

FogHorn



IMA

August, 2004

Institute of Management Accountants
San Francisco Chapter

www.sfima.imanet.org

September Technical Meeting

Meeting Place: The London Wine Bar, 415 Sansome Street,
(between Clay and Sacramento), basement floor.

**Steven Rosenthal, co-founder of RGL- forensic accountants
& consultants.**

With the recent accounting and finance scandals in the US coupled with the shift towards an information economy, forensic accounting has become the fastest growing area of accounting today!

Historically, forensic accountants who work in public practice were often called after owners suspected that fraud has been committed. Now, recent major corporate scandals have prompted business owners to turn to Forensic Accountants for proactive fraud checkups. Forensic accounting financial investigative specialists work with financial information for the purpose of conveying complicated issues in a manner that others can easily understand. While some forensic accountants and forensic accounting specialists are engaged in the public practice of forensic examination, others work in private industry for such entities as banks and insurance companies or governmental entities such as sheriff and police departments, the Federal Bureau of Investigation (FBI), and the Internal Revenue Service (IRS). Steven Rosenthal has been involved in forensic accounting for over 30 years and is the co-founder of RGL. He has worked extensively with insurance companies and attorneys handling many high-profile cases, including the Exxon Valdez oil spill, MGM Grand and Hilton Hotel fires in Las Vegas, Nevada and the World Trade Center disaster in New York City.

For those interested in taking the CMA or CFM exam, be sure to mark your calendar for the September 28th Technical Meeting. We will raffle off a free set of Gleim CMA/CFM Review Test Prep Software covering all five parts of the exam.

See upcoming events section for more details.

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Date:

Tuesday, Sept. 28, 2004

Time:

5:30-6:30 p.m. - Socializing
6:30-7:30 p.m. - Dinner & Presentation.

Topic:

“Forensic Accounting”

Speaker:

Steven Rosenthal, co-founder
RGL- forensic accountants & consultants.

Dinner Cost:

Members - \$25
Non-members - \$30
Students - \$15
Please bring your friends

Reservations:

Contact:
Vanessa Vercollone
(415) 434-1411
or via e-mail at
vvercollone@
AccountantsInc.com

President's Message
Aug. 2004

Hello San Francisco IMA members.

Your board has been working hard all summer, to continue to improve the various facets of the chapter.

We have had two excellent continuing education dinner meetings in June and July, and have scheduled meetings for September October and November as well. We have engaged the services of a professional website designer to update and expand our web site. We continue to improve the newsletter and to get it out on a more regular, timely basis.

Do you have any thoughts or ideas on topics you would like to see for professional education classes, or speakers you would like to hear? Would you be interested in being a speaker yourself? Are you interested in writing an article in the newsletter?

Please contact me or any other member of the Board, with any thoughts, ideas, or if you are willing to volunteer to join the Board. The chapter is whatever we collectively make it.

Hope to see you at the September 28 meeting at the London Wine Bar.

Mark Birnbaum mbirnbaum@snader.com

Future meetings

- | | |
|----------------|---|
| Sept. 28, 2004 | Technical meeting on Forensic Accounting. |
| Oct. 26, 2004 | Technical meeting on Real Estate. |
| Nov. 16, 2004 | Technical meeting on tax update. |

A Summary of the July Technical Meeting by Greg Meldahl

July's technical session was held Tuesday, July 27, at the London Wine Bar at 415 Sansome. They have good food, large portions, plus a separate downstairs room which was very quiet.

The speaker was Brent Babow, Vice President of Kempkey Risk Management Services, Inc. He gave an update on "Effective Risk Management for Increased Profitability."

The focus of the meeting was on developing a safety strategy to control Worker's Compensation insurance costs. Although insurance companies pay claims, they recover the cost by increasing premiums in the future.

Traditional safety programs may be ineffective. They view safety as a program and don't always manage safety like other critical business operations - production, marketing, finance, etc.

Using a more modern MBO (management by objectives) approach, safety activities are monitored on an on-going basis. Safety is treated as an important business function with measurable goals and reporting. Safety can be converted from a "profit taker" to a "profit maker".

San Francisco chapter members
receive **30 - 40%** off all
CMA/CFM and CPE purchases.



