

FEATURE ARTICLE

WHAT IS THE CLOUD — REALLY?



IN THIS ISSUE

- 2 A Letter to Recent College Graduates
 - Key Tax Dates
 - A Great Achievement
- 3 In What Century is Your Control Framework Living?
- 4 What is the Cloud — Really?
- 6 Did You Notice? Individual Tax Laws Became More Taxing in 2013 for High Earners
- 7 Around Schneider Downs
- 8 Professional News

KEY TAX DATES

7.31.14

EMPLOYERS' TAXES. Employers of nonagricultural and nonhousehold employees must file return on Form 941 to report income tax withholding and FICA taxes for the second quarter of 2014.

9.15.14

ESTIMATED TAX. Payment of third installment of 2014 estimated tax by calendar-year corporations. Payment of third installment of 2014 estimated tax by individuals.

CORPORATIONS. Last day for filing 2013 income tax return by calendar-year corporations that obtained automatic six-month filing extension.

Continued on Page 7

A GREAT ACHIEVEMENT

Former Schneider Downs audit intern Cody Domasky was recently presented with the 2013 Elijah Watt Sells Award from the American Institute of Certified Public Accountants (AICPA). The award recognizes individuals who have obtained a cumulative score above 95.50 across all four sections of the Uniform CPA Examination, completed testing during the 2013 calendar year and passed all four sections of the examination on their first attempt. More than 94,000 individuals sat for the examination in 2013, with 55 candidates receiving the prestigious Elijah Watt Sells Award.

Domasky graduated from the Pennsylvania State University with a BS in Accounting and a Masters in Accounting. A former audit intern at Schneider Downs, Domasky plans to rejoin the firm full-time in January 2015 after completing a one-year residency with the Governmental Accounting Standards Board in Norwalk, Connecticut.

"Schneider Downs is very proud of Cody for attaining this incredible accomplishment. This award speaks volumes towards Cody's work ethic, as he has always been a high performer and has continuously demonstrated great initiative in the accounting industry. We are thrilled to have him on our team," said Schneider Downs CEO, Raymond W. Buehler, Jr.

The Elijah Watt Sells Award program was established by the AICPA in 1923 to recognize outstanding performance on the CPA Examination.

-Rachael Frye, Marketing Associate



A LETTER TO THE RECENT COLLEGE GRADUATES

Dear Son/Daughter,

Congratulations on your recent graduation. It's incredible how different you are today than you were four years ago when mom and I dropped you off at college. Consider the experiences you have had, the new places you've seen and the people you have met. Is it any wonder why you bear little resemblance to that college freshman at orientation?

BY
THOMAS M. HARVEY
HUMAN RESOURCES DIRECTOR

As someone poised to enter the workplace, you should know that the pace of change that you've experienced over the past four years will accelerate. Within 3 years following my own college graduation, I had moved to a new city, started my professional career, married your mom, bought a house and had you. While your experiences may not be quite the same, you will confront life trials that will test you, alter you and may conflict with your professional aspirations. At times you may think that there is too much working against you. What is working for you? Other than your own strong skills, hard work and dynamic personality (yes, you have those things) what else do you need to help you during this period of transition, and beyond?

This may be difficult to hear, but first you need to embrace the fact that after 16 years of schooling, you know just about nothing. The first step toward achieving success is humility (something that is often not taught in college); we all need to admit what we don't know. While your success in the classroom was largely dependent on your own smarts and effort, and rarely did you seek help, this "go it alone" approach will no longer cut it. Sure, success is still largely up to you, but you must seek guidance and be open to receiving advice from others. Don't be embarrassed about reaching out for assistance. Asking for help doesn't mean failure, it indicates strength.

With this in mind, I suggest that you to identify a mentor and cultivate a strong bond with that person. In the workplace, the sometimes daunting decisions and uncertain career choices that are faced early on can be made easier and clearer with the help of someone who has already confronted many of the same issues. Keep in mind that a mentor is not just a friend or confidant. It is someone you can trust and will trust you. Someone who can affect your career by showing you the ropes, give you challenging and high profile assignments, will not be afraid to give you honest feedback, can support your promotion and in the end, provide a path leading to your career goals. This, however, is a two-way street. You must be willing to put forth effort and to continually demonstrate that you deserve to be mentored.

