

5 STEPS TO SELECTING THE RIGHT ACCOUNTANT FOR YOUR BUSINESS



From the viewpoint of an experienced CPA • By Mary Guldán-Lindström CPA

Do not get this phone call.

The accountant calls to tell you that you owe \$20,000 in taxes, due in 2 days. You were relieved when you finally got all your paperwork to your accountant. You knew the business was doing better – just had no idea what the impact would be. You are back to panic mode, where in the world are you going to find \$20,000? How can you work on your future when you are stuck in the past?

Or this phone call.

The IRS agent left another message. He wants a meeting. You can no longer ignore the stack of IRS notices that are hiding in your desk drawer. Taxes are just not your thing. You don't understand and prefer to ignore it. Business is hard enough. The accountant has always taken care of it, but you haven't seen the reports lately. They just always showed up before. Now what?

Do you have your financial information at the tips of your fingers?

It is time to renew your line of credit with the bank. The banker wants a current financial statement. They need the information to meet their loan regulations. You now have to spend the next 5 nights catching up on your books. Wouldn't it be great if all you needed to do was ask someone to send that to the banker?

Do you dread it when tax time comes around?

Are you overwhelmed and do not know where to start?

Are your financial statements nonexistent,
inaccurate or missing information?

Business owners juggle many responsibilities, but there comes a time when it makes sense to hand over the responsibilities to handle taxes, accounting and finance functions that will help your business grow. When hiring tax and accounting assistance you are looking for someone who knows what you need and has the knowledge and experience to help you from a financial perspective.

An in-house accountant or accounting firm provides a key foundation for a growing business. They can improve cash flow, strengthen the financial soundness and provide key information to management. Poor billing procedures, lack of tax compliance and inaccurate financial statements can stunt the growth of a company or worst – drive it into bankruptcy. Therefore, do your best to hire the right candidate for your business.



START

Step 1: Identify your needs

Tax and accounting needs can range from the basics such as recording the day to day transactions to the complicated such as negotiating the sale of a business.

- **Day to day activity.** For many business owners, having a bookkeeper on staff to organize their records, invoice customers and pay bills can be a blessing. They can take care of the day to day activity. A good system will insure that all work is billed and collected. For those who don't like paperwork – this alone will pay for itself.
- **Tax compliance.** The most common need is assistance with understanding and complying with income, payroll, sales and use tax and other applicable taxes that apply to your situation. Keep in mind how regulated your industry is and your knowledge level. A business owner is always personally responsible for the taxes of a business – protect yourself. For income taxes, having a tax strategy and doing planning before you file the tax returns can reduce your stress and increase your success.
- **Financial information.** The financial statements are a scorecard for business. Having accurate, timely and complete statements assist with making good business decisions for your business. Understanding the financial statements and using the information to make these decisions require someone with a higher level of experience, along with the skill and education. Consider an annual, quarterly or monthly review of your financial information with an outside CPA knowledgeable in your industry that understands your business and your goals.
- **Growth.** As a business grows the needs change and become more strategic in nature. Having someone to see the future financial needs of the company as they are growing and having the knowledge to implement tools to manage the business can speed up the process. A controller or chief financial officer can be found full time inside larger businesses.



Many business owners start with income tax preparation. As the business grows, they expand into tax planning and improving their accounting systems. Your financial statements are tools to manage your business. It is the universal scorecard. You become handicapped if you don't have this information to make decisions and to comply with the complex regulations.

Make sure that your time is spent doing what you do best. The basic business foundation consists of sales, operations and finance. An accountant is a key advisor and the services you are looking for can make or break you.



