational programs are designed for members working in business and industry.

Federal Pass-through Entities Under the Tax Cuts & Jobs Act Friday, August 17

Speakers: **Robert L. Day III**, **David O. Bigger**, and **Radhika Tahiliani**, Shipman & Goodwin

Save the date for these upcoming programs:

Friday, September 21 Friday, November 16
Friday, October 19 Friday, December 14



Technology Breakfast Roundtables

Pull up a chair with members of the Technology Council ready to help you with portals, cybersecurity, e-filing, and more. There is no need to register. Members purchase their own breakfasts.

Thursday, July 19 • 8:00 a.m.

New York Pickle Deli, Rocky Hill

Thursday, August 16 • 8:00 a.m.

Cristy's Luncheonette, Westbrook

Wednesday, September 19 • 8:00 a.m.

Riverdale Diner, Shelton

>> Committees and Councils

www.ctcpas.org/groups

Accounting and Reporting Standards Committee



This group is working to ramp up its efforts in reviewing and responding to exposure drafts, enhancing relationships between the CTCPA and regulatory bodies, and identifying and disseminating emerging issues to the membership.

Business and Industry Roundtable



This group features roundtable discussion of regulatory, compliance, and management issues, such as accounting standards, regulation, taxes, and the state's economy. Members in public accounting, law, etc. are also welcome to participate.

CFO/Controller Roundtable



Our new CFO/Controller Roundtable is a group exclusively for CFOs and controllers to meet and discuss issues, share ideas, and hear from experts. Recent discussions have included "lean" accounting and forming relationships with strategic partners.

Educators Council



We are working to revitalize our Educators Council in order to bring together accounting educators to share ideas and best practices and work with practitioners and accounting hiring managers on how to best prepare the next generation of accounting professionals.

Employee Benefit Plans Committee



This committee of diversified professionals including auditors, actuaries, third-party administrators, and attorneys meets for member-led roundtable discussion of issues affecting benefit plans, program audits, and employers.

Fairfield County Chapter



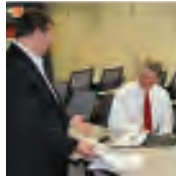
This group holds networking and educational meetings in locations across Fairfield County varying between breakfast, lunch, and evening timeframes. Recent meetings have covered cybersecurity and firm and business succession planning issues.

Federal Income Taxation Council



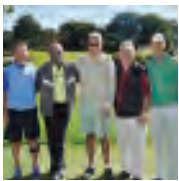
This group meets to discuss changes to and nuances of federal income tax laws and/or regulations affecting individuals, corporations, and pass-through entities. A recent speaker was Connecticut's IRS Senior Stakeholder Liaison Joe McCarthy.

Financial Institutions Council



These professionals working in the banking/credit granting industry (including CPAs in business and public accounting, regulators, and consultants) meet for discussion of industry trends, regulatory/legislative developments, and new pronouncements.

Golf Committee



In 2017, committee members raised \$29,380 to support scholarships and grants for aspiring Connecticut CPAs by securing sponsorships, raffle donations, and players for this high-quality tournament known for fun networking and friendly competition.

Governmental Accounting and Auditing Council



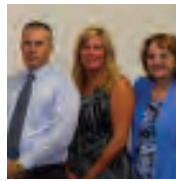
This group meets to discuss developments, new regulations, and compliance issues in the field of governmental accounting. Group members include both private sector finance professionals and those who serve them in public accounting.

Not-for-Profit Organizations Committee



The Not-for-Profit Organizations Committee invites presenters on accounting, auditing, taxes, and financial reporting subjects for not-for-profit organizations. Most recently the group heard from FASB Assistant Director – Nonpublic Entities Jeff Mechanick.

Peer Review Committee *Presidential appointment*



Committee members have been working extensively to determine the best way for CTCPA to move forward given the AICPA's new requirements for the administration of the peer review program and the launch of the PRIMA online portal.

Professional Ethics Committee *Presidential appointment*



Committee members meet to review ethics complaints against members. Cases where the committee believes they find violations of the Code of Professional Ethics are referred to the AICPA Professional Ethics Division.

Southeastern Connecticut Chapter



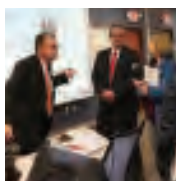
These networking and educational meetings are held in locations including Groton, Norwich, New London, and Waterford. Topics have included the state economy and state and federal tax updates.

State Taxation Committee



Members of this committee work together to navigate the regulatory, legislative, and judicial aspects of Connecticut tax compliance and offer insight on potential impacts of tax proposals and policies to the DRS commissioner and staff.

Technology Council



In addition to developing this year's new Cybersecurity Conference for CPAs, our technology gurus answer member questions on everything from cloud computing to tax software at monthly breakfast roundtable meetings around the state.

Trust, Estate, and Gift Taxation Council



The Trust, Estate, and Gift Taxation Council meetings feature speakers covering state and federal taxation of decedent's estates, trusts, and gifting strategies. Meetings also include discussion on a broad range of topics and provide networking opportunities.

Valuation, Forensic, Litigation Support Group



This group holds networking and educational dinner meeting such as a recent panel discussion on cybersecurity, breach readiness, and public/private sector partnerships led by a Stamford/Norwalk state's attorney, U.S. Secret Service agents, and Weston police.

New & Young Professionals Events **2018**

Learn more and register for these events at www.ctcpas.org/nyp.

These programs are open to members aged 35 and younger.



Thursday, August 2 • 6:30 - 8:30 p.m.
Two Roads Brewery Tour and Tasting
Two Roads Brewery, Stratford



Saturday, August 18 • 10:00 a.m. - 2:00 p.m.
Charity Kickball Tournament
Norton Park, Plainville



Thursday, September 27 • 6:00 - 9:15 p.m.
Moonlight Ziplining
EMPOWER Leadership & Adventure Center, Middletown



Thursday, October 11
Golf Scramble
Location: To be determined – Stamford area



Thursday, October 25 • 6:30 - 8:30 p.m.
Trivia Night
Bobby V's Trivia, Windsor Locks



Thursday, November 15 • 8:30 a.m. - 4:30 p.m.
New and Young Professionals Leadership Conference
CTCPA Education Center, Rocky Hill



Thursday, December 6 • 6:30 - 10:00 p.m.
Mingling & Merriment Holiday Party
Society Room of Hartford, Hartford



Breakfast Roundtable Meetings

We've expanded our popular breakfast roundtable meetings at locations in Hartford, New Haven, and Fairfield counties. Each program includes breakfast, a brief professional development speaker, and informal networking.

