

# Lagniappe

A Publication for  
**LOUISIANA  
CERTIFIED  
PUBLIC  
ACCOUNTANTS**

April 2006

Volume 31, Number 9



## THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

2400 Veterans Memorial Blvd.  
Suite 500  
Xerox Centre  
Kenner, LA 70062-4739

(504) 464-1040

1-800-288-5272

FAX: (504) 469-7930

<http://www.lcpa.org>

*President*

**Phil T. Graham, CPA**

*Executive Director*

**Grady R. Hazel, CPA**

(504) 904-1123

*Publisher*

**Alex L. Suffrin, CPA, CAE**

(504) 904-1126

*Editor*

**Ann G. Lupo**

(504) 904-1125

*Graphic Design*

**Fred R. Carter**

(504) 904-1128

*Advertising Inquiries*

**Christine Dempster**

(504) 904-1127

*Lagniappe* is published nine times a year and is the official publication of the Society of Louisiana CPAs, a nonprofit professional association serving the interests of over 6,600 members and the public. Opinions expressed do not necessarily reflect those of the Society.

Pursuant to IRS Circular 230 and IRS regulations we inform you that any federal tax advice contained in this publication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties imposed under the Internal Revenue Code.

## COVER STORY

### OUTSOURCING & PRIVACY:

10 Critical Questions Top Management Should Ask . . . . . **Page 4**

In today's business environment where corporate governance structures are examined under a microscope, management needs to minimize many types of risk, including privacy risk. Although an organization may outsource some of its business processes, and with it part of its responsibility for privacy, the organization cannot outsource its accountability for privacy. This article pinpoints 10 critical questions management should ask about outsourcing and discusses specific privacy concerns. Learn how outsourced personal data can be protected by implementing good privacy practices using the relevant criteria in the Generally Accepted Privacy Principles developed by the AICPA and the Canadian Institute of CAs (AICPA/CICA).



## FEATURES

5 Tips to Harness the Power of Technology . . . . .	<b>Page 9</b>
The IT Role in Mergers and Acquisitions . . . . .	<b>Page 12</b>
Using Software to Improve Analytical Procedures in Audits and Reviews . . . . .	<b>Page 13</b>
Security Issues Continue to Dominate Top Ten Technology Issues . . . . .	<b>Page 14</b>
Benefits of a CITP Designation . . . . .	<b>Page 15</b>
Back to Basics in Computing – Post Katrina . . . . .	<b>Page 16</b>
Drive Your Data: Data Mining in the Digital Environment . . . . .	<b>Page 17</b>
Louisiana ReveNews . . . . .	<b>Page 21</b>

## DEPARTMENTS

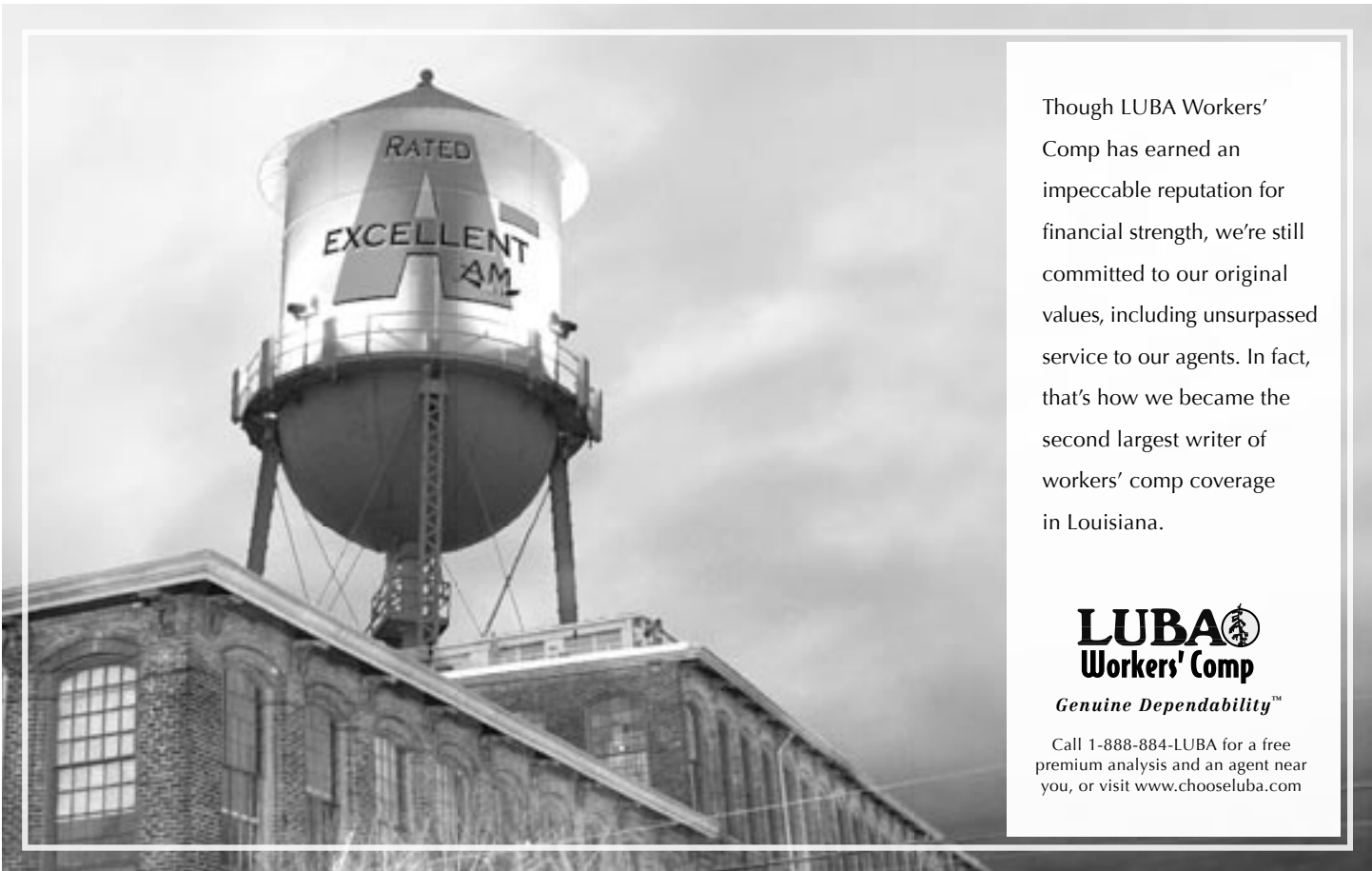
Highlights . . . . .	<b>Page 3</b>
The Two Sides of Peer Review . . . . .	<b>Page 18</b>
GMV – Get More Value from Your Membership – Discounts on CPE . . . . .	<b>Page 20</b>
Society CPE . . . . .	<b>Page 23</b>
Classifieds . . . . .	<b>Page 24</b>

## Advertisers Index

AIM Technologies, *Inside Front Cover*; LUBA Workers' Comp, *Page 2*; Gilsbar, Inc., *Page 2*; Roux Business Systems, LLC, *Page 8*; Title Exchange, *Page 16*; E. Kenneth Lozano, CPA, CFP®, *Page 18*; Metairie Bank, *Page 18*; Willeford Law Firm, *Page 20*; Pumilia Appraisals, *Page 20*; LCPA Annual Convention, *Inside Back Cover*; Coe & Company, *Back Cover*

### *Coming in the May Membership Issue*

- **Bankruptcy Reform and the Impact on Businesses**
- **Accountability Begins with You**
- **Taking Advantage of Your Member Benefits**



Though LUBA Workers' Comp has earned an impeccable reputation for financial strength, we're still committed to our original values, including unsurpassed service to our agents. In fact, that's how we became the second largest writer of workers' comp coverage in Louisiana.

**LUBA**   
**Workers' Comp**

*Genuine Dependability™*

Call 1-888-884-LUBA for a free premium analysis and an agent near you, or visit [www.chooseluba.com](http://www.chooseluba.com)

## Does Your Insurance Hit the Spot?

If not, Gilsbar can help. Go online to **request a quote** or call us today to set up a meeting with one of our insurance specialists.

**[www.gilsbar.com/lcpa](http://www.gilsbar.com/lcpa)**

### Gilsbar

Gilsbar is the right spot for LCPA members to find insurance coverage. Our insurance specialists can design an insurance strategy for you and your family. Let us help maximize your coverage and minimize your costs.

**1-800-445-7227 ext. 672**

** GILSBAR**

Gilsbar, Inc. • P.O. Box 998 • Covington, LA 70434 • [www.gilsbar.com](http://www.gilsbar.com)

This ad is for informational purposes only and is not a contract. Contact your Gilsbar representative for complete terms, conditions, definitions, exclusions, limitations and renewability. Disability, Life and Medical Insurance are underwritten by New York Life Insurance Co., 51 Madison Avenue, New York, NY 10010. Policy Form GMR. MK-06-2198

## Legislation Update

Bills of interest to CPAs this legislative session include:

- *SB 190*, by Sen. Mount, would phase in a requirement for electronic filing of employers' withholding annual reconciliation report. The requirement would begin in 2008 for employees with 250 or more employees. In addition, the bill would require tax preparers of a 100 or more individual tax returns to file 90 percent of the returns electronically.
- *HB 746*, by Rep. Hammett, would require taxpayers to disclose certain tax avoidance transactions similar to federal requirements. The Society is opposing this legislation.
- *HB 394*, by Rep. Hammett, changes penalties for late payment of certain taxes.
- *HB 696*, by Rep. Montgomery, changes the requirements for the Department of Revenue with respect to settlement offers made by taxpayers and protest of determinations of taxes due.
- *HB 578*, by Rep. Hammett, requires direct deposit of state tax refunds when filing electronic returns mandated by the Department of Revenue using e-file programs.

## IRS Issues Additional Guidance On Casualty Loss Valuations

The IRS issued Headliner Volume 153 on March 30, 2006 to address numerous hurricane tax questions and issues, many of which have been raised by the LCPA. The LCPA, IRS, and others are diligently working through these issues to provide additional guidance for those affected by the hurricanes.

Headliner 153 covers Casualty Loss Valuations, Change of Address, Copies of Tax Returns, Dependency Exemptions, Employee Retention Credit, FEMA Payments, Filing Extensions, IRS Notices, S Corporation Elections, and Section 165(i).

View IRS Headliner 153 at <http://www.irs.gov/businesses/small/article/0,,id=155782,00.html> More detailed guidance on casualty loss valuations is expected to be issued soon.

## LDR Designated Key Contacts

The Louisiana Department of Revenue has designated two staff members to assist tax practitioners who have clients with Hurricanes Katrina and Rita issues and inquiries. Both of these individuals work in the Collections Division and are available to assist in the event a client receives a billing notice they believe to be in error due to hurricane tax relief provisions.

For inquiries related to hurricane issues, you may contact one of the following persons for assistance:

Jocelyn Southern, (225) 219-2244, e-mail: [jocelyn.southern@la.gov](mailto:jocelyn.southern@la.gov)

Carla Axel, (225) 219-2244, e-mail: [carla.axel@la.gov](mailto:carla.axel@la.gov)

## LDR Codes Accounts to Not Assess Penalties and Interest

According to the Louisiana Department of Revenue, the accounts for taxpayers residing in those parishes that were designated to receive "automatic extensions" are being coded to not assess penalties and interest if the return is filed within the approved extension of time. Taxpayers who self-identify themselves on their returns by writing "Hurricane Katrina" or "Hurricane Rita" should not be billed penalties and interest if the return is filed within the approved extension of time. Should a taxpayer who self-identifies or who resides in an "automatic extension" parish receive a bill that is believed to be in error, the Department should be contacted.

If a taxpayer is unable to file by the extended due date, requests for penalty waivers will be considered on a case-by-case basis. Since the statute which allows the Secretary to waive penalties requires a written request for penalty waivers, Form R-20128 ([http://www.revenue.louisiana.gov/forms/taxforms/20128\(10\\_02\)F.pdf](http://www.revenue.louisiana.gov/forms/taxforms/20128(10_02)F.pdf)) must be submitted.

## Peer Review Reminder

All firms subject to peer review are required to pay an annual administrative fee. This fee is due upon receipt and is

now past due. Please submit payment at your earliest convenience.

All firms subject to peer review through August 2006 have been sent scheduling forms. These forms are now past due. Please submit the information immediately to avoid further scheduling delays. You must submit the form in order to request an extension. Extensions are granted on a case-by-case basis and the request must be in writing. Please contact Stacey Lockwood in the LCPA's peer review department if you have questions.

All firms subject to peer review from September through December 2006 will be sent scheduling forms at the end of April. Please submit the forms at your earliest convenience to avoid delays in the scheduling process.

