

# Avoiding the Data Breach – Take 2

Your Step-by-Step Game Plan



**TRN**  
TAX REP NETWORK

The logo for TRN Tax Rep Network is positioned in the lower right quadrant of the slide. It features the letters 'TRN' in a large, bold, blue, sans-serif font with horizontal lines through the letters. Below this, the words 'TAX REP NETWORK' are written in a smaller, blue, sans-serif font, also with horizontal lines through the letters. The logo is set against a white rectangular background that has a slight gradient and is partially overlaid by a semi-transparent blue shape.

# Eric Green, Esq.

- ▶ Managing partner in Green & Sklarz LLC, a boutique tax firm with offices in Connecticut and New York.
- ▶ Focus is civil and criminal taxpayer representation before the Department of Justice Tax Division, Internal Revenue Service and state Departments of Revenue Services.
- ▶ Eric is a contributing columnist for Bloomberg Tax and has served as a columnist for CCH's Journal of Practice & Procedure.
- ▶ Attorney Green is the past Chair of the Executive Committee of the Connecticut Bar Association's Tax Section.
- ▶ Eric is a Fellow of the American College of Tax Counsel ("ACTC").



# Dawn W. Brolin, CPA, CFE

- ▶ Dawn Brolin is the Designated Motivator for Accounting Professionals.
- ▶ Is a people-loving Certified Public Accountant, Certified Fraud Examiner, and the CEO of Powerful Accounting, Inc.
- ▶ Dawn is a member of the Intuit Tax Council, the ADP Advisory Board, and the Avalara QuickBooks Advisory Board.



# Steve Perkins

- ▶ CIO of HoganTaylor LLP.
- ▶ With 30 years experience in information technology management and consulting, he provides strategic leadership and is responsible for the planning, implementation and oversight of all firm technology innovation and process improvement initiatives.
- ▶ Steve is a member of the AICPA and the Tulsa CIO Forum.



# Housekeeping

- ▶ 8 attendance check polls
- ▶ Must do 6 to get credit
- ▶ A Link will be sent to claim your certificate
- ▶ EAs, this is when you will provide your PTIN
- ▶ Any issues? Email us at [team@taxrep LLC](mailto:team@taxrep LLC)





**Matthew Kidd**  
@MichiganMattCPA

Follow



An IRS agent just asked a room full of CPAs to raise their hands if they have a WISP. Based on the response an astonishing amount of CPAs did not read their PTIN renewal.

10:40 AM · 14 Aug 24 · **8,333** Views

# Protecting Data Is The Law

- The Federal Trade Commission (FTC) has jurisdiction to set data safeguarding regulations for various entities, including tax return preparers.
- Known as the Safeguards Rule, the FTC requires organizations to have measures in place to keep customer information secure.
- Companies subject to the rule are responsible for taking steps to ensure that their affiliates and service providers safeguard client or customer information in their care.
- Firms could be subject to other laws and regulations at the state or local level, such as data encryption laws or security breach notification laws.

# FTC Safeguards Rule Penalties

- The FTC deems tax preparers "financial institutions" under the Gramm-Leach-Bliley Act.
- Compliance with the Act is mandatory.
- Non-compliance can lead to fines of up to \$100,000 or imprisonment for each violation.
- Officers and directors can be fined up to \$10,000 for each violation.
- Penalties increased for 2023 and beyond with grace period until June 9.



# FTC Safeguards Rule Penalties (overview)

## What does the FTC require, as of August 2024?

1. Designate a qualified person to oversee the information security program
2. Develop a written risk assessment
3. Limit and monitor who can access sensitive customer information
4. Encrypt all sensitive information - *at rest and in transit*
5. Train security personnel
6. Develop an incident response plan
7. Periodically assess the security practices of service providers
8. Implement multi-factor authentication for anyone accessing customer information

***Much of the above is covered when you create your Written Information Security Plan (WISP) as part of complying with IRS Publication 4557.***

- It's important to start there - because when you do your PTIN renewal, you have to check a box that you have a Written Information Security Plan.

