

# PARTNERS' NETWORK NEWSLETTER

DECEMBER 2009

## LETTER FROM THE EDITOR



To our colleagues,

Here is the latest issue of the Partners' Network Newsletter with information we think you will find helpful in your practice. We've included some history about Luca Pacioli, the father of accounting, and *The Last Supper*, the *I-Power* technique from my bag of tricks, an article on client and staff loyalty and client surveys, two letters you can consider for increasing tax return fees or dropping clients that no longer fit into your practice, and some best practices quick tips.

We've also included information about our annual Pre Tax season CPE program that will be held on Monday, February 1, from 5:00 PM to 9:40 PM at the Heldrich in New Brunswick, NJ. The program schedule appears on the next page. There is no charge for Partners' Network members. Non members are \$125.00. Note that a membership is \$145 and also entitles you to an \$80 discount at our June CPE Conference and free attendance at the Annual Power Breakfast in September. If you are not a member, please consider joining.

An added bonus of our meetings and conferences is the opportunity to network and discuss current issues. Partnerships and mergers have taken place with colleagues meeting at our conferences.

The Partners' Network is a program of WithumSmith+Brown, PC intended to support smaller accounting practices in areas where they need help or do not perform services. Members are welcome and encouraged to call us with any issues and questions they have where we might be able to assist them. This includes managing their practices and succession planning as well as accounting, auditing, specialized tax services, business valuation and forensic accounting. We also assist in niche areas where we are particularly strong such as construction contractors, manufacturers, health care organizations, real estate developers, and financial services including hedge funds and broker dealers.

Be sure to sign up for this valuable CPE program being held February 1st. Attendees will receive a thick handbook that will be a complete reference source to refer to in the future. Copies will also be provided on CDs. We will also include some real practical checklists on the CD.

Sign up today and reserve your seat! We look forward to seeing you on February 1st.

Cordially,

Edward Mendlowitz, CPA  
Editor

P.S. We perform many other services for CPAs including peer and quality reviews, business valuations, and audits that you may not be in a position to perform. Please keep us in mind when you are in need of these services. We can also lend a hand to controllers who need assistance on special projects.

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### WITHUMSMITH+BROWN, PC

ONE SPRING STREET  
NEW BRUNSWICK, NJ 08901  
P. 732.828.1614  
F. 732.828.5156

#### Contact:

Ed Mendlowitz  
emendlowitz@withum.com

Heather Suddoth  
hsuddoth@withum.com

# WITHUMSMITH+BROWN PARTNERS' NETWORK PRE-TAX SEASON CPE PROGRAM

**Monday, February 1, 2010**

5PM - 9:40PM

The Heldrich Hotel, New Brunswick, NJ



This CPE program offers 5 CPE Tax credits.

This program is designed to meet NJ, NY, PA and NASBA CPE requirements.

**5:00 - 5:20** Networking sandwich dinner

**5:20 - 7:00** **Managing Your Tax Season.** Ed will provide updated information on how to better service clients with greater skill, more fun and increased revenues. This program will contain new, never before discussed, material with interactivity between Ed and the attendees. Ed is also the author of the AICPA published *Managing Your Tax Season* which will be available in a 2010 updated version at [www.biz2biz.com](http://www.biz2biz.com).

Ed Mendlowitz, CPA

**7:00 - 7:10** Short networking break

**7:10 - 8:00** **Peter Weitsen's IRS Update.** This is an annual treat with the most recent IRS news and procedures and how they affect your clients.

Peter A. Weitsen, CPA

**8:00 - 8:25** **State Tax Update.** What's new with New Jersey and New York taxes by our firm's State Tax Specialist.

Harry Tuul, CPA

**8:25 - 8:50** **Software and preparation procedures update.** What is available, how to use it, why use it and how WS+B uses it. A special presentation will include our experience with GruntWorx.

Michael Hoffman, CPA

**8:50 - 9:40** **Tax changes and traps when preparing returns.** This is up to the minute insights in the tax law changes and highlights of the issues that tend to be overlooked.

