



# THE ELLS OUTLOOK

January-February 2010

## Internal Controls Can Save Your Business

If you think you've heard it from us before, you're right. We can't say it often enough: internal controls can be the life-blood of your business. It is far cheaper to prevent fraud than it is to suffer a loss.

Let's assume that you've taken our past advice. Approved department managers who do not write the checks, sign the checks and carefully review the back-up documentation; the monthly bank statements and cancelled checks are scrutinized by your CFO or your accounting manager and are reconciled monthly. The daily bank deposit is prepared by someone other than the cashier or accounts receivable clerk. You have an approved vendor list and it is updated monthly. You compare actual expenses to your detailed budget to check for anomalies. All employees who handle company assets are bonded. Your managers know to report significant changes in an employee's lifestyle and all employees have a way to report fraud to the management either directly or anonymously. By instituting these controls, you've taken major steps to protect company assets.

This isn't the time to get complacent. Cash is tight for everyone, and anything that can be converted into cash, or can replace a cash expense, deserves further attention. We don't suggest you start counting paper clips, but there are tell-tale signs to alert you that measurable theft is occurring. For example, are you suddenly ordering three times as many boxes of file folders as you normally use? Lots of office supplies that hang out in the supply cabinet can easily be converted to cash by an employee who is under financial stress.

Your receiving and shipping departments are other potential leaks. For incoming deliveries, it's important to catch shortages and report them to suppliers so they can be more vigilant at their end. Once it is known you have internal controls to catch such variances, you will be less likely to become the victim of this practice. If your customers complain they have received short-shipments from you, it is a siren going off that something is amiss in your operations.

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### Three Cheers For Our Admin Team!



**Joni Carvale**, our Administrative Supervisor (photo above), heads up our office staff in their daily pursuits to keep our office up and running smoothly. Joni joined ELLS in January, 2008, as an Administrative Assistant and is now well-versed in our systems and procedures. "Mastering all the electronic advances ELLS has instituted has been my biggest challenge. There's never a dull moment!" Joni is supported by a team of equally dedicated people, who are shown in the picture below. Thanks for all you do for us!



**The Admin Team**  
From left to right -  
**Gaby Cervantes**, File Clerk,  
**Amanda Craft**, Receptionist  
**Erin Painter**, File Clerk  
**Lori Nelson**, Tax Secretary

## Ed Lieber Discusses Business Planning Tips for 2010



We've just finished a year when we've been bruised and battered as we've all worked to keep our businesses open for business. This is definitely the time to "make lemonade out of lemons" and get busy on planning for a better year ahead.

If concentrating on your bottom line gets you depressed, and you know you've instituted every cost-saving measure you can think of, then shift your focus to the top line ... Gross Sales. It's absolutely essential that you keep your current customers happy so they don't go shopping around. Call them and meet with each one of them face-to-face and discuss how you can help each other. Empower your employees to immediately respond to complaints and solve them to the customer's satisfaction. Make sure you are taking advantage of every opportunity to increase the value of your current customers: encourage customer feedback to see what they really value and then give it to them.

Review your business plan with your ELLS advisor. Set goals that are realistic and achievable and share these goals with your employees. Provide them with the tools they will need to meet your expectations.

Be vigilant about backing up data. Commit to make better use of technology to keep your business protected from possible failure. Remember, living in California can mean you're just a minute away from a natural disaster of some sort. Affordable off-site backups protect you even further by storing your critical data at another location. Your ELLS advisor can assist you in finding the right solution to your needs.

Approach 2010 as a new beginning and an opportunity to create new ways to grow and prosper. Your ELLS advisor is here to help in whatever way we can.

Thank You For Referring Us  
To Your Friends &  
Business Associates!

## Changes in Pension Plan Reporting

Effective January 1, 2010, all Form 5500 Annual Returns/ Reports of Employee Benefit Plan and all Form 5500-SF Short Form Annual Returns/Reports of Small Employee Benefit Plan for 2009 and 2010 plan years, and any required schedules and attachments, must be completed and filed electronically using EFAST2-approved third party software or using iFile. For more information on completing and filing forms electronically through EFAST2, call your ELLS advisor.

Also beginning January 1, 2010, delinquent and amended filings of Title I plans must be submitted electronically through EFAST2 and cannot be submitted on paper through the current EFAST system.

