

September/October 2017

Connecticut CPA

Advocacy. Community. Education.



PROJECT MANAGEMENT for Accountants



How to manage projects upward or downward – and how tomorrow's leaders can start to build their management skills today *page 12*

A publication of the Connecticut Society of Certified Public Accountants



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**CTCPA
volunteers
needed!**

It doesn’t matter if you’re a seasoned professional or just starting out ... a long-time volunteer or ready to try something new ...

let your skills and talents shine while you make a difference!



Help with charity events or drives.

We’ve collected everything from food and books to coats and more, and walked to support causes in rain, snow, and sun. Want to join in?

alicias@ctcpas.org or 860-258-0217



Share your knowledge.

Show off your business and your expertise – put on your speaker hat and donate your time teaching at a conference or seminar, talking to an interest group, visiting a college or high school accounting class, or serving as an expert media source.

www.ctcpas.org/speakers



Serve on a local nonprofit board.

Local nonprofits frequently contact us looking for CPAs to serve in their leadership. Bring your financial know-how to a worthwhile cause through our matchmaking webpage.

www.ctcpas.org/nfpboards

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Editor's Note

Grassroots Advocacy Goes High Tech, High Touch

At a recent CTCPA Advisory Council meeting, **Patrick McGloin**, a vice president at Gaffney Bennett Public Relations, joined us to give a brief demonstration of the VoterVoice software he has used to conduct grassroots advocacy efforts.

After investigating several software options, CTCPA leadership opted to invest in the same technology for the CTCPA, thanks to generous financial support from the Connecticut offices of **Deloitte, EY, KPMG, and PwC**.

In fact, you may have noticed that we started using the VoterVoice system during the special state budget session in our campaign to oppose a sales tax on professional services and an increase in CPA professional fees.

VoterVoice allows you to quickly and easily send a meaningful message to your legislators in less than five minutes.

- When we identify a bill or proposal that might affect the profession and we need you to reach out to your legislators or others, **we'll send you an email with a link to a custom VoterVoice page.**
- Most of the time we'll ask you to contact the state legislators who represent your geographic area. **Using your address information, VoterVoice will identify your legislators and route your message directly to them.**
- Other times, depending on the situation, we may target our outreach to legislative leadership or members of a specific legislative committee, federal legislators, state regulators such as the State Board of Accountancy, or others. **We'll always let you know where the campaign is focused and where the system will send your message.**
- CTCPA will provide you with **specific talking points and facts** to mention. You can **customize your message any way you like** – a personal message is always the most effective type of outreach. It's very important that a legislator not receive several identical emails from CTCPA members in his or her inbox because it will minimize our impact.
- We can maximize the effectiveness of our campaigns by **monitoring which legislators have been contacted and where we need to focus additional outreach.**

In his presentation to the Advisory Council I mentioned above, Patrick McGloin stressed that when it comes to constituent outreach, a few minutes of time invested by many individuals can have a profound impact on the legislative outcome.

I think you'll find the new system to be both highly effective and user friendly. Thank you for your continued support as we advocate on behalf of Connecticut's accounting professionals.



Kirsten Piechota, Managing Editor



Political Movers & Shakers



Are you a political mover and shaker or do you know someone who is?

We'll be featuring more CPAs and accounting professionals involved with municipal, legislative, state, and federal office and campaigns in upcoming issues.

Do you hold public office or know a member who does? Are you working on a political campaign? Do you have a personal, business, or family relationship with an elected official?

Let us know! Please reach out to CTCPA Public Affairs Director **Mark Zampino** at markz@ctcpas.org.

CPAs Serving as Legislators, Treasurers, Candidates for Statewide Office Campaigns

CPA **Jason Perillo** is a state representative (113 General Assembly District – Shelton). Several Connecticut CPAs and those associated with the profession have filed Exploratory Committee and Candidate Committee registration paperwork as either committee candidates or treasurers for statewide offices as of press time.

Blankley for CT

Candidate: John H. Blankley
Treasurer: **Erick R. Steen** (CPA)
Office Sought: Undetermined
Committee Type: Exploratory

Boucher For CT

Candidate: Toni Boucher
Treasurer: **Ellen M. Essman** (CPA)
Office Sought: Undetermined
Committee Type: Exploratory

Dave Walker for Governor

Candidate: **David M. Walker** (CPA)
Treasurer: **Michael J. Knight** (CPA)
Office Sought: Governor
Committee Type: Candidate

Harris for Connecticut

Candidate: **Jonathan A. Harris**
(Note: Jonathan is the former commissioner of the Department of Consumer Protection, which oversees the Connecticut State Board of Accountancy.)
Treasurer: James F. Sullivan
Office Sought: Undetermined
Committee Type: Exploratory

Mark for Comptroller

Candidate: Mark D. Greenberg
Treasurer: **J. Kenneth Nowell** (CPA)
Office Sought: State Comptroller
Committee Type: Candidate

Rob Kane for CT

Candidate: Robert J. Kane
Treasurer: **Jonathan W. Ramsay** (CPA)
Office Sought: Undetermined
Committee Type: Exploratory

We asked these movers and shakers: Getting involved with the state policy-making process starts with the election of candidates. Why did you decide to get involved?



J. Kenneth Nowell, CPA Committee Treasurer – Mark for Comptroller

"I became involved in campaign treasury work when one of my long-time clients decided to run for office. It is very satisfying to provide these services to clients seeking public office, especially when they share my views on the issues of the day."



David M. Walker, CPA Candidate – Dave Walker for Governor

"I was recruited to run for governor by various business and community leaders who felt that my background and track record made me uniquely qualified to make a Connecticut turnaround a reality. I am running because I want to create a better future in Connecticut for ourselves, our children, and our grandchildren."



Michael J. Knight, CPA Committee Treasurer – Dave Walker for Governor

"I have followed fiscal matters in Connecticut throughout my career, especially in the tax arena. My current position as the voluntary treasurer for a gubernatorial campaign enables me to combine my professional expertise with my desire to give back to my community. When I received the CTCPA public service award a few years back, it made me focus even more keenly on how I could use my CPA skill set to make a difference in Connecticut."



Jonathan A. Harris Candidate – Harris for Connecticut (Exploratory)

"I've dedicated my career to creating effective policy because it's the best way I can use my skills and contribute to our state. For example, as commissioner of Consumer Protection, I led the effort to incorporate the Board of Accountancy into the agency. Working with CTCPA and the Board, we accomplished this challenging task quickly, and also reduced the average turnaround time for a CPA license from 65 to 8½ days."



State Representative Jason Perillo, CPA

Currently represents the 113 General Assembly District (Shelton)

"Decisions are made by those who show up. I ran for office because I wanted to be in the room to influence important decisions. Complaining doesn't change things, but action does."



From the Executive Director

One of my goals as I continue my inaugural year at the CTCPA is to show that we're here for you not only in words, but in action. In last issue's message I talked about many of the new ideas born out of your feedback at our spring Regional Meetings.

I wanted to share an update on the progress we've made in turning those ideas into reality.

Area meeting steering groups are at work.

Many of you told us you'd like periodic opportunities to get together with fellow members in your local area, so we'll be kicking off new geographically based meetings this fall. We have assembled members to serve on our steering groups for the Southwestern Connecticut and Southeastern Connecticut programs and just held our first planning meetings. We'll be bringing you meeting dates, locations, and topics soon, and plan to run the programs from September to June each year. Check our eNews and website (www.ctcpas.org/membermeetings) for the latest updates.

Our first live-stream events are scheduled.

Many of you asked us to investigate providing live stream for our educational programs and meetings so you can participate remotely. We've taken the first step by arranging for live streaming of two of our biggest events of the year, Walter Nunnallee's annual Advanced Individual Income Tax Workshop on January 15 and his Advanced Corporate/Business Income Tax Workshop on January 16.

You'll be able to preregister and then login from the comfort of your home or office (or anywhere else!). Don't worry, Walter will still be traveling to Plantsville and Trumbull to teach live, so you can still participate in-person if you prefer. (To find registration information for the live-stream or in-person events, please go to www.ctcpas.org/register and search using the keywords "tax workshop.")

We're hitting the road for company and firm visits.

At the spring Regional Meetings, a number of you said you'd like the opportunity to meet with us one-on-one or in small groups at your office. We've assembled a member outreach and engagement team – myself, **Alicia Strong**, **Mark Zampino**, and **Tyler Losure** – and we've started to hit the road. Would you like us to schedule a stop in your office? Shoot me a line at bonnies@ctcpas.org and one of us would be happy to head your way.

We've continued to organize volunteer activities.

You told us you'd like to participate in organized public service activities as representatives of the CPA community. This fall we're bringing you our newest opportunity – a supply drive for the Connecticut Children's Medical Center ArtReach program. You can learn more on page 11.

Our Regional Meetings will be back to a city near you!