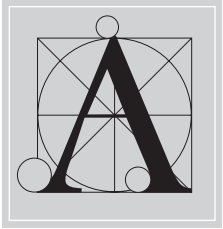
Peter A. Weitsen, CPA

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- Delivery Method: Group-Live
- Program Level: Intermediate
- Prerequisites: Must be a CPA in own practice or a Partner/Manager in a firm
- Advanced Preparation: None

For information regarding refund, complaint, and program cancellation policies please contact Heather Suddoth at [hsuddoth@withum.com](mailto:hsuddoth@withum.com)

# THE DAVINCI CODE & THE FATHER OF ACCOUNTING



With the recent publication of Dan Brown's *The Lost Symbol*, we want to relook at his *The DaVinci Code* as it regards our illustrious profession.

In 1494 Italian monk Luca de Pacioli officially introduced "double entry" bookkeeping (and debits and credits) in his *Summa de Arithmetica*, a compendium of mathematical knowledge. Pacioli based his work on procedures that have generally been used in Genoa, Florence, Milan and Venice since about 1350. Double entry bookkeeping made it easier to detect errors and provided a fuller picture of business activity—a balance sheet along with an income statement. Because of his work Luca Pacioli is considered "the father of accounting."

*The DaVinci Code* by Dan Brown, a work of fiction, fails to mention that the technique of Leonardo's *Last Supper* was inspired by Luca Pacioli. Fra Luca taught his artist friend, Leonardo, the art of perspective which was actually a mathematical concept new to the latter part of the 15th Century. Leonardo wanted to paint something using the techniques that Luca taught him. The result was *The Last Supper* which is a study in perspective.

Additionally, Luca designed the "Renaissance" geometric alphabet and New York's Metropolitan Museum of Art uses the M as its logo. Shown is Luca's geometric font.

Note: The Partners' Network published a Topps® trading card showing Luca as the Father of Accounting. If you would like one, email Heather, and she'll mail you one.

## I-POWER

In 1992 Martin Edelston and Marion Buhagiar published *"I"-Power: The Secrets of Great Business in Bad Times*, a book that introduced a continuous business improvement process that I have used very successfully since then. Marty Edelston, the publisher of *Bottom Line/Personal* and other newsletters, shares the method that he used to take his business from \$25 million in sales to \$100 million in just a few years without any increase in personnel. I have known Marty since 1976, and he is one of the most astute businessmen I have had the pleasure to work with. Following is a summary explanation of the process and how it can be used.

**PURPOSE** To gain information that will help management better run and manage their business.

**SECONDARY PURPOSE** The meeting provides an opportunity for employees to criticize their bosses without seeming to do so and without being singled out as a "trouble maker."

**METHOD** A two to two and a half hour lunch attended by six or seven people selected by management will be held where each person must bring either one or two ideas or comments that they believe will make their job better. Each idea would be on a single sheet of paper identified by the person preparing it. The discussions take place while everyone is having lunch.

**LOCATION** The lunch should be held at a private area in a restaurant with a round table suitable to hold eight people. A private room at a hotel or country club is also suitable.

**ADVANCE PREPARATION** None except for the one or two ideas written on sheets of paper. Note: If someone comes with only one item that is also indicative of that person's understanding of their role.



**HOW CONDUCTED** The sheets will be mixed up, and one will be selected at a time. The person writing it will explain briefly what they meant or why they chose that item. Then each person will be asked to comment and discuss the point. There may or may not be a discussion and it may or may not be lengthy.

**BONUS** Each person will be presented with either a crisp \$1 or \$2 bill for each idea discussed depending on the facilitator's judgment of the importance or value of the idea and benefits to the company. Some companies use \$5 and \$10 bills. It is not the amount, but the "prize" that is awarded.

**COMPANY MANAGEMENT** Usually one member of management attends but does not participate in the discussions. The purpose is to hear their staff present ideas that they believe will make their jobs and the company better. Anything said by management can be taken as a "definitive" policy statement, a defense of a policy, a threat, or as a policy or procedure change – which should not be made precipitously at this meeting.