Tuesday, July 24 • 8:15 - 9:15 a.m.
Networking with a Purpose

Location: CTCPA Education Center, Rocky Hill
Speaker: Bonnie Stewart, CTCPA

Wednesday, September 12 • 8:15 - 9:15 a.m.
Blockchain and Bitcoin in Business

Location: CTCPA Education Center, Rocky Hill
Speaker: Michael Lunta, ADNET Technologies

Tuesday, September 25 • 8:00 - 9:00 a.m.
New Haven-Area Breakfast Meeting

Location: To be determined – Shelton/New Haven area

Tuesday, December 4 • 8:00 - 9:00 a.m.
Fairfield-Area Breakfast Meeting

Location: To be determined – Fairfield area

Thursday, December 13 • 8:15 - 9:15 a.m.
How to Manage That Critical Inner Voice

Location: CTCPA Education Center, Rocky Hill
Speaker: Maureen Gemme, Emerge Leadership Academy

We're looking for the profession's emerging leaders!

CTCPA **New & Young Professionals**
to **Watch**

Are you an up-and-comer in the accounting profession or do you know someone who is?

Submit a nomination for our New and Young Professionals to Watch award program showcasing new and aspiring CPAs (aged 35 and younger) who have distinguished themselves as go-getters in the accounting profession.

>> www.ctcpas.org/watch



30%
of phishing messages
get opened by
targeted users.

12%
of those users click
on the malicious
attachment or link.

Read more about spear phishing attacks targeting finance professionals on page 14.

Source: Verizon Data Breach Investigations Report



Noncash fraud schemes, a category that includes inventory theft, are among the most common types of frauds, accounting for

19%
of all asset
misappropriation schemes.

Read more about preventing complex inventory frauds on page 22.

Source: The Association of Certified Fraud Examiners Report to the Nations on Occupational Fraud and Abuse



Nearly
10%
of accounting firm
revenues are from
client accounting
services and virtual
CFO services.

Read more about how to meet client needs while managing the risks on page 20.

Source: AICPA National Management of an Accounting Practice Survey

Important CTCPA Peer Review Program Changes

CTCPA Staffing Changes

Bonnie Olivieri retired from her work as the CTCPA's Peer Review Administrator this spring. Bonnie's efforts on behalf of and pride in the program will be sorely missed. **Lynette Lindner** and **Julie McNeal** have stepped in to learn the program and aid you with its requirements.

Major Changes to the AICPA's Peer Review Program – PRIMA

In 2017, the AICPA stopped the paper version of Peer Review and moved to PRIMA, a cloud-based program. Firms are required to use PRIMA to provide their firm's staffing and engagement summary, scheduling form, and workpapers. Lynette and Julie are available to help you navigate PRIMA

One purpose of the program is to increase consistency between administering entities throughout the country. Another purpose is to increase timeliness of reviews.

>> Have Questions? We're Here to Help!

Julie McNeal: 860-258-0236 • juliem@ctcpas.org
Lynette Lindner: 860-259-1062 • lynettel@ctcpas.org

Find more online at www.ctcpas.org/peerreview.

Timeliness of Reviews:

Extensions required 60 days in advance of the peer review due date.

The Peer Review standards allow due date extensions only when requested 60 days in advance of the firm's due date. Moving toward conformance with the standard, the CTCPA's Peer Review Extension Subcommittee weighed the benefits of compliance against placing added pressures on firms and peer reviewers.

The subcommittee acknowledges our current change environment and have been granting extensions requested inside the 60-day window; however, in our efforts to comply with AICPA benchmarks, we need to revisit our position on granting extensions.

For the balance of 2018, the extension subcommittee will continue to evaluate each request on a case-by-case basis.

Beginning January 1, 2019, extension requests received less than 60 days before the peer review due date will be given greater scrutiny. The CTCPA Peer Review Extension Subcommittee will apply the AICPA guidance, available at www.ctcpas.org/peerreview.



Today's Sophisticated Spear Phishing Attempts Are Personally Targeting Finance Professionals

Here's how to protect yourself and your business.

By Tim Weber, Director of Infrastructure Services, and Amy Zimmermann, Security Intern, ADNET Technologies

We're much more informed than we used to be when it comes to email security – there's widespread education warning users of the dangers of clicking on a suspicious link in an email they weren't expecting. The "spray and pray" technique where hackers send as many fraudulent emails as possible isn't providing the payout it used to.

Unfortunately, as we become smarter about cybersecurity, the bad guys do, too. That's where spear phishing comes in.

What Is 'Spear Phishing'?

"Spear phishing" is a more sophisticated form of phishing. While it still relies on social engineering techniques to trick people into sharing private information or opening malware-infected files or websites, it's far more subtle.

Regular phishing involves sending generalized emails to as many people as possible, often masquerading as a large financial institution or retailer. Spear phishing, however, targets specific people or organizations. Attackers send an email that appears to come from a legitimate source asking for information, indicating a link that should be clicked, or asking someone to wire money or pay an invoice that isn't real.

Right here in Connecticut in 2017, we saw attacks where human resources employees at two different school districts emailed out W-2 information

Regular phishing involves sending generalized emails to as many people as possible, often masquerading as a large financial institution or retailer. Spear phishing, however, targets specific people or organizations.

on thousands of employees after being tricked by an email that appeared to come from another school system employee. In both cases, the W-2 information was used to file fraudulent tax returns.

How Does It Work?

The key for hackers is to find the information on your company that's already out there, available for anyone to see. Maybe they got the CEO's contact information from your company website, or the human resources manager had an email address publicly displayed on LinkedIn. Once they have that information, all that's left to do is to research the company a little bit more to make the message seem as legitimate as possible, establish an email address that looks realistic, and go on the hunt.