Our Regional Meetings will return in November and December. We'll return to all our previous cities, and we're even adding one more – look out, Danbury, we're headed your way! But if you have an idea or if we can help you in any way, you don't need to wait for a scheduled meeting. Reach out to me anytime at bonnies@ctcpas.org – I'm here to help.

Bonnie Stewart, Executive Director



CTCPA Beginner's Golf Clinic for Women

This program – back by popular demand – was in fact so popular that we sold out not only the first date but the second date we added! I was lucky to snag a spot and enjoyed a great evening brushing up on my golf skills and getting to know some great members.



Steering group meetings

Membership Manager Alicia Strong and I conducted our first conference calls with members of the steering groups for the Southwestern and Southeastern Connecticut area meetings. We're off to a great start in bringing you these new programs where you want them, when you want them.



Ramping up office visits

You told us you would like the opportunity to meet with us at your office, so we're hitting the road! If you'd like to schedule a meeting with one of our team members, let me know at bonnies@ctcpas.org and we'll set something up.



The typical organization loses 5% of annual revenues to fraud.

That estimate from the Association of Certified Fraud Examiners (ACFE) is based on the organization's most recent study, which analyzed 2,410 occupational fraud cases that caused a total loss of more than \$6.3 billion. The median loss from a single case of occupational fraud was \$150,000.

Read more about how your company can mitigate losses from fraud on page 22.

Source: ACFE's Global Fraud Study, Report to the Nations on Occupational Fraud and Abuse



49% of female millennial career starters said they feel they will be able to rise to the most senior levels with their current employer.

Born between 1980 and 1995, female millennials make up a significant proportion of the current and future talent pool. Today's female career starters are more confident in their ability to reach senior levels than previous generations.

Source: PwC's The Female Millennial: A New Era of Talent



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.

Source: AICPA National Management of an Accounting Practice Survey



State Budget Challenges Continue

By Bonnie Stewart, CTCPA Executive Director

As this issue went to press, state legislators were still embroiled in an unprecedented budget impasse.

Connecticut has enormous economic potential, but one of the biggest barriers to achieving it is the state's fiscal crisis. We have members at companies large and small, at public accounting and advisory firms, at municipalities, at not-for-profits, and at businesses. I've heard time and time again that you need economic predictability and consistency to do your job well – to make the best decisions and provide the best advice for your company, your clients, your family, and yourself.

It is extremely important for the future of the state that the legislature get our state's fiscal house in order. While the problems can't be addressed overnight, the time is now to develop a plan that will help Connecticut's citizens as well as nonprofit, municipal, and business leaders feel more positive about the state's future.

This year the legislature had a \$5 billion deficit it needed to address in order to balance the budget. State employee unions approved a \$1.5 billion concession package that was ultimately approved by the legislature, reducing the deficit to about \$3.5 billion.

That means that, roughly speaking, there is about a \$1.53 billion deficit left to address. Legislators are discussing the budget now and conversations with some legislative leaders have indicated that anything and everything is on the table in terms of potential revenue generation and spending cuts.

You've told us that these are important issues to you and you'd like us to keep you apprised of the state's economic and fiscal situation. We'll be paying close attention to what's happening in order to protect the profession and keep you aware of the latest via our Capitol Corner email alerts and webpage (www.ctcpas.org/capitolcorner).



MEMBERS-ONLY Meetings

Reserve your place at www.ctcpas.org/membermeetings.

Questions? Contact CPE Programming & Conference Coordinator **Phyllis Roche** at phyllisr@ctcpas.org or 860-258-0216.



The Friday Focus for Members in Industry

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

These educational sessions are specifically designed to meet the needs of members working in business and industry as well as provide an informal networking opportunity.

Employee Benefits Update: Deferred Compensation Plans, the Affordable Care Act (or replacement), and the Fiduciary Rule Friday, September 15

Presented by: **Sharon Freilich, Esq.**, Pullman & Comley



Patrick Duffany

State Tax Nexus Update Friday, October 20

Presented by: **Patrick J. Duffany**, J.D., CPA, Partner and **Cindy Galamgam**, J.D., LL.M., Senior Manager, CohnReznick



Cindy Galamgam

Coming up:

November 17
December 22



Easton CONNECTION

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

This Fairfield County educational series brings you a variety of relevant professional, regulatory, and economic topics and an opportunity to network with regional practitioners.

The Fundamentals of Probate Thursday, September 28

Presented by: **John N. Massih, Esq.**, Principal, Harlow, Adams & Friedman

Coming up:

October 19
November 16
December 21



Technology Breakfast Roundtables

Locations rotate • CPE credit not available.
Members purchase their own breakfast.
No registration necessary.

Get expert advice from members of the Technology Interest Group in a fun, relaxed atmosphere.

Wednesday, September 20

Riverdale Diner, Shelton • 8:00 a.m.

Thursday, October 19

New York Pickle Deli, Rocky Hill • 8:00 a.m.

Thursday, November 16

Cristy's Luncheonette, Westbrook • 8:00 a.m.

The Technology Interest Group is sponsoring a new Cybersecurity Conference in November. Learn more at www.ctcpas.org/conferences.



Torrington CONNECTION

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

This Litchfield County/Greater Waterbury educational series brings you a variety of relevant professional, regulatory, and economic topics and networking with regional practitioners.

Connecticut State Tax Update Wednesday, September 20

Presented by: **Felicia Hoeniger, Esq.**
Felicia S. Hoeniger, Attorney at Law



Paul Iannone

Concepts in International Taxation for Individuals

Wednesday, November 15

Presented by: **Paul N. Iannone**, JD, CPA, Tax Counsel, Rogin Nassau LLC

COMING SOON! Area Group Meetings

At our spring Regional Meetings, many of you asked for periodic opportunities to get together with fellow members in your local area, so we'll be kicking off new geographically based meetings this fall.

>> Would you like to meet in your area? Share your ideas with Executive Director **Bonnie Stewart** at bonnies@ctcpas.org.



Southwestern Connecticut

Our steering group is holding a planning meeting/focus group on Tuesday, September 19. If you would like to attend, please contact Alicia Strong at alicias@ctcpas.org.



Southeastern Connecticut

Our steering group is holding a planning meeting/focus group on Thursday, September 28. If you would like to attend, please contact Alicia Strong at alicias@ctcpas.org.

A full schedule of meeting dates and details will be available soon at www.ctcpas.org/membermeetings.

Show your member pride with the 'Member of CTCPA' logo!



One of the many CTCPA member benefits is the right to display the "Member of CTCPA" logo on your website, stationery, social media, and more.

Go to www.ctcpas.org/logo to download the logo.

This is a members-only benefit, so you'll need to login.



INTEREST GROUP Meetings

www.ctcpas.org/interestgroups

Whether you're just looking to explore a new niche or you're an expert in your field, CTCPA interest groups are a fantastic way to expand your network, get answers ... and have a little fun in the process.



Did you know?

- ✓ You can join most interest groups at any time.
- ✓ You can attend any interest group meeting to try it for yourself.
- ✓ Visit www.ctcpas.org/interestgroups to view more about each of the interest groups.

Community Interest Groups

Educators
New and Young Professionals
Fairfield County New and Young Professionals
Golf Tournament

Technical Interest Groups

Employee Benefit Plans
Federal Income Taxation
Financial Institutions
Not-for-Profit Organizations
State Taxation
Technology
Trust, Estate, and Gift Taxation
Valuation, Forensic, and Litigation Support

CPE Planning Interest Groups

Accounting and Reporting Standards
Continuing Professional Education
Governmental Accounting and Auditing

New & Young Professionals Events 2017

These programs are open to members aged 35 and younger.



September 19 • 8:00 - 9:00 a.m.
Roundtable Breakfast Meeting
CTCPA Education Center, Rocky Hill

Our new series will continue with a session on planning for your personal financial future by Gregory Coghlan of Christie Coghlan Investment Management followed by group discussion.



October (Date TBD)
Halloween Zip Lining
Empower Leadership Sports and Adventure Center, Middletown



Wednesday, November 15
8:30 a.m. - 4:30 p.m. • CPE credit: 7 hours
New and Young Professionals Leadership Conference
CTCPA Education Center, Rocky Hill



November - December
Annual Collection Drive:
CTCPA-wide supply drive to support Connecticut Children's Medical Center ArtReach program
Find details at right!



Thursday, December 7 • 6:30 - 10:00 p.m.
Mingling & Merriment Holiday Party
The Society Room of Hartford

Learn more and register at
www.ctcpas.org/nyp!

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?

The CTCPA New and Young Professionals to Watch award program showcases new and aspiring CPAs (aged 35 and younger) who have distinguished themselves as go-getters in the accounting profession.

Winners will be featured in *Connecticut CPA* magazine and honored at the New and Young Professionals holiday party on December 7.

Download a nomination form at www.ctcpas.org/watch.

You can nominate yourself or someone else. Recipients will be selected by a panel of judges via blind review of a one-page nomination form.

Nominations must be received no later than Wednesday, November 1, 2017.

