

## ASBPA Proposes Rule Changes

On August 16th, the Arkansas State Board of Public Accountancy (ASBPA) approved changes to its rules, which include the following:

- CPA Exam – moves from limiting candidates to one section per testing window to unlimited testing per window if the score from the previous exam has been received for that particular section.
- CPE Nano Learning – allows up to 4 hours of CPE credit per year (nano learning is CPE taken in ten-minute increments).
- CPE Content Requirement – reduces the requirement that 50% of CPE (20 hours per year) be met through courses in Accounting & Auditing, Tax, or Ethics to 40% for those working in public accounting and to 20% for those who do not work in public accounting.
- CPE Group Study Requirement – reduces the group study requirement from 40% to 20% (16 hours to 8 hours per year).
- Quality review – update rules surrounding Quality review for impact of the Peer Review requirement that became effective January 1, 2019.

### **Notice of ARCPA Annual Member Election**

**Thursday, December 5, 2019, 7:50 a.m.**

**In conjunction with the  
58th Annual Arkansas Federal Tax Institute  
Doubletree Hotel**

**Little Rock, Arkansas**

Report of the Nominations Committee  
Election of a slate of Officers and Directors

(See Page 28 for Proxy Ballot)

- Prelicensure Criminal Background Petition – creates a process for individuals to petition the Board for a determination as to whether their criminal record would disqualify them from licensure or if they would be eligible to obtain a waiver from the Board.

These proposed changes are currently in draft form and are being reviewed by the Governor's office. Once the changes are approved, the State Board will notify all licensees by email and post a link to the proposed changes to their website. ASBPA welcomes your feedback on these proposed changes.



Arkansas Society of Certified Public Accountants

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If you are interested in submitting a column or feature to The Natural State of Accounting monthly newsletter, please submit to membership@arcpa.org.

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Be sure to follow us on social media!

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# From the Board Room...

The following issues were covered in the September 18, 2019 Officers and Directors Board Meeting, held at the ARCPA Offices in Little Rock, AR:

- \$69.00 was contributed to the Student Education Fund Foundation by the Board Members.
- Lindsey Baker, Auditor with EGP, PLLC, presented the audit report for March 31, 2019, which was approved.
- Treasurer and Finance Committee Vice Chair Rocky Goodman presented the financial statements for the period ending June 30, 2019, which were approved.
- Policy Committee Chair Mike Carroll presented changes to the ARCPA Policy Manual, which were approved.
- Executive Committee Chair George Foster presented a report from the Executive Committee, for which no Board action was required.
- Executive Director Marsha Moffitt gave the Quarterly Membership Report. The Board approved the 2019 member resignations and terminations, two applications for Life membership, and approved contributions totaling \$300 to the Student Education Fund in memory of three recently deceased members.
- State Board Executive Director Jimmy Corley updated the Board on the drafting of changes to the CPE rules.
- PAC Committee Chair Charlott Jones gave a report of campaign contributions for 2019 totaling \$7,000 and advised that the next PAC Breakfast will be held in December 2020, prior to the 2021 legislative session.
- The Board approved a request from the Emerging CPAs Committee to name the Emerging CPAs Scholarship to the ARCPA Leadership Academy, the *Blake Payne ARCPA Memorial Scholarship*, in memory of inaugural LEAD participant and society member, Blake Payne, who was tragically killed in a car accident in July, shortly after the 2019 leadership program began.
- Chapter reports were presented by the Western and Northeastern Chapters.
- Executive Director Marsha Moffitt gave a preview of the new website.

The next scheduled Board of Directors' Meeting will be held on Thursday, December 12, 2019, at 1:00 p.m. in the ARCPA Board Room.

## DEADLINE EXTENDED!

### Recognize Those Who Have Made a Difference! - 2019 ARCPA Awards

Nominate your peers now for an ARCPA Award

Celebrate those CPAs who have made significant contributions to the accounting profession by nominating your peers for one of several Arkansas Society of CPAs annual awards. Each year, nominations are accepted in the following award categories:

**DISTINGUISHED ACHIEVEMENT IN ACCOUNTING EDUCATION AWARD**

**OUTSTANDING CPA IN BUSINESS & INDUSTRY AWARD**

**OUTSTANDING CPA IN GOVERNMENT AWARD**

**OUTSTANDING EMERGING CPA AWARD**

**PUBLIC SERVICE AWARD**

**PUBLIC SERVICE AWARD FOR FIRMS**



Complete the Nomination Online, at: [www.arcpa.org/news-resources/awards](http://www.arcpa.org/news-resources/awards)

Once we receive the nomination, we will send you a complete Nomination Packet to list the various accomplishments of your nominee.

**Industry, Commerce & Banking Conference**

**October 24-25, 2019**  
 ARCPA Conference Center  
 CPE Hours: 16



[Register Now](#)

<b>Member Fees:</b>	<b>Non-member Fees:</b>
\$275 Early Fee	\$475 Early Fee
\$305 Standard Fee	\$505 Standard Fee

*(early fee expires 10/10/19)*

**Two-Day Federal Tax Update: Individuals, Corporations & Partnerships**

**October 28-29, 2019**  
 Embassy Suites - Little Rock  
 CPE Hours: 16



[Register Now](#)

*Deadline to make hotel reservations is September 27th!*

<b>Member Fees:</b>	<b>Non-member Fees:</b>
\$520 Early Fee	\$720 Early Fee
\$550 Standard Fee	\$750 Standard Fee

*(early fee expires 10/14/19)*

**EQUIP Conference**

**November 7, 2019**  
 ARCPA Conference Center  
 CPE Hours: 8



[Register Now](#)

**MEMBER ONLY EVENT**

**Registration Fee: \$175**

**Fraud Conference**

**November 15, 2019**  
 ARCPA Conference Center  
 CPE Hours: 8

Brochure  
 Coming  
 Soon

[Register Now](#)

<b>Member Fees:</b>	<b>Non-member Fees:</b>
\$275 Early Fee	\$375 Early Fee
\$305 Standard Fee	\$405 Standard Fee

*(early fee expires 11/1/19)*

**Agriculture Conference**

**November 20, 2019**  
 Embassy Suites - Jonesboro, AR  
 CPE Hours: 8



[Register Now](#)