## Poll #1

Does your firm need ensuring your WISP is up to date and IRS compliant?

# 1) Use Security Software

- Anti-virus/anti-malware
  - Use both signature-based and heuristic-based applications
- Anti-spyware to prevent unauthorized applications from harvesting data
  - On each device or applied through the network
- Firewalls to block unwanted connections
- Drive encryption

## 2) Create Strong Passwords

- At least 12 characters, including upper and lower-case letters, numbers, and special characters (16 or 32 better, passphrase!)
- Separate password for every application or service
- Never re-use old passwords
- Use password management tools to ease the burden
  - Bitwarden or Vaultwarden
  - KeeperSecurity
  - McAfee Anti-Virus Plus
  - Bitdefender Anti-Virus Plus
  - Webroot SecureAnywhere

### 3) Secure Wireless Network

- Change default passwords on all routers
- Ensure WPA3 encryption
- Reduce transmission power to the lowest possible setting that provides adequate coverage
- Change the name of your network to something that does not identify the nature of your business
- Do not use public networks to access sensitive information without the protection of a VPN

## 4) Protect Stored Client Data

- Encrypt all disk drives – Windows **BitLocker** is a good tool for this
- Backup data daily or continuously, using multiple forms of media
- Avoid using USB drives, particularly if they contain client data and you are using them on devices you do not control
- Avoid installing unnecessary software
- Maintain an inventory of all devices on which client data is stored and control internet access on these devices
- Securely delete all data before disposing of a device

# The Human Factor - Your Staff's Role in Keeping Data Safe

## What to look out for

- Background checks
- NDA's in place

## How to educate staff

- Training required
- Password Training (enforce strong passwords)
- Limit access to only those who need it
- Safe document handling training
- Security training
- Regular discussion about importance of security training and also what scams and new hacking information has come to light
- Develop Telecommute Policies
- Properly terminate staff (and remove from systems, etc)
- Verbal and Written warnings for anyone who violates this

# Issue For Most Firms

- Firms need to encrypt messages with PII. This creates two problems:
  - Encryption can be challenging for staff
  - Most clients won't/can't encrypt when sending email to the firm
- SMS is a key issue for most firms
  - Photos in text messages frequently contain PII which can walk out the door
  - Use business texting. Better yet, use business texting with secure file requests
- Your 4557 WISP is key for qualifying for/maintaining cyber insurance
  - Cyber insurers are disqualifying firms at a record rate



# Client Behavior Is Hard To Control

- Making security automatic for clients isn't so easy:
  - How many clients send you PII without encrypting it?
  - How much PII does your team have in their email boxes?
  - Or on their personal phones?
  - How many clients can't log in to your secure systems?
- As a firm, you must delete all emails from clients with PII

# Risk Of Phishing Emails

- Phishing email threats are exploding!
- 91% of all data breaches start with a phishing attack, according to KnowBe4 ([www.knowbe4.com](http://www.knowbe4.com))
- Phishing coupled with social-engineering creates a very risky situation
- The fundamental rule remains, if you don't know the person who sent it to you or you weren't expecting it, don't open it or click on it

# Protecting Data Is Good Business



How much would a data breach cost your firm?



How many clients would you lose?



What would you pay in legal costs? Are they covered by insurance?

# Summary

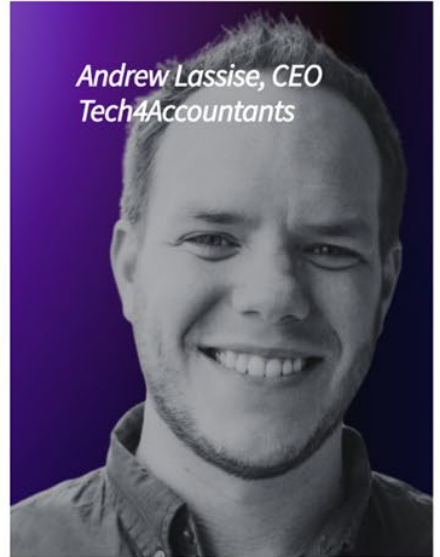
- 4557 has requirements and penalties tied to your PTIN/EFIN
- Staff need education on security
- You can take simple IT steps to improve security
- You need to be ready for breach reporting – it's not a matter of if, but when
- Clients need to be taught to be safe, too
- Make sure to get your WISP done, since it is a requirement

## Poll #2

How much sensitive client information does your firm have in email?

