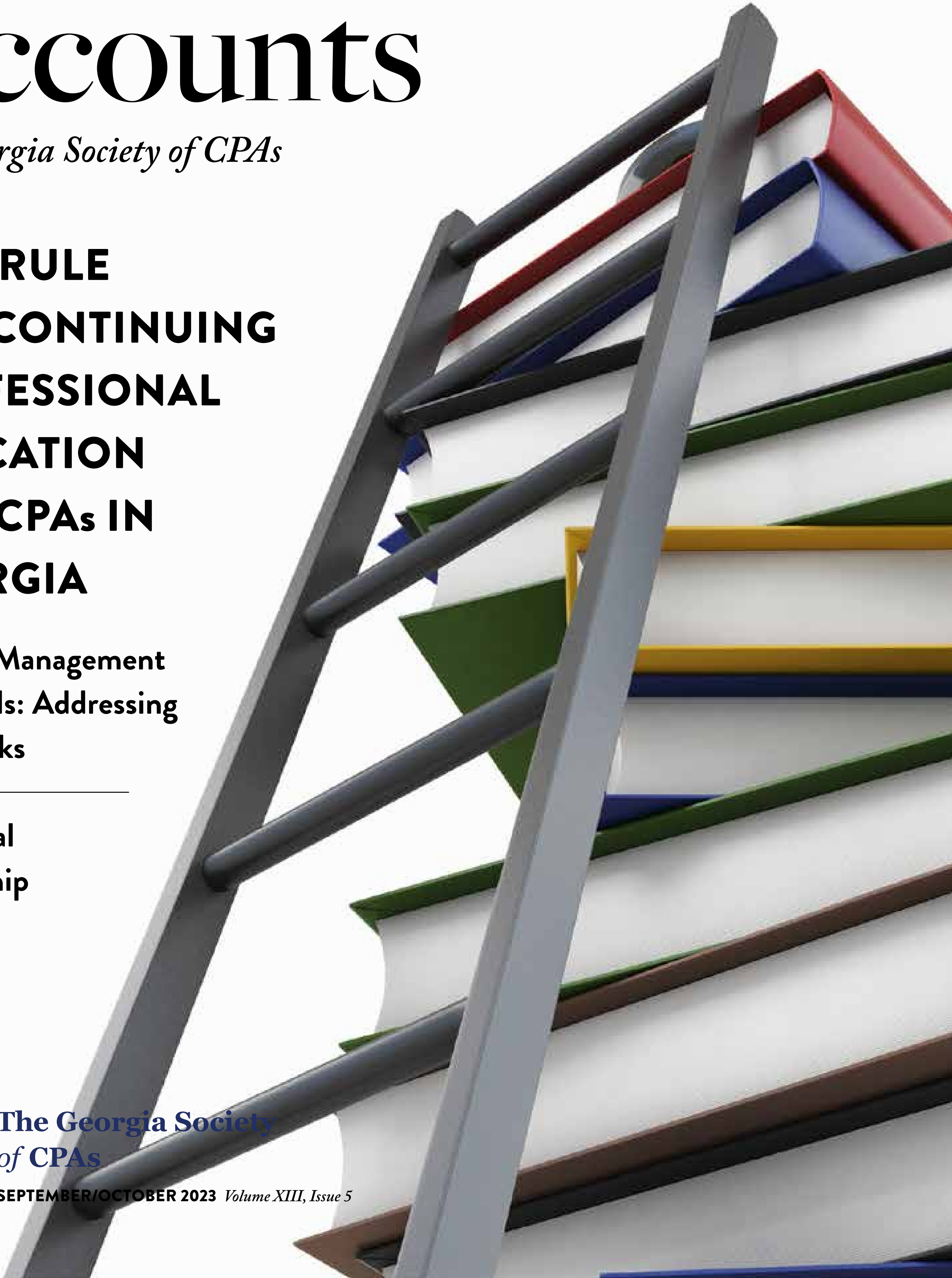
Current Accounts

The Georgia Society of CPAs



NEW RULE FOR CONTINUING PROFESSIONAL EDUCATION AND CPAs IN GEORGIA

Quality Management Standards: Addressing Firm Risks

Beneficial Ownership

The Georgia Society of CPAs

SEPTEMBER/OCTOBER 2023 *Volume XIII, Issue 5*

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In This Issue

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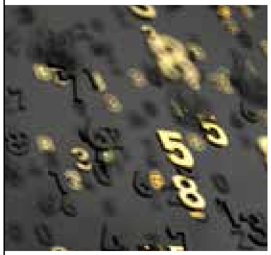
Accounting and Auditing Conference
October 26, 2023
Live Stream and GSCPA Learning Center



Georgia Tax Forum
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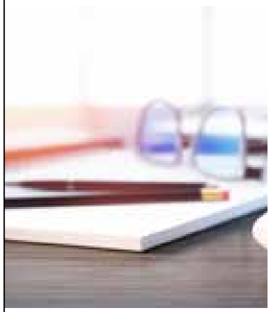
Live Stream and GSCPA Learning Center



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The Georgia Society *of* CPAs

Current Accounts

How Autumn Impacts Workplace Performance

Falling leaves and the crisp air of autumn indicate a shift in the atmosphere, not just in the natural world but also within the workplace. Autumn has a unique influence on employee morale, motivation and productivity. Let's look at how the fall season can affect workplace performance and how you can harness this seasonal shift to benefit your team and business.

Renewed Energy and Focus: The cooler temperatures and clearer skies can invigorate employees, encouraging them to venture outdoors and soak in the natural beauty. The refreshed mindset resulting from these outdoor experiences can translate into improved focus and creativity within the workplace. The beauty of changing foliage and the brisk air can help employees feel more awake and alert, increasing efficiency in tasks and projects.

Routine Reinforcement: The structured nature of autumn, with its return to school and established work schedules after the relaxed pace of summer, can provide a sense of routine and stability. This renewed structure can help employees regain their focus and settle into productive work patterns. Individuals may find adhering to regular work hours easier as the days grow shorter, aiding in better time management and task prioritization.

Enhanced Creativity: The aesthetic appeal of fall can be a catalyst for enhanced creativity. The changing colors, leaves crunching underfoot and the smell of bonfires can spark inspiration and encourage innovative thinking. Employers can capitalize on this by incorporating design elements or creative team-building activities that draw from the season's atmosphere, promoting a more dynamic and imaginative environment.

Boosted Morale: Simple pleasures like warm beverages, seasonal treats and team outings can foster a sense of camaraderie and unity among coworkers. A high morale level translates to higher job satisfaction and increased motivation, which can lead to improved workplace performance.

Reduced Stress Levels: Studies have shown that exposure to natural environments can significantly reduce stress levels. Autumn's natural beauty and milder weather can provide employees with outdoor breaks and walks, helping them unwind and clear their minds. Reduced stress levels improve mental clarity and decision-making abilities, positively influencing overall performance.

Goal Setting and Reflection: The introspective nature of autumn, as the year begins to wind down, encourages people to reflect on their accomplishments and set goals for the future. This mindset can be channeled into the workplace, where employees are motivated to meet year-end targets and set ambitious objectives for the upcoming year. Employers can harness this energy by facilitating goal-setting workshops and providing the necessary resources to help employees achieve these aspirations.

Effective Communication: As the holiday season approaches, autumn encourages more open communication and collaboration among employees. The emphasis on giving and sharing during this time can foster a sense of community within the workplace. Open dialogues, brainstorming sessions, and team-building activities can enhance communication and foster a collaborative work environment.

The arrival of autumn brings many positive changes that can significantly impact workplace performance, from heightened focus and creativity to improved morale and reduced stress levels. By recognizing and embracing these effects, businesses can encourage personal growth and professional success. Let's seize the opportunity to harness the autumn advantage and elevate workplace performance.

BOYD SEARCH, CAE

What's Next?

Growing up, my father owned and operated a Gulf service station. He was a mechanical genius who could fix anything. Unfortunately, those genes skipped a generation. Eventually, he made it to the age where the physical part of the job was too much. He sold the station and went to work for The Landings on Skidaway Island, a housing development with multiple golf courses as its maintenance supervisor. The VP who hired him told him they were hiring him for his knowledge rather than for him to maintain equipment. They wanted him to teach the younger guys what he knew. At his funeral, I was approached by a young man who told me that what he had learned from my father had allowed him to move to another organization as its head of maintenance.

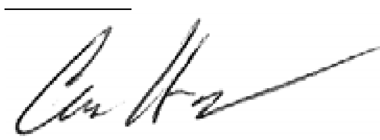
I tell this story because it's no secret that our accounting profession faces major challenges as more CPAs retire. You can look at my hair in the accompanying picture and tell that I am part of this issue. Folks smarter than me are trying to find answers to these challenges. In my experience, this change manifests in three ways: a talent gap, succession planning and knowledge transfer.

The talents required to manage a client base and a firm go far beyond technical capabilities. The people skills required are often the difference in retaining clients and staff. As a firm, we need our younger staff to step into leadership roles more quickly than may have been the case in years past. The soft skills required often take longer to develop than the technical ones, so our responsibility is to help them progress in this area.

Succession planning looks completely different based on the size of the CPA firm. A sole proprietor or smaller firm may need to consider a merger or sale, which has its unique challenges. In most cases, a merger requires one of the firms to acquiesce to the processes and policies of the other. That is even more the case in a sale. This process requires significant homework as it is much like getting married and requires important pre-marital counseling. I had one of my elderly clients tell me that between the time he said "I do" and when he got to the honeymoon destination, he realized he was married to a different person than he had courted. This can easily happen with CPA firms as well. For those firms with the ability to pass succession within their firm, the transfer of clients to the next generation becomes paramount.

Transferring of knowledge – I have often told my staff that their value to their clients lies in the things they have encountered in their career. Our profession requires such a vast knowledge of minutia that it seems overwhelming. However, the longer one has spent as a CPA, the more obscure issues and transactions one has encountered. This accumulated knowledge is a valuable firm asset that must be purposefully passed along.

As with all other historical changes within our profession, we will weather this one and continue to be our clients' most trusted advisor. GSCPA and its staff work diligently to stay ahead of these trends affecting our profession, and you can rest assured that they will always be a resource for their members.



