

# DISCLOSURE

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## Does Your Employee Benefit Plan Need a New Auditor?

Change and transparency are signs of the times, especially for employee benefit plans. The past year has brought continued changes in fair value measurement disclosures related to all plans and in filing requirements for 403(b) plans. A quality audit will help protect the assets and the financial integrity of your employee benefit plan and ensure that the necessary funds will be available to pay retirement, health, and other promised benefits to your employees.

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### REASONS FOR CHOOSING P&G TO AUDIT YOUR EMPLOYEE BENEFIT PLANS:

1. Focus on EBP Audits
2. Breadth of Experience
3. Associated with Nationally Recognized Professionals
4. Strong Technical Resources
5. Specific Benefit Plan Audit Training
6. Efficient and Effective Audits
7. Frequent Communication
8. The Right Combination (*technical experience and resources with responsive, flexible and timely service*)
9. Experienced Stand-Alone Alternative
10. Our Commitment to Clients

## Is Your Business Ready for Cloud Computing?

*Q&A with James Haggerty, Director of Technology Solutions*

As a business owner, it's hard to ignore the intensifying drumbeat of cloud computing. Cloud computing is big – and getting bigger. But is it the right choice for your business? We caught up with James Haggerty, P&G's Director of Technology Solutions, recently to learn more about the "cloud" and how businesses can benefit from this technology.

### What exactly is cloud computing?

Cloud computing is the next stage in computer networking, providing the means through which everything – from computing power to computing infrastructure, applications, business processes to personal collaboration – can be delivered to you on demand, and as a service, wherever and whenever you need.

### How does the cloud work?

Cloud computing is typically delivered with a combination of hardware, networks, servers, applications and services that are simple to deploy and expand based on user demand. This flexibility is what is attracting individuals and businesses to move to the cloud.

### Why are so many businesses moving to the cloud?

Businesses are migrating to cloud computing because it can completely change the way they use technology to service customers, partners, and suppliers. Combining cloud computing technology with virtual desktops and file servers provides access to entire networks from any internet connection location. The cloud allows an organization to get sophisticated data-center services on demand, in only the amount needed, at customized service levels and with capabilities that can be added or subtracted at will. This flexibility and scalability makes it easy to increase or decrease workloads, data storage, staff levels and applications.

*see Cloud, page 4*

## John Mathias and Sharon Kennedy Honored by the RI Society of Certified Public Accountants

At P&G, we believe being a good member of the accounting profession means more than paying membership dues to state and national societies. Partners, John Mathias and Sharon Kennedy, were honored recently at the RI Society of Certified Public Accountants Annual Dinner at the Providence Marriott. John, who serves on the Society's Board of Directors, received the Mission Award. John was recognized for his exemplary leadership and cooperation with the Society while serving as Chair of the RI Board of Accountancy through the passage of Mobility legislation. He was instrumental in the passage of this legislation that makes it less burdensome for certified public accountants to represent clients across state lines.



*Congratulations John and Sharon!*

Sharon Kennedy, Chair of the Continuing Professional Education Committee, was honored with the President's Award. Sharon was recognized for her dedication and commitment while guiding the Society through major initiatives and programs. Sharon also serves as Chair of the Scholarship Committee.

# Comings & Goings

By John Mathias

*Tax season is over. The days are longer. The weather is warmer and CPAs everywhere are trying to get some rest and relaxation.* All tax seasons are demanding because so much has to be accomplished in a relatively short period of time. Tax season 2011, however, was unique because practitioners were not able to get an early start on the arduous task that lay ahead. There was a spate of tax legislation that was not finalized until late in 2010. The lateness of the legislation impacted tax planning but also delayed the final versions of tax forms and software that is so important to income tax preparers and to those providers of income tax information. Income tax preparers had a very short time to familiarize themselves with revisions to the income tax laws, forms and software. In spite of these unique circumstances, the P&G staff rose to the occasion. Not only did the P&G staff meet all of its professional obligations, but also made time to stay engaged in community activities.


Educating the public about income tax matters becomes even more important when revisions to the income tax laws are made late in the year. Tax Partner, **Pat Thompson**, and **Barbara Kennedy**, Tax Manager, hit the WHJJ 920 AM airways and were guests on the show, "Real Estate Insight," hosted by Sally Lapidis. Pat and Barbara focused primarily on a variety of income tax topics dealing with real estate ownership. **Christina Hilton** and **Kristy Hurtt**, Tax Supervisors, participated in the RI Society of Certified Public Accountants' Tax Season Update on RI PBS. Christina and Kristy responded to viewers calling the program with tax questions.