# Need More Help With Publication 4557 and your WISP?

Learn from recognized Experts.



# For your WISP, which systems are Good, Better, and Best?



[thegrove.thinkific.com](http://thegrove.thinkific.com)

## IRS Publication 4557 and FTC Safeguards Rule Technology Resource Guide: Home Office

To <https://thegrove.thinkific.com/pages/4557-course-information-for-firms>



[thegrove.thinkific.com](http://thegrove.thinkific.com)

## IRS Publication 4557 and FTC Safeguards Rule Technology Resource Guide: Small Office



[thegrove.thinkific.com](http://thegrove.thinkific.com)

## IRS Publication 4557 and FTC Safeguards Rule Technology Resource Guide: Large Office

ANTI VIRUS

Tech4  
Nort  
Life

ANTI  
SPYWARE

Tech4  
Nort  
Life

NETWORK INTRUSION  
DETECTION

Tech4

### REQUIRED NETWORK

BEST

ANTI VIRUS

Tech4Acco  
Soph  
Practice P

ANTI  
SPYWARE

Tech4Acco  
BitDefer  
Practice P

NETWORK INTRUSION  
DETECTION

Tech4Acco  
Trend M  
Tipping

### REQUIRED NETWORK & DATA PROTECTION SOLUTIONS

**BEST**

**GOOD**

**OK**

ANTI VIRUS

Sentinel One  
Crowdstrike  
Falcon

BitDefender  
Gravity Zone

Symantec EndPoint  
Security Enterprise

ANTI  
SPYWARE

Sentinel One

Palo Alto

BitDefender

# MASTER CLASS - Comply with IRS Publication 4557 and FTC Safeguards Rule

IRS Publication 4557 and the FTC Safeguards Rule require firms to implement a Written Information Security Plan (WISP) to protect client data.

This course explains HOW to comply and includes all the resources you need to complete your WISP.

5.0 /5 ★★★★★ (22) ←

🕒 120 Minutes 🎧 Bite Sized Lessons

📁 Complete WISP Toolkit - Over 20 Editable Policies, Templates & Checklists included