CARLTON HODGES, CPA, CGMA

New Rule for Continuing Professional Education and CPAs in Georgia

by **PAUL ZIGA, CPA AND DON COOK**

We wrote about changes being in the air in the March issue of* Current Accounts*. These official changes will affect the Continuing Professional Education (CPE) rule for Certified Public Accountants (CPAs) in Georgia and take effect on January 1, 2024, which means they do not impact our current CPA renewal period.

CPAs are crucial in providing professional services to the public. In recognition of their unique position of public trust, the Georgia State Board of Accountancy (GSBA) (after much discussion and debate) has introduced an amended CPE rule to ensure that CPAs continuously enhance their technical skills and knowledge. Rule 20-11-.01 of the GSBA outlines the introduction and purpose of the rule, emphasizing the importance of CPAs' commitment to increasing their expertise and understanding of the accounting profession.

According to Rule 20-11-.02, applicants for the renewal of their individual CPA licenses must meet specific requirements for continuing professional education. During the two-year CPE reporting period preceding the biennial renewal date, CPAs must continue completing a total of 80 credits of acceptable continuing professional education. Of these credits, at least 50 percent must be earned in technical fields of study. Additionally, a minimum of 20 credits must be completed each calendar year. The rule includes provisions for newly licensed CPAs certified for less than two years, allowing them to fulfill a reduced credit requirement.

New in this rule is the complete removal of an A&A requirement. There will no longer be an A&A requirement in Georgia beginning with the 2024 reporting period. For CPAs here, this is a HUGE change! The conversation around A&A is lengthy and folds in recommended language from the Uniform Accountancy Act (UAA) on a suggested framework that states should consider using around their rules on CPE. Nowhere in the UAA does it suggest that CPAs take a specified amount of their CPE in the subjects of A&A. This was not a reason to eliminate the requirement; however, when you include the fact of the profession evolving, the CPA exam changing its format and the added focus areas covered in the UAA language, we ultimately got to a place where removing the A&A requirement made the most sense for the profession in Georgia. It is important to note that the Georgia State Board of Accountancy leaned heavily on The Georgia Society of CPAs (GSCPA) during these conversations, and GSCPA was very helpful in creating task forces to help us navigate these changes and debate what may or may not make sense. This was a group decision, and all impacted parties were included in the dialogue as it progressed forward.

Ethics is a vital aspect of the accounting profession, and Rule 20-11-.02(3) mandates the completion of four ethics CPE credits, including one credit specific to the laws, rules, and policies of the Georgia Board. Options for the Georgia-specific credit will be communicated to licensees in 2024. Furthermore, the rule permits CPAs to carry over up to 15 excess credits of acceptable non-technical fields of study from the previous reporting period to fulfill the requirements of the following CPE reporting period. However, carryover credits cannot be applied to meet the technical fields of study credit requirement.

The rule also takes into account the age and circumstances of licensees. Any licensee who has reached the age of 70 is exempt from the continuing professional education requirement for license renewal. Additionally, the Board has the authority to relax or suspend the CPE requirements in cases of individual hardship or health concerns.

Rule 20-11-.03 of the Georgia State Board of Accountancy guides the programs and activities that qualify for CPE credit. Programs must be formal and directly contribute to CPAs' professional knowledge, ability or competence to qualify. Technical and non-technical fields of study listed in Rule 20-11-.01 are acceptable subjects. However, CPAs can seek approval for fields of study not listed by demonstrating their direct contribution to their professional knowledge, ability or competence.

The rule specifies various learning activities that qualify for CPE credit, including group programs, self-study programs, blended learning programs, nano-learning programs, independent study, college or university courses, authorship of publications, participation in technical committees and more. These programs must meet the quality standards outlined in the Statement on Standards for Continuing Professional Education Programs, jointly issued by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA).

Rule 20-11-.04 establishes controls and reporting requirements for license renewal. Applicants must provide an attestation, under penalty of perjury, confirming compliance with all applicable CPE requirements. Licensees are responsible for maintaining records of their attendance and completion of continuing professional education activities, including information such as the program's provider, location, title, dates attended, credits claimed and evidence of satisfactory completion. Records must be retained for five years after the program's completion and made available to the Board upon request.

The Board has the authority to verify the information submitted by licensees, and in cases where deficiencies are identified, it may grant additional time to fulfill the requirements.

The calculation of CPE credits is outlined in Rule 20-11-.05. Each approved CPE course, program, or activity is measured based on program length, with one 50-minute period equal to one CPE credit. The rule provides specific calculations for different types of programs, including group programs, self-study, nano-learning, blended learning, and more. It also addresses credits for instructors, technical reviewers, and authors of publications.

Rule 20-11-.06 introduces the concept of CPE reciprocity for non-resident CPAs seeking renewal of their certificate in Georgia. Non-residents can fulfill the CPE requirement by meeting the CPE requirements for certificate renewal in their principal place of business state. If the principal place of business state has no CPE requirements, non-resident licensees must comply with all CPE requirements in Georgia.

The new rule on continuing professional education aims to ensure that CPAs in Georgia maintain and enhance their professional competence. By continuously updating their knowledge and skills, CPAs can meet the ever-evolving public needs and maintain the trust placed in them as accounting professionals.

Bullet point explanation of the changes are as follows:

New Rule continued on page 10

changes to cpe rules for georgia cpas

RULE 20-11-.01 INTRODUCTION

- Certified Public Accountants (CPAs) are certified or licensed by the Board and provide professional services to the public.
- CPAs hold a position of public trust and must continuously improve their technical skills and understanding of accounting.

80

RULE 20-11-.02 REQUIREMENTS

- To renew their CPA license, applicants must complete 80 credits of continuing professional education (CPE) during a two-year reporting period.
- At least 50 percent of the CPE credits must be earned in technical fields of study.
- A minimum of 20 credits must be earned each year.
- Different requirements apply for licensees who have been certified for less than two years or less than one year.

RULE 20-11-.03 PROGRAMS WHICH QUALIFY

- CPE programs must be formal and contribute directly to CPAs' professional knowledge and competence.
- Technical and non-technical fields of study are acceptable subjects.
- Other fields of study may be accepted if they contribute directly to professional knowledge.

RULE 20-11-.04 CONTROLS AND REPORTING

- Applicants must provide an attestation that they have met the CPE requirements.
- Licensees must maintain records of attendance, completion and evidence of satisfactory completion for five years.
- Records must be submitted to the Board upon request.

RULE 20-11-.05 CALCULATION OF CPE CREDIT

- CPE credits are measured based on program length, with one 50-minute period equal to one credit.
- Various programs and activities can earn CPE credits, including group programs, self-study, authorship, technical committee participation, etc.

RULE 20-11-.06 CPE RECIPROCITY

- Non-resident CPAs seeking license renewal in a different state can demonstrate compliance with CPE requirements by meeting the requirements of their principal place of business state.
- If the principal place of business state has no CPE requirements, the non-resident CPA must comply with all CPE requirements of the state they are seeking renewal in.

In closing, it is essential to state this as often as possible: these changes do not take effect until January 1, 2024. CPAs in Georgia who are renewing their license in the current renewal period are still required by law to comply with the A&A requirement in the current CPE rule. The above changes will be in effect for the 2024-2025 renewal period.

Please don't hesitate to contact either of the authors of this article with questions or concerns at don.cook@gscpa.org or paul.ziga@sao.ga.gov

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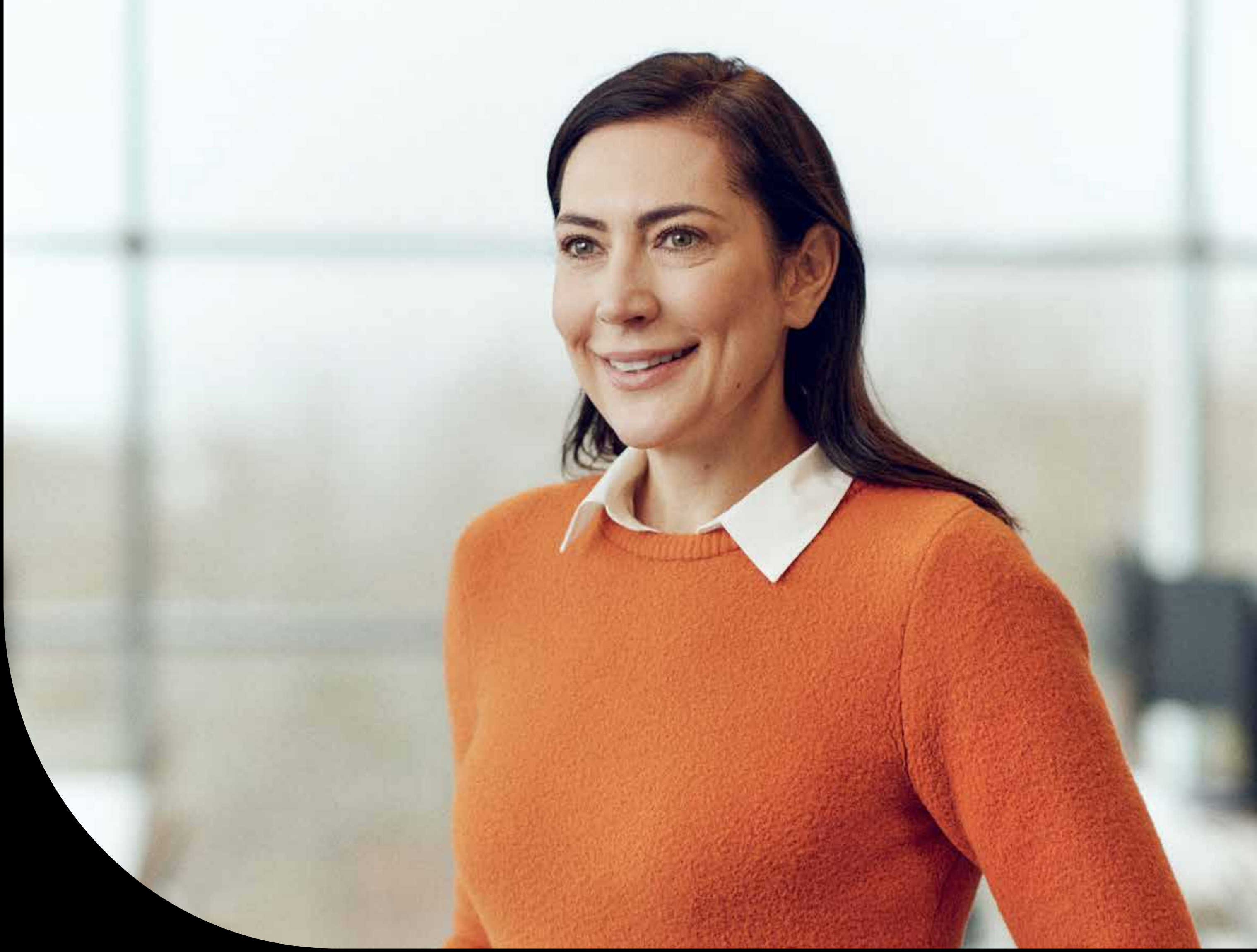

2024 Tax Year – Big Changes Ahead for Georgia Taxpayers

by **BRADFORD C. DICKSON, CPA** *and* **DON COOK**

As we look ahead to the 2024 tax year, there are some significant changes that have been two years in the making. When state legislatures rewrite the tax code, those revisions are often tweaked again once the dust of passage settles and stakeholders have had a chance to digest their implications. For this reason, tax reform is often originated in the first year of Georgia's biennial session (this strategy also allows for failed bills to be easily resurrected in the second year). This happened with the 2022 passage of House Bill 1437, followed by several corrections and enhancements made in the 2023 Senate Bill 56.