## The P&G Bowling Team



From left to right, Richard Costabile, Cathy Costabile, Brenda Rappoport, Carol Poliziani and Jennifer Baptista

**Strikes 2 Spare**, (as fearsome a group of keglers as there is) took part in the Junior Achievement of RI Achieve-A-Bowl. While I'm sure the team members of **Cathy and Rich Costabile**, **Brenda Rappoport**, **Carol Poliziani** and **Jennifer Baptista** would have preferred to "Achieve a Bowl" of ice cream, this ardent bunch took to the alleys and aimed for the pins. The end result was a successful night of raising money to support Junior Achievement of Rhode Island's educational programs that focus on financial literacy, workforce readiness skills and entrepreneurship for students in grades K through 12 in Rhode Island.



**Pat Thompson**, tax expert extraordinaire and Chair of the AICPA's Tax Executive Committee, has been very busy in her prestigious position. She has been testifying nationally and locally on various tax reform issues. Pat travelled to Washington, D.C. and testified before the Congressional Ways and Means Sub-Committee. At this hearing, Pat addressed the lawmakers and talked about the special burdens that the tax code imposes on small businesses and pass-through entities. She also emphasized the need for comprehensive tax reform to address these problems. Back home, Pat testified at the Rhode Island Senate Finance Committee hearing on corporate competitiveness tax reform. She discussed the impact that the Governor's proposed budget would have on the business community.

P&G staff also found time to keep in touch with its friends on the college campuses. **John Mathias** was a mentor during "Boot Camp" weekend at Bryant University. "Boot Camp" weekend is the traditional start of a new semester in Bryant's excellent Master of Public Accounting Program. During this weekend, the graduate students work tirelessly on a challenging audit case study. The mentor helps them focus on the key issues. At the conclusion of the weekend, the students must present the results of their efforts to a group of faculty members. These types of simulations are intended to prepare students for real-life situations that they will soon face in the practice of public accounting. In early spring, John and fellow partner, **Sharon Kennedy**, returned to Bryant University to participate in another audit simulation. This visit was an exercise in role reversal. John and Sharon played the part of members of company management who were being questioned by young auditors played by Bryant senior accounting majors.

P&G's **Irene Fasano**, Director of Administration, mentored several Providence College students. Under Irene's tutelage, the students planned and executed all facets of a fundraising event - an art show for the Capital City Community Centers' After School Program. The art show featured children's original artwork and was not only a financial success but was a valuable learning experience for the PC students. There are a lot of terrific young people out there!

We also want to congratulate **Marylu Nadeau** of our tax department who has joined the Board of Directors of the Partnership for Philanthropic Planning. Also, congratulations are in order for **Eden Kyne**, Senior Assistant Accountant, who has recently earned a Master of Science in Taxation degree from Bentley University. Eden has been with the Firm since 2008.

... That's all for now, but we'll be back real soon with much more. That's a promise!

# Is it a Repair or a Capital Expense?

by Kevin Papa

Classifying an expenditure as repair and maintenance costs versus capital expenditures can mean significant tax savings for property owners. Determining the proper classification can sometimes be difficult and the facts must be carefully analyzed. The description of the work performed on the contractor invoice can help or hurt a taxpayer's position. The invoice from the contractor should accurately describe the work performed. Separate invoices may be beneficial where both repairs and capital improvements are included. Below are some guidelines that may help to determine the proper classification.



## CAPITAL

IMPROVEMENTS THAT "PUT" PROPERTY IN A BETTER OPERATION CONDITION

RESTORES THE PROPERTY TO A "LIKE NEW" CONDITION

SIGNIFICANTLY EXTENDS THE USEFUL LIFE OF THE PROPERTY

UPGRADES OR MODIFIES THE PROPERTY

ENHANCES THE VALUE OF THE PROPERTY

IMPROVES THE EFFICIENCY OR QUALITY OF THE PROPERTY

INCREASES THE STRENGTH OR CAPACITY OF THE PROPERTY

IMPROVES A SIGNIFICANT CONDITION OR DEFECT

ADAPTS THE PROPERTY TO A NEW USE

## REPAIR

IMPROVEMENTS THAT "KEEP" PROPERTY IN EFFICIENT OPERATING CONDITION

RESTORES THE PROPERTY TO ITS PREVIOUS CONDITION

PROTECTS THE UNDERLYING PROPERTY THROUGH ROUTINE MAINTENANCE

INCIDENTAL REPAIR TO PROPERTY



## What our Clients are Saying

"P&G is a full service firm that's large enough to have all the capabilities in house that one would need and still keep the personal style!"

-Michael Akkaoui, Tanury Industries, Inc.

Our firm, like other firms, relies on satisfied clients as our primary source of new business. Your referrals are both welcome and most sincerely appreciated!

