

The Relentless CPA

A New 21st Century System
for Driving Success at
Tax and Accounting Firms



Frank Stitely

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A New 21st Century System for
Driving Success at Tax and Accounting Firms

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Contains step by step procedures, worksheets, and checklists
to transform your firm into a profit machine.

•
Works for sole proprietors and larger firms.

•
Make more money with less effort
while amazing and delighting clients.

•

By Frank Stitely, CPA, CVA

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Contents

Foreword (why you should read this book)	v
Prequel – Easy Answers.....	vii
Chapter 1: The Case for Effective Project Management.....	1
Chapter 2: What is a Project?.....	11
Chapter 3: Defining Project Workflow and Statuses	19
Chapter 4: Managing People, the Heart of Effective Project Management	27
Chapter 5: Your Role as CEO.....	51
Chapter 6: Driving Profitability and Client Retention with Effective Project Management.....	79
Chapter 7: Implementing Effective Project Management.....	101
Chapter 8: Thriving as a 21st Century Firm Using Effective Project Management.....	107
Afterword – Debunking the Demise of the CPA Firm	117
About the Author	121
About CPA Trendlines.....	125
Checklists	129

Foreword

(why you should read this book)

Read this book because you're tired of 14-hour days during tax season. Read this book because you're done having your work schedule determined by the client screaming the loudest. Read this book because the days of extending half your clients' tax returns are over. Read this book because you intend to be in business five years from now.

For years, I've written angry-man blogs flogging CPAs and tax preparers for not treating their practices like businesses (www.ClarityPracticeManagement.com). I coined the term "ruthlessly efficient workflow management" to promote the marriage of project management and delegation. I ridiculed consultants who believe you can fight commoditization by jawboning clients into paying premium prices for Harry Homeowner tax returns. I've been a mean, sarcastic man. And I have failed you.

I didn't realize my failure as a result of Charles Manson tagging me in a Facebook post, "Frank Stitely is wrong about project management. Like and share this post." That was just a bad dream. I hope. I turned down his friend request to be safe. No, I realized my failure from trying to help firms improve their project management.

These firms all saw the value of efficient project management. They saw the value of including clients in their workflow processes. They saw the value of preparing for the future. But I might have had better success teaching trout to sing the national anthem.

Does my failure mean I'm going to be less sarcastic and mean? Certainly not. As Popeye said, "I yam what I yam." But now, I understand why firms fail to change and improve. Firm leaders are not blind or incompetent. They are trout singing the national anthem.

They are experienced tax preparers, but they're woefully inexperienced at running efficient businesses. They got into the business to provide incredible service to clients, but now they're trout standing on the Yankee Stadium turf waiting to sing before the game. The CPA biz changed, and they're now

fish out of water.

Success no longer depends on dutifully data-entering W-2s and 1099s into solo workstations. TurboTax killed that market. Success now means managing thinning profit margins on more complex returns. Success means harnessing electronic data flows in the cloud. Success means providing a great client experience – maybe not on a Disney World level, but certainly way above what we provided 20 years ago.

So, I apologize for not understanding. Turn to the next page, and I promise to start at the very beginning. I also promise to drop the trout analogy.

Frank Stitely, CPA, CVA, traffic cop,
and reviewer of other people's tax returns
Stitely & Karstetter, CPAs
Clarity Practice Management

Easy Answers

I promised to start at the beginning. I lied. We'll start before the beginning, but this prequel won't be a waste of time like the Star Wars movies. Let's discuss what you want to be when you grow up.

I know... you became a CPA because that sounded like an adult job that would give you the financial resources to buy that Lamborghini and winter in the south of France. Have that Lamborghini yet? Me neither. Clearly people lied to us #fakecareers. I'm not really into \$2,000 oil changes anyway.

So, let's shift the focus from you to your firm. What will your firm be when it grows up? What do you want it to be? How do you transform your firm to make it the best it can be?

We are going to transform your firm with a very simple, but difficult, thought experiment. Einstein discovered relativity with thought experiments. The least we can do is make a little money in his honor.