In this article, we will chronicle the evolution of these changes over the two legislative sessions. The final versions of these bills are the result of amendments made by both chambers, including a rare conference committee substitute in the case of HB 1437. We begin with 2022 HB 1437, named "The Tax Reduction and Reform Act of 2022," followed by 2023 SB 56.

2022 HOUSE BILL 1437

HB 1437 makes significant changes to the structure of the Georgia Tax Code for individuals, trusts, and estates. In particular, it provides for a single tax bracket (flat tax), rolls back the tax rate over not less than six years, eliminates the marriage penalty, and replaces the standard deduction with a larger personal exemption deduction. Georgia joins 13 other states with a single tax bracket for all income. Georgia's individual rate remains in the lowest 40 percent nationally but is the second highest among its contiguous state neighbors.

For taxable years beginning on and after January 1, 2024, the bill reduces the single rate of tax to 5.49 percent. For years after 2024, the tax rate is to reduce 0.1 percent annually beginning in 2025 and bottoms out at 4.99 percent in 2029. The annual rate reductions beginning in 2025 are contingent upon certain state revenue thresholds determined in advance by the Governor's Office of Planning and Budget. Should state revenues not be obtained, the rate reductions are to be deferred to the next tax year that such thresholds are met. The reduced annual rate beginning in 2025 and subject to the revenue thresholds are as follows: Year 2025: 5.39, Year 2026: 5.29, Year 2027: 5.19, Year 2028: 5.09, Year 2029: 4.99.

Additionally, the bill eliminates the standard deduction while allowing for a higher personal exemption deduction. The personal exemption deduction for single and head-of-household filers increases to $12,000 beginning with tax year 2024. The personal exemption for married individuals who file a joint return increase to $18,500 in 2024 and gradually increases to $24,000 according to the following schedule: Year 2024: $18,500, Year 2026: $20,000, Year 2028: $22,000, Year 2030: $24,000.

The personal exemption deduction for married individuals who file separately is half the amount listed above for joint filers, thus eliminating a previous marriage penalty. The law will still allow for itemized deductions for those who itemize federally. The bill makes changes to the retirement exemption for individuals aged 65 and older. Currently, individuals aged 65 and older are permitted to recharacterize up to $4,000 of earned income as retirement income for the purpose of calculating the $65,000 retirement income exclusion. For taxable years beginning on and after January 1, 2024, this amount increases to $5,000. Finally, the bill limits the amount of state and local taxes that may reduce Georgia taxable net income to (A) $10,000 for individual, head of household, and married filing joint taxpayers and (B) $5,000 for married individuals filing separately. This limitation is accomplished by requiring Georgia taxpayers to add back any amount deducted pursuant to Section 164 of the Internal Revenue Code on the federal return to a taxpayer's Adjusted Gross Income on the Georgia return to the extent such amount exceeds the amount allowed by Georgia.

2023 SENATE BILL 56

This bill, a combined bill with non-tax items, was passed by The Georgia General Assembly on March 29 and was signed by Governor Kemp on May 2. The tax portion of the bill makes technical corrections and enhancements to the Tax Reduction and Reform Act of 2022 as follows:

- The same single rate of tax and rate reductions as HB 1437 (only clarifying language added)
- The continuation of the $3,000 exemption for each dependent (only clarifying language added)
- Accelerates the new personal exemption deduction of $24,000 for married filing joint taxpayers to tax year 2024 (in HB 1437, this was a phased-in increase)
- Corrects the double benefit of the personal exemption deduction for itemizers (HB 1437 had allowed for both the larger personal exemption deduction and for itemized deductions)
- Allows taxpayers who itemize their federal return to elect to itemize for Georgia purposes or take the personal exemption deduction, but not both. (This is an opt-out approach but not a full decoupling from Federal)
- Provides for a $300 nonrefundable credit for each taxpayer who elects to itemize for Georgia (This is necessary to avoid a tax increase on certain itemizers losing the new personal exemption deduction)

OTHER TAX CHANCES, CONFORMITY AND SALES AND USE TAX

When SB 56 was signed into law, this action updated Georgia's Internal Revenue Code (IRC) conformity date from January 1, 2022, to January 1, 2023. For many businesses, the most significant provision of the legislation was regarding IRC conformity of research and experimental (R&E) expenditures under Section 174.

Under the Tax Cuts and Jobs Act (TCJA), for tax years beginning on or after January 1, 2022, R&E expenditures are no longer allowed to be treated as a deduction for Federal tax purposes. Instead, these R&E expenditures are required to be amortized over a five-year or 15-year period, depending on whether these expenditures were domestic or foreign. Georgia's SB 56 decouples from the Federal R&E expenditure amortization provision and allows for the deduction of these expenses.

Georgia, along with other states including California, Indiana, Kentucky (2022 only), Tennessee and Wisconsin, does not conform to Section 174 expenditures amortization requirement, either due to recent legislation or their IRC conformity dates. It is expected that additional states will address this specific issue over the coming months, with existing proposals already in the works. Businesses need to consult with their tax preparers on potential state legislative updates and consider whether extending or amended returns will be warranted based on their multistate footprint.

Effective January 01, 2024, sales and use tax will be imposed on the retail sale of specified digital products, other digital goods and digital codes, provided users located in Georgia receive the right to permanently access the specified digital products. Possession of the specified digital goods, other digital goods or digital codes is not required.

A sale for resale exemption will be provided for specified digital products, other digital goods and digital codes subsequently sold, licensed, leased, broadcast, transmitted or distributed, in whole or in part, as an integral, inseparable component part of a service or another such product, good or code sold by the purchaser to an ultimate consumer. Form ST-5 (Sales Tax Certificate of Exemption) or other acceptable documentation will need to be collected from the purchaser to substantiate the exempt sale.

Specified digital products, other digital goods and digital codes include sales such as video, music, books, magazines, photographs, artwork, prerecorded training, etc.

CLOSING

Thank you to our legislature for all they do in taking the time necessary to discuss and consider changes to tax law. The perspectives of the taxpayer, tax practitioner and administering entity are so important to fully understand before the passage of new tax policy is considered. GSCPA is also very thankful to have CPAs in the Georgia General Assembly when matters like these come up. Thank you to Representative John Carson, Representative David Wilkerson, and Senator Billy Hickman for all you do for the CPA profession in Georgia!

GSCPA was very active in conversations around these bills. We had members engaged on both sides of the aisle, and GSCPA was very successful in acting as a resource to ensure our legislators had a firm understanding of what they were proposing.

GSCPA will continue to monitor future legislation and keep the momentum moving in the right direction. With many changes and challenges ahead, GSCPA continues to work for you and actively participate in the legislative process.

STAY INFORMED

Lastly, for more on legislation and representation or to locate your local representatives, visit www.gscpa.org. If there are any questions on the above information, contact Don Cook, vice president, legislative affairs, at 404-504-2935 or dcook@gscpa.org.

BRADFORD C. DICKSON, CPA, *is retired from public accounting practice but continues to volunteer and advocate for the profession, sound tax policy and his native state. He is a past recipient of the GSCPA's Meritorious Service and Distinguished Member awards.*

DON COOK *is the vice president of legislative affairs at The Georgia Society of CPAs. He is responsible for legislative advocacy on behalf of the CPA profession in Georgia. Don is a registered lobbyist in the state and works on the grassroots training of GSCPA members while providing education on why members should strongly consider supporting the GSCPA-PAC.*

Quality Management Standards: Addressing Firm Risks

by **KATHRYN M. FLETCHER, CPA, CGMA**

In June 2022, the Auditing Standards Board (ASB) and Accounting and Review Services Committee (ARSC) issued the following four interrelated standards on quality management (collectively, the QM standards):

- Statement on Quality Management Standards (SQMS) *A Firm's System of Quality Management* (SQMS No. 1)
- SQMS *Engagement Quality Reviews* (SQMS No. 2)
- Statement on Auditing Standards (SAS) No. 146, *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards* Statement on Standards for Accounting and Review Services (SSARS) No. 26, *Quality Management for an Engagement Conducted in Accordance with Statements on Standards for Accounting and Review Services*, amends SSARS to conform with the new QM standards.

The QM standards are based substantially on the International Auditing and Assurance Standards Board's (IAASB) quality management standard and introduce a new risk-based approach to quality management systems within firms.

In addition to incorporating a risk assessment process, the standards revise components of the system of quality management (extant quality control), include more robust leadership and governance requirements such as the assignment of ultimate responsibility and a stand-back provision, address network requirements, and enhance the monitoring and remediation process including requirements for identified deficiencies and inspection of completed engagements for engagement partners on a cyclical basis. The QM standards are widely applicable as they impact all firms with accounting and auditing practices.

An effective system of quality management provides reasonable assurance the firm complies with professional standards and applicable legal and regulatory requirements and that engagement reports issued by the firm are appropriate in the circumstances. Reasonable assurance is obtained when the quality management system reduces the risk that these objectives are not achieved to an acceptably low level.