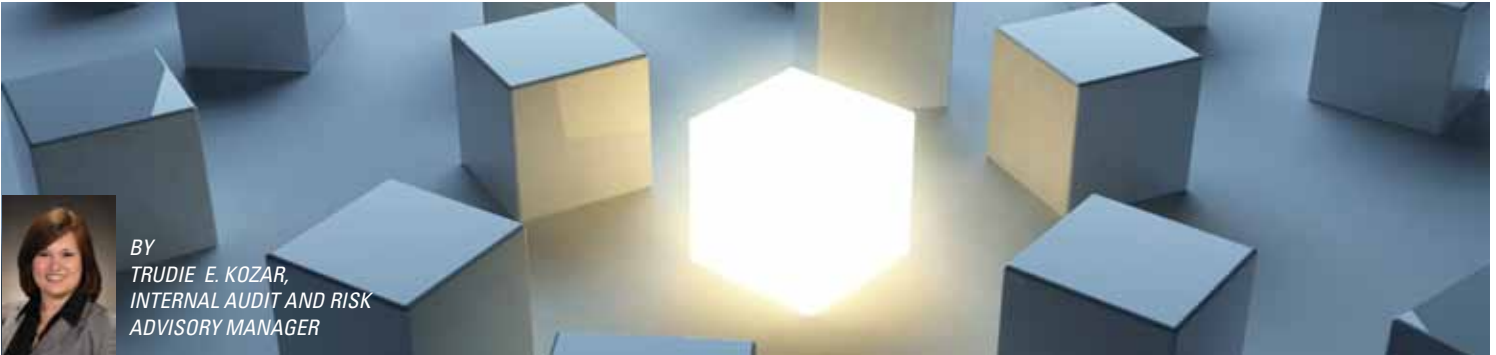
In my years at work, a favorite activity was simply called "recruitment," though the term necessarily encompassed everything from identifying the traits of those who would likely succeed, to exhaustive and continuous training, dedicated mentoring and so on. We took the development of each hire very personally. You are joining a great organization that likewise makes the selection and development of new members a prime function instead of an afterthought? Find a mentor and heed the advice that you receive. And in years to come, as your career continues, return the favor to a recent college graduate.

Sincerely,
Your loving parent

TOP STORY

IN WHAT CENTURY IS YOUR CONTROL FRAMEWORK LIVING?

by Trudie E. Kozar



BY
TRUDIE E. KOZAR,
INTERNAL AUDIT AND RISK
ADVISORY MANAGER

If you are still using the original COSO Framework issued in 1992, then you haven't made it to the 21st century, and it is time for an update! In 2013, COSO released a new Framework that has been realigned with the business environment of this century.

The core COSO concepts and definition of internal control have not changed in the new Framework. There are still 3 categories of objectives (reporting, compliance and operations) and 5 components of internal control (control environment, risk assessment, control activities, information and communication and monitoring activities).

Here is what did change in the new COSO 2013 Framework:

- There are now 17 principles (fundamental concepts) that underlie the 5 components. All 17 of these principles must be present and functioning.
- There are identified points of focus that are supplemental guidance for each principle.
- Effective internal control requires the 5 components to be present and functioning rather than just present.
- One of the three categories of objectives, "financial reporting," is now expanded to "reporting."
- The increased relevance of technology in today's environment is reflected in the principles.
- Consideration of anti-fraud expectations has been enhanced.

So, how do you move your control framework into the 21st century?

The first step is to develop individual awareness and expertise on COSO 2013, and then conduct a preliminary impact assessment to give an overview of what changes will need to be made. It is also important to facilitate a broad awareness across the company, so that management is aware of how these changes will affect them.

In order to evaluate the 17 new COSO principles, existing controls will need to be mapped to each of the principles. During the mapping of the controls to principles, gaps may be identified that need to be addressed. Also during this process, opportunities to gain efficiencies may surface, such as combining or eliminating controls. The amount of controls mapped to each principle will vary, depending on the environment of your organization and what points of focus are relevant.