CTCPA-wide supply drive to support Connecticut Children's Medical Center ArtReach program

ArtReach helps patients, siblings, and families in creating arts and crafts projects in one of Connecticut Children's inpatient playrooms. For patients who are unable to come to the playroom, ArtReach volunteers deliver a package of materials to their room so they can participate on their own schedule.



What to donate: paint, paint brushes, markers, crayons, paper, stickers, pipe cleaners, glitter, glue, and more. Be creative!

Here's how to participate:

Collect arts and crafts supplies in a central location at your office. Encourage staff and clients to join in!

You can also make a financial donation payable to Connecticut Children's Medical Center.

We've made handouts and posters with all the information you'll need to let people know about the program. Download them at www.ctcpas.org/nyp.

Schedule your pick-up.

CTCPA will come out to you to pick up the items in December. To schedule your pick-up, contact Alicia Strong at alicias@ctcpas.org or 860-258-0217.

In the neighborhood?

You can also drop off donations at the CTCPA Education Center from 8:30 a.m. to 4:30 p.m., Monday through Friday, through December 15.

Download your participation poster and learn more at www.ctcpas.org/nyp.

Sponsored by the CTCPA New and Young Professionals Cabinet. Questions? Contact **Alicia Strong** at alicias@ctcpas.org or 860-258-0217.



Fairfield County NYPs Enjoy VIP Experience at Alive@Five Stamford Concert

The Fairfield County New and Young Professionals Group enjoyed the sounds of summer with VIP tickets to Stamford Downtown's Alive@Five summer outdoor concert series on August 3 featuring the Plain White T's. Special thanks to **Deloitte**, who provided the complete VIP concert experience to our members free of charge, along with fun swag including can koozies, sunglasses, and more!

Sponsored by

Deloitte.



New Haven County NYPs Network, Learn at Roundtable Breakfast Meeting

Our new and young professionals also enjoyed networking over breakfast and roundtable discussion while learning retirement planning tips from **Gregory Coghlan** of Christie Coghlan Investment Management at our Roundtable Breakfast Meeting hosted by **Marcum** in New Haven.

Did you miss it? The same program will be held in Rocky Hill on September 19 (see details at left).

PROJECT MANAGEMENT for Accountants



How to manage projects upward or downward – and how tomorrow’s leaders can start to build their management skills today

By Michael Maksymiw Jr., CPA, Senior Manager, Filomeno & Company, West Hartford;
Member-at-Large, CTCPA Advisory Council

Each year, firm and company leaders are surveyed about what skills are desirable among new and experienced staff. Year after year, the results are typically the same. Most of the time, staff have the technical skills they need or are successfully acquiring them through on-the-job training and professional education. The most-desired additional skills needed are non-technical, or “soft skills.”

In fact, a recent Robert Half Finance & Accounting survey found that 54% of CFOs interviewed said they give equal weight to both specialized and nontechnical (or soft) skills when evaluating candidates for staff-level accounting and finance positions. When it comes to filling management-level roles, 50% of the CFOs said that technical and nontechnical skills are of equal importance.

Accounting professionals need to be able to work as part of a team, col-

laborate across departments and with outside vendors, and act as strategic partners for their clients and coworkers. Many firm or company leaders spend more time employing their soft skills than they do their technical ones.

If you’re a current leader and you want to develop future leaders, when do you think your team members should start soft skills training? If you’re an up-and-coming superstar, when do you want to start your soft skills training? If you said “right now,” we’re on the same page!

Leadership Training

I remember reading an article in the *Journal of Accountancy* in early 2010 about a new American Institute of CPAs (AICPA) offering – the Leadership Academy. The purpose was to get 36 young, diverse CPAs together for a week to start developing future leaders of the profession.

[Editor’s Note: See www.ctcpas.org/leadershipacademy to read the archived Connecticut CPA feature about how the Leadership Academy was a meaningful experience for three young CTCPA members, who are now all actively involved in CTCPA leadership. In addition, CTCPA Fairfield County New and Young Professionals Cabinet member Jessica Smith of Reynolds & Rowella has been selected to participate in the 2017 Leadership Academy this October.]

Following the first two Leadership Academy classes, the AICPA started offering an annual leadership conference open to anyone across the country. Within a few years, state CPA societies were running their own leadership conferences as well, with the help of Leadership Academy alumni and state society staff who wanted to bring the program closer to home (like our staff at the CTCPA!)



Five Questions That Lead to Better Project Management

1. When is the final project due?

Is there an internal deadline, a filing deadline, or a client-imposed deadline?

2. When does this portion of the project need to be complete?

When does the next team member need to start working on the project? There needs to be time to review and process the project deliverables.

3. How long should it take?

This helps evaluate progress and determine if there's a problem. If a 20-hour project isn't close to halfway done after 10 hours, it's time to take a step back. The staff and the manager need to determine why. Were the initial expectations unreasonable? Does the staff person need more training or tools? Next, the staff and supervisor need to develop a plan to get back on track so the project can be completed on time and on budget, or close to it.

4. What does the supervisor know that the staff needs to know?

This may be the most important question to maximize efficiencies. Supervisors need to let staff know about nuances, client preferences, or any odd-ball things they may know about the project (or maybe learned the hard way). If you're the staff, this is one of the best questions you can ask your supervisor.

5. Why are we doing it?

This is not "because the IRS said to file the form" or "the bank said we need to have financials." This is the real, root "why" behind what you are doing. This information will likely drive the staff's level of engagement on the project.

The best speakers I've heard at leadership trainings always leave the participants with a useful tool to take back to the office. I tried to employ this same technique during the sessions I led at last year's CTCPA New and Young Professionals Leadership Conference – one session on managing upward and the other entitled "Learn to Say No: Don't Over-Promise and Under-Deliver." In each session, I provided attendees with five questions that I use whenever I'm assigning or starting a new project.

The great part about these questions is that they can help both the staff and the supervisor ensure that the project goes well. It all depends on which perspective you have. Staff can use the questions to "manage up" and ensure that they completely understand the project and have all the information to complete it. Supervisors can use the questions to ensure that they provide their staff with all the information necessary to set their colleagues up for success.

Putting the Five Project Management Questions into Action

I spoke with **Kathryn Ta**, a supervisor at Whittlesey & Hadley in Hartford, who attended last year's CTCPA New and Young Professionals Leadership Conference. She said she keeps the five questions written down at her desk. "I give it out to staff for each job," she told me.

Kathryn also lets the staff know that they can challenge her if she forgets one of the questions. It helps her keep her focus on managing the job, rather than just managing her workload. "It helps me step back and see the bigger picture. Did I talk to the staff about what they need to learn versus did I get my work done on time?" she explained. (How great is it to work for someone who thinks this way – about her team's development on the project – in addition to completing the project?)

In addition to Kathryn's staff challenging her, she's also learned that it is ▶

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(continued)

acceptable to ask questions to those above her. “I wasn’t sure if it was okay to manage up. I usually walked away thinking that I was given all the information I needed,” she said. “Sometimes you forget that you need to be the second check. Having these questions made me confident when I would ask my managers questions.”

While Kathryn’s favorite question when providing information to her team is “What do I know that you don’t know?,” my favorite question is “Why?” I enjoy this question the most because it connects the project with the end users and makes it personal. When it’s personal, you can make an emotional connection to the project.

The Importance of the ‘Why’ When Assigning Projects

I was going over a data-entry project with a brand-new staffer within the first few weeks of him starting with the firm. As I was going through the five ques-

tions to explain what I wanted him to do, I could sense that he did not understand the importance of the project from the client’s perspective.

Rather than continue through the five questions in order, I paused and skipped straight to the why. I told him a bit about the client, some of the unique aspects that made working on his projects really cool, and a bit about his family and why he reached out to us to help him out. Once the staffer understood why we were doing the project, which was to give the client free time to handle some personal matters (rather than categorize bank transactions), the staff was 100% engaged on the project.

As a staff, you should ensure that you know the answers to all these questions before you start the project. If you aren’t given the answers when you’re assigned the project, ask them! These questions are a great way to “manage up” and make sure you’re getting what

you need from your supervisor. Without the answers, you may end up duplicating efforts, performing unnecessary steps, or completing the project later than it is needed.

As a supervisor, you can arm your team members with the information they need to succeed, which will drive your success and theirs.

The Importance of the ‘Why’ When Taking on Projects

I was involved in a meeting once where the client asked us to help him put some numbers from his financial statement onto a form his customer had sent him. As we were going through the numbers, I noticed a pattern and asked why he needed these particular figures. He told me he was using the figures to submit a bid on a project that could increase his company’s sales by 30%. He said it would result in 10 additional jobs and more profits to split among the company’s employees.

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I paused and asked, “What will it take to win?” The client asked, “What do you mean?”

I explained that the point of what we were doing was to win the bid. He could create 10 new jobs, increase the wages for 60 other employees, keep countless subcontractors busy, etc.