NEW PROACTIVE RISK-BASED APPROACH

SQMS No. 1 requires firms to apply a new proactive risk-based approach in designing, implementing and operating the eight components of the system of quality management. The eight interrelated components include the firm's risk assessment process (new), governance and leadership, relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, engagement performance, resources, information and communication (new), and the monitoring and remediation process. The new risk assessment approach focuses firms' attention on risks that may impact engagement quality. A firm's system of quality management should operate in a continual, iterative and integrated manner and be customized and tailored to the nature and circumstances of the firm and its engagements. This scalable risk assessment approach allows firms to design the firm's system of quality management based on the complexity of the firm and the engagements it performs.

The new risk assessment process consists of three steps.
Step 1: establishing quality objectives,
Step 2: identifying and assessing quality risks, and
Step 3: designing and implementing responses to address the identified quality risks.

The quality objectives provided in the standard are sufficiently comprehensive; therefore, it is unlikely the firm will determine that an additional quality objective needs to be established. Under the standard, a risk arises from how and the degree to which a condition, event, circumstance, action or inaction may adversely affect the achievement of a quality objective. Not all risks will meet the definition of quality risk. The firm will have to use professional judgment to assess if a risk is reasonably possible and if it adversely affects the achievement of a quality objective. If the risk is likely to occur and adversely impacts achieving a quality objective, it is a quality risk that requires a response. Let's walk through an example.

One of the components of the system of quality management is the acceptance and continuance of client relationships and specific engagements. SQMS No. 1 (paragraph 31.a.ii.) specifies the following quality objective: "Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements." The firm will need to identify and assess the potential risks regarding the quality objective, considering conditions, events, circumstances, actions or inactions. One potential quality risk could be the inverse of the quality objective, such as the firm accepting or continuing a client relationship or specific engagement when it does not have the ability to perform the engagement in accordance with professional standards. This could result from the firm's policies and procedures for considering whether to accept a client in a new industry or a new type of engagement needing to be more robust to determine if the firm has appropriate knowledge, experience and competency. Based on the degree to which an identified risk adversely affects the quality objective, the firm will need to determine if a response is necessary. A significant adverse effect will require an appropriate response to the identified quality risk. In this example, the response could be that the firm evaluates whether it has, or can reasonably expect to obtain, the competency and capability necessary to perform the engagement, including relevant regulatory or reporting requirements. The firm may only accept engagements in a new industry or a new type of engagement when the firm is willing to invest in acquiring the necessary competency.

The process does not stop there; in addition to documentation of the firm's quality objectives and quality risks and a description of the responses and how the firm's responses address the quality risks, the firm must also document the application of the response. It is important to note that each firm will need to determine the quality risks and responses that apply to their specific firm. A response that works for one firm may not work for every firm. Each firm's risks and responses will be as unique as the operation and complexity of the firm.

ULTIMATE RESPONSIBILITY AND ACCOUNTABILITY

Under SQMS No. 1, the firm should assign ultimate responsibility and accountability for the system of quality management to the firm's CEO, managing partner or equivalent. That individual is required to, at least annually, evaluate the system of quality management and conclude whether the system provides the firm with reasonable assurance that the firm complies with professional standards and that engagement reports are appropriate. The firm is also required to assign operational responsibility for the firm's system of quality management, including specific aspects of the system, such as compliance with independence requirements and the monitoring and remediation process. Often, operational responsibility may be assigned to the quality management partner. Although they may provide a significant role in the development and operation of the system of quality management, it is important to note that ultimate responsibility will reside with the firm's managing partner.

ENGAGEMENT QUALITY REVIEWS

SQMS No. 1 requires the firm to determine when an engagement quality review (extant engagement quality control review) is an appropriate response to a quality risk. SQMS No. 2 includes requirements for policies and procedures addressing the appointment and eligibility of engagement quality reviewers and the performance of engagement quality reviews. Engagement quality reviews support the exercise of professional skepticism at the engagement level by providing an objective evaluation of significant judgments and conclusions made by the engagement team. Consistent with when significant judgments are made, an effective engagement quality review is achieved when the reviewer is involved at appropriate points during the engagement. This new requirement allows for timely evaluation and resolution of any identified issues.

QUALITY MANAGEMENT AT THE ENGAGEMENT LEVEL

SAS No. 146 addresses the specific responsibilities of the auditor regarding quality management at the engagement level and the related responsibilities of the engagement partner. The SAS identifies that the engagement partner is responsible for managing and achieving quality and should be sufficiently and appropriately involved throughout the audit engagement. The engagement partner's responsibilities include fulfilling leadership responsibilities, supporting engagement performance, and a new stand-back requirement. Arguably, the most impactful driver to enhancing quality is the qualifications of the engagement partner and creating a culture that demonstrates a commitment to performing quality engagements.

NEXT STEPS

The QM standards are extensive, comprising close to 200 pages of guidance. It is strongly recommended that firms with accounting and auditing practices start preparing by becoming familiar with the standards and developing a timeline and implementation plan. This should include who will own and lead the process, what resources will be needed, how the information will be documented, and a timeline with milestones. The design and implementation of a firm's system of quality management is an "as of" effective date. This means firms should begin implementation earlier to have their quality management system ready by the effective date. For firms with limited resources, utilizing a phased approach by addressing one component at a time or beginning the operation of policies and procedures at various stages will allow the standard to be more manageable.

The system of quality management would not be considered in operation until the firm has formally implemented and commenced operation of the new QM standards in their entirety; therefore, implementing a portion would not be considered as early adoption.

The ASB recognizes that most firms will need implementation guidance materials for effective implementation and has created a QM Implementation Task Force to assist with the preparation of educational materials and webcasts, practice aids, and additional resources for practitioners. [1]

As a profession, CPAs have demonstrated an ongoing commitment to quality and long history of continuous improvement. Our commitment to enhancing quality and achieving the highest level of engagement performance is the foundational concept in quality standards. The ASB's continuous evaluation and focus on increasing compliance with quality standards will result in consistent performance of quality engagements, resulting in service to the public interest by building trust in the services CPAs provide.

EFFECTIVE DATES

- SQMS No. 1 – A firm's system of quality management is required to be designed and implemented by December 15, 2025, and the evaluation of the system of quality management is required to be performed within one year following December 15, 2025.
- SQMS No. 2 – Effective for
  o audits or reviews of financial statements for periods beginning on or after December 15, 2025, and
  o other engagements in the firm's accounting and auditing practice beginning on or after December 15, 2025.
- SAS No. 146 – Effective for engagements conducted in accordance with generally accepted auditing standards for periods beginning on or after December 15, 2025.
- SSARS 26 – Effective for engagements performed in accordance with Statements on Standards for Accounting and Review Services for periods beginning on or after December 15, 2025.

[1] https://www.aicpa-cima.com/topic/audit-assurance/quality-management

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KATHRYN M. FLETCHER, CPA, CGMA *is a partner with Draffin & Tucker, LLP, in Atlanta, Ga. She currently serves on the ASB Quality Management Implementation Task Force and previously served on the AICPA Technical Issues Committee. She can be contacted at kfletcher@draffin-tucker.com.*

Evolving M&A and Lending Markets: Reflections on the Banking Crisis and Advice for Business Owners

by **DON BRAVALDO, CPA**

On March 10, 2023, the California Department of Financial Protection & Innovation closed Silicon Valley Bank (SVB), jolting the financial community, disquieting markets and worrying depositors. Did the event constitute a true financial crisis? Was it a bank failure or a failure of bank management to anticipate and manage risk? I will leave the parsing, and there has been plenty, to the banking experts and financial historians. In this space, I reflect on the impact of the higher interest rate environment and the fallout of the events of last spring on M&A, private capital and lending markets.

Although concerning, the three U.S. bank failures (including the closure of SVB, Signature Bank and First Republic Bank), the forced international merger of UBS and Credit Suisse and the resulting loss of confidence in the banking system are cause for vigilance, not alarm.

Prompt, decisive action by U.S. regulators halted the slide, restoring relative market balance. "We're not over bank failures," offered Warren Buffet some weeks after the crash, "but depositors haven't had a crisis. Banks go bust. But depositors aren't going to be hurt."

THE IMPACT OF STEEP RATE HIKES

Since March 2022, the Federal Reserve has lifted short-term interest rates in 11 out of 12 meetings, marking the fastest course of monetary tightening in over four decades. Over the last 16 months, the federal fund's target range increased from 0.0 percent to 0.25 percent to its current target range of 5.25 percent to 5.5 percent.

The pace of rate increases contributed markedly to the bank failures. So, too, did poor bank risk management, including an asset-liability mismatch between the lower-rate interest payments paid by borrowers and the higher-rate interest payments banks had to pay depositors. Add to that, in the case of SVB, the impact of a narrow base of depositors, with a small number of people representing very large deposits.

Also to consider is the perennial question of "lag effects," the delay of uncertain length before Fed interest rate moves affect the broader economy. Both public and private businesses are already feeling the pinch, including higher borrowing costs for deals. Heavily leveraged companies, those not locked into fixed-interest rate loans or hedged against rate hikes on their floating rate loans, are experiencing the greatest impact. According to Insight Weekly from S&P Global Market Intelligence, "U.S. companies are finding it ever more difficult to cover the cost of their debt repayments. Rising interest rates have pushed up borrowing costs for companies across the board."

From an M&A perspective, the impact is considerable. For example, a buyer who might previously have relied heavily on debt is likely structuring things differently today. Not only are debt-heavy leveraged buyouts (LBOs) more expensive—though still relatively cheap compared to the historically high rates of the 1980s—but the traditional banks have also mercilessly tightened lending policies. The same loan easily approved 18 months ago would face an uphill battle today. When this happens, traditional debt becomes unobtainable for many deal makers, and non-bank private debt funds step in to fill the void.

As to the much-discussed recession question, the pairing of increased interest rates and tightening the money supply may lead to a mild recession. While a downturn seems less likely here in the South with our highly favorable business climate, many upper-middle market and mega-deal buyers are active nationally or globally. This makes them more vulnerable to the effects of a slowdown and the rising costs of borrowing for highly leveraged deals.

NUMBERS TELL THE TALE

According to PitchBook, during the first half of 2023, global deal volumes decreased by approximately two percent, and deal values declined by about 10 percent compared to the second half of 2022. For transactions greater than US$1bn in deal value, the decline was 11 percent. The number of deals of US$1bn or more is down about 57 percent since the record M&A year of 2021. By contrast, those under US$1bn dropped by approximately 19 percent over the same period. It's important to note that, for deal makers, Covid rendered 2021 a historical anomaly, with two years of activity compressed into a single year.

