

# Seasonality Success

WINNING STRATEGIES FOR PROFITABLE FIRMS



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## SMART TIP FOR PCPS MEMBERS

The coming busy season marks the first time that CPAs will be working with the AICPA risk assessment standards, Statements on Auditing Standards Nos. 104 through 111. To help practitioners implement the risk assessment standards, PCPS has created the PCPS Risk-Based Auditing Toolkit, a collection of practical resources. It can be found at <http://pcps.aicpa.org/Resources/Keeping+Up+With+Standards/Risk+Assessment+Standards+Implementation+Guidance.htm>.

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## A TOOL FOR SUCCESS FROM PCPS

*Seasonality Success, Winning Strategies for Profitable Firms*, is a quarterly PCPS newsletter dedicated to helping CPA firms enhance their peak season possibilities. Each quarter, we focus on great ideas in four key practice management areas:

- Positioning
- Client Strategies
- People
- Systems and Processes

Every article will look at practical, hands-on solutions that can make your practice more effective and efficient based on the experiences of other successful practitioners.

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## Action Agenda

- Review client files to determine which ones will face significant fee increases this year due to new standards or other developments.
- Discuss the expected increases with clients before work begins.
- Be prepared to say specifically how the higher fees will make it possible for the firm to improve its service to the client.
- As part of the discussion, remind clients that their business is important to the firm. Point out the many ways in which the firm adds value for the client in instances that go beyond the basic engagement.

## POSITIONING

### Tips on Handling Fee Increases

New standards often require not only a race to understand and implement the requirements properly but also increased costs for clients. CPAs entering this busy season, for example, will likely be working to explain the costs associated with changes in procedure driven by the new AICPA risk assessment standards, Statements on Auditing Standards Nos. 104 through 111, and by the new Internal Revenue Service “more likely than not” provisions.

How can firms justify standards-driven fee increases for clients? Practitioners offer several steps that have served their firms well.

**Explain up front.** “We have a firm policy that we don’t perform any work without talking with clients and having a clear understanding about fees,” says Eric Rigby of the Rigby Financial Group in New Orleans. Clients will be more accepting, he finds, if they are informed about increases before the work begins. “You lose leverage if you don’t have an agreement beforehand.” No matter what the reason for the increase, he lets clients know that the firm values their business, but adds that his costs have gone up. “They all know you hit speed bumps if you’re in business,” he says, but the complaints are fewer if you let them know what to expect.

**Don’t assume one size fits all.** Before making any blanket statements to clients about increases, check that the higher prices will definitely apply to all. When dealing with SAS No. 112 during last busy season, for example, Rigby assessed the firm’s risk and time required on a case-by-case basis, finding that fees did not rise substantially in all situations. The AICPA PCPS membership section recommends doing the same with the new risk assessment standards.

**Describe why the change has occurred.** Due to the “more likely than not” provisions, his firm plans to explain to clients that the new law makes it necessary to expand its documentation of the advice being given, which means that fees will go up, says David Lifson, co-managing partner of Hays & Company LLP in New York. “Clients have always wanted to know what the chances are that a position will be successful,” he says. “A well documented position protects the taxpayer, too. The new law forces clients to protect themselves, rather than letting taxpayers decide when to cut corners and rely on less formal advice.”

**Put it in perspective.** When hiking fees, it’s helpful to remind clients of the added value the firm regularly provides. Although they may understand that business costs go up, “most clients don’t really care that it will take the firm an extra 10 hours to do the work,” Rigby says, so that may not be a convincing argument for a fee increase. On the other hand, he believes that clients do appreciate *lagniappe*, a Cajun word that means an added benefit. “We remind them of the personal service we’ve offered in the past,” he says. For example, one client was uncertain whether it would be necessary to consolidate an out-of-town subsidiary under FASB FSP FIN 46R. Rigby called in experts from a larger firm with whom he had done business in the past and got his client an expert analysis within a day. “When we go to raise fees, we will remind the CFO about the time we helped the company when he needed an answer right before the board meeting.”

## Action Agenda

- Within your practice, identify clients whose children are finishing college, whose businesses are growing or who otherwise might be in a position to need further services. Start now, before busy season begins, with existing clients.
- Focus on these clients' returns during tax season. Point out ways in which the firm can help and offer to meet with them later in the year.
- Don't stop with basic financial considerations. With individual clients, consider how their residences and other assets fit into their changing lifestyle. With business clients, ask questions about staff, real estate, suppliers and other aspects of the business that may affect their growth and earnings.

## CLIENT STRATEGIES

### Expanding Business Planning Services

Working with tax season clients to uncover opportunities for further services is a great practice development idea, but it's also a big assignment that may be difficult to fulfill in a small firm. Sole practitioner Bob Fay, of Canton, Ohio, however, has been able to identify two types of clients that will be open to further services: those whose children are finishing college and those growing small businesses

#### Empty Nesters

"College education has become a huge expense for most families, so it's difficult for them to save much money as long as the children are in college," Fay notes. Once college costs are paid, it frees up discretionary dollars that can be used for other financial planning goals.