## AICPA Urges IRS to Allow Further Discussion on Confidentiality of Taxpayers' Personal Information

The AICPA testified at an IRS hearing asking the Service to pause the regulatory process to allow further discussion about proposed regulations released under Internal Revenue Code section 7216 that have also drawn criticism from consumer organizations. The AICPA reiterated that protection of tax return information should remain a top priority. "As professional providers of tax services, our members know first-hand that their clients expect them and everyone else who comes in contact with their return data to hold it confidential. As a result, the Institute has strongly supported the historically high standards for return information confidentiality." The AICPA made specific recommendations in its comments to the IRS on March 8, 2006.

Learn more about the IRS's proposed regulations at <http://www.irs.gov/newsroom/article/0,,id=151368,00.html>. Read the AICPA's recommendations at <http://tax.aicpa.org>.





# OUTSOURCING & PRIVACY: 10 Critical Questions Top Management Should Ask

By Marilyn Prosch, Ph.D.

In today's business environment where corporate governance structures are examined under a microscope, management needs to minimize many types of risk, including privacy risk. Because many organizations operate in an environment where outsourcing business processes is commonplace, attention increasingly focuses on the quality, or lack thereof, of third-party data processors. Cost-cutting pressures and the ease with which electronic data can be transferred push many outsourcing activities outside U.S. borders.

Many times, these offshore outsourcing activities may occur without the organization for which the data is processed ever knowing it actually occurs. Consider a recent case when a Pakistani data entry clerk attempted to extort money from the University of California at San Francisco's (UCSF) Medical Center. In this particular case, the Center outsourced the processing of its medical transcripts (physician notes) to a U.S.-based company that outsourced the records to yet another company in the United States. The second outsourcing company, in turn, sent the records to Pakistan for processing.

The Pakistani clerk was having trouble getting paid for her work, so she contacted the University, attached some of the medical data she had as proof and demanded payment, threatening that she would post all of the medical records on the Internet if she did not receive the money.

The UCSF Medical Center asserted it was not even aware that sensitive medical records were processed offshore.

Although this is only one case and one industry, the impact is huge. Considering that the medical transcriptions industry is a \$20 billion-a-year business in the United States, and the share of data processing being sent offshore by many other businesses is largely unknown, the sheer enormity of the numbers throughout the business marketplace is enough to make a tremendous case for increased scrutiny. And, if an organization chooses to outsource a business process that contains personal information – and a security breach occurs – the organization that outsourced the data will be held accountable for the actions of the outsourcing company in the court of public opinion and may be found

negligent in a court of law. There also may be numerous statutory requirements such as the Gramm-Leach-Bliley Act (GLBA) or state laws (California SB 1386, for example) that come into play.

The bottom line is this: Although an organization may outsource some of its business processes, and with it part of its responsibility for privacy, the organization cannot outsource its accountability for privacy. In this article, we will pinpoint 10 critical questions management should ask about outsourcing and discuss specific privacy concerns associated with outsourcing. Finally, we will explore how outsourced personal data can be protected by implementing good privacy practices using the relevant criteria in the Generally Accepted Privacy Principles (GAPP) developed by the American Institute of CPAs and the Canadian Institute of CAs (AICPA/CICA). For more information, refer to [www.aicpa.org/privacy](http://www.aicpa.org/privacy).

## 10 Critical Questions

The key privacy concerns related to outsourcing are the same for onshore and offshore outsourcing activities. When poor practices are in place in either location and a privacy breach occurs, the results are similar: a loss of consumer trust and potential litigation from the injured party. The public's perception is somewhat fed by the media, who tend to treat offshore privacy breaches with more scrutiny and add to the general public's notion that foreign businesses are more mysterious and largely unknown.

Traditionally, an organization will be best served if it approaches privacy management from a best practices approach. Using good privacy practices provides a consistent approach to protecting personal information in a way that individuals can easily understand. Solid privacy practices also establish a benchmark for organizations of all sizes across all industry sectors.

An organization that wants to manage its privacy risk and implement a best practices approach to outsourcing should consider the following critical questions:

1. Who are the outsourcing organizations we contract with and where are they located?
2. Precisely what data are we sending to, and receiving from, outsourcing

organizations?

3. Is the data “personal information,” and have we given notice to our customers of this data transfer?
4. What are our exposures if the data (both sent and received) is improperly accessed, used or maintained?
5. What data protection clauses do we have in these contracts?
6. What evidence do we have that these outsourcing organizations protect our data as outlined in these data protection clauses?
7. What processes are in place to monitor the outsourcing organizations?
8. Do these organizations outsource any of their processes in which our data may be further transferred to another organization?
9. What processes do the outsourcing organizations we contract with use to verify the data protection practices followed by their outsourcing partners?
10. What are the applicable privacy laws and regulations?

The process of answering these ten questions is the starting point to implement a solid outsourcing privacy environment. To assist in developing and applying good outsourcing privacy practices, elements of the AICPA/CICA’s GAPP can be used to address risks or exposures when management collects the necessary information to answer the 10 privacy outsourcing questions listed above.

### **GAPP: Generally Accepted Privacy Principles**

The AICPA/CICA GAPP contains ten privacy principles and 66 related criteria that are essential for the proper protection and management of personal information. These privacy principles and criteria are based on internationally known fair information practices included in privacy laws and regulations of various jurisdictions around the world. The criteria can be used by organizations to perform privacy strategic and business planning, privacy gap and risk

analysis, and privacy policy design and implementation. While not every one of the criteria is related to outsourcing activities, many are. Here are the principles and specific criteria that can be used in designing good privacy practices for an organization’s outsourcing activities. The numbers refer back to specific citations within the GAPP.

**. . . if an organization chooses to outsource a business process that contains personal information – and a security breach occurs – the organization that outsourced the data will be held accountable for the actions of the outsourcing company in the court of public opinion and may be found negligent in a court of law.**

### **Management**

The Management principle guides your organization in defining, documenting, communicating and assigning accountability for privacy policies and procedures.

One of the management criteria (1.2.3) requires that your organization’s personnel or advisors **review all third-party contracts and service-level agreements** for consistency with privacy policies and procedures, and address any inconsistencies. Optimally, this step would be done before entering into any contracts or agreements. If your organization is already a party to existing contracts or agreements, the documents should be carefully reviewed. If inconsistencies are found, then you should consider the risks of these inconsistencies and devise a plan to address them. For example, if the risk is high and gaping differences are found, then a new agreement may be necessary, and in extreme cases, early termination of the contract may be considered.

In addition, management should consider 1.2.7, which requires that **changes in business and regulatory environments be identified and addressed**. These changes need to be examined for each jurisdiction in which the entity operates. Specifically, your entity needs to have an ongoing process in place

to monitor, assess and address the effect on privacy of changes in contracts, including service-level agreements with third parties. For example, changes that alter the privacy and security-related clauses in contracts are reviewed and approved by the privacy officer or corporate counsel before they are executed. Privacy policies and procedures need to be updated for any significant changes found.

### **Notice**

The Notice principle ensures your organization provides “Notice” to all customers about its privacy policies and procedures, and identifies the purposes for which personal information is collected, used, retained and disclosed. One of the criteria (2.2.2) requires that notice be given about all **entities and activities covered** by the privacy policies and procedures. Specifically, the privacy policy should describe any third parties that access or use your personal information, including delivery companies, customer call centers, data entry businesses and payment processing centers. The “Notice” also should describe the types of information that can be accessed or used by the third parties.

### **Collection**

The Collection principle requires that your organization collect personal information only for the purposes identified in the notice. Specifically, 4.2.3 requires that when personal information is **collected from third parties** (sources other than the individual), the sources are reliable, and must collect information fairly and lawfully. If data is collected from an offshore third party, then care needs to be taken that data is collected in accordance with your organization’s legal jurisdiction, as well as the third-party’s legal jurisdiction.

This process necessitates performing due diligence before establishing a relationship with a third-party data provider to ensure the data is reliable, and fairly and lawfully collected. Due diligence means that your organization will need to review the privacy policies and collection methods of third parties before accepting personal information from them. If your

*(Continued on page 6)*

*(Outsourcing continued from page 5)*

organization is already a partner to such relationships, then due diligence needs to be performed. Any deficiencies found should be addressed or the relationship may need to be re-evaluated.

## Access

With the Access principle, your organization is required to provide individuals with access to their personal information for review and update. One of the access criteria (6.2.3) requires that personal information be provided to the individual in an **understandable form, in a reasonable timeframe and at a reasonable cost**, if any. If the personal information is stored by a third party, then your organization's responsibility is to facilitate the retrieval of the personal information in a reasonable timeframe.

Good outsourcing practices regarding access should be practiced by your organization and its third parties. The GAPP gives the following examples of good access practices:

- Provides personal information to the individual in a format that is understandable (for example, not in code, not in a series of numbers, not in overly technical language or other jargon) and in a form convenient to the individual and entity.
- Makes a reasonable effort to locate the personal information requested and, if personal information cannot be found, keeps sufficient records to demonstrate that a reasonable search was made.
- Takes reasonable precautions to ensure that personal information released does not identify another person, directly or indirectly.
- Provides access to personal information in a timeframe similar to the entity's normal response times for other business transactions, or as permitted/required by law.
- Provides access to personal information in archived or backup systems, and media.
- Informs an individual of the cost of access at the time the access request is made or as soon as practical after that time.
- Charges the individual for access to personal information at an amount, if

any, that is not excessive in relation to the entity's cost of providing access.

- Provides an appropriate physical space to inspect personal information.

Another criteria within Access, 6.2.5, requires that individuals be able to **update or correct personal information held by the entity**. If practical and economically feasible, your organization should provide such updated or corrected information to third parties that previously were provided with the individual's personal information. In some cases, your organization and an individual may disagree whether the data is correct. In such cases, the next access criteria point, 6.2.6, provides guidance. First, your organization should inform individuals, in writing, about the **reason a request for correction of personal information was denied** and how they may appeal. Next, your organization should notify third parties (who were previously provided with personal information) that there is a disagreement.

**Your organization should ensure that third-party organizations confirm (initially and at least annually) their understanding of, and agreement to, compliance with the entity's privacy policies and procedures related to the security of personal information.**

## Security

The Security principle requires your organization to protect personal information against unauthorized access (both physical and logical). One of the criteria (8.2.1) requires that a **security program** has been developed, documented, approved and implemented. This security program includes administrative, technical and physical safeguards to protect personal information from loss, misuse, unauthorized access, disclosure, alteration and destruction. Your organization should ensure that third-party organizations confirm (initially and at least annually) their understanding of, and agreement to, compliance with the entity's privacy policies and procedures related to the security of personal information. This means that their security principles,

including user authentication, encryption of data and other areas, are the same caliber or stronger than your organization. GAPP provides many illustrations of good security practices to protect personal information.

## Quality

In general, the Quality principle requires your organization to maintain accurate, complete and relevant personal information for the purposes identified in the notice. The issue related to outsourcing is covered by 9.2.1 on the **accuracy and completeness of personal information** obtained from – and used by – third parties. As a result, your organization needs to implement processes to verify the quality of transferred and received personal information.

## Specific Third-Party Considerations

While GAPP has many principles and criteria relating to third parties, one of the 10 is devoted to third-party relationships. This principle requires your organization to disclose personal information to third parties only for the purposes identified in the notice, and with the implicit or explicit consent of the individual. The criteria designed for the sole purpose of providing guidance for relationships with third parties are listed below.

Communication to individuals is one of the third-party criteria (7.1.1) requiring that your organization inform individuals that their personal information will be disclosed to third parties only for the purposes identified in the notice. It also requires that the individual has provided implicit or explicit consent for these specific uses of their personal information. Exceptions are allowed where a law or regulation specifically allows or requires otherwise. An important aspect of this communication is the disclosure of any limitations known on the third-party's privacy practices and controls. If your organization does not have any requirements on limitations, then the communication should indicate that the third-party's privacy practices and controls meet or exceed those of the entity.

7.1.2 states that your organization's privacy policies are also **communicated to third parties** to whom personal

information is disclosed. When you supply the third parties with your organization's privacy policies, your organization should obtain a written agreement from the third party that its practices are substantially equivalent to your organizations.

Once your organization has communicated to individuals your policy on sharing personal information with third parties, and has communicated these privacy policies with third parties, then your organization needs to ensure that personal information is **disclosed to third parties only for the purposes described in the "Notice"** (7.2.1). Your organization should set up processes that formally documents and tracks the nature and extent of personal information disclosed to third parties. Then, periodically, you should test whether disclosure to these third parties is in compliance with your organization's privacy policies and procedures. Also, if any new **uses of the personal information** are planned by the third parties, then implicit or explicit consent of the individual is required before implementing the new uses (7.2.3). Note that explicit consent is given either orally or in writing, is unequivocal and does not require any inference on the part of the entity seeking consent. Implicit consent may reasonably be inferred from the action or inaction of the individual.