Contact Lauren Jones at:
(800) 874-5346 Ext. 140
Or by e-mail at lauren.jones@gleim.com
www.gleim.com

Tips for Businesses on Employee Tip Reporting

Restaurants and other small businesses with employees who receive tips received a blow from the U.S. Supreme Court in June of 2002. That is when the High Court ruled that the IRS has the right to charge restaurants additional Social Security taxes using an "aggregate" method if federal auditors believe employees are under-reporting tips.

The case (*Fior d'Italia v. the U.S.*) involved a claim of underpaid tip taxes by a popular San Francisco restaurant.

An IRS examination showed that the tips reported on customers' credit card slips "far exceeded" the amount reported by employees on their tax returns. After a federal district court and a federal appeals court ruled in the restaurant's favor, government lawyers petitioned the Supreme Court to take up the case.

The High Court ruled that the IRS can use an estimated method to come up with an amount of tips it thinks a restaurant's employees should have reported, and then send the business a bill for the employer's share of FICA taxes on the allegedly unreported tips.

Under the "aggregate estimation" method, the IRS examines credit card slips and finds the average percentage of tips paid by customers. It is assumed that cash-paying customers tip at the same rate. IRS auditors then calculate the total tips by multiplying the tip rates by the restaurant's total receipts. They subtract the tips already reported by employees, apply the FICA tax rate to the remainder, and assess the restaurant the additional taxes owed.

— Source: The U.S. Supreme Court

Restaurants have responded to the Supreme Court ruling by entering into special voluntary agreements with the IRS to limit their audit exposure. With a Tip Reporting Alternative Commitment (TRAC), a restaurant promises to set up a system where employees are provided with a written statement of tips. The restaurant is also charged with educating employees about the need to report *all* tips. In return, the IRS agrees that it will not bill the restaurant for FICA taxes on allegedly unreported tips unless it has first examined the employees.

There is another option for restaurants: They can sign a customized tip reporting contract with the IRS called an EmTrac. This method is similar to the TRAC agreement but allows the employer to customize the procedure to their business, subject to IRS approval. If your business is in the gaming industry, the IRS has a program called the Tip Rate Determination Agreement that allows employers to use historical data to determine tip rates for various occupations.

If your business has employees who accept tips, you would be well advised to explore ways to limit your audit exposure and make sure you are in compliance with tax laws.

FUTURE TAX TOPIC SUGGESTIONS:

Is there any tax topics that you would like to see addressed in future newsletters? Please feel free to send Joel an e-mail at the address given above with your requests and suggestions.

WANT ADS

U.S. Securities and Exchange Commission

Staff Accountant

Staff Accountants conduct examinations of Broker/Dealers to ensure they maintain adequate net capital ratios and comply with federal securities laws. The position requires a Certified Public Accountant or Certified Internal Auditor designation and three or more years of experience with a strong knowledge of GAAP, auditing and some exposure to Broker/Dealer accounting (e.g. net capital ratios and preparation and/or analysis of FOCUS reports). Candidates must be current US citizens. The SEC is an equal opportunity employer.

San Francisco

\$55,000 to \$100,000 per year

10 to 20% travel

Contact: Raymond Clark

Email: clarkr@sec.gov

UPCOMING EVENTS:

The board has been working hard to revamp our programs to make our events, newsletter and website as beneficial to the chapter's membership as possible. We want to encourage every member of the chapter to feel free to give their feedback and suggestions as to what they would like the chapter to provide them as far as topics for technical meetings, articles and other information for the newsletter, and information you would like to see posted to the website.

Below is a summary of some of the upcoming changes we have planned:

WEBSITE:

We are in the process of having our website redesigned. Although the project is a little behind schedule, it is progressing nicely. We are tentatively planning an unveiling of the new website on August 25. You will be able to access all pertinent information pertaining to the chapters meetings and events, as well as past newsletters and other items of interest on it. Please check it out at www.sfima.imanet.org. As with everything else, if there is something you feel should be on the website that isn't, please feel free to contact Mark, Vanessa, or Joel with your feedback. Their e-mail addresses are as follows:

Mark Birnbaum mbirnbaum@snader.com

Joel Smith Joel@bgwbcpas.com

Vanessa Vercollone vvercollone@AccountantsInc.com

NEWSLETTER:

A help wanted section will be offered for free to those who wish to advertise an opening or to any member who wishes to advertise that they are seeking employment. This service is intended to benefit the membership by posting information on actual job openings and is not intended for job placement services to advertise.

We do offer the opportunity to advertise in the newsletter at very reasonable rates. Advertising space will be offered in full page, half page, quarter page and business card sized slots.

