

disclosures

THE OFFICIAL MAGAZINE OF THE VIRGINIA SOCIETY OF CPAs

WINTER 2022

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5 MYTHS ABOUT SERVING THE *marijuana* MARKET



Rolling tax conformity
Virtual R&D studies
Transitioning to corporate finance

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WINTER 2022
Volume 35, No. 1

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Refocusing on rolling conformity

As we head into 2022 and a new Virginia General Assembly session, we are once again targeting our advocacy efforts on one of your top pain points: tax conformity.

This isn't a new message — we've been lobbying for quick passage of an emergency tax conformity bill each winter since Virginia moved to a fixed-date conformity model in 2003. But we think the time is now to let legislators know the benefits of rolling conformity and move it across the finish line.

In late 2019, we issued "Rolling Tax Conformity — A Better Option for Virginia," a VSCPA white paper detailing why rolling conformity would give Virginia taxpayers a better ability to plan for and prepare their taxes, as well as allow for more timely updates to tax prep software. Through a robust advocacy campaign, we educated legislators and staff on the positive impact of rolling conformity. In addition, we had an advocate in Virginia Sec. of Finance Aubrey Layne, CPA, a VSCPA member.

Despite our momentum and a rolling conformity bill passing the House, the issue died when the Senate tabled the issue for further study. Now, we have updated the whitepaper for 2022 and are again advocating for rolling conformity.

Since 2019, the urgency to simplify taxation in Virginia has increased. Delays in conformity related to pandemic legislation and the Paycheck Protection Program (PPP) created untold headaches for those of you who prepare taxes. You can find more detailed information on why rolling tax conformity is better for Virginia on page 20, or at vscpa.com/taxconformity.

There is one more thing we need, however. It's *your* voices and *your* help.



Virginia lawmakers need to hear from you about your experiences with the current conformity structure and why it hinders your ability to adequately plan and timely file tax returns. We have a Voter Voice campaign you can join quickly and easily (everything is preloaded for you), and we'd love for you to add your own stories into the messages. Find it at vscpa.com/voter-voice.

As always, you can contact us anytime about our government affairs efforts. Stay tuned to VSCPA communications, including the CPA Voice e-newsletter, for more info on conformity. ■

Stephanie Peters, CAE, has served as VSCPA's president and CEO since 2007.

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Here's to *hoping* this year is better

The national taxpayer advocate's mid-year report to Congress was released last June, and the information about the 2021 filing season was a doozy. (If you spent any amount of time on the phone with the IRS, you don't need a report to tell you that.) While there were some bright spots (the IRS processed a similar amount of returns as in other filing seasons), there were clear pain points. After all, only 7% of callers on the accounts management telephone lines spoke to an assistor. The 1040 line, the number most frequently called by taxpayers, only had a 3% answer rate. National Taxpayer Advocate Erin M. Collins identified several ways the IRS could use its lessons learned from 2021 to improve, including:

- **Prioritizing the development of accessible, robust online accounts.** The IRS offers an online account option for individual taxpayers, but its usefulness is limited. The Taxpayer Advocate Service (TAS) recommends that taxpayers be given the option of interacting online with the IRS for all common transactions. TAS also recommended that tax practitioners be given access to online accounts on behalf of their clients and that the IRS prioritize providing this service.
- **Expand customer callback technology to all IRS toll-free telephone lines.** The IRS offers this option on some of its telephone lines, but not on most, including the high-volume lines.
- **Reduce barriers to e-filing tax returns.** Some taxpayers prefer to file on paper, but many taxpayers file on paper because they are prevented from e-filing. TAS recommends the IRS address limitations so all taxpayers who wish to e-file their returns may do so.
- **Utilize scanning technology for individual income tax returns prepared electronically but submitted on paper.** When taxpayers file returns on paper, IRS employees must manually transcribe the data line-by-line into IRS systems. In 2020, the IRS received about 17 million individual income tax returns and millions of business and other tax returns on paper. Scanning technology would reduce errors and save time.
- **Expand digital acceptance and transmission of documents and digital signatures.** During the pandemic, the IRS issued temporary guidance to authorized employees to accept and transmit documents related to the determination or collection of a tax liability by email using an established secured messaging system. TAS recommends the IRS make these temporary solutions permanent and continue to explore and prioritize additional digital communication options.

The yearly report comes out each January and was not available at press time. Check out taxpayeradvocate.irs.gov for more information and to find all reports.

Read this before implementing blockchain

If your company or a client is considering implementing blockchain technology, make sure you've evaluated the risks. A resource released last year, "Blockchain Risk: Considerations for Professionals" documents, describes, and provides context around specific risk related to blockchain implementation and operation. The publication is organized as a risk matrix and can help CPAs, IT auditors, cybersecurity professionals and leaders to understand the unique risks of the blockchain space. The American Institute of CPAs (AICPA) and Chartered Institute of Management Accountants (CIMA) partnered with ISACA to develop the whitepaper. Find it at tinyurl.com/Blockchain-Risks.



TICKER

20

The percentage increase in net client fees per professional seen by firms in client advisory services (CAS) in 2020.

55

The percentage of CPA firms that created new services as a result of the COVID-19 pandemic, such as CARES Act advisory services, cybersecurity consulting, business continuity consulting, and more.

2

The number of Virginia towns on Money magazine's 2021–2022 50 best places to live list: Ashburn (No. 5) and Chesterfield County (No. 41). Chanhassen, Minn., was named No. 1.

71

The percentage of remote workers who are still improvising a workspace at home. 37% are working in the same room as another house member.

5

The number of times Virginia has been named CNBC's top state for business, the only state to achieve that many No. 1 rankings.

58

The percentage of families who intend to put their increased child tax credits into college savings plans.

14

The percentage of employees who believe their workplace cultures improved during the pandemic.

72

The percentage of executives who believe their workplace cultures improved.



Need to host an online event? We have you covered.

With the explosion of virtual events, many CPA firms and companies are discovering they need to host online — but don't know where to start. The VSCPA can help! Through EventBlast, the VSCPA's full-service event consulting and delivery solution, you can get help with event planning and design, on-call delivery support, content sharing, breakout room management, and much more.

Need a hybrid event? Host in person at our newly upgraded Learning & Innovation Center in Glen Allen and also have an online event option!



"The VSCPA went above and beyond to deliver a top-notch virtual two-day event for my committee. I'd highly recommend it to all VSCPA members holding online events — no matter how large or small." — Lisa Germano, CPA, VSCPA member

Learn more at www.vscpa.com/Center.

ESSENTIAL ETHICS IS HERE!

Last year marked a great victory for CPAs: You were no longer required to take the same ethics course. Instead, the Virginia Board of Accountancy (VBOA) expanded the annual two-hour ethics CPE requirement to allow you to choose from a variety of courses.

What does this mean? *Essentially*, you can choose from relevant and fresh content tailored to your practice areas and interests. Essential Ethics is the VSCPA's new suite of ethics courses for 2022. Learn more on page 11 or visit vscpa.com/ethics.

Exploring the VSCPA's *advocacy* priorities

As VSCPA leaders and staff survey the legislative and regulatory landscape each year, a set of guiding principles and positions helps us protect your interests.



Emily Walker, CAE

As a new legislative session begins every January, we must determine the issues that best protect and promote CPAs and the CPA designation. Because complexity, uncertainty and regulatory requirements are often roadblocks to your success, we provide a unified voice for CPAs to advocate for eliminating challenges and barriers.

Luckily it's not a shot in the dark each time. We have a set of guiding principles we follow, which we recently reviewed and updated. And while in the past we have developed a new legislative agenda each year, we realized that our priorities usually remain the same, so the Board of Directors now has standing legislative and regulatory positions that are reviewed annually and updated as needed, but generally carry over.

THE VSCPA ADVOCACY PHILOSOPHY

Our philosophy centers around five core areas. Most advocacy-related efforts we take fall into these categories:

- **Ensure continued rigor of qualifications and experience required for CPA licensure:** The laws and regulations governing CPAs and their services should reinforce the value and integrity of the CPA designation.
- **Support diversity, equity and inclusion (DEI) in the CPA profession:** The profession should reflect the diverse world around us.
- **Advance the CPA designation and profession:** CPAs can provide a broad array of services beyond the traditional core CPA services, including data analytics, sustainability and cybersecurity.
- **Promote technical and ethical standards:** The laws and regulations governing

CPAs and their services should not put CPAs at risk of being in violation of the uniform professional or ethical standards developed by independent standard-setters.

- **Support sound fiscal public policy:** The expertise of CPAs affords the profession a unique role in society to educate policymakers and the public on the impacts of fiscal policy.

OUR GUIDING PRINCIPLES OF VIRGINIA TAX POLICY

It comes as no surprise that tax-related issues are a large part of our conversations with legislators. Regarding our philosophy on tax policy, we generally follow the American Institute of CPAs' (AICPA) lead and its Guiding Principles of Good Tax Policy. We also use the below principles as a framework when developing positions on tax-related legislative and regulatory matters at the state level. These guidelines recommend that Virginia tax laws and regulations meet the following guiding principles:

- **Conformity:** Virginia's tax laws should conform with federal tax laws whenever and as expeditiously as possible. Consideration should be given to minimize lag time for Virginia to adopt federal tax changes as such a delay creates complexity and uncertainty for Virginia taxpayers.
- **Simplicity:** The tax law should be simple so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.
- **Transparency:** Taxpayers should know who and what is being taxed and why.
- **Equity:** The tax system should include both horizontal and vertical equity. Similarly situated

taxpayers should be taxed similarly. The tax system should also account for taxpayers' capacity to pay.