For More Up-to-the-minute  
Business Tips & Tax Savings  
visit [www.ellscpas.com](http://www.ellscpas.com)

## Welcome to ELLS!

**Mia Chung, CPA**, has 5 years experience in public accounting. She graduated from U of Washington and has a degree in accounting from Portland State U. She is currently a Master's candidate at USC. Mia is a great addition to our tax department. She is married and has two children.



**Roslyn Baron, CPA**, joined ELLS as a tax reviewer/preparer with over 25 years experience. She has a B.S. in accounting from Washington University in St. Louis. She is married, has 3 sons and 5 grandkids.

## Internal Controls

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If you suspect you are a victim of fraud, Lee Weir, CPA, and Suresh Narayanamoorthy, CPA, of our professional staff are Certified Fraud Examiners(CFE) and are qualified to investigate the allegations, document the theft, and prepare a report to provide to your insurance company as well as law enforcement agencies. Call your ELLS advisor to work with you to discuss procedures that will safeguard you from fraud.

## Mileage Allowance Heads Down

It's a quiet tax increase, but when expenses are lowered, then taxable income rises. The Internal Revenue Service has set the per-mile deduction for using your car, van, pick-up or panel truck for business:

- 50 cents per mile for business miles driven, down from 55 cents;
- 16.5 cents per mile for medical or moving purposes, down from 24 cents;
- 14 cents per mile for service to charitable organizations, unchanged.

The calculation includes the cost of gasoline as well as other fixed and variable costs, such as depreciation. You can elect to calculate the actual costs of using your vehicle rather than use these standard mileage rates. Either way, keep good records! The IRS is very fussy about unsubstantiated car expenses.



**Maria Arriola** enjoyed a working weekend in January at the Lorentzen's family farm near Visalia. She was there helping them with family financial planning. She especially enjoyed their gracious hospitality and the wonderful walnuts they grow.

## ELLS Attends O.C. Chinese-American Chamber of Commerce Gala



Doris Zhu (left) and Joanne Tang with OCCACC Director Paul Hsu

**Doris Zhu** and **Joanne Tang** attended the Orange County Chinese-American Chamber of Commerce 2010 Officers Installation and New Year Celebration on February 5th at the Pacific Club in Newport Beach. They dined and mingled with fellow members of the OCCACC. There was a great turnout for this annual event and they both had a fantastic time.

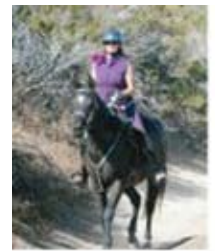
The 2010 **annual Gift Tax Exclusion** remains at \$13,000 per individual, per gift.

California taxpayers who purchase **special interest license plates**, Environmental, Firefighter, etc., from the DMV may deduct the additional fee imposed for the special interest plate as a charitable contribution. (Not to be confused with "Vanity Plates.")

## — Around The Calculator —

Shareholder **Ed Lieber** celebrated his 33rd anniversary with ELLS on January 24th. As President of our Shareholder Group, Ed provides the dynamic leadership needed in today's economic times. Our thanks to him for his tenacity and perseverance! **Azi Farooquee**, our IT Manager, chalks up 9 years with ELLS as he continues to lead us into the many advances of cutting edge technology. On February 11th, file clerk **Erin Painter** will celebrate her 2nd year keeping us on track. Rounding out our anniversaries countdown, **Chris Vasquez**, our Audit Supervisor, will ring in this 8th year as a valuable contributor to our professional staff. Congratulations to everyone.

**Mary Anne Turner**, ELLS Cost Seg specialist, completed a 25-mile Endurance Ride on her horse, Kash. The difficult competition was held in Warner Springs this past January. Mary Anne is an experienced rider, but this was her first time endurance riding.



No "Engagement Letters" needed here! We're pleased to announce that **Lindsay Fleumer**, Marketing Director, got engaged at home on January 10th, and **Joni Carvale**, Admin Supervisor, got engaged January 14th in Las Vegas on a 'very romantic' Gondola ride at the Venetian Casino.

In compliance with Treasury Department Circular 230, unless stated to the contrary, any Federal tax advice contained in this newsletter, including attachments and enclosures, was not intended or written to be used and cannot be used for the purpose of avoiding penalties. Articles included herein are brief and necessarily not complete discussions. They should not be acted upon without seeking further professional advice. This newsletter is available to other interested parties by contacting our office.



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**Warm tidings filled PJ's Abbey in Orange as the  
ELLS team gathered once again  
for our annual Holiday Party and Silly Gift Exchange.**



**Happy New Year to All of You from All of Us!**

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