In most cases, the attacker will target specific people in your company – typically employees in finance, human resources, or others who have access to sensitive information. The attacker will impersonate the CEO or someone else high up in the organization.

Because the message is well-thought-out and thoroughly researched, victims are much more likely to be deceived.

Often the attacker will use tricks to get the victim to respond promptly and without too much thought by creating a sense of urgency around the request. We've seen cases where the attacker has done sufficient research to know when the CEO is on vacation and has sent the request along with a note saying "Hey, can you take care of this quickly for me?"

We get so much email these days that we need to go through it fast to keep up. That's what the bad guys are counting on. The goal is to get the recipient to comply with the request without taking time to ask questions or perform additional follow-up.

Why Is It Used?

With targeted spear phishing, hackers are much more likely to "catch" the unsuspecting "fish." Even if they only get the "smaller fish" within the company, they can then use what information and access they have to work their way up.

For example, if hackers successfully trick a receptionist into giving away login information, they can then take over the receptionist's email account and use it to send emails to company higher-ups. An email coming from an actual email address from someone in the company is more likely to be trusted.

How Can We Be Prepared?

Because spear phishing attempts are carefully created and focused on specific details, it can be much harder to spot nefarious attempts. The best defense is employee education. Employees must be taught to be suspicious of anything asking them to click a link, send sensitive information, or transfer funds.

If you're not expecting an email with a certain type of action request, always check with the supposed sender before you answer or do anything. Carefully check email domain names and keep an eye out for odd vocabulary or misspellings – these can be indicators of a fake email. Never blindly trust an email just because it "seems" legitimate.

To avoid financial losses associated with these types of attacks, organizations must put good controls in place. Never, ever move money based on only an email request. Always confirm

To avoid financial losses associated with these types of attacks, organizations must put good controls in place. Never, ever move money based on only an email request. Always confirm through another method – face to face, voice, or even text.

through another method – face-to-face, voice, or even text.

Also, keep a close eye on anything that comes through your company's online "contact us" forms. Beware of requests for financial information, individuals seeking quotes for products to be shipped outside the country, or orders of expensive products in unusually large quantities. If you receive something like this, always double check before sending the quote, information, or products.

Phishing attacks are evolving every day. We must pay careful attention to everything we do and everything we receive to stay ahead of the bad guys. Don't get speared!



Tim Weber is the Director of Infrastructure Services at ADNET Technologies in Farmington. He works with clients

to develop their overall IT vision with the goal of creating a manageable and secure infrastructure, balanced efficiency in operations, and redundancy and security. While providing strategic guidance, Tim and his team also work to implement security and disaster recovery best practices, develop standards and IT service levels, and establish IT governance models. He can be reached at 860-409-1700.



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Embracing Ambition: Women in Accounting Leadership

The "Fearless Girl" statue in New York City. Photo by Anthony Quintano.

Last fall we brought you the *Connecticut CPA* feature, "Women in CPA Firm Leadership: Where They've Been, Where They're Headed, and Advice for the Next Generation." In this second half, we'll take a deeper dive into some of the profession's "fearless leaders" and the programs and initiatives they're helping take shape.

Read part one of the article at www.ctcpas.org/femaleleaders.

By Joseph A. Tarasco, Chief Executive Officer and Nancy A. Damato, President, Accountants Advisory Group, LLC

In 1994, **Stacey Cunningham** started as a summer intern on the trading floor of the New York Stock Exchange (NYSE); in 1996 she began her career there as a floor clerk; and on May 25, 2018, she became the first female president of the NYSE in its 226-year history. This appointment took place more than a half century after **Muriel Siebert** became the first woman to own a seat on the NYSE. Cunningham, who represents a new generation of leadership for the NYSE Group, has said that "... Muriel paved the way. I think it's just really important to recognize that any time a woman pushes the boundaries and redefines the boundaries, she's redefining them for everyone else that follows her."

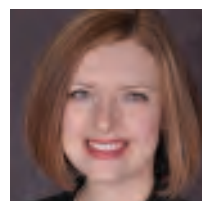
During a *Today Show* interview with Savannah Guthrie, Cunningham said, "I do look forward to the day when a woman taking a job isn't newsworthy, but we aren't quite there yet." When Guthrie asked, "What is your message to young women who look at you and see some possibilities for themselves that they might not have seen before?"

Cunningham replied, "Embrace it – embrace ambition."

"I have been very fortunate to have had mentors who have pushed me," Cunningham added.

As she embraces her new role, Wall Street's "Fearless Girl" statue, a symbol of female empowerment, now stands proudly at the entrance to the NYSE. Cunningham said, "There are so many 'fearless girls' in all of us and examples all around us. Finding that spirit where you're willing to go out and take on the world is really important, and we all have to do that."

Moving Up The Ranks



Susan Martinelli was named RSM's New Haven office managing partner and was elected president of the CTCPA.

Closer to home, Connecticut has its share of "fearless women" in the accounting profession. Since part one of this article appeared,

When asked about her priorities as CTCPA president, Susan said she is "continuing to focus on engaging current membership, attracting new membership and talent to the profession, and building the pipeline through outreach efforts, which are all currently in process."

She added, "Over the next year, I will also work with the society to continue strategic planning efforts to help better position the organization for the future. The profession will experience significant change over the next few years. For example, succession planning is a major focus area for all firms. If women represent approximately half of the talent pipeline of future leaders, we all need to evaluate how we are leveraging talent in the profession. At the CTCPA, several successful female leaders have had influential roles in the society, including past presidents. There can be different challenges for women at various stages of their careers and having a network of resources is key. We might want to consider a coaching network through the CTCPA to of-

fer support and perspective for women navigating those stages.”

In her role as RSM’s New Haven office managing partner, Susan discussed the firm’s employee networking groups, one of which focuses on exercising and promoting “Stewardship and Teamwork resulting in the Advancement and Retention” (STAR) of RSM’s women. STAR promotes advocacy, mentorship, and provides professional development to employees, including networking, business development, and growth opportunities, and recruiting on campus and for experienced hires.