*Deadline to make hotel reservations is October 30th!*

<b>Member Fees:</b>	<b>Non-member Fees:</b>
\$250 Early Fee	\$350 Early Fee
\$280 Standard Fee	\$380 Standard Fee

*(early fee expires 11/6/19)*

**Governmental Accounting Conference**

**November 22, 2019**  
 ARCPA Conference Center  
 CPE Hours: 8



[Register Now](#)

<b>Member Fees:</b>	<b>Non-member Fees:</b>
\$225 Early Fee	\$325 Early Fee
\$255 Standard Fee	\$355 Standard Fee

*(early fee expires 11/08/19)*

## Arkansas Federal Tax Institute

**December 5-6, 2019**  
 DoubleTree Hotel- Little Rock, AR  
 CPE Hours: 16

Brochure  
Coming  
Soon

**Register Now**

*Deadline to make hotel reservations is November 10th!*

<b>Member Fees:</b>	<b>Non-member Fees:</b>
\$300 Early Fee	\$500 Early Fee
\$330 Standard Fee	\$530 Standard Fee

*(early fee expires 11/21/19)*

## ARCPA Conference Group Pricing

Have multiple people from your firm/company wanting to attend the same conference?

Register three or more people from the same firm/company for the same conference and receive a group discount! See discount details per conference below. To take advantage of the ARCPA's Conference Group Pricing just fax, mail, or email your registration form with the list of attendees. Questions? Please contact Stephanie Tanner at 501-664-8739 or [stanner@arcpa.org](mailto:stanner@arcpa.org).

The following discount is applied when three or more people from the same firm/company register for the same conference:

<b>Employee Benefit Plans Conference:</b>	\$10 off / person
<b>Accounting &amp; Auditing Conference:</b>	\$50 off / person
<b>Technology Conference:</b>	\$50 off / person
<b>Industry, Commerce &amp; Banking Conference:</b>	\$25 off / person
<b>Two-Day Federal Tax Update:</b>	\$50 off / person
<b>EQUIP Conference:</b>	\$10 off / person
<b>Fraud Conference:</b>	\$25 off / person
<b>Agriculture Conference</b>	\$15 off / person
<b>Governmental Accounting Conference</b>	\$15 off / person
<b>Tax Institute:</b>	\$25 off / person

Group Pricing Terms & Conditions:

- To receive the group discount, all individuals must be registering for the same conference.
- Payment is required with registration to receive the group discount.
- Group discount is only valid for ARCPA Conferences.
- Only ARCPA members may qualify for the group discount. Non-members may apply for membership to receive the group discount.
- All individuals must be listed at the time of registration.
- Programs excluded: End of Busy Season CPE & Fish Fry, Educators' Conference

DATE	COURSE	FIELD OF STUDY	CPE HOURS	LOCATION	EARLY FEE	STANDARD FEE
<b>November</b>						
1	Reviewing Pass-Through Tax Returns: What Are you Missing? (RPTR2)	TX	8	Fayetteville Town Center	Member \$275** Non-member \$375**	Member \$305** Non-member \$405**
4	Annual Tax Update: Corporations and Pass-Through Entities (ATCP)	TX	8	Little Rock, ARCPA Conference Center	Member \$245** Non-member \$345**	Member \$275** Non-member \$375**
4	The Best Federal Tax Update Course by Surgent (BFTU)	TX	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
5	Annual Tax Update: Individuals and Sole Proprietors (TSUI)	TX	8	Little Rock, ARCPA Conference Center	Member \$245** Non-member \$345**	Member \$275** Non-member \$375**
5	The Complete Guide to Payroll Taxes and 1099 Issues (CGPT)	TX	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
11	Annual Update for Accountants and Auditors (AUA3)	AA	8	Little Rock, ARCPA Conference Center	Member \$245** Non-member \$345**	Member \$275** Non-member \$375**
11	Advanced Concepts in SSARS and Nonattest Services: Are You Certain You Are in Compliance? (SS21)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
12	Reviewing Pass-Through Tax Returns: What Are You Missing? (RPTR3)	TX	8	Little Rock, ARCPA Conference Center	Member \$245** Non-member \$345**	Member \$275** Non-member \$375**
12	Revenue Recognition, Leases, and Financial Instruments: The FASB's "Big Three" New Standards (FSBT)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
13	Surgent's Handbook for Mastering Basis, Distribution, and Loss Limitation Issues for S Corporations, LLCs, and Partnerships (HMBI)	TX	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
13	Annual Update for Accountants and Auditors (AUA4)	AA	8	Jonesboro Hilton Garden Inn	Member \$275** Non-member \$375**	Member \$305** Non-member \$405**
14	AICPA's Annual Federal Tax Update (PTU2)	TX	8	Jonesboro Hilton Garden Inn	Member \$275** Non-member \$375**	Member \$305** Non-member \$405**
14	Fiduciary Accounting and Tax Issues of Estates and Trusts (FACT)	TX-4 AA-4	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
18	Cases in Corporate Ethics: Discuss Real Life Conflicts (8:30am-12:00pm) (CCE)	ET	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$255
18	Critical Thinking Skills: For Financial Professionals (1:00pm-4:30pm) (CTS)	OT	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$255
18	Real World Fraud in Today's Small to Medium-Sized Entities (FSME)	AA	8	El Dorado Conference Center	Member \$275** Non-member \$375**	Member \$305** Non-member \$405**
18	Annual Update for Accountants and Auditors (AUA5)	AA	8	Fort Smith DoubleTree	Member \$275** Non-member \$375**	Member \$305** Non-member \$405**
18	Four Tiers of Loss Limitations: A Guide to the New Rules for Pass-Through Entities (8:30am-12:00pm) (FTL4)	TX	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$255
18	Section 199A: Applications and Challenges in 2019 (1:00pm-4:30pm) (AIG4)	TX	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$255