The points of focus that COSO provides in each principle may not be suitable or relevant to all environments. The points of focus may facilitate designing, implementing and conducting internal controls, but there is no requirement to separately assess whether each point of focus is in place.

Once mapping has been completed, each control must be evaluated to determine if it is both present and functioning. COSO defines functioning as: the determination that the components and relevant principles continue to exist in the operations and conduct of the system of internal control to achieve specified objectives. Management will have to assess the presence and functioning of the collection of the controls mapped to each principle, as a whole, to determine if each principle is functioning. All 17 principles must be present and functioning in order to conclude that the organization has an effective control environment, according to the COSO Framework.

Going forward, users are encouraged to transition applications and related documentation to the updated Framework as soon as is feasible. The updated Framework will supersede the original Framework at the end of the transition period, which is December 15, 2014. The SEC intends to allow issuers to use the old framework for an undetermined period of time after the transition date. However, issuers are more likely to face questions from the SEC the longer issuers use the 1992 framework. During this transition period, external reporting should disclose which COSO Framework was used.

Transition can be hard, but if you plan ahead and consider all parties involved, the desired results can be achieved. Consider the fact that management, outside of internal audit, should be educated and aware of how COSO 2013 will affect them. Meeting with your external auditors early in the process to discuss the planned approach and getting their feedback makes for a smooth transition. Ideally, mapping of the controls and principles should occur early in the year, to allow time to assess gaps and remediate any deficiencies. Overall, remember that COSO 2013 is a framework and not a regulation, and so, during the transition, users will need to exercise judgment when applying the Framework to their organization. ■

FEATURE



BY
JASON M. RELJAC
TECHNOLOGY ADVISORS

Did you know that the typical clouds you see on the average day are called cumulus, and the clouds that are visible during a thunderstorm are often nimbostratus? There are actually dozens of different cloud types, and they all appear in different, specific atmospheric conditions.

Like in meteorology, all things in the world of technology are very specifically defined to make sure computers and users know how to make things work. Computers are given both names and numbers to identify them on a network; applications are given names, version numbers and build numbers to identify them on a computer, and devices are assigned a unique identifier to make sure they work properly when attached.

When you start talking about “the cloud” in terms of technology, things get surprisingly vague. Microsoft Office 365 is a cloud service as are Dropbox, iTunes, Netflix and Amazon’s Web Services. Unlike meteorology, the technology cloud is still a bit loose in its definition. Now the that term “cloud” is popping up in commercials, print ads and on prime time TV shows, it is time to understand how it might affect your organization.

WHAT IS THE CLOUD — REALLY?

by Jason M. Reljac

First, we need to understand the cloud in general, but before that, a little technology primer. Traditionally, a company would build a facility to house servers, communications equipment and wiring. The servers in this room, in general, are assigned a task; some authenticate users, some store data in the form of files and folders, while others take care of specific corporate applications.

Think about your organization — you most likely have a server for accounting, email, production management, sales tracking and customer management. All of the computers on the corporate network have access to these servers when they are attached to the network by wire or wireless connections or connected into the network via a secure VPN connection. In most cases, a corporation with multiple facilities would connect each remote site back to the network center via expensive, dedicated communication lines. So in general, the network is a collection of managed, private computers and servers.

To understand the cloud, let's consider one application, email, and how it works both in and out of the cloud.

Email is frequently housed on a server (or servers) in a corporate network. That server requires floor space, power, another server as a spare (because we cannot be without email, right?) and a server for backup management. Generally, an email server also requires spam prevention, virus protection and remote access for users, so they can access email while out of the office, as well as access so users can receive and send email from the mobile devices. Because email is communicating with other servers outside of the organization, it also needs special considerations in your corporate firewall. All of that complexity usually requires special working knowledge of how to manage and maintain all of those working parts — that means IT staff (people, training, certifications, benefits, etc.).

Cloud-based email removes all of that complexity without eliminating any of the functionality of having the servers kept in house. You still get your email, calendars and contact management in Outlook (or your choice of client application). With email in the cloud, you eliminate the need for dedicated hardware, along with all of the complexity that hardware brings. Moving email to a strong cloud provider will generally result in better spam and virus prevention, increased uptime and more robust remote and mobile access options.