Start by imagining you're starting a brand-new business with zero revenue and no operations. Go out and drop \$20 on a set of cheesy business cards that list you as president, CEO, chairman, COO, CFO, CIO, founder, and managing partner. If you've been in business for a while, you've met with hundreds of these losers. The next one who reaches \$1 million in revenue will be the first.

You will be the chairperson of a hot new startup looking to raise money from angel investors. We are going to reimagine your CPA firm as a startup from the ground up. What will it take to attract investors?

How is this exercise relevant to you? Someday, maybe soon, you'll sell your firm, and the attributes that make your firm attractive to a buyer will be the same attributes that would attract an investor in your startup firm. Why are we imagining your firm as a startup? Because you have a lot of assumptions about how your firm should operate that just aren't true.

You didn't necessarily do a rotten job running your business, but maybe you did. Your firm likely drifted more than it evolved. Let's strip the assump-

tions away, and start fresh. If you were 25, how would you create a firm? OK, maybe 35, if you can't even remember 25. I can't.

What does every self-respecting owner of a startup do? Let's hire a consultant! Where should we start our search? Obviously, we should look for someone who has absolutely no experience running a CPA firm. If we can't find that person, let's hire someone who hasn't done a workpaper since the 1980s. If we're still striking out, let's hire someone who ran a firm for a few years and discovered that talking about running a CPA firm is easier than running one.

A group has been abusing my Facebook timeline with ads touting a system promising to transform our clients into \$10,000 annual billing clients. I did a little sleuthing – for free of course. If I were billing someone for this, I would call it forensics.

I checked a few of their members' websites. The first one offered corporate and personal tax preparation, tax planning, bookkeeping, and payroll for a monthly fee of \$150. I didn't need my staff to do the math for me on this one. Twelve times \$150 is just a bit less than \$10,000 per year. Strike one.

The owner of the second site bragged that he answered all telephone calls personally. He didn't have an assistant screening his calls. What we have here is a newbie who can't afford to hire someone. I can't blame him too much for trying to spin this into a positive. Strike two.

The members of this organization tout a book with tax-saving secrets only rich people know. You know what these secrets are – amazing suggestions like keep a mileage log and write a book to generate passive income. The book is "Secrets to a Tax-Free Life." The title tells you everything you need to know.

The owners of each website that I visited are listed as co-authors of the book. You can find it on Amazon, if you don't have a life worth living. They don't mention the other co-authors on their sites, but Amazon lists them all

Are you interested in knowing how many members the group has? Here's a quote from the website.

"There are less than 500 specialists in 48 states trained by American Institute of Certified Tax Coaches. This elite network of tax professionals includes CPAs, EAs, attorneys and financial service providers."

Is it closer to 500 or closer to zero? Is this how CPAs answer questions? This is like writing an audit opinion that says maybe a set of financial statements is presented fairly, but maybe it's not.

The group was organized as a nonprofit by a woman who ran a practice for seven years before taking her vast store of knowledge public. The only thing the organization does is sell seminars. I would love to get a look at that 1023 or 1024 form. Smells like a for-profit business to me, or at least an attempt at one. Strike three. Back to the minor leagues with them.

If you want a little more detail on this group, check out my blog on the Clarity Practice Management site: <http://www.claritypracticemanagement.com/practice-management/beware-the-leeches-and-consultants/>

Did this last section make me look like a Facebook troll? Guilty as charged. My wife and kids rate me as a world-class troll. A man needs a hobby. I only troll bad people. That's what I keep telling my therapist. I swim in denial.

The certified tax coach thing didn't work out for us. Let's look at another group, who seem to have the answer to our Lamborghini problem. If we just bill what we're worth, surely our fortune will surpass Warren Buffett's. Yes, I'm talking about value pricing.

The best thing about value pricing is that you can succeed with just one piece of information – the value of your services to clients. You can toss your time sheets or any other cost tracking. The income statement for a value-pricing CPA firm consists just of revenue – no expenses. Expenses are irrelevant when we have forward-looking metrics such as client and employee satisfaction.

Let's have a little fun with the core tenet of value pricing. You only need know the value of your services to a client. You can ignore the cost of providing the services. Let's assume that our value to our prospective client, Sharon, is \$20,000 per year.