# CLIENT AND STAFF LOYALTY



Client loyalty is what keeps a client to continue to return each year. You might believe it is your “superior” work or service or low fees, but it is loyalty.

The loyalty might be fueled by your superior work and service and reasonable fees, but it is the thing called loyalty. It might also be fueled by your location and availability, but it is still their loyalty.

Now, let me ask you a question. Do you return that loyalty? If the loyalty is one sided, and if it is more strongly by the customer than the vendor, then at some point there will be a crevice in that loyalty shield, and that loyalty will disintegrate quite fast.

Businesses take customer loyalty for granted. For that manner, they also take a lot of other things for granted such as employee loyalty. So here is what you can do about it.

As far as clients go, you should put yourself in their position and review the questions in the sample client quality survey shown following this article. Also, try to take a lesson from the Internet and create a “community” among your clients. You do this by making them feel they are part of your community. Send them personal notes and copies of articles, phone calls, newsletters and even a surprise gift of a book or something related to their hobby, interests, business or profession. It is not that hard if you think about it. In fact, thinking about it will create the reality of them being part of your community, because that is what being a community member means.

As far as staff goes, many firms expend great energy hiring and adding staff and then make no effort to excite them and make them feel part of the firm afterwards. Working at this takes almost no effort and yields extremely high results. Tax season is a perfect time to foster this feeling. Instead of assigning a list of returns to a staff person, make the staff person see the personal benefits of tax season.

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**One.** There is an opportunity for lower level staff to speak to clients. In most business or larger assignments the only people dealing directly with clients are the managers and partners. For individual tax preparation work it is not unusual for the staff person to call the client to get additional information, convey information and also be the first person the client addresses questions to or expresses a financial issue that is on their mind.

**Two.** The tax laws change on a fairly regular basis creating a level playing field for knowledge of the new tax information. The least experienced staff member can know as much about the new laws as the most experienced.

**Three.** When you meet people who possibly can become clients or meet someone who hears you are a CPA, they usually ask a tax question. Very few ask about an FASB application. Working on tax returns arms you with that ammunition.

**Four.** Taxes will lead you to the best opportunities to get new clients. This can be proven by tracing the family tree of your largest clients – many trace back to a 1040.

**Five.** Tax season is a relationship builder. It is not unusual for a staff person to interact with a couple of dozen clients during tax season. In a professional services firm relationships are currency.

**Six.** Everyone knows about tax season, so you can get out of going to third birthday parties of your spouse’s cousin’s-in-laws’ kids.

# QUALITY CONTROL CLIENT SURVEY

SEND TO CLIENTS WITH THEIR TAX RETURNS AND FINANCIAL STATEMENTS

Some firms include a client survey report asking for an evaluation of the firm's services. These forms are included with every tax return and financial statement that is sent to a client. Sections are divided into categories and ask for evaluations and comments on timeliness, understanding of the client's business and industry, staff responsiveness, value of the services to the client, what the firm could do to better serve the client and suggestions about recommending the firm to others.

To be fully effective, all client concerns and comments should be followed up both with the client and with a review of firm systemic issues. This form can be used as part of a continuous improvement program.

Following is a sample portion of a client survey.