STAR also participates in conferences throughout the U.S. that focus on women, such as the AICPA Women’s Global Leadership Summit. Sue has participated in STAR panels designed for RSM employees, and she said that “overall, my goal is to provide equal opportunity for advancement to all of our New Haven-area employees, and to ensure we fully engage our professionals to have a talent pipeline to fill our needs.”

Providing Support Through Organized Groups and Policies



Renata Howard is a partner in the Citrin Cooperman Norwalk office and a member of the firm’s Women’s Initiative Committee. Started

approximately three years ago, this firmwide committee comprises more than 20 women, and a few men, from partner through staff level.

Subcommittees address various initiatives, such as developing and implementing a parental leave policy where new mothers receive up to 12 weeks of paid time off, depending on their years of service. Another group created a “Mentoring Mom Program,” where more experienced moms within the firm are available to provide guidance and insight to new moms. An adoption assistance program was established to provide benefits for child adoption and to explore creating specialized training initiatives within the firm.

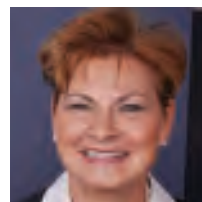
Renata is part of a subcommittee that focuses on internal training to support

women’s networking skills. The group also hosts events with Connecticut law firms that have similar women’s initiative programs.

There are many benefits of this committee, including recruitment of talented female candidates and retention of valuable employees. Renata explained that “the firm really stands behind this initiative and more women will stay and be in leadership roles at the firm. It is really nice to work at a firm where there is great support from the top.”

She adds that “although this committee has only been in existence for a few years, we have made a lot of progress and done great things. The next stage will be further development and fine tuning. I am glad to be here and part of this initiative and look forward to seeing where we go next.”

Female Leadership In Action at the CTCPA



Bonnie Stewart, herself the first female executive director of the CTCPA, is proud of the society’s strong group of female leaders.

She explained, “We have many women in leadership here at the CTCPA to serve as role models for our younger

“I surround myself with good people who have helped me along the way; mentors, coaches, and others who have guided me – I think that’s critical to anyone’s career.”

Susan Martinelli, RSM US

members. These new and aspiring CPAs can be inspired by leaders like our newly installed President Susan Martinelli, who was just named the office managing partner of a national firm, and our Treasurer **Marie Benedetto**, a business owner who is helping lead our new strategic planning initiative to ensure we remain at the forefront of emerging opportunities in today’s rapidly changing landscape.”

Bonnie continued, “We are also seeing many young women moving up in a progression through our leadership ranks, such as **Katherine Patnaude** of PKF O’Connor Davies, who served as a member of the Advisory Council, then became chair of our New and Young Professionals Cabinet, and subsequently became chair of the Accounting Scholarship Foundation. I know we have more great things to come in the future from Katherine and many young women like her.” ▶

CTCPA President and RSM New Haven office managing partner Susan Martinelli (center) participates in a recent CTCPA Advisory Council meeting.



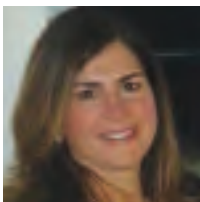
(continued)

We spoke with female leaders from across the state to hear some of their experiences, challenges, and advice to the next generation:

What were some of the key factors to your success?



Heather Ziegler, managing partner of Deloitte's Stamford office: "My key success factors involve three actions: focusing on personal well-being, seeking and cultivating mentoring relationships, and not shying away from a challenge."



Amelia Caporale, managing partner of EY's Hartford office: "You need opportunities to learn, leadership who believes in you, and supportive people around you – both in leadership and family."



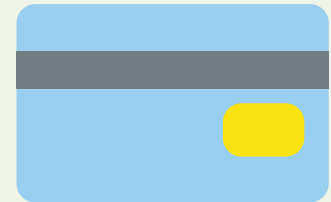
Susan Martinelli, managing partner of RSM's New Haven office: "I seek constructive feedback, new perspectives, and opportunities to enhance my self-awareness and skills to further develop and improve as a professional. I also surround myself with good people who have helped me along the way; mentors, coaches, and others who have guided me – I think that's critical to anyone's career."

Who do you admire in the accounting profession today?

Heather said that she greatly admires **Cathy Engelbert**, CEO of Deloitte, who became the first female CEO of a big four organization. "Cathy is a highly technical accountant who also has amazing leadership skills. She is a leader who can navigate through complex matters like derivatives and then turn around and make powerful connections with people regarding their careers and well-being. I am greatly inspired by her success and how she interacts with Deloitte's partners, principals, directors, and professionals, in addition to the external marketplace."

Amelia said that there are many female leaders she admires. She is particularly impressed by women in the profession who are trying to balance their work/family life, especially those in leadership positions. "As I'm sure most can attest, it requires a great deal of work, energy, and persistence. There's no doubt it is extremely hard to manage it all."

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What is the best advice you have for women in the profession who have leadership aspirations?

Heather: “Some of my best experiences were assisting clients that needed the most help, that had the most daunting challenges to solve. Looking back, those are the most defining experiences of my career, and I’m glad that I jumped in, persevered, and embraced the challenging assignments.”

Amelia: Amelia suggests that, in addition to having mentors, women need to have sponsors who are highly respected in the organization, who will look for opportunities to showcase your skills and abilities. “You can have a million mentors, but you need to seek out sponsors who will support you, wave a flag at the table for you, find opportunities for you, and encourage you to grow – that makes a huge difference.”

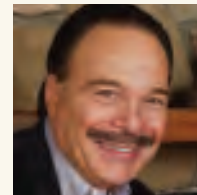
Susan: “Surround yourself with supportive people, and they’ll look out for you. Mentors and coaches are critical to your success and in your career. It’s important to find people who you admire and will be your advocates – male or female. If you aspire to be a partner, make sure your values are aligned with your firms’ values. Believe in yourself, do your best, and do what is right for you and your family. If there is something holding you back in a particular area, try to improve. Be open to constructive feedback. Care about the people around you, because they’ll help support you, too.”



