

Accountancy Board of Ohio

WINTER 2019

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CHAIR MESSAGE

It is a great honor to serve as Chair of the Accountancy Board for 2020. Let me start by thanking our outgoing Chair, Michael M. Guinigundo. Mike has been a dedicated member of the Board who has devoted significant time and talent to leading our efforts to execute the Board's Mission – his leadership is greatly appreciated, and I look forward to his continued service this upcoming year as Past Chair. I would also like to thank outgoing Board member and Past Chair, James D. Gottfried, for his seven years of service and dedication; his thoughtfulness, candor and insight will be greatly missed.

The Board's Mission, as stated on our website, is to assure the services received by Ohio's citizens and businesses from CPAs and PAs licensed by the Board, will always be performed in an ethical and professional manner and to strictly and fairly enforce Ohio's statutes and rules. The Board and its staff strive to keep its Mission in the forefront of both our daily activities and planning for future services.

Joining me on this year's Executive Committee will be Ms. Kenya Watts who serves as Vice-Chair, and Mr. James Redmond who serves as Secretary.

When I graduated from the University of Dayton with my accounting degree, I only had a basic comprehension of the importance of a CPA's responsibilities to the public. Throughout my professional career, which has included large public accounting, academia, and start-up small public accounting, I have gained an appreciation of the scope, depth, and variety of those responsibilities. It is vital that all Ohio licensees and those permitted to practice in our great state understand that the public relies on us to hold ourselves accountable to the state's statutes and rules, so that the public can rely on our word and our work product. Without acting and executing ethically and with integrity, our work as licensed CPAs is worthless. A tall order, but one worth achieving.

With that in mind, the Board has an active agenda of issues to discuss and address. The evolution of technology in business and society demands that licensed CPAs evolve as well. How we tackle these challenges will be through our "E" lense: evolution of our Education requirements, our Examination requirements, and our Experience requirements. We intend to continue our thoughtful, deliberate, and timely work on this evolution. We will work with our national partners at NASBA and the AICPA, and we encourage your insights and participation in this evolution as well. Along with my fellow Board members, our Executive Director, and Board staff, we pledge to work together to fulfill the Board's Mission and serve the public interest.

Sincerely,

Margaret A. Gilmore, CPA, Chair

CLOSING THOUGHTS FROM OUR PAST CHAIR



Mike Guinigundo, CPA & Maggie Gilmore, CPA

As 2019 comes to an end, so too will my term as Chair conclude. It has been an honor and privilege to serve the profession and the people of Ohio as Chair this past year.

Accountancy Board of Ohio

Let me extend a warm welcome and hearty congratulations to our incoming officers: Margaret A. Gilmore, CPA, as Chair; Kenya Y Watts, CPA, as Vice-Chair and James B Redmond, CPA, as Secretary. Our profession and its regulatory oversight will be in the extraordinarily capable hands of this new Executive Committee and other Board members.

I offer a sincere thank you to our Past Chair and outgoing Board member, James D. Gottfried, CPA. Your leadership and experience have been an invaluable asset to the Board and the profession. You will be missed.

We were certainly busy this past year, working and pushing forward on issues including working on the formation of a new CPA Exam that will be an exciting way that more talent will be able to be included in the profession.

We issued 811 licenses this year. I would like to personally welcome the new licensees to this wonderful CPA profession.

I was happy to continue the Board’s outreach efforts to students and educators, particularly as I found myself in Oxford, Ohio at Miami University, at my alma mater in September. During the month of October, the Board welcomed more college and universities to Columbus for more outreach. We received positive feedback, especially noting the benefits of the Board’s agenda to include not only regular business but also presentations regarding CPA Exam preparation and discussing career options in the profession. My favorite part of both outreach days was when the student had the opportunity to directly question members of the Board regarding insight to the profession.

Ohio continues to be a leader shaping the accounting profession. The Board’s relationship with the National Association of State Boards of Accountancy as well as the Ohio Society of CPAs and the American Institute of CPAs assures our position in which we remain both apprised of national issues facing the profession and influential determining how to best address the same as they affect Ohio CPAs.