Security of personal information is of significant importance. As such, 7.2.2 specifically requires that personal information is disclosed only to third parties who have agreements with the entity to **protect personal information**, including protection from loss, misuse, unauthorized access, disclosure, alteration and destruction. Obtaining evidence that a third party actually protects personal information may be accomplished through assurance services, such as a privacy audit and auditor's report, or other representations made by the third party through contractual obligations or confirmations.

Another best practice falling under this set of criteria is to specify how and when third parties are to dispose of, or return, any personal information provided by your organization. The disposal or return of personal information becomes particularly important at the end of an outsourcing relationship. The terms of how this will occur should be clearly delineated and communicated, and should be specified in

writing, preferably in a contractual format.

Finally, your organization needs to stand behind its privacy policies and the practices of third parties by taking **remedial action** (7.2.4) in response to misuse of personal information by third parties. Specifically, your organization should consider these four practices:

1. Monitor complaints to identify indications of any misuse of personal information by third parties.
2. Respond to any knowledge of a third party using or disclosing personal information in variance with the entity's privacy policies and procedures, or contractual arrangements.
3. To the extent practicable, mitigate any harm caused by the use or disclosure of personal information by the third party in violation of the entity's privacy policies and procedures.
4. Take remedial action in the event that a third party misuses personal information (contractual clauses address the ramification of misuse of personal information, for example).

**The disposal or return of personal information becomes particularly important at the end of an outsourcing relationship. The terms of how this will occur should be clearly delineated and communicated, and should be specified in writing, preferably in a contractual format.**

### **Applying GAPP to your Assessment**

Generally Accepted Privacy Principles is a publicly available document ([www.aicpa.org/privacy](http://www.aicpa.org/privacy)) that can be downloaded free of charge. It contains guidance that your organization can use to develop good third-party management policies and procedures. As you answer the 10 questions for your organization, these are the specific criteria you should reference.

1. Who are the outsourcing organizations we contract with and where are they located?  
(2.2.2) Notice be given about all entities and activities covered
2. Precisely what data are we sending to,

and receiving from, outsourcing organizations?

- (4.1.2) Types of personal information collected and methods of collection
3. Is the data "personal information," and have we given notice to our customers of this data transfer?  
(2.2.2) Notice be given about all entities and activities covered  
(7.1.1) Communication to individuals about third parties  
(7.2.3) Implicit or explicit consent of new uses of the personal information by third parties
4. What are our exposures if the data (both sent and received) is improperly accessed, used or maintained?  
(4.2.3) Personal information collected from third parties is reliable, and lawfully and fairly collected  
(6.2.5 and 6.2.6) Ability to update or correct personal information held by the third party and give a reason for denial of an update request  
(9.2.1) Accuracy and completeness of personal information obtained from and used by third parties
5. What data protection clauses do we have in these contracts?  
(1.2.3) Review all third-party contracts and service-level agreements  
(7.1.2) Your organization's privacy policies are also communicated to third parties and agreement obtained of equivalency  
(7.2.2) Specifically requires that personal information is disclosed only to third parties who have agreements with the entity to protect personal information
6. What evidence do we have that these outsourcing organizations protect our data as outlined in these data protection clauses?  
(6.2.2) The identity of individuals who request access to their personal information is authenticated before they are given access to that information  
(7.2.2) Personal information is disclosed only to third parties who have agreements with the entity to protect personal information  
(8.2.1) A security program has been developed, documented, approved and implemented  
(8.2.2) Logical access to personal information is restricted by specific procedures

(Continued on page 8)

*(Outsourcing continued from page 7)*

- (8.2.3) Physical access is restricted to personal information in any form
- (8.2.4) Personal information, in all forms, is protected against unlawful destruction, accidental loss, natural disasters and environmental hazards
- (8.2.5) Personal information is protected when transmitted by mail, and over the Internet and public networks
- 7. What processes are in place to monitor the outsourcing organizations?
  - (1.2.7) Changes in business and regulatory environments be identified and addressed
  - (7.2.4) Taking remedial action in response to misuse of personal information
- 8. Do these organizations outsource any of their processes in which our data may be further transferred to another organization?
  - (2.2.2) Notice be given about all entities and activities covered
  - (7.1.1) Communication to individuals about third parties

- (7.2.3) Implicit or explicit consent of new uses of the personal information by third parties
- 9. What processes do the outsourcing organizations we contract with use to verify the data protection practices followed by their outsourcing partners?
  - (6.2.3) Personal information is provided to the individual in an understandable form, in a reasonable time frame and at a reasonable cost
  - (8.2.1) A security program has been developed, documented, approved and implemented
  - (8.2.6) Testing the effectiveness of key administrative, technical and physical safeguards that protect personal information.
- 10. What are the applicable privacy laws and regulations?
  - (1.2.2) Consistency of privacy policies and procedures with laws and regulations

***Editor's Note:** Marilyn Prosch, Ph.D., is an associate professor at Arizona State University-West. She currently serves on the AICPA/CICA Privacy Task Force, and recently finished editing the Task Force's Understanding and*

*Implementing Privacy Services: A CPA's Resource. Dr. Prosch earned her Ph.D. from Temple University in 1991 and was previously a faculty member at Lehigh University for 10 years. She is co-author of Electronic Commerce: Security, Risk Management and Control, and in 2000, received the Outstanding Educator Award by the Artificial Intelligence/Emerging Technologies section of the American Accounting Association in "recognition of her extraordinary pioneering educational work in Electronic Commerce." Contact her at marilyn.prosch@asu.edu.*

*For readers who are CPAs, the AICPA and certain state boards of public accountancy have additional requirements on outsourcing client information to third parties. For example, there are several new ethics rulings for consideration in Rule 201, General Standards; Rule 202, Compliance With Standards, and the revision to Ethics Ruling No. 1 under Rule 301, Confidential Client Information. For more information on the AICPA outsourcing requirements, see [www.aicpa.org/members/div/ethics/2004\\_1028\\_outsourcing.htm](http://www.aicpa.org/members/div/ethics/2004_1028_outsourcing.htm). In addition, consult your state board for other requirements that may be in effect.*



## Get the information you need, when you need it.



- Fully Integrated Accounting, Distribution, CRM, Sales Force Automation, Web Store
- Real-Time Dashboards
- Fully Hosted and Web Based Solution
- Low Cost of Ownership
- Great for businesses on a budget who want a complete solution



- Fully Integrated Accounting, Project Management, Distribution, Field Service
- Web Based Dashboards and Business Portals
- Highly Customizable
- Seamless Integration with other Business Applications
- Built upon Microsoft Visual Basic .NET, SQL Server 2005, Sharepoint

Microsoft Dynamics SL 2005 Excellence in Customer Service Award Winner



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

Baton Rouge (225) 293-6202 New Orleans (504) 394-7654



# 5 TIPS TO HARNESS THE POWER OF TECHNOLOGY

By K2 Enterprises

For more than three decades, technology has been an integral part of what accountants do and how they do it. During that time, we have experienced exponential increases in the volume and quality of work one accountant can accomplish. Imagine trying to prepare a complex tax return by hand or doing the annual budget with only a pencil and paper.

The current state of accounting technology is both good news and bad news. The good news is that the accounting technology tools available today have the potential to save us a lot more time and allow us to do a much better job than most of us are currently doing. The bad news is that most accountants are so busy they don't take time to really learn anything more than the basics about the technology they are using. For example, how many Excel users are really good with PivotTables and with building links from Excel into their accounting data? These tools and techniques could save most accountants hundreds of hours per year.

The problem, simply stated, is that most accountants are self taught when it comes to using technology. If they have not stumbled across it, they don't know about it. The LCPA and K2 Enterprises will provide you fast paced, high quality, accounting specific technology training during the annual Louisiana Technology Conference on May 24-25, at the Lafayette Hilton in Lafayette. Until then, here are five tech tips to get you started.

## Tip #1 - Fill an Entire Excel Column with One Double Click

In constructing accounting worksheets, we often have formulas that need to be copied down dozens or even hundreds of rows. In these situations, there is frequently an adjacent column that goes down as far as you would like to copy the new formula. To copy the new formula down as many rows as the entry in the adjacent column you simply double click on the "fill handle" in the cell containing the formula you wish to copy. The "fill handle" is the small box that appears in the lower right hand corner of the cell your cursor is in (see Figure 1 below).

For example, in Figure 1 we would like to copy the formulas in cells B9 through E9 as far down as the dates in column A go. To do this, we simply highlight cells B9:E9 and then double click on the "fill handle" in the lower right corner of E9. This is certainly a lot easier than dragging the formulas down hundreds of rows.

## Tip #2 - Use Password Software to Generate and Store Passwords

Strong passwords are the key to good security. Hackers don't break encryption algorithms because current industry standard encryption systems are bullet proof. Instead they simply crack your password. For example, a password that is only five characters long can usually be broken by a computer in 60 seconds or less.

So, how good are your passwords? Test yourself and see how well you are doing. Below are the password standards established by the SANS Institute, an international non-profit organization of more than 165,000 security professionals, [www.sans.org](http://www.sans.org).

### Minimum Standards for Strong Passwords:

- Minimum Password Length – Eight characters
- Passwords can not be a word found in a dictionary (English or foreign)
- Passwords should contain both upper and lower case characters
- Passwords should contain digits and punctuation characters as well as letters
- Passwords should not be based on personal information, names of family, etc.

### Inappropriate Actions for Secure Passwords

- Don't reveal a password over the phone to ANYONE
- Don't reveal a password in an e-mail message
- Don't reveal a password to the boss
- Don't talk about a password in front of others
- Don't hint at the format of a password (e.g., "my family name")
- Don't reveal a password on questionnaires or security forms
- Don't share a password with family members
- Don't reveal a password to co-workers while on vacation

### General Password Guidelines:

- All system-level passwords must be changed on, at least, a quarterly basis
- All user-level passwords (e.g., e-mail, web, desktop computer, etc.) must be changed, at least, every six months
- Each user account must have a unique password from all other accounts held by that user
- Passwords should never be inserted into unencrypted e-mail messages or other forms of unencrypted electronic communication

So, if weak passwords are the problem, why don't accountants use better passwords? Because, secure passwords are

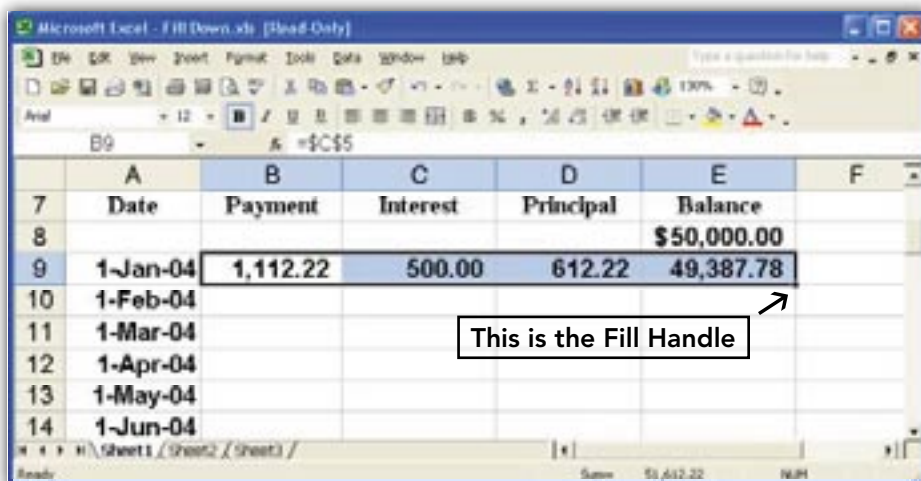


Figure 1 - Double Click the Fill Handle to Copy the Formula Down

too difficult to remember and too hard to type. Most humans just can't meet the standards described above without the aid of computer software. We have enough trouble remembering our relatives' names from year-to-year at the annual family reunion.

Password software allows even those with terrible memories to have unique, strong, industry standard passwords for each place we log in to. Furthermore, we can change these passwords as often as we want to unique new passwords we have never before used without fear of locking ourselves out. An added benefit of using password vault software is the time it saves you in logging in, particularly to sites and services you do not use often. The software generates secure passwords and logs you in automatically. Your passwords are stored in a highly encrypted vault file that is not vulnerable to automated password software cracking attacks. However, there is some bad news; you do have to remember the password that opens your password vault.