Barring a dramatic turn of global and domestic M&A events, deal-making in mid and lower-middle markets will drive total M&A activity for the remainder of 2023.

Such transactions differ from the multi-billion-dollar Wall Street-level deals often dependent on heavy borrowing in the high-yield debt market. Unfortunately, access to that market has faltered as investors shrug off such investments in favor of higher-yielding, safer U.S. treasuries. Another indicator of a Wall Street M&A slowdown is reflected in staff cuts at several Wall Street banks.

THE VIEW FROM HERE

From my vantage point in the lower-middle market (transactions typically of $250 million or less), I am happy to report a still-vibrant market. Most corporate boards would be unlikely to stand in the way of a solid $50 or $100M transaction that is strategic and quickly accretive to earnings, regardless of the borrowing climate.

Also of note is the wave of consolidation plays and add-on transactions initiated by lower and middle-market private equity (PE) funds. They are busily growing platform acquisitions via a buy-and-build strategy within highly fragmented industries traditionally served by small-to-medium private, closely held or family-run businesses.

The good news is that there remains a record amount of capital across market segments in search of the right deal. According to a data dispatch from S&P Capital IQ, "Global private equity dry powder soared to a record $2.49 trillion around the middle of 2023 as sluggish deal-making limited opportunities for the deployment of uncommitted capital into buyouts and other investments."

Other obstacles to deployment include an uncertain global economic outlook, higher transaction costs linked to interest rates and more regulatory scrutiny, especially in the U.S. Shortages of high-quality deals, the powerful drive to generate returns before the clock expires, and it is time to return capital to investors, has PE acquirers desperate to deploy, even as credit conditions are holding them back. The result is highly active lower- and mid-market deal-making.

Another factor is the infusion of over-equitizing private equity capital into transactions, a relatively new development that makes sense in a "transitory" world of high-interest rates. PE funds are betting large equity stakes on their ability to source expensive nonbank debt to fund buy-and-build strategies. They seek scale to grow their valuation while waiting for a brighter day, i.e., a post-recession lending environment where platform companies can be recapitalized with less expensive bank debt as rates decline and underwriting standards soften. PE sales can now generate less debt without former owners worrying that their acquired businesses will fall into a ruinous debt spiral.

With good businesses continuing to attract high-quality buyer interest (strategic and PE), private company valuations in the low-middle market remain historically strong, other than notable exceptions like tech.

HERE'S WHAT WE'RE HEARING

Recent deal maker update calls with PE funds and BCA's global M&A advisory partners provide valuable perspectives.

A partner in a New York-based middle-market private equity fund reported finally seeing greater volume despite reduced asset quality. PE portfolio sales are down, and only event-driven deals are coming to market. However, the capital markets piece of the puzzle is different, with larger deals more affected by financing. Lenders are forming group syndicates to underwrite and fund transactions, and the bid/ask spread may be narrowing on financing for some deals.

A partner at a Midwest lower middle-market PE fund suggests a slight increase in deal flow. M&A advisors, BCA among them, are seeing many new client pitches, with offered businesses coming in with only two grades, either A or D rated. Grade A business assets can take advantage of market scarcity and attract a premium, while low-quality Grade D companies must be sold and are likely to face a challenging time finding a suitable acquirer. This fund is experiencing a high level of add-on M&A activity, as is PE in general. Lending remains considerably easier to line up for add-ons, with banks providing credit synergies and counting additional collateral coverage on a combined basis.

A U.K. partner in our international advisory firm network confirmed the effects of higher interest rates across the pond. "Deal times are stretching out, and buyers are signaling they are having difficulty obtaining financing," I was told, despite the pound trading at nearly US$1.31, its highest level since 2022.

Here at home, the fallout from the banking crisis and higher interest rates does not appear to be dampening business owners' optimism. According to the recently released Bank of America Annual Mid-Sized Business Owner Report, 75 percent expect their revenue to increase in 2024. And 54 percent plan to apply for a bank loan or line of credit in the next 12 months, citing investment in new technology and equipment as leading reasons.

ENTHUSIASM AMID CAUTION

We enthusiastically support our private owners' growth plans, never hesitating to recommend caution when indicated. With that in mind, I offer the following counsel to business owners who may or may not have a sale in mind.

- Prepare for a mild U.S. recession near the end of 2023 or early in 2024. If your business is located in the South or other high-growth regions, the recessionary impact could be minimal.
- Keep a close eye on inventory levels. Be especially vigilant if you serve individual consumers and your product is susceptible to discretionary spending. Many businesses that ramped up inventory levels in the wake of supply chain shortages may be caught with excessive product, a potential problem if a recession materializes.
- If you are a business owner anticipating the need for capital early next year, act now. Expect further credit tightening and potentially more rate hikes to come.
- Take time to assess depository relationships, including the quantity of deposits at a given financial institution and the need for multiple banking relationships.
- Review cash management practices with a focus on proactive strategies. For example, investing the company's deposits in overnight treasury sweeps (where cash is transferred daily into a higher-interest investment) might not have mattered when interest rates were low. Today, however, it can be meaningful.
- Pay attention to accounts receivable and vendor payables to avoid becoming stretched if the economy does begin to tighten. Prioritize the management of optimal working capital.
- If you own a well-performing business, the timing for a professional sale process remains excellent, especially if your business is less likely to be affected by tougher economic conditions or a recession.
- Pursuing acquisitions you have considered but not yet executed may turn out to be a timely strategy. Though this contrarian approach is not for everyone, it could pay surprising dividends.

The spring 2023 bank failures and contributing high-interest rate environment are not causes for panic but suggest increased awareness and vigilance. This holds for businesses seeking capital or looking to transact in the M&A market and for any private business owner leading through a period of uncertainty and promise.

At Bravaldo Capital Advisors, bravaldocapitaladvisors.com, we are ready to support M&A clients in pursuing life-changing mergers and acquisitions in today's inflation-driven market.

DON BRAVALDO, CPA, *founded Bravaldo Capital Advisors in 2006 to provide full-service investment banking to middle-market clients, a segment underserved by larger advisory firms. As managing partner, Don has led BCA through successful transactions across a wide variety of industries. Prior to founding Bravaldo Capital Advisors, Don led the middle market group at a Southeastern M&A advisory firm and oversaw all North American mergers and acquisition activity for Hanger Orthopedic Group, Inc. Earlier in his career as an auditor with Bennett Thrasher & Co., PC and Arthur Andersen LLP, Don coordinated financial reporting engagements and provided business consulting services to clients throughout the Southeast in industries including construction, service, manufacturing and health care.*

Creating a Written Information Security Plan (WISP) to Protect Taxpayer Data

by **CATHERINE HOUSTON, CPA**

Did you know it is a federal law that you have a written information security plan to protect taxpayer data?

I know many of you are thinking what I initially thought, "I use very secure software and have security software on our server, so I am covered." Wrong! Once I evaluated the risks and reviewed the requirements of the security plan, I identified a few unsafe applications and firm procedures.

- Has a client ever texted you a picture of their W-2?
- Do you have a laptop or tablet you use in the field?
- Has a client ever emailed you their tax documents?
- Do you have employees working remotely?

All of these questions pose security risks that need to be addressed. With all of the challenges and changes we have faced in recent tax seasons, it is essential to take the time to evaluate and update your data security plan so that you are compliant with safeguarding taxpayer data.

WHAT IS A WISP?

A written information security plan is your firm's plan for evaluating and mitigating risk to protect taxpayer's data. Each firm's plan will be unique based on size, software and internal controls. Referring to Publication 4557, Safeguarding Taxpayer Data, these are the five requirements:

- Designate one or more employees to coordinate its information security program;
- Identify and assess the risks to customer information in each relevant area of the company's operation and evaluate the effectiveness of the current safeguards for controlling these risks;
- Design and implement a safeguards program and regularly monitor and test it;
- Select service providers that can maintain appropriate safeguards; make sure your contract requires them to maintain safeguards and oversee their handling of customer information; and
- Evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations or security testing and monitoring results.

After creating your security plan, it is suggested that you test and evaluate your plan 1-2 times per year. A plan must be documented, dated and periodically tested to be effective.

It is also important that the established safeguards be discussed with employees so that they are reminded of the risks and the policies and procedures that mitigate these risks.

Here are some suggestions that may be helpful for internal controls:

- Install security software on all devices, including laptops, tablets and phones. Enable it to auto-update to stay current on all threats.
- Add a message at the bottom of all emails requesting that sensitive data be shared through secure portals or secure email. Add a link for clients to upload documents to your portal.
- Limit taxpayer data to only employees that need access.
- Backup data to a secure external source.
- Create strong passwords for each software platform. (And don't leave them on your desk.)
- Password protect your Wi-Fi network. Do not name your Wi-Fi your business name.
- When available, use multi-factor authentication. It is an option on many applications now, so opt IN!
- Do not use public Wi-Fi to access your desktop or business email.
- If you have remote employees, utilize a Virtual Private Network (VPN) for added security.

For more information and to stay up to date on potential threats, visit https://www.irs.gov/tax-professionals/protect-your-clients-protect-yourself

For additional information on creating your written information security plan and your responsibility in safeguarding taxpayer data, please refer to these publications:

- Publication 4557 – Safeguarding Taxpayer Data
- Publication 5293 – Data Security Resource Guide for Tax Professionals

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CATHERINE HOUSTON, CPA, *has over 20 years of experience with small businesses. She graduated from Mercer University with a Bachelor of Business Administration in accounting in 1997. Her firm, The Houston Group, CPA, is an experienced Monroe, Ga. firm whose clients' financial welfare is their top priority. Firm CPAs are dedicated to creating accounting solutions and reducing tax liabilities for every client.*

requirements of your security plan

DESIGNATE
one or more employees to coordinate your information security program

IDENTIFY + ASSESS
the risks to customer information in each relevant area of the company's operation and evaluate the effectiveness of the current safeguards for controlling these risks

DESIGN + IMPLEMENT
a safeguards program and regularly monitor and test it

SELECT
service providers that can maintain appropriate safeguards; make sure your contract requires them to maintain safeguards and oversee their handling of customer information

EVALUATE + ADJUST
the program in light of relevant circumstances, including changes in the firm's business or operations or security testing and monitoring results

Beneficial Ownership

by **NICK RIDER, CPA**

Practitioners now have a new potential adversary regarding FINCEN (Financial Crimes Enforcement Network) reporting in the form of the new BOI (Beneficial Ownership Information) reporting requirements. The BOI reporting is required beginning on January 1, 2024, for certain companies, thanks to the CTA (Corporate Transparency Act) enacted in 2020. The BOI targets money laundering, terrorist financing, tax evasion and other illicit activities.