Value pricing theory holds that we can price our engagement with Sharon up to the value of the services we will provide. If we leave some value in the engagement for Sharon, she will accept the engagement as she profits more from accepting the engagement than from turning it down. Because I'm a nice guy, I'll charge \$19,999.99. That leaves a penny for Sharon. She still

makes a profit on the deal, so she'll jump all over this.

Because you're sitting here patiently, we'll let you play and make a proposal to Sharon. We are going to give you one little piece of information. This service will only cost \$1,000 to provide. You have a service worth \$20,000 to the client that will cost you only \$1,000 to provide. What's your bid to Sharon?

Because you know my bid was \$19,999.99, you could safely bid \$19,000 knowing you will get the business. Somewhere a value pricing consultant reading this is having a convulsion waiting to tell me, "But Frank, how would someone know what another CPA has proposed?"

This is how you know these consultants don't work in CPA firms. All you do is ask Sharon about my proposal. She's dying to tell you. She'll tell you my bid was \$15,000. Maybe you lower your bid to \$15,000 or maybe you stick with \$19,000. You're still going to win the business.

Then Sheri comes along and bids \$14,000 for Sharon. Now you lose. Think about this. You lost a really profitable job, because you got greedy. Sheri was just slightly less greedy. She wins – at least until John comes along and bids \$10,000. And so forth. Same as it ever was.

The value pricing dudes will tell you that we're all just racing to the bottom. Economists would tell us that we're racing to a market equilibrium in which demand intersects with supply. In a market flush with firms hungry for business, the price will settle somewhere above cost, where a reasonable rate of return is achieved. I'm betting on about \$3,000. Doesn't this example look a lot like the market for corporate tax preparation?

Let's change our example just a little. Now, assume that our cost is \$19,000, instead of \$1,000. What's your bid to Sharon? You might not even make one. If you're off just a little bit on your cost estimate, that \$1,000 profit will be gone, and you could lose money.

Let's do a third example. Let's assume my cost to provide the service is \$16,000 and your cost is \$12,000. Do you think that gives you a bidding advantage? Of course it does.

Cost matters. The only variable in our example was cost. Cost drives outcomes every bit as much as client demand. That's why income statements have revenues AND expenses. Value pricers ignore half the pricing puzzle.

They're great on the demand curve, but ignore the supply curve altogether.

In the above example, we didn't even question the \$20,000 value amount. Let's come back to that and look at how that number was developed. Let's start with a simple example. Let's determine the value to a client of a basic 1040.

What is the value of a properly completed individual tax return to a client? Think about how you might develop a method to compute this. The value pricing people tell you to look at the thousands of tax dollars you are saving for the client. Compared to what? An incorrectly prepared 1040?

What level of incompetence are we to assume in making this calculation? Are we talking about a preparer who takes his shoes off to calculate the standard deduction? Are we talking a preparer who doesn't know about itemizing deductions?

Today, I read a promoted Facebook post from the certified tax coach people. They told a CPA that he could charge \$10,000 per client per year because of the amazing tax savings he would produce. Then an actual client got on the thread. He wrote that he could find a dozen CPAs who would do the same thing for much less. He wrote that his CPA already worked very hard to find tax savings, and if his CPA tried to bill \$10,000 per year, he would boot his butt out the door.

Of course, the troll in me surfaced and I wrote, "Funny what having an actual client on the thread does to bring a little reality to this post." I'm certain they deleted my post as they have others critical of their fantasyland

The real way to determine the value to a client is to examine the additional value any particular preparer brings versus the average preparer. If you're an above-average preparer who saves a significant amount for clients more than the average preparer, you should get some of the incremental benefit.

This approach has a couple of hurdles to overcome. First, let's consider the concept of the average preparer. Obviously, none of us is average. We are in the top 10 percent of the profession. If you surveyed CPA firms across the country, how many would rate themselves as average? I'm guessing none, except for the maybe one guy with pathological honesty. However, on average the average CPA is, well, average. So industry wide, how solid is

the foundation for the calculation of incremental benefit over the average preparer?