If you are interested in advertising in the IMA's newsletter please contact Joel Smith for information and rates.

TECHNICAL MEETINGS:

We have been very pleased with the accommodations offered by the London Wine Bar. It is conveniently located in the financial district, the food selections are very satisfying, and we have a private room to ourselves offering the atmosphere we need to conduct our meetings.

With this new location, we can once again have meetings on a regularly scheduled basis. We anticipate having our Technical Meetings on the last Tuesday of every month, with three exceptions.

We have always taking the month of August off as many people tend to be on vacation, and this allows us extra time for planning future events. Also, in November, we will have the Technical meeting on the 16th in order to avoid any conflicts with Thanksgiving. And, as always, we have our annual Christmas event in December, where we have a joint meeting with the Oakland-East Bay Chapter at Jack London Square.

We hope to see you all at the Technical Meetings!

GLEIM CMA/CFM REVIEW COURSE GIVEAWAY:

For the September 28th Technical Meeting we will have a raffle for a certificate from Gleim CMA/CFM Review. The Gleim Certificate is "redeemable for one complete set of Gleim's Test Prep Software, including all five CMA and CFM sections, for either the unchanged or reorganized exam." You must be present to win.

This raffle is for San Francisco IMA chapter members only. If you are planning on taking the exam, but you are not currently a member, not to worry. Since you need to be a member of the IMA to sit for the exam, if you are the winner, you can join IMA and our chapter, and claim your prize.

Even if you are not the winner of the raffle, if you are a member of the San Francisco Chapter, you are eligible for a 30-40% discount. Please see the ad on page 3 for details.



Switching Jobs: What To Do With Your Retirement Plan

When changing jobs there are always a million things to take care of – dealing with your insurance, notifying people in your Rolodex and getting ready for some new challenges. Although this can be a busy time, one important item that should be on your list is what to do with your employer-sponsored retirement plan. While there are several things you can do with your plan, it is important to look at the benefits and consequences of each of your alternatives. Let's take a look at the four basic choices you have when making a career change:

Roll assets into an IRA. If you are changing jobs, rolling your employer-sponsored retirement account assets into an IRA is usually the best option. Rolling your assets lets you retain the funds' tax-deferred growth potential as well as giving you access to the money if needed. This feature may come in handy especially if you are leaving your current job due to a layoff situation and need to access the funds.* If you leave your retirement plan assets with your former employer, you may find you are unable to make withdrawals at your request. Instead, at retirement, distributions may be paid according to a predetermined schedule outlined in the plan. An IRA provides you with the flexibility to determine how much income you need once you retire and you can take withdrawals anytime you want. In addition, you can maintain all of your IRA assets in one place which will make your asset allocation task that much easier.

Cash out. Many people feel they should take the money out of their employer-sponsored retirement plan when changing jobs, but they may be paying unnecessary income taxes by doing so. Even if you need to use your savings for income at the time, you should consider the consequences of liquidating your former employer's retirement plan. You may switch jobs several times in your career and if you cash out every time you do so, you may eventually erode all your retirement savings.

In addition, you will be eliminating a key income source at retirement, which can jeopardize your financial security. Another point to consider is that when you take out the funds in your account, you will owe income taxes on the amount you receive*. Cashing out should be viewed as a last resort.

Leave your assets in your former employer's plan. If you have already had several jobs, leaving your assets in a former employer's plan may seem like the easiest alternative. It requires no action on your part but there may be some consequences down the road. First of all, your employer will control when and how you access your savings in the future. In addition, you will need to keep track of each plan, their different rules and the location associated with each one. This may become cumbersome if you have assets in several plans.

Move assets into a new employer's plan. You may be able to move your retirement plan assets into your new employer's plan, depending on the rules of the plans. The government has removed many of the barriers that previously made it difficult to transfer funds from one employer to the next. Now you can transfer funds from plan to plan even if the plans are not the same (ex: from a 457 plan to a 401k plan). You do, however, need to check whether or not your former and new employer's plans permit the funds transfer before going ahead with it. While this will help keep your funds in one central location, you will be limited to your new employer's plan so you'll want to make sure the rules will work well for your specific financial situation.

As you can see, there are several options for you to consider and your financial consultant can help you see the advantages and disadvantages of each one.

***withdrawals prior to age 59 ½ may be subject to a 10% IRS penalty as well as regular income taxes.**