Once final regulations were published, it's clear that any person involved in forming and/or managing entities required to file the BOI must be prepared to meet these new filing requirements. The new requirements allow a full year (until January 1, 2025) to file for all existing companies as of December 31, 2023. However, for any new entity created after January 1, 2024, the BOI should be filed with FINCEN within 30 days of formation. There are also requirements for filing information related to certain changes in ownership, which can create an ongoing compliance obligation.

Generally, the BOI reports are required for companies (including some trusts) registered in a state (typically through the Secretary of State or a similar office). These companies include domestic corporations, LLCs and limited partnerships. Foreign entities may also have the same filing requirement if the foreign entity has registered with the state to do business there. Exemptions are provided to large operating companies that meet certain criteria and companies already subject to extensive regulation, such as publicly traded companies, banks, and other financial institutions. For the large company exemption, a large company must operate in the U.S., have 20 or more full-time employees and earn more than $5 million in sales.

Information required to be reported as part of the BOI relates to information about its beneficial owners. Beneficial owners are defined in the final regulations as any individual who, directly or indirectly, exercises substantial control over the entity or owns 25 percent or more of the company. Substantial control includes acting as a senior officer, having substantial influence over important company matters, and having authority over the removal or appointment of senior officers or a dominant majority of the board of directors. The information that must be provided for each beneficial owner includes full legal name, date of birth, address and identifying number such as passport or driver's license. In addition to this information for beneficial owners, newly formed companies will also need to provide this same information for the "company applicant," defined as the person that either files the formation documents or registers the company with the state or country of organization or is primarily responsible for directing or controlling such filing if more than one individual is involved in the filing of the document.

These new reporting requirements will present a difficult conversation for practitioners and firms alike. While an argument can be made that the beneficial ownership information should be formed by the company or the attorney forming the entity at the time of filing, many practitioners are heavily involved in this practice for the benefit of their clients. Not only do the reporting requirements significantly burden clients and advisors, but it also requires the advisors to include their information if falling under the "company applicant" designation. It's imperative that practitioners discuss with their firm leadership and clients to determine what role they need to or want to have in this new filing requirement.

NICK RIDER, CPA, *is a director in the Entrepreneurial Services practice of Mauldin & Jenkins. He earned his bachelor's degree in accounting from LaGrange College and his Master of Accounting from Kennesaw State University. Nick's primary focus areas include individual tax, entertainment, construction and manufacturing clients. He serves clients in a variety of industries, with the foremost objective of discovering a client's personal and professional goals for the near and distant future. Nick values helping them devise a plan centered on a solid tax strategy to help them achieve these goals while minimizing the tax burden.*

The GSCPA-PAC: Working for You

support gscpa's political action: make a contribution

MAIL
The Georgia Society of CPAs
6 Concourse Pkwy, Suite 800
Atlanta, GA 30328

ONLINE
donatenow.gscpa.org

The personal and professional relationships that CPAs, accounting professionals and accounting students develop with their legislators provide an essential foundation for the advocacy efforts of The Georgia Society. Legislators gain their expertise in regards to the issues that face CPAs and their clients in two important ways:
1) listening to their constituents, neighbors, friends and local CPAs; and
2) their experiences with their very own CPAs and accounting professionals.

By utilizing these two vehicles, CPAs need to ensure that critical legislators understand the vital role that today's CPA plays in protecting the citizens of Georgia and Georgia's business community.

POLITICAL FOCUS ON THE CPA PROFESSION

Georgia is home to over 21,000 licensed CPAs whose services tremendously impact Georgia's commerce, economic health and citizens in terms of Georgia's GDP and state tax collections. Additionally, the attest services provided by CPAs are integral to creating public trust in the financial system.

SUPPORTING THE BEST CANDIDATES

The GSCPA-PAC aims to back lawmakers who will best represent the values of Georgia's CPAs and the thousands of clients and businesses they serve. Among the criteria considered by the GSCPA-PAC in making donations:

- The candidate's leadership position or membership on key legislative committees
- The candidate's support of positions that encourage the value of the CPA profession and its importance to the business environment
- The candidate's potential for leadership
- The candidate's financial need and the likelihood of being elected
- The presence of GSCPA members in the candidate's district or state

WHY SHOULD YOU MAKE A CONTRIBUTION TO THE GSCPA-PAC?

With contributions from GSCPA members, The GSCPA-PAC can work effectively to protect and promote the CPA profession locally and nationally. Lawmakers and elected officials can only represent the interests of your profession if you let them know what is essential.

For more information on these and other legislative matters, please contact Don Cook, vice president, legislative affairs, at 404-504-2935 or dcook@gscpa.org or visit www.gscpa.org.

GSCPA's 2023 Annual Convention

GSCPA recently held its Annual Convention at the beautiful Alyeska Resort in Girdwood, Alaska, May 30 – June 2, 2023. Approximately 100 members and guests attended the four-day event to participate in continuing education and local fun.

The event kicked off on Tuesday evening with a dinner highlighting local cuisine, live music and scenic Alaskan views for members, family and friends.

Throughout the rest of the week, attendees participated in various events local to the area. The optional activity was visiting the Alaska Wildlife Conservation Center (AWCC), surrounded by the breathtaking Chugach Mountain Range and Turnagain Arm Inlet. Attendees and guests enjoyed a private tour of the AWCC and a wildlife encounter.

Members attended a session from Okorie Ramsey, CPA, CGMA, PMP, chair of the AICPA, who provided an update from the national level focusing on areas that CPAs need to be aware of during the upcoming year. Attendees also had the opportunity to discuss legislative, and Georgia State Board of Accountancy updates, cash flow strategies, quality management, federal and state tax updates, the latest technology, and professional issues updates from GSCPA CEO Boyd Search.

On Thursday evening, the GSCPA celebrated Debbie Thaw's service as chair of the GSCPA Board of Directors and honored her through a video highlighting her achievements during her year as chair.

The convention concluded with Debbie Thaw passing the gavel to Carlton Hodges, beginning the new governance year for GSCPA.

Save the date for the 2024 Annual Convention at the Embassy Suites, St. Augustine Beach, Florida, June 9-12, 2024.

The Individual CPA License Renewal Window Opens October 1, 2023

It's time to renew your Georgia Certified Public Accountant license. Your license will expire on December 31, 2023. The window for renewing your individual CPA license opens on October 1, 2023, and will remain open through December 31, 2023. You will receive an email notification for renewal from the Georgia State Board of Accountancy around October 1. This email will contain information on how to renew.

2023 is a reporting year

Visit www.gscpa.org to view upcoming events that will help you meet your CPE hour requirements necessary for license renewal.

The renewal process will be completed online, and the fee is $100 for the two years ending December 31, 2025. Instructions for renewing your CPA license online will be included in your email notification and on the Georgia State Board of Accountancy website starting October 1, 2023. Please note that it is your responsibility as a licensee in Georgia to renew your license by the due date. A statutory late fee of $100 will be included on all renewals after the expiration date without exception.

Please note: the Georgia State Board of Accountancy will accept your GSCPA CPE transcript containing all your successfully completed events as an official record of your CPE. Your CPE transcript can be found under "My GSCPA" at www.gscpa.org.

RENEWING YOUR CPA LICENSE

To renew your individual CPA license online, visit https://gaboa.mylicense.com/egov/Login.aspx. If you choose not to renew online and would like a paper renewal application, please send an email request to the Georgia State Board of Accountancy at gsba@sao.ga.gov. Include your CPA license number on all correspondence to the Board office.

Please note: Renewing by mail may take up to four weeks to process after receiving the completed renewal application. A late fee will be imposed if you renew after the expiration date of your license.

You are not permitted to practice as a CPA after your license expiration date. To avoid additional delay and late fees, renew your CPA license today!

questions?

THE GEORGIA STATE BOARD OF ACCOUNTANCY

Mailing Address: 200 Piedmont Avenue,
Suite 1604 West Tower, Atlanta, GA 30334
Email Address: gsba@sao.ga.gov
Telephone: 404-463-0365
Website: https://gsba.georgia.gov/

Volunteer with The Georgia Society of CPAs

At GSCPA, our number one priority is serving our members. And we could use your help! As a member of the profession, you are familiar with what CPAs in our state require, and you probably have some fantastic ideas about how GSCPA can better meet current needs and how to anticipate best and prepare for future needs in an ever-changing environment.

A great way to help shape GSCPA policy and programming is to serve on our committees, task forces, advisory councils or chapter officer roles. Various opportunities are available for those who can give only a small amount of time and those who can provide more. With many meetings held via teleconference, we make participation easy for members throughout the state. Are you interested in serving the Society at a higher-level governance capacity in the future? In that case, membership on a committee, task force, advisory council or acting as a chapter officer is a great place to start.

Serving in a GSCPA volunteer capacity is also an excellent way to network with professional colleagues and learn from the inside about the operation of a statewide 501C- 6 nonprofit organization. Share ideas and best practices and further your professional development. GSCPA has a committee to suit almost any interest and skill set. If you are considering volunteering for a specific committee but would like more information, we can provide the staff liaison contact or a current committee member.

If you want to learn more about the Society's volunteer opportunities, please visit our website at www.gscpa.org/content/volunteer.aspx and fill out a volunteer interest profile. If you have further questions, contact the Member Services Department at memberservices@gscpa.org or 800-330-8889, extension 2986.

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SOFER ADVISORS
M&A | STRATEGY | VALUATION

Business Appraisals: Flat-Fee Informal and Certified Business Valuations to help your clients make material financial decisions with their business equity. Areas: Tax Reporting (IRC 409a, Estate & Gift – FLPs/BDITs/SLATs/ IDGTs/GRATs, S Corp Conversion / Built in Gain Tax), Financial Reporting (Impairment Testing ASC 350/360, Purchase Price Allocations ASC 805, and Stock-Based Compensation ASC 718), Shareholder Disputes and Business Divorce, Marital Divorce, M&A, Exit/ Succession Planning. Contact David H. Hern, CPA/ABV, ASA, CEPA:
Phone: 770-776-8852
E-mail: david@soferadvisors.com

POE GROUP ADVISORS

To View Poe Group Advisors Available Listings, visit our website www.poegroupadvisors.com or email cpoe@poegroupadvisors.com for more information.