Second, let's assume someone really is above average. How does she convey that effectively to prospective clients?

"Lookie, lookie, lookie me. I'm the bestest CPA in the world!"

You can hate that wording, but every assertion about being above average really boils down to some version of that line. To which the guy down the street responds, "She sucks. Her clients get IRS letters. I'm the bestest CPA in the world!"

Whom does the client believe? The CPA proposing the lowest cost. Because clients can't accurately assess the quality of a CPA, they buy on price, which they believe they can accurately assess. They can't accurately assess price, but they think they can, and that's what really matters.

Now let's tackle my biggest gripe with the value pricing people.

"Time sheets suck! Toss your time sheets!"

Who doesn't hate filling out a time sheet for the entire week at 5 PM on a Friday? How could that ever be accurate? It cuts into my beer-drinking time!

Do time sheets even exist anymore? They haven't existed since about 1990 at the latest. Some genius invented the memory resident, background timer that lets us track and record time as we go. Our first time-tracking software was Timeslips back around 1990. It had a timer that fed timeslips into billing and reports on a real-time basis – back in 1990.

We never had time sheets. I spend maybe five minutes per day on time tracking. Time management experts will tell you that unless you track how your time is used, you'll never figure out how to use it better. Time tracking makes people accountable not just to bosses, but to themselves. I am ashamed to admit how often I get to the end of a day and realize I have a whopping three hours of billable time. The real value is then asking myself, "Why?" Most of the time it's Facebook trolling.

Here's Frank's law of tax preparer time management. However long you think it takes a preparer to complete a return, it takes much longer. It takes three times as long as you think it does. We'll get into why in later chapters, but this is an important little piece of information to know.

If you think you're making good money on a \$500 1040, you are probably

wrong. I did this analysis a couple of years ago and found that on returns priced at less than \$500, we made basically nothing. We were recycling money. The time to prepare a \$500 return isn't materially less than the time to prepare a \$700 return. That has some marketing and client acceptance implications, doesn't it? Of course, if you have no time tracking information, you won't be able to do this sort of analysis. You get to continue serving low- or no-profit clients, because you don't know where the line between profitable and unprofitable lies.

Finally, there is just one appeal of the "toss the time sheets" mentality. People hate them. People hate broccoli, cauliflower, fish oil pills, exercise, and flossing. People hate lots of essential things. People in Northern Virginia hate stop signs and generally just ignore them. I would condense the food pyramid down to just beer, if not for the annoying health implications. Time tracking is essential to knowing your costs, and as we saw above, costs really do matter.

I'll end this diatribe about the value pricers with some kind words. I once called them the Value Billing Taliban in an article, because they set Google alerts to quash any criticism of their religion. They also hate when I call it value billing and not value pricing. That dilutes their marketing message. I read an article that called value pricing one of the 10 most overrated accounting trends of the 21st century. I imagine they hired a hit man over that.

So, for the kind words... They have focused a lot of attention on billing methods and how to define the demand curve. They have given many firms the confidence to examine their billing methods. In the grand scheme, they moved us closer to a recurring revenue model that emphasizes subscription-based pricing. For that, we owe them gratitude. A lot of people crashed before the Wright brothers flew. The value pricing advocates are those people who crashed. We'll talk more about billing later.

Why did I just tear into two groups of people above? Because they have easy answers. There are no easy answers. The people who are selling "Firm of the Future" once sold elder care as the future. Did you make a killing off elder care? That was one rotting corpse of an idea.

Do you want advice from someone who found consulting to CPAs more

profitable than being a CPA? Do you want advice from someone whose income is probably less than yours? Remember the success expert from the movie, “Little Miss Sunshine”? Just follow the seven steps, except that they didn’t work for him.

I wrote a blog about a franchise business coaching program a couple of years ago. I determined that a really successful business coach with that franchise could expect to earn about \$70,000 a year. Not an average coach, a very successful one. Who should be coaching whom? At least I know a dog business when I see one.

There is no single change to your practice that will get you that Lamborghini. Improving requires lots of changes.