DATE	COURSE	FIELD OF STUDY	CPE HOURS	LOCATION	EARLY FEE	STANDARD FEE
<b>November Continued</b>						
19	Tax Considerations and Consequences for Closely Held Businesses (CHTX)	TX	8	Little Rock, ARCPA Conference Center	Member \$245** Non-member \$345**	Member \$275** Non-member \$375**
19	CFO Forum: Budgets & Projections (CFOS1)	AA	8	Little Rock, ARCPA Conference Center	Member \$265 Non-member \$365	Member \$295 Non-member \$395
19	AICPA's Annual Federal Tax Update (PTU3)	TX	8	Fort Smith DoubleTree	Member \$275** Non-member \$375**	Member \$305** Non-member \$405**
<b>December</b>						
2	Professional Ethics Overview (8:30am-12:00pm) (PEO)	ET	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$255
2	Risk Management (1:00pm-4:30pm) (RM)	ET	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$255
9	2019 FASB and AICPA Update (FAU)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-Member \$345	Member \$275 Non-Member \$375
10	Compilation and Review Practice Guide (CRP)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
11	Financial Statement Fraud (FSF)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
12	Risk-Based Audit Standards-Effective Utilization (RBA)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
12	Metrics Management: Choose and Use Key Performance Indicators (MM)	AA	8	Little Rock, ARCPA Conference Center	Member \$265 Non-member \$365	Member \$295 Non-member \$395
13	CFO Forum: Reinventing the Finance Role (CFOS4)	OT	8	Little Rock, ARCPA Conference Center	Member \$265 Non-member \$365	Member \$295 Non-member \$395
13	Risk-Based Audit Standards-Effective Utilization (CBC)	AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
16	Latest Developments in Government and Nonprofit Accounting and Auditing (GNAA)	GOV/AA	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
16	The Best Individual Income Tax Update Course by Surgent (BITU)	TX	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
17	Securing a Comfortable Retirement in the Age of Spending (SCRT)	TX-4 OT-4	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
17	The Best S Corporation, Limited Liability, and Partnership Update Course by Surgent (BCPE)	TX	8	Little Rock, ARCPA Conference Center	Member \$245 Non-member \$345	Member \$275 Non-member \$375
18	Basis/Distributions for Pass-Through Entities: Simplifying the Complexities (BAD12)	TX	8	Little Rock, ARCPA Conference Center	Member \$245** Non-member \$345**	Member \$275** Non-member \$375**
18	Ethics and Professional Conduct: Updates and Practical Applications (8:30am-12:00pm) (CL4GRE)	ET	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$225
18	Forensic Investigations: Key Tools to Success (1:00pm-4:30pm) (CL4FAIP)	AA	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$225



DATE	COURSE	FIELD OF STUDY	CPE HOURS	LOCATION	EARLY FEE	STANDARD FEE
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**December Continued**

19	Accounting and Auditing Update (8:30am-12:00pm) (CL4AUAA)	AA	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$225
19	Fraud and Cash Receipts: Common Frauds and Internal Controls (1:00pm-4:30pm) (CL4RCR)	AA	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$225
19	Interpreting the New Revenue Recognition Standard: What All CPAs Need to Know (8:30am-12:00pm) (CL4INRR)	AA	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$225
19	The Bottom Line on the New Lease Accounting Requirements (1:00pm-4:30pm) (CL4LEAS)	AA	4	Little Rock, ARCPA Conference Center	Member \$165 Non-member \$215	Member \$175 Non-member \$225

**FIELD OF STUDY KEY:**

AA: Accounting & Auditing	OT: Other
ET: Ethics (general)	TX: Taxation
GOV/AA: Governmental Accounting & Auditing	



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**Save up to \$200: ASCPA Member Discount**

ARCPA Members save big on CPE! Members can save \$50 on four-hour CPE, \$100 on eight-hour CPE, and \$200 on sixteen-hour CPE.

**Save \$30: AICPA Member Discount**

Are you an AICPA Member? You can save \$30 on all eight-hour AICPA courses! Look for the notation \*\* on eligible courses.

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Our Facebook is [www.facebook.com/arcpcfans](http://www.facebook.com/arcpcfans). We will be posting discount offers for CPE programs exclusively on our Facebook page!



# TIME TO ADD FINANCIAL PLANNING TO YOUR PRACTICE?

The trend toward adding financial planning to one's practice continues to accelerate. This space is no longer the domain of only larger firms.

Some benefits are easily identified:

1. Maintain control of the client relationship while harnessing recurring revenue heretofore referred to brokers.
2. Satisfying client demand, as studies show many clients would prefer to work with their trusted CPA for their wealth management needs.
3. Ending the annual paper chase for 1099s and other critical information.

Considering which path to financial planning is right for you can be daunting. M&A as well as starting your own firm are not without significant challenges, risk and expense. The clear path of least resistance is to become an Investment Advisor Representative (IAR) of a Registered Investment Advisor firm (RIA). This requires one fairly simple exam. (See course description: <https://www.nasaa.org/exams/study-guides/series-65-study-guide/>)

ClientFirst Wealth Management, LLC is a fee-only RIA and Fiduciary managing over \$150,000,000 for Arkansans. We are interested in talking to CPAs around the state who might be interested in

joining us as an IAR. You maintain control of the client relationship, and we do the rest along with our partner and custodian, Charles Schwab.

Our wealth management approach is planning-based and process-driven, utilizing low cost or no cost exchange-traded funds (ETFs). This simple, transparent, cost-effective approach along with exceptional client service is why ClientFirst enjoys very high client retention.

*\* For those not inclined to become a licensed IAR, ClientFirst also offers a revenue-sharing referral program, whereby your clients always work with a CFP professional that does not receive commissions and who is always a Fiduciary.*

**For more information:**

**501-603-0406**

[ed@clientfirstwm.com](mailto:ed@clientfirstwm.com)

[www.clientfirstwm.com](http://www.clientfirstwm.com)



Ed Mahaffy, MBA, CFP®, ChFC®

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# 2019 Course & Conference Registration

(Please Copy Registration Form as Needed)



Name \_\_\_\_\_ Certificate # \_\_\_\_\_

Firm Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_ Email\* \_\_\_\_\_

*\*Course confirmation will be sent to your valid email address*

Memberships:  ARCPA  AICPA  
 Other state CPA society \_\_\_\_\_

Special Needs: \_\_\_\_\_ State \_\_\_\_\_ Dietary Requests \_\_\_\_\_

### CPE Materials

Course fee includes *electronic manual*. The manuals will be available approximately one week prior to each course. We recommend downloading the manuals prior to the course date. After each course, the electronic manuals will be available on the website for 7 days. PRINTED MATERIALS WILL NO LONGER BE AVAILABLE.