- **Certainty:** The tax rules should clearly specify when a tax is to be paid, where and how it is to be paid, and how the tax is to be determined.
- **Competitiveness:** Virginia's tax structure should enhance the Commonwealth's competitive position.
- **Information security:** Taxpayer information should be protected from unintended and unauthorized disclosure.

STANDING LEGISLATIVE POSITIONS

The VSCPA Board of Directors and Executive Committee periodically take positions on behalf of the VSCPA. As positions change and new positions are taken, these standing positions will be updated accordingly. While the Executive Committee has final approval of any positions or comments the VSCPA issues, recommendations come from a variety of sources, such as VSCPA technical committees, the AICPA, members at large, legislative counsel, and staff.

- **Financial literacy education:** We support including a one-credit course in economics and personal finance as a graduation requirement for Virginia public high school students.
- **Public procurement:** We support competitive negotiation and the procurement of accounting and auditing services through a qualifications-based selection process, which helps ensure government agencies contract with the best qualified firms.
- **Tax conformity:** We support implementing rolling conformity of Virginia's tax laws to the Internal Revenue Code. Until rolling conformity can be accomplished, the Society supports timely conformity of Virginia's tax laws with federal tax laws. See page 20, for more on rolling conformity.
- **Tax on services:** We oppose imposing a sales tax on professional services not already subject to sales tax.
- **Data protection:** We oppose legislation that would potentially compromise the privacy of Virginia citizens and taxpayers.
- **Increased taxation of non-dues revenue for associations:** Because non-dues revenue is critical for associations to survive financially and fulfill their tax-exempt purpose, we oppose any increased or additional federal income tax burden on associations.

RELATIONSHIP WITH THE VIRGINIA BOARD OF ACCOUNTANCY (VBOA)

An additional facet to our advocacy efforts is continuing our strong relationship with the VBOA by attending VBOA meetings, nominating top-notch CPAs to serve on the VBOA board, communicating regularly with VBOA leaders, and providing feedback on regulatory proposals.

We endorse a multifaceted approach to ensuring continued professional competence, which includes both CPE and peer review, and we firmly believe in the restriction of the practice of public accountancy as defined by public law to licensed CPAs. We endorse substantial equivalency, mobility, and an independent board separate from the Virginia Department of Professional and Occupational Regulation.

YOU'RE A PART OF OUR ONGOING EFFORTS

We mean it when we say: We can't do it without you. We need your help to identify your pain points so we can advocate for legislative and regulatory change on your behalf. We need your valued expertise on our technical committees and in leadership positions. And most importantly, we need your help contacting your representatives when we have important issues to promote.

You can find more information on all our priorities at www.vscpa.com/advocacy. And you can contact me anytime at ewalker@vscpa.com. ■

Emily Walker, CAE, is the VSCPA's vice president, advocacy. She was previously government affairs director and joined the VSCPA in 2003 to run the peer review program. She is a registered lobbyist in Virginia.

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The ethics CPE requirement: Why it *matters*

CPAs in Virginia have been required to take annual ethics CPE since 2004.



Clare Levison,
CPA, CGMA



You know what technically makes a CPA a CPA — passing the Uniform CPA Examination and receiving state certification to practice accounting. But this also includes passing an ethics exam, because CPAs also have an obligation, both as human beings and as professionals, to act in an ethical manner. In fact, the Virginia Board of Accountancy (VBOA) requires all state licensed CPAs to take an annual ethics CPE course.

What is ethics? Webster's Dictionary defines ethics as a system of principles governing morality and acceptable conduct. "Honest," "fair" and "law-abiding" may be a few words that come to mind when you think of someone who acts ethically. "Deceitful," "unscrupulous" and "greedy" could define unethical actions. However, the trouble with ethics is that black-and white definitions and rules are sometimes hard to establish for difficult ethical situations.

Everyone knows you shouldn't steal your employer's inventory, visit pornographic websites on your employer's computer system, or create fraudulent expense reports. When Bernie Madoff, the Ponzi scheme king, scammed thousands of investors out of billions of dollars, it was

clear that his actions were unethical, and he ended up with a 150-year prison sentence. But many situations are not that black and white.

The CPA designation carries a value to each CPA. While the value is most obvious through its positive impact on professional careers, the CPA designation also brings opportunities for the professional to do things like serving in significant volunteer roles and obtaining a variety of valued financial positions. With the respect paid to CPAs comes an expectation of good judgment, integrity, quality of character, and other positive attributes. But to maintain the value of our credential and the respect of our profession, CPAs must obtain and maintain the public's trust in our professionalism, judgment and skills.

When the profession falls short, in the eyes of the public, corrective action needs to be taken.

In large part, that is why an annual ethics CPE course is required for all Virginia CPAs. In response to accounting scandals like Enron and Worldcom in the early 2000s, the profession highlighted the need for ethics training. Prior to the ethics ►

THE WAIT IS OVER ... ESSENTIAL ETHICS IS HERE

The VSCPA's suite of tailored ethics courses for CPAs — Essential Ethics — is live! We're proud to have produced high-quality, engaging ethics courses for the past 15+ years — with our biggest lineup yet in 2022. We promise to deliver fresh content that keeps you on the pulse of the profession and meets your two-hour ethics CPE requirement. Visit VSCPA.com/Ethics to learn more.

NEW! Tales of Corruption 2022: Ethical Misdeeds

Do good professionals go bad? Unfortunately, sometimes.

On the bright side, their errors make for one entertaining ethics class. In the VSCPA's newest entry into our suite of Essential Ethics options, you'll investigate five thrilling, ripped-from-the-headlines cases and the ethical models that could prevent them from happening.

NEW! Ethics Unplugged 2022: Technology Obligations

Technology has changed everything about accounting over the last 30 years.

How are your ethical obligations to clients and others evolving in this digital age? Find out in this new cutting-edge Essential Ethics course.

Plus, more options including:

- Ethical Considerations in Diversity, Equity & Inclusion 2022: Foundations for Our Profession
- Virginia's Regulatory Landscape for CPAs 2022: What You Need to Know
- Tax Ethics 2022: Navigating Client Needs & the Law
- Corporate Finance Ethics 2022: How to Ensure Zombie Ethics Won't Kill Your Business
- Corporate Finance Ethics 2022: What Virginia CPAs Need to Know



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CPE requirement, CPAs still had many rules and regulations they were expected to follow. As with many professions, the world of CPAs has always been subject to many different rules, expectations and constraints.

With public expectations come laws that have been established by representatives of the general public. Our society quite often enacts legislation to either motivate proper behavior or punish improper behavior, but both perspectives seek to obtain the expected behavior. Thus, we are a society of laws. Frank Zappa is quoted as saying, “The United States is a nation of laws, badly written and randomly enforced.” Members of any profession — doctors, attorneys, stockbrokers — might agree with Mr. Zappa. Be that as it may, laws remain a constant in our society. It is difficult to consider the implementation of a principles-based approach to achieving the social good for society as a whole until we first implement a set of legal obligations. Perhaps it can be said that prior to attempting a higher level of ethical action, one must first avoid legal troubles. After all, failure to comply with the legal standards in Virginia can result in a CPA owing significant fines and losing his or her license.

In the United States, licenses for CPAs are regulated and controlled by state laws. While state boards of accountancy are established by law to govern the licensed activity of the profession, many states, including Virginia, also regulate the ethical conduct of the profession in part by the statutes or legal authority and in part by reference to other guidance for the conduct of CPAs, such as the American Institute of CPAs (AICPA) Code of Professional Conduct.

The interaction with society and the public perception referred to in the AICPA Code of Conduct denote an additional level of ethical behavior or ethical decision making, which is based on moral reasoning. This suggests that once legal compliance is met and actions are considered within the context of the code, CPAs often utilize other decision models to determine ethical courses of action. Because CPAs are valued members of society, the public does have an expectation that CPAs can make not only good decisions, but decisions that are morally acceptable.

In short, situations may arise that laws, codes of conduct, or rules cannot adequately, efficiently, or

quickly address. Yet a CPA is expected to be a trusted advisor, so each professional should consider an approach or methodology for solving ethical issues. There certainly cannot be a one-size-fits-all solution, because the very nature of ethical decision making is based on the reality that each person is ultimately the final judge of his or her own moral decisions. However, CPAs must also make ethical judgments under the scrutiny and the opinion of the public.

Early in their careers, CPAs learn the general rules, pass the CPA Exam, and then learn an additional set of rules specifically related to their new jobs. Only after the rules base is established can the CPA move toward more effectively and more ethically meeting the needs of clients or employers. The entire development of ethical decision making through the various layers of ethical guidelines, from legal guidance to AICPA or professional guidance, to the use of moral reasoning, advances the CPA toward achieving a greater social good or providing a greater benefit for society.