The cloud is not free and it is not without worry. While moving email to the cloud will eliminate all the cost associated with the server your email is managed from, it will add cost in the form



of a monthly per-person license fee. Cloud email services from companies like Microsoft and Google can cost anywhere from \$5.00 to \$25.00 per month for each user. These fees never go away, and email now becomes another utility bill. As with everything else, a cost comparison between keeping your in-house service and outsourcing to the cloud is required.

Email is not the only option if you are looking to move to the cloud. Cloud versions of office productivity suites are available from Microsoft and Google. Many vendors are offering cloud-based (also known as SaaS) versions of popular accounting and payroll suites. There are even options for outsourcing your entire network infrastructure to the cloud.

What is good about moving to the cloud? You entrust the complexity of managing your systems to people who can focus on managing that one system in particular. Right now, your current IT staff needs to be master of all IT, while the outsourced email provider has staff who can focus on that one area they have expertise in. Moving to the cloud also gives you some built-in disaster preparation. If a catastrophic event happens to your network and you have outsourced email, you can still send and receive email, as long as you can connect to the Internet.

Cloud negatives? You are handing over your important applications to someone else, and you are now one bad Internet connection away from not getting email or sending the payroll files to the bank for payment. You should also pay attention to the provider's Terms of Service (ToS) for things like uptime and accessibility. In addition to the ToS you also need to pay attention to the privacy policy — how are they protecting your data from other users of their service or from evil-minded hackers?

As with any other long-term investment, you need to compare both the advantages and disadvantages of moving from your current network infrastructure to a more cloud-based infrastructure. Do your due diligence, get feedback from others in your industry, and check with your value-added resellers to ensure that you are making the right move. ■

NEWS YOU NEED

SCHNEIDER DOWNS CORPORATE FINANCE DEAL

Schneider Downs Corporate Finance advised Powerohm Resistors Inc. on its January 2014 sale to Hubbell Industrial Controls, a subsidiary of Hubbell, Inc. (NYSE: HUB).

Powerohm is North America's fastest growing and leading innovator in the design, manufacture and marketing of power resistors and custom resistive product solutions. It manufactures power resistors, grounding resistors, braking modules and other equipment for a variety of applications including motor control, plant automation and the protection of industrial and commercial power distribution systems and equipment. Its products are sold into numerous industrial markets, including oil and gas exploration and production, alternative energy, construction equipment and manufacturing.

Powerohm is based in Katy, Texas, outside of Houston, with additional operations in Covington, Kentucky, near Cincinnati. The Company was founded in 1996. Over the course of the sale process, SDCF contacted strategic and private equity buyers in the U.S. and abroad, and generated more than a dozen proposals from both domestic and international firms. ■

Schneider Downs Corporate Finance is a leading, full-service investment banking, corporate finance and strategic advisory firm serving the needs of mid-market and small companies. Our focus is to provide premier advisory services in the areas of company sales and divestitures, acquisitions, fund-raising and strategic advisory.

Schneider Downs Corporate Finance, LP is a registered broker/dealer. Member FINRA/SIPC.

SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS, LP QUARTERLY COLUMN

DID YOU NOTICE? INDIVIDUAL TAX LAWS BECAME MORE TAXING IN 2013 FOR HIGH EARNERS



BY
NANCY L. SKEANS, CFP®
PARTNER, SCHNEIDER DOWNS
WEALTH MANAGEMENT
ADVISORS, LP

If you had to do a double-take when you reviewed your 2013 federal individual income tax return, rest assured, you were not the only one surprised by the impact of the new taxes and higher tax brackets that went into effect on January 1, 2013. The tax increases, any of which you may have missed due to the controversy taking place in Congress over the last several years, were imbedded in two different laws.

The two new taxes were directly tied to the Affordable Care Act (ACA), more commonly referred to as Obamacare. The first of these taxes only impacts wages, compensation and self-employment income currently subject to Medicare Tax above certain thresholds. The tax (the Hospital Insurance Tax) is 0.9% of the amount that exceeds \$250,000 for a couple filing jointly and \$200,000 for a single filer.