Course Title/ Acronym	Date	Fee
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
	Subtotal:	_____

\*AICPA Discount (if applicable) - \_\_\_\_\_

Total Amount Enclosed: \_\_\_\_\_

*AICPA Discount is \$30 off the course fee and is ONLY for AICPA members on courses denoted with \*\**

*The Early Bird Price applies only when registering at least 14 days prior to the course or conference.*

### Cancellation Policy:

Full refund, less a \$10 service charge will be made if notice of cancellation is received at least 60 days prior to the course or conference date. Full refund, less a \$25.00 service charge will be made if notice of cancellation is received between 10 and 60 days prior to the course or conference date. NO REFUND WILL BE MADE IF NOTICE OF CANCELLATION IS RECEIVED LESS THAN 10 DAYS PRIOR TO THE COURSE OR CONFERENCE DATE.

Registration with Payment by mail: ARCPA, 11300 Executive Center Drive, Little Rock, AR 72211-4352

Registration with Credit Card payment: FAX: (501)664-8320 PHONE: (501)664-8739 or  
 MasterCard  Visa  American Express WEB SITE: www.arcpa.org (800)482-8739 in Arkansas

Card # \_\_\_\_\_ Expiration Date \_\_\_\_\_

Signature \_\_\_\_\_

## Arkansas Society of CPAs Announces Support for New Coalition to Protect Professional Licensing

*Arkansas CPAs, Boards of Accountancy and Others Unite to Maintain Public Protection as Licensing Standards Put at Risk*

Arkansas Society of CPAs (ARCPA) has announced its support for the [Alliance for Responsible Professional Licensing \(ARPL\)](#) - a new coalition of advanced professions focused on educating policymakers and the public about the importance of rigorous professional licensing standards.

ARCPA will support AICPA and other ARPL members as they seek to educate and inform lawmakers around the country of the need to maintain standards for highly complex, technical professions like the CPA profession that have a clear impact on the public's fiscal health and welfare. The coalition was formed to ensure the voices and concerns of the advanced professions are heard amid the growing debate around licensing.

"ARPL fills a critical need in bringing a unique perspective to this debate. ARPL will represent our concerns and bring this critical

perspective to the larger debate while carrying this message in our state," said ARCPA Chair, George W. Foster, III.

"Weakening professional licensing standards on a state-by-state basis will destroy the confidence in qualifications and completely disrupt existing mobility models for advanced professions like ours," warned Barry Melancon, CPA, CGMA, president and CEO of AICPA. "Employers will be less inclined to accept out-of-state licenses if some states have rigorous requirements and others have weak requirements. The result: it will become more difficult for CPAs to move and maintain their careers across states."

You can learn more about ARPL and the importance of professional licensing by visiting the group's newly launched website <http://www.responsiblelicensing.org>.

ARPL members include the American Institute of Architects (AIA), American Institute of CPAs (AICPA), the American Society of Civil Engineers (ASCE), the Council of Landscape Architectural Registration Boards (CLARB), the National Association of State Boards of Accountancy (NASBA), the National Council of Architectural Registration Boards (NCARB), the National Council of Examiners for Engineering and Surveying (NCEES) and the National Society of Professional Engineers (NSPE).

### **Welcome ARCPA members!**

*Save with members-only access to the GE Appliances Store!*



**GE APPLIANCES**  
*a Haier company*

**Store**

The GE Appliances Store is excited to offer our exclusive, online shopping site where ARCPA members can purchase high-quality appliances direct from GE Appliances at discount prices.

#### **MEMBER BENEFITS:**

##### **EVERYDAY SAVINGS**

Access to members-only savings of up to 25% off MSRP every day on the latest in high quality appliances.

##### **TOP BRANDS**

Shop your favorite GE®, GE Profile™ Series, Café, HotPoint®, Haier, and Monogram® appliance brands.

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Sign up for the GE Appliances Store e-newsletter and be the first to know about special offers and national rebates.

Register and Start Shopping Now!

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# A **BRIGHT** future

for college accounting students . . . because of **YOU!**

Please support the Student Education Fund

## **How may I give?**

- ▲ Cash contributions
- ▲ Stocks or securities
- ▲ Contributions can be made annually, semi-annually, quarterly or monthly
- ▲ Payments can be made by check or credit card, online or by mail

I am very thankful for receiving the scholarships from the Arkansas Society of CPAs. Without financial support that the Society provided me, I would have added an extra year between studying accounting topics and taking the CPA exam. My success story might have been completely different if it were not for the Arkansas Society of CPAs.

Need more information about the Student Education Fund?  
Contact Robin Harris at (501) 664-8739 or [rharris@arcpa.org](mailto:rharris@arcpa.org)

- Shelby Gordon, 2016 and 2017 scholarship recipient



## PROFESSIONAL LIABILITY SPOTLIGHT

August 2019

# The Risk Suite: This Teenager Can Mitigate Liability Angst

By Matt Mitzen, CPA

Issued in 2006, AICPA Statements on Auditing Standards Nos. 104–111 introduced a new approach to audit planning. This set of standards, collectively referred to as the “risk assessment standards” or “risk suite,” requires auditors to identify, assess, and document the risks of material misstatement in the client’s financial statements through gaining an understanding of the client, its environment, and its internal controls. The risk assessment standards also require auditors to design the nature, timing, and extent of audit procedures in response to these risks.