This year, the VSCPA has created a brand-new ethics course as part of its Essential Ethics suite of offerings focused on ripped-from-the-headlines cases of corruption and their intersection with ethical principles (or lack thereof): “Tales of Corruption: Ethical Misdeeds.” There are courses tailored to your practices and interest areas — webcast, on-demand, in person and more — and can be delivered to you in the format that works best for you. Check out more on page 11 or visit vscca.com/ethics for more details. ■

Clare Levison, CPA, CGMA, owns Inspired Responsibility, a consulting company dedicated to delivering continuing education via positive messages and meaningful content that inspires change. She strives to help bridge gaps in continuing professional development with inspiring programs and meaningful experiences that deliver the message, as well as the WHY behind the message, to propel professionals from good to best. Clare spent more than 20 years in the aerospace and defense industry in management, project, and financial accounting, as well as government compliance.

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DATA, DATA EVERYWHERE, BUT NOT AN *insight* TO BE SEEN

Could this be the new rhyme for data scientists? Listen to key experts across industries to learn how you can overcome persistent data challenges and ultimately become a data champion.

By Janine Wegner, Thought Leadership at Dell Technologies



Are you overwhelmed by data and cannot turn it into insights? You are not alone. For many businesses, data is a burden rather than an opportunity according to the 2020 Dell Technologies Digital Transformation Index. Amidst a comprehensive list of barriers to transformation, senior leaders across the world ranked “data overload/unable to extract insights from data” as the third highest barrier to transformation, up from 11th place in 2016.

If this trend continues — despite the agreement that data is a business’s greatest asset — data could paradoxically become businesses’ No. 1 barrier to transformation.

To dig deeper into how businesses can get a better grip on handling the deluge of data and potentially become a data champion, Matt Baker, senior vice president, strategy and planning for Dell Technologies, invited Brian Hopkins, vice president and principal analyst from Forrester, and Sally Eaves, author, global strategic advisor and professor for emerging technologies, to a vivid LinkedIn Live conversation.

Watch it at tinyurl.com/DataDataEverywhere and get answers to some key questions:

Why are most businesses not treating data as capital or prioritizing its use across business today?

What are the skills gaps around data that businesses are facing today? How can we close them?

Since data is a team sport, what does that mean for leaders and team members? Have you found anything that data champions do well in this area?

How can we make sense of the need for businesses to deal with the imminent arrival of masses amount of data?

The conversation closed with a “mad minute” of tips from our experts on what you can do today to go from data novice to data champion. Here are some examples:

“Skills readiness is the move from novice to champion. And to do that, you need to undertake a data literacy audit. Look at data literacy levels across the organization but also the data confidence and skills levels — and then act on it.” — Sally Eaves

“As a tech executive, have a data-as-a-service vision and then demand the delivery and right technology from your vendors.” — Brian Hopkins

“To pivot to the new world, the 4th industrial revolution, you need to use data to build insights and new business models. The time is now.” — Matt Baker

For more opinions and insights from key experts check out our series, “The Data Paradox — Research and Insights,” at tinyurl.com/DataParadoxSeries. ■

Equity is not *equality*

Understanding the differences between equity and equality can lead to transformational change in the workplace.



Tracie Daniels

Often the concepts of equity and equality are used interchangeably. Recently, there has been a shift towards distinguishing between the two. Generally, equity is understood through contrasting with equality. We have all understood equality to be the state that we are pursuing as a country, even as a world. Phrases such as “all men are created equal,” “equality for everyone,” “equal rights,” and even “equal pay for equal work” have created this notion of the need for equality. To a large degree, equality is just that: a notion, an aspiration, and maybe even something out of reach.

There are two parts to how we understand and socialize equality. The first is the notion that one group should not be considered better or worse than another group. The second is the belief that all people, no matter how different, should be treated in the same manner.

The first element of understanding equality is rooted in historical references as to how this country was shaped, which led to a preferential treatment of one group over other groups, i.e., majority over minority. The group that has the larger representation was considered dominant, and therefore held the power and authority to enact laws and systems that benefited the majority. Many of these systems still exist today.

The second element of understanding equality is the notion that all groups should be provided the same opportunities. Unfortunately, this cannot be realized because of the aforementioned historical structures and systems that have been established to favor the majority group over the minority. Equity, however, can serve as “the great equalizer.” The National Academy of Public Administration defines equity as “The fair, just and equitable management of all institutions serving the public directly or by contract; the fair, just and equitable distribution of public services and implementation of public policy; and the commitment to promote fairness, justice and equity in the formation of public policy.”

Equity is understood as the provision of varying levels of support to meet the unique needs of different groups

to achieve greater fairness in outcomes. Equity seeks to correct the systemic failures that have led to some groups achieving exponentially more than other groups. To keep applying the system of equality or “same treatment” will give more to groups that already have more — and thus widen the opportunity and access gaps. Instead, equity requires a redistribution of the management and provision of resources to address the historically unmet needs of the minority groups and give all groups the opportunity to meaningfully engage in society.

Changing historical laws and creating new laws based on equity have proven to be significant in the advancement of fairness in the country. For example, the American with Disabilities Act (ADA) passed by Congress in 1990 was instrumental in providing access and resources to support people with disabilities. The ADA instituted requirements around workplace accommodations for people with disabilities like access ramps, larger elevators, and appropriately-sized bathroom stalls. Imagine how it must feel to show up for a job interview and not be able to enter a building because there are no ramps, only steps. According to the U.S. Department of Labor, The Civil Rights Act of 1964 prohibited discrimination on the basis of race, color, religion, sex or national origin or other protected groups in multiple facets such as hiring, promoting, firing, use of public accommodations, and federally funded programs. It also strengthened the enforcement of voting rights and the desegregation of schools. While this was a huge step in changing the laws, there’s a considerable amount of work to be done in shaping the individual workplace policies and practices to be equitable. Even though the Civil Rights Act has been in place for almost 60 years, workplace racial, gender, sex, age, and disability discrimination still occur at an alarming rate.

There is a concept in human resources management called disparate impact and disparate treatment. Disparate impact involves a specific course of action, such as a policy, procedure or practice

This new diversity section for 2022 will highlight different aspects of diversity, equity and inclusion (DEI) and they can be implemented by the CPA profession. It’s part of a wide range of VSCPA efforts to increase DEI visibility. Learn more at vscpa.com/diversity.

that unintentionally discriminates against a protected group. For example, an organization can have a recruitment process that unintentionally eliminates Latinx applicants from the final interview phase. Another example of disparate impact might include a promotion policy that results in a 90% promotion rate for male managers, but only a 30% promotion rate for female managers. It does not matter if the employer did not “intend” to discriminate if the outcome is discriminatory.

Disparate treatment is the overt discriminatory treatment based on protected groups. An example of disparate treatment is requiring a transgender employee to use the restroom based on their gender assigned at birth, rather than their gender identification. These types of covert and overt discriminatory practices are still very prevalent in the workplace, which is why there is a need for equitable policies and practices.

The reality is that it will be some time before all of the laws that have historically impacted protected groups are eradicated or changed. However, organizations have the power and authority to

determine how equity is applied within their employee practices and policies. A number of organizations are intentionally making the shift by examining their policies and practices to determine how every employee, particularly those who have historically been denied access and resources, can achieve success. ■

Tracie Daniels is president of Synergy Consulting, a human capital management consulting firm, which specializes in strategic planning and executive management, diversity and inclusion, organizational assessment and design, performance management, and leadership development consulting.

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5 MYTHS ABOUT THE *marijuana* MARKET

With legal marijuana sales in Virginia expected to start in 2024, CPAs will be asked to provide services to the new and expanding cannabis industry.





Andrew Hunzicker,
CPA

As most of you know, the legal cannabis and CBD/hemp niches are sweeping the nation, and there are several potential bills being discussed to make cannabis federally legal in 2021. Considering that more than 70% of Americans support medical cannabis, in a country divided by almost every other topic under the sun, it's not surprising that we are quickly seeing cannabis move toward full legality. This is expected to be a \$100 billion market in the next few years, with hundreds of thousands of new companies needing accounting and tax help.

As of today, marijuana is legal for adults 21 and older to possess, consume, and grow in Virginia. But there's no legal way to buy it without a prescription. The state has set a target date of 2024 to begin retail sales, but I would expect this will happen much quicker. Many states start slowly, but as the effects of more jobs and tax dollars for cities and counties start to grow (as well as the demand), we will start to see pressure move things along on a quicker path. Not to mention, we have a real possibility of federal legalization very soon. This happened in 2018 when CBD and hemp were fully legalized in the Farm Bill.

With cannabis legalization in limbo on a federal level and individual states allowing the sale and production of cannabis, this leaves professionals like CPAs in a rather precarious position. On the one hand, cannabis companies need accounting support to remain compliant and keep their licenses. But because cannabis is still considered a Schedule 1 substance by the U.S. Drug Enforcement Administration, there is some hesitancy for professionals like CPAs when it comes to providing services to this industry.

The truth of the matter is that there are thousands of businesses springing up all over the place, and there are not enough experienced accounting professionals to go around.

Below are the top five myths surrounding providing accounting services to the cannabis and CBD/hemp niches.

MYTH #1: ACCOUNTING FOR CANNABIS COMPANIES IS JUST LIKE ANY OTHER NICHE.

Actually, with cannabis and CBD/hemp, we are experiencing the birth of an entire industry, including many "sub-niches" like farming, chemical processing, manufacturing of foods and products,

distribution, testing labs, retail, and delivery companies. You might find all of these "verticals" in a single company or organization.