The second new tax that debuted in 2013 as part of the ACA was the 3.8% net investment income tax. The calculation of this tax is somewhat of an exercise. Thankfully, the IRS created the new Form 8960 just for this purpose. The net investment income tax is also based upon a threshold; the taxpayer's modified adjusted gross income. The threshold is \$250,000 for joint filers and \$200,000 for single filers. The tax is assessed only on *net investment income*, so if you reported wages of \$300,000 and had no investment income for example, the tax would not come into play.

In addition to the above, the American Taxpayer Relief Act of 2012 added two new tax brackets for high-income earners (wage or investment income) for the 2013

tax year. The new brackets kick in when one's taxable income exceeds \$450,000 for a married couple filing a joint return and \$400,000 for a single taxpayer. If you are above these thresholds, the top marginal tax bracket for ordinary taxable income rose from 35% to 39.6%. Long-term capital gains rates and the qualified dividend tax rate rose from 15% to 20%. Furthermore, the phase-out of itemized deductions and personal exemptions was reinstated for incomes over \$300,000 (married joint) and \$250,000 (single).

Now that the dust has started to settle on the 2013 tax filing season, I also wanted to take the opportunity to highlight some strategies that you can take advantage of to minimize the impact of these new and higher taxes. Here are just a few ideas that Schneider Downs Wealth Management Advisors employs to help cut the tax bite:

- (1) For individuals who are employees, it is more difficult to defer or accelerate your employment income, but for business owners, there may be valid reasons and avenues to smooth income.
- (2) Maximize pre-tax contributions to pension and profit sharing plans to lower taxable income.
- (3) If you employ fixed income in your investment strategy, consider tax-exempt bonds. Tax-exempt bond income is not included in any of the above calculations. (Note: Some tax-exempt bonds are subject to the Alternative Minimum Tax.)
- (4) Avoid short-term capital gains. They are treated as ordinary income, and at the

Continued on Page 7

ADDITIONAL TAX DATES

CONTINUED FROM PAGE 2

BENEFIT PLAN DUE DATES

Forms 5500, Annual Return/Report of Employee Benefit Plan.

Year-End	Due Date	With 5558 Extension
11/30	6/30/14	9/15/14
12/31	7/31/14	10/15/14
1/31	9/2/14	11/17/14

Processing of corrective distributions relative to failed 401(k) ADP/401(m) ACP discrimination testing, so as to avoid a 10% employer-imposed excise tax.

Year-End	Due Date
3/31	6/16/14
4/30	7/15/14
5/31	8/15/14

INDIVIDUAL TAX LAWS

CONTINUED FROM PAGE 6

highest marginal level, they can be taxed at 43.4%.

(5) Harvest your tax losses, if you have them, to offset taxable gains.

(6) If you are charitably inclined, consider using highly appreciated stock to make charitable gifts.

The tax laws discussed above (using the 2013 thresholds) are probably going to be with us for some time into the future, so it is not too late to start planning for 2014 and the tax seasons that follow. My best advice is to talk to your tax professional and your investment advisor to determine what strategies might work for you. ■

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax or legal advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary. Therefore, the information should be coordinated with individualized professional advice.

AROUND SCHNEIDER DOWNS



On May 22, the Pittsburgh office of Schneider Downs welcomed Doug Hartkorn and Mark McGinnis from Shimmerman Penn in Toronto as speakers for "Doing Business in Canada," part of our international series. With Doug and Mark are Cynthia Hoffman, Director of International Tax Services and Mary Richter, Tax Shareholder.

Take Your Kids to Work Day was a huge success in both offices. In Columbus, children were given the chance to test out our new smart boards by drawing directly on the profile photos of their parents!



On April 19, 2014, teams of Schneider Downs runners participated in the fourth annual Pittsburgh Pirates and Pittsburgh Charities 5K Home Run.