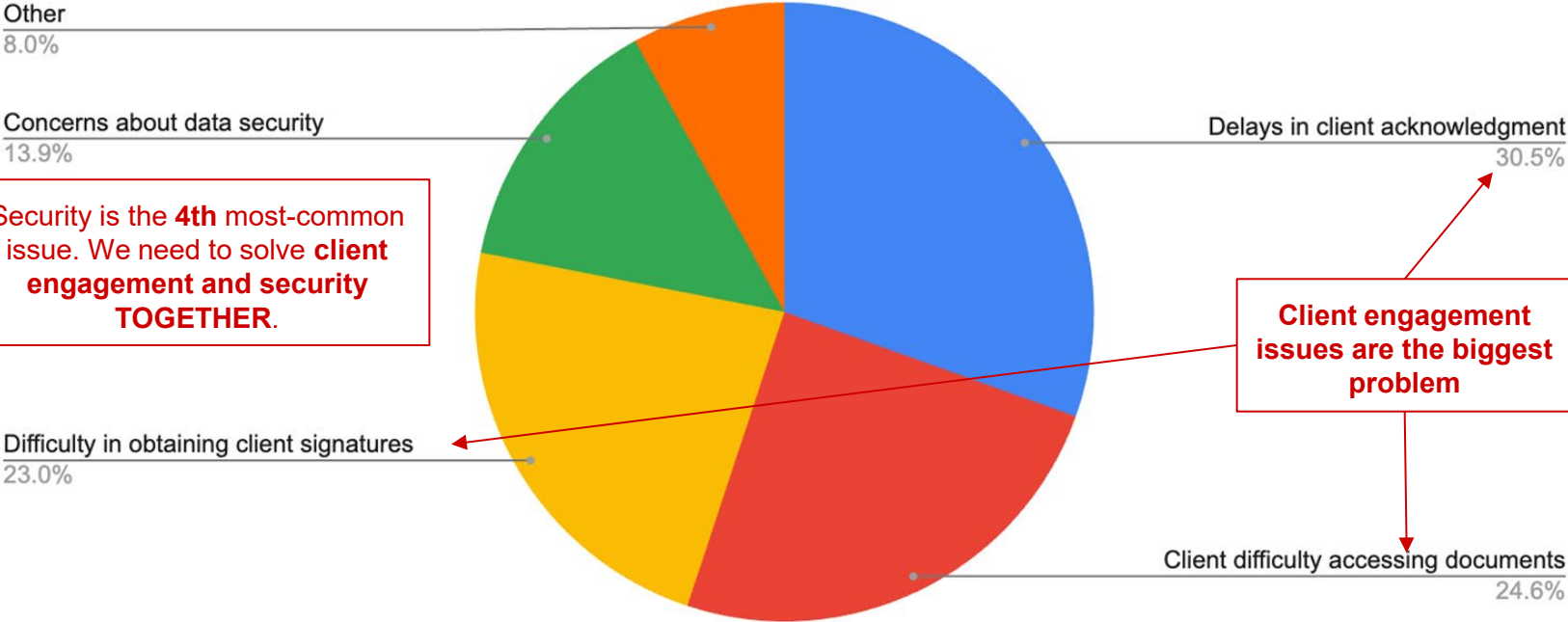


## Save \$300 (*60% discount*)

1. Search for “4557 Masterclass”
2. Or go to <https://thegrove.thinkific.com/courses/4557-Masterclass>
3. Regular price is \$499, use code **TRN2024** to get the course for \$199
  - a. Code is valid through August 20