There are major accounting and tax issues in these niches, including:

- Many vendors will not service companies that operate within the cannabis industry (accounting, POS, merchant services, payroll).
- Lack of accounting tools, workpapers, industry guides, GAAP guidance, Chart of Accounts.
- New software in the market is full of bugs, significant periods of downtime, features that don't work, and poor customer service.
- State mandated "Seed to Sale" tracking software is difficult to use and doesn't integrate well with cannabis or accounting software, making it incredibly difficult to reconcile and ensure that state tracking is in line with internal counts.
- Software programs are not integrated (meaning they don't talk to each other), which leads to a lot of manual work.
- Monthly, quarterly and yearly reporting requirements are different depending on which state you're in and where you bank. Yearly bookkeeping and recordkeeping are not an option; they must be done regularly in order for cannabis companies to be compliant.
- Cannabis companies cannot take any tax deductions due to the substance's Schedule 1 status. There are legal ways to reduce tax liability, but you must understand the tax codes, including what is allowed and what isn't for each vertical. Having the right cannabis accounting and tax tools will help with this.
- Workarounds are needed to deal with the lack of software and tools, and you'll need to put processes in place to ensure compliance since there is a lack of automation. For example, to avoid theft and skimming, you'll want to help your clients put processes in place for required daily reconciliations of cash and inventory.

The first place you'll want to start when working with cannabis companies is to review and thoroughly ►

understand the tax codes and how they relate to each vertical in the industry.

Cannabis accounting and tax codes

Because cannabis is a Schedule 1 drug, U.S. Internal Revenue Code (IRC) 280E says a cannabis company cannot take any deductions or credits on their tax return. They are, however, allowed Cost of Goods Sold (COGS), as COGS is a return of capital and not a deduction or credit. That brings in Section 471, which also involves complex cost accounting that MUST be done at least quarterly to maximize the allowable COGS on the tax return using 471-11.

All of this means that serving cannabis clients can be tricky if you don't have the knowledge, tools, systems, and a deep network of resources.

If you have what it takes, this complexity makes for great clients that will pay highly for the value you bring.

MYTH #2: CPAS WILL LOSE THEIR LICENSES IF THEY SERVE A CANNABIS COMPANY.

As of right now, there are thousands of CPAs serving cannabis companies in almost every state, and not one has lost a license simply for serving a state legal cannabis company. The same goes for attorneys, plumbers, electricians, and thousands of other service providers. Almost all of the big national firms are serving the legal cannabis niche as well.

Yes, cannabis is federally illegal, but it is legal in many states, and these companies need good accounting and tax services.

The American Institute of CPAs (AICPA) has recognized the need for accountants to serve cannabis companies and is on board. In November 2021, the AICPA hosted a two-day conference of hand-picked experts in the cannabis niche to present key information in an effort to better educate accounting professionals about this grossly underserved segment. If you have any other doubts whatsoever, contact your state board to learn more about serving cannabis companies as a CPA in Virginia (see sidebar, opposite).

Even though cannabis licenses will start to be given out slowly in Virginia, you can serve clients around the country in some of the hotter markets and better position yourself as a "leader" in the industry. I talk to

thousands of solo CPAs and accountants every year, and often hear they are frustrated when it comes to finding a great niche. In this industry, which is vastly under-served by qualified accountants, you have the chance to get in right at the beginning. It's not very often we get the opportunity to be part of the birth of a massive global industry, so make sure you at least investigate the options for your firm.

MYTH #3: THIS IS AN "ALL CASH" INDUSTRY.

Actually, credit unions and banks serve cannabis companies in many different states. For example, in my home state of Oregon, Maps Credit Union (over 10 branches) serves any licensed cannabis company.

That said, there is a lot of cash in the industry, so there is a big need for cash controls and procedures to prevent fraud and theft. Additionally, you will find many cannabis business owners have anywhere from 2–10 non-cannabis entities, such as a real estate or equipment company, and these can have easier access to banking.

The SAFE Banking Act is currently under federal review, and hopefully we will have easier access to banking and merchant services very soon for cannabis companies.

MYTH #4: CANNABIS COMPANIES ARE A "GOLD MINE" IN TERMS OF NET INCOME.

Since there are massive taxes on this industry at the national level via 280E, as well as heavy state and local taxes, it's actually very hard for these companies to have a net income (if they are correctly doing accounting and tax).

Similar to the "tech boom," many of these companies will lose money for years. The name of the game for founders and investors is focusing on building brands, growing revenues rapidly, vertically integrating, and staying well capitalized. Exit valuations are now based on growth and brand, NOT net income, and will likely be for some time.

I've seen farms go through \$10 million in cash and still go under, so companies that try to enter the niche without sizable investors will have difficulty.

There is massive capital coming into the niche now, and this is expected to grow rapidly as more funds, private equity, family offices, and angel investors look to get in early.

MYTH #5: CANNABIS MUST BE A HORRIBLE "NICHE" FOR CPAS.

Since there are so few CPAs in the niche right now, it's actually a massive opportunity. Many surveys have shown that solo CPAs struggle most with finding great clients, and if that is the case for you, this might be your chance to easily find high-paying clients. We have accountants in our program who are not even CPAs and have single clients paying \$200,000 a year or more for accounting and tax.

When you consider that a small "mom and pop" cannabis business, whether a farm, dispensary, or vertical integration, will often be a \$10 to \$20 million company very quickly, these clients will pay sizable fees for rock solid accounting and tax. The cost accounting is not simple, and it's super important to the founders and investors for this to be done correctly.

HOW DOES A CPA GET STARTED IN THESE NICHES?

Cannabis accounting is one of the most rewarding industries for those of who that love the challenge of navigating complex accounting and tax issues, implementing systems and controls, and helping our clients manage the financial health of their business, while maximizing cash flow.

You can get involved with industry groups like norml.org (they are helping spread the national legalization movement), or attend local and regional cannabis events. I also invite you to check out our blog page at dopecfo.com, where we have many articles on serving these niches.

"Pick the right niche and become an expert in that niche."

Sounds simple, but when I was told this back in 2014, it was certainly new to me. Being successful at any professional service business requires two things: 1.) finding good clients; and 2.) providing them with world-class service. The secret sauce is finding a great niche and becoming an expert, as that will start to bring good clients directly to you (as opposed to finding clients) and will allow you to provide top-tier service. Being an expert is more than just accounting and tax: it's operations, product, compliance, politics and more.

If you investigate this niche and want to dive in, check out our comprehensive cannabis accounting program at dopecfo.com that includes all of the education and a complete "toolbox" of over 100 workpapers to serve the niche from A to Z, as well as a premier national community that will help support you as you get started. ■

Andrew Hunzicker, CPA, founded DOPE CFO and has built a national cannabis accounting/bookkeeping and tax training program to help students serve the newly developed cannabis and CBD/hemp industry. He is an expert in cannabis startups, CFO services, turnaround and high-growth strategies, capital sourcing, mergers, exits, and wealth protection. He is also a member of the AICPA Cannabis Industry Conference Planning Committee.

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THE VBOA'S TAKE ON SERVING CANNABIS CLIENTS

As state regulators begin the process of developing the Cannabis Control Authority to oversee marijuana legalization in the Commonwealth, you may wonder if you or your firm is in jeopardy of investigation by the Virginia Board of Accountancy (VBOA) if you serve clients in these industries. The VBOA gave the following guidance on May 21, 2019:

"In the absence of such a determination by the courts (that a Virginia CPA or CPA firm has violated drug laws) the Virginia Board of Accountancy will not pursue independent disciplinary action against Virginia CPAs or CPA firms solely on the basis of providing services to a business involved in the sale or distribution of marijuana, provided that the business is operating legally under applicable state law."

If the VBOA revisits this issue at a future meeting now that legalization has passed, we will update you with any further guidance.

ROLLING TAX *conformity* IS BETTER FOR VIRGINIA

It's time to alleviate the headache of fixed-date conformity for good.



Jill Edmonds

If tax conformity has ever gotten you down, you're not alone.

Because the Commonwealth conforms to the U.S. Internal Revenue Code's definitions of income *each year*, Virginia taxpayers and tax preparers anxiously await as the Virginia General Assembly passes emergency legislation to address the issue.

If legislators take their time, we wait. And if they are late, thousands of taxpayers (and their tax preparers) must file amended returns. The delay creates a lot of uncertainty

for taxpayers, as it hinders their ability to plan during the year and leaves them unclear about their actual Virginia tax liability until after the tax year has ended.

Taxpayers required to make quarterly estimated tax payments are particularly affected by this model because their payments are due throughout the tax year; retroactive legislation could cause them to incur penalties and interest through no fault of their own.

"Awaiting tax conformity each year is the bane of my existence," said Andrew Martin, CPA, managing

partner at Corbin & Company, PC, in Chesapeake and VSCPA Board member.

“The lack of swift conformity added 10–15% on to our time for each affected return during tax season last year.”

The VSCPA believes there *is* a better way, and you only need to time travel back to 2003 to remember it. That’s when the 30-year tradition of automatically conforming to federal income tax law (rolling conformity) was changed to a fixed date so that Virginia could decouple from two provisions of federal law that would have negatively affected the state’s bottom line.