	SATISFACTION RATING					
	High			Low		
	5	4	3	2	1	N/A
<b>TIMELINESS</b>						
We completed your project within the expected timeframe	5	4	3	2	1	N/A
We met promised dates throughout the process	5	4	3	2	1	N/A
We returned phone calls promptly	5	4	3	2	1	N/A
The frequency of contact with you was adequate	5	4	3	2	1	N/A
We made sure to inform you if there would be any kind of delay	5	4	3	2	1	N/A
Our staff kept you informed of our progress	5	4	3	2	1	N/A
<b>KNOWING YOUR BUSINESS &amp; INDUSTRY</b>						
Our staff was proficient in their technical area of expertise	5	4	3	2	1	N/A
Our staff offered valuable suggestions	5	4	3	2	1	N/A
Our staff was up-to-date/informed on business issues affecting you	5	4	3	2	1	N/A
<b>OUR PEOPLE</b>						
Our staff were available when you needed them	5	4	3	2	1	N/A
Our staff took an active interest in your business	5	4	3	2	1	N/A
Our staff were responsive to your needs	5	4	3	2	1	N/A
Our staff were friendly and courteous	5	4	3	2	1	N/A
Our staff followed-up on open items	5	4	3	2	1	N/A
Our staff looked for extra ways to be helpful	5	4	3	2	1	N/A
Our staff looked for ways to help you improve your profitability	5	4	3	2	1	N/A
Our staff were professional in appearance and conduct	5	4	3	2	1	N/A
Our staff worked well with your people with minimal disruptions	5	4	3	2	1	N/A
<b>TOTAL FIRM VALUE</b>						
Overall performance of our staff	5	4	3	2	1	N/A
Overall your work was delivered on time	5	4	3	2	1	N/A
Overall appearance of our reports	5	4	3	2	1	N/A
Overall quality of our work	5	4	3	2	1	N/A
Value received for fees billed	5	4	3	2	1	N/A

How would your work score on this survey?

# INCREASING TAX RETURN FEES

## LETTERS TO SEND TO CLIENTS

Following are two letters detailing two approaches that can be used. The letters themselves don't have to be used in a situation where you will either see or talk to the client before tax season begins. However, it would be a courteous effort to communicate with the client early enough so they have time to engage a new preparer.

### **SAMPLE LETTER TO INFORM A CLIENT OF AN INCREASE IN FEE FOR THE COMING YEAR:**

Dear Client :

Over the years we have valued your business and appreciated the opportunity to act as your tax advisor and return preparer.

Recent years however, have brought with them ever increasing costs of providing these services to you. Costs such as maintaining a highly skilled and qualified staff, together with the technology needed to support them, as well as the effects of inflation, have made it impossible for us to maintain your fee at the current level.

As a result, we have been left with no choice but to increase your fee for the above services to \$XXXX starting with preparation of your 20XX income tax returns.

This has not been an easy decision for us, but as professional financial advisors, we must look at this in a purely business setting.

We hope that you will continue to see the value of our services, and that you will understand the need for us to increase the fee associated with the quality services we perform.

If you wish to discuss this with us, please do not hesitate to call. Thank you in advance for your understanding.

### **SAMPLE LETTER TO INFORM CLIENT OF A MINIMUM FEE THAT IS HIGHER THAN THEY SHOULD PAY:**

Dear Client,

We have reviewed our fee structure for individual tax returns and have decided to impose a minimum charge of \$XXX\* per return for the 20XX tax season.

In reviewing your tax return and the fee we charged you, we feel that you can best be served by a colleague of ours that charges fees consistent with the way you have been billed in the past. Accordingly, we have made arrangements with a local CPA, Mr. Alfred Accountant, 123 Main Street, Your City, NJ Tel 732 555-1234 to provide him with our copies of your files and computer database should you authorize us to do so.

We appreciate your using us in the past and the trust you placed in us and feel that the quality of service and responsiveness that Mr. Accountant will provide will meet your high expectations.

We will provide Mr. Accountant with your contact information, but will retain your files until we receive authorization from you to release the information. If you decide to use someone else, rest assured that we will cooperate with you in the transfer. Additionally, we will be available to discuss with you or your new accountant anything that appears on the returns we prepared.

We thank you for your previous business and wish you a happy and healthy holiday season and success in the future.