Selling an accounting firm?
PGA is the premier accounting practice intermediary firm in the industry. Selling a CPA firm is one of life's most significant ventures and we help you transition with ease and for cash at close. Discover your practice value: poegroupadvisors.com/selling/
Email bball@poegroupadvisors.com or call today 888-246-0974.

Buying an accounting firm?
Let's find your next opportunity. Bank financing available! Visit our marketplace: poegroupadvisors.com/ buying/listings/

Accounting Practice Academy
Join our virtual workshop and build a salable firm. "Our gross revenue is up six figures… the workload went down drastically." - Bill & Chris Murphy Georgia CPAs and APA members
Visit: AccountingPracticeAcademy.com

IRS and GA taxpayer representation. Tax Attorney & CPA available to consult with your firm or your clients on IRS and GA tax matters. Audits, appeals, collections or criminal matters including offers in compromise, offshore voluntary disclosures/foreign bank account and foreign asset cases, bankruptcy discharge of tax and non-filers. Practicing in Atlanta since 1982. Call Jeffrey S. Gartzman, The Gartzman Law Firm, PC: 770-939-7710; jeff@gartzmantaxlaw.com

POSITIONS AVAILABLE

4 DAY WORK WEEK – FULL TIME COMPENSATION – OPPORTUNITIES AT ALL STAFF LEVELS How would you like to work four days a week, but paid for five? Our offices are closed on Fridays and the last week of the year. We offer a highly competitive compensation package and believe in a stress-free environment and work-balance. We are a rapidly growing CPA firm with offices in Atlanta, Peachtree Corners and Marietta. We have several opportunities to add to our group of over 40 team members. Opportunities include team managers, tax, accounting and audit professionals, as well as bookkeepers and administrative support staff. You could be a great candidate to become a member of our team here at Fricke & Associates, LLC. We would love to tell you more about great opportunities. Please respond to mmckenzie@fricke@cpa.com or call Mallory at 770-216-2226.

TAX MANAGER OR TAX PARTNER OPPORTUNITIES If you have the desire to step into a firm management position and a fast track opportunity to becoming a firm partner, we would love to tell you more about the great opportunities at Fricke & Associates, LLC. We are a rapidly growing CPA firm with offices in Atlanta, Peachtree Corners and Marietta. We have several opportunities to add to our current management group. We are looking for career minded individuals with experience managing a diverse group of clients and teams of tax and accounting professionals. We work four days a week, but paid for five! Our offices are closed on Fridays and the last week of the year. We offer a highly competitive compensation package and believe in a stress-free environment and work-life balance. Please contact us if you are interested in making a positive career move. Please respond to mmckenzie@fricke@cpa.com or call Mallory at 770-216-2226.

OFFICE SPACE & ACQUISITIONS

INTERESTED IN THE MERGER OR ACQUISITION OF YOUR CPA PRACTICE? Atlanta CPA firm with three metro Atlanta offices is seeking growth through the merger or acquisition of accounting/audit/tax practices. We have successfully acquired numerous CPA practices over the prior 15 years including two in 2020. Owners of the acquired firm may choose to continue working both during and after the transition period. We serve the entire metro area and are interested in firms throughout. We are also interested in acquiring practice segments such as tax, bookkeeping, or audit clients. Please respond to GSCPA File Box 456.

PRACTICES FOR SALE

CPA firm located in Hilton Head, SC for sale. Firm established in 2012. Annual Revenue $700,000, 60% tax 40% Bookkeeping. Please email inquiries to dineen@pilatesbydineen.com. NO PHONE CALLS PLEASE.

MAIL FILE BOX RESPONSES TO:

GSCPA File Box ____
6 Concourse Parkway, Suite 800
Atlanta, GA 30328

CONTACT US:

To place a classified ad, please contact Emily Smith at esmith@gscpa.org

Well established CPA accounting, write-up & tax firm serving Fayette, Clayton & Henry Counties. Annual Revenues $550,000, 18% accounting & compilations, 42% business returns & 41% individual returns. Ideal opportunity for a firm to expand or for someone who wants to start their own business. Sellers willing to assist buyers with the transition period & possibly contract with buyers for tax prep services during tax seasons. Also possible partial owner financing to qualified buyers. Please respond to GSCPA File Box 842.

Looking to slow down or semi-retire? Personable & Productive CPA looking to acquire book of business. Open to Location. Pre-approved financing in place. Willing to pay a premium for quality clients, owner can continue working. Email or Text to arrange a meeting: replynow@actginfo.com
Phone: 847-630-4591

ACCOUNTING PRACTICE SALES
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Accounting Practice Sales is the largest marketer of CPA firms in the U.S. The reason? Proven success! Contact us to receive a FREE valuation of your practice or for a confidential, no obligation discussion of your situation. 888-847-1040 x2 or Wade@APS.net. Featured Listings for Sale (gross revenues shown):

- North Metro Atlanta $2.5MM
- North Cobb County $1.56MM
- Coastal GA CPA $785K
- East Central GA $740K
- Gwinnett County Tax $510K
- East Atlanta Metro CPA $405K
- South of Atlanta CPA $245K
- NW Georgia Tax $225K
- Northwest Atlanta Metro CPA $220K
- Marietta CPA $187K
- Central GA Tax $175K
- Marietta CPA $160K

Buyers – for more information on available listings, please email Holmes@APS.net or visit www.APS.net.

PAS
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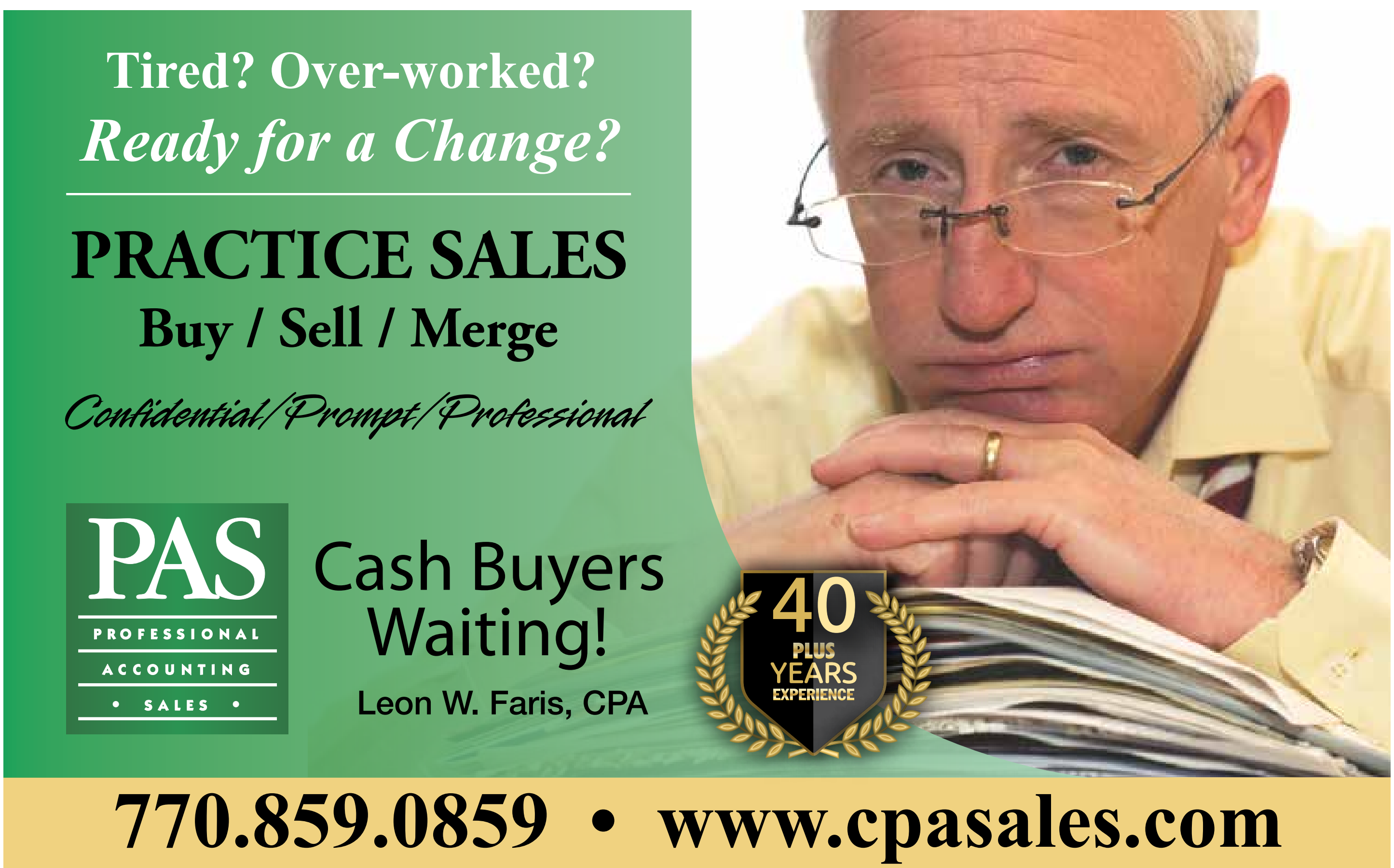
PRACTICES FOR SALE . . .
We offer special conventional bank financing in the Atlanta Metro area.
Recent practices available:

- Duluth CPA Firm $1,200,000+ (Now available)
- Greenville-Spartanburg, SC CPAs $2,100,000+
- Raleigh-Durham Tax & Audit firm $2,450,000+
- Vinings I-75 at I-285 $500,000+
- New Buckhead Upscale Tax Firm $900,000++
- Woodstock Area CPA $600,000
- Windy Hill area $350,000+
- Loganville-Grayson area $350,000+
- West Cobb I-20 area $700,000+

For additional details visit our website at: www.cpasales.com or contact Leon Faris, CPA at Professional Accounting Sales: 770-859-0859. Let our 40 years of experience work for you!



Current Accounts Self Study Test

Earn two hours of CPE by taking the self-study test provided in each issue of *Current Accounts*. Answer the 10 questions based on content in *Current Accounts* and submit your answers to GSCPA. Receive a grade of 70% or better and earn two hours of CPE credit. All *Current Accounts* self-study tests are available for two years from the issue date.