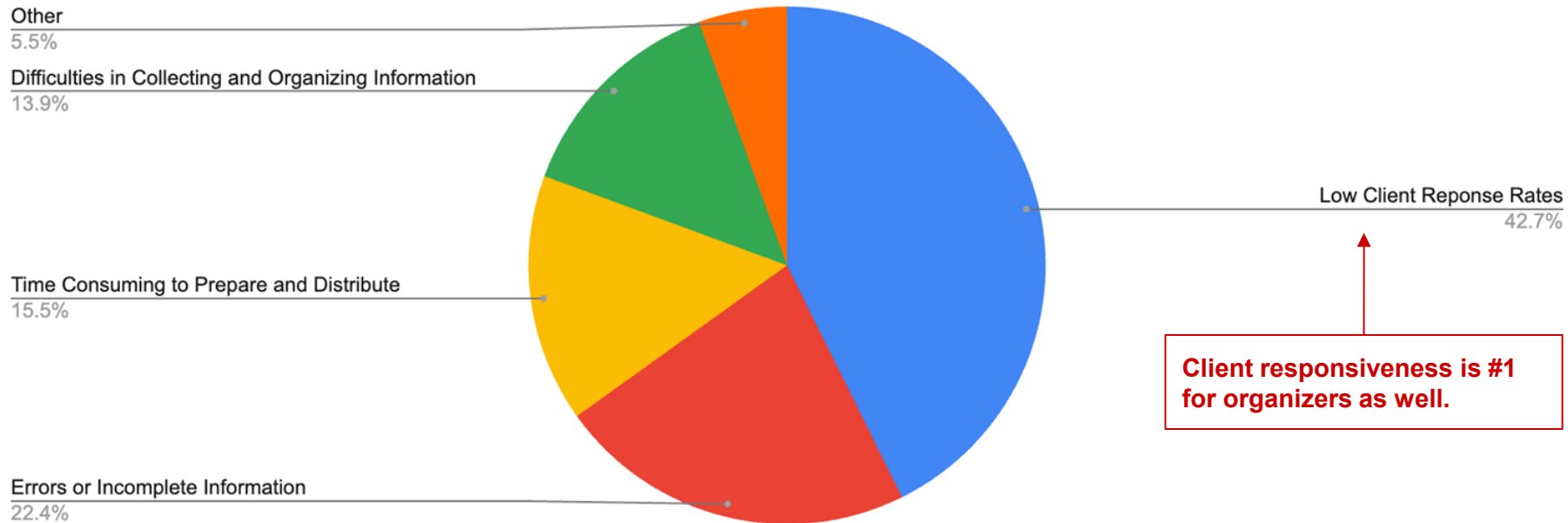
# Survey Results From the Prior Webinar

What are the most common issues you face during the tax delivery process?



# Survey Results From the Prior Webinar

What is the biggest challenge you face with tax organizers?



A person is seen from behind, sitting on a balcony with a glass railing. They are looking out at a city skyline across a body of water. The scene is brightly lit, suggesting a sunny day, with a strong lens flare effect behind the person's head. The text is overlaid on the upper half of the image.

Accountants and Bookkeepers spend up to 40% of their time searching for, and gathering, client documents.

*AccountingWeb, May 2021*

# Survey Results From the Prior Webinar

What improvements would you like to see in your tax delivery process?