Where should you turn for advice? Look in the damn mirror. Hello, meet you, the only consultant with your best interests at heart. You must drive the improvement process.

In this chapter, I am asking you to reimagine your firm from the ground up. If you want transformational change, this is the only way. As CPAs, we minister to everyone’s businesses but our own. If you were advising a client on transformational change, where would you start?

First, you would break the company down into its parts:

1. Marketing
2. Operations

If you pitched the idea of starting a CPA firm to investors, you’d put together a slide deck covering these areas. Note that I didn’t write “business plan.” That term is dead in the 21st century. If someone, like a banker, tells you that a client needs a business plan, give the banker a Geritol and take him to dinner at 4 PM for the early bird special. You have a geezer on your hands. Stay close to a crash cart. He’ll code before dessert.

What systems do you need to obtain clients (marketing) and then to serve clients (operations)? I’ll leave marketing to marketing experts. In this book, we’ll talk about a portion of operations, specifically project management, but we’ll view project management in the broadest sense, encompassing hidden aspects such as people management. You can’t manage projects without managing people. I’ve tried.

When you evaluate ideas to implement, look outside the CPA world.

Our clients are told to consult us on everything, but our industry is woefully behind other industries in management sophistication and management resources. Finding books on CPA firm management, written by real practitioners, is difficult. Most of the books were written by consultants selling easy answers.

In this book, we'll discuss Lean Six Sigma as it applies to CPA firms. We'll discuss lean processes and error tracking. You've probably heard of Lean Six Sigma. Our manufacturing clients implemented it back in the 1990s. I'm betting this is the first time you've heard of its application to the CPA world.

Recently, I read some articles referring to lean processes for CPA firms. They don't explain what lean means. Here's a quick lesson in lean as it applies to CPA firms and project management.

Any step in a process that does not add value to a client service or isn't required by regulation should be eliminated. We'll build on this elusively simple concept in later chapters.

When was the last time you read a book on managing people in a CPA firm? Some books cover it tangentially. We'll dive into it here, although the topic deserves its own book. We'll use concepts from "The One Minute Manager."

There are three great sources of information on transforming CPA firms:

1. Successful peers
2. Successful clients
3. Books and publications that are not about the CPA profession

Why are peers a great source? Unlike consultants, they walk the walk every day. If you're a \$250,000 annual revenue firm, cozy up to a \$500,000 firm at a conference. In a roundtable discussion, sit at the table for firms one size larger than yours. Be a rebel. Go rogue.

Every year I attend the annual user conference for our tax software. I get to go for free because I help them with prospects. The conference is gold. I attend every roundtable discussion I can schedule. Last year, I got a great tip on managing files posted to our portal. One firm told me that they had a designated portal person who was responsible for retrieving client-posted files and incorporating them into personal tax workpapers. We've struggled

with the workflow around capturing thousands of client-posted documents and getting them to the final workpapers. That tip will ultimately be worth multiples of \$10,000 in terms of productivity and client happiness.

Most conference attendees avoid vendor exhibits like they're spreading Ebola as well as ink pens. During the first conference break, I walk through the vendor exhibit room making notes about vendors who have new or interesting products. During later breaks, I'll visit those booths. I attend one conference mainly because of the vendor exhibits.

Our CPA world changes at an incredible pace. Conference sessions run a year or two behind the vendors in terms of technology advances. I like to find out what vendors are planning a year or two out. The big vendors, like Intuit and Sage, won't tell you much, but the exhibitors who actually own companies will tell you lots.

Do you have some clients who just seem to print money? I do, and I've learned a lot from them. Once construction contractor client works on a 30 / 10 business model. He only accepts jobs with 30 percent gross profit leading to a 10 percent bottom line. If potential jobs don't fit in that model, he won't even submit a proposal.

One of my government contractor clients is basically a sole proprietor with a \$400,000 bottom line. He relies on subcontractors, whom he doesn't have to pay when business is slow. He works from his two homes, one in Northern Virginia and the other in ... Hawaii. He has no overhead. He is entirely virtual.

You have clients like this as well. The first one taught me to have a mental model in my head of projects that work financially for us. The second taught me about scaling without adding staff. We'll explore that concept in a later chapter.

