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*The Source & Resource for Construction Financial Professionals*

BY TODD F. TAGGART & DANNY B. PARRISH

# WHAT TO LOOK FOR IN A *Construction CPA*



The funny thing about selecting your company's CPA (or CPA firm) is this: You probably already have one more than you want.

In a perfect world, your financial statement users would cheerfully accept your internally generated financial statements, the IRS would be thrilled with the postcard you send it announcing your tax liability, and FASB pronouncements would neatly line up with schedules and disclosures that dropped out of your IT system as lightly as a feather.

In that perfect world, your company wouldn't need a CPA. We would all just pack up our adding machines, green eye-shades, and armbands and move on to other professions. But, that isn't going to happen, is it?

In fact, the regulatory environment is headed in the other direction. States are looking for revenue, there are three or four new federal tax acts each year, and GAAP is going global. These current and future changes will make the role of your company's CPA more important – not less.

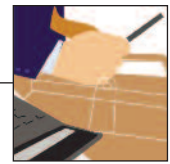
But, that role can vary widely, even among contractors of similar size. This article provides a framework as well as specific tools you can use to ensure that the CPA you select is the right fit for your company.

## EXPLORING THE MYTHS

Over the years, we have been involved in hundreds (possibly thousands) of potential client opportunities. While we often refer to nonclients as "future clients," the truth is that the CPA/client relationship is somewhat analogous to a marriage: There are good fits and not-so-good fits.

As a buyer of professional services, you will benefit from considering issues that we feel are not obvious selection criteria:

- *Our tax affairs are too complicated to change advisors.* This is, perhaps, a deflection of a desire to stay with the current CPA, which is certainly acceptable, but should not be a reason to avoid changing CPAs.



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A competent CPA has the ability to adapt to your company’s nuances and may even identify new opportunities that have been overlooked by your current provider. On the other hand, if your tax positions carry risk, you would be well advised to understand the risk you are assuming.

- *Our credit providers are comfortable with our current relationship.* Our experience is that credit providers understand the relationships that exist within the construction industry and are comfortable with a CPA who adds value.
- *Changing CPAs will cost time and money.* It’s true that there is a “start-up” aspect of changing relationships; however, most firms view that as their cost, not yours.

### KNOW WHAT YOU NEED FROM A CPA

One of the more difficult things about properly selecting any advisor for your company is understanding “differentiators.” In this context, differentiators are factors specific to your company that are critical in your selection of a CPA. While not a comprehensive list, here are several questions to consider:

- *Does your company require audited financial statements?* This is normally the case for contractors that have credit facilities with banks and active surety requirements that will require you to use a CPA – the only entities allowed to issue audit opinions.<sup>1</sup>

If your company does not have the need for an audit (meaning that reviewed or compiled financial statements are sufficient), then the population of accounting and tax providers is much broader.

- *Is your company active in more than one state? If so, what is the extent of those activities?* If your construction activities span multiple states, then using a firm that has multiple offices in those states will be a significant benefit. Those firms have hands-on experience in the intricacies of multistate taxation and the unique aspects of state taxation – from income taxes to personal property taxes and transaction-related taxes (such as sales and use tax).
- *Is your company a family owned or closely held business?* If so, its needs will likely go well beyond entity-related filings.

Your company will benefit from engaging a CPA who has extensive knowledge of individual income tax and gift and estate issues.

- *Does your company have international operations or an interest in expanding beyond U.S. borders?* Contractors who work in foreign countries need an advisor who can identify the risks and opportunities resulting from contracting work in those countries. Working with such a firm will provide significant local knowledge that can avert unnecessary tax or other costs.
- *Does your company have the ability to properly close the books at the end of your fiscal year and generate financial statements in accordance with GAAP?* Contractors that do not have sufficient internal staff to accomplish these tasks will need a “hands-on” CPA to avoid unnecessary year-end costs and frustrations.
- *What type of relationship do you want with your CPA?* As you can imagine, these relationships span a wide range, from those CPAs who (for cost or other reasons) are involved only in compliance-related tasks (such as financial statement attestation or income tax filings) to those who are intimately involved with your business and assist with many other consulting activities (such as succession or tax planning).

If you can answer these questions accurately, you will be well on your way to identifying a CPA who fits your needs. One word of caution: Since many contractors are very cost conscious, they select CPAs who are low-cost providers. This can work if internal resources are present that essentially provide the services a CPA would render. However, the low-cost provider often costs your company money in terms of lost opportunities for savings or low (and frustrating) levels of service.