What would it take to win? Sure, we could enter the typical gross margin, standard general and administrative expenses, and normal profit. But what if we looked deeper at those costs? Are any of them fixed and we can exclude them from the cost build-up? What about the profit margin? Would you shave 2% off of that to increase sales 30%? If we could find a few areas like that, which would lower the overall bid, he might have a higher likelihood of winning the work.

Pausing to ask “why?” helped the client as well as me, as his strategic part-

ner, understand what was at stake. It wasn’t filling out a request sheet from a customer – it was a great opportunity for the client’s company.

Leadership Training Starts at Home

Leadership training teaches young accountants skills like asking “why?”. They can then test those skills in a safe environment, like your office, by practicing them with their colleagues. Through practice, they will hone their soft skills so they can recognize opportunities to use them outside their immediate team – such as an opportunity to help a client win a bid to increase sales by 30% (and make your firm a hero of the day).

Leadership and management skills are constantly evolving because people are constantly changing. They are skills that need constant fine-tuning and maintenance. They are skills that need to begin when your career begins.



Michael Maksymiw Jr., CPA is a senior manager and the leader of the tax department at Filomeno & Company in West Hartford, where he provides accounting and tax services to closely held business clients. He also provides tax and advisory assistance to businesses involved in merger or acquisition activities. In his role with clients, he seeks to identify core challenges as well as assess future goals and success factors in order to implement strategies that help businesses reach their objectives.

Mike is currently serving as a member-at-large of the CTCPA Advisory Council. He can be reached at mgm@filomeno.com or 860-760-7029.

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2017 CPE Calendar

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Date	Starts	Ends	Title	Express Code	Member/Nonmember	CPE Hours
September						
9/11	10:00 a.m.	12:00 p.m.	Business Tax Update and Recent Developments	CPAX0874	\$79/\$114	2
9/11	10:30 a.m.	2:29 p.m.	Accounting and Auditing Update	AICP1451	\$159/\$199	4
9/11	12:30 p.m.	1:30 p.m.	Practice Value and Evaluation: What is My/Our Practice Worth?	CPAX0881	\$49/\$69	1
9/11	2:00 p.m.	4:00 p.m.	Capital Gains Tax Strategies for Advanced Transactions	CPAX0875	\$79/\$114	2
9/11	2:30 p.m.	6:29 p.m.	Yellow Book Financial Audits	AICP1453	\$159/\$199	4
9/12	9:00 a.m.	12:59 p.m.	Financial Forecasting: Planning for Success	AICP1454	\$159/\$199	4
9/12	9:00 a.m.	5:00 p.m.	Surgent's Individual and Financial-Planning Tax Camp	IFCP0912	\$239/\$364	8
9/12	1:00 p.m.	4:30 p.m.	Surgent's Essentials of LLC Operating Agreements	LLC40912	\$139/\$204	4
9/12	2:00 p.m.	4:00 p.m.	Leases: Is it a Lease? (Topic 842-10)	CAL0181	\$60/\$94	2
9/12	7:00 p.m.	9:00 p.m.	Surgent's Monthly Tax Update with Mike Tucker and Jeff Jacobs	TUJM0912	\$89/\$124	2
9/13	9:00 a.m.	12:59 p.m.	Fraud: Recent Findings, Red Flags and Corruption Schemes	AICP1457	\$159/\$199	4
9/13	9:00 a.m.	11:00 a.m.	Nonprofits: Working with or Serving on Nonprofit Boards	CPAX0896	\$79/\$114	2
9/13	1:00 p.m.	3:00 p.m.	Surgent's Lease Accounting: The Impact of Changing Standards on Both Lessors and Lessees	AALL0913	\$89/\$124	2
9/13	10:00 a.m.	6:00 p.m.	Surgent's Perplexing Financial and Economic Issues for the CFO/Controller	FECC0913	\$239/\$364	8
9/13	11:00 a.m.	1:00 p.m.	Ethics: How I Went from CPA and Hospital Controller to Prisoner	CPAX0891	\$79/\$114	2
9/14	10:00 a.m.	12:00 p.m.	Internet Security Tools for Accountants – Feb 9/17 Update	CPAX0901	\$79/\$114	2
9/14	10:00 a.m.	12:00 p.m.	Surgent's Understanding the Foreign Account Tax Compliance Act	FOR10914	\$89/\$124	2
9/14	11:00 a.m.	3:00 p.m.	Ethics: 10 CPAs Behaving Badly	CPAX0899	\$129/\$194	4
9/14	1:00 p.m.	3:00 p.m.	Surgent's Report of Foreign Bank and Financial Accounts	FOR20914	\$89/\$124	2
9/14	1:30 p.m.	3:30 p.m.	Tax Ethics: Best Practices for Today's CPA	CPAX0905	\$79/\$114	2
9/14	5:00 p.m.	6:00 p.m.	Cloud Accounting Interview – A Case Study with QuickBooks	CPAX0898	\$49/\$69	1
9/15	9:00 a.m.	5:00 p.m.	Surgent's Best Federal Tax Update	BFTU0915	\$239/\$364	8
9/15	10:00 a.m.	12:00 p.m.	Year-End Tax Planning: Thinking Outside the Box	CPAX0913	\$79/\$114	2
9/15	1:00 p.m.	4:59 p.m.	Not-for-Profit Accounting and Auditing Update	AICP1466	\$159/\$199	4
9/15	1:30 p.m.	5:00 p.m.	Surgent's Ethical Considerations for the CPA	ETHC0915	\$139/\$204	4
9/16	9:00 a.m.	5:00 p.m.	Surgent's Annual Accounting and Auditing Update	ACAU0916	\$239/\$364	8
9/18	10:00 a.m.	12:00 p.m.	Mobile Financial Apps for Accountants	CPAX0919	\$79/\$114	2
9/18	10:30 a.m.	6:30 p.m.	Identity Theft: Preventing, Detecting, and Investigating	AICP1470	\$249/\$319	8
9/18	1:00 p.m.	3:00 p.m.	E-Signatures Tools & Rules	CPAX0915	\$79/\$114	2
9/18	2:30 p.m.	4:30 p.m.	Partnership Investments – How to Calculate the Owner's Basis	CPAX0921	\$79/\$114	2
9/19	9:00 a.m.	12:59 p.m.	Preparation, Compilation, and Review Engagements: Update/Review	AICP1471	\$159/\$199	4
9/19	9:00 a.m.	5:00 p.m.	Surgent's Best Individual Income Tax Update	BITU0919	\$239/\$364	8
9/19	10:00 a.m.	11:00 a.m.	2-Phase Deal: The Perfect Succession or Acquisition Solution	CPAX0923	\$49/\$69	1
9/19	11:00 a.m.	3:00 p.m.	Financial and Tax Accounting for Partnerships and LLCs	CPAX0925	\$129/\$194	4
9/19	1:00 p.m.	4:59 p.m.	Ethics and Professional Conduct: Updates	AICP1473	\$159/\$199	4
9/20	2:00 p.m.	4:00 p.m.	New Manager Series: The How To's of Leading	CAL0183	\$60/\$94	2
9/20	9:00 a.m.	5:00 p.m.	Surgent's Auditing Not-for-Profit Entities: Superior Skills for an Effective and Efficient Audit	ANFP0920	\$239/\$364	8
9/20	9:00 a.m.	5:00 p.m.	Surgent's Best S Corporation, Limited Liability, and Partnership Update	BCPE0920	\$239/\$364	8
9/20	9:00 a.m.	10:00 a.m.	E-mail Encryption and Electronic Data Transmission	CPAX0932	\$49/\$69	1
9/20	3:00 p.m.	6:00 p.m.	How to Build a Virtual Accounting Services Practice	CPAX0937	\$99/\$149	3
9/20	9:30 a.m.	1:00 p.m.	Monitoring an Organization's Policies and Procedures	CAL0184	\$120/\$188	4
9/20	1:00 p.m.	3:00 p.m.	Surgent's Excel Tables and Conditional Summing	EXTB0920	\$89/\$124	2

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The Finance Executive's Changing Responsibilities for Defined Contribution Plans

By Julie McNeal, CPA, CTCPA Director of Finance and Operations

Defined contribution plan fiduciaries responsibilities, have, since the 1974 Employee Retirement Income Security Act (ERISA), included specified duties. Under ERISA, the five duties are: the duty of loyalty, the duty of prudence, the duty to diversify investments, the duty to follow plan documents, and the duty to avoid prohibited transactions. These duties are applied to fiduciaries whether or not they are expressly named as such.

Pitfalls for the Unwary CFO

The listed ERISA duties appear straightforward and well within the normal scope of a CPA's professional mindset. However, times change, and so have best practices under the five fiduciary duties.

Precipitated by news accounts of a nationwide retirement savings shortfall, regulatory compliance best practices, and fear of lawsuits¹, what qualifies as acceptable implementation of ERISA duties is now far more robust than it was 1974. Greater emphasis and accountability is now placed on plan fiduciaries for participant outcomes.

