

# The Care and Feeding of Your CPA

by Rick Willeford, MBA, CPA, CFP

The right accountant can mean the difference between success and failure in your practice. Back in dental school, who would have thought that dentistry would be the easiest part of running a practice? Staff issues, the IRS, practice management, and just business in general — arrggh! You know that all this is important, but it's just not your thing. Don't feel too bad — most dentists feel this way. But a lack of business knowledge or interest doesn't let you off the hook: your name is on the door, and you need to have at least a basic understanding of general practice finances. You must start learning to "know what you don't know." Most importantly, you need to know where to turn for professional advice and guidance. A specialized CPA/accountant is your first and best line of defense in the often bewildering and sometimes cutthroat business world. A good CPA should also be one of your principal advisors on anything financial within your practice.

So, how do you hook up with the right CPA/accountant, and how do you get maximum value from the services he or she can provide?

## What is a CPA?

CPA stands for Certified Public Accountant. Like dentists, they are licensed and regulated by the state. (And they likely will be regulated by the federal government after Enron/Andersen!) They have continuing-education requirements and disciplinary review boards. An "EA" is an Enrolled Agent who is similarly governed by the IRS. There are many fine "accountants" who are not CPAs, and not all CPAs are as fine as they should be ...

Some of you may ask, "Why not just buy a program like QuickBooks or CheckMate and do it myself?" Fair question. But there is a huge distinction between bookkeeping, accounting, analysis, and planning. Bookkeeping consists of those basic functions necessary to pay bills, make bank deposits, and gather transactional data. Computer software programs are tools that facilitate these basic essential functions.

Accounting, on the other hand, involves organizing and presenting that data in a useful, correct format. Software can generate "financial statements," but unless you or your staff has some accounting background, you may be subject to the "GI-GO" problem — "garbage in-garbage out"! Ron Szarzynski, an ADCPA member in Minnesota, says "Computers may just allow you to mess up at the speed of light!"

Useful management reports and financial statements should be the beginning of the process, not the end! A skilled CPA/accountant will use proper reports like you use a patient's radiographs for evaluation, diagnosis, and treatment planning. The CPA analyzes such questions as: How is the financial health of my practice? What can I do now to minimize taxes next April? Is the office using "best practices" based on the CPA's knowledge of other successful offices? Is the dentist working smart — or just working hard — to generate revenue? Is the production appropriate for the number of personnel? Is it time to add another dentist?

## **How do I choose a CPA?**

This decision is just as difficult as choosing a personal dentist after moving to a new city. After all, on paper all dentists seem alike: they do extractions, fillings, root canals, and annual exams. However, they differ significantly due to experience levels, amount of specialized knowledge, standard of care, quality of lab and materials — not to mention basic competence. If your spouse needs a 6-unit bridge or some implants, would you let an inexperienced dentist do it, or would you send him/her to someone with a little more experience and gray in their hair? The same is true with other professions: You wouldn't turn to a new CPA to set up your practice or keep you ahead of the IRS anymore than you would hire a new law school graduate to defend you on death row. Experience counts!

One obstacle to choosing a CPA is that there are no recognized "specialties" in the profession. In fact, most CPA's are "generalists." Many list dentists among their clientele, but they also have farmers, banks, and even city governments as clients. Those clients all have very different needs, most of which do not relate to the needs of a dental practice.

I am obviously prejudiced, but I suggest that you look for a CPA/accountant who specializes in working with dentists, or who at least counts dentists as a large portion of his clientele. You want something more than a regular CPA/accountant — you want a business/practice advisor, one who has specialized knowledge of the business of dentistry.

The best way to begin your search is to ask other dentists about their accountants. Hopefully, a few names will crop up repeatedly. Ask your dental colleagues which CPA's are timely and proactive and if they are aggressive and offer suggestions and solutions about practice finances. Determine what suits your comfort level; there is a difference between "aggressive" and "reckless"!

Once you have a short list of candidates, begin by asking them what dental magazines they read regularly (Dental Economics being a preferable answer) and what den-tal newsletters they follow (The Blair/McGill Newsletter is a popular one that all dentists should subscribe to. Call (704) 424-9780 to subscribe.) Also ask if they are familiar with any practice-management consultants (they should be able to name several) and what financial resources and computer systems they utilize. As you can imagine, your father's "general" CPA or your golf buddy who is the CPA for the power company usually are not familiar with these details.

Another essential starting point is the directory of the Academy of Dental CPAs. Although there are many other fine CPAs who work with dentists, the members of this national association have specialized in working with dentists for an average of 20 years. In fact, they generally work with at least 50 dentists and typically several hundred.

## **What should I expect from a CPA?**

The level of service you receive from a CPA will depend on your needs. You may only need an annual review and tax returns prepared. But handling practice finances on your own, though tempting, can be a recipe for disaster. Most practices have not had the kind of specialized attention, such as quarterly tax planning, that a CPA can provide. Even those practices that do have internal accounting capability should still utilize an outside CPA for added security, tax planning, and business advice.

Whatever level of service you prefer, expect your accountant to perform services expeditiously. An accountant should also communicate well and explain financial details clearly to you and your staff without using overly technical jargon. An accountant also should strive to educate you and help you reach a level where you can make informed decisions about your practice's finances. You should not have to educate your CPA about the latest article you've read or conference you've attended. (Remember, that's why you ask them about what magazines they read.) Above all, you should be comfortable with your accountant and have confidence that he or she will stay on top of dental business and tax issues, as well as your particular situation. An accountant's professional advice and wisdom should extend beyond just the numbers. As Einstein once said, "Not everything you can count, counts; and not everything that counts can be counted!"

Bob Creamer, an ADCPA member in Oregon, says about practice matters, "If it is green, we handle it. If it is red, the dentist handles it!"

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