Step 2: Know your choices

Not all accountants are created equal! Listed below are a few choices you may encounter:

- **Bookkeeper** – Anyone can hold themselves out as a bookkeeper. This is a game of chance. There are no regulations regarding the education or level of knowledge.
- **QuickBooks Pro advisor** or other software specialist – To be a QuickBooks Pro Advisor they pass a test and annually join the QuickBooks program. They know how to use the software, however there is no verification that they possess the tax or accounting knowledge needed to comply with current laws or accounting standards.
- **Payroll processing company** such as Paychex or ADP is a national payroll processing company. They can keep a business in compliance with current payroll tax laws. They can also handle multi-state payrolls and may handle some HR functions
- **Enrolled agent** – An enrolled agent (EA) can prepare tax returns and represent you in tax court. They are licensed by the IRS, pass a comprehensive exam, pass a code of ethics and complete 72 hours of continuing education every 3 years. Be sure to verify if they process and understand business tax returns, if that applies.
- **Certified public accountant (CPA)** – CPA's are regulated by each state. For Wisconsin they must graduate from an accredited college with 5 years of college credits, pass a 2 day exam on auditing, financial reporting, professional standards, taxes, business law, business environment & concepts and work for at least 1 year before they can receive their license. They must obtain 120 hours of continuing education over 3 years. CPA's can prepare tax returns and represent you in tax court. CPA's can provide assurance that the business statements are in compliance with generally accepted accounting principles (GAAP). Your bank, insurance company or investors may request that you have audited, reviewed or compiled financial statements for your business - only a CPA can perform this service. If this is required verify that the CPA firm has passed their "peer review". Many CPA's specialize - some accounting, tax, estate tax, fraud, audit, governmental, nonprofit, business valuation, etc. Verify that their education and experience match what you are looking for.
- **Attorneys** are also regulated by each state. In Wisconsin an attorney must graduate from a Wisconsin Law school or pass the bar exam. An attorney can prepare tax returns and represent you in tax court. Similar to CPA's they can specialize into tax, family law, divorce, business, etc. Verify that their education and experience match what you are looking for.



This is a menu, if one selection does not meet all your needs, consider a combination. Many business owners will hire an in-house bookkeeper, an outside payroll tax processor, an outside CPA to prepare the financial statements and budgets and then an independent CPA to audit the financial statements.

BE SURE TO PLAN FOR YOUR FUTURE NEEDS

Figure out what level of knowledge is best to meet your needs now and in the next 5 years. Do you just need someone to file your income tax return? Or do you want more?

The most critical error I see is a business owner focused only on reducing taxes. They make decisions reducing the profit down so much, that they cannot get financing and have difficulty selling the business. Banks use the tax returns and financial statements to make decisions to lend money. The business has to be able to generate enough cash per the financial statements to cover the loan payments. When selling a business, the value is normally based on how well the business generates profits.

Step 3: What will they charge?

Enrolled agents or someone just preparing the tax return may charge a fee per tax schedule or a flat fee for a type of return. However, accountants normally base their fees on the time required to perform the services you request. There are no "fee schedules" common to the profession. Fees depend on the type of services you require, the prevailing costs in the community, the CPA's level of expertise, and the complexity of your work. The more education the person has that is providing the services - the greater the investment.

- **Tax preparation** - can be done by an enrolled agent, attorney or CPA. Based on my experience a business tax return can range from \$175 to \$10,000, depending on the complexity. Tax planning, strategy and education are optional. Learning the rules and consequences of your decisions will help a business owner make better choices now and in the future. Ask for a quote.



- **Bookkeeper** - An experienced bookkeeper can be hired for \$15 to \$20 an hour as an employee. An experienced and educated bookkeeper working with an accounting firm can cost \$50 to \$200.
- **CPA or attorney** - The more specialized and experienced the individual is, the more expensive their time. To hire a full time accountant the costs can range from \$50,000 to \$200,000 annually. The more strategic the position the higher the investment. Many small businesses cannot afford, nor do they need this level of expertise on a full time basis. Outside services are typically sold by the hour. The rate can range from \$125 to \$500 per hour. The more you have at risk, the more valuable these services are.

Talk frankly with your CPA about fees and payment arrangements, if necessary. Discuss an annual budget that you and your advisors can live with.