Today, two developments – one demographic and the other regulatory – are combining to again expand the interpretation of, and benchmarks for, fidelity to these duties.

Demographic Shift from Active Participants to In-Plan Retirees

Demographically, it's no secret – the Monty Python generation is silly-walking itself in the general direction of retirement through the side streets of our careers to the ministry of Social Security. On average, about 11,000 Baby Boomers per day – 4 million per year – are expected to retire through 2030. Subsequently, plan fiduciaries must broaden both their analysis of risk and their attention to outcomes for all participants including in-plan retirees.

Although the interests of active participants and in-plan retirees often align, earlier plan emphasis on a **glide path to retirement for active participants** must now also accommodate a new emphasis on a **glide path through retirement for in-plan retirees**. We are in large part in uncharted territory, as Baby Boomers are the first generation to use defined contribution plans as their primary retirement savings vehicle.

With retirement, the definition of positive participant outcomes expands. Throughout the years of active participation, participant outcomes are based on a theoretical standard of living, during a theoretical retirement, helped or hurt by theoretical market returns. Once retirees begin withdrawals, however, the theoretical becomes ex-

ERISA's Five Fiduciary Duties



- The duty of loyalty.
- The duty of prudence.
- The duty to diversify investments.
- The duty to follow plan documents.
- The duty to avoid prohibited transactions.

tant, and those participant outcomes and continuing decisions made during retirement will define the retirees' standard of living.

Regulatory Change – Public Policy and the Fiduciary Rule

The new Department of Labor (DOL) Fiduciary Rule became effective on June 9, 2017, with full implementation required by January 1, 2018. The rule elevates the responsibilities of financial advisors, whether their advice is to individuals (including IRA owners) or to a plan, to be on par with many of the responsibilities controlling ERISA plan sponsors. ►

¹ Interestingly, a listing of the largest settlements of 401(k) fee cases in the July 14, 2017 Wall Street Journal article "Latest Wave of 401(k) Suits Yields Big Wins, and Big Losses, for Plaintiffs" compared 17 companies, eight of which were financial services companies. "Many of the latest suits target companies, including a number of financial services firms, for using their own investments in retirement plans," said author Anne Tergesen.

Participant Outcome Indicators



Quantitative Indicators

What do the numbers say?

Participation rate

How close is the rate to 100%?

Overall savings rates

What is the average deferral rate and the median deferral rate? If there is an employer match, what is the total deferral rate? How close does the total deferral rate get to the rate the retirement plan committee is encouraging participants to achieve?

What percentage of plan participants hold assets sufficient for an income replacement ratio of 70% or more?

What are the tranches of the remaining participants?



Qualitative Indicators

These are identified by the retirement plan committee to help participants achieve their goals.

Education and communication

Not only general investment advice, but also sessions and communication structured for participant career stages.

Plan design and behavioral triggers

Auto-enrollment, auto-escalation, auto re-enrollment, and/or increasing the percentage employees must defer to have the full employer match.

In-plan retirement income.



Fiduciary Indicators

Is the committee fulfilling its duties? Meeting regularly? Documenting strategy, procedures, and results? Keeping current with DOL regulations?

The DOL's new rules increase fee disclosures and put the best interests of the client first. No longer may financial advisors rely on the suitability standard, which required investment recommendations to be suitable but did not require the advisors to put the client's interests first. Financial advisors must now act in the best interests of the client, and all fees and commissions must be fully disclosed.

The practical effect of the rule change is that fewer investment advisors will charge on a commission basis, and, as a consequence of fee transparency and the additional scrutiny, advisors may be less interested in smaller 401(k) rollovers. As Pioneer Investments points out in one of its publications, "If the RIA (registered investment advisor) will receive more compensation from rolling an IRA than from the plan (e.g., a higher percentage of the assets), the recommendation will be a prohibited transaction."²

At one time the benefits of rolling 401(k) dollars out of an employer's plan and into an individual IRA were believed to outweigh the risks. Advantages of a rollover include the flexibility to tap into greater investment choice options, to take advantage of a Roth IRA, to have additional payout options upon death, and for some, the comfort of having immediate control over retirement funds, skipping over plan intermediaries.

Potential risks of rollovers have been thrown into sharper relief as a result of the DOL's fiduciary rule. Pooled assets within a plan may entitle the retiree to institutionally priced fees, lower than those paid by an individual IRA account holder. In addition, moving money out of a 401(k) may force retirees to take on investment decisions they aren't equipped to handle when compared to investment advice available within the defined contribution plan.

We are in large part in uncharted territory, as Baby Boomers are the first generation to use defined contribution plans as their primary retirement savings vehicle.

Some defined contribution plan fiduciaries are actively deepening their plan's commitment to in-plan retirees as part of their duty to diversify – increasing education, communication, and resources to assist this growing group. Educating in-plan retirees about portfolio risk in retirement is particularly crucial to participant outcomes.

The Retirement Risk Conundrum

If you Google "retirement risks," you will likely be returned an eight-item list: longevity risk, investment (sequence of returns) risk, interest rate risk, withdrawal rate risk, inflation, cognitive impairment, unanticipated major expenses, and public policy risk. Most of these risks are challenging and, in some cases (e.g., unanticipated major expenses and public policy risk), impossible to manage completely.

When it comes to the glide path for investments during retirement, Baby Boomers may end up turning conventional wisdom on its head once again. Prior generations tended to move into a higher ratio of fixed income to equities as they moved deeper into retirement. Lifecycle funds tend to employ a declining equities glidepath, shifting from equities to fixed income the closer one draws to retirement.

For those who retired during the great recession beginning in the late 2000s

² Pioneer Investment, "Concerns Advisors Now Face With the DOL's Fiduciary Rule."

Major Retirement Income Risks



Longevity Risk

Outliving retirement assets.

Investment (Sequence of Returns) Risk

Selling into a down market.

Interest Rate Risk

Depending on whether assets are cash or bonds, major shifts in interest rates may affect the available cash stream.

Withdrawal Risk

Withdrawing too much, thus depleting available assets.

Inflation Risk

Inflation and the cost of goods and services outpacing returns.

Cognitive Impairment Risk

Decisions retirees make that may not be in their best long-term interests.

Unanticipated Expense Risk

Illness, divorce, uninsured major home repairs, etc. taking a large bite out of assets.

Public Policy Risk

Changes to Social Security, Medicare, tax rates, healthcare policy, regulation of investments, etc. changing anticipated outcomes.

and were forced to sell equities, the sequence of returns (investment) risk was very real, devastating retirement portfolios. To mitigate against sequence of returns risk, some advisors are recommending a combination of safe (low) withdrawal rates, buying into guaranteed income (annuities), and a rising equities glidepath.

Using the “bucket” approach, where the first bucket is cash, the second bucket is fixed income streams, and the third bucket is equities, assuming the cash and fixed income buckets outlast the recession, the magic to portfolio replenishment appears when equity reinvestments throughout the down cycle purchase cheap equities. This isn't a perfect solution, because some retirees may be extremely uncomfortable buying equities in a down market.

Steps for In-Plan Retirees

Retirement plan committees with or anticipating in-plan retirees should in-

vestigate various flight plans for retirees. Does your plan have a low-cost guaranteed income component? Do you provide pre- and post-retirement training to help retirees take advantage of the particular market environment they retire into? Is your retirement plan committee proactive and innovative?

In the 1950s and '60s, farmscapes developed into suburbs and schools for Baby Boomer families. Today's Baby Boomer retirement landscape is also charting unknown territory. Every retiree's life is different; retirement plan committees and the finance executives on them need to remain vigilant to the changing conditions.

Post-Script

For those who remember Monty Python fondly, it's stunning to realize we are now less liable to engage in silly walks unless preceded by an injury, but hope and laughter are just a click away: <https://www.youtube.com/watch?v=iV2ViNJFZC8>.



Julie McNeal is the CTCPA Director of Finance and Operations. She is the staff liaison to several technical interest groups including State Taxation, Federal Taxation, Not-for-Profit Organizations, and Trust, Estate, and Gift Taxation, as well as the CTCPA Audit Committee.

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CPA Exam Game Plan: One CTCPA Staffer's Story

By Kirsten Piechota, Managing Editor



CTCPA Finance Manager Mike Dilworth

Mike Dilworth is the CTCPA's finance manager. You may have met Mike at one of our interest group meetings, conferences, or new and young professionals events. He has an accounting degree from Eastern Connecticut State University and recently sat for his first section of the CPA Exam.

One of our major objectives as CTCPA staffers is to help recruit and support the next generation of CPAs, so we all had lots of questions for

Mike about his experience – what it was like at the testing center, what changes he saw

in the new version of the Exam (launched this spring), and what advice he would give to others in his shoes.

I recently sat down with Mike to get some of his thoughts about how things went and what other CPA Exam candidates can expect.

What's your game plan for becoming a CPA?