And there is still a clear precedent for using rolling conformity: Currently, 19 states plus Washington, D.C., adopt federal income tax changes automatically for individuals and 22 states plus D.C. do it for corporations.

LET’S ELIMINATE THE UNCERTAINTY CIRCUS

For several years after 2003, while we had to await conformity each year, it *usually* happened very quickly and with very few issues. That was before massive tax law changes happened, and then it got hairy.

Because the Tax Cuts and Jobs Act (TCJA) passed so late in 2017 and included significant tax complexities and fiscal impacts to Virginia, there was a longer-than-usual delay between its passage and Virginia’s adoption. With legislators and regulators unsure about how the TCJA would ultimately affect the state, they opted to conform to TCJA changes affecting 2017 returns only (with certain decoupling provisions). There was tremendous confusion among taxpayers, including inadvertent errors on worksheets. In short, fixed-date conformity added to the headache.

And that was *before* a worldwide pandemic. Passing conformity legislation in the wake of federal monetary assistance programs like the Coronavirus Aid, Relief, and Economic Security (CARES) Act unleashed a huge debate over the tax treatment of Paycheck Protection Program (PPP) funds. While you may agree or disagree with how the General Assembly ultimately decided to handle those funds, we can all agree on one thing: The debate surrounding the issue significantly delayed conformity.

Clearly, reinstating some form of rolling conformity is a better option.

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WHY ROLLING CONFORMITY WORKS

Two words: more certainty.

Rolling conformity would provide certainty for Virginia taxpayers, tax preparers, software manufacturers, and the Virginia Department of Taxation itself. Virginia currently conforms to all but a handful of federal provisions, and few of those affect the average taxpayer.

But what about the few federal laws from which we normally decouple, like Net Operating Loss (NOL) carrybacks? Legislators could *still* enact legislation to decouple from federal law, even with rolling conformity in place. There are other options, too. For example, following a similar provision found in Maryland law, Virginia could include a provision whereby any federal tax change with a fiscal impact of more than a certain amount or percentage of the budget, as confirmed by Virginia’s annual revenue, would lead to selective automatic decoupling from federal law.

By implementing rolling conformity, taxpayers could more easily plan for their tax liabilities, software manufacturers could create tax-filing programs with certain figures instead of waiting to the last minute, CPAs could complete returns for clients well in advance and without amendments, and the state could more quickly and easily receive tax revenue.

It’s a win-win. ►

TAX CONFORMITY DEFINED

Tax conformity is the adoption of federal **definitions** of income. Conformity **DOES** NOT include alignment to federal tax rates, tax brackets, exemption amounts, deduction amounts, or credits, of which Virginia sets its own. Simply put, in Virginia, conformity for individuals is the calculation of federal adjusted gross income; for businesses, it is federal taxable income.

THIS ALL SOUNDS FAMILIAR. HAVEN'T WE ASKING FOR ROLLING CONFORMITY BEFORE?

We have! While we have always had tax conformity at the forefront of our legislative agenda each January, it has taken on new urgency as federal laws have grown in complexity since 2017. In late 2019, we issued “Rolling Tax Conformity: A Better Option for Virginia” — a whitepaper detailing our position and explaining its benefits.

In the 2020 Virginia General Assembly session, we advocated strongly for the conformity change by meeting with legislators, asking VSCPA leaders and members to contact their representatives, and educating stakeholders on conformity's importance. We did have a bill (HB 734) overwhelmingly pass out of the House, but the Senate chose not to take up the measure and instead referred it to further study.

In short, we got close.

A PLAN TO CROSS THE FINISH LINE

It's time to try again! With the General Assembly currently in full swing, we are once again conducting a comprehensive advocacy campaign to make rolling conformity a reality. This includes our rolling tax conformity whitepaper, which has been updated, as well as meetings and calls with a variety of legislators and their staff and other regulators.

“This is an issue that affects ALL members, not just those who work in public practice or those who complete tax returns,” said VSCPA Chair Anne B. Hagen, CPA. “While members who work in corporate finance may not deal with conformity as intimately as other members, it's an issue that affects the profession as a whole. Our job is to support and advocate for *all* issues that will create meaningful change in taxpayers' and CPAs' lives.”

We once again have a bill for legislators' consideration. At press time legislation had been prefiled, but to find current information on where it is in the process, make sure you read the Session Watch e-newsletter we send you each week, or check out vscpa.com/taxconformity.

And finally, have we told you how easy it is for YOU to help? By sending a pre-written message to your legislators via our VoterVoice tool at vscpa.com/voter-voice, you

THREE APPROACHES TO CONFORMITY

Three approaches to conformity exist:

Rolling conformity: Unless the state specifically elects to decouple from a provision, implementation of federal income tax changes is adopted automatically as they are enacted.

Fixed date (or “static”) conformity: Conformity with federal law is adopted as of a specific date. Virginia is among the states that uses fixed date conformity for both individuals and corporations.

Selective conformity: For individuals, four states selectively incorporate certain federal income tax provisions and/or definitions, mainly by referencing them in their own code.

can ask for their help in a matter of seconds. The system will automatically identify your representatives and send the message, and we strongly encourage you to customize it with examples from your own experiences.

And your experiences — your frustrations with amended tax returns or dealing with constant uncertainty — are what the General Assembly needs to hear. Please help us by telling them how important this is to you and to all of Virginia. ■

Jill Edmonds is the VSCPA communications director and managing editor of Disclosures magazine. She started at the VSCPA in 2003, the same year fixed-date conformity began. We believe this to be a coincidence.

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HOW TO CONDUCT AN R&D STUDY IN A *virtual* WORLD

R&D studies can be a source of additional cash-flow. Don't be intimidated by moving on-site studies to a virtual format.





John Chennoor

In unique and challenging times, organizations should employ a forward-thinking strategy to help guide them securely into the future. Recognizing opportunities to increase cash flow is critical to future business success.

Utilizing the Credit for Increasing Research Activities [Research & Development (R&D) Tax Credit] to offset income tax OR for qualified small businesses to offset payroll taxes can generate instant cash flow. Yet it is often overlooked due to the mistaken belief that R&D Tax Credit studies can only be done in person. It is true that in “normal times,” conducting an R&D Tax Credit study would involve site visits, factory tours, and in-person whiteboarding sessions, however, as with many things over the past year, adapting to a virtual environment for an R&D study can be achieved.

By dedicating time and attention to the best practices outlined below, your organization can be successful and bring in additional cash flow at this challenging time.

THE R&D TAX CREDIT: WHAT TO KNOW

The R&D Tax Credit is a general business tax credit for companies that incur research and development costs in the United States. It has been around since 1981 as part of the Economic Recovery Tax Act (ERTA) and was made permanent by Congress in 2015.

Research activities that qualify for the credit must be undertaken for discovering information that is technological in nature and its application must be intended for use in developing a new or improved business component of the taxpayer. In addition, substantially all activities of the research must be elements of a process of experimentation related to

a new or improved function, performance, reliability or quality.

In addition to R&D Tax Credits at the federal level, many states also offer the credit. Most states follow federal regulations and IRS guidance on what constitutes a qualified research expenditure. However, some states, such as Virginia, Texas, Georgia, California and Connecticut, do not follow federal guidelines and have their own rules related to R&D. For example, Virginia provides a refundable R&D Tax Credit of up to \$45,000; Virginia also offers a Major Research Credit that is not refundable. Your tax professional can help guide you on these criteria based on the states in which your R&D activities are conducted.

UNDERSTANDING THE TERMS

A qualified research activity is any activity that results in the creation of a new business component or the enhancement of an existing one (see Table 1). The IRS developed a four-part test as a framework for identifying qualified research activities that cover the 1.) permitted purpose of the business component; 2.) how technological the component is in nature; 3.) the elimination of uncertainty established during the development of the business component; and 4.) the process of experimentation that was utilized in the development of the business component.

Examples of activities that have the potential to qualify under the four-part test include software design, development and testing; hardware design, development and testing; engineering design, development and testing; or activities in biological sciences, physical sciences, and manufacturing of new/improved products. ►

TABLE 1: Examples of qualified research activities and expenses

Qualified Research Activities	Technology	Engineering	Biological Sciences	Physical Sciences
Qualified Research Expenses	• Wages	• Wages	• Wages	• Wages
	• Supplies	• Supplies	• Supplies	• Supplies
	• Contractor Expenses	• Contractor Expenses	• Contractor Expenses	• Contractor Expenses
	• Computer leasing / rental	• Computer leasing / rental	• Computer leasing / rental	• Computer leasing / rental

TABLE 2: Typical R&D study phases

1	2	3	4	5	6	7
Data Collection	Data Analysis	Technical Interviews	Time and Expense Allocation Surveys	Contract Review	Federal and State Credit Computation	Documentation

TABLE 3: Other best practices in the R&D study phases

1	2	3	4
Data Collection	Data Analysis	Technical Interviews	Time and Expense Allocation Surveys
<ul style="list-style-type: none"> • Set up a dropbox to accommodate large data files. • Set up passwords to secure files with protected information. • Coordinate with IT to avoid surprises (e.g., firewall issues). 	<ul style="list-style-type: none"> • Use analytic tools to highlight incomplete data, inconsistent data, or year-over-year data variance. • Clearly separate direct research, direct support, and direct supervision. • Establish nexus in a granular fashion by running quantitative tests and conducting job title analyses. 	<ul style="list-style-type: none"> • Use engineers to conduct interviews — they will be able to understand the details quickly. • Establish interdependencies of business components, critical for “but for” arguments. • As the interviews progress, develop context diagrams of the business components and share them live on screen. • Discuss and clearly document the continuation of technical uncertainty after the design phase and into the pilot model. • Consider the shrink-back scenario. 	<ul style="list-style-type: none"> • Sort by employee. • Bunch by year for multi-year studies. • Limit the number of projects, activities and business components on one page. • Automate the math to make it easy for the user to fill out. • Share the screen to walk through allocations.