### THERE IS NO SUBSTITUTE FOR INDUSTRY KNOWLEDGE

The person or firm proposing services to you will present themselves in the best light possible. So, once you have narrowed the field on the type of CPA you need, how do you decide which one will be the best fit for your company?

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Let's assume you have properly identified the type of CPA your company needs and have decided to interview three prospects. Each one will show up at your office, pants pressed and shoes shined, ready to tell you how they are not only the best firm for you, but that they have the industry knowledge to be efficient, effective advisors to your company.

You will listen to their pitches, page ahead to see the fee schedules, and check references. But, at the end of that process, how will you really know which is the best CPA for your company? The answers to the following questions will help you figure that out:

- *Who do they serve in your industry and how closely do those companies match up with your own?* The skill sets needed to serve your company are unique. You want to know if your company will be unique to them or whether they are familiar with companies like yours.

Learning about their practice and how it fits with your company will potentially prevent frustration, lost opportunities, and additional costs.

- *Who do they know in the surety and banking industries that serves contractors?* The construction advisor community is close-knit, and CPAs who know how to work with contractors have deep relationships with bankers, insurance agencies, and surety credit providers that specialize in construction. If the CPA you interview struggles with this question, then they probably don't understand the unique challenges your company faces.
- *How involved are they in local and national construction trade organizations?* CPAs who understand the construction industry commit resources to involvement in and support of professional associations such as CFMA, AGC, and ABC.

This is a part of their knowledge base and a way that they can not only understand industry issues, but also be active in lobbying for changes that will benefit contractors. If you participate in associations and have not seen your prospective firm at events, that should send up a warning signal.

- *Are any members of their team CCIFPs?* Certification shows dedication to the profession and commitment to the industry. CCIFPs encourage quality construction financial management practices. To find out if your CPA is a CCIFP, visit [www.iccifp.org](http://www.iccifp.org).
- *How well do they understand the impact of their services on your company's ability to not only survive, but also thrive in this challenging environment?* The impact of day-to-day decisions on accounting policies, tax-saving

strategies, and other consultative services directly affects the working capital ratios that determine your bonding capacity, cash, taxes, and many other issues.

- *Do they understand the critical role they assume by becoming your principal advisor in accounting and tax?* Or, alternatively, do they view you as another set of compliance tasks (an audit and a tax return) that they need to provide on a pre-arranged schedule?

The answers to these questions should provide a good frame of reference to evaluate the potential firms. But, if each of the firms is roughly equal, do you default to price? Not so fast – there are more questions that you should ask.

## THE ULTIMATE DECIDING POINTS

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If you have gone through the decision points above and still find yourself in a quandary as to which CPA you should select, we encourage you to do a little more work before making a decision. After all, contractors are characteristically loyal to their service providers, so you may have to work with this advisor for a number of years. Here are a few suggestions on how to make that final decision:

- *Who are you dealing with?* Most contractors want to have day-to-day interactions with the top people on their account, regardless of title. If the engagement team shows up to your interview with one partner who appears to be distracted by the possibility of a new client, that should tell you that your “senior” touches with this CPA will be few and far between.

Instead, look for a robust team led by adequate senior managers and more than one partner who will provide direction and break down roadblocks when necessary. You are not looking for multiple points of contact, but instead embedded resources who know your company so you won't have to re-educate them on every issue.

- *Who is your champion?* If your company has complex needs, it will be counterproductive to be referred to practice specialties within the firm you select. While those practitioners have deep technical knowledge, they will not be invested in your relationship with their firm.

Insist on a firm that has a “buck stops here” approach to client service. Your champion should be on every call and involved in every issue to make sure your company receives the very best, most involved advice it needs.

- *What is your gut feeling?* If you have done your research, you can tell which CPA truly cares about making this relationship a win-win. The best and the brightest CPA is of



limited use to you if they are tardy in answering your phone calls or don't take the time to understand your company's business needs.

Don't be fooled by "star" quality. If your CPA tells you how many important clients they serve or how busy they are, that should tell you how much (or rather, how little) of their time they will commit to your company.

### CONCLUSION

The selection of any business advisor to your company is critical, and partnering with a construction CPA is one of the most important decisions a company can make. Take the time to make a thoughtful selection. You will benefit, and so will your company. ■

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Todd has more than 25 years' experience as a CPA. Prior to joining Grant Thornton, he worked for another public accounting firm, was a college instructor, and a controller. He has authored numerous articles for *CFMA Building Profits* and *Building Business*.