I have my bachelor's in accounting. I want to finish the Exam and then I'll sign up for a master's program so I can get my 150 hours. My plan for the Exam is to take one section at a time. I took BEC (Business Environment and Concepts) so far. FAR (Financial Accounting and Reporting) is up next.

How did you choose your Exam prep materials?

I wanted to be able to make my own schedule. The materials I'm using came with a book and online videos, so I usually read a few sections and then watch a few video sections. I have my study plan for each day scheduled on a calendar; the sections are broken up so I know I can get through five or six of them a night. The two weeks leading up to the Exam is time to cram and go through all the material again.

The videos are actually pretty funny and engaging, so it helps me pay attention. I would tell anyone looking at options to do your research and find a study course that works for you, whether you would do better with in-classroom time or if you prefer to schedule studying on your own.

How is studying for the Exam different than learning in school?

When you're in school, you spend maybe a week or so on a chapter of the book where you focus on that one topic. When you're studying for the Exam, it's like you're putting everything you've ever learned in accounting into one test. It's definitely different. The subject matter is the same – it's just more intense to see it all brought together like that.

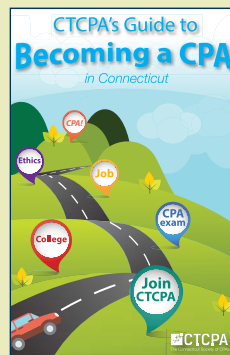
What prep did you do on the day you took the Exam?

That morning I woke up and had a good breakfast. My appointment was at noon. I tried to relax beforehand. I'm a fairly good test taker, but I know the biggest thing is trying to go into it with a clear mind. I figured it was too late to cram at that point.

CTCPA Resources for Aspiring CPAs and Their Employers

Revised for 2017!

CTCPA's Guide to Becoming a CPA in Connecticut Handbook



The journey to becoming a CPA can be overwhelming. We received so many questions from CPA hopefuls that we decided to put all the answers down in one place. Enter the five-step handbook to any-

thing and everything you need to know. The publication was so popular that we ran out of all 2,000 copies in our initial order, so we've just released a revised edition for 2017. Download it or request a printed copy at www.ctcpas.org/CPA.

'Becoming a Connecticut CPA' Live Presentations and One-on-One Guidance and Advice

Career and Academics Development Coordinator **Tyler Losure** specializes in helping college students and new professionals on the road to successful accounting careers. He is available to visit schools and companies free of charge to present his "Becoming a Connecticut CPA" presentation – a step-by-step explanation of the certification process. Members can also contact Tyler directly with questions at tylerl@ctcpas.org or 860-258-0215.



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Login to www.ctcpas.org/memberperks for complete details.

5 Tips from CPA Exam Experts

What was your experience like at the testing center?

It was very serious! You can't have anything on you. You have to turn your pockets inside out, they check your socks and you have to show there's nothing up your sleeves, and there's a metal detector. You sign in and they also take a biometric scan of your finger that they use when you leave and come back in the testing room. I had taken the GMAT there, too, so I was familiar with the procedure.

You have to put your belongings in a locker. They give you a different color-coded key for your locker (depending on what test you're there for) that tells you what you're allowed to access when you're taking a break. Your phone needs to be off and in your locker. You can't go check it during breaks.

Once you start the test a timer starts running, and at certain points the computer will ask you if you want to take a break. The breaks are the only time you can leave, and you can skip the breaks if you want.

A new version of the Exam just launched in April. Did that change your experience at all?

Because I took my first section of the Exam in the first testing window after the change, I don't have anything to compare it to. BEC used to be one of the shorter sections, so that's why I chose to start prepping for it first. Now each section of the Exam is four hours and they added simulations to BEC, so it includes writing, multiple choice, and the new task-based simulations. You get a real-world problem – you'll be provided with emails, board meeting minutes, spreadsheets, and other documents. You have to use the material they give you to solve the problem.

Have you received your results yet?

No. Exam results usually come through fairly quickly after the testing window closes. Because I sat during the first testing window of the new Exam, there is a significant delay – about three months. This is so that they can go through all of the results and complete a standard-setting process. I sat for the Exam in May and I'm not scheduled to get my results for several months. You have 18 months to complete all four parts of the Exam, so I'm just moving forward with studying for the next section so I don't waste time.

[Editor's Note: In response to this test result delay, the Connecticut State Board of Accountancy will, upon request, approve extensions to the 18-month testing window for some affected candidates. Find a link to the request form on our website at www.ctcpas.org/examextension.]

What advice would you give to other CPA Exam takers?

Don't freak out. The Exam itself wasn't as bad as I was picturing in my head. I was really worried that it was going to feel like the timer was running down really fast and I'd be racing the clock. That wasn't the case at all. The questions moved in a very timely manner. I think the time allotted was more than adequate.

Now that I've taken one section, it was a huge relief. I was very nervous going into it because I didn't know what to expect. Just relax and put the time in. When it comes to prepping for the Exam, what you put into it is what you'll get out. As long as you study and put the time in, you'll be fine.

We asked representatives from CPA Exam review course providers share their top advice for Exam-takers:

1 Some questions on the Exam are NOT graded.

In order to test the system and get preliminary feedback on new questions, there are often "pretest" questions put into the question banks. You may find that you know absolutely nothing about a certain question and get scared that you missed something while studying. Chances are, this question is one of the pretest questions that will appear on later exams and is not graded.

Ashley Barnhart, Roger CPA Review

2 Prepare for the computer-based Exam environment

The CPA Exam environment contains a unique interface and tools that may be uncomfortable to you without practice. You must be proficient in using the provided four-function calculator, spreadsheet, and research function. (The AICPA offers a sample test at www.cpa-exam.org.)

Greg Cusson, Becker CPA Exam Review

3 Develop a schedule.

Plan to accomplish something every day. I used to tape calendars up on my wall that had a countdown to my Exam date.

Jessica Sandhu, Surgent CPA Exam Review

4 You are not "dinged" for wrong answers.

When going through the multiple choice, you are given credit for right answers only, not wrong ones. If you have absolutely no idea how to answer a question, take a guess because you might just get it right and receive credit!

Ashley Barnhart, Roger CPA Review

5 Take a day off each week.

Studying seven days a week is rough, especially if you're working or have other responsibilities. You need to make sure you're not completely drained when you get to the Exam. Hang with friends and family and put the Exam away for a day.

Jessica Sandhu, Surgent CPA Exam Review

Recovering Losses From Employee Theft and Embezzlement

By Steve Pedneault, CPA/CFF, CFE, Founder/Owner, Forensic Accounting Services, Glastonbury; Member, CTCPA Valuation, Forensic, and Litigation Support Group



Skimming Cash

After terminating the business manager, a physician and her staff were quite busy covering their additional responsibilities within the practice. One afternoon, after completing a scheduled visit, a returning patient asked the physician about receiving her discount for paying in cash. Confused, the physician told the patient that they didn't offer discounts for paying cash. The patient revealed that, after prior appointments, the business manager always gave her a discount and collected a cash payment. Stunned, the physician requested the deposit detail images from her bank for the prior 12 months. She was sickened to learn there had been no cash deposits within the last year.

The physician worked with her staff to review patient charts, past appointments, and payment details, only to learn that the business manager, who had worked at the practice for nearly 15 years, had been skimming cash payments received from patients. After contacting a number of patients, she learned that many of them had paid in cash, yet no cash deposits had been made into the practice's bank account for the past five years.

A lengthy, costly investigation led to a minimum loss of \$275,000. The good news? The practice had theft coverage to recover the funds. The bad news? Their recovery will be minimal due to the \$25,000 policy limit.

Padding Payroll

The CFO handled all financial aspects of a small company, with little independent oversight at the transactional level. His responsibilities included all facets of payroll; he utilized an outside payroll provider and reviewed charges on the corporate credit cards.

Month after month, the CFO recorded transactions, reconciled financial activity, and, on a quarterly basis, was the sole contact with the outside accountant, facilitating financial reports for management and investors. During a recent trip, the CEO needed to adjust an employee's compensation and reviewed the company's payroll reports. Horrified, he noted the CFO's enormous year-to-date compensation, along with extra paychecks paid to the CFO.

The preliminary results of a brief investigation identified nearly \$1 million in unauthorized manual checks paid to the CFO, as well as the CFO's personal use of the company's credit card. The good news? The company had employee theft insurance coverage to recoup the diverted funds. The bad news? Recovery through the insurance policy was limited to \$10,000.

Size of the Problem

The examples above represent just a few of the employee fraud cases that have recently occurred. An online search of the term "embezzlement" results in pages of further stories – and additional employee frauds remain undetected. Individuals are stealing at an alarming rate, and the subsequent losses range from hundreds of thousands to millions of dollars. Over the past 10 years, the frequency of employee fraud has reached epidem-

ic levels, yet only a fraction of these cases ever become public. Most are quietly resolved for many reasons, but primarily to avoid negative publicity.