TABLE 3: Other best practices in the R&D study phases (continued)

5	6	7
Contract Review	Federal and State Credit Computation	Documentation
<ul style="list-style-type: none"> • Establish a private, secure dropbox for the legal team. • Present your observations on rights and risks, and discuss with the attorneys. 	<ul style="list-style-type: none"> • Socialize the credit results with the stakeholders. Educate the stakeholders of the risk of an audit and encourage them to provide contemporaneous documentation. 	<ul style="list-style-type: none"> • Since documents are large and may contain proprietary information, use a drop box of the right size to store information. • To organize the evidence, clearly tie each document to the business components using a matrix, including page numbers. • Prepare narratives for each major business component, and run them by the engineers. • Reference the contemporaneous documentation per CAA requirements.

Note: There are three additional tests for establishing the qualification of internal-use software (IUS) that are not included in this document.

Examples of activities that do NOT meet the requirements of a qualified research activity include reverse engineering an existing business component; research adapting an existing product or process to a particular customer's need; research conducted outside the United States, Puerto Rico or any possession of the United States; and research related to social sciences, arts or humanities.

Qualified research expenses (QRE) are made up of in-house research expenses and contract research expenses. These include but are not limited to wages, supplies, contract research expenses, basic research expenses, and computer rental or lease expenses. Examples of non-qualified expenditures include travel expenses, patent filing expenses and shipping expenses.

To establish how best to succeed in selling your executive team on an R&D study, it is key to first understand the various phases of the R&D project life cycle. A typical R&D study may be composed of the seven steps in Table 2.

Much of a study's success can be attributed to bringing in the right parties, both external and internal to your organization, at the right time in the process.

The CEO, CFO, CTO and R&D department heads are balancing many different priorities. Present the potential benefits of an R&D study early to key leadership stakeholders to get them on board and ultimately make the project run more seamlessly. Though an R&D study takes time and initial investment, the cash tax savings can ultimately benefit the company's bottom line. The organization may even be able to expand the budget for their R&D activities due to the savings gained, driving further efficiencies and innovation. ►

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ASSEMBLE THE RIGHT TEAM

Using an R&D study team — a diverse team of engineers, attorneys and CPAs — allows for an efficient and effective study. Engineers on the study team will be able to understand technical concepts quickly and efficiently. Attorneys will be able to review complex contracts precisely and correctly. CPAs will be able to analyze and document your research and development activities to withstand IRS inquiries and bring tax savings.

A tax department head is usually the point of contact between the R&D study team and internal stakeholders including IT, HR, payroll, engineers and company leadership. From the launch of the study, present your approach to all stakeholders and describe the role of each participant. Detail the interconnection between what each participant provides and the R&D deliverables, so everyone is on the same page regarding their responsibilities.

DETERMINE THE TECHNOLOGY TO FACILITATE THE STUDY

Starting off the first virtual meeting with technical difficulties will not set the right tone for the project. Establish the technology the company will use, whether Zoom, Teams, WebEx or another technology, and stick to the same platform for each call. Test out the link in advance to make sure it is working. Since keeping everyone engaged on a video call can be difficult, we recommend the following to increase engagement:

- **Turn on video:** People remember more and understand concepts more quickly when they can see who they are talking to and get to know them as a person.
- **Keep virtual presentations brief and visually appealing:** Less text and more graphics will appeal to all, especially the engineers.
- **Spend time on designing your spreadsheets:** In a virtual environment, your product on screen is what communicates to your audience. Create spreadsheets that are easy to navigate (for example, sorting by employee and by year). To the extent possible, also make the time surveys and expense allocations visually appealing.
- **Time your emails:** Keep the project timeline in mind when sending an email. For example,

avoid asking engineers to return surveys the day before a major product delivery deadline.

- **Leverage a status dashboard:** Dashboards can serve as a visual display of your progress on the study, making for strong virtual communication.
- **When preparing audit-ready deliverables, create a Virtual Methodology Memo** that clearly lays out the process you used.

COMMUNICATE STATUS UPDATES THROUGHOUT THE PROJECT

R&D studies tend to receive the least internal attention at the very beginning and the most attention in the event of an IRS audit when leadership is directly involved. To avoid this typical pattern, especially in a virtual setting, update the CEO, CFO and CTO frequently about the project status to help avoid surprises. By bringing leadership in again at the end of the study, they can see the results and the direct benefit to your organization. This can also be an opportunity to showcase the value of both the tax department and your trusted advisors.

In addition, we also recommend communicating with each department head how much they contributed to the tax credit. This data can be useful for future planning. ■

John Chennoor is a director in DHG's tax consulting services, focusing on R&D tax consulting. John leads a dedicated team of R&D tax credit professionals for DHG, bringing to the table multidisciplinary experience in engineering, tax and management. Prior to joining DHG, he spent 16 years with a Big Four firm.

DHG's R&D Tax Credit team provides comprehensive, tailored R&D tax credit studies to meet clients' tax goals and provide analysis and documentation to withstand IRS inquiries. We would be happy to answer any questions you have on conducting R&D studies in a virtual environment.

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— Tamera Williams, 2020 VSCPA Scholarship recipient

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MY FIRST YEAR AS A *controller*

One CPA's perspective on transitioning from public accounting to corporate finance.





Jordan Hartman,
CPA

Lately, I often find myself looking back at my decision to leave public accounting. In fall 2020, I made the mental commitment to make a change in my career. Five years out from graduating college, I had achieved my goal of becoming a manager and thoroughly enjoyed my job, clients and coworkers. However, I was deeply affected by everything happening around me, as I'm sure many of you were. My decision had little to do with the pandemic, protests or the election — but all those things weighed on my mind and sparked a need for change, a new five-year plan, and something to work toward. Looking back, I think I questioned if my job was safe in the long term.

The concern I felt seems trivial now given the state of the accounting profession. We have been blessed with a strong demand for our skills in one of the tightest labor markets in recent history. I ended up getting a great job working for a Fortune 500 manufacturer as a plant controller. I still enjoy my job and coworkers and couldn't be happier with the transition, but 2021 was still a year full of firsts for me professionally.

As another auditor-turned-controller, I'm here to give you my perspective on the transition. If you are looking at potentially making the same switch, I hope you find it enlightening. For others, I'm sure it will be a fun look in the mirror at their own careers. To everyone else, I guess just enjoy an honest attempt, hopefully, to capture my thoughts and feelings this past year.

MY FIRST DAY

It may seem silly to some, but I've always enjoyed the feeling of walking into someplace new. When I was an auditor going to a new client site, I always felt like a kid on Christmas getting to unwrap a new toy. That is something I miss about public accounting — the dynamic nature of the job. Even so, there is something comforting in returning to a familiar place every day, but it can't beat the rush I felt on the first day I started my new role.

The office halls and manufacturing floor seemed so shiny and new, at least to me, but the frosting on the cake was something I had dreamt of for years. Anyone in public accounting, especially in larger firms, will undoubtedly be familiar with recent pre-pandemic trends in office design: an open floor plan designed around impromptu teaming and fostering collaboration and sacrificing individual office space.

At the time I started my new role, I had been working from home for nine months and was looking forward to disconnecting my home and workspaces a bit more. So, when I say that I nearly cried as a fully grown man at seeing my first and ever office, know that it was something I had wanted for years, and thought may have become extinct during my time in public accounting.

My first day was full of the usual, figuring out email and IT, etc. After nearly a week of finagling, I finally had my access to our enterprise resource planning (ERP) system and set up file sharing. After that, it felt like a blank canvas — I had little idea what my new role would entail. Sure, I understood technical accounting and was familiar with the work of reviewing documentation. But now I was the painter. I got to decide *how* I wanted to do the work. This was another one of the key selling points for me: finally getting the chance to build something that lasts outside of the churn of project-driven work.

THE NEXT FEW MONTHS

The first couple of months I was on autopilot a lot of the time; it reminded me a lot of when I was fresh out of college as a staff auditor. Life is full of deadlines and spinning plates, and for the moment, my goal was just to not miss any and keep everything moving.

When I was an auditor, I prided myself on being a wizard with data and knowing how to work all my firm's latest tools. After years with my clients, I knew how to manipulate spreadsheets and CSV files to get everything structured just so. Now, I was like a child in a dark room — I didn't know where anything was coming from or how our ERP system worked. I just knew how the last guy did it and apparently that worked. As anyone with a need for control will appreciate, this could not stand. I spent many late nights digging into queries to understand just where all the information was coming from.