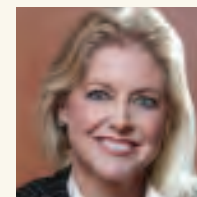
CTCPA New and Young Professionals Cabinet Chair Katherine Donovan (left) of Whittlesey and Treasurer Marie Benedetto of Marie L. Benedetto, CPA, MST; Innovative Business Solutions work with fellow members at a recent leadership brainstorming session.

“Some of my best experiences were assisting clients that needed the most help, that had the most daunting challenges to solve. Looking back, those are the most defining experiences of my career.”

Heather Ziegler, Deloitte



Joe Tarasco co-founded the Accountants Advisory Group, LLC to assist the leaders of today’s public accounting firms in structuring and managing their practices to increase profitability, maximize value, and achieve long-term success by consulting in all areas of firm practice management, including succession and strategic planning, firm governance, mergers and acquisitions, partner compensation structure, practice development, facilitating partner retreats, and leadership consulting. Joe was selected as a “Top 10 Most Recommended Consultants” by INSIDE Public Accounting in 2017. He can be reached at 845-265-9046 or joe@accountantsadvisory.com.



Nancy A. Damato is the co-founder and president of Accountants Advisory Group and the senior consultant, marketing and business development. Nancy has 30 years of accounting firm marketing experience, including marketing leadership positions with two Big 4 firms, a large national firm, and a medium-size regional firm, and in marketing advisory roles with many firms of various sizes. She can be reached at 845-265-9046 or nancy@accountantsadvisory.com.



Does Your Firm Provide Outsourced CFO Services?

Meet client needs while managing the risks

By Alvin Fennell III, Vice President of Underwriting and Joseph Wolfe, Risk Management Consultant, Aon Affinity

Client accounting services has been emerging as a significant revenue category for CPA firms of all sizes, according to the most recent AICPA National Management of an Accounting Practice Survey. The survey estimates that nearly 10% of accounting firm revenues are from client accounting services and virtual CFO services.

The slice of net client fees represented by that service area, which includes outsourced finance and accounting services and other back-office support for clients, more than doubled to 9% for the largest firms with annual revenue of \$10 million or more who are active in this area.



Nearly **10%** of accounting firm revenues are from client accounting services and virtual CFO services.

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

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

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

An Old Issue, Now an Emerging Risk

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

“The good news,” Mackunis said, “is that CPAs do not have to decline this type of work. It is possible for a CPA to render the services needed by the client, but practitioners should seek guidance in addressing the liability exposures and framing their role before agreeing to perform these services. The client may not fully understand what services they need. They may need consulting and controller-type services to manage day-to-day accounting and tax functions, rather than a CFO. When CPAs frame the engagement as consulting, accounting, and tax services, they minimize the risk

that the client will expect them to assume management duties or perform management functions. Once the client considers you a decision-maker, the liability exposure changes.”

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

Risk Management Guidelines

Be specific when you market your services.

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

Do NOT make management decisions.

Stay in your consulting role. Provide written recommendations to the

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

Do NOT sign contracts for the client.

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

Clarify your role in your engagement letter.

Engagement letters should clearly define the scope of services to be rendered. Clearly state the professional

standards that apply to the services to be performed. In most cases, these will be the Statements on Standards for Consulting Services (SSCS) and the Statements on Standards for Tax Services (SSTS). During the engagement, the client may also request that financial statements be prepared or compiled for their use; these services are subject to the Statements on Standards for Accounting and Review Services (SSARS). When new services are added, issue an updated engagement letter describing them and listing the applicable standards. Have the client sign the letter before rendering these services.

Stay within your scope of service.

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

Conclusion

“My client is a friend. They would never sue me.”

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

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

Alvin Fennell III is the vice president of underwriting at Aon Affinity. Joseph Wolfe is a risk management consultant working with Aon Affinity. Previously he worked with the program’s underwriter, CNA. For more information, visit www.cpai.com. This article is provided for general informational purposes only and is not intended to provide individualized business, risk management, or legal advice.



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Five Steps to Prevent Complex Inventory Frauds

Fraudsters are becoming increasingly creative.

Here's how small and medium-sized enterprises in the manufacturing sector can guard against losses.

By Cecilia Locati, FCMA, CGMA, Director, Fraud Fence

When we think about inventory theft, we often think of a sales assistant stealing a product from a shop stockroom or an employee carrying away items from a warehouse. Although these are common forms of theft, more complex cases of inventory fraud affect manufacturers, too.

Noncash fraud schemes, a category that includes inventory theft, are among the most common types of frauds, accounting for 19% of all asset misappropriation schemes, according to the 2016 Report to the Nations on Occupational Fraud and Abuse by the Association of Certified Fraud Examiners (ACFE). They are second only to billing schemes, which account for 22% of all asset misappropriations.

The following real-life case study shows how creative fraudsters can be when it comes to inventory theft. (The names of the company and individuals have been changed.)

Inventory Theft at ChocolateCo

ChocolateCo is a family-owned manufacturer of luxury handmade chocolate bars. The business was founded at the end of the 19th century and is still owned by direct descendants of the founding family.

At the time of the fraud, the company was owned and managed by Luke. As general manager, Luke spent the majority of his time looking after the finance, marketing, and sales figures; purchasing and production activities were managed by Adam. After 30 years on the job, Adam was appointed production and purchasing manager after Luke's father retired. Adam was highly regarded and trusted by Luke, given his long service.

The accounting and finance tasks were handled by a small finance team that was mainly focused on accounting, taxes, and preparation of financial reports. Every quarter Luke and Adam would meet briefly to discuss the performance

of the past quarter. The discussion was based on a report prepared by the finance team that included a few key figures (sales, margins, cash, and inventory balances), comparative figures from the previous quarter, and a brief explanation of the most significant variance between the figures.

The organization of the warehouse was straightforward: A purchasing assistant oversaw the buying of the raw materials to make the chocolate bars, the warehouse team was in charge of receiving goods and performing quality controls on the materials received, and the production team managed the machinery to produce the final product. In addition, Adam also managed a small team of drivers who were in charge of dispatch and delivering the goods to ChocolateCo's clients.