ONLINE INSTRUCTIONS

1. Go to caselfstudy.gscpa.org.
2. Click on "Register Here" for the appropriate issue.
3. After registering, you will receive an email confirmation with a link to the self-study test. Look for "CURRENT ACCOUNTS SELF-STUDY TEST" in the body of the email.
4. Complete the test and click "Submit" when you are finished.
5. Print the confirmation page for your records.

PRINT INSTRUCTIONS

1. Detach this page from Current Accounts.
2. Take the test, recording your answers on the answer sheet by filling in the appropriate circle.
3. Complete the registration and payment information. Payment must be submitted with the test. Print clearly.
4. Email this page to the CPE Department at cpe@gscpa.org or mail this page along with your payment to:
   The Georgia Society of CPAs
   Current Accounts Self-Study Test
   Six Concourse Parkway, Suite 800
   Atlanta, GA 30328

PRICING

	Online	Print
Members	$25	$30
Nonmembers	$50	$60

TEST RESULTS

Upon completion of the test, your answers will be graded and within two business days you will either receive an Event Acknowledgement stating you passed the test along with certificate of attendance or an email stating you did not pass along with a link to retake the test.

QUESTIONS

If you have any questions about this test, please contact the CPE Department at 404-504-2985.

ATTRIBUTION

The self study test is developed and written by Lowell Mooney, CPA, Ph.D, professor of accounting at Georgia Southern University.

SEPT/OCT 2023
TEST NO. CA230910

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Company/Firm Name ____________________

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City ____________ State ____________ Zip ____________

Phone ____________________ Email ____________________

PAYMENT INFORMATION

❑ Check for $_______ made payable to The Georgia Society of CPAs
❑ Amount to charge to credit card $____________ ❑ Discover ❑ MC ❑ AmEx ❑ Visa
❑ Personal OR ❑ Company Card

Card Number ____________________ Exp. Date ____________

Name as it appears on card ____________________

Signature ____________________

September/October 2023 | Test No. CA230910

NEW RULE FOR CONTINUING PROFESSIONAL EDUCATION (CPE) AND CPAS IN GEORGIA

1. Select the INCORRECT statement from the following.

A. Licensees must maintain records of attendance and evidence of satisfactory completion for four years.
B. "2-4-8" is an easy way to remember the CPE requirements: 20 credits per year; 40 credits in technical fields; 80 credits per reporting period.
C. Different requirements apply for licensees who have been certified for less than two years.
D. One reason that CPAs must continuously improve their skills is that they hold a position of public trust.

2. Select the CORRECT statement from the following:

A. The number of required Accounting and Auditing (A&A) credits was cut in half.
B. Four ethics credits are now required: two general credits and two credits specific to the laws, rules, and policies of the Georgia State Board of Accountancy.
C. Any licensee who has reached the age of sixty-five is exempt from the CPE requirement for license renewal.
D. Non-resident CPAs can fulfill the Georgia CPE requirement by meeting the CPE requirements for certificate renewal in their principal place of business state.

2024 TAX YEAR – BIG CHANGES AHEAD FOR GEORGIA TAXPAYERS

3. HB 1437 included all the following provisions EXCEPT:

A. A graduated tax so that higher incomes are taxed at a higher tax rate.
B. A roll back of the tax rate over not less than six years.
C. Elimination of the marriage penalty.
D. Replacement of the standard deduction with a larger personal exemption deduction.

4. Which of the following is NOT a newly passed law in Georgia?

A. Imposes a sales and use tax on the retail sale of certain digital products regardless of whether the taxpayer has possession of those products.
B. Permits deduction of research and experimental expenditures on Georgia returns even though such expenditures must be amortized on federal returns.
C. Discontinues the $3,000 exemption for each dependent.
D. Allows taxpayers who itemize on their federal return to elect to itemize for Georgia purposes or take the personal exemption deduction, but not both.

QUALITY MANAGEMENT STANDARDS: ADDRESSING FIRM RISKS

5. According to SQMS No. 1, A Firm's System of Quality Management, who should be assigned ultimate responsibility and accountability for the firm's system of quality management?

A. The Quality Management Partner.
B. The Chief Executive Officer.
C. The Chief Information Officer.
D. The Chief Audit Partner.

6. According to the author, which of the following is the most impactful driver for enhancing audit quality?

A. The qualifications of the firm's managing partner.
B. Creating a culture that demonstrates a commitment to performing quality engagements.
C. Carefully following the implementation guidance materials provided by the QM Implementation Task Force.
D. Not accepting an engagement when the firm does not have the ability to perform the engagement in accordance with professional standards.

EVOLVING M&A AND LENDING MARKETS: REFLECTIONS ON THE BANKING CRISIS AND ADVICE FOR BUSINESS OWNERS

7. Which of the following was NOT cited as a contributor to the recent high profile bank failures?

A. The pace of interest rate increases by the Fed.
B. Poor bank risk management.
C. A mismatch between lower-rate interest payments paid by borrowers and the higher-rate interest payments banks had to pay depositors.
D. The impact of having too many depositors who made very small deposits.

8. Which of the following was NOT recommended by Bravaldo Capital Advisors?

A. Review cash management practices with a focus on proactive strategies.
B. There is no urgency to raise capital now as most experts agree that the Fed is finished with rate increases until after the 2024 recession.
C. Now is a good time to consider selling if your business is performing well.
D. Monitor inventory levels closely to avoid excessive inventory should a recession materialize.

CREATING A WRITTEN INFORMATION SECURITY PLAN (WISP) TO PROTECT TAXPAYER DATA

9. Which of the following requirements for writing an information security plan was NOT included in Publication 4557 Safeguarding Taxpayer Data?

A. Design and implement a data safeguards program and regularly monitor and test it.
B. Identify and assess the risks to customer information in each relevant area of the company's operation.
C. Hire an external computer expert to coordinate the company's information security program.
D. Select service providers that can maintain appropriate safeguards.

BENEFICIAL OWNERSHIP

10. The new BOI reporting regulations define a beneficial owner as an individual who:

A. directly exercises substantial control over the entity.
B. indirectly exercises substantial control over the entity.
C. owns 25% or more of the company.
D. All the above are beneficial owners.

Sterling Seacrest Pritchard

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The Georgia Society of CPAs provides an alternative to all employers offering group health insurance.

Avoid a large part of the HCR law in Community Rating and potentially save thousands of dollars by signing up with GSCPA's Association Plan.

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- Term Life with 75 Months of Long Term Care
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LEGAL SHIELD/ID SHIELD (New GSCPA Offering):

The LegalShield Membership Includes:

Dedicated Law Firm
Legal Advice/Consultation
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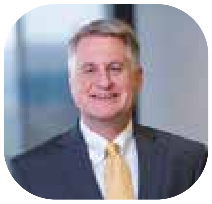
Will Preparation
Speeding Ticket Assistance
Uncontested Divorce Separation

The IDShield Membership Includes:

Social Media Monitoring
Privacy and Security Monitoring
Consultation
Full Identity Restoration
$5 Million Service Guarantee



If You Need Help understanding the wide variety of sources from which you can purchase health insurance, please contact Patrick Bell at pbell@sspins.com or 404.949.1098.

Please visit the Voluntary Benefits Offering website at swett.com/GSCPA

Active Engagement With GSCPA

by **ANGELA DOTSON, CPA**

Please Note: The views and interpretations reflected below are those of the author and do not necessarily reflect an expression of opinion on the part of The Georgia Society of CPAs.

Looking back on my career, I vividly recall the sense of excitement and accomplishment I felt when I received my CPA certification in 1999. Those were the days when the exam was only offered twice a year, in May and November. At that time, I had already completed my college education and had started my first professional job at a public accounting firm. It was a significant milestone that marked the beginning of my journey as a certified public accountant. Wanting to have my name associated with my profession, I wasted no time joining the AICPA and GSCPA.

My early engagement with GSCPA resulted from a fortunate turn of events and some valuable mentoring guidance. Luckily, the local chapter of GSCPA was conveniently located near my office, allowing me to attend their monthly lunch and learn events easily. However, a mentor encouraged me to go beyond mere attendance and find ways to get more involved. Instead of merely enjoying a nice lunch at Maggiano's and engaging in pleasant conversations with tablemates, I was motivated to seek deeper involvement, leading me to take on my first volunteer role as the CPE coordinator for my local chapter. This experience allowed me to establish stronger relationships with local leaders and gave me a sense of responsibility that highlighted my commitment to the profession. I went from attending enjoyable lunches to more involvement that led to meaningful networking with other professionals.

The early engagement would lead to continued participation over the years. I recognized the tangible benefits of a simple volunteer activity. My increased involvement instilled a greater dedication to GSCPA and the profession. As the years went by, I was called upon to serve as a volunteer and participate in various committees. Each experience brought new relationships and multiple skills that have remained with me. The connections and friendships I developed through involvement with GSCPA have proven invaluable.

In 2007, I had the privilege of participating in GSCPA's Leadership Academy, which marked my first venture into leadership training outside my firm. Collaborating with professionals from different firms across the state was a great experience. The program honed my leadership skills and eventually led to my promotion as a partner. To this day, I maintain strong relationships with some of my classmates, and we continue to rely on each other for advice and guidance.

When I first joined GSCPA, I initially intended to become part of a professional group and enhance my resume. However, I was fortunate to receive advice that would lead to engagement. GSCPA allows me to give back to the profession that has been so instrumental in my success. It allows me to exercise leadership and demonstrate my commitment to the field. I encourage other members to participate actively. Find a way to plug in and take action. You will be surprised by the amount of knowledge and personal growth that comes from giving your time and talent back to the profession. GSCPA has been a consistent thread in shaping the professional that I am today. I could have never anticipated its impact on my career and the meaningful relationships I would develop.

ANGELA DOTSON, CPA *is the partner-in-charge of the Professional Services group at Aprio. Every day, she provides tax services to corporations, partnerships and individuals, with extensive experience working with owners and managers of professional services companies, nonprofit organizations, and commercial real estate businesses. She focuses her finance and accounting expertise on women-owned businesses, enabling them to become sustainable entities in the long run. Angela empowers women by educating them on tax planning, nonprofits and business opportunities. During her 17-year career, Angela has helped clients resolve issues with the Internal Revenue Service and various state agencies.*

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