After taking the time to get the month-to-month closing work in good order, I finally felt confident that I could do the basic functions of the job and do them well. I was ultimately amazed at how easily the routine work came to me. With all credit due to our ERP system, I was pleasantly surprised that reconciling all the plant's GL accounts was not a more difficult task. After years of seeing the same ►

work at multiple clients, I had numerous examples to draw on for best practices and started to make change after change in the documentation — which only made the job easier the month after. In the end, the things I worried about most with my new role ended up being the easiest to overcome.

My victory in the immediate was undercut by what came next; that is, the question of what to do next. It made me realize how much structure and support I had in my previous role. While I was an auditor, there were times I felt like I was in the Wild West, out in the field at a client site trying to unravel a mess of accounting records. But the truth is, I always had a scheduler to tell me when I was working and who with. I had a playbook and technical guidance built out by a legion of professionals in all the various aspects of my job. Most of all, I had a routine that I was used to, like walkthroughs, interim testing, controls testing, year-end testing, reporting, and archive. Lather, rinse, repeat and on to the next one. I now look back at my previous work and think, “damn wasn’t that predictable.” Because the truth is, despite the wide range of clients I worked with and all the experience I gained, public accounting is not the shining land of dynamic work to industry’s drab predictability that I believed it to be.

The truth is, I took this role because it was a position within the leadership of a manufacturing plant. Something I had always wanted to do in a “if only I could do things my way” sort-of sense. Now I had the opportunity, and most importantly the time, to be a leader. With a typical month lasting four weeks or so and, the month’s close with all its accompanied tasks and reporting taking up at best two of those, the rest of the month is mine to divvy out to various projects and priorities.

I soon discovered not only was my new role not the Wild West, it was more like Congress — an established corporation with all its well-known protocols and a matrix of interlacing responsibilities. I spent the next few months introducing myself to various team leaders and charting my own role within the organization.

PUBLIC ACCOUNTING VERSUS INDUSTRY

If I had to give a sales pitch to working in industry, I think one of the more important points is: Not everyone in the world is an accountant. After five

years in audit, I had become accustomed to almost exclusively working with accountants. Sure, every now and then I found myself on the warehouse floor during an inventory count rubbing shoulders with someone who doesn’t understand the accrual world we live in. But most of my client conversations were with the accounting department and all my coworkers were accountants.

The opportunity to work with leaders in other disciplines is something I did not realize I was missing until I started my new role. Getting to explain to our engineering lead how cost accounting works while they explain their expertise is not only engaging but important to keeping a rounded understanding of a business. Getting to visit the factory floor and experience where all the numbers are coming from is honestly very fulfilling — and helps give the work a sense of meaning.

One of the things I always enjoyed about public accounting was feeling like I had an impact on the business. My interactions with clients had meaning and helped set an expectation for the firm’s brand. As such, I always prided myself on providing excellent customer service, making sure to do my best to keep audits running as smoothly as possible.

Now, as a controller, my clients are the internal users of the information I am generating. However, like the saying goes, you can provide a manager a report, but you can’t make him read it. All the information in the world is just noise without an action attached. As a leader for my location, part of my responsibility is not just to provide information but also insight and the ability to provide recommendations with support.

As I alluded to previously, I always felt one of my strengths as an auditor was effective communication with clients. This was not something that came easy to me as an introvert, but something I worked on through my years of introducing myself to strangers. It is a useful skill that served me well in my previous role. But, as I would find out shortly into my new role, there were certain gaps in my communication skills. In my previous role, I often gave presentations or talks on the engagements I was working on or some new topic being pushed by the firm.

Now, however, being in a new environment with a vastly different culture and talking about information

that was new to me, I struggled to present myself eloquently. Additionally, adapting accounting topics into terms suitable for non-finance individuals proved difficult. Certainly, it can be embarrassing to stumble through a topic, even on a Zoom call with no one else in the room physically with you. But, like all career achievements, the first time you get it right is incredibly rewarding.

Truly, I could go on regaling all the little eccentricities of my first year outside public accounting. But I think the most important fact is that I don't regret my decision. It was a terrifying choice — a severing of a career that I had sunk vast amounts of time into. I will always miss those I left behind and cherish the friendships I took away with me. I take with me a trove of experiences and understanding that I get to share with others.

Ultimately, despite its reputation our profession can be very dynamic and there are so many opportunities for young accountants. It's important that we keep pushing forward and make the most out of the work we put into the world. Don't be afraid to make a change if it is the right time. Nothing is set in stone, and you'll only ever regret the risk not taken. ■

Jordan Hartman, CPA, is a financial plant controller at Corning Incorporated in Manassas. He previously spent five years working as an auditor for a Big Four public accounting firm.

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These donors have made a commitment to change the lives of aspiring Black CPAs in Virginia.

In honor of the Black CPA Centennial, recognizing 100 years of Black CPAs and their commitment to the profession, the VSCPA Educational Foundation is implementing a new scholarship to encourage and support underrepresented students in the pursuit of the CPA profession. The Curtis C. Duke and Dr. Ruth Coles Harris Scholarship Fund honors the first male and female Black CPAs in the Commonwealth.

The Educational Foundation thanks the below founding donors* for their generosity and commitment to leaving an important legacy for future CPAs. Ready to join them? Visit vscpa.com/duke-harris to learn more about the scholarship and donate today.

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Staff news



Richard Gordon,
Celebrating 10 years

ANNIVERSARIES

Jan. 10: **Jen Syer**, technology director, 22 years

Feb. 1: **Zeke Leeper** and **Chandra Painter**, learning coordinators, 1 year

Feb. 7: **Tina Bates, CAE**, vice president, innovation, 22 years

Feb. 17: **Amy Mawyer**, vice president, learning, 28 years

March 1: **Julie Chamberlain**, executive assistant, six years

March 9: **Talley King**, senior manager, marketing, 11 years

March 12: **Richard Gordon**, learning & member services director, 10 years

March 14: **Catherine Meehan**, finance manager, 11 years

March 14: **Kate Eacho**, event specialist, six years

DEPARTURES

Zané Mullins, PMP, senior manager, technology, and **Veronica Boyett**, partnership & event specialist, have left the VSCPA. We wish them the best of luck in their new endeavors!

Congratulations to the following *members!*



Pictured left to right: Emily Knerr, CPA, Zac Blanco, CPA, CFE, Asif Charania, CPA/ABV/CFF, George Strudgeon, CPA

NEW HIRES

Brown Edwards in Richmond (formerly Mitchell Wiggins) welcomed **Emily Knerr, CPA**, as tax senior.

Lea Rasmussen, CPA, has joined Warren Whitney as finance and accounting director.

PROMOTIONS

Zac Blanco, CPA, CFE, and **Asif Charania, CPA/ABV/CFF**, were named partners at Keiter in Glen Allen.

Nick Cusato, CPA, has been promoted to associate at VIKI Companies in McLean.

APPOINTMENTS & AWARDS

Megan Argenbright, CPA, partner at Brown Edwards, LLP, in Harrisonburg, was named to the Shenandoah Valley Business Journal's 10 under 40 class.

Gov. Ralph Northam has made the following appointments: **Anne Sheehan, CPA**, shareholder at Goldklang Group CPAs, PC, in Reston, to the Common Interest Community Board, and **James Young, CPA, CFA**, vice president of accounting services at CLP Financial Group in Norfolk, to the Cemetery Board.

George Strudgeon, CPA, director of compliance assurance at the Virginia Auditor of Public Accounts in Richmond, received a Special Recognition Award from the National Association of State Auditors, Comptrollers and Treasurers for his engagement efforts to leverage Microsoft Teams in establishing weekly meetings for all state auditor offices.

FIRM NEWS

Brown Edwards, LLP, headquartered in Roanoke, acquired **Mitchell Wiggins** as of Nov. 1, 2021. Additionally, Brown Edwards received the associate member of the year award in 2021 from the Associated Builders and Contractors of West Virginia.

Harris, Harvey, Neal & Company, LLP, with offices in southwest Virginia, has acquired **Snead, Williams & Mayhew, PLLC**.

Malvin, Riggins & Company, PC, in Newport News, celebrated its 35th anniversary on Oct. 2, 2021.

PIASCIK, in Glen Allen, was named by INSIDE Public Accounting as a Top 5 "Best of the Best" CPA firm. PIASCIK was selected among 520 firms in the United States and Canada participating in IPA's Survey & Analysis of firms, using more than 50 scoring metrics.