Thank you to the Board staff that supports and facilitates our ability to fulfill the Board Mission. John Patterson, Executive Director; Tracey Fithen, Assistant Executive Director and Donna Oklok, Investigations Supervisor. Without you, we could not do all we have done.

The opportunity to serve as Chair of the Accountancy Board of Ohio is something, as a small firm accountant, I did not really foresee as a possibility. I am forever grateful for that chance.

Sincerely,
Michael M Guinigundo, CPA
Immediate Past Chair



Distinguished Service Award presented to Mr. James Gottfried, CPA



James Gottfried, CPA & Mike Guinigundo, CPA

Accountancy Board of Ohio

Practice Continuation Agreements: A Practice Survival Kit

A resource prepared by the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA), adapted from the original AICPA publication by John A. Eads, CPA

What would happen to your clients and practice if you were to become incapacitated or were to unexpectedly pass away? Do you have a plan in place to ensure your clients' services and your employees' salaries continue uninterrupted? Unfortunately, few sole practitioners do. In fact, a 2012 survey by the AICPA Private Companies Practice Section (PCPS) found that only 6 percent of sole practitioners have a practice continuation agreement in place.

A practice continuation agreement is a contract that ensures your practice is transferred to another CPA firm or individual in the event of your disability or death. These agreements make arrangements for both temporary and permanent situations, hereby protecting your clients, your staff and your family. Practice continuation agreements ensure that there is no significant break in your clients' accounting and tax services, provide your staff with some assurance of immediate future employment and offer your family financial support and peace of mind when they need it the most.

Types of Practice Continuation Agreements

While individual agreements can vary considerably, the three most common types of practice continuation agreements include:

- **One-on-One Agreements** — A continuation agreement made between two sole practitioners — usually in the form of a buy/sell agreement or cross-purchase agreement
- **Group Agreements** — Several CPAs act as successors to each other's firms; when death or disability strikes a member of the group, his or her clients are asked to select a new CPA from among the surviving members
- **State Society Plans** — Also known as an emergency assistance plan, these help the surviving spouse or heirs with the disposition of a member CPA's practice if that member failed to make his or her own arrangements ahead of time.

Working Toward a Practice Continuation Plan: Key Steps

STEP 1. Practice Analysis

A realistic review of your firm's goals, procedures and characteristics prepares you to compare practice philosophies, clients, marketing techniques and personnel policies with prospective successors.

Firm Basics

Honestly evaluate your firm's:

- Reputation • Staff
- Specialties • Location
- Rates • Profitability
- Efficiency

Financial Considerations

There are significant control statistics that indicate a practice's financial health and should be discussed during negotiations with potential successors.

Client Information

A critical step in preparing for practice continuation discussions is to summarize basic data about each client. This includes information on each client's type of business, years with firm, and billings by type of services rendered. Client profiles may also include an assessment of client personalities, business philosophies, and goals.

STEP 2. Placing a Value on Your Practice

In a normal buy/sell situation, the seller actively participates in the negotiations at the time of the sale. However, this is not possible when death or some types of disability occur. As such, both parties to any continuation agreement will need to agree to the valuation method as part of that agreement. There are several methods for assessing the value of a practice, but the balance sheet and income statement from operations are vital components of any valuation.

STEP 3. Identifying a Potential Successor

The ideal successor is a practitioner you have known for a number of years and with whom you have discussed a wide range of practice issues, including personnel-related and engagement-related matters. You should consider the following when assessing a potential successor:

Accountancy Board of Ohio

- Professional qualifications — Recent peer review, organizational and planning abilities, proper monitoring and control of engagements, technical proficiency, client satisfaction, ability to train and develop staff, ability to generate fees and knowledge of the value of the services performed, ability to bill and collect promptly, and sense of professional responsibility.

- Personal qualifications — The appearance and presentation of the firm and its personnel, leadership within the firm, evidence of oral and written communications skills, good relations with colleagues and clients, gradations of expertise within the firm, useful mixture of personalities within the firm, and growth potential.