Todd earned a BS in Accounting from Union College, Lincoln, NE, and a MA in Accounting from the University of Nebraska-Lincoln. He served as CFMA's Secretary in 2005-2006, and received the Debra Hahn Memorial Award in May 2004 for his leadership at CFMA. He is also a member of the AGC and is a board member of Ronald McDonald House.

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DANNY B. PARRISH is President of Parrish Consulting Group, a construction industry consulting firm in Suwanee, GA, which works with leaders and managers in construc-

tion companies nationwide on their pathways to success through a focus on accountability, selectivity, and simplicity in strategic and operational planning, leadership and management mentoring, organizational dynamics, H/R strategies, and family business issues.

Danny is a former national president of CFMA and remains active in the Association, currently serving on the Georgia Chapter's Board of Directors and the CFMA CEO Search Committee. He was honored by CFMA with the creation of the Danny B. Parrish Outstanding Leadership Award in recognition of his leadership, motivational skills, and contributions to the Association.

Danny is a frequent speaker at national and regional industry events, serving on the steering committees for a number of conferences. His experience in the A/E/C & design-build environments have given him opportunities to serve as an advisory board member for organizations seeking outside expertise and assistance and as a consultant to insurance agencies, software enterprises, and accounting firms seeking insight into the construction financial management environment.

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### Endnote:

1. This article refers exclusively to the CPA as a principal accounting and tax advisor to contractors. This is due to the fact that credit providers to most contractors will require some form of financial statement assurance that only CPAs can provide.

That said, there are other providers of accounting-related professional services to contractors, principally in the tax area, and the authors mean no disrespect to those providers or contractors that utilize their services.

# GENERIC ACCOUNTANT SELECTION SAMPLE DOCUMENT

## Request for proposal for the provision of accounting, tax, auditing, and consulting services for **TAGGART & PARRISH CONSTRUCTION COMPANY, INC.**

The following criteria, factors, and requirements are provided as the framework of issues that will be used to evaluate an external accounting firm to provide services to Taggart & Parrish Construction, and Todd Taggart, Owner/President.

### **1 Extensive experience in providing accounting, tax, auditing, and consulting services for the construction industry specifically by the personnel assigned to TAGGART & PARRISH CONSTRUCTION'S account.**

Please describe your firm's experience in providing accounting, auditing, tax, and consulting services for the construction industry, specifically by the personnel who would be assigned to Taggart & Parrish Construction's account. Pay particular attention to establishing your firm's expertise in working with subcontractor/specialty construction companies, both currently and in the future.

### **2 Evaluation and assessment of comments by references within the construction, banking and, most importantly, surety and insurance industries.**

Please provide references, with contact information, within the construction, (subcontractor construction companies preferred), banking, surety, and insurance industries in order that Taggart & Parrish Construction may contact them for comments for evaluation and assessment of your firm's expertise to provide required services to Taggart & Parrish Construction.

### **3 Analysis of insight into the complexities of banking analysis, maximization of banking relationships, assistance in the enhancement of credit facilities, and a thorough and comprehensive understanding of surety underwriting processes and procedures with evidence of extensive relationships within the surety industry.**

Please provide information regarding your firm's insight into the complexities of banking and surety financial and underwriting analysis, including examples of situations where you have assisted in the maximization of benefits from banking and surety relationships or in the transition of such relationships, if required. Advise of your relationships with surety agents and, more importantly, surety underwriters at major sureties within the industry. Indicate your willingness to participate in meetings with sureties and bankers.

### **4 Emphasis on planning and schedule for both audit and tax engagements and, more importantly, on evaluation and planning for specific actions to be taken to further the company's efforts to achieve financial and tax-saving objectives. Also, the commitment to active and involved partner attention to the complex personal financial and tax matters of Todd Taggart.**

Please provide information on pre-audit/compilation/review/tax return checklists and other planning tools utilized, along with work scheduling techniques designed to minimize costs and maximize effectiveness. Also include information regarding tax-saving initiatives that might be employed.

### **5 Commitment to active involvement by partners and experienced staff in engagement fieldwork, leading to more timely and efficient delivery of services. Please discuss your ability to develop and maintain schedules with critical milestones for delivery.**

Please provide your approach to staffing, and indicate any specific individuals and their respective job titles/responsibilities to be assigned to the Taggart & Parrish Construction account, specifically addressing your capacity to maintain scheduled completion dates. Specify your turnover ratio as it pertains to your staff and your construction accounts.