There are a number of software packages that will generate and store passwords. Our favorite is Password Depot (<http://www.password-depot.com>). It is easy to learn and use. It does a good job of automating the login process, and it costs only \$30 (it will save you that much time in one week). With password vault software, your data, your company's data, and your clients' data will be secure and you will never again waste time looking for lost passwords.

Learn more about how to effectively use technology to deal with security issues in the LCPA Technology Conference "Tools and Techniques for Securing Your Systems" session.

### Tip #3 - Quickly Address an Outlook E-mail Message to Multiple Contacts

Creating an e-mail message in Outlook that is addressed to multiple recipients can involve several steps: First, create a new message; next, open your Address Book; and finally, add the recipients to the To line one a time. If, for example, all the contacts were from the same company, or had some other common field, there is a much easier way.

Try this simple shortcut instead:

1. Click Contacts.
2. Sort by the column (ex. Company)

that will allow you to quickly select all the contacts you wish to select.

3. Select the contacts you want to send a message to by clicking the first contact, holding down CTRL, and then clicking additional contacts.
4. Drag the selected contacts onto the Inbox on the Outlook Shortcuts bar or in the Folder List. If you are using Outlook 2003, drag the contacts to the e-mail icon in the Navigation Pane.

A new message appears with the names of the contacts you selected on the To line. This method also works when you need to send a message to only one contact.

MS Outlook is a software package many of us use on a daily basis but have had little or no training on. As a result, there are literally dozens of time saving features that many people would utilize daily if they only knew about them. Attend the LCPA Technology Conference session entitled "Advanced Outlook Tips for CPAs" to find out what you are missing. It will be well worth your time.

### Tip #4 - Use the =SUBTOTAL() to Exclude Hidden Rows from the Total

Hidden rows are very useful in creating reports that only include subsets of some

larger data set. For example, you might wish to show only sales of a certain type in a report you are printing. To accomplish this, you simply hide the rows that have sales you do not wish to show in this particular report. Unfortunately, your column totals include the amounts in the hidden rows when you use the =SUM() function. You would also like to have the column totals only include the visible cells. The solution is to use the =SUBTOTAL() function rather than the =SUM() function.

The =SUBTOTAL() function is a bit of a strange function. Unlike the =SUM() function, the =SUBTOTAL() function requires at least two arguments (arguments are those things that you enclose in () and separate by commas when you are building an Excel function). The first argument is a number that tells the subtotal function what to do. For example, =Subtotal(9,A1:A10) tells Excel to "sum" cells A1:A10 excluding any cells that contain an =SUBTOTAL() function. On the other hand =Subtotal(1,A1:A10) tells Excel to "average" cells A1:A10 excluding any cells that contain an =SUBTOTAL() function. (You can use Excel Help to find a complete list of different things the =SUBTOTAL() function will do.)

Excel 2003 added a new and very useful (at least for accountants) twist to

Figure 2 - Before Hiding Rows

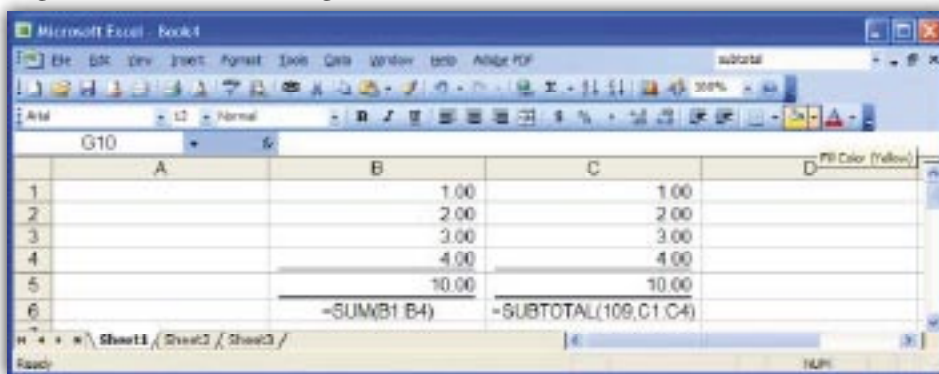
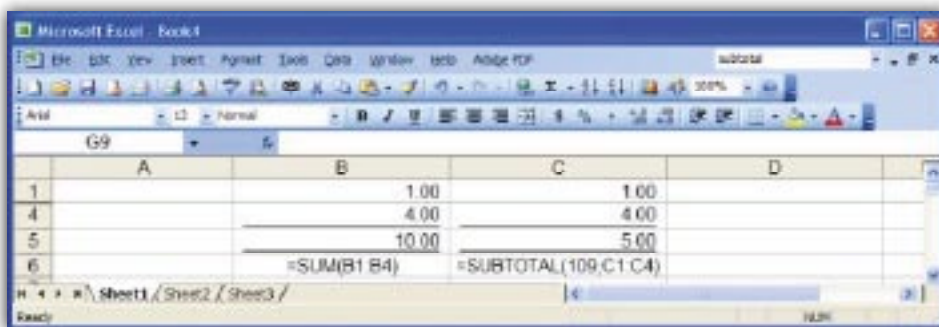


Figure 3 - After Hiding Rows 2 and 3



the =SUBTOTAL() function. If you use 109 rather than 9 as the first argument in the function, the hidden rows will not be included in the total. So, for example, if cell C5 contains the formula =SUBTOTAL(109,C1:C4) and rows 2 and 3 are hidden, then rows two and three will not be included in the total. (See Figures 2 and 3)

Even without this new feature, the =SUBTOTAL() is a valuable one for accountants. It allows us to sum up columns that include subtotals without having those subtotals included in the column total. This is a simple but effective way to reduce the risk of errors in many accounting spreadsheets.

#### Tip #5 - Paperless Tip – Use Pre-processing Software

So, what happens when you put the paper through the scanner? Well, this is where the firmware and software take over. Firmware is, of course, software stored in a microprocessor chip in a scanner or on the attachment card. In this case, the firmware is most likely in the physical scanner itself. The firmware breaks down the scanned image into a stream of binary digits that make up the pixels of the image. The data is then picked up by capture preparation software which cleans the image and prepares it for your application software (such as PaperPort, Doc-It, OmniPage, File Magic, etc.). Many paperless

implementations don't have preprocessing software, so the images are dark and can not be used effectively.

**...the =SUBTOTAL() is a valuable [feature] for accountants. It allows us to sum up columns that include subtotals without having those subtotals included in the column total. This is a simple but effective way to reduce the risk of errors in many accounting spreadsheets.**

While there are several solutions that perform this function, it is not a choice you will usually have to make. The vendor of the scanner you purchased may have made it for you. We have found through our research that the most popular and powerful are Kofax VRS and Captiva Pixtools. You can visit Kofax.com and view the demonstration there of the document cleanup process to better understand how important this process is. When selecting a scanner or imaging solution, in general, you should inquire as to the software used to scrub and clean scanned images and review carefully if the product performs as you need it to.

Kofax VirtualReScan is an electronic check-point for scanned images. As quickly

as images pass through the scanner, VRS performs a multi-point inspection of each document. VRS instantly checks and adjusts for alignment (skew), brightness, contrast, and image clarity. Any inconsistencies are immediately corrected by VRS so that only the straightest, most readable images are moved into your application. For more information, visit <http://www.kofax.com/products/virtualrescan/index.asp>.

#### Conclusion

Technology can save you time, enhance your job skills, and make your work life easier. For more tips, tricks and techniques, plan to attend the Louisiana Technology Conference and learn how to take full advantage of what technology has to offer.

*Editor's Note: Article provided by K2Enterprises. Software products and services mentioned by the author should not be considered an endorsement by the LCPA.*



## CHART YOUR COURSE

## LOUISIANA TECHNOLOGY CONFERENCE

May 24-25, 2006 • Hilton Lafayette & Towers • 8-16 CPE Credits

### Learn to Harness the Power of Technology

- VISTA and Office 2007
- Disaster Recovery
- System Security
- Top Productivity Software Tools
- Not-for-Profit Accounting Solutions
- Remote Access & Wireless Technology
- Google...It's More Than a Search Engine!
- Using Excel and Access Together
- QuickBooks Tips
- And much more!

**Register Today!**

**[www.lcpa.org](http://www.lcpa.org) • 1-800-288-5272 • (504) 464-1040**

### Free Software To All Technology Conference Attendees

Participants will receive free fully licensed versions of (1) Microsoft® Office Small Business Management Edition 2006, (2) QuickBooks Premier Accountant Edition 2006, (3) Adagio FX Financial Reporter for QuickBooks, and (4) The Accounting Library G/L Edition. There are no strings attached and the LCPA is thrilled to be able to provide this service to its members. This software has a combined retail value of over \$1300.

# THE IT ROLE IN MERGERS AND ACQUISITIONS

By Kenneth M. McCall, MBA, MCPO, CDIA+

## The Situation

It's no secret that mergers and acquisitions (M&A) are an active part of the accounting profession today. As owners reach retirement age they are looking for someone to buy them out and allow them to move on to a well-earned retirement. At the same time, growing companies are looking for merger candidates to gain clients, gain access to needed staff skills, or to establish a presence in a desired market location. With a marketplace like this of buyers and sellers, it's no wonder there is plenty of activity!

Unfortunately, far too often the M&A process is conducted in tight secrecy, with only a privileged few aware that the acquisition is even being planned, let alone the timelines and agreed upon conditions. In this scenario it's not unusual for the IT staff of the gaining company to be told, "We're bringing in 20 new people next week. Get them set up and ready to work." While this might be a slight exaggeration, it is closer to the truth than many may believe.

A far more productive approach is a proactive one in which the IT staffs of both organizations are involved early in the planning process. After all, other than people, IT infrastructure is the largest investment for most companies, and is a critical strategic asset for improvement. Early and detailed IT planning can make a merger or acquisition unfold smoothly and productively for all concerned.

## Key Considerations

Planning from an IT perspective should begin as early as possible in the process. Many organizations have found it useful to establish a Transition Team (in both companies) and to have counterparts on each side communicate important details at a level appropriate for each. Areas of investigation and discovery often include:

**Hardware:** Examine the age, brand, model and configuration of key hardware elements in use in both the acquiring and the acquired company. This examination should include file servers, related networking gear, desktop and notebook computers, and increasingly often cell phones and PDA's. Many find that a "rip and replace" approach is least costly in the long run. Regardless of the age and condition of the acquired company's equipment, support burdens are reduced when that equipment is replaced with the standard in place at the acquiring company. This facilitates "ghosting" machines with a standard application image

and simplifies periodic updates with patches, service packs and security enhancements.

**Application Software:** Experience has shown the greatest efficiencies are achieved when applications are standardized across the combined companies. This means one tax software, one audit application, one e-mail system, one document management program, and so forth. Two major considerations with application software are data conversion from a replaced system to the new one, and backward compatibility. This means that a few machines might need to be kept with the old application installed to look back to prior year's data if all data is not converted to the new system. Data conversions, of course, must be rigorously checked and tested prior to shutting down the systems that created the data.

**Network Architecture:** This increasingly refers to the use of remote access technologies such as Citrix or Terminal Services to access application servers. If the acquired company has not used these technologies, but the gaining company does, there will be significant training issues involved. Running a centralized application base has its own set of licensing issues, but also saves hardware expense at the remote office location.

**Physical Location:** Will any owners or staff physically relocate because of this merger? Will both offices remain open and at their full pre-merger strengths? These questions and many others will impact a variety of space and facility issues. The acquiring company's IT department may have to plan for additional network cabling, additional telephones, the relocation of shared printers and scanners, and various back office network configuration issues.

**Security Issues:** The acquired company will have to be converted to all the security measures in place at the gaining company's network. This will include password policies and standards, policies on usage standards, and even the degree of control each individual has over his or her own computer. Many small companies allow a high degree of user customization while larger companies control this at a centralized level through network control measures.

**Communications:** If the merger results in the addition of a new office location, the gaining company will have to plan for wide-area network connectivity and integration of phone systems. In many cases the pre-merger companies will be using different communications vendors and

service providers. Contracts will have to be re-negotiated to add the additional users and locations, while hopefully gaining some price reductions through economies of scale. Other communication issues often include standardizing cell phone service providers, and creating or expanding shared pools of calling minutes.

**Training:** While not strictly an IT issue, the impact of training in a merger is huge! If users in the merged company are required to learn new hardware, new application software, and use of remote access techniques, good training is an obvious requirement. Beyond this level of user skill training, however, is a whole layer of orientation and cultural integration into the gaining company. Some companies will treat the merged employees as "new hires" and give them the complete company orientation that a newly hired employee would receive upon starting work. In addition there will be a requirement for training on the combined company's operating standards, policies, and procedures. From an IT perspective this may include policies on electronic mailbox limitations, document filing and retrieval standards, and backup procedures. Time and effort invested in training early in the process has a sure payoff in smooth operations further down the road.