At the end of every afternoon, Adam would record in the system how much raw material was used and how many bars were produced that day. He would then print out the delivery notes for that

evening and hand them over to the delivery team. Once drivers received their papers, they would load their trucks and deliver their products to the customers.

Adam was the only member of the production team with access to the company system, thus he was the only one with insight into the exact input and output figures. After some time, the accounting manager began to suspect that these numbers did not add up.

This came to light when a production team member remarked on the number of bars produced that day to her friend, the accounting manager, over dinner. The number simply did not resonate with the accounting manager; she had checked the stock level and the daily production before leaving the office that evening to prepare the quarterly report.

The following day, when she confirmed that the production yield recorded the previous day did not match the number mentioned by her friend, she suspected a larger problem. She tracked these numbers over the next few days, and once she was sure there were inconsistencies, she went to speak to Adam about the problem. Adam stated that the numbers in the system were correct as he counted the bars personally; however, the accounting manager still thought there was a problem and went to speak directly with Luke about the discrepancies.

The accounting manager explained the situation to Luke and told him that she suspected that a production operator was stealing the missing bars before Adam could account for them in the system.

Based on these suspicions, Luke hired a fraud investigator. He did not mention it to Adam in an attempt to prevent any change in his behavior that might alert those members of his team who were involved. The investigator advised Luke to perform a surprise inventory count before the delivery trucks left the plant at the end of the day.

To prevent fraud, employees involved with the production process should not be involved with the shipment process.

This surprise count revealed that several boxes of bars that had been loaded onto one of the trucks were not accounted for at all in the warehouse system. The driver of this truck quickly confessed that he had been defrauding ChocolateCo with Adam's help.

He went on to explain that each day, Adam recorded 10 kilograms of chocolate less than the actual weight of production for the day (e.g., if 1,000 kilograms were produced, he inputted 990 kilograms). The driver would then load his truck with the number of bars indicated in the delivery notes, which were handed out by Adam, plus an additional 10 kilograms. These additional bars, which had never been recorded in the

warehouse system, were then delivered and sold to a third party by the driver, and the proceeds were split between the driver and Adam.

Based on the figures provided by the driver and later confirmed by Adam, the pair were able to steal goods with an estimated total value of about \$197,000 over three years.

How did fraud on this scale happen? It turns out that concealing it was, in fact, quite easy. Nobody in the warehouse other than Adam had access to the company IT system. Adam was the only one who recorded inbound and outbound production volumes for the day, and he was also the one who checked that the outbound deliveries were accurately prepared by the drivers. The quarterly reports discussed with Luke included just two figures related to inventory: the total value of the raw materials and the amount of finished goods stock at quarter end. ▶



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(continued)

As Luke's only concern was having enough stock to fulfill orders, he found this information to be adequate and didn't ask any further questions. Furthermore, Adam decided when to do the periodic stock count, so he made sure that no extra bars were left in the warehouse beforehand.

The two fraudsters were immediately fired. They agreed to repay the amount; however, neither party did so in the end. The driver was already in debt in an attempt to finance his lavish lifestyle and very little was recovered from Adam, leaving ChocolateCo to take the financial hit.

How Can Manufacturing Companies Protect Themselves?

Manufacturing companies should focus on the following key areas to prevent inventory fraud:

Segregation of Duties

The lack of segregation of duties played a key role in the ChocolateCo case, as Adam performed a number of conflicting tasks.

To prevent fraud, employees involved with the production process should not be involved with the shipment process.

After the fraud case, ChocolateCo reorganized its warehouse team, creating separate supervisor roles for the production and shipping processes.

The production supervisor was responsible for entering production input and output figures in the system. The plant manager who replaced Adam did not have writing access to the system; he checked and validated the data inputted and edited by the production supervisor after having verified their accuracy.

In the delivery team, the shipping supervisor checked the accuracy of every shipment prepared by the delivery team, and, in addition, the plant manager performed random checks on a sample of shipments.

The element of surprise is an excellent deterrent, and surprise inventory counts can be used as an effective procedure to prevent and detect fraud.

Production Yield Analysis

Production yield, the difference between actual output and standard output based on standard inputs of materials and labor, would have been a useful indicator of the efficiency of the production process. If ChocolateCo had used this metric regularly, it would have been clear that based on the raw materials used, the annual output should have been approximately 2,600 kilograms higher, and the fraud could have been detected much sooner.

Management Reporting Process

The lack of a structured management reporting process allowed fraud to take place within ChocolateCo. Luke and Adam's quarterly meetings were informal, brief, and not detailed enough for proper fraud prevention. If the operational and financial performance variances had been properly monitored, the fraud would have come to light much sooner.

After this incident, a detailed management reporting package including specific key performance indicators (KPIs) for each department was implemented, and the quarterly review meetings were extended to include the heads of relevant departments including sales, marketing, and finance. The meetings follow a structured agenda, and all the KPIs are reviewed in detail and cross-checked by the heads of each department. In addition, the actual performance is compared with a newly created budget.

Surprise Stock Counts

The first piece of advice from the fraud investigator in this case study was to

perform a surprise stock count that immediately led to the discovery that bars were missing. The element of surprise is an excellent deterrent, and surprise inventory counts can be used as an effective procedure to prevent and detect fraud. Predictable controls can be easily eluded; the knowledge that the likelihood of getting caught is higher would make fraudsters think twice.

According to the ACFE report, surprise audits can reduce the average loss due to fraud from \$195,000 to \$100,000, a reduction of 49%. Furthermore, surprise audits can halve the average duration of the fraud from 24 months to 12 months.

Automated Production Process

The machinery used by ChocolateCo had no interface with the enterprise resource planning (ERP) system, i.e., the equipment did not record the amount of raw materials used during the production process or the number of bars produced. These two numbers were accounted for manually by Adam, allowing room for fraud to occur.

Manual processes are more prone to errors and fraud. The use of production machinery that is seamlessly integrated with the company's ERP helps to prevent this type of fraud. Nowadays the most advanced production machines are able to measure input and output and automatically update the company's system.

Cecilia Locati is director of Fraud Fence, a consultancy that advises companies on internal fraud prevention. She can be reached at cecilialocati@fraudfence.co.uk. This article first appeared in Financial Management magazine. For more articles, sign up for the daily email update, CGMA Advantage, at <http://bit.ly/2svn2AY>. ©2018 Association of International Certified Professional Accountants. All rights reserved.