Read business books from outside the CPA profession. Our profession is woefully behind state-of-the-art management. Have you read anything about agile project management in CPA firms? If you Google "agile project management for accountants," you'll get few hits. Happily, one of those hits is a blog post of mine: <http://www.claritypracticemanagement.com/workflow/using-agile-project-management-in-your-cpa-accounting-tax-practice/>

The agile concept first surfaced about 10 years ago in the real world. It

has yet to break the surface in the CPA world. If you want the best, most up-to-date information on management trends and techniques, you won't find it in the CPA world.

I'm doing some research on reducing errors on tax returns and other accounting projects. You'll see some of the results in a later chapter. Where do you go to find the causes of errors on tax returns? Good luck finding anything in the CPA world.

I'm finding the best resources in the medical field. Conquering the issue of why tax preparers can't get tax withholding right is similar to keeping a surgeon from amputating the wrong leg. I'm reading a book on error prevention written by a former submarine captain. When you screw up hundreds of feet deep in the Pacific, you die. When a preparer screws up tax withholding, you just kill clients. Well, you don't actually kill them, but they're dead in terms of coming back next year.

I read or listen to 30 to 40 business books a year. Once in a while, I read one about physics or cosmology as a palate cleanser. I love business biographies. If you want to understand business owners, you'll understand them best after reading about Warren Buffett, Bill Gates, and Steve Jobs.

You'll learn that all successful business owners are narcissists on some level. They focus on their businesses to the exclusion of anything else, including in some cases personal hygiene. Work-life balance? You'll learn that doesn't happen until you fix your business.

Our best business clients are all crazy on some level. They have to be. You're crazy too, or you wouldn't still be in business.

I subscribe to Audible.com and listen to dozens of books while suffering through Northern Virginia traffic. I get through an Audible book every few days. Most of them are garbage, but about one in five is valuable. I just finished one on negotiation written by a former FBI hostage negotiator. I'm just waiting for the next client to ask me to discount a bill. I'll make him an offer he can't refuse.

Bombard yourself with ideas. Bombard your staff. Audible.com is about to become an employee benefit in our firm. If you want new ideas from staff, you must plant the seeds. Let your staff do some of the heavy lifting.

The purpose of this chapter was to reset your expectations. To reimagine

your firm, you must step outside your normal sources of information. You must learn to evaluate sources of information for credibility. You must be open to new skills. We'll discuss client communications in later chapters, but as a preface, to attract 21st-century clients, you'll need new methods to reach them. Millennials hate phone calls.

You'll find a set of checklists at the end of the book. I hate checklists, at least the ones we use to keep our peer reviewers happy. You probably hate them too. If the profession spent less time on checklists and more time vetting the numbers on financial statements, we'd have fewer audit disasters.

My checklists are different. You'll see how different when you get there. Checklists are associated with each chapter. Complete them as you complete each chapter. I promise you some surprises.

Debunking the Demise of the CPA Firm

Congratulations! You made it to the end. Grab an adult beverage. Hopefully, I have given you lots to think about, and maybe scared you a bit. Most of all, I hope that I have motivated you to adopt effective project management. Now, I owe you a little dessert after the main course, some good news that maybe you didn't expect to cap this book.

Industry pundits subject us to a nonstop barrage of predictions that CPA firms will cease to exist very shortly. By now, you know how much I love our industry pundits, who have never worked a day in a CPA firm. I dislike the ones who have not worked in CPA firms in the last 20 years only slightly less. Their predictions are total and utter nonsense.

I see two main types of doomsday predictions from our pundit buddies. First, they tell us that artificial intelligence (AI) will replace us. Next, if AI doesn't get us, blockchain will.

About a year ago, I read "The Future of the Professions" by Daniel and Richard Susskind, copyright 2015. The authors made two main predictions for the future of accounting. First, do-it-yourself accounting software will replace our financial reporting business. Second, internet tax research will eliminate our tax business.