Faster delivery times

7.2%

Enhanced security measures

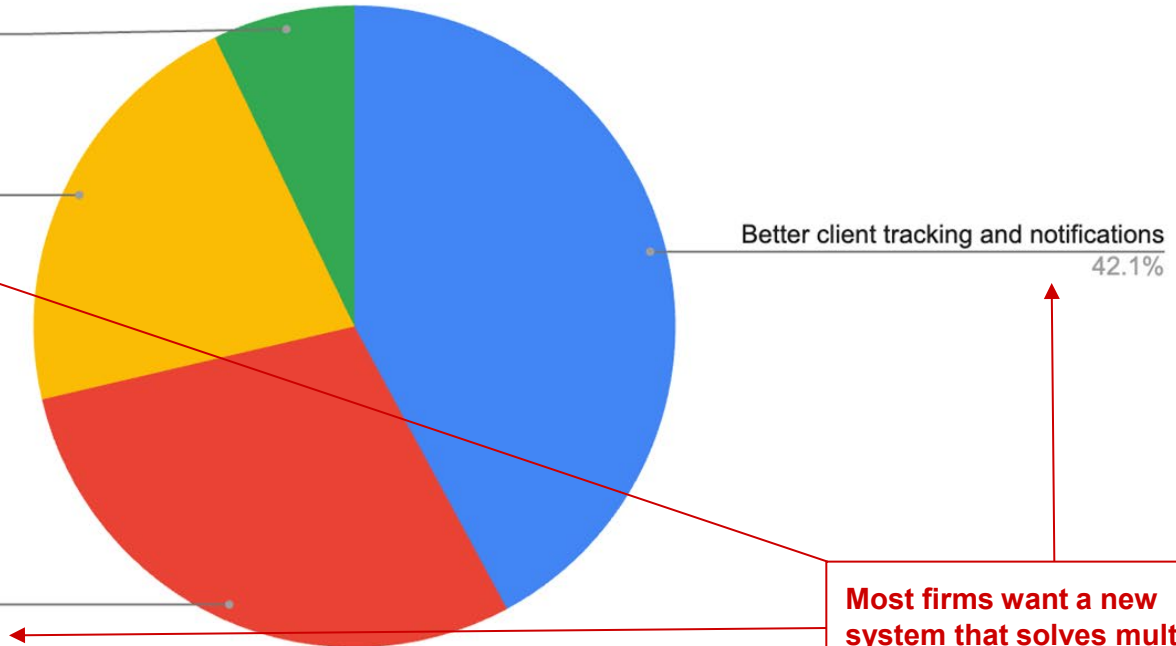
21.5%

Simplified client signature collection

29.2%

Better client tracking and notifications

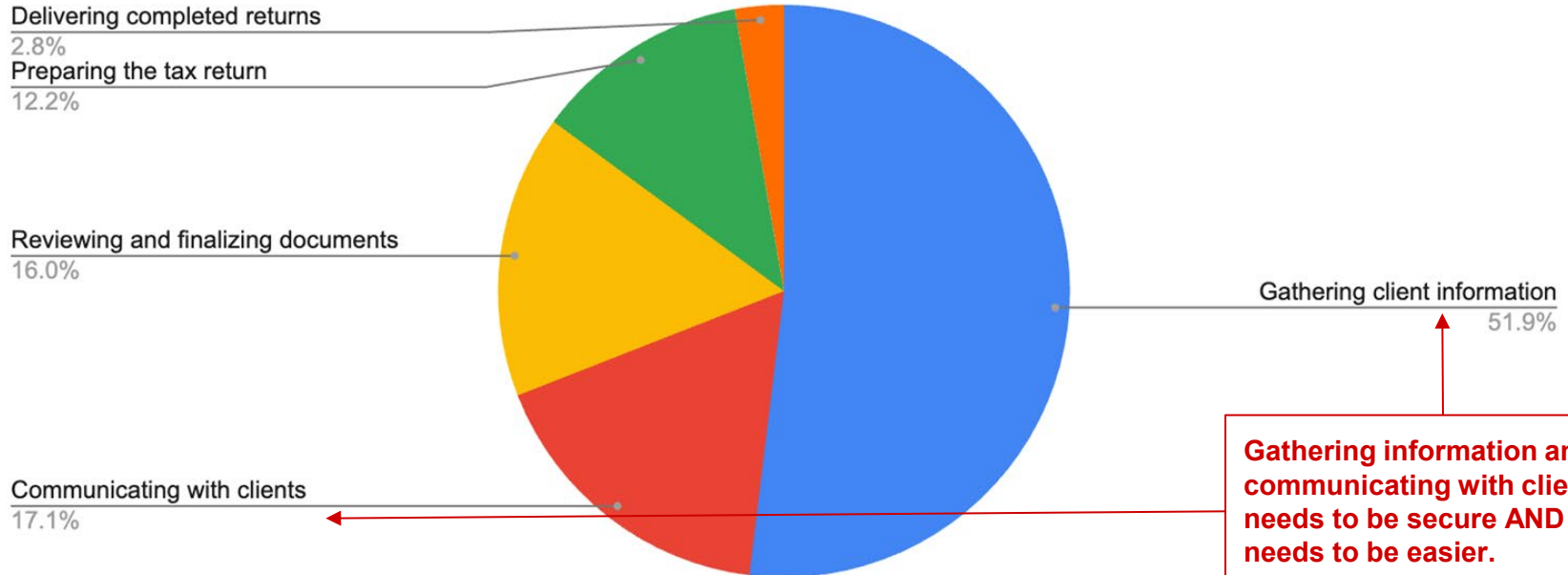
42.1%



**Most firms want a new system that solves multiple issues.**

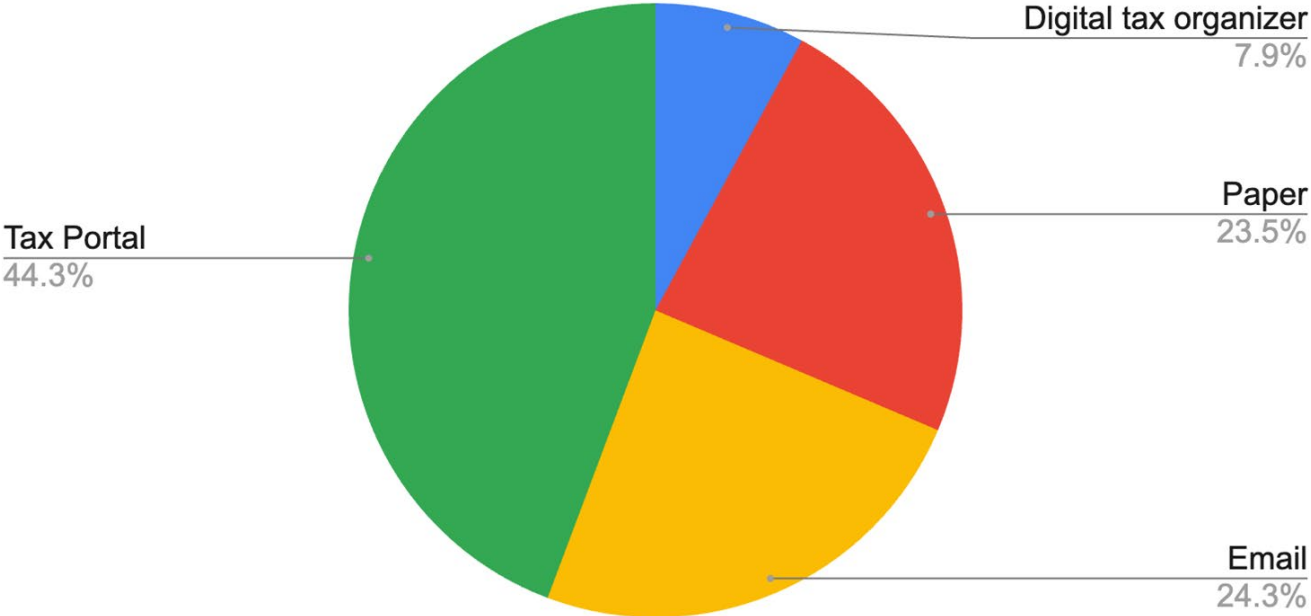
# Survey Results From the Prior Webinar

What is the most time-consuming part of the tax preparation and delivery process for you?



# Survey Results

What is your primary means of sending tax organizers to clients?



**Good news! 1-in-12 firms have already moved to a digital tax organizer!**



I'm going to show you **HOW** you can make the change without a big headache.

1. Security is a must.
  1. You can't solve the security problem alone -- you need to bring your clients along.
  1. You can solve the security problem in a way that reduces your tax admin time by >50%.
  1. Everything I'm going to show you is easily implemented
    - a. No changes to your tax prep software
    - b. No changes to your practice management system



## Poll #3

When it comes to managing your business,  
how Risk Averse or Risk Tolerant are you?

# How I Safeguard My Clients' Data & Save Time Doing It

1. Run my business like a bank
  - a. We are subject to many of the same rules and regulations
  - b. Clients clearly prefer online banking to email
  - c. Banks give us a single touchpoint for everything we do with them online
2. Draw clear boundaries