"We've been very successful in providing further services for that group of clients," he says. He introduces the idea during tax season, pointing out it's now time to think more seriously about retirement and other goals, including estate planning and general asset management. "We review their investment assets as well as their personal property, personal residence and second residence, and their life insurance, autos and boats. We list all assets to see if they are positioned correctly." His questions go beyond financial basic concerns. "I ask them, for example, if their house is going to be a good place to grow old in. If not, we talk about whether a condo or ranch might be a better investment for them.

"Clients definitely appreciate it when you ask these questions," he says. "They have no other person to talk to about their homes, cars or vacation properties. Their insurance agent and their lawyer don't go into this kind of detail."

Fay schedules appointments for these discussions in the spring or summer, after busy season is over. He charges an hourly rate and has met no resistance from clients. The service appeals to clients across many income ranges, he reports. "Whether they have \$1 million in assets or \$100,000, it's a matter of the stage of life," he says.

#### Growth Potential

Among his business clients, he has had the most success targeting those experiencing strong growth. "Clients enjoy it when you talk to them about where they would like the business to be in five years," he says, "and ask if they are headed in the right direction. Then you listen and gather information." For clients in the \$4 million to \$7 million sales range, "no one else is asking them those questions."

In one example, a client's sales had improved by 20% in one year. After asking the client about the pressures that increase had caused, Fay and the company owner concluded that there was a weakness in one supervisory position in the planning department. "We talked about how to motivate that person to assume more responsibility, and whether to do that financially or with more resources to get the job done. We also discussed other options if that didn't work."

The client was very grateful, he reports. "Companies in this range don't have human resources departments or senior staff members focused on production and sales," he says. "The business owner has no one to talk to about larger issues."

The good news is that sole or small practitioners can take these steps without instituting complicated or costly efforts. “You don’t need to complete 25 forms or spend \$5,000 on software,” Fay says. “I’m simply offering the kind of straightforward financial advice that clients are starving for. They are seeking feedback from an unbiased expert who’s not selling a product.”

## Action Agenda

- Before organizing a retreat, choose a facilitator and develop a theme and an agenda.
- Select a location far enough away from work to prevent disruptive returns to the office.
- Six weeks beforehand, send participants questions related to the meeting’s theme. Four weeks before the date, forward the responses to the facilitator.
- Designate a recap writer who will document the group’s decisions, actions to be taken, owners of the actions and by-when dates.
- Schedule a follow-up meeting four to six weeks after the retreat to review progress.

## PEOPLE

### Reinvigorating Your Retreats

Have you ever organized a firm retreat? Did the participants generate a lot of valuable ideas that would expand the practice, enhance profitability and make your office a great place to work? Now here’s a tougher question: How many of those ideas did you actually implement?

Many firms plan retreats during the fall months in order to brainstorm smart ideas for the coming busy season and beyond. Here are some suggestions for putting your brilliant inspirations into practice.

**Assign homework up front.** Jennifer Wilson, of the consulting firm ConvergenceCoaching, LLC, recommends developing a list of questions to be distributed to participants six weeks before the retreat. If the retreat will focus on retention, for example, they may be asked to think about why the firm is a good place to work and what can be done to enhance employee satisfaction and retention. The answers should be given to the retreat facilitator four weeks beforehand for use in planning and then shared during the retreat.

**Have a facilitator.** Someone should be in charge of creating a working agenda and keeping the group on task. The facilitator can be a firm member, but one person should be assigned to prevent the gathering from losing focus.

**Follow an agenda.** Wilson recommends that the retreat be designed to generate decisions, actions to be taken, and owners and by-when dates for those actions. She also suggests use of a “parking lot” for great ideas that are temporarily shelved for later action. “You want to avoid talking about anything that’s out of the scope of the retreat,” she says. “The collective cost of the head count is too much to allow for getting off track.”

**Set a theme.** Possible choices include excellence in client service, recruiting and retention as a strategic initiative and firm culture, according to Jack Hinsche, managing partner, California-based Windes & McClaughry Accountancy Corporation, whose firm has been organizing retreats for more than 20 years.

**Get away from the routine.** Hinsche’s firm plans two- to three-day gatherings in locations that are far enough away from the office that participants must focus on the retreat and leave behind day-to-day business. “The retreat allows all of the owners to work on the business rather than the normal focus of working in the business,” he says.

**Establish a time-out signal.** State up front that the facilitator or any participant can call a time out when the group is drifting too far off course or trapped in trivial details, Wilson recommends.