Cordially,

Partner, CPA

\*Minimum not applicable to minor children's tax returns

# BEST PRACTICES QUICK TIPS TO CONSIDER

KEEP IN MIND THAT THE ALTERNATIVE TO GETTING WHAT YOU WANT IS REDUCED EXPECTATIONS

- Back up your hard drives and data
- Have all your supplies ordered and a mechanism to reorder before you run out, especially paper and diet soda
- Read the software instructions and best practices guides
- Become paperless
- Use bar codes if your software permits to book mark the scanned documents and client information
- Do the training before your busy seasons and supplement with effective and deliberate OJT (on the job training)
- Take the time to do it right the first time
- Don't shortcut procedures
- If you let staff persons shortcut a procedure, they will continue to do so five more times until the procedure is correctly done even after you have caught and corrected them.
- If staff persons see you shortcutting a procedure, they will continue to do so ten more times until they finally see this as an incorrect method.
- Keep your office neat and place files and client information in designated areas
- Update tax and schedule calendars as soon as you get new information or a new client.
- Provide clients readable and understandable (i.e. user-friendly) summaries and instructions of their tax returns and what they need to do to get it filed and have the taxes paid.
- Answer the phone when the client calls if you are in the office. Your job is to answer your clients' calls, even if it is at 8:52 at night.
- A client measures your service by the last phone call not returned, not by the business saving work you did two years ago!
- Never forget that the client pays your salary - they are your customer - and there are many other people who would love to have that business
- You are in business - charge the right fee for your services. And bill it promptly!
- Accept credit card payments
- Tax returns are not just another number for you to cross off the list when the return is finished. Each return represents a unique person who is relying on you to do the best job you are capable of, and then some...
- Keep in your upmost thought that the return you give the client will be the single most important thing in their life when they look it over and sign it.

## WS+B PARTNERS' NETWORK ORDER FORM

NAME .....

FIRM .....

ADDRESS .....

CITY STATE ZIP .....

TELEPHONE FAX .....

EMAIL .....

Please contact us about WS+B doing our peer review.

### WS+B'S PARTNERS' NETWORK MEMBERSHIP

- Sign me up for WS+B Partners' network @ \$145.00 per year
- Sign my 100+ professionals up for The Partners' Network @ \$500.00 per year
- Register me for the CPE Pre Tax Season Seminar @ \$125.00

### PAYMENT INFORMATION

CHARGE MY (CIRCLE ONE) MASTERCARD VISA AMEX

ACCOUNT # .....

EXPIRATION DATE .....

SIGNATURE .....

I AM ENCLOSING A CHECK PAYABLE TO WITHUMSMITH+BROWN, PC

### TOTAL \$

**WITHUMSMITH+BROWN, PC**  
ONE SPRING STREET  
NEW BRUNSWICK, NJ 08901  
P. 732.828.1614  
F. 732.828.5156  
hsuddoth@withum.com

### BE IN A POSITION OF STRENGTH™

30th Annual WithumSmith+Brown Financial Program sponsored by The Men's Club, Congregation Beth Ohr

## BECOMING THE CEO OF YOUR PERSONAL FINANCES

Presented by **Edward Mendlowitz, CPA,**  
Partner, WithumSmith+Brown, PC



- What to know about financial advisors
- How to develop reasonable and realistic goals
- How to deal with financial disasters and meltdowns
- Plus other tips on managing your personal finances

**Sunday, February 7, 2010 10:15 AM**

Congregation Beth Ohr, Route 516, Old Bridge, NJ

RSVP not necessary.  
Bagel breakfast served at 10:00 AM.  
Financial planning booklet will be distributed.



**WithumSmith+Brown, PC**

Certified Public Accountants and Consultants

[withum.com](http://withum.com)

One Spring Street  
New Brunswick, NJ 08901

The Partners' Network Newsletter is published by WithumSmith+Brown, PC, Certified Public Accountants and Consultants. The information contained in this publication is for informational purposes and should not be acted upon without professional advice.

WS+B PARTNERS' NETWORK CPE

## **Pre-Tax Season CPE Program**

**February 1, 2010**

*This CPE program offers 5 Tax CPE credits.*

**Look inside for more information.**

We are registered with the Public Company Accounting Oversight Board (PCAOB) and are available to perform your peer review.

Call us for more information.

**Frank Boutillette, CPA/ABV, Partner**  
732.828.1614

### **PEER AND QUALITY REVIEWS**



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