  - a. Bend if you need to for the minority of clients who aren't successful online
3. Help clients with the transition
  - a. Focus on apps with a strong User Experience track record
  - b. Be clear with what's in it for them (security and convenience)
  - c. Be consistent in your behaviors and expectations

# The Online Banking Model Works

**80% to 90% of American Bank Account Holders use online banking services.**



# Get Your Clients Onboard

1. If tough love doesn't work for all of your clients, consider these options:
  - a. Online clients should be given a transition date to be secure (say 90 days from now)
  - b. Add the transition date to your email footer
  - c. Send emails that communicate what's in it for them (e.g. 3 emails over a 90-day period)
  - d. If they are online but refuse to comply, have them sign a liability waiver
2. Some systems such as Liscio (what I use) will capture email traffic and make it easy to convert the email to a secure message.
3. Offline clients can stay offline

# Give Clients a Single Touchpoint Online

1. Clients can't juggle multiple apps.
  - a. If they don't know which app to use, they'll email us.
  - b. If they can't find their files, they call us.
2. Many clients live on their phones and tablets
  - a. More than ½ of internet traffic is on mobile devices
3. Pick an app that puts everything in one place
  - a. Secure messaging
  - b. Secure file transfer
  - c. Electronic signatures
  - d. Tax organizers & delivery
  - e. Works on any device

## Poll #4

What is your tax organizer response rate?