Closely related to training are support policies in the combined company. Make sure everyone understands how the help desk functions, and the procedures for requesting support. Especially if new applications are involved, reliable and courteous support can be a great morale builder for the employees learning their way in a new environment.

**Special Issues:** Companies have found that the combination and standardization that occurs during a merger is a perfect opportunity to review software licenses. Make sure that every server and workstation is properly licensed for the user load it supports, and be sure to include the special licensing requirements for remote access services.

Disposition of old hardware is often an issue. If the equipment used by the merged company is completely replaced there will be an instant inventory of "old" hardware to be disposed of. Be especially careful of data security on these retired computers. Remember that simply deleting files is insufficient! Multiple formats or special "wiping" procedures will be required to ensure client data is not compromised. Some

*(Continued on page 22)*

# USING SOFTWARE TO IMPROVE ANALYTICAL PROCEDURES IN AUDITS AND REVIEWS

By Brian Hamilton

Implied in the growing public consciousness around accounting generally and auditing specifically, is that these disciplines can never be sciences. One of the larger fall-outs from the scandals of the past several years is that the investing public has begun to believe that accounting can be an exact discipline. It cannot be. The best accounting and auditing still require plenty of judgment and estimation. As such, the best auditors are the ones who combine a thorough knowledge of auditing with an ability to apply common sense and judgment to the process of an audit or review. Of course, the difference in the quality of a good audit can often be found in the quality of the judgment of the auditors. This article will deal specifically with how technology and software can be adopted in the analytical procedures portion of audits and reviews in order to make more time available for the softer and more difficult task of improving judgment decisions by the auditor. Helping the practitioner to free-up time in the analytical procedures process will provide him/her with more time to look at the overall condition of the company being audited or reviewed. As such, glaring trends that may be troublesome can be spotted earlier and with less effort.

## Data Drudgery

One of the largest challenges that accountants and auditors have is that they must deal with copious amounts of data. It can be very time consuming for professionals to ferret out the differences between the important and the unimportant in the process, while identifying significant trends. In essence, there is a distinct difference between accounting/auditing and financial analysis, yet both are pivotal to the analytical procedures process. The vast amount of transactions makes the auditor's job a tough one, especially in cases of fraud or near fraud where the client has every incentive to obscure records being supplied to the auditor. This is a vital point to understand and one that many people may not appreciate. One reason the profession has endured so much strife over the past several years is not a matter of ethics only, but also a matter of applying judgment in the face of the huge proportion of data resident in the audits of even tiny companies.

How can the profession deal with this? Recent legislative and regulation rulings may help in the future. At a minimum, these regulations give the appearance to the public that the profession is dealing with problems. However, it is dubious that these reforms get to the heart of the real challenge, which is to minimize/make easy the technical or rote parts of an audit and allow more time for the judgment components. If the technical parts of an audit can be made easier through the use of technology, then more time can be devoted to the qualitative parts. This is really important to understand. If auditors are spending so much time on the rote parts of an audit like calculating expected values, for example, then little if any time is left-over for a broader and more global picture and analysis of the business.

**If the technical parts of an audit can be made easier through the use of technology, then more time can be devoted to the qualitative parts.**

## Setting Expected Values

There are certain aspects to the process of estimation that can definitely be improved and made more efficient through technology. One of these is setting expected values in the analytical procedures portion of an audit or review. "Expected values" are the account values that might be anticipated, based upon the past performance of a company. Setting expected values takes time and effort and some knowledge of statistics. As such, auditors can sometimes get sloppy around this key area of analytical procedures. Why is this so important? By identifying what general ledger account values should be, auditors can apply a management by exception basis for looking into values or accounts that are "out of line" with what they should/might be. Rather, if auditors have to pour through all Income Statement and Balance Sheet accounts with equal energy, then there is an increased chance of missing larger problems. While it is true that setting expected values can never be perfect, the methods of deriving values can and should be improved through the application of technologies.

Until recently, the task of deriving expected values has been quite time

consuming. For example, say you were attempting to derive an expected value for sales/revenue for the following company:

### Example 1

	2002	2003	2004	2005
Sales/Revenue	\$10M	\$20M	\$40M	?

What might an "expected value" or estimated value be for 2005 for the sales of this company? In this example, many methods might be applied to determine the expected value of sales. However, logically, it looks like an expected value for sales for 2005 might be approximately \$80M. This is derived by recognizing the trend that sales for the company in question seem to be increasing by approximately 100 percent each year. The calculation to derive the trend from 2003 to 2004, would be  $\$40M$  (sales in 2004) less  $\$20M$  (sales in 2003) /  $\$20M$  (sales in 2003). The raw data in this example would be compelling as a starting point because:

1. It is so clear. It does not really deviate.
2. There is a clear trend that can be applied to 2005.

In other words, in looking at data like this to set values, you would tend to weight the clear financial trend less than the externalities of the firm (the market or industry). The mathematical constructs in determining values for this company are so obvious.

Take another company example:

### Example 2

	2002	2003	2004	2005
Sales/Revenue	\$10M	\$20M	\$30M	?

What might be the expected value for sales in this case? It's less clear because the sales of the company are increasing but seem to be increasing at a reduced rate, at least for the years being evaluated.

Or, how about the following case?:

### Example 3

	2002	2003	2004	2005
Sales/Revenue	\$10M	\$10M	\$20M	?

Again, it would seem logical that the

*(Continued on page 22)*

# SECURITY ISSUES CONTINUE TO DOMINATE TOP TEN TECHNOLOGY ISSUES

For the fourth consecutive year, professionals who sit at the intersection of information technology and accounting have selected Information Security as the number one technology to watch in 2006, according to the results of the 17th annual Top Ten Technologies survey of the American Institute of Certified Public Accountants.

Four new technologies join six holdovers on the 2006 list – Assurance and Compliance Applications, IT Governance, Privacy Management, and Spyware Detection and Removal.

“Given the continued vulnerability of the IT systems of our clients and employers to the human element, ensuring the integrity of the data housed in our systems will always be a fundamental concern to CPAs,” said David Cieslak, CPA.CITP, GSEC and Chairman of the AICPA’s Information Technology Executive Committee. “I think it speaks volumes that not only did the more generally defined Information Security once again top the list, but related topics like Privacy and Spyware rated very highly as well.”

A total of 2049 votes were cast in voting that took place between November 21 and December 9, 2005. Voters were asked to rank 39 technologies that they felt would most influence the accounting profession in the next 12 months.

For the first time, in addition to participation from CITP Credential holders and IT Section members, the AICPA reached out to members of ISACA in the ranking of the Top Ten Technologies. Members of ISACA were invited to participate in the voting, because of their similar perspectives on the top technologies impacting business today. In January, 2006, the AICPA and ISACA announced an agreement under which CPAs holding ISACA’s Certified Information Systems Auditor (CISA) credential would be eligible for a streamlined application process for the AICPA’s Certified Information Technology Professional (CITP) credential.

Here are the top 10 most important technology issues for 2006, along with their definitions. New items for this year are noted as such.

## 2006 TOP TEN TECHNOLOGIES

**1. Information Security:** The hardware, software, processes, and procedures in place to protect information systems from internal and external threats. It includes routers, perimeter firewalls, IP strategy, intrusion detection and reporting, content filtering, anti-virus, anti-spyware, password management, vulnerability assessment, patch management, personal firewalls, wireless security strategies, data encryption, locked facilities and user education.

**2. Assurance and Compliance Applications (e.g. SOX 404, ERM) (new):** Collaboration and compliance tools that enable various stakeholders to monitor, document, assess, test and report on compliance with specified controls.

**3. Disaster and Business Continuity Planning:** The development, monitoring, and updating of the process by which organizations plan for continuity of their business in the event of a loss of business information resources due to impairments such as theft, virus infestation, weather damage, accidents, or other malicious destruction. This also includes business continuation and contingency planning.

**4. IT Governance (new):** IT governance is a structure of relationships and processes to direct and control the enterprise in order to achieve the enterprise’s goals by adding value, while still balancing risk versus return over IT and its processes.

**5. Privacy Management (new):** Privacy encompasses the rights and obligations of individuals and organizations with respect to the collection, use, disclosure, and retention of personal information. As more information and processes are being converted to a digital format, this information must be protected from unauthorized users and from unauthorized usage by those with access to the data. This includes complying with local, state, national and international laws.

**6. Digital Identity and Authentication Technologies:** A way to ensure users are who they say they are – that the user who

attempts to perform functions in a system is in fact the user who is authorized to do so. This includes hardware and software solutions that enable the electronic verification of a user’s identity or a message’s validity, for example, digital certificates. This technology includes the use of bar codes, magnetic stripe, biometrics, tokens and access control for authentication, non-repudiation, and authorization.

**7. Wireless Technologies:** Connectivity and transfer of data between devices via the airwaves, i.e. without physical connectivity. Wireless technologies include Bluetooth (PAN), infrared, WiFi (802.11 WLAN), Wi-Max (802.16), 2.5G & 3G (WWAN) and, satellite.

**8. Application and Data Integration:** Using current and emerging technologies, including .NET, web-services, Java, XML (the foundation for XBRL) and Ajax, to facilitate integration of data between heterogeneous applications. In its most basic format, XBRL focuses on the agreement to improve gathering, analyzing and sharing business reporting data. For example updating a field in one application and have it automatically synchronize with other applications. This allows organizations to select and seamlessly integrate “best of breed” applications.

**9. Paperless Digital Technologies:** Document and content management includes the process of capturing, indexing, storing, retrieving, searching, and managing documents electronically including database management (PDF and other formats). Knowledge management then brings structure and control to this information, allowing organizations to harness the intellectual capital contained in the underlying data.

**10. Spyware Detection and Removal (new):** Technology that detects and removes programs attempting to covertly gather and transmit confidential user information without his or her knowledge

# BENEFITS OF A CITP DESIGNATION

By George Balhoff, CPA.CITP

When the Certified Information Technology Professional (CITP) designation was introduced a few years ago, I felt like that it was a good fit based on my practice. While I am a CPA, much of my emphasis has been on the technology side including: how to make audits more efficient due to the use of technology, how to make a client's accounting information more accurate and more timely with technology or how to look at a client's design or implementation of technology (either for audit concerns such as SAS 94 or for consulting services). The use of technology has become such an integral part of the practice of accounting whether in the public or private sector. I believed that the designation of CPA and CITP would help better define my services.

The requirements for the CITP designation include earning points in two of the three categories:

- a. Business Experience,
- b. Lifelong Learning, or
- c. Examination.

The topic areas covered by the CITP credential are:

- 1) Technology Strategic Planning,
- 2) IT Architecture,
- 3) Business Process Enablement,
- 4) System Development, Acquisition, Implementation, and Project Management,
- 5) Information Systems Management,
- 6) Systems Security, Reliability, Audit and Control, and

## 7) IT Governance and Regulation.

An applicant can earn points for business experience or lifelong learning in each of these categories. Because of my experience at Postlethwaite & Netterville, I was able to earn enough points in the Business Experience and Lifelong Learning to achieve the CITP designation.

The designation is only available to CPAs, so it recognizes the benefits of understanding both the accounting issues as well as the technology available to address the controls and reporting needs. To maintain the designation, a CITP must continue to hold a valid/unrevoked CPA certificate, earn at least 60 hours of continuing education over the preceding three years and provide a written statement of intent to continue to comply with all recertification requirements.

I include the CITP certification on my business cards, and it frequently draws the questions as to what the initials represent. This has brought the recognition that the designation, like the CPA designation, provides special recognition of the holder's areas of knowledge. While the service that is provided is the best indicator of the skills, the CITP designation has helped open doors for people that I have just met.

Many times, I have been in situations where management or accountants for a client cannot communicate with the IT staff. They seem to speak a different language. With the IT experience recognized by the CITP designation, I

have been able to bridge the gap between business and technology providing a valuable service to the client.

The CPA profession recognized that IT plays a central role in business, and the CITP designation reinforces this.

For businesses, technology will continue to be a critical part of the accounting and reporting systems. CPAs will continue to enhance their knowledge about the IT environment, including each of the areas targeted by the CITP credential. Employers will recognize the benefit of individuals with this unique blend of business acumen and IT expertise, and actively seek out and reward these qualities.

I have benefited from the CITP designation and would encourage others to become credentialed.

Learn more about the CITP credential at <http://www.aicpa.org/accrspeclspecdesg.htm>.



**Editor's Note:** George Balhoff, CPA.CITP is a Director at Postlethwaite & Netterville in Baton Rouge where his practice areas include P&N Technologies, Consulting, Information Technology, and Health Care.