Now 13 years old, like most teenagers, the risk assessment standards struggle to be understood. Failure to appropriately apply the risk assessment standards can lead to insufficient or inappropriate audit procedures, which may result in undetected, material financial statement errors. Investors, shareholders, lenders, or others relying upon the misstated financial statements could bring a professional liability claim against the auditors. Further, lack of compliance with professional standards may weaken the CPA’s credibility in the defense of a claim. Consider the following:

A governmental agency that had been audited by the same CPA firm for many years uncovered an employee embezzlement of more than \$1 million during a five-year period. The agency brought a claim against the firm asserting it should have detected the theft and alerted the agency. Upon review of the firm’s workpapers, it became apparent the CPA knew the embezzler had full access to bank accounts, blank checks, check-writing software, a check printer, and the requisite signature stamps. The embezzler also controlled the general ledger and had bank statements delivered directly to his desk. While the firm’s planning documentation identified a lack of segregation of duties as an internal control deficiency, it did not correlate the deficiency to the increased risk of material misstatement and related audit procedures performed. It also appeared the firm’s audit programs, from a third-party practice aid provider, were not tailored to the client engagement. This fact was highlighted by the plaintiff’s attorney to demonstrate a lack of critical thinking. Ultimately, the firm settled the claim, learning an expensive lesson in how not to apply the risk assessment standards.

The introduction of the risk assessment standards represented a significant shift for many auditors. While many may wish that

this opinionated, independent teenager would just go away, the risk assessment standards are here to stay. So what can CPAs do to prevent sleepless nights and gray hair caused by unwanted risk assessment standards stress? The most common issues in professional liability claims relate to a misunderstanding of the risk assessment standards, lack of follow-through in their application, and poor documentation.

### UNDERSTANDING THE RISK ASSESSMENT STANDARDS: ASSESSING THE RISK OF MATERIAL MISSTATEMENT

The fundamental purpose of an audit of financial statements is to provide an opinion as to whether the financial statements as a whole are free of material misstatement. Audit procedures are performed to reduce audit risk — the risk that the financial statements contain a material misstatement, or the risk of material misstatement (RMM) — to an acceptable level. Recall that:

$$\text{Audit risk} = \text{RMM} \times \text{Detection risk, where}$$

$$\text{RMM} = \text{Inherent risk} \times \text{Control risk}$$

Detection risk, the risk that an auditor fails to detect a material misstatement, is the only part of the equation affected by the auditor and is a direct function of the assessed control risk. If control risk is improperly assessed, the auditor’s detection risk also may be improper, thus affecting the auditor’s ability to detect an error or omission. The result of the failure to evaluate vulnerabilities is increased professional liability risk.

Just like a teenager, an entity needs boundaries. Those boundaries take the form of internal controls. All entities have them, irrespective of their size or complexity. For example, a business owner monitors company results, a controller may reconcile cash, or login credentials may be required to access the organization’s system. Understanding relevant controls and evaluating their design and implementation is required by generally accepted auditing standards (AU-C §315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, ¶.14). At a high level, this understanding begins with an assessment of inherent risk, or what could go wrong in the entity’s financial statements. Next, auditors identify existing controls and their potential effectiveness in mitigating those risks. Finally, auditors evaluate whether the identified controls are capable of effectively preventing or detecting and correcting material misstatements. If control risk is not assessed properly, neither is RMM. In addition, a deficiency

in or lack of internal controls, especially those related to cash handling and payment processing, should be communicated to the client, annually if necessary. Professional liability claim experience has demonstrated that clients tend to direct blame toward auditors who failed to point out an internal control weakness that may have enabled an employee theft to occur.

### **APPLICATION OF RISK ASSESSMENT STANDARDS: EVALUATING AND TESTING CONTROLS**

Anton Chekhov said, "Knowledge is of no value unless you put it into practice." Knowledge about a client's significant risks, internal control operation, and areas of higher RMM is important. If it is not used by auditors to tailor their audit programs, the knowledge loses its value. Many firms conduct risk assessment and internal control evaluation procedures but do not appropriately respond to their findings. Audit programs should be tailored to respond to the assessed level of risk. This involves more than the selection of a set of programs from a practice aid; a sound protocol also includes an evaluation of whether the selected procedures actually address the level of risk identified in the risk assessment process.

In addition to information gleaned during the audit planning and risk assessment process, auditors are required to react to and evaluate other information that comes to their attention, regardless of timing during the audit. If information arises that may change the level of risk, the nature, timing, or extent of audit procedures should be revisited. This helps maintain detection risk at an acceptable level. Examples of such additional information include a failed compliance test, significant unexpected adjusting journal entries, or sudden economic changes. Consequently, constant vigilance throughout the engagement is necessary. You may give your teens some freedom, but you still need to monitor them closely.

### **DOCUMENTATION**

Peer reviewers and defense experts who opine on the standard of care cite numerous examples wherein a lack of documentation led to a failed peer review or a professional liability claim that proved difficult to defend. Indeed, "documentation deficiency" is a concept older than the risk assessment standards. In the absence of documentation, it is easy to argue that a required auditing standard was not followed. Audit documentation of risk assessment procedures should follow a trail that begins with

initially assessing risks, to identifying and assessing controls that could mitigate those risks, and finally to designing and performing audit procedures based upon the identified risks. The AICPA Risk Assessment Resources page (available at [aicpa.org](http://aicpa.org)) is a good place to begin your journey toward tightening your procedures and documentation.

### **FINAL NOTES**

To quote Warren Buffett: "Risk comes from not knowing what you are doing." Auditors should use the skills, knowledge, and experience they have accumulated over years of practice to reduce professional liability exposure. For example:

- Study the relevant auditing standards to know what is required.
- Know how to use the information you accumulate.
- Execute your plan.

Take a big-picture look at the firm's methodology. Are there opportunities to tighten up audit planning and performance to enable a prudent third party to conclude that the procedures performed produced adequate evidence to reduce audit risk to an acceptably low level? This process leads to a more compliant audit that often has the added benefit of being more efficient. Notably, you also will have a much better idea of what you are doing in your audits.

