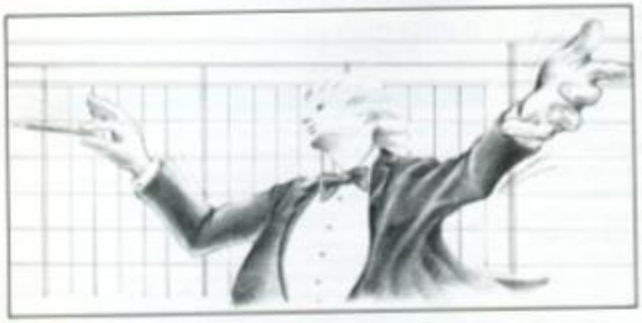
Managing Your Practice



10 TELEPHONE TIMEBOMBS THAT CAN HURT YOUR PRACTICE

VICKI VAUGHN

It might amaze you to know just how many accountants have no idea how their receptionists are handling most incoming telephone calls. Unfortunately, stressed or rude personnel may be costing your firm new clients.

The telephone has become so heavily used that many people may react to it more as an irritation than as the potent time-saver it actually can be. The telephone can help you deal with clients' problems quickly and efficiently, saving time and money. It can also keep you more frequently in touch with prospects and clients, reinforcing your firm's image of quality service on a timely basis. However, the *only* impression first-time callers may ever get of your firm can be spoiled by unprofessional telephone manners. Remember, if your phones are being misused, you're living with business "timebombs" that can make prospects feel unwelcome and cause irritated clients to quietly move their business to another firm.

This article highlights 10 common errors made on the telephone and how to avoid them.

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1/ The "Always Busy" Signal.

You've heard the annoying sound; sometimes once too often. You dial and get that *beep, beep, beep.* You dial again – *beep, beep, beep.*

If your callers cannot get through, they may wonder if you have time to take proper care of clients.

Your telephone system can be designed to adequately handle incoming calls. If clients complain that your office is difficult to reach, assign someone to answer calls when the receptionist/secretary is on a break or at the copier. And procedures for covering the phones should make it easy for the person who's filling in. Also, when a call is transferred, it should always end up with the right person. If the caller's target is not available, the call should automatically bounce back to the switchboard in a reasonably short time.

2/ The "Endless Ring" Syndrome.

Try dialing your office and count the number of rings it takes before the phone is answered. Phones should be answered on the second or third ring since an answer on the first ring may give the impression of a firm with nothing to do. However, an answer which requires more than five rings creates the impression of a firm with too much to do and may even suggest to callers that you don't care about incoming calls.

3/ The "Rushed" or "Snarling" Answer.

Your telephones should never be answered by people whose voices sound stressed. *Everyone* in the firm should realize the importance of speaking clearly and distinctly *into the mouthpiece.* If anyone reacts to incoming calls as a great interruption or sounds exasperated when answering, callers may get the idea that your firm does not really value the clients.

Even if several lines are ringing at the same time, your receptionist should *ask* each caller if they mind holding for a moment. And your receptionist should always answer in a pleasant manner – that's a rule to be set in stone.

To avoid unnecessary telephone interruptions, set a consistent policy. For example, when callers are immediately told you're in conference but will call back promptly, most people appreciate it. Before meetings, tell your receptionist exactly when you'll again be accepting and returning calls. This helps your receptionist *schedule* each callback at a time the *caller* agrees upon, thus putting an end to "telephone tag."

4/ "Hold, Please!!!"

When the lines are busy and your receptionist answers having to ask the caller to hold, instead of cutting off the caller by quickly saying "Hold please," the caller should be asked if he or she wishes to hold. Most people are happy to say yes. The receptionist should then come back on the line with a pleasant, "How may I help you?" And remember that one minute can seem like five to a caller on hold.

Note: If you need to place a caller on hold for an extended period of time, after you ask if he or she minds holding, tell the caller what you plan to do while they are on hold. Specifically indicate how your actions will relate to solving their problem or meeting their needs. If you find that it's taking longer than you thought, come back on the line and ask if they mind holding a little longer or if they'd rather be called back.

5/ "She's Not In" (or worse) "She's in a Meeting."

Your firm should establish a consistent policy for handling calls when you're on another line, out of the office, busy in a meeting, or otherwise unable to take an incoming call. Without ever attempting to determine the nature or importance of a call, many receptionists say, "Sorry, she's busy and unable to be interrupted." Unless some further explanation is offered, most callers would be justifiably offended. A better way is to let the caller know that you'll get back to him or her as soon as possible. This tells the caller that you and your staff value the caller just as much as the client you're busy with.