You can reach George at [gbalhoff@pncpa.com](mailto:gbalhoff@pncpa.com).



or permission. Spyware applications are typically bundled as a hidden component of freeware or shareware programs or attached to malicious websites. Once installed, spyware can monitor user activity, gather information about e-mail addresses, passwords, and credit card numbers in the background, then transmit this information to someone else. Spyware can include Remote Access Trojans (RAT) and root kits.

## Honorable Mention

In addition to the Top Ten Technologies list, this year the AICPA

included a section for Honorable Mention, the technologies that placed #11- #15 in the final tabulation.

11. E-mail Filtering including Spam and Malware Scanning
12. Outsourcing internal IT support, transaction processing, application support or special projects
13. Storage & Backup Technologies
14. Patch & Network Management Tools
15. Technology Competency & Effective Utilization



**For more about the AICPA's Top Ten Technologies, go to <http://infotech.aicpa.org/Resources/Top++10+Technologies/Top+10+Technologies+2006>**

# BACK TO BASICS IN COMPUTING – POST KATRINA

By Charles Coe Jr., CPA, MCSE

There are great things going on with computers that help make our work and life easier. Take the internet's impact on school-age children. I've been amazed at how often my children or friends' children have shown me things they've learned in school . . . and we're not just talking word processing or spreadsheets!

My sixth-grade twins were assigned to do Power Points plus spreadsheets on planning a vacation. Students were required to create a budget in Excel of their trip, including airfare, meals, attraction visits, etc. Then, they had to prepare a Power Point illustrating interesting facts about the attractions they planned to visit. After preparing the whole project, they were required to show the presentation to their classmates.

To complete this project, students conducted research using the internet as well as encyclopedias. Everything appeared to be progressing quite well for my kids who were working on their projects (with a little help from Mom) – until a file was damaged in Power Point. Learning of their dilemma, I naturally asked Mom the question, "Do you have the backup file?" She looked at me like I was crazy and said, "Here, you figure it out."

Well, we successfully recovered the file, and, thankfully, I got out of trouble again. That day, we all learned an important lesson – *always have a backup.*

You see, children are being taught how to use software, but are not necessarily being taught good practices with their data and work. That's where we as parents and "professionals" need to be diligent and ensure that our children – and our peers – are

protecting their work product.

More and more, we are generating tons of information at home, like digital pictures, music, and personal information. Much of this information is irreplaceable. I once received a call from a person who had "video" of his mom, taken with a cell phone two days before she unexpectedly passed away. He called to make sure that he did not "lose" such an important piece of his history. You never know when a hard drive is going to let go – and believe me they do break more often than you would like.

First, know "how to make a backup" on your computer – or an on-line backup. I often use this easy trick: to append "v1", then "v2" to a file name to keep copies of it. Yes, this makes a lot of files, but I am protected and on more than one occasion I've gone back to an old copy. Remember to delete those backups after you finish your project to save space.

Second, know how to make a backup of your hard drive. There are several options for this, including CD burners, tape drives, as well as portable hard drives that plug into the back of your computer. There are services now that you can use to backup your data over the internet. Internet-based services cost money, but are worth the investment.

Internet-based examples can be found at [www.evault.com](http://www.evault.com), [www.intronis.com](http://www.intronis.com) or [www.backupusa.com](http://www.backupusa.com). Prices range from around \$19.95 per month and go up from there. Internet-based backups saved several companies from disaster after Katrina.

Lastly, use common sense. Frequently I see the server or PC at someone's office with the backup tapes sitting on top of the PC. They

always say the backup tapes are there "in case something breaks." Each time I instinctively reply, "What happens if the building burns?"

Keep at least some of your tapes off site or in another building. Your car glove compartment is also a good place. Anywhere that is away from your building in the event of fire or other disaster.

If you have a tech staff at your office, make them do a test restore of a tape of a selected file. You may be surprised at the number of times the tape in your backup unit was roated, but no one ever checked the error message on the server that said "Tape head needs cleaning, please insert cleaning tape" – only to find out for the last year your company was not getting any backups. It happens more often than people admit – and Katrina has shown other dimensions of disasters (*i.e.*, flooding versus fire).

So, the final lesson for the day: Backup your data and keep it safe.



**Editor's Note:** Charles Coe Jr., CPA, MCSE is CEO of Coe & Company, LLC. He is a chair of the LCPA's Industry Members Committee and Technology Task Force.



## Attention CPAs!

In general, section 1031 of the Internal Revenue Code allows an owner to exchange one property for another and defer payment of state and federal capital gains taxes, as long as both properties are of "like-kind".

Now, your client can sell his real estate, deposit the proceeds with a "qualified intermediary" and have 45 days to "shop" for a replacement property.

**Featuring: • Reverse Exchanges • Construction Exchanges • Consultants**  
For more information visit our Web site at [www.TitleExchange.com](http://www.TitleExchange.com)

**TITLE EXCHANGE COMPANY**  
IRC 1031 "QUALIFIED INTERMEDIARY"

13862 Perkins Road • Baton Rouge, LA 70810 • (225) 752-1031 • FAX (225) 752-3737 • Toll Free 1-866-762-1031

 The CPA. Never Underestimate The Value.



Bill Hyde  
Attorney At Law

# DRIVE YOUR DATA: DATA MINING IN THE DIGITAL ENVIRONMENT

By Brenda Buetow, CFE

Recent studies show that the vast majority of all new corporate information is now created in a digital format (e.g., as electronically word-processed text or in spreadsheet form). The widespread growth of electronic documents and data – much of which exist only in digital form – means that most attorneys and CPAs can expect to confront increasing quantities of evidence in the form of digital information as they deliver client services.

Today, a growing number of attorneys and CPAs are applying document- and data-search techniques known collectively as “data mining” to deal with electronic evidence, particularly when looking for signs of fraud. Basic data mining tasks can be performed by almost anyone with access to a computer spreadsheet program.

## Some Basic Advantages of Data Mining

Speed and the ability to deal with large quantities of information in a relatively brief period of time are among the chief advantages of data mining. When you utilize data mining technology, you are essentially searching for a subset – a particular pattern or series of patterns or anomalies drawn from within a much larger and surrounding set of data.

The outcome of your search may be the identification of patterns of wrongdoing; or it may be the elimination of reason for suspicion: no such pattern of anomalies or wrongdoing can be found. In either case, data mining technology has allowed you to search for a particular needle – or a suspected needle – from within a massive haystack of needles.

A search of this nature might once have consumed hours, days, or even months of intensive labor; or, if the sheer quantity of data was sufficiently great, it might not have been possible at all. Using a standard high-speed computer of today, however, a data mining search requires only minutes or (depending upon the amount of data being searched) hours of largely automated run time to complete.

In addition, many data mining techniques depend on basic concepts of statistical analysis and probability determination. These and other techniques typical of data mining have been extensively tested, and they have been demonstrated to be reliable and accurate when properly applied. And when run in a computerized environment, they are extremely fast.

Bear in mind, too, that data mining is not an attempt to reveal new information (that is, to “discover” a new idea), but rather an effort to identify patterns of information from large quantities of existing information. The data being sought, or its demonstrable absence, is already present in the body of information being searched. The desired outcome of the search is simply a determination of whether or not certain pre-defined patterns or anomalies exist in a particular context of information.

## How Does Data Mining Work?

Data mining extracts valid information from large amounts of data and uses it to detect patterns, trends and relationships. When fraud is suspected, databases are typically mined for patterns that differ from the patterns associated with normal, non-fraudulent transactions and other activities. Essentially, data mining can identify anomalies – or contradictions – to the expected norm, such as missing information in records or unusual vendor payments.

The terms “data mining” and “database” may be intimidating to those who understandably – but mistakenly – assume the process to be complicated and highly technical. Often, however,

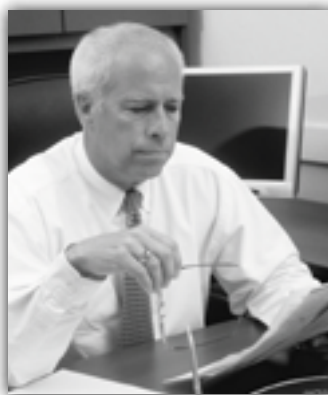
attorneys, CPAs and their clients can perform basic data mining with simple, readily available software. Off-the-shelf computerized accounting packages that use “application program interface” (API) technology offer features that allow users to export data into spreadsheets. Once data is captured and organized in spreadsheet form, it typically can be converted into charts, tables, models and other predictive tools that facilitate the ready visual identification of patterns and red flags.

## Some Examples of Applied Data Mining

For example, attorneys, CPAs and their clients can mine employee and vendor lists for signs of employee embezzlement. Several straightforward mining methods can prove effective. These techniques include:

- *Matching employee addresses against vendor addresses* – Employees may be violating company policies that prohibit them from acting as vendors to their own organizations.
- *Sorting vendor lists by size to determine the most highly paid suppliers* – Management may be surprised to learn, for example, that the company’s biggest vendor is actually a shell company established by a fraudster employee in the accounts payable department.
- *Reviewing the structure of vendor names* – the name of a legitimate vendor may be expressed in an abbreviated form (as the initials of the company’s full name, for example). An employee can easily open a bank account for a fraudulent shell business using an identical abbreviated

(Continued on page 19)



**When fraud is suspected, databases are typically mined for patterns that differ from the patterns associated with normal, non-fraudulent transactions and other activities. Essentially, data mining can identify anomalies – or contradictions – to the expected norm, such as missing information in records or unusual vendor payments.**

# THE TWO SIDES OF PEER REVIEW

Today, almost 33,000 U.S. accounting firms rely on peer review to demonstrate that their accounting and auditing practices meet the highest standards. Until they've undergone the process, some of these firms don't fully recognize the benefits of peer review. However, once the review is done, practitioners agree that a second set of eyes can help to improve what may already be a good process.

"A lot of small and medium size firms enter into the peer review process with some trepidation," says Marshall Karp, a member of the Massachusetts Peer Review Acceptance Board. "On the other hand, as soon as I find some points they need to clear up, they like it. Even on engagement reviews, a lot of firms look forward to you coming in."

## Peer Review = Quality Control

Kevin Bowyer, a partner in the Florida firm, O'Sullivan Creel, says that undergoing a peer review helps audit teams stay abreast of auditing and financial standards. Peer review can also reveal issues that, when corrected, help improve processes. O'Sullivan Creel, for example, never used to require disclosure checklists

to be retained in their audit files. "But one of the things we found based on our last peer review was that it was helpful to retain them so you can always go back and look at the checklist to make certain it was completed appropriately," he explains. "We now require a partner to sign off on the checklist."

At O'Sullivan Creel, Kevin Bowyer is the partner in charge of both peer review and quality control, a combination that makes sense to Bowyer. "I don't know how typical this is, but we've always done it this way and it works well for us," he explains. "We have a quality control document that we maintain every year, and if we're in compliance with that, our peer review goes smoothly."

Like many firms, O'Sullivan Creel uses peer review as an opportunity to confirm they are performing quality audits and as a check against complacency. "When conducting an audit, it's always in the back of our minds that the work papers could be inspected by a reviewer," he explains. "Sometimes in getting work done for a client in an efficient and timely fashion there might be a temptation not to complete every document to a T. But

knowing peer review is out there provides a check for everyone."

However, Marshall Karp warns firms not to use peer review as a crutch and wait for the reviewer to tell them what kind of changes they need to make. "Some smaller firms rely on it, perhaps to a fault," he says. "Oh, it's the third year, time to make some changes."

Kevin Bowyer suggests that firms periodically change their reviewers. "We had been using a firm for a number of years and decided to make a change just to make sure we weren't becoming complacent and to get a fresh look at our quality control systems and maybe to get a few new ideas," he says.

Bowyer says he's interested in becoming a peer reviewer "because it's an opportunity to become better and to use our experience to help other firms." He's also interested in how other firms handle some of the administrative problems that arise at O'Sullivan Creel. "One of our biggest expenditures of time in getting ready for our most recent peer review was extracting information from our time and billing system and putting it into the AICPA format in order to single out how much

## Don't You Owe It To Your Clients To Discuss Life Settlements for Their Unneeded Life Insurance Policies?

For more information or a free appraisal:  
**E. Kenneth Lozano, Jr., CPA, CFP®**

**985-727-9695**  
**Toll-Free 866-469-6645**

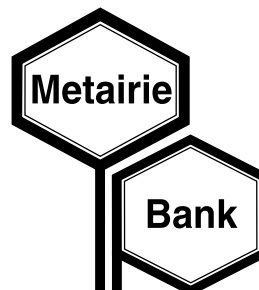
## A Successful Business Requires

Hard Work      Long Hours  
Careful Planning      Money

If you take care of the rest,  
Metairie Bank will help with the money.