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*Matt Mitzen, CPA, CFE, is a risk control consulting director at CNA. For more information about this article, please contact [specialtyriskcontrol@cna.com](mailto:specialtyriskcontrol@cna.com).*

*Continental Casualty Company, one of the CNA insurance companies, is the underwriter of the AICPA Professional Liability Program. Aon Insurance Services, the National Program Administrator for the AICPA Professional Liability Program, is available at 800-221-3023 or visit [cpai.com](http://cpai.com).*

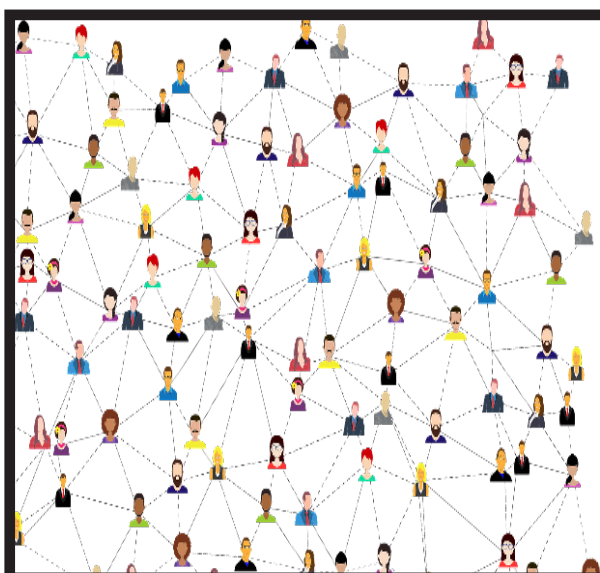
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## Smishing – what you need to know

When I first saw the word smishing, I assumed it was some new lingo the kids came up with to further stump us adults. But then again, this is coming from someone who didn't know what 'on fleek' was until it was no longer cool to use. (It's okay if you still don't know what that means.)

Jokes aside, smishing is a very serious matter – and since October is Cybersecurity Awareness Month, now is the perfect time to discuss it.

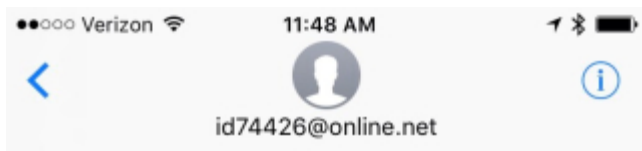
### What is smishing?

According to Experian, a credit reporting bureau in the U.S., smishing is yet another tool used by cybercriminals to obtain personal information and steal identities. You've probably heard of 'phishing,' which is an attempt to get people to provide sensitive information via email, like credit card numbers or passwords. Smishing is a mash-up of SMS (short message service) and phishing.

Basically, it's phishing via text. The fraudsters use malware to send an SMS, and once someone downloads the link, the malware is activated, tricking people into sharing sensitive information.

### What are some examples of popular smishing scams?

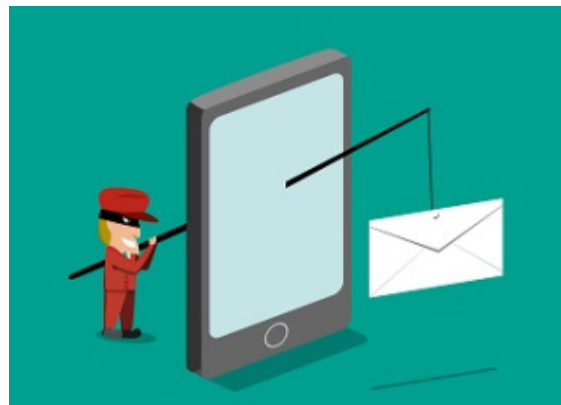
We've all encountered phishing scams like "I'm a prince and I want to wire \$10 million to you, all I need is your bank account information," or "If you click this link you will get rich quick!" But these SMS scam messages can be more difficult to spot. Here's one example from Experian:



Text Message  
Today 11:16 AM

Important message sent to you by [redacted]. Code: VISA DEBIT Card Locked. Call support at: 855-804-8470 . Thank you! Alert Code: DsDXQxJKjZCdPnINJFq

Another example might be a text saying that if you fail to click on the link and provide personal information, whatever



company they're pretending to be will start charging daily for the service. Delete these immediately.

### How can you disrupt fraudsters trying to smish you?

I spoke to Rod Griffin, director of public education at Experian, and he suggests treating your phone like a PC. On a PC, you have antivirus software to prevent fraudsters gaining access to your computer. Since your phone does pretty much everything your PC does, if not more, why not purchase antivirus software for that as well? Don't let the fraudsters out-tech you. And, of course, never click on suspicious links that come in via text.

To make sure you haven't been recently smished, check your credit report regularly to see if any suspect accounts have been opened in your name.

While fraudsters are always coming up with new scams, there are plenty of steps you can take to keep yourself, your organization and your clients safe. Knowledge is power, so your first move should be to take our quiz on the fundamentals of cybersecurity. You can also register for our Cybersecurity in 2020 webcast on October 30 at 12pm ET, which offers a wealth of information and the opportunity to earn 1 free CPE credit.

We'll be providing helpful updates throughout Cybersecurity Awareness Month, so keep checking back at the AICPA's Cybersecurity Resource Center to ward off smishers and keep your digital defenses on fleek.

*Samantha Delgado, Communications, PR & Corporate Responsibility, Association of International Certified Professional Accountants*

# ARCPA Plans Second Town Hall Forum For Small Firms



“How engaged do you feel the AICPA is with members of the Arkansas Society of CPAs?” Last year while visiting the local Chapters, we asked members that question and received answers from “they do not know we exist” to “extremely engaged”. We gave members an opportunity to “bloody the nose of the AICPA” and express their concerns to AICPA leadership.

We have arranged another opportunity for Society members to voice opinions to the AICPA. Mark your calendar for **Wednesday, December 4, 2019, at 1:00 p.m. at the ARCPA Conference Center**, when we will again host a “Town Hall” forum with Carl Peterson, the AICPA’s Vice President of Small Firms. Peterson will be our guest to discuss issues that Arkansas practitioners continue to face. We will hear feedback from last year’s forum, as well as continue the conversation.

Carl Peterson serves as the small firm advocate and representative for the AICPA. He meets with small firms regularly to understand their issues and represent these firms from an advocacy and firm development perspective. Serving as the voice of small firms within the AICPA on standard-setting, regulatory and small business issues, Peterson is responsible for ensuring AICPA initiatives continue to meet the needs of small firms. This will be a free event. Please make plans now to attend.

The Town Hall has been planned in conjunction with the 58th Annual Federal Tax Institute, which will be held on December 5-6, 2019 at the Doubletree Hotel in Little Rock.