Preventing, Detecting, Investigating

Many articles have addressed employee theft and embezzlement and detailed the importance of identifying risks and implementing better internal controls. Most articles focus on creating awareness, segregating duties, and preventing (as well as detecting)

instances of employee theft and embezzlement. Some articles provide checklists for self-assessment and implementation, while others poll readers on their fraud awareness levels. However, few articles address strategies for recovering losses after a theft or embezzlement.

Recovering Funds

In too many cases, by the time an organization discovers the theft or embezzlement, the responsible individual

has spent or diverted the illicit income and has little to no means of making meaningful restitution. Good intentions aside, the perpetrator rarely has liquid assets available to make repayment. Because travel and entertainment are common uses of stolen funds perpetrators use to support lavish lifestyles, there are generally no means of recovery in these cases.

In some cases, dishonest employees purchase real estate, luxury automobiles, boats, aircraft, and other big-ticket items, while others invest in stocks, bonds, and other securities, held personally or within established accounts. In one case, an attorney who stole close to \$6 million of his client's funds invested the proceeds in bearer bonds. Purchasing assets seldom occurs in cases involving losses under \$100,000.

Any items purchased by the individual are potential sources of recovery, if the assets can be identified and located. Often, fraudsters structure their use of the proceeds in ways that make them

difficult to trace, by funneling funds into the accounts of relatives and friends, or by utilizing established businesses and shell companies. The thief's goal is to retain as much of the money as possible by obstructing the path to its discovery.

When it comes to recovering funds, be skeptical. Even if the perpetrator's assets are identified, that does not guarantee they will be a reliable source of recovery. Real estate is often encumbered with debt, and vehicles, boats, and aircrafts are frequently laden with leases or loan balances, leaving little to no equity for recovery.

Civil Process

In order to establish and maintain privilege over the matter, every investigation should be conducted through counsel, with the attorney directly engaging each team member. Whether the organization utilizes in-house or outside counsel, the attorney must be the point person, establishing privilege and directing strategy. Since le-

gal questions and sensitive issues are common encounters in these cases, having all the work performed directly for counsel is the best strategy for maintaining the client's privilege over the team members under the attorney work-product doctrine.

Initializing a civil proceeding against the perpetrator and his or her assets is a common legal strategy once an employee theft or embezzlement has been detected and quantified. In many cases, counsel seeks a pre-judgement remedy (PJR) to freeze the perpetrator's identified assets. An attorney's PJR motion can fast-track the matter to a judge, and, if granted, can place a hold on the defendant's assets until the civil process is completed – which could take years, depending on the court.

Prior to incurring the hefty legal and professional fees that accompany a civil complaint (lawsuit), the victim needs to discuss two key questions with counsel. First, what is the likelihood that the victim will prevail and receive a judgement in the lawsuit? Second (and arguably more important), what is the likelihood that the victim will actually collect on the judgement? If the cost of litigation outweighs the potential benefits, the victim often foregoes filing a suit against the perpetrator.

Criminal Proceedings

If there is sufficient evidence to support the conclusion that a crime has occurred, the victim should consider making a referral to law enforcement. The victim needs to identify the potential crimes that have occurred and discuss with counsel the risks and benefits of involving law enforcement in the matter. In some contexts, a referral to law enforcement is required – for example, under certain insurance policies, the victim must make a referral if he intends to make a claim on the policy.

As part of the strategy discussion with counsel, the victim needs to consider whether the matter will be referred to local or federal agencies. Some ►

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(continued)

contexts dictate the type of agency required, but often, if there are potential state and federal violations, there may be strategies based on the victim's location. Other referral considerations include the amount of the loss, the time period in which the loss occurred, and the timing of the discovery of the loss. Statute of limitation restrictions may drive the strategy decisions, both criminally and civilly.

The central issue to remember is that the criminal process does not guarantee restitution to the victim. The main function of law enforcement is to enforce laws and make arrests, not recover stolen funds. In many cases, restitution plays a major role in the sentencing of the individual, but the sentencing does not guarantee that the perpetrator will make full restitution, even if ordered. Additionally, even if the perpetrator wants to make restitution to avoid jail time, he or she may not have the means to do so.

Parallel Tracks

The good news is that deciding to pursue civil or criminal remedies is not limited to an either/or situation. Actions can be initiated simultaneously – a strategy referred to as “parallel tracks.” In many instances, when a case is referred for criminal consideration, the victim initiates a civil case at the same time. If the victim has no means of recovery, through restitution or through insurance proceeds, the arrest simply provides a consequence to the individual.

Insurance Coverage

Insurance is often the only way a victim organization can recover funds. Apart from civil and criminal proceedings, an insurance claim arguably provides the best avenue for the victim organization to recover losses. However, the amount a victim can recover is limited, and the claim landscape is changing based on the sheer volume of claims.

First, in order to make a claim, a victim organization must have incurred a quantifiable loss and also possess coverage for that loss. All too often, the victim assumes that coverage exists, only to learn that the perpetrator stopped paying the policy premiums. The insurance policy may also identify specific individuals who are not covered in the event of a theft.

Second, a victim organization can only recover losses up to the coverage amount. Time and again, as seen in the earlier examples, the victim maintained coverage, but at a level far less than the amount stolen or embezzled. Organizations must review their coverage amounts for employee theft and embezzlement (and all other risks) to ensure coverage can minimize the impact of a significant loss. Management needs to regularly review the organization's coverage amounts, and practitioners should remind their clients to annually review and address coverage amounts.



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Third, filing an insurance claim does not guarantee that the victim organization will receive the coverage amount. Claims departments and adjusters use outside forensic accountants to review claims and have recently started expanding their internal capabilities by bringing forensic accountants into their claims department.

Often, adjusters want to learn as much as possible about the theft and, most significantly, how it was allowed to occur and remain undetected. The issue of contributory negligence has been raised in recent claims, in an attempt to shift the burden and blame back onto the victim and minimize the claim payment.

Not All Insurance Is the Same

If you are working in business and industry, review your organization's policies and coverage amounts. If you are in public practice, counsel your clients to regularly review their policies. Do not blindly rely on insurance agents, as it is the organization's responsibility to assess adequacy of coverage. In addition, avoid becoming complacent; do not

discover that your organization is underinsured only when it comes time to file a claim.

In addition to coverage for the loss itself, ensure the policy includes a coverage amount for the investigation and compilation of the claim. Often, victim organizations have little or no means of assembling a claim. Coverage that includes compiling a claim can help pay professionals to conduct an investigation to support the claim.

In Summary

When it comes to employee theft and embezzlement, be sure to implement sound controls, detect schemes as soon as possible, and maintain adequate insurance (see the three points of the triangle in Diagram 1 at right). When it comes to recovering funds, consider civil remedies, contemplate involving law enforcement, and file an insurance claim (see the three points of the triangle in Diagram 2).

Above all, never get complacent, and remain vigilant.

Diagram 1

Fraud

Prevent



Insure Detect

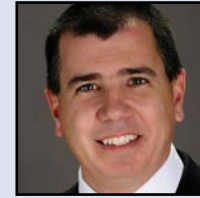
Diagram 2

Recovering Funds

Civil



Criminal Insurance



Stephen Pedneault is the founder/owner of Forensic Accounting Services, a fraud and forensic firm located in Glastonbury. He is also an adjunct professor of forensic accounting at the University of Connecticut in the Masters of Science in Accounting (MSA) program in Storrs. He is a member of the CTCPA Valuation, Forensic, and Litigation Support Group and can be reached at steve@fasman.com.



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Welcome, New Members!

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

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Disciplinary Action

Under the automatic disciplinary provisions of the CTCPA bylaws, the following member has had his CTCPA membership suspended:

Michael Smeriglio of Greenwich

As a result of a decision of a hearing panel of the Joint Trial Board, Mr. Smeriglio's CTCPA membership was terminated effective May 25, 2017. Mr. Smeriglio was found guilty of violating CTCPA bylaw Article X, Section 10.2(c) by failing to cooperate with the Ethics Charging Authority in its investigation of his professional conduct by not sufficiently responding to interrogatories or the request for documents.

In Memoriam

Richard J. Apell,
a member since June 9, 1983,
passed away March 23, 2017.

Ronald J. Begansky,
a member since June 8, 1978,
passed away January 31, 2017.

James L. MacNeil,
a member since October 25, 1962,
passed away May 26, 2017.

Sigmar Schoenhorn,
a member since March 18, 1958,
passed away May 12, 2017.



Member News

Send your news to Editor **Kirsten Piechota** at kirstenp@ctcpas.org. Headshot photos will also be published as space allows.

Member in Action



Kristin Ingram

Kristin L. Ingram, CEO of Ingram Digital Media and Director of Graduate Programs in Accounting at the University of Hartford, was named to the *Hartford Business Journal* "40 Under Forty."