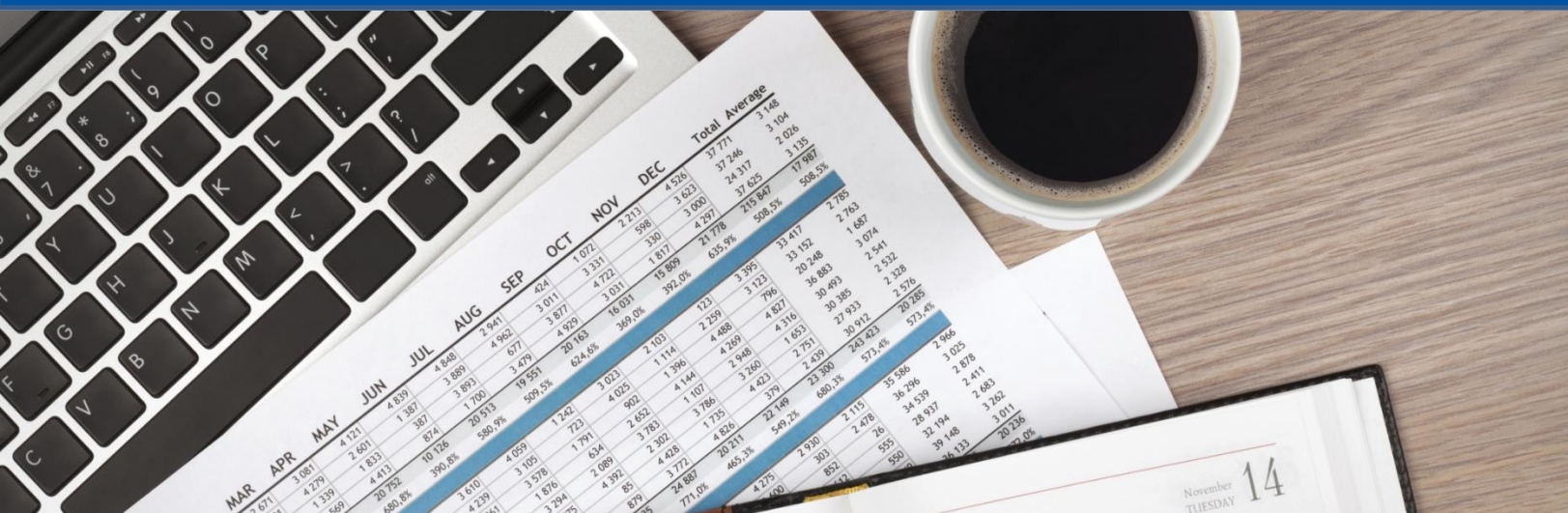
The more financially you have at risk, the more I recommend you invest in tax, accounting and finance services. The key is the value provided to the business. A good accountant can earn or save many times their fees in reduced taxes, focusing your time on higher income producing actions, and protecting your investment.

In our business we work to earn at least three times our fees. It keeps our focus on the benefits of the services that we are providing – not just getting the work done.

Step 4: Define what you are looking for

Match your needs to the choices available. Part of your decision is determining whether the position is best inside the business as an employee or hire outside as needed or a combination. If you hire outside, the next choice is whether a large full service firm will provide the range of services desired or the personalized services of a small firm or individual would provide the most value in your situation.

Clearly define the services your business needs and a budget that the business can afford. Match your business needs to the education, knowledge and skills needed to deliver



the services desired. Once you start interviewing you may need to readjust what you think you need. As your company grows your needs will also change.

Here's a few hints as to combinations that may work for you:

- If you only have tax issues and a very small business, an Enrolled Agent may be the most affordable option.
- If you need assistance organizing your financial records and doing the day to day bookkeeping work, hire a part-time or full-time bookkeeper and hire an accountant to handle the taxes, oversee the financial statements and provide advice.
- A payroll processing firm will avoid stiff employer tax penalties and keep you in compliance. This option is the most affordable to handle payroll. Payroll tax penalties are steep. Hiring employees increase the complexity of any business.
- If you need audited, reviewed or compiled financial statements – the accounting firm must maintain independence from the financial information. Thus they cannot be making management decisions or be critical to your process. You may need to hire outside resources for financial advice.