**What:** Town Hall Forum with Carl Peterson, AICPA Vice President of Small Firms

**When:** Wednesday, December 4, 2019, 1:00 p.m. – 4:00 p.m.

**Why:** Opportunity to express member opinions to the AICPA

**Where:** ARCPA Conference Center

**Cost:** FREE to all ARCPA Members



Kathy Brents, CPA, CBI  
Broker, Managing Member

Christy Hudson, CBI  
Broker

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## A Fiscal Reality: ARCPA and AICPA Support the Fiscal State of the Nation Resolution


The U.S. government's balance sheet indicates that, over time, the nation has an accumulated deficit (from annual shortfalls) of \$21.5 trillion . To put that in perspective, if you made a stack of 21.5 trillion \$1 bills, you would be able to go to the moon and back more than three times.

Recently, Representatives Kathleen Rice (D-N.Y.) and Andy Barr (R-K.Y.) introduced the Fiscal State of the Nation resolution, H. Con. Res. 68, with 103 additional co-sponsors. It provides "for a joint hearing of the Committees on the Budget of the House of Representatives and the Senate to receive a presentation from the Comptroller General of the United States regarding the audited financial statement of the executive branch." The resolution ensures that members of Congress are made aware of the

information in the federal financial statements and helps them to better understand how current and/or future policy may affect the nation's long-term fiscal health.

ARCPA thanks Representatives Rice, Barr and the more than 100 other members who signed on to this important resolution. Their leadership will help ensure that key policymakers are focused on some of the most important aspects of the consolidated financial statements, including financial and stability measures. ARCPA encourages the Arkansas members of the U.S. House to also support this resolution by becoming a co-signer.

AICPA also supports the Fiscal State of the Nation resolution. The profession believes that the consolidated federal financial statements and the Government Accountability Office (GAO)'s audit report provide valuable information on the financial condition of the federal government, and that policymakers should consider this information while making key decisions.



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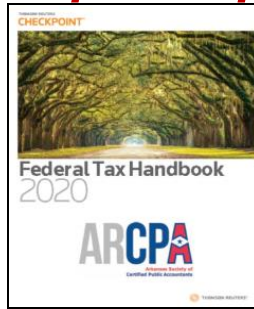
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## AICPA submits comments to Treasury and IRS on guidance concerning adjustments attributable to conversions from S Corp to C Corp

The Tax Cuts and Jobs Act (TCJA) provides for a reduction in the income tax rates imposed on C corporations under section 11(b). Given the significance of the reduction, Congress anticipated that some S corporations might revoke their S elections and convert to C corporation status to benefit from the reduced corporate tax rate.

In many instances, an S corporation on the cash method of accounting that converts to a C corporation is required under section 481(d) to change its overall method of accounting to an accrual method of accounting.

The AICPA submitted comments to the Internal Revenue Service (IRS) requesting expeditious guidance concerning adjustments attributable to conversions from S corporation to C corporation under section 481(d).

The AICPA recommends that Treasury and the IRS should provide administrative guidance on the potential application of section 481(d) to receivables owned by the newly formed corporation that results from the termination of a qualified subchapter S subsidiary (QSub) election with respect to a subsidiary owned by an eligible terminated S corporation.

The AICPA stated in its letter to the IRS, “Failure to apply section 481(d) to QSubs owned by an eligible terminated S corporation effectively means that section 481(d) will apply only to S corporations to the extent that their operations are not conducted through QSubs. The acceleration of income, if section 481(d) does not apply, would severely limit the application of section 481(d) and would subject similarly situated taxpayers to two different sets of rules. This process appears contrary to congressional intent in enacting section 481(d), which presumably was to ease the federal income tax burden associated with converting from S corporation to C corporation status in response to the TCJA’s reduced corporate income tax rate.”



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## Welcome!

The following ARCPA memberships were effective October 1, 2019. Please take the time to welcome these members and invite them to Society and chapter events. To find members, visit <https://www.arcpa.org/my-arcpa/member-directory>

### CENTRAL CHAPTER

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University of Central Arkansas  
Conway

#### *Associate*

Adam Bahloul  
BKD LLP  
Little Rock

Brittany Bister  
Rasco Winter Thomas Group  
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McKenna Cormier  
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Jordan DaVault  
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Ayinde Mitchell  
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Little Rock

#### *University of Arkansas, Monticello*

Joshua Jenkins  
Monticello

Brittany Miller  
Monticello

#### *Arkansas Tech University*

Emily Maestri  
Russellville



# ARCPA Day of Service

**Friday, September 27, 2019**

The 2<sup>nd</sup> Annual ARCPA Day of Service was a success! Thank you to the approximately 150 volunteers who participated in the ARCPA Day of Service. We appreciate your taking part in an activity or service project to make an impact in your community.

ARCPA Day of Service allows CPA members and their colleagues, staff, and accounting students around the state to participate in a public service activity on that date (or other date they choose). The event emphasizes that CPAs are involved in their profession as well as their communities.

The Day of Service will be held annually. We hope to have even more participation next year! Most volunteers received a t-shirt to wear during their preferred service or outreach activity. Thank you to CPACHarge for supporting the event.

*Thank you for participating!*



Because of the over 150 people that participated, who willingly gave their time, together we touched the following organizations and communities:

- |  |               |
|--|---------------|
| The GO Store   | Conway        |
| The Rockin' Baker                                    | Fayetteville  |
| UAFS Lion Pride Student Food Pantry                  | Fort Smith    |
| Hot Springs National Park                            | Hot Springs   |
| Northeast Arkansas Food Bank                         | Jonesboro     |
| Arkansas Food Bank                                   | Little Rock   |
| Camp Aldersgate                                      | Little Rock   |
| Joseph Pfeifer Kiwanis Camp                          | Little Rock   |
| Stephens Elementary                                  | Little Rock   |
| Tacos 4 Life Mobile Pack                             | Little Rock   |
| Women and Children's Shelter                         | Little Rock   |
| Boys and Girls Club                                  | Magnolia      |
| Bridge Bash for Food Bank of North Central AR        | Mountain Home |
| Northwest AR Food Bank                               | Rogers        |
| Sherwood Citizen's Police Academy Alumni Association | Sherwood      |
| Arkansas Children's Hospital Northwest               | Springdale    |
| Down Svndrome Association of Memphis & Mid-South     | West Memphis  |



Jones & Company, Ltd. staff packed meals at the Northeast Arkansas Food Bank in Jonesboro. *(left)*