6/ The Third Degree.

Not all busy professionals should always have their incoming calls screened. Some of the most successful accountants in the busiest firms take every one of their incoming phone calls, no questions asked. In the long run, clients appreciate such accessibility.

Questions such as "Who are you with?" and "Will he know what this is about?" can have a rather presumptuous, unfriendly tone. In the process of screening out unwanted calls, it is possible to lose potential clients or to offend existing ones. You can learn to politely terminate *any* unwanted call within 90 seconds by doing so the first time the call comes in. You'll save your receptionist and yourself from the mounting stress of a persistent caller who'll keep trying until you just say "no!" and end the conversation.

7/ "There's No One Else Here Who Can Help You."

If someone calls your office needing information, what can be done if the person who can help isn't in? If the receptionist/secretary doesn't have the information needed to perform the job, then he or she should be able to refer the caller to someone else who can help.

Receptionists can ask the caller if the call is urgent or if it can wait until you get back into the office. Most callers are reasonable enough not to say the call is urgent unless it really is. In that case, the receptionist can tell the caller that he or she will try to reach you.

8/ Music on Hold.

Before having music installed on your phone lines, give serious thought to your clients, your image, and whether you're adding it for the wrong reason. If you think it will permit you to keep callers waiting longer, that's not a good reason. You should make it a practice never to leave anyone on hold for an extended period of time.

However, if you do choose to use music, consider the tastes of your clients. A program of rock-and-roll music can prove appalling to people with classical tastes. Also, consider the demographics of a particular radio station, for example the sex, income, age, interests, or occupations, so as not to offend certain groups of clients.

9/ Bungled Messages.

Use the play-it-back rule here. To avoid confusion, every message should be read back to the caller after it is taken.

Note: The date, time, name, company name (when appropriate) and phone number with area code should be recorded. Most receptionists find it helpful to give their name to the caller along with the time that the message will be delivered.

10/ Calls that Aren't Promptly Returned.

Make it a habit to return phone calls promptly. If you set aside two times per day, perhaps once in the late morning and once in the late afternoon, to do nothing but return calls, your clients will appreciate it.

If you're not able to return the call right away, see if someone else can help them or at least have someone let them know that you'll be able to get back to them later.

* * *

If you discover there are telephone "timebombs" ticking away in your office, defuse them immediately. By applying common courtesy with common sense, you'll save everyone time, reduce stress and improve your firm's image.

SPECIAL TWO-PART SERIES ON AUDITING GOVERNMENTAL ENTITIES

Part 2: How to Obtain Local Government Audits

The second part of this series shows practitioners how to use the local government procurement process to obtain audit work.

RHETT D. HARRELL

Performing audits of local governments can be a rewarding experience. However, obtaining a local audit engagement is a challenge to a newcomer. This article is designed to help practitioners who are contemplating entering the field to better understand the ins and outs of the government audit procurement process so that they can make the most of audit opportunities.

The article focuses on:

1/ Where to start—how to find local government audit work and make a preliminary inquiry;

2/ What local governments look for in an auditor; and

3/ How to write a Request for Proposal (RFP).

WHERE TO START

Finding local audit jobs is not difficult. The first step is to target a local entity for inquiry. The more obvious choices are the local counties and cities within those counties. School Boards generally exist at the county and/or city level. There are taxing districts and authorities in every county. Review your own property tax bill and see what other taxing bodies are listed, such as flood control districts or libraries.

Authorities may be present in a variety of forms, such as electric, water and sewer, gas, hospitals, and civic centers. These can be found in the telephone directory, local newspaper, or by attending meetings of some area local governments. These separate authorities may or may not be covered in the basic city or county audit.

Once you have targeted an entity and want to find out about opportunities to perform audit work, you should arrange to meet with the finance director (or controller, treasurer, or city clerk) of the local government. In smaller governments, city clerks, city managers, or county managers may perform many finance responsibilities.

During the meeting, try to obtain the following information:

- Current auditor and fee paid,
- Process for selecting the auditor,
- Fiscal year-end and type of report to be issued,
- Assistance expected from the auditor, and
- Particular accounting, auditing or financial reporting issues from prior year or expected in the current year.

Knowing who the current auditors are can be a strategic point. For example, an experienced sole practitioner may be able to provide better service than a larger firm for certain government entities. If applicable, this point should be stressed.

The audit fee amount provides you with insight into the hours and effort required to audit the unit in the prior year. However, do not rely only on the previous year's audit fee to establish your own fee estimate. There may have been a problem in the prior year that caused more audit work, which now has been resolved.