2018 CPE Calendar

WEBINARS Can't leave the office for a seminar? Try a webinar.

Date	Starts	Ends	Title	Express Code	Member/Nonmember	CPE Hours
July 2018						
7/16	1:00 p.m.	3:00 p.m.	After Tax Reform: Capitalization, Depreciation, and Disposition	CPAX0395	\$79/\$114	2
7/16	10:00 a.m.	12:00 p.m.	After Tax Reform: New Choice of Entity Decision	CPAX0394	\$79/\$114	2
7/17	10:00 a.m.	12:00 p.m.	After Tax Reform: Real Estate Tax Update: Key Changes for Investors and Owners	CPAX0401	\$79/\$114	2
7/17	1:00 p.m.	3:00 p.m.	After Tax Reform: Tax Depreciation: Current Developments and Update	CPAX0400	\$79/\$114	2
7/18	3:00 p.m.	5:00 p.m.	Cybersecurity Series: Email Threats and Protection	CPAX0407	\$79/\$114	2
7/18	1:00 p.m.	5:00 p.m.	Ethics: 10 CPAs Behaving Badly	CPAX0406	\$129/\$194	4
7/19	1:00 p.m.	4:30 p.m.	Surgent's Guide to the New Revenue Recognition Model for All CPAs	REV4719	\$139/\$204	4
7/19	11:30 a.m.	7:30 p.m.	Surgent's Individual and Financial-Planning Tax Camp	IFCP0719	\$259/\$384	8
7/20	9:00 a.m.	5:00 p.m.	Surgent's Compilations, Reviews, and New Preparations: Engagement Performance and Annual Update	CRAU0720	\$259/\$384	8
7/20	11:00 a.m.	3:00 p.m.	Rita Crundwell: Largest Municipal Theft in U.S. History	CPAX0416	\$129/\$194	4
7/23	9:00 a.m.	11:00 a.m.	After Tax Reform: Business Tax Update and Recent Developments	CPAX0429	\$79/\$114	2
7/23	9:30 a.m.	5:00 p.m.	GAAP Update	CAL0175	\$245/\$370	8
7/24	1:00 p.m.	3:00 p.m.	New Partnership Audit Rules	CPAX0433	\$79/\$114	2
7/24	1:30 p.m.	5:00 p.m.	Surgent's Guide to Payroll Taxes and 1099 Issues	GPT40724	\$139/\$204	4
7/25	11:30 a.m.	3:00 p.m.	Accountancy Laws, Ethics, Taxes, and Financial Reporting Review: Ethics	CAL0184	\$120/\$185	4
7/25	5:00 p.m.	6:40 p.m.	K2's Advanced Excel Functions and Formulas	CAL0181	\$60/\$95	2
7/26	2:00 p.m.	4:00 p.m.	Financial Reporting: Assets and Liabilities (U.S. GAAP vs. IFRS)	CAL0189	\$60/\$95	2
7/26	1:00 p.m.	3:00 p.m.	Partnership Investments: How to Calculate the Owner's Basis	CPAX0445	\$79/\$114	2
7/27	2:00 p.m.	4:00 p.m.	College Financial Planning: Student Loans	CAL0197	\$60/\$95	2
7/27	11:30 a.m.	1:30 p.m.	Data Visualization with Excel	CAL0196	\$60/\$95	2
7/27	11:00 a.m.	1:00 p.m.	Tax Ethics: Best Practices for Today's CPA	CPAX0451	\$79/\$114	2
7/27	9:00 a.m.	5:00 p.m.	The Best Federal Tax Update Course by Surgent	BFTU0727	\$259/\$384	8
7/30	2:00 p.m.	4:00 p.m.	Detecting and Preventing Travel and Entertainment Fraud	CPAX0463	\$79/\$114	2
7/31	2:30 p.m.	4:00 p.m.	FASB Update: What's New?	CAL0209	\$45/\$75	1.5
7/31	1:00 p.m.	3:00 p.m.	Retirement Penalties and Rollover Issues	CAL0205	\$60/\$95	2
August 2018						
8/1	1:00 p.m.	4:30 p.m.	Surgent's Guide to the New Revenue Recognition Model for All CPAs	REV40801	\$139/\$204	4
8/1	12:30 p.m.	2:00 p.m.	Business Intelligence Analytics: Make Sense of Your Data	CPAX0477	\$64/\$94	1.5
8/2	2:00 p.m.	4:00 p.m.	1041 Preparation of Estates and Trusts	CPAX0485	\$79/\$114	2
8/2	9:00 a.m.	5:00 p.m.	Surgent's Complete Guide to Payroll Taxes and 1099 Issues	CGPT0802	\$239/\$364	8

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Welcome, New Members!

We're pleased to welcome the following individuals to CTCPA membership:

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Company Moves and Promotions

Send your news of firm moves and promotions to **Caitlin Bailey O'Neill** at caitlinb@ctcpas.org.

Member in Action



Susan Martinelli

CTCPA President **Susan Martinelli** assumed the role of RSM US LLP's New Haven office managing partner. She has been with RSM for more than 17 years, serving a client base including financial institutions, financial services, real estate, nonprofit, employee benefit plans, and more. Sue is also a member of the board of directors for the New Haven area of Junior Achievement of Southwest New England.

Tiffany A. Williams joined the Glastonbury office of MahoneySabol as a supervisor in the audit department. In this new role, Tiffany will manage the audit fieldwork for clients as well as train staff.

Member in Action



Paul Iannone

CTCPA Advisory Council member and Federal Income Tax Council chair **Paul N. Iannone** has founded **Paul N. Iannone, Attorney at Law, LLC** in Hamden.

Marcela P. Osello joined Murphy & Company in Branford as tax and accounting director. Her depth of experience includes state, federal, and international tax, federal tax incentives, audits, and client representation before tax authorities.