Virginia Living magazine recognized the following accounting firms in its list of 2021 best services winners:

- Central Virginia: 1.) **Keiter**; 2.) **Hantzmon Wiebel LLP**; 3.) **Harris, Hardy & Johnstone, PC**
- Eastern Virginia: 1.) **Dehnert, Clarke & Co., PC**; 2.) **Hughes & Basye**; 3.) **David Humphreys, CPA**
- Northern Virginia: 1.) **Vienna Tax & Accounting LLC**; 2.) **DuvalWheeler LLP**; 3.) **CST Group, CPAs, PC**
- Shenandoah Valley: 1.) **Brown Edwards**; 2.) **Didawick & Company PC**; 3.) **PBMares, LLP**
- Southwest Virginia: 1.) **Brown Edwards**; 2.) **Foti, Flynn Lowen & Co.**; 3.) **Spiegler Blevins & Company**

Congrats to the VSCPA's newest Virginia CPA licensees

Kollin Baer, CPA, Chesapeake

Zachary Beigel, CPA, Richmond

Robert Blume, CPA, Alexandria

Su Cai, CPA, Henrico

Brigid Fitzpatrick, CPA, Alexandria

David Goodman, CPA, Norfolk

Stephen Greer, CPA, Fairfax

Kelly Hare, CPA, McLean

Krista Jones, CPA, North Chesterfield

Elizabeth Machado, CPA, Herndon

Peter Madara, CPA, Gainesville

Paige Mason, CPA, Arlington

Cynthia Matlack, CPA, Arlington

Kyle Mo, CPA, Vienna

Valerie Orahood, CPA, Virginia Beach

Jack Schornhorst, CPA, Ashland

Sara Seukep, CPA, Glen Allen

Cara Shaffer, CPA, Fairfax

Arinderdeep Singh, CPA, Herndon

Hardev Baldev Singh, CPA, Broadlands

Amanda Soldati, CPA, Tysons

Allison Swanberg, CPA, Centreville

Amanda Talbot, CPA, Washington

Abigail Van Dalsen, CPA, Vinton

Carley Vaughn, CPA, Fairfax

List from Aug. 1, 2021, through Oct. 31, 2021.

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IN MEMORIAM

Marlin Alt, CPA, a Life member from New Market. He began his career with Willet and Bosserman, ultimately becoming partner. The firm eventually merged with McGladrey and a portion of the practice is now PBMares. Alt spoke across the region on a variety of accounting topics and wrote many articles for The Virginia Accountant (this magazine before it became Disclosures). He served on a variety of VSCPA committees throughout the 1960s and 1970s and was a two-term president of the Harrisonburg-Rockingham Chamber of Commerce.

Herbert Levin, CPA, a Life member from Boca Raton. A lieutenant commander with the U.S. Navy, Levin was a partner in Swartz, Bresenoff, Yavner & Jacobs and Failes & Associates in the Tidewater area. He served on the VSCPA State and Local Taxation Committee and was appointed by the Virginia governor to the Virginia Health Services Cost Review Council in 1986.

Warren Linkous, CPA, a Life member and sole practitioner from Covington. He served four years in the U.S. Air Force. He is a past president of the VSCPA Roanoke Area Chapter and served on many VSCPA committees throughout the 1970s, including the Peer Review Committee.

Alan Reese, CPA, from Richmond. A graduate of Virginia State University, he worked at PriceWaterhouse before starting his own firm, A.G. Reese & Associates, PC, one of the largest Black-owned CPA firms in Richmond. Reese contributed significantly to the revival of the Jackson Ward neighborhood and led the Jackson Ward Business Association.

Frank Sheffer, CPA, a Life member from Suffolk. At one time the oldest practicing CPA in Virginia, he started his own firm and ended his career as managing partner at Scott Bradshaw & Rawls, PC. He served on VSCPA committees in the 1960s and 1970s and was active in the Suffolk Rotary Club.

Congrats to these Women to Watch

The second annual VSCPA Women to Watch were recognized Dec. 8, 2021, at the VSCPA Women's Leadership Forum.



Erin Burlew, CPA, and Catina Downey, CPA, were recognized in December at the Women's Leadership Forum at the VSCPA Learning & Innovation Center.

EMERGING LEADER

Erin Burlew, CPA

Assurance Manager
DHG, Richmond

"As a CPA and an auditor, my goal is to serve clients with excellence, respect and kindness. As a colleague, I aim to share the knowledge I have received with others and to encourage others to identify and accomplish their career goals through formal and informal coaching programs at DHG."

Seven years into her accounting career, Erin believes the profession succeeds when CPAs give back to the community both in and out of the workplace. At DHG, she has mentored six colleagues as a performance coach and assisted them with setting career goals and developing action plans, as well as informally mentoring others and teaching CPE and other courses. She's also member and co-treasurer of the Richmond chapter of DHG's Emerging Leader Network and former member of the DHG IMPACT committee.

Erin's mentoring extends beyond the office. At Third Church, she's led a small group of students for five years since they began in seventh grade, and she becomes a church trustee in 2022. She's also an alumni ambassador at her alma mater, Grove City College, and involved in the Grove City Mentor Connect program. As a former member of the Sports Backers Presidents Council, she was on the Scholar Athlete committee, and she has promoted financial literacy through Junior Achievement.

"Erin is a superstar in our local office and known throughout the firm," said LaKrisha Watson, CPA, DHG tax services manager. "She helped lead big firm initiatives in the last few years and I'm excited for the great things she will do in the future!"

EXPERIENCED LEADER

Catina Downey, CPA

Principal
Catina Downey, CPA, LLC, Richmond

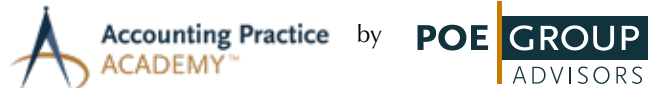
"It is difficult for me to say I 'deserve' to be honored. I am just grateful to be able to represent the profession in such a way that someone, somewhere, felt I deserved to be recognized."

Fifteen years into owning her own CPA practice, U.S. Army veteran Catina has six staff members and empowers her workforce to communicate well with clients and make their own decisions. She strongly believes in hiring the right talent, providing the right tools, and giving clear direction. Her professional practice dovetails with one of her passions — providing tax and small business guidance to underserved businesses.

In fall 2020, upon seeing some businesses unable to obtain Paycheck Protection Program loans because of inadequate recordkeeping, Catina founded the Varina Center for Tax and Small Business Education to provide information and guidance to businesses that do not have the resources available to hire a CPA. The Varina Center also partners with the IRS as a Volunteer Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) site to aid in free tax prep for the elderly.

Catina is also passionate about promoting the endless opportunities in an accounting career. She's volunteered several times with the VSCPA to promote accounting careers to students and was a highlighted CPA in our Path to CPA video series. The exciting opportunities that accounting offers even inspired her to create The Accountant Bee, a children's activity book, available for sale on Amazon. Her volunteering extends to leadership positions with the KLM Scholarship Foundation and the Virginia State University Military Alumni Association.

"Catina exemplifies the qualities of an experienced CPA leader, such as community service, extraordinary leadership, contributions to the profession, unique leadership attributes, and involvement with her alma mater," said Jelena Hill, CPA, a staff accountant at Catina's firm. ■



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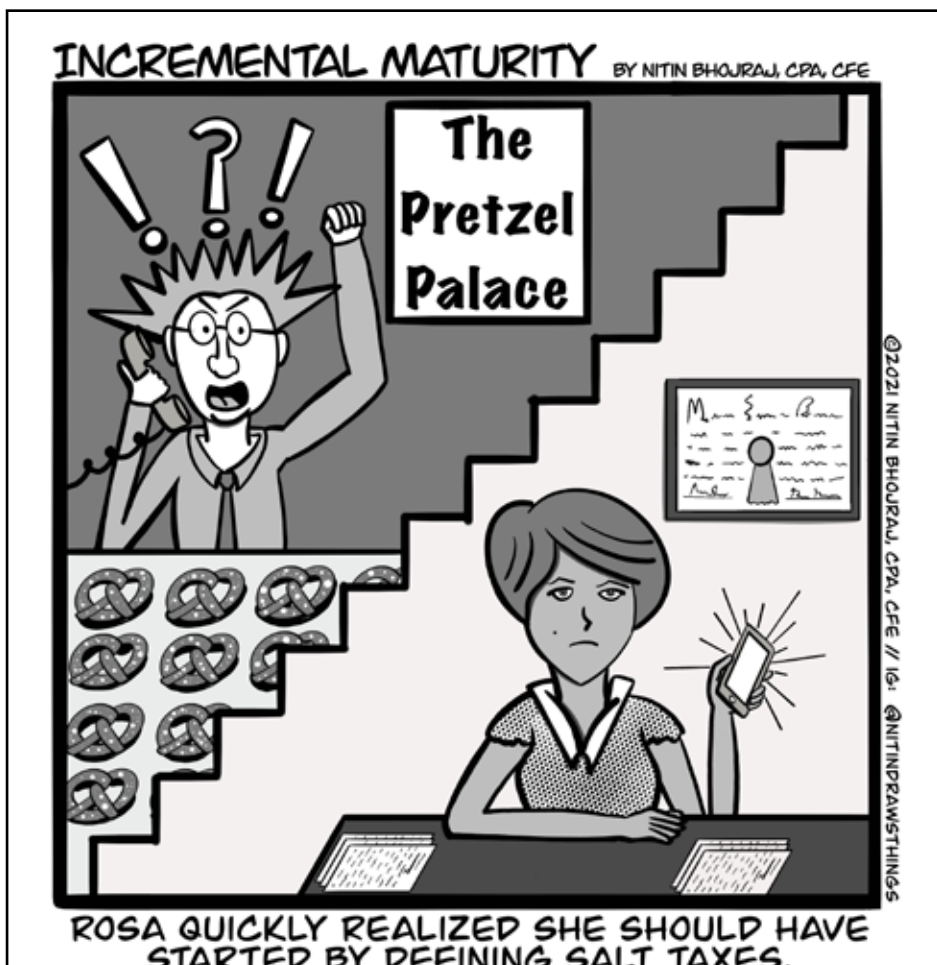
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