The process for selecting auditors can be formal or informal. A Request for Proposal (RFP) is usually issued. Make sure your name is on the list

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"Some firms audit only certain types of local governments and thus gain substantial experience and expertise."

to receive the RFP. A letter to this effect to the finance director or the city/county manager is usually sufficient, although a more formal qualifying process involving the purchasing department must sometimes be completed.

Year-ends can be a blessing or a hindrance. Calendar year-ends directly conflict with most practitioners' calendar-year clients and their annual tax work. On the other hand, June 30 fiscal year ends provide much needed summer work for staff and can help even out the work loads.

Types of reports issued can also have an impact on work load. In many small government units, the auditor must prepare the financial statements directly from the workpapers, with little or no assistance from the client. Most government units prefer to issue only the basic financial statements, foregoing the more complex Comprehensive Annual Financial Report (CAFR) prepared by other government units. Should the government unit desire a CAFR type report, the work will be much more extensive.

WHAT GOVERNMENTS LOOK FOR

In recent years, local governments have been moving toward a more formalized procurement process. Florida, North Carolina and Tennessee, for example, have strict requirements for local governments to follow in procuring government accounting and auditing services.[1] Regardless of the guidelines that apply, however, there is one common denominator of successful auditors: They fully understand local governments and the accounting and auditing issues facing these governments. Thus, it is imperative that practitioners be willing to invest time and money in obtaining the key ingredients to obtaining government audits, experience and educational training.

Note: Local governments that use a formalized approach to soliciting audits are often unwilling to allow newcomers to perform audit work. Due to frustration in not being able to obtain the necessary experience, practitioners sometimes obtain their first audit through "low-balling," (a process of deeply discounting their professional fees).

Of course this approach is bad for the profession as a whole, since the result is an audit obtained solely on the basis of price, and not on professional qualifications. It also causes other local governments to feel that they are paying too much for an audit, and to shop for lower fees. And competent practitioners may be driven from the government audit market, due to the low profitability that generally accompanies low-balling.

Experience

In auditing local governments, although there are other considerations, none is so important as the right type of auditing experience. To audit a city requires city audit experience, and likewise for audits of counties and school boards. Each type of local government entity is distinct, so unless you have experience auditing an entity like the one being proposed on, your experience is insufficient.

Some firms make it a practice only to audit certain types of local government entities, thus gaining substantial experience and expertise. These specialized firms market themselves well, using state or local maps with the locations and names of other audit clients in their proposals. This type of firm is yet another factor making it difficult for newcomers to obtain experience.

However, all is not lost. Firms can obtain experience by auditing smaller local governments, where experience may be less important than, say, price.

Educational Training

Educational background of the audit team or firm is important to potential clients. Substantial training in local government accounting and auditing can go a long way in assuring the client that they will not be a training ground, even in the case of a firm with little experience. Unfortunately, training is expensive and time-consuming.

Training is available from numerous sources, such as the AICPA, state CPA associations, Government Finance Officers Association, Texas Tech University, Florida State University, and other universities and independent training organizations.

A practitioner interested in the local government audit market should take some courses before actually proposing on new audit engagements. This will allow the practitioner to see how government auditing is different from other audits, and will better prepare the practitioner to develop a working budget for that first proposal.

The Government Accounting Office (GAO), in its revised edition of the "Yellow Book" requires accountants doing audits of local governments that receive federal funds and are subject to the Single Audit Act to fulfill 24 hours of training in government accounting and auditing every two years. Florida has already adopted similar education requirements. (Local governments failing to monitor this requirement risk having their audits rejected by the various federal and state government agencies.)

WRITING AN RFP

This section outlines what generally is found in a Request for Proposal (RFP) and provides suggestions for responding to the RFP.

Many governments ask for detailed answers in audit RFPs, which practitioners may not be accustomed to providing. Practitioners should respond aggressively and positively to each question, since short, incomplete answers will not get a favorable response.

Some RFPs are as short as one page, while others go up to more than 25 pages. The one-page RFPs are almost always incomplete.

RFPs do not follow any set format. The format listed below, however, gives the prospective auditor an idea of the items that can be found in local government audit RFPs.[3]

I. Procurement Background

A. Information concerning the contact person, initial proposal deadline date and time and number of copies of proposal required. This information, common to most proposals, is very important.

B. Description of selection process, including critical dates of deadlines, notifications, and oral interviews.

C. Evaluation criteria, if presented. Not all RFPs will contain the criteria that are the most important to the local government. Many times this information must be derived at a pre-bid meeting or in other discussions with officials.