Rasco Winter Thomas Group staff sanded and stained benches at Joseph Pfeifer Kiwanis Camp in Little Rock. *(below)*

UA Fort Smith Beta Alpha Psi students collected food items from local firms that were donated to the UAFS Lion Pride Food Pantry for students in need. *(below)*



ARCPA staff helped label 9,400 canned good items at Arkansas Food Bank, which will be given to people at risk for hunger in central Arkansas. *(above)*



Dorsey and Company staff provided assistance at a women and children's shelter in Little Rock. *(above)*



Northwest Chapter of CPAs members crafted blankets for patients at Arkansas Children’s Northwest Hospital in Springdale. *(above)*



SAU College of Business students and faculty volunteered at Boys and Girls Club of Magnolia to clean up fields, courts and common areas and organize supplies. *(above)*



McIlroy.Keen.Goodman, LLP firm staff and employees and UA Little Rock Accounting Society students and faculty worked together to clean Camp Aldersgate in Little Rock. *(above)*



Jackson Howell & Associates, PLLC staff helped prepare for the Step Up for Downs Syndrome Walk, benefitting the Down Syndrome Association of Memphis and the Mid-South (DSAM). The group sorted items for each team entry. *(above)*



Tyson Foods team members worked in a bakery to make loaves of bread for underserved people on the path to self-sufficiency at the Rockin’ Baker in Fayetteville. *(right)*

## ARCPA 2019 PROXY BALLOT

A vote will be taken at the **ARCPA 2019 Annual Business Meeting on December 5, 2019**, at 7:50 a.m. in conjunction with the 2019 Arkansas Federal Tax Institute, to be held at the Doubletree Hotel in Little Rock. Please complete the attached form and return it to the Society office so that we may have an official quorum for the meeting.

The ARCPA Nominations Committee presents the following Slate of Officers and Directors for the term commencing 4/1/2020:

Vice Chair – **Gina R. Moran**, CPA, Hudson Cisne & Company, LLP, Little Rock  
Term as Chair 4/1/2022 – 3/31/2023 (*four year term begins April 1, 2020*)

Secretary – **Miranda J. (Mandi) John**, CPA, Centennial Bank, Conway  
Term 4/1/2020 – 3/31/2022

Treasurer – **Paul S. Osborn**, CPA, Hudson Cisne & Company LLP, Little Rock  
Term 4/1/2020 – 3/31/2022

Director – **J. Michael Tuohey**, CPA, Prince & Tuohey CPA, Ltd., Hot Springs  
Term 4/1/2020 – 3/31/2023

Director – **Paula M. Kinnard**, CPA, Paula M. Kinnard CPA, Maumelle  
Term 4/1/2020 – 3/31/2023

Director – **Robert P. (Bob) Christiansen**, CPA, Robert P. Christiansen CPA, PA, Fayetteville  
Term 4/1/2020 – 3/31/2023

## PROXY BALLOT

- I approve the Slate of Officers and Directors with terms commencing 4/1/2020 as presented.  
 I do not approve the Slate of Officers and Directors with terms commencing 4/1/2020 as presented.

**ONLY CERTIFIED MEMBERS ARE ELIGIBLE TO VOTE**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print Name*

Please email [mibbotson@arcpa.org](mailto:mibbotson@arcpa.org) or fax to ASCPA at (501) 664-8320 by December 5, 2019

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## ARCPA FALL MEMBER NETWORKING EVENTS

### Join us for Appetizers and Fellowship



### Northwest Chapter Fall Networking Happy Event

Members of the Northwest Chapter gathered at Foghorn's in Fayetteville on September 20th for snacks, drinks and networking. LB Hudson walked away with four tickets and a parking pass to the Hog game against San Jose State.

Thanks to Don Meyer for donating the tickets as a door prize, as well as to Nathan Nailling and Allen Pierce for arranging the event location.

**We can't wait to see you at one of our  
next happy hour events!**

### October 25 Northeast Arkansas

Upper Crust Pizza  
3120 Shelby Drive, Suite 2  
Jonesboro  
5:30 – 7:30pm



### November 6 Central Arkansas

BJ's Restaurant Brewhouse  
2624 South Shackleford Road  
Little Rock  
5:30 – 7:30pm



The image shows a portion of a tax form, likely Form 1040, with a red arrow pointing to line 22, 'Estimated tax penalty law', which shows a balance due of \$150,00. The form includes various sections for income, deductions, and tax payments.

# Large Balance Due? Married Filing Jointly?

## STOP BEFORE YOU FILE

Do your clients have unusually large tax balance due? Have you asked them how they intend to pay the tax? If you don't, that is professional negligence. If you do ask and the answer is they don't know or can't pay, **STOP**. Additional professional advice should be sought.

### DO NOT ALLOW A COUPLE TO FILE MARRIED FILING JOINTLY WITHOUT CONSIDERING THE ALTERNATIVE OF EACH SPOUSE FILING SEPARATELY

Allowing your clients to make an irrevocable election to file jointly, exposing both spouses' assets and income to IRS/DFA collection, when filing separately might limit exposure to only one spouse is **professional malpractice**. Filing jointly to save taxes is not the primary consideration when the tax liability may not be able to be paid. The couple can amend to file jointly later if the tax can be paid.

Any taxpayer expecting a large balance due and an uncertain ability to pay could use the benefit of advice about the tax collection process and any options available, preferably before filing. Most professional return preparers rarely have such clients, but if and when you do, recognize that your client will be now dealing with tax collection, not fully familiar to preparers.

Much can be done to help clients in such a situation. I welcome a call from professional preparers to discuss alternatives as far in advance of the filing date as possible.

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ETHEL WATERS  
RHAPSODY IN BLACK I

KATHARINE HEPBURN

EDITH EVANS  
BAYES THEATRE  
THE SOLSON  
THE WONDER  
OF THE BAR

STRIKE  
ME  
PINK

FRED ASTAIRE  
THE GAY DIVORCE  
HELEN HAYES  
MARY OF SCOTLAND

TALLULAH BANKHEAD  
FORSAKING ALL OTHERS

GEORGE  
WHITE'S  
SCANDALS

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Global Account Finance Advisor, EY