# Mike Tikoian Brings His Talents to RI Higher Education

Congratulations to partner, Mike Tikoian, recently appointed by Governor Chafee to the Rhode Island Board of Governors for Higher Education. The mission of the Rhode Island Board of Governors for Higher Education is to provide an excellent, efficient, accessible



and affordable system of higher education designed to improve the overall educational attainment of Rhode Islanders and thereby enrich the intellectual, economic, social and cultural life of the State, its residents and its communities. Mike will serve as Chair of the Finance Sub-Committee. "While we face many challenges, I am excited about working with the Board's members and staff," Mike said. "We must ensure that Rhode Islanders possess the skills and knowledge required to compete in an information-age, knowledge-based economy." Mike is completing a seventeen-year stay on the Rhode Island Coastal Resources Management Council where he has been the Chair for many years. During his years of service on the CRMC, Mike has overseen the dredging of the Providence River, the implementation of aquaculture regulations, and the establishment of a clean marinas program and the initiation of a habitat-restoration program. All of us at P&G are proud of the many contributions Mike has made to the State of Rhode Island.

## Please Don't Forget To:

By Sharon Kennedy



- Use the updated version of the Employment Eligibility Verification (I-9) form, (rev 08/07/2009)
- Remit the second quarter estimated tax payments due June 15, 2011
- Use the Social Security Administration "Retirement Estimator" if you are considering retirement, the estimator can be found at [www.ssa.gov](http://www.ssa.gov).
- Search the IRS website for the list of organizations eligible to receive your tax deductible charitable contributions if there is any doubt about the tax exempt status [www.irs.gov/app/pub-78](http://www.irs.gov/app/pub-78)

# Six Tips for Students with a Summer Job

School is almost out and many students will soon begin a summer job. Some students may not realize they have to pay taxes on their summer income. Here are the six things the IRS wants everyone to know about income earned while working a summer job.

**1.** All employees fill out a W-4, Employee's Withholding Allowance Certificate when starting a new job. This form is used by employers to determine the amount of tax that will be withheld from your paycheck. If you have multiple summer jobs, you will want to make sure all your employers are withholding an adequate amount of taxes to cover your total income tax liability. To make sure your withholding is correct, use the Withholding Calculator on [www.irs.gov](http://www.irs.gov).

**2.** Whether you are working as a waiter or a camp counselor, you may receive tips as part of your summer income. All tip income you receive is taxable income and is subject to federal income tax.

**3.** Many students do odd jobs over the summer to make extra cash. Earnings you received from self-employment are subject to income tax. These earnings include income from odd jobs like baby-sitting and lawn mowing.

**4.** If you have net earnings of \$400 or more from self-employment, you will also have to pay self-employment tax. This tax pays for your benefits under the Social Security system. Social Security and Medicare benefits are available to individuals who are self-employed the same as they are to wage earners who have Social Security tax and Medicare tax withheld from their wages.

**5.** Food and lodging allowances paid to ROTC students participating in advanced training are not taxable. However, active duty pay – such as pay received during summer advanced camp – is taxable.

**6.** Special rules apply to services you perform as a newspaper carrier or distributor – contact our office for additional guidance, 401-831-0200.

Source: Internal Revenue Service

*Cloud, continued from page 1*

## What's the difference between public and private clouds?

Cloud computing is offered in different forms: public clouds and private clouds, as well as hybrid clouds that combine both public and private clouds. A public cloud provides technology resources that are operated by a third party. However, in a private cloud, a single organization controls the resources. In most cases, this is the best choice for security, manageability, privacy, audit and compliance.

## What are some of the concerns you are hearing from clients?

Clients need reassurance when it comes to security. The location and ownership of the clients' data is a concern. Public clouds may also share the storage with other entities. The private cloud's advantage is the data is the client's alone, and can be replicated off-site or within the existing network. The upfront and ongoing cost of cloud services is also a concern. By shifting IT expenses from a capital expense to an operating expense, and utilizing the expandability of cloud services, clients can avoid costly computer and server replacements, while still expanding and adding resources as needed. Most clients face the same IT challenges, system reliability, and reduced costs while improving the level of services offered. Cloud computing can be a great fit for many small- and medium-sized businesses to address those challenges.

### About the Author



James Haggerty, CNE, MCSE has been with the Firm since 1997. As Director of the Firm's Technology Solutions Group, James is the go-to tech person. He works hand-in-hand with small and medium-sized business owners to design and implement IT infrastructures that make sense. Always on the cutting edge of the latest technology, James' focus is not just on current needs of the business. Keeping an eye toward the future, James designs systems that will grow and expand as the organization moves forward.

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