D. Standard purchasing policies and procedures, as applicable.

E. Information on pre-bid meeting. It is strongly recommended that practitioners attend this meeting, even if it is not mandatory, to gain insights into the local government, which will help with writing the proposal, as well as deriving the proposed fee.

II. Audit Objectives and Scope of Service

A. Audit objectives.

B. Type of audit. Generally, this section covers the normal financial audit, as well as the single audit, if applicable.

C. Period(s) covered. This section covers whether the audit will be for only one year or for several years. It is recommended that an audit RFP be for a minimum of three years, with some option to renew beyond that point, provided services have been satisfactory.

D. Applicable externally imposed audit requirements. This section may include any additional audit requirements imposed by the state, or other

Accountant's Image

ANATOMY OF AN ACCOUNTANT

Accounting instructor Roger Dufresne of Northern Essex Community College was concerned his students weren't retaining the concepts discussed in class. Not so, according to one of his students who demonstrated her understanding of the material in a rather unusual way. A diagram of the lecturer defines human anatomy in terms of accounting:

bald spot.............**realized loss**
brain.....................**current asset (one year)**
mouth....................**long-term liability**
ears........................**idle equipment**
sense of humor.....**intangible asset**
pot belly................**unrecognized gain**
"love handles"........**accrued liabilities**
digestive system...**FIFO**
cellulite..................**accumulated depreciation**
rear-end.................**fixed asset**
limbs.......................**undeveloped land (long-term investment)**
clothing...................**building improvements**
wife and children...**owner's equity**

Submitted by
Donna J. Webb
Exeter, NH

FISH OUT OF WATER?

Maybe you've heard the rumor; maybe you haven't. According to one authority on the origins of accountants, they rank quite low on the evolutionary "scales." Evidence to support this conjecture was reported in Indiana Game & Fish as follows:

"Now, they tell us that fish are creatures of instinct and habit and that they rank right below accountants when it comes to creative thinking."

Submitted by
Jeffrey A. Jackson, CPA
Richmond, IN

ACCOUNTANTS DON'T KISS... OR TELL

While kissing business associates is now accepted protocol in many corporate environments, handshakes will always be the proper etiquette in accounting firms. As reported in the Wall Street Journal:

"Occupations in which kissing rarely seems to occur include investment banking, law and accounting. 'I'm an accountant. I don't kiss anyone but my wife,' says Hans Turner, a vice president and controller at Samuel Goldwyn Company."

Submitted by
Carl E. Enomoto and
Ed Scribner
Las Cruces, NM

"DEAR ABBY" OF BUSINESS PAGE TAKES SHOT AT CPAS

Syndicated advice columnist Malcolm Berko doesn't take much stock in government statistics .... or in accountants for that matter ... as he made perfectly clear in a recent column "Taking Stock." When a concerned business owner asked about the availability of data to assess the health of his industry, Berko responded:

"... government statistics are compiled by CPAs who were bored bookkeepers. I wouldn't trust any of them to count the tires on my car. Their conclusions are usually wrong, yet they importantly influence the tides of our economy."

Submitted by
William P. Bolash, CPA
Erie, PA

Gregory F. Paulus, CPA
St. Louis, MO

See our READER SERVICE CARD ...pages 111-112

TAX TIP

THE NEW INSTALLMENT SALE RULES: SOME PLANNING SUGGESTIONS

EDMUND SHLENS

The 1986 Tax Reform Act contained two provisions that severely restricted the tax benefits of the installment method of reporting: (1) the full gain from the sale had to be included in the year of sale for alternative minimum tax purposes, and (2) in the case of sales of inventory and real property, the seller's liabilities had to be carefully tracked and almost all liabilities were treated as current realization of the installment receivable under the proportionate disallowance rule.

Fortunately, the Revenue Act of 1987 undid some of the damage done by the '86 Act. For nondealers, the '87 Act repealed the proportionate disallowance rule and reversed the reporting in full of the installment sale for alternative minimum tax purposes (now allowing use of the installment method both for regular and alternative minimum tax purposes). However, the '87 Act repealed the installment method of reporting for dealers in real and personal property. They may no longer use the installment method for any dispositions of property.

Two additional provisions that affect installment sales were added by the '87 Act (in new Section 453A). They apply to nondealer sales of realty used in a trade or business or for the production of income, where the sales price exceeds $150,000. First, if the face value of aggregate installment receivables exceeds $5 million during the year, the seller must pay interest to the IRS on a portion of the deferred tax. Second, if any debt is *secured directly* by an installment obligation arising from the disposition of realty used in a trade or business or for the production of income (and the sales price exceeds $150,000), this debt is treated as a payment on the installment obligation. Let's take a look at two possible planning techniques in light of the new rules.