- Community and professional standing — The firm's image, leadership in the community and profession, ability to bring in new clients through individual contacts, and accomplishments.

Constructing an Agreement

Once you place a value on your practice and identify your successor, you are ready to begin negotiating and constructing the agreement. You may want to consult with an attorney as part of the negotiation process, as your contract will cover many technical legal areas. At a minimum, your contract should address the following:

- Definitions (temporary disability, permanent disability, death, retirement, etc.)
- Assumption of a practice on a temporary basis (in the event of disability)
 - Assignment of staff and other employees
 - Compensation arrangement with the successor
 - Conclusion arrangement
- Assumption of a practice on a permanent basis
- List of clients
- Working papers (tax and accounting standards applied to each client)
- Files (billing, personnel, etc.)
- Books and financial statements
- Work in process and accounts receivable
- Equipment and supplies
- Existing leases
- Employee records
- Liabilities and malpractice insurance
- Property and casualty insurance
- Fees and billing information
- Payment for the practice
- Noncompetition clause
- Termination of the agreement
- Arbitration
- Client notification

Payment Methods

Generally, you must be willing to agree to multiple installments to get a good price, as your successor may have minimal available funds or be unwilling to make a full commitment to the terms of the agreement until they can be sure of client retention. The most common method of paying for an accounting practice is to spread the payments over a period of five to seven years. Some agreements have called for payments in as few as three years, and others in as many

as 10. Down payments are between 10 percent and 20 percent. Outright cash payments for an accounting practice are uncommon unless severely discounted. Make it as easy and financially undemanding as possible for the successor to pay for the practice. Remember, the successor must pay your staff immediately — long before receiving fees from the clients transferred.

Return to Practice Rule Change

Effective September 2019, a licensee whose status is expired, suspended or revoked, or the holder of a non-practicing Registration who wishes to obtain a Permit to practice must complete at least 120 Continuing Professional Education (CPE) credit hours in the 36 months prior to requesting a permit be restored. Within the total of 120 credits, at least three (3) credits of an Ohio-based course in Professional Standards and Responsibilities (PSR) from a provider approved by the Board, at least 24 credits in the fields of accounting or auditing, and at least 24 credits in the field of taxation must be completed.

CPE Audit Service is now Live

The Accountancy Board of Ohio in cooperation with the National Association of State Boards of Accountancy (NASBA) is now offering a continuing professional education (CPE) audit service application for all Ohio CPAs. The *CPE Audit Service* is available for your use to track and store all your CPE records in one location, review your ongoing compliance with the CPE requirements of the Board as you complete CPE, and submit CPE records and documentation in response to an audit by the Board.

Registration emails were sent on October 7, 2019 which include links to access the site and your personal registration code. If you did not receive the registration email, please contact NASBA at CPEaudit@nasba.org and request your registration email be sent to you.

Accountancy Board of Ohio

Elijah Watts Sells Award

The Accountancy Board of Ohio is honored to congratulate Oscar Ryland and William Donohue on being chosen by the American Institute of CPAs (AICPA) to receive the Elijah Watt Sells award. They were chosen due to their outstanding performance on the Uniform CPA Examination in 2018. It is not often an individual obtains a cumulative average score of 95.5 across all four sections and passes all four sections of the exam on the first attempt.

We wish Mr. Ryland and Mr. Donohue much success in all their endeavors.

More information regarding the Elijah Watts Sells award can be found on the American Institute of CPAs (AICPA) website at <https://www.aicpa.org/press/pressreleases/2018/aicpa-cpa-exam-2017-elijah-watt-sells-award.html>

CPE Compliance

All Ohio CPAs who hold a practicing permit are required to obtain a minimum of 20 CPE credits annually. Failure to comply will result in a \$10 fine for each CPE credit deficient. This rule became effective in 2016 with group 2 being the first group to report their annual CPE credits in 2018.

Should You Register as a Firm?