### **6 Competitiveness of fees for the audit, tax, and ancillary services, including the scope of activities to be undertaken by the firm in performing accounting, tax, and audit engagements.**

Please provide a detailed scope of work for Taggart & Parrish Construction with approximate costs, including standard hourly rates, estimated blended rates, approximate number of hours by work segment, and schedule of deliverables for work to be completed. Be as detailed and specific as possible in staffing assignments, time, and personnel in Taggart & Parrish Construction's offices, the services to be performed, the work products to be delivered, and the schedule, contemplating client's request for activities and bound financial statements to be completed within eight weeks of year end.

### **7 Ability to provide cost-effective, decision-determinant involvement and support in the analysis of alternative strategies, including mergers and acquisitions and division or company start-up scenarios, including the transition and integration of acquired or start-up firms into TAGGART & PARRISH CONSTRUCTION'S accounting processes and procedures and the support for evaluation of related and intercompany transactions and activities.**

Please provide information on occasions where your firm has been involved in the development of alternative strategies or the acquisition process, both in pre-purchase analysis of accounting, financial, tax, technology, and operating implications and in post-purchase integration of acquired companies into the acquiring company in the same areas, as well as support and involvement in intercompany/related company activities and analysis.

# GENERIC ACCOUNTANT SELECTION SAMPLE DOCUMENT

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**Ability to provide creative thinking, value-added services, benchmarking data generation, and “hands-on” problem-solving capabilities leading to improvements in the way TAGGART & PARRISH CONSTRUCTION is able to provide internal accounting and information management services.**

Please provide examples of any comparative data or benchmarking information utilized by your firm. Also provide examples or case studies of positive impacts your firm has had in improving client internal accounting processes and procedures, particularly in firms of similar size and circumstances.

Confirm that you will review the staffing of Taggart & Parrish Construction’s Accounting Department and relate any suggestions with regard to the total number of staff – internal, outsourced or part-time, organization, division of duties, work-flow, basic policies and procedures, accounting software and technology, company interdepartmental activities, etc. – needed to perform accounting and management information functions. Please note the following client-specific requests:

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**Extensive involvement in educational efforts and training within the industry.**

Please provide details on your firm’s involvement and commitment to continuing education and training, industry associations and conferences, AICPA events, etc., including attendance and instruction led by members of your firm. Also, please indicate who on your team holds the CCIFP designation.

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**Ability of the firm and its principals and associates to be a committed and resolute team player, providing timely and valuable insight, advice, and support services, if required, to assist TAGGART & PARRISH CONSTRUCTION in response to a strategic or tactical crisis of any kind, including financial.**

Please provide details on your firm’s prior involvement in a crisis response situation and the value of your advice and support to your client.

11

**Belief that the firm offers the best understanding of the complexities and volatility of the construction industry and is the best match for TAGGART & PARRISH CONSTRUCTION as it meets the challenges of today and prepares for the years ahead, experience with family-owned construction companies, and your firm’s ability to bring more to the table for TAGGART & PARRISH CONSTRUCTION in more areas, continually challenging TAGGART & PARRISH CONSTRUCTION to improve.**

Please provide experiential information regarding your firm’s contributions to companies as they have grown in ownership, organizational, and financial complexity.

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**Please include any additional information that you think would be useful and beneficial to TAGGART & PARRISH CONSTRUCTION and Todd Taggart and Danny Parrish as they make this important decision.**

If Taggart & Parrish Construction is to succeed in its mission, then it needs business partners with the vision, capability, energy, and commitment to sustain the effort at all times, and who view the opportunities with the same sense of mission, excitement, and urgency to respond to the increasing challenges ahead. It needs partners who will grow with the company and who can deliver the same level of consistent, predictable, high-level performance over time that they expect of themselves.

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**Please contact us as soon as possible for answers to any questions that you may have regarding this request for proposal.**

Todd Taggart and Danny Parrish would like to receive your written responses to the above criteria no later than \_\_\_\_\_ at \_\_\_\_\_ p.m., in their offices. Again, thank you very much for your interest in Taggart & Parrish Construction. Selected firms will be invited to make a presentation regarding their qualifications to perform services for Taggart & Parrish Construction and engage in a discussion of their responses to this questionnaire.

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Todd F. Taggart, President  
Taggart & Parrish Construction

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Danny B. Parrish, CFO  
Taggart & Parrish Construction



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