I mentioned the copyright date, because I had to check the date to make certain I wasn't reading a book from 1995. Back then, QuickBooks and TurboTax were going to eliminate us. The internet was new and soon all human knowledge would be accessible and free. Who would need tax accountants?

Well, we're all still around. Has anyone noticed how much QuickBooks improved the quality of our clients' accounting records? Me neither. Has anyone noticed the great tax research our clients find on the internet? Me neither. They go eight pages deep in a Google search to see what they want to see. Some nut job opines that your dog's vet expenses are tax-deductible. Oops – that was my blog.

Let's consider the predictions about artificial intelligence and blockchain

separately. Start with the observation that predictions, without dates, have no information content. For instance, if I tell you that someday we will travel to the stars, but I don't tell you when to buy your ticket, I have provided no useful advice. So, our pundit buddies don't get off the hook by promising someday in the future. "Tomorrow. Tomorrow. I love you, tomorrow. You're always a day away."

One of the major national tax franchises made big news by announcing that IBM's Watson super-duper supercomputer would provide tax advice for its clients. I heard an unsubstantiated rumor that Watson answered the first client question as follows: "It depends. Consult your CPA for more information."

Totally unsubstantiated rumor. #fakenews. You can't believe everything you read on Facebook.

Artificial intelligence won't replace us anytime soon for one simple reason: People aren't getting any smarter. In other words, they can't properly use and interpret the results produced by expert systems.

For example, did WebMD replace doctors? We need more doctors now, not fewer. WebMD didn't replace doctors, because people can't effectively use results from WebMD. What are all the possible diagnoses for someone with a runny nose? You could have anything from the common cold to cancer to an STD. Believe it or not, there is a reference on the site to how a runny nose can affect your sex life. Who knew that was my problem? I thought it was my looks and my winning personality.

Expert systems get co-opted by the experts. AI systems enhance experts. They don't replace experts.

For example, IBM touts the ubiquitous Watson's expert system for medical diagnosis. But who do they sell the system to? You can't go to your corner 7-Eleven and use Watson to diagnose that rash on your backside. IBM sells Watson's solution to hospital systems. Experts co-opt expert systems.

I recently read in the Wall Street Journal that IBM's division that sells Watson experienced an earnings decline. If Watson is so smart, why didn't it see this coming? Fortunetellers can do as well. Maybe IBM should use them for SEC filings.

Blockchain technology supposedly will replace us by letting businesses

keep their own accounting records. Even if the technology could accomplish this in the near term, it would not replace us.

When did you last change the oil in your car? No, I'm not talking about taking it down to the dealer and paying them to do it. I mean when did YOU buy the oil, flip up the hood, drain the old oil, and pour in the fresh stuff? For me, it was ... never. For the new car that I just bought, I'm not even certain where you pour the oil in. I pay a dude at the dealership to do that. Manly stuff, like oil changes, just isn't my core competency.

Why don't you change your own oil? Is it because you're too stupid to figure it out? In my case, maybe. I'll bet you could figure it out. When you Google "how do I change my oil," you get 177 million results. Clearly the knowledge is out there. So why don't you change your oil?

Simply because you have better things to do. You freely choose to pay someone to do something you really could figure out for yourself.

So, assuming our clients can do their own financial reporting, they will not do their own for the same reason. They have better ways to spend their time. Some will do their own accounting, as they have done since QuickBooks, but most will choose to do something that is a better use of their time. What's the hottest trend in accounting right now? Outsourced accounting services. Clients are looking to do less, not more.

Let me give you one last laugh at the expense of industry pundits. These are a lot of the same people who tried to push elder care services on us years ago. You remember elder care, don't you? Also known as bedpan counting, it was a service without a market, at least not a market that would pay real money.

You got to deal with heirs counting the hours until Aunt Edna stopped breathing and the revocable trust became irrevocable. Sure, they wanted the best for Edna, as long as it didn't reduce the trust corpus.

So, enjoy the final sips of your adult beverage and rejoice. AI and blockchain ensure that in the future, clients will need us even more.

I sincerely thank you for reading this book, and I look forward to meeting you somewhere down the road. At the end of staff meetings, I steal a line from Sergeant Stan Jablonski of "Hill Street Blues," who said, "Let's do it to them, before they do it to us." Make it happen!