If a CPA is performing or offering to perform any audits, reviews, compilations or any attestation engagements that will result in the issuance of any report in accordance with the professional standards defined in rule 4701-9-03, 4701-9-04, 4701-9-05, or 4701-9-06 of the Administrative Code, the CPA must register their CPA firm with our Board as a Peer Review firm.

Or, if a CPA is performing or offering to perform taxes, consulting or the preparation of financial reports while advertising as a "CPA", the CPA must be registered with the Board as a Tax Consulting firm with the Board. If the firm has "CPA" in the title of the name, ex: John Doe, CPA or The ABC CPA Group LLC., both firms' have "CPA" in the title therefore, they are required to register. Even if it is just an individual person, if "CPA" is in the name, it is required to be registered.

Responsible Licensing Matters

In this era of rollback of regulations or even deregulation of occupations and professions, much talk has turned to the necessity of licensing professions. After all, the US was founded on individual freedoms, including freedom to earn a living. So why should you care about this?

The CPA profession, and your counterparts around the globe, are responsible for the fiscal integrity of the financial systems throughout the world. You hold a high level of public trust and influence in the financial arena. As we have seen in the past, when a CPA fails to perform, it has a lasting ripple effect.

Responsible licensing of highly complex and technical professions protects the public by ensuring licensees have met minimum competency requirements and maintain those competencies through CPE, which protects consumers from unqualified practitioners in areas where consumers do not have the expertise needed to evaluate the practitioner's qualifications and performance. CPA initial licensing and maintenance is rigorous for a reason. Responsible licensing allows all qualified individuals to enter the profession without artificial deterrents but ensure public protection.

CPA regulation in the US has made great strides in eliminating unnecessary barriers to entry into the profession. Individual and firm mobility allows qualified practitioners to practice across state lines. Reciprocity of licensure and CPE reciprocity allows easy flow of licensing from one jurisdiction to another. Unfortunately, these accomplishments have not removed the CPAs from the broad-brush approach to deregulation of occupations and professions.

The National Association of State Boards of Accountancy (NASBA), of which the Idaho State Board of Accountancy is a member, has joined with other regulatory associations of highly complex technical professions (architect, landscape architects, professional engineers and professional surveyors) to create the Alliance for Responsible Professional Licensing (ARPL). ARPL was created to ensure that a unified voice for advanced professions is present and heard in the growing debate around the appropriate level of licensure for professions and occupations. Visit their website to learn more about ARPL and their efforts to promote a responsible, balanced approach to professional licensing. Talk to your local legislator and stay involved. Help maintain public protection in the practice of public accounting.

Accountancy Board of Ohio

Accountancy Board Staff

Executive Director:

John E. Patterson (614-995-0192)
john.e.patterson@acc.ohio.gov

Assistant Executive Director:

Tracey F. Fithen (614-644-9037)
tracey.fithen@acc.ohio.gov

Investigations Supervisor:

Donna Oklok (614-728-3004)
donna.oklok@acc.state.oh.us

Investigators:

Charlene Nortey (614-466-1660)
charlene.nortey@acc.state.oh.us

*** INVESTIGATOR VACANCY**

Administrative Staff:

Kelly A. Kelly, Firm Registration
(614-752-8249)
kellyann.kelly@acc.ohio.gov

Karen Salyer, CPA Certification and Licensing
(614-752-7472)
karen.salyer@acc.ohio.gov

Faith Harvell, Revenue and Education Assistance
(614-728-6764)
Faith.harvell@acc.state.oh.us

*** INFORMATION SECRETARY VACANCY**

Accountancy Board of Ohio 2020 Members

Officers:

Margaret A. Gilmore, CPA, Chair
Kenya Y. Watts, CPA, Vice-Chair
James B. Redmond, CPA, Secretary

Members:

John E. Soucie, CPA
Gerald P. Weinstein, CPA
Richard (Scott) Blake, Public Member
Brendan P. Fitzgerald, CPA
Michael M. Guinigundo, CPA (Past Chair)