**Plan the next step.** The facilitator or a designated recap writer should document the group’s decisions, actions, owners, by-when dates and parking lot items. The list should be circulated to all participants, Wilson says, and a follow-up meeting held within four to six weeks to focus on progress.

**Enjoy.** Once the meetings are done for the day, his firm members have played golf, attended wine tastings or visited auto racing schools, Hinsche says, in addition to dining together. “Make sure you have some fun associated with your retreat,” he says.

“After many retreats, a lot of great ideas just float away like helium balloons,” Wilson notes. By following these steps, you can ensure that your firm hangs on to your best inspirations and reaches its loftiest goals.

### Action Agenda

- Seek out training courses or outside vendors that will offer staff a thorough grounding in new guidance. Use this as the basis of the firm’s training.
- Identify subject matter experts within the firm who can lead staff through a brief refresher session aimed at reinforcing key elements of new standards or regulations and clarifying difficult rules.
- Schedule in-house training just before the season begins.
- Look for opportunities to judge staff’s knowledge. For example, review 9/30 or 10/31 year-end audits to consider implementation issues before the season begins.

## SYSTEMS AND PROCESSES

### Fine-Tuning Before New Standards Become Effective

The AICPA risk assessment auditing standards and the Internal Revenue Service “more likely than not” provision—both of which are effective in the coming busy season—pose new process and training challenges for firms. In their efforts to keep up with emerging guidance, it can be difficult for small firms to train their staff on the minutiae of each new standard or regulatory change, but fortunately it’s not necessary for practitioners to shoulder that responsibility alone. Firms interviewed agreed that the best approach is to assign staff to learn about new developments by using CPE courses or through materials created by outside vendors, then refine their knowledge with firm-led training.

“It’s not necessary for us to teach everyone everything about the new standards, just to make them aware of the changes, remind them of key points they may have forgotten and make them sensitive to what they do not know,” points out David Lifson, co-managing partner of the 50-person Hays & Company LLP in New York. At his firm, the first two Saturdays in January are devoted to in-house training in tax, audit and accounting.

“Our chief operating officer organizes the material with input from subject matter experts throughout the firm,” he says. “We aim for a mix of theoretical and practical. There is not one person in charge of education. We spread it around and make it 5% of each partner’s and manager’s responsibility. The old saw is true: you learn much more from teaching than you could ever learn from attending one of these programs.”

At Yanari, Watson & McGaughey, a 12-person Denver firm, the practice has built its training around the in-house knowledge of those in the practice who perform peer reviews and the convenience of materials from outside vendors. Randy Watson oversees the process. For the new risk assessment standards, he assigns staff to study an outside vendor's materials and take the exams they supply. He then conducts a staff training session that is designed not to teach the standards but to review them and pinpoint problem areas that need further explanation. In addition, he recommends early implementation of the risk assessment standards on a 9/30 or 10/31 audit, if possible, to work through the requirements before busy season. This provides the chance to properly consider the implementation of these standards when the time pressures aren't quite so severe.

In the training session, he emphasizes the fact that the new standards demand a different kind of response from the auditor. "There is a fair amount of subjectivity," he notes. "You have to think about your approach, not simply fill out forms. There will be more testing and auditors will have to draw conclusions and assess risks. That's all different from in the past," so it should be addressed in staff training. Once the staff has mastered the basics from the written materials the firm buys, Watson talks to them about how to use their knowledge to make the required decisions.

### COOL TOOLS

#### **Workflow Management Opportunities**

by Roman H. Kepczyk, CPA.CITP

Can your tax software program help you with workflow management?

CPAs have struggled over the years to manage workflow, particularly during tax season when there is an extremely high volume of client engagements in a compressed period of time. In addition to tracking due dates, firms must assign projects to staff and manage communications between the firm and clients. With today's tax source documents going to scanned images, it's also necessary to manage these electronic files on the network. While a few higher-level tax programs have integrated some of these components, none of them has everything in one application, which forces firms to cobble together processes using a combination of applications.

The advent of outsourced tax processing brought integrated solutions that could manage all of these functions regardless of where the return or the preparer was located. While not all firms wanted to use outsourced services, a market for the software that managed the workflow emerged, with producers such as XpiTax XCM (<http://www.xcmsolutions.com/sol.html>) and SurePrep ([www.sureprep.com](http://www.sureprep.com)) assisting with workflow management and return bookmarking. About the same time, the document management vendors got into the act, and programs such as TTA GoFileRoom (<http://go.thomson.com/gofileroom/>) and Doc-It ([www.doc-it.net](http://www.doc-it.net)) began to integrate workflow components. This did not go unnoticed by the tax vendors, each of which began to develop enhanced capabilities within their tax program, making great strides in the past year.

Unfortunately, most firms have not taken the time to evaluate these new tools. While there is a brief lull before the next busy season, we recommend that all firms have their tax personnel talk with their tax vendor and find out how they can optimize these features for the upcoming busy season.

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