When you need a banking partner to be

Accessible      Experienced  
Flexible      Responsive



Call one of our  
Business & Professional Bankers

Jack Blanke      832-5660  
Ron Cunningham      832-5670

Business & Professional  
Banking Group  
3344 Metairie Road  
[www.metairiebank.com](http://www.metairiebank.com)

time was spent on compilation, tax, etc. I'm curious to find out how other firms do that."

### Benefits of Being a Reviewer

Frank Betts, for example, an audit partner at the Mississippi firm, Eubank & Betts, says that being involved as a peer reviewer has been a tremendous benefit to his own practice. Due to the nature of the review process, reviewers need to develop a valuable knowledge base and a broader expertise in accounting and auditing rules and regulations. Betts remembers the early years, before peer review became mandatory for most CPA firms. "We had our first peer review in 1980," he recalls. A lot of auditing back then was based on experience and open to interpretation. Today, there's much more specificity and greater expertise is essential."

Betts explains that now reviewers and the reviewed have to deal with a quarter of a century worth of rules with which to comply. "We've reviewed some pretty powerful CPA firms," says Betts. "You just don't go into a large practice and say to them, 'Hey you have to do it a different way.' You have to know what you're doing – bring your expertise and experience to the table."

Betts believes that to be a good peer reviewer you have to bring something extra, like specific industry or technical knowledge, from your practice to the table. This year, for example, he says that many firms are confused about both FIN 46 and the AICPA's 101-3 independence interpretation. FIN 46 provides guidance

to improve financial reporting for special-purpose entities, and the AICPA's Rule 101-3 concerns the non-attest work a firm is allowed to perform for an attest client – including those that receive compilations. "When we sent firms our peer review engagement letter we included the AICPA's quality control guide, as well as an explanation of FIN 46 and AICPA ethics interpretation 101-3. We found that the only firms that had a problem in these areas were those that didn't read what we had sent them."

Betts and other peer reviewers say that they are constantly picking up tips and practices that they can use in their own firms. "In general, discussions with firms about things like liability insurance, whether or not to go paperless, and hiring practices, provide us the opportunity to learn from others," says Betts. "It's a way to circulate best practices and good ideas. Just recently we reviewed a firm that saves the envelopes that come in with confirmations of accounts receivables or legal letters. We thought that was a good idea because it provides more information, like a postmark and a return address, not necessarily contained in the letter. Now we staple each envelope and letter together."

Marshall Karp agrees that as a peer reviewer, he often runs into the same situations that his own firm faces or has faced, so he can make a determination which firm, his or the reviewed firm, has a better procedure. "Being a peer reviewer is not only a way to apply your knowledge to assist other firms, but also to acquire a lot of useful knowledge that can be used

to improve practice in your own firm. It's been very advantageous to my practice. At the very least, it reinforces the right way of doing things."

As an example, Karp points to a peer review he recently performed. "The firm had already adopted three new SSARS standards prior to their official implementation date," he recalls. "While I knew the standards and was prepared to peer review their implementation, they were standards my firm had not yet implemented. It gave me a better sense of what my firm needed to do to be compliant."

Karp says that as a sole practitioner, there is a certain pride in his participation in the peer review program. "It says, 'Hey, I am solo, but I pay attention to professional standards just as much as any larger firm,'" he explains. "It also reminds me that maintaining those professional standards is key to my business success if I want to continue doing audits, reviews, and compilations."

For more peer review information and resources, go to [www.aicpa.org](http://www.aicpa.org) and click on "peer review."

*Editor's Note: This article is part of a series designed to communicate to AICPA members about peer review in light of the AICPA leadership's support for greater transparency in peer review reporting.*

**See page 23 for CPE Courses to Help You Become a Better Reviewer**



### *(Drive Your Data continued from page 17)*

form and can then divert company payments into that account. Fraud of this nature may take time to detect using traditional scanning methods. But a well-designed and -executed data mining search can reveal suspicious payment patterns quickly and precisely.

Mining employee and vendor data also can uncover indications of ghost employees, inflated expense reports and other evidence of fraud. Payroll records of ghost employees, for example, may lack appropriate deductions and exemptions. Fraudulent expense reports may include a disproportionate number of expenses recorded in even amounts (\$6 vs. \$5.79, for example) or

expenses that consistently fall just short of levels that require receipts or other documentation.

Data mining easily identifies anomalous patterns such as these by making high-speed comparisons against predetermined standards of statistical probability or other pattern-recognition metrics.

Bank statements often provide a wealth of data that can be easily mined. Repeated withdrawals of even amounts for petty cash, for instance, may warrant suspicion. A lack of cash deposits can indicate a receivables scheme in which an employee pockets cash receipts. Electronic bank statements can also be reviewed for unfamiliar payees and unusual transactions.

### The Future Is Now

As electronic evidence becomes more and more common, data mining is poised to play a prominent role in a broad range of litigation. The understanding and effective application of data mining methods will enable attorneys, CPAs and their clients to leverage readily available technology as they work to investigate cases of suspected fraud.

*Editor's Note: Reprinted with permission from the Indiana CPA Society.*

*Brenda Buetow, CFE is a senior manager in the Forensic Services Group for Crowe Chizek and Co. LLC in Indianapolis, and is the current president of the Central Indiana chapter of the Association of Certified Fraud Examiners. She can be reached at (317) 269-6697 or [bbuetow@crowechizek.com](mailto:bbuetow@crowechizek.com).*



# LOUISIANA REVENUES

## Disaster Tax Relief to Credits, Exemptions, Exclusions and Deductions- LDR Marches On!

With the 2005 calendar of events behind us we are moving on. And it's hard to believe that the first quarter of 2006 has already come to a close. Time does fly. If there is any silver lining from the clouds of Katrina and Rita, I think it is that the taxpayers of our state are more unified than ever before in a desire to create a revitalized State of Louisiana through the success of rebuilding.

I hope that every LCPA member is having a successful income tax filing season. If taking advantage of the extension is an option that offers you and your clients some comfort, I am very pleased that this relief is available to you, your customers and your fellow tax professionals and practitioners. No doubt we have a long road ahead, but just as the calendar continues forward, so too will our conquering of the challenges we face.

Over the past year, LDR has initiated programs reaching beyond the response and repercussions of the hurricane devastation, each intended to make our state a better place to live and work both during and after the recovery. Here are just a few examples.

Beginning this summer, July 1st to be exact, we will incorporate the "Tax at the Rack" program for motor fuel tax collection. This program will streamline the process by transferring the collection point to the terminal rack from transfer points beyond this initial delivery facility. This creates a single universal system for the tax collection process. Currently, nineteen other states in our nation successfully use the "Tax at the Rack" policy. Consumers will not notice any difference at the pump.

I am pleased to inform you that on April 1st, we updated our Credits, Exemptions, Exclusions and Deductions guide for Individual and Corporate Income Tax. This informative guide can be found on our website by visiting: [http://www.revenue.louisiana.gov/forms/publications/40058\(3\\_06\).pdf](http://www.revenue.louisiana.gov/forms/publications/40058(3_06).pdf).

A source of improved communication is our quarterly newsletter, Tax Topics. You may recall that with prior issues, the department would mail copies to each

taxpayer that requested this newsletter. To make the distribution more efficient, we have made Tax Topics available via electronic subscription. If you have not done so already, you can subscribe to our newsletter by visiting the subscription service at: <http://www.revenue.louisiana.gov/sections/publications/ttss.asp>. Beginning in December 2005 we made the transition to an all-electronic format and ceased mailing copies to individual taxpayers. Within each issue you will be able to link onto specific pages of our website corresponding with the highlighted issues. This transition is saving taxpayers nearly \$50,000 annually in printing and mailing costs. I invite you to subscribe and print a copy of the latest issue at your convenience.

In the near future you will begin to see another important LDR project over the airwaves. Our staff will embark upon a campaign to promote Louisiana's Consumer Use Tax. Although many believe that the Consumer Use Tax is new and was given birth by the popularity of the Internet, the fact is that our state like many across the country has had it in place for over 70 years. The Louisiana Consumer Use Tax was enacted in 1934 to prevent retailers located out of state from having an unfair advantage over in state retailers that must charge state sales tax at the point of sale. The tax applies to any item purchased for use in Louisiana that is purchased outside of the state via catalog (or, as it was popularly known before the internet revolution, "Mail Order") that has not been charged a sales tax by

By LDR Secretary Cynthia Bridges



Secretary Bridges

By enforcing this legislation, LDR is committed to protecting Louisiana-based businesses.

Finally, I would once again like to take this opportunity to thank the entire membership of the LCPA for assisting the LDR staff in promoting electronic filing for Louisiana 2005 income tax returns. The promotion has been a great success and this year more than ever before individual state taxpayers and businesses are coming to understand the benefits of e-filing.

My very best wishes are yours,

Cynthia Bridges, Secretary  
Louisiana Department of Revenue

another state. The Consumer Use Tax does not require consumers to pay a second sales tax if the purchaser can show receipt of taxes levied by another state's revenue agency.



### Visit the LDR's website for:

- Tax Forms
- Policy Documents
- Administrative Code
- Legislative Summaries
- Filing Deadlines
- Addresses for Mailing Returns
- LDR Electronic Filing
- Electronic Funds Transfer
- Withholding Tax Information
- And more!

**Official Site of the Louisiana  
Department of Revenue**  
<http://www.revenue.state.la.gov>

*(IT Role continued from page 12)*

companies allow employees to buy retired machines at a discount price, others donate them to suitable recipients, and still others pay recyclers to take them away. How it's done is not as important as having a plan for it in advance.

**Best Practices and Lessons Learned**

While every merger or acquisition is unique, a few "best practices" can be distilled from the experiences of the Boomer Technology Circle firms. These include the early establishment of Transition Teams to identify issues, map the merged company into the gaining company, and coordinate extensively. Companies should create a statement of "DAY 1" standards detailing what is expected to be in place and functional on the day following the merger. Many companies have decided that the "rip and replace" method of hardware integration is the most beneficial in the long run. Likewise, applications must be standardized across the combined company. Data conversion issues are critical in these cases. Training and support are critical success multipliers. The faster people are trained, and the better they are supported in their new environment, the more productive they will be. Training is also an essential tool in the integration of new staff into a combined company culture. Finally, intangibles like caring and concerned leadership at all levels is critical. Leaders must remember that people are undergoing a traumatic transition and need to be guided through it to the desired outcome.

In summary, experience from many companies has shown that mergers and acquisitions can be smoothly accomplished and the hoped-for gains rapidly achieved. From an IT perspective this means careful and detailed planning, beginning early in the process. Remember that surprises are for birthdays, not for M&A planning!



**Editor's Note:** *Kenneth M. McCall is a Senior Consultant at Boomer Consulting, Inc., an organization devoted to the application of computer technology and management consulting.*



*(Using Software continued from page 13)*

expected value of the company's sales would increase but the calculation would be more difficult, given the uneven data for the periods under consideration.

It's rare when data is as smooth and clear as it is in Example 1. Where a simple trend analysis might be a good starting point for Example 1, it seems like a different mathematical technique like regression analysis might be more appropriate for Examples 2 and 3. Even though regression analysis cannot be a perfect one for all parts of the process, it would seem to be a good methodology as a starting point for auditors.

Regression analysis is cryptic and time consuming, especially if it is applied to all accounts. For example, while it is possible and probable that you might apply regression analysis to a particular set of company data, think of how time consuming it would be to perform calculations manually against all accounts. Technology makes possible a quicker and more reliable method for calculating expected values in cases where auditors are either using both trend (two periods of data) or regression analysis (three or more periods of data). Mathematical models can be easily applied to this part of analytical procedures to give accountants time to look at overall conditions and values out of line rather than having to devote time to rote calculation.

If setting expected values is achieved more quickly, how will this specifically help increase the work done in analytical procedures? Using good statistical modeling does not eliminate the need for high quality analysis of the data and other methods to determine expected values. This is where the process of determining expected values becomes more "art" and less "science". We want to minimize or lessen the science by automating the calculations and increase the amount of time available for qualitative review/judgment decisions. A reduction in the time it takes to calculate the statistical rote part of the process will allow for more time and research into the other components that can make the difference between a good audit/review and a bad one:

1. *Interviewing management.* Understanding how financial and economic conditions are changing in the company.
2. *Performing industry research.* The company's financial performance is driven by both factors inside the company (good management, good products and service, etc) and factors

outside the company (industry changes, employment, industry averages/benchmarks).