About the Author

Frank Stitely, CPA, CVA, has been a practicing CPA for more than 28 years. Soon he hopes to be good enough to quit practicing and actually get in the game. He also hates writing in the third person.



I have a degree in economics and finance from Clarion University of Pennsylvania. My first job after college was reconciling about a hundred bank accounts each month for a family of mutual funds. Eventually they gave me a job preparing financial statements for a half billion dollars in mutual funds.

My training for that job consisted mainly of my predecessor looking distressed that I didn't know the difference between a debit and a credit. I went home that weekend with a case of beer and pulled out my old accounting texts. By Monday, I knew enough to avert a financial industry disaster. That case of beer did not die in vain.

Then, I took enough accounting courses to sit for and pass the CPA exam.

Currently, I am working on my doctoral thesis titled, "The Socioeconomic Benefits of Facebook Trolling." The Russians are funding my effort.

My business partner, Paul Karstetter, and I started Stitely & Karstetter, CPAs in November 1989 at an Italian restaurant. We put our pennies together and quit our jobs. We sneaked out of the restaurant, because we couldn't afford to tip at that point.

Our starting a CPA firm that largely specializes in tax returns seems a bit cheeky today, as I was pretty much incapable of preparing my own tax return in 1989.

I still have trouble with my own return. My wife leaves the house each year while I prepare our return. Occasionally during the process, I yell out, "Fudge!" or "Gosh darn it!" just as our clients do when we present them with

a \$20,000 tax bill.

You might be curious about this thing called “Clarity Practice Management” that I mentioned a few times. OK, I mentioned it a lot.

Clarity Practice Management promises to bring together people of all races, cultures, and religions in the pursuit of effective workflow management. North Korea will abandon its nuclear weapons once it learns the joy of knowing where tax returns are during tax season.

We adoringly call Clarity Practice Management “CPM” because acronyms make things seem so much more important than they are.

CPM combines workflow management with a portal, practice management tools, and client communications. Who’s responsible for most of the problems in our workflow systems? Clients, of course. What’s missing from other systems? Client involvement in your workflow.

CPM automates most routine communications with clients. When a client doesn’t answer your questions, CPM nags them until they do – just like your mother-in-law.

CPM has been scientifically proven to make CPA firm partners more attractive to the opposite sex. OK, that MAY be an exaggeration, but with CPM, you’ll see your spouse before midnight during tax season, if you want to. I’m not judging.

Ten years ago, I went looking for a project management system to support our practice growth. We had exceeded our ability to manage projects using piles of files and Excel spreadsheets. I found the rudimentary project management features in time and billing software to be laughable. They also missed the concept that the most important people in project management are clients.

We developed CPM in partnership with Peter Daniel of Future Integrated Systems, LLC. Peter was and is the perfect software developer for CPM. He is a longtime client who understands what clients want from our system. The very first year more than 90 percent of our clients used CPM. Now pretty much 100 percent use it. I don’t want clients who won’t use it.

Over a period of years, I talked to many of the major tax industry firms about CPM. The biggest told me that CPA firms would never adopt project management. They saw us as incompetent businesspeople. Yes, they really

think that about us and say it behind our backs.

They missed the point. Clients are driving us to interact online. Our clients use online systems all day, every day. They order from Amazon.com. They bank online. They want whenever, wherever access to whatever they desire, including their CPA firm.

CPM delivers that experience.

End of commercial.

If you enjoyed this book, please check out my blog at ClarityPracticeManagement.com. I also encourage you to subscribe to CPATrendlines.com. Don't just subscribe, engage with the authors. Rick Telberg, the editor, puts together the best sources for cutting-edge practice management. CPATrendlines also publishes a wealth of practice management books from running a tax resolution firm to partner buyouts. I own a bunch of them.

I thank you from the bottom of my heart for putting up with me, reading this, and opening your mind to the future of CPA firms. Down the road, let's share an adult beverage and talk practice management.

Let's do it to them before they do it to us.

Frank Stitely, CPA, CVA

About CPA Trendlines

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