Besides education, skillset and experience I recommend that you identify your business values. It will create a more successful long term relationship if the firm or person that will be delivering services correlate with the values of you and your business.

The most critical mistake I see here – is the case where the business owner hires a tax preparer, when they really want the business to grow and provide a source of retirement income. The tax preparer meets the immediate need and is focused on today – the future is never addressed.





Step 5: Gather your options, interview and select

Search the Internet; ask for referrals from your banker, other business owners, financial planner, mortgage broker, etc. The WI Institute of Certified Public Accountants (www.wicpa.org) provides an online lookup service to locate a CPA that meets your criteria. The National Association of Enrolled Agents (www.naea.org) also provides an online service to locate an Enrolled Agent that meets your requirements.

Once you have a list of names...

- Do research – locate their website and see if you like what you see. Check on LinkedIn for credentials and who their connections are. You may know someone who can provide additional information. See if they are currently registered as an Enrolled Agent or Certified Public Accountant.
- Make a list of questions to find the ideal fit for your business. Here are some samples; What kind of clients do you work with? Who will be doing the work? How long have you been doing this type of work? Who is your ideal client? How do you bill for your services?
- Call to see if they are taking new clients and if they are interested and qualified to work with you. Note how responsive they are and if they made a favorable impression.
- Take the time to interview the firms and individual candidates. Arrange for a face to face interview to determine if you can work with them. Check to see if they have experience in your industry, size of business and have the resources to meet your needs. Ask to meet the staff members that will be working with you. Get comfortable with how they do business. Be sure you understand them, that communication is clear, direct and proactive.
- Check the references. Ask their references – are they still working with the firm or individual? Would they recommend them? How did they help their business? What could the firm improve upon? What type of services do they provide?

Key elements to look for when hiring –

- **Availability** – Tax season can become hectic for the tax preparer. Will they be available when you need them?
- **Reputation** – Have others found them competent? Easy to work with? Do they achieve the desired results? Are they reliable? Confidential?
- **Guidance** – Will they be proactive and provide advice or just process your tax return?
- **Communication** – Do you understand them?

Once you make your selection – be sure to review it annually to make sure you have the best option for you and your business!

The accountant is a trusted business advisor. They can take a business owner from the start up stage to the retirement stage. They become a counselor to the owner, other shareholders, and family. They are involved in so many aspects of the business that the relationship has to be a trusting relationship.

A small business owner can ill afford to make a hiring mistake -- especially with an accountant. The tax and accounting side of a business is getting more and more complicated. Businesses are easily crossing into other states and states are looking for revenues to tax. Hiring employees keeps getting more complicated. It takes specialized knowledge to comply with the complex and new laws.

At FOCUS CPA Inc., we go beyond the tax return and financial statements. We organize, make sense of your numbers and deliver proactive advice. We find your strengths and focus our services to pave the way to your financial success. By reading your financial numbers and listening to your story, we customize our services to bring you maximum value. We strive to deliver savings of at least 3 times our fees.

Sometimes the only difference between success and failure is focus. When you get proactive advice with numbers that make sense, you are able to focus your time and efforts where they provide the best value – running your business. Now you can put your mind at ease knowing your finances are working for you.

Founded in 2004, we work with small business owners located near Green Bay, Wisconsin, home of the Green Bay Packers. We limit the number of businesses we work with so you receive timely, high quality services. If your business is under \$10 million in sales, you do not need a full time CPA. FOCUS CPA fills that role as your “on call” CPA.

We limit the number of businesses we work with to ensure the timeliness and quality of our services and become part of your management team.

If you would like to bring focus to your numbers and improve your life, contact Mary 920-351-4842 for a free discovery meeting to see if you qualify.