On May 30, Schneider Downs co-sponsored the annual Eastern Area College and University Board Officer (EACUBO) Pittsburgh Chapter's annual accounting workshop. John Null, Audit Shareholder, and Chuck Oshurak, Audit Senior Manager, presented on the topic of Nonprofit Accounting for representatives from over 50 colleges and universities in Pennsylvania, Ohio and West Virginia.

ON POINT

SUMMER 2014
VOLUME 32
ISSUE 02



One PPG Place, Suite 1700
Pittsburgh, PA 15222-5416

P: 412.261.3644
F: 412.261.4876

Huntington Center, Suite 2100
41 South High Street
Columbus, OH 43215-6102

P: 614.621.4060
F: 614.621.4062

www.schneiderdowns.com

INTERESTED IN RECEIVING EMAIL UPDATES?

Are you on our email list?
Please visit
www.schneiderdowns.com
and click on "Subscription."

STAY UP-TO-DATE WITH SOCIAL MEDIA



@Schneider_Downs



LinkedIn



On Point is a publication of Schneider Downs & Co., Inc. The matters highlighted in this newsletter are presented in broad, general terms and, accordingly, cannot be applied without consideration of all of the circumstances. The firm will provide additional details on matters discussed in this newsletter upon request, and will be pleased to discuss with clients or their attorneys the possible effects of these matters in specific situations.

A number of clients and friends of the firm have requested permission to reprint articles from On Point. We are pleased that our readers find the articles informative, and encourage reproduction with acknowledgment of the source.

© 2014 Schneider Downs & Co., Inc.

PRSR STD
U.S. POSTAGE
PAID
PERMIT NO. 830
PITTSBURGH, PA

PROFESSIONAL NEWS

JAMES B. YARD, Internal Audit and Risk Advisory Services Shareholder, was appointed Chairman of the Board for Junior Achievement of Western Pennsylvania. Jim also presented at the Pittsburgh and Columbus "Unveiling of COSO" seminars/trainings that Schneider Downs hosted in the spring.

JEANNE M. BARRETT, Audit Shareholder, **TIMOTHY J. HAMMER**, Audit Shareholder, **TODD J. LUCAS**, Audit Senior Manager, and **LARA E. FULLER**, Audit Senior Manager, attended the AICPA Employee Benefit Plan Conference in Las Vegas, NV in May.

MARY D. RICHTER, Tax Shareholder, attended the PrimeGlobal Asia Pacific Conference in Melbourne, Australia in May. Mary was also elected Vice Chair of the ACHIEVA Board of Trustees and Chair-Elect of the ACHIEVA Support Board.

CYNTHIA J. HOFFMAN, Director - International Tax Advisory Services, was appointed to the Board of Girl Scouts of Ohio's Heartland. Cynthia also led training for the OSCP on Withholding and Reporting for Payments to Foreign Persons.

JOEL M. ROSENTHAL, Business Advisors Shareholder, graduated from the FBI 2014 Citizens Academy. Joel also spoke at The Institute for Internal Auditor's and Schneider Downs' co-hosted Fraud Prevention and Detection Seminar in May.

SUSAN M. KIRSCH, Tax Shareholder, **JOHN R. NULL**, Audit Shareholder, and **CHARLES A. OSHURAK**, Audit Senior Manager, presented topics at the Eastern Area College and University Board Officers (EACUBO) Pittsburgh Chapter's annual accounting workshop in Pittsburgh in May.

MATTHEW M. MCKINNON, Audit Senior Manager, graduated Leadership Columbus as a member of the 40th class.

DANIEL J. DESKO, Internal Audit and Risk Advisory Services Manager, was recently elected President of the International IT Audit Association (ISACA) Pittsburgh Chapter.

LAUREN E. CRAIG, Audit Senior Manager, attended the PrimeGlobal Women's Leadership Conference in Cleveland in June.

SEAN P. SMITH, Director of Marketing, attended the Association for Accounting Marketing (AAM) annual conference in Austin, TX in May.

CHRISTY L. SAMEK, Business Advisors Manager, presented to the first graders at SunSet Valley Elementary about how math is used in accounting for STEM day on May 16, 2014. STEM day is a nationwide effort to teach kids the importance of Science, Technology, Engineering and Math and how those skills are used in the workforce.