One planning possibility for nondealers is to pay the tax in full in the year of the sale by electing out of the installment method. For 1988, income tax rates are lower than they have been for years, and, in light of the massive federal debt and annual federal deficits, perhaps as low as they ever will go. Since a tax increase is possible following the 1988 elections, this technique could save tax dollars.

For example, suppose a taxpayer wants to sell an apartment building in 1988. The building's selling price is $200,000 and it has a basis of $100,000. If the taxpayer's 1988 tax bracket is 28% but his or her tax bracket for 1989 and later will be 50% (due to a substantial tax rate increase), then the sale of the building would have the following alternative tax results (assuming that there was no excess depreciation that would require immediate income recognition):

1/ If the taxpayer elects out of the installment method, the $100,000 gain would be taxed in full in 1988. This would result in a tax of $28,000 ($100,000 gain × 28%).

2/ If the gain is taxed over a five year period, then $20,000 would be

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subject to a 50% tax in each of those years. This would result in a total tax of $50,000 ($10,000 × 5) over five years.

Thus, by electing out of the installment method under these facts, the taxpayer would save $22,000.

A second planning possibility is to use a tax-free exchange to avoid a current tax on the gain as long as no "boot" is received. Previously proposed tax law changes would have taxed any gain in excess of $100,000 currently; thus, if such a change were enacted, a tax-free exchange would not avoid tax to the extent such gain exceeds $100,000. Foregoing a tax-free exchange, paying the tax currently, and obtaining a basis step-up might be advantageous if future tax rates were to increase greatly, since there may be higher present values of the tax savings from depreciation.

Accountant's Resources

TUNE IN TO CPE

Now there is a lively, engaging but costly way to keep up-to-date on developments in tax, accounting, auditing and practice management issues. **The CPA REPORT** is a monthly series of 30-minute videos that emulate the format of broadcast television news programs. Network anchors interview accounting experts who define, analyze and advise firms on the tricks and traps of a rapidly changing professional environment.

The CPE Manager, a special edition for sole practitioners and firms with under 10 professionals, focuses on individual and small business tax matters. This version consists of three 20-minute programs per month and is accompanied by a comprehensive viewer's handbook. Special editions for large firms and for tax specialists are also available.

In addition to qualifying each participant for up to six hours of CPE per month, the tapes can be used as an innovative marketing tool. You can use the tapes in a seminar for prospective clients, or send appropriate tapes to selected clients. **The CPA REPORT, starting at $1,210 per year, Television Education Network, Inc., 1270 Avenue of the Americas, 29th Fl., New York, NY 10020, (800) 622-1140.**

IN-HOUSE TAX PREP SOLUTION

Interactive Financial Services (IFS) recently introduced the 1988 version of its in-house tax prep software program **InTax.** The microcomputer-based version of IFS' tax service bureau offers the option of processing a comprehensive range of individual and business returns – Forms 1040, 1065, 1120, 1120S, 1041, supporting schedules, and city and state returns – directly onto the display screen or from hardcopy input forms. AMT, Kiddie Tax, NOL, IRA, Keogh, and depreciation are just a few of the calculations that **InTax** performs automatically.

Close linkage between the service bureaus' (Dynatax and Unitax) technology and the in-house package allows system enhancements to benefit small and medium-sized practices. IFS technical telephone support staff and service centers offer a "safety net" that can take the load off expanding practices.

A sample 1987 system enhanced with 1988 user features is available now for $49. The complete 1988 package, starting at $1,395, will be available in December. **InTax, IFS, Inc., 4225 E. LaPalma Ave., Anaheim, CA 92807, (800) 426-6235.**

BUDGET FORECASTING MADE SIMPLE

Did you ever wonder what would happen if you increased your billing rates and salaries by 5%? If you made Jonathan a partner in 1990? If you moved to a new office with higher rent? Now, forecasting and budget preparation can be an adventure with **CPA*Model,** a software system based on an intuitive five-step process.

The system generates multiple "what if" scenarios for changes in billing rates, staff, chargeable percentages and mergers; projected financial results for successive years; and budgets based on month, quarter, year and department. Starting with a standard firm income statement, you can customize billing and expense calculations by revising formulas already in the system, and thereby avoid frustrating hours spent starting from scratch.

Although users need not have *any* computer experience, the software requires IBM PC, XT, AT or compatible hardware with 640k memory and a hard drive, as well as PC or MS/DOS. **CPA*Model, $156, Practitioners Publishing Company, 3221 Collinsworth, Suite 200, Ft. Worth, TX 76107, (800) 323-8724.**