Member in Action



Marcela Osello

Filomeno & Company, P.C. in West Hartford has merged into the Marcum New England region. In addition, **Filomeno Wealth Management, LLC**, joins as **Marcum Wealth Management, LLC**. The entire Filomeno team of four partners and 13 associates will join Marcum. **Thomas J. Filomeno** becomes office managing partner in West Hartford and partner-in-charge of Marcum Wealth Management, LLC. Marcum Connecticut offices now include West Hartford, Greenwich, Hartford, and New Haven.

UHY Advisors and **UHY LLP** have merged in **Del Conte, Hyde, Annelo & Schuch, P.C.** of Farmington.



Member News

Send your news to **Caitlin Bailey O'Neill** at caitlinb@ctcpas.org.

Member in Action



Leslie Zoll

BlumShapiro Principal **Leslie Zoll** was named a *Hartford Courant* Home-town Hero for her work with the Family Promise Center of Central Connecticut.

Leslie began working five years ago to create the first Connecticut chapter of Family Promise. Read more at www.ctcpas.org/zoll.

CohnReznick recently presented its annual Connecticut Community Impact report. CohnReznick CARES is a firm-wide initiative having a positive impact across the country. The report spotlights projects supported by the teams in the firm's Hartford and Stamford offices. Read the full report at www.ctcpas.org/CARES.

J. Allen Kosowsky recently earned the CERT Certificate in Cybersecurity Oversight, issued by Carnegie Mellon University's Software Engineering Institute, and the Cybersecurity Fundamentals for Finance and Accounting Professionals Certificate from the AICPA.

Member in Action



Sherri DiNello

Sherri DiNello, Southington Public Schools Director of Business and Finance, received the 2018 Celebrated School Business Official award from the Connecticut Association of School Business Officials. Sherri was lauded for her work in maximizing resources for the district including implementing a portal to streamline HR functions for employees, food service online payment options for parents, and more.

Sherri DiNello, Southington Public Schools Director of Business and Finance, received the 2018 Celebrated School Business Official award from the Connecticut Association of School Business Officials.



David Goldfarb was honored by the Jewish Federation of Greater Hartford at its 2018 Annual Meeting with the Henry M. Zachs Spirit of Judaism Award, given in recognition of "outstanding dedication and passion for bringing Jewish values to life now and for future generations," for his volunteer work with his synagogue, St. Francis Hospital and Medical Center, and the Bess and Paul Sigel Hebrew Academy. David served as chief financial officer for Connecticut Hospice, Inc. prior to his retirement.



Member Snapshots

We're looking for **your** snapshots!

Does your organization volunteer in the community, enjoy fun tax season treats, or run races for charity? Show us what you're up to! Submit your photos to **Kirsten Piechota** at kirstenp@ctcpas.org.

Crowe Participates in Firm-Wide Day of Service



The Crowe Simsbury office recently participated in a firm-wide day of service. Eighteen volunteers spent the afternoon at the Imagine Nation Museum and Early Learning Center – A Division of the Bristol Boys & Girls Club Family Center. Volunteers helped build shelves and organize items inside a remote storage facility, pulled weeds on the museum grounds, and helped the museum office staff with a thank you letter mailing campaign. The office also brought in lunch for all museum staff and donated 15 large storage bins.

BlumShapiro Helps Provide Career Advice to High School Students at Fifth Annual JA Career Walk



The JA Career Walk, as featured on Fox 61.

Nearly 30 students from West Hartford's Hall High School and Conard High School and Farmington High School got an inside look at the range of businesses and career opportunities in West Hartford Center in the fifth annual Junior Achievement (JA) Career Walk.

Created by BlumShapiro, PBI Financial Group, and JA of Southwest New England, the JA Career Walk seeks to prepare students for choosing a potential career by gaining a better understanding of job opportunities in their own community.

Participants from the three high schools visited a variety of West Hartford Center establishments – accounting, banking, finance, marketing, retail, and food and beverage.

Whittlesey Volunteers for Junior Achievement's 'JA in a Day'



Whittlesey team members from across all offices recently joined forces to volunteer for the Junior Achievement (JA) "JA in a Day." The event is part of JA's elementary and middle school program and consists of hands-on activities to help students understand business and economics and succeed in the global economy.

Team Whittlesey spent the day working with students ranging from kindergarten to seventh grade at DiLoreto Elementary and Middle School in New Britain. Volunteers led activities and conducted lessons on topics such as individual choices, business, entrepreneurship, and financial literacy.

Support scholarships for tomorrow's CPAs at the Accounting Scholarship Foundation Golf Tournament.

>> The CTCPA Educational Trust Fund is now the **CTCPA Accounting Scholarship Foundation!**

At the 2018 Annual Meeting, members voted to change the trust fund's name to the CTCPA Accounting Scholarship Foundation to more accurately represent the group and its mission.

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For more information or to become a sponsor, contact **Liz Frazza** at 860-258-0220 or lizf@ctcpas.org.

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Accounting Practice Sales – Current Listings: Litchfield County CPA grossing \$125K; Lower Fairfield County CPA practice grossing \$200K; Kent County RI CPA grossing \$80K. For more info regarding these listings or to sell your practice, contact Lori Newcomer, CPA and Tim Price, CPA at 888-553-1040 or PNgroup@APS.net, or visit www.AccountingPracticeSales.com.

CPA firm would like to buy all or part of your accounting, tax, or investment practice. Call Mark J. Mazzone of D'Agostino & Mazzone at 860-257-4005.

Merger Or Sale – Local Central Connecticut firm seeks sale or merger with area firm. Practice consists of tax and income tax basis financial statements services. Good client base. Respond to: r.c.central@hotmail.com.

We are a growing firm in Fairfield County interested in building the major practice in our market. Accordingly, we are exploring merger of affiliation with another strong firm (or individual). For a confidential discussion, please contact Tony Cirone at CironeFriedberg, LLP by phone at 203-798-2721 or email tcirone@cironefriedberg.com.

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Our popular event returns for the sixth year to help match top accounting majors at Connecticut colleges and universities with employers seeking interns or full-time hires.

>> Learn more and register:
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Recruit interns and employees with CTCPA's Guide to Connecticut Accounting Employers

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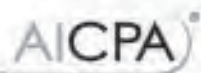
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