3. *Evaluating trends and looking more deeply at accounts that are unusual.* There are several software applications on the market today that speed-up the process of setting expected values. Many auditors also create their own analytical frameworks using "Excel" Macros can be developed that use statistical models that are generally accepted (An example would be the "times squared" calculation in regression techniques). The general idea in any good system is to have a set of algorithms that automatically calculate expected values using historical values as a basis.

**Conclusion**

There are several specific advantages to using technology to set expected values to ensure better analytical procedures, which will lead to better reviews and audits:

1. Calculations are quicker and more reliable. On balance, less chance for error is introduced through automation.
2. Data that is rough or uneven can be predicted with more accuracy.
3. More time can be devoted by auditors to reviewing data and less time to calculating it. As such, auditors can delve more deeply into accounts that are "material" and possibly more troublesome.

Integral to getting better audit practices is helping the auditors with the real challenges they have on a day-to-day basis. It's likely that auditors involved in recent, well publicized fraud cases could have more readily detected problems if they had devoted additional time to basic overall management and financial analysis. Using software and technology to reduce the time needed in analytical procedures will give accountants time to devote to the full scope of an audit and review.



**Editor's Note:** *Brian Hamilton is the chief executive officer and leader of the management team for Sageworks, Inc., which develops ProfitCents, an application that aids accountants in communicating with clients. Brian can be reached at brian.hamilton@sageworksinc.com or (919) 851-7474 ext. 501.*



## Peer Review Training Courses to Build and Improve Skills

**How to Conduct a Review Under the AICPA Practice-Monitoring Programs**  
May 31-June 1 • LCPA Kenner Training Facility • 16 CPE Credits

Make the transition from auditor to peer reviewer and successfully conduct a peer review with the help of this mandatory training course. It features a realistic case study of a system peer review and several examples of engagement selections in an engagement or a report peer review.

Call to register, (800) 288-5272 or (504) 464-1040.

## Advanced Training Course for Reviewers: Current Issues in Practice Monitoring

June 2 • LCPA Kenner Training Facility  
8 CPE Credits

Speaker Robert Beznig presents this one-day, advanced course for experienced reviewers who want to heighten their peer review skills. It is an excellent follow up to the AICPA's training course, How to Conduct a Review Under the AICPA Practice-Monitoring Programs, and includes an up-to-the-minute analysis of changes in practice-monitoring programs.

## Take a Power Lunch at Small Business Brown Bag CPE Series

Get the most out of your lunch break at the **Small Business Brown Bag Series**. The popular CPA lunch series has expanded once again to offer more locations to fit our members' needs, and will now be offered in Mandeville and Houma. The Brown Bag Series concentrates on topics relevant to

practitioners who have small business clients, as well as financial professionals employed in a small business. Both public and industry practitioners will find the topics to be informative, timely and helpful in forwarding both their practice and organization.

Co-sponsored by the LCPA's Small Business Committee and Capital One, all sessions include a brown bag lunch. Brown Bag Sessions are offered as individual 2 CPE credit sessions or as an 8-hour series. Topics include:

- *Sales & Use Tax Update*
- *Designing Retirement Plans for Small Businesses*
- *Designing Employee Health Benefit Plans*
- *Disaster Planning and Recovery: Lessons Learned*

Log onto [www.lcpa.org](http://www.lcpa.org) for dates and locations. Space is limited, so register early for this popular series that starts in June.

## Smart Start Sunrise CPE Returns with More Topics and Locations

Chase and the LCPA have partnered to bring you the Smart Start Sunrise CPE Series. This early-morning program includes two hours of informative CPE and a continental breakfast. Offered at nine locations throughout the state (now one on the Northshore and Houma), you'll get in to the program and back to your office with ease.

The 2006 topics are:

- *Investing for Retirement*
- *Tax Advantages of Cost Segregation*

Log onto [www.lcpa.org](http://www.lcpa.org) for Sunrise dates and locations. Space is limited, so register early for this convenient series.

## New Garverick/Province Tax

## Courses in June

The LCPA welcomes a new vendor, Garverick/Province. Pat Garverick and Chris Province have teamed up to provide these high-quality tax courses in June:

## Hands-On Tax Return Workshop – Form 1120

June 5 • Shreveport • 8 CPE Credits

This case-driven course is designed to get the inexperienced staff accountant up to speed quickly in the most common areas of C corporation taxation. Become more knowledgeable on the information gathering process.

## Federal Tax Law – Current Developments You Need to Know

June 6 • Monroe • 8 CPE Credits

June 11 • Lake Charles • 8 CPE Credits

This one-day update course focuses on the hottest tax topics. Covers tax laws impacting individuals, C & S corps, partnerships, LLCs and LLPs, with an emphasis on any new legislative changes.

## Tax Issues for Auditors and Industry Professionals

June 7 • Monroe • 8 CPE Credits

This course provides a one-day tax update focusing on the pitfalls and planning opportunities from a "company" and "employee" perspective. Get up to speed by reviewing newly enacted legislation, court cases, IRS private letter rulings and revenue procedures.

## Federal Individual Tax Update – Form 1040

June 14 • Lafayette • 8 CPE Credits

Through case studies, practice aids and review of the IRS tax forms, become more skilled in the preparation issues related to the most common individual tax returns.

## Pass-Thru Entity Staff Tax Training – Forms 1120s and 1065s

June 15-16 • LCPA Kenner Training Facility 8 CPE Credits

This course provides an understanding of the taxation of S corps, partnerships, LLCs and LLPs and their owners. Covers K and K-1 preparation; deductibility of fringe benefits; sale or trade of business property; check-the-box regulations; and much more.



Look for more information soon on our website – [www.lcpa.org](http://www.lcpa.org)!

*Sand, Sun & 16 CPE credits!*

## Beach Cluster July 17-20, 2006

Hilton San Destin Beach Golf Resort & Spa  
South Destin, Florida

Online reservations [www.sandestinbeachhilton.com](http://www.sandestinbeachhilton.com) Code LCP

## JOB OPPORTUNITIES

### CPA FIRM OPPORTUNITY

Metairie-based CPA firm seeking seasoned CPA with good people skills to provide accounting, tax preparation and consulting services for small and emerging businesses located in GNO and St. Tammany. CPA Firm experience preferred. Two years of "hands-on" QuickBooks or Peachtree experience required. Good potential for quick partnership opportunity. If interested, please visit [www.AlldayCPA.com](http://www.AlldayCPA.com) and send resume and cover letter to [Dan@AlldayCPA.com](mailto:Dan@AlldayCPA.com).

### KPMG, LLP

KPMG, LLP provides audit, tax and advisory services to a variety of clients. The Big Four firm with the strongest growth record over the past decade, KPMG offers clients industry insights and a multidisciplinary range of services. Our **New Orleans, Baton Rouge** and **Shreveport** offices are now hiring within the audit service lines. For additional information on responsibilities and qualifications please visit [www.kpmgcareers.com](http://www.kpmgcareers.com). No phone calls or agencies please. KPMG Affirmative Action, Equal Opportunity Employer, M/F/D/V. 2006 KPMG LLP, the U.S. member firm of KPMG International, a Swiss cooperative. All rights reserved.

### CONTROLLER

Ascension Parish Manufacturer has immediate opening for degreed accountant with preference for CPA license and manufacturing experience. Job responsibilities include forecasting/budgeting, long-range strategic planning, financial statement preparation, costing accounting, and supervision of accounting personnel. Company offers competitive benefits including medical, dental and life insurance as well as 401k plan participation. Please forward resume salary requirements and history to:

Controller  
Attn: Human Resources  
P.O. Box 1059  
Gonzales, LA 70707

Smith, Turner & Reeves, with offices in Hattiesburg, Jackson, Natchez & Oxford Mississippi seeks experienced audit, tax and valuation/litigation professionals. Comprehensive compensation and benefit package. Contact Jerry Goolsby ([jgoolsby@str-cpa.com](mailto:jgoolsby@str-cpa.com)) or send resumes in confidence to P.O. Box 23027, Jackson, MS 39225-3027. For more information about ST&R, visit our website at [www.str-cpa.com](http://www.str-cpa.com).

### SLIDELL AREA ACCOUNTANT

Slidell CPA firm seeks full time accountant with minimum 3 years recent public accounting (GAAP financials) and tax experience. Email resumes to [Joe@SlidellCPA.com](mailto:Joe@SlidellCPA.com).

### Pan-American Life Insurance Company Senior Accountant (Job Ref No 302)

Requirements:

- Bachelors degree in Accounting
  - CPA or CPA Candidate preferred
  - 3- 5 years accounting experience
  - Insurance industry experience is a plus
  - Intermediate experience with MS Excel and Access
  - Bilingual (English/Spanish) a plus
- Please visit our web site at [www.panamericanlife.com/careers](http://www.panamericanlife.com/careers) for additional information and a complete listing of available opportunities. EOE/M/F/H/V

### Pan-American Life Insurance Company Senior Accountant (Job Ref No 407)

(Bilingual – English/Spanish) required

Requirements:

- Must be fully bilingual (English/Spanish)
  - Bachelors degree in Accounting
  - Minimum of 5 years accounting experience preferred
  - CPA or CPA candidate preferred
  - Insurance industry experience is a plus
- Please visit our web site a [www.panamericanlife.com/careers](http://www.panamericanlife.com/careers) for additional information and a complete listing of available opportunities. EOE/M/F/H/V

## PROFESSIONAL SERVICES – OTHER

### Section 125 Plan Administration

Professional administration for section 125 premium only and flexible spending plans. Turnkey payroll processing. Contact Employer's Administrative Corporation, 1409 Kirkman Street, Lake Charles, LA 70601. 1-800-256-7909.

### Peachtree & QuickBooks

- Software for New Users & Upgraders
- Industry-Specific Editions
- Payroll Tax Subscriptions
- Computer Checks, W-2 & 1099 Forms
- Assistance with Installation & Setup
- Remote Access Support via Internet
- Toll-Free Technical Support
- How-To Learning Guides
- QuickBooks Enterprise now has a 15-User Edition for Mid-Market Businesses

### Discount Pricing for LCPA Members

Allday Consulting Group, LLC

1-800-259-4213

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

### TAX CONTROVERSIES

PAUL H. WALDMAN

Formerly Attorney for IRS  
Board Certified Tax Attorney

AV rated

[www.waldmanlaw.net](http://www.waldmanlaw.net)

[pw@waldmanlaw.net](mailto:pw@waldmanlaw.net)

504-834-7077

## PROFESSIONAL SERVICES – PEER REVIEW

### On-Site and Off-Site Peer Reviews

Performed by a small firm for small firms. Several specialties. Contact Mike Glover; 9497 Brookline; Baton Rouge (225) 295-1860 or [mike@mglovercpa.com](mailto:mike@mglovercpa.com).

QUALITY REVIEWS AND CONSULTING REVIEWS PERFORMED FOR SOLE OWNERS AND LOCAL FIRMS. Contact Rowland Perry, 3007 Armand St., Monroe, LA 71201. Phone (318) 323-1411 for information and fee estimate.

### ON-SITE AND OFF-SITE REVIEWS

Large local firm with wide range of experience will perform peer reviews for firms with 10 or less professionals. Contact Kenneth Pavy, John S. Dowling & Co., P. O. Box 433, Opelousas, LA 70571. Phone: (337) 948-4848.

Small firm with experience in several specialized industries will perform peer reviews for other small firms. Contact Neil Ferrari at 225-272-1177 or [nfcpa@bellsouth.net](mailto:nfcpa@bellsouth.net).

## PURCHASE • SALE • MERGER

Well established CPA firm wants to acquire practice or accounts in South Louisiana. If interested reply to Blind Box #1 [cdempster@lcpa.org](mailto:cdempster@lcpa.org).

### ACCOUNTING PRACTICE SALES – WHERE PRACTICE SELLERS AND BUYERS MEET!!!

#### ACCOUNTING PRACTICES FOR SALE:

- 70 Minutes North of Shreveport -

Gross \$134,500

- Southern Louisiana - Gross \$868,000

Thinking of selling? We have qualified buyers waiting and an ever expanding database of qualified buyers and 100% cash out financing available to close the sale of your practice within 90 days. **TO LIST YOUR PRACTICE WITH US OR TO CHECK OUT OUR CURRENT LISTINGS** Call me, **JIM BURFORD**, CPA TOLL FREE (800) 340-7002 or visit our website at [www.accountingpracticesales.com](http://www.accountingpracticesales.com) or e-mail me at [jim@accountingpracticesales.com](mailto:jim@accountingpracticesales.com).

## MISCELLANEOUS

**ARMSTRONG'S SUPPLY CO., INC.** Building a home? Renovating your existing home? For the best price and selection of light fixtures contact LCPA member Stephen Orkus at (504) 483-9216.