Member in Action



Michael Maksymiw

Michael Maksymiw Jr., a senior manager with Filomeno & Company in West Hartford and a member of the CTCPA Advisory Council, wrote "Leadership Development Will Allow You to Take Control of Your Professional Future" for the AICPA's *The Practicing CPA eNews*.

The **MMNT Foundation** of MMNT Certified Public Accountants presented its first MMNT Foundation accounting scholarships. Scholarships were awarded at Bolton High School, Glastonbury High School, and Manchester High School. Recipients were graduating seniors pursuing an accounting career at a four-year college or university. The MMNT Foundation's annual fundraising event, Beards and Beers 5k, takes place on the second Saturday in November.

Member in Action



Jessica Smith

Jessica L. Smith, a senior associate with Reynolds & Rowella, with offices in Ridgefield and New Canaan, is one of only 38 CPAs selected nationally by the American Institute of CPAs (AICPA) to participate in the ninth graduating class of the AICPA's Leadership Academy. The AICPA selected her based on her "exceptional leadership skills and professional experience" for the four-day program, scheduled for October 2017 in Durham, North Carolina. Jessica is a member of the CTCPA Fairfield County New and Young Professionals Cabinet.

For the ninth consecutive year, **Blum-Shapiro** provided leadership development workshops and exercises during its "Dare to Lead" summer program for 35 college students from Connecticut entering their junior year. The program focuses on networking, team-building, and leadership skills and includes various activities and interaction with BlumShapiro staff. Following the program, the top students are extended an offer for an internship based on employee feedback throughout the two days.

Firm Moves and Promotions

Member in Action



David Moseman

CironeFriedberg, LLP, with offices in Bethel, Bridgeport, Stamford, and Wilton, has promoted **David C. Moseman** to partner. He has more than 20 years of experience specializing in accounting, tax, and consulting services for closely held businesses and their owners. David recently concluded his term serving as treasurer and a member of the board of directors' executive committee of Newtown Youth & Family Services.

The **RSM US LLP** Stamford office relocated to 200 Elm Street in July 2017. Employees now occupy approximately 29,000 square feet on the building's second floor.

Paul Caiafa has launched **Caiafa & Company** at 375 Mather Street, Suite 6 in Hamden. Joining him in the firm are four full- and part-time professional and administrative staff. The firm specializes in tax preparation, accounting, and tax planning services for business owners, executives, and individuals. In addition, the firm represents clients on tax resolution matters and audits with the IRS and state tax agencies.

Zoll Finds Family Promise of Central Connecticut and Family Promise Day Center

Member in Action



Leslie Zoll

Leslie Zoll, a principal at BlumShapiro in West Hartford, co-founded the Family Promise of Central Connecticut in 2015.

This 501(c)(3) nonprofit corporation is Connecticut's first affiliate of the national organization that uses places of worship to help families with children remain intact and become self-suffi-

cient. In June of this year, they cut the ribbon of the Family Promise Day Center at 40 Cornelius Way in New Britain. "It has been, and still is, a remarkable community endeavor," said Leslie.

The Family Promise Day Center is a place where participant families spend the day looking for housing and employment. The Center also provides a stable address for families to use when sending out resumes and registering

children for school. At the end of the day, families are picked up in a van and transported to a host congregation for the evening.

Family Promise of Central Connecticut currently includes 11 host congregations of all denominations, seven supporting congregations, more than 100 volunteers, and an additional 350 people trained and ready to help homeless families.



Member Snapshots

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

Does your firm 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 Managing Editor **Kirsten Piechota** at kirstenp@ctcpas.org.

BlumShapiro Volunteers Serve as Junior Achievement Teachers



More than 230 students in 14 classes in grades 2 through 5 at Webster Hill Elementary School in West Hartford enjoyed a full day of interactive lessons and discussions about the fundamentals of financial literacy, entrepreneurship, and work readiness presented by dozens of business professionals from BlumShapiro along with Fox 61 News Anchor **Jenn Bernstein**. Volunteers used curricula developed by Junior Achievement as part of this JA in a Day program.

Standing with students from a third grade class at Webster Hill Elementary School are (from left) BlumShapiro Chief Marketing Officer Tom DeVitto, Fox 61's Jenn Bernstein, and teacher Brenda Glidden.

Innovative CPA Group in Trumbull Celebrates Grand Opening



Trumbull First Selectman Timothy Herbst (third from left) cuts the official grand opening ribbon as The Innovative CPA Group (ICG) partner Charlie Smith, R.D. Scinto CEO Robert Scinto, ICG partner Lauren Shugrue, and ICG staff look on.

The Innovative CPA Group (ICG), headquartered in Trumbull, celebrated its official grand opening with a ribbon-cutting ceremony in June. Located in the Trumbull Corporate Park, 35 Nutmeg Drive, the ribbon cutting was officiated by Trumbull's First Selectman **Timothy Herbst** and R.D. Scinto CEO **Robert Scinto**.

The Innovative CPA Group opened its doors in January under the direction of **Charles D. Smith**, who joined forces with **Lauren Shugrue** and **Glen J. Belush** to launch the new venture. ICG provides a variety of specialized accounting and consulting services including audits; financial statement preparation; proactive tax strategies; cost segregation studies; real estate acquisition, management, and accounting; succession, trust, and estate planning; and employee benefit plans from its Trumbull and Monroe offices.



CohnReznick CARES Week of Caring Benefits Four Local Organizations

As part of the CohnReznick CARES program, team members participated in the firm's third annual Week of Caring this spring. Volunteers hosted a bingo game at the Northend Senior Center in Hartford, provided landscaping cleanup of an overgrown vegetable garden and visited with residents during a picnic at the Department of Veterans Affairs in Rocky Hill, weeded and planted vegetables in 13 raised beds at the Chrysalis Center Railway Gardens, and painted and landscaped at Tara Farm in Coventry.



Scanlon Speaks to Local Sixth Graders About Investing, Capitol Markets



Thomas Scanlon speaks to an enrichment class of sixth graders at Franklin Elementary School in North Franklin.

Thomas F. Scanlon, a partner with Borgida & Company, with offices in Manchester, Storrs, and Niantic, recently made a presentation to an enrichment class of sixth graders at Franklin Elementary School in North Franklin. The class introduces students to The Stock Market Game, the basics of researching/choosing stocks, and how to trade in The Stock Market Game.

Teacher **Matt Walsh** had requested Tom's presentation through SIFMA's "Invest It Forward" program, which connects educators and classrooms with financial industry professionals and firms to promote youth financial capability across the U.S. It is an industry-wide financial education and capital markets literacy initiative convening financial firms that are committed to giving young Americans a solid understanding of the capital markets system.

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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.

Help Wanted

Accountant – Tax – CPA firm seeking individual with 5+ years tax experience to supplement growth. Such person should have the required knowledge to complete the forms: 1120, 1120s, 1065, 1041, 1040, and related schedules. Salary negotiable, benefits included. Kindly forward your resume to: Thomas S. Monterosso, CPA, P.C., 65 Cherry St., Milford, CT 06460, email: thomas.monterosso@snet.net, or fax: 203-876-1690. Thank you.

Senior/Future Partner – Accountant-Tax-CPA Firm Seeking Individual. Fairfield County (Stamford area) with 5+ years tax experience to supplement growth. Such person should have required knowledge to complete individual, corporate, partnership, and fiduciary tax returns and related schedules. Knowledge of Lacerte, CPA or CPA candidate preferred. Looking to add individual to partnership track. Salary negotiable. Please email cover letter and resume to stamfordcpafirm@gmail.com.

Senior/Review Level Accountant – Danbury-area CPA firm looking for an equity-minded individual to join our firm. The individual must have good client relationship skills, an in-depth knowledge of tax and accounting for both individuals and businesses, and good computer skills. Management experience required. Please reply to Scott Mitchell at Melillo & Mitchell, LLC – scott@melillo-mitchell.com or 203-744-3450.

Senior Accountant – Mark D. Alliod & Associates, PC – Expanding CPA firm in Vernon, CT seeking individual with a minimum of three years' experience in public accounting for flexible, part-time/full-time positions in both auditing and taxation. Audit experience must include knowledge of financial statement reporting in GAAP, Yellow Book and Uniform Guidance. Tax experience must include knowledge of business, individual, trust and estate taxation. Pleasant working environment, flexible work schedules and diversified clientele. Email cover letter and resume to karenmdacpa@sbcglobal.net.

Senior Accountant – Venman & Co. LLC. Venman & Co. LLC is a mid-sized public accounting firm in Shelton and have been offering quality service to our diverse client base for over 80 years. We are seeking to fill key positions on our team. Individual must have 3+ years of public accounting experience; CPA a plus. Experience with ProSystem Engagement and Tax; not-for-profit audit experience also a strong plus. Benefits include education reimbursement. Reply to recruiting@venmanllc.com, fax: 203-929-9095, mail: Venman & Co. LLC, 375 Bridgeport Avenue, Shelton, CT 06484, Attn: Janet Barillari.

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