# Clients do not love the old organizer & portal experience

ORGANIZER Page 9

2022	1040	US	Client Information	1
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Telephone number: \_\_\_\_\_  
Date: 08/08/2024  
Fax number: \_\_\_\_\_  
Time: 5:00 PM EST  
Email address: \_\_\_\_\_  
Location: OFFICE 1

**Tax Return Appointment**

This tax organizer will assist you in gathering information necessary for the preparation of your 2022 tax return. Please add, change, or delete information as appropriate.

**CLIENT INFORMATION**

Filing Status	Filing status (2021) 1 - Married filing separate and lived with spouse 2 - Married filing separate and did not live with spouse (2020 or 2021)	Filing Status	1 - Single 2 - Married filing joint 3 - Married filing separate 4 - Head of household 5 - Qualifying surviving spouse (2021)
Taxpayer	First name and initial: GEORGE Last name: WILTE Title: MR. Social security number: 00-7116 Occupation: Student Date of birth (m/d/y): 8/01/1947 Date of death (m/d/y): 1-blind	Spouse	First name and initial: GEORGE Last name: WILSON Title: MR. Social security number: 00-7116 Occupation: Pilot Date of birth (m/d/y): 8/02/1950 Date of death (m/d/y): 1-blind
Address	In care of: Street address: 1000 BABY STREET Apartment number: APT 1 City: WASHINGTON State: KY ZIP code: 40300	Foreign Address	Region: USA Postal code: 100 Country: US

Save: \_\_\_\_\_ Page 9 Client Information 1 pt

Save: \_\_\_\_\_ Page 10 Dependents 2

intuit Link Sign Out

Welcome!  
Let's get started on collaborating with Reinard, Hunt & Randall, LLC.

Tax year 2018

- Engagement Letter Done ✓
- Questionnaire 2/13 >
- Document Checklist 1/23 >
- Shared documents Review >

You are connected to Reinard, Hunt & Randall, LLC. Sign out

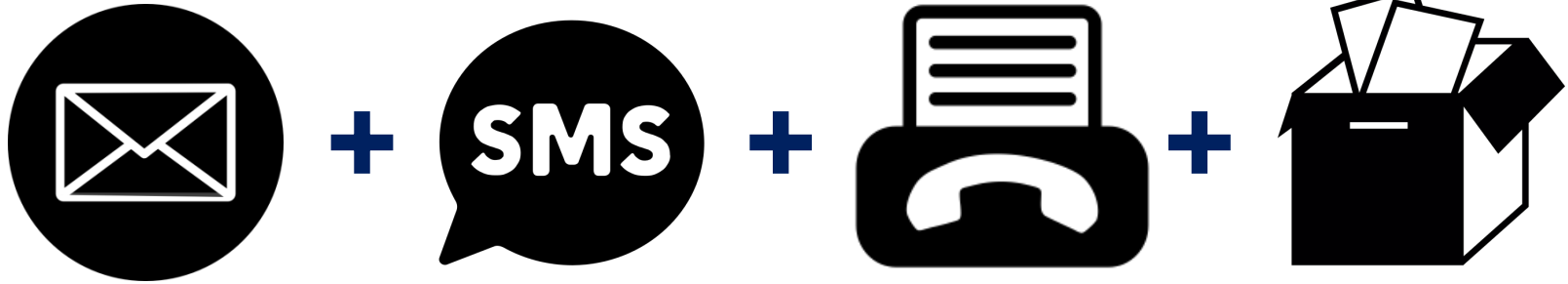


Limited portal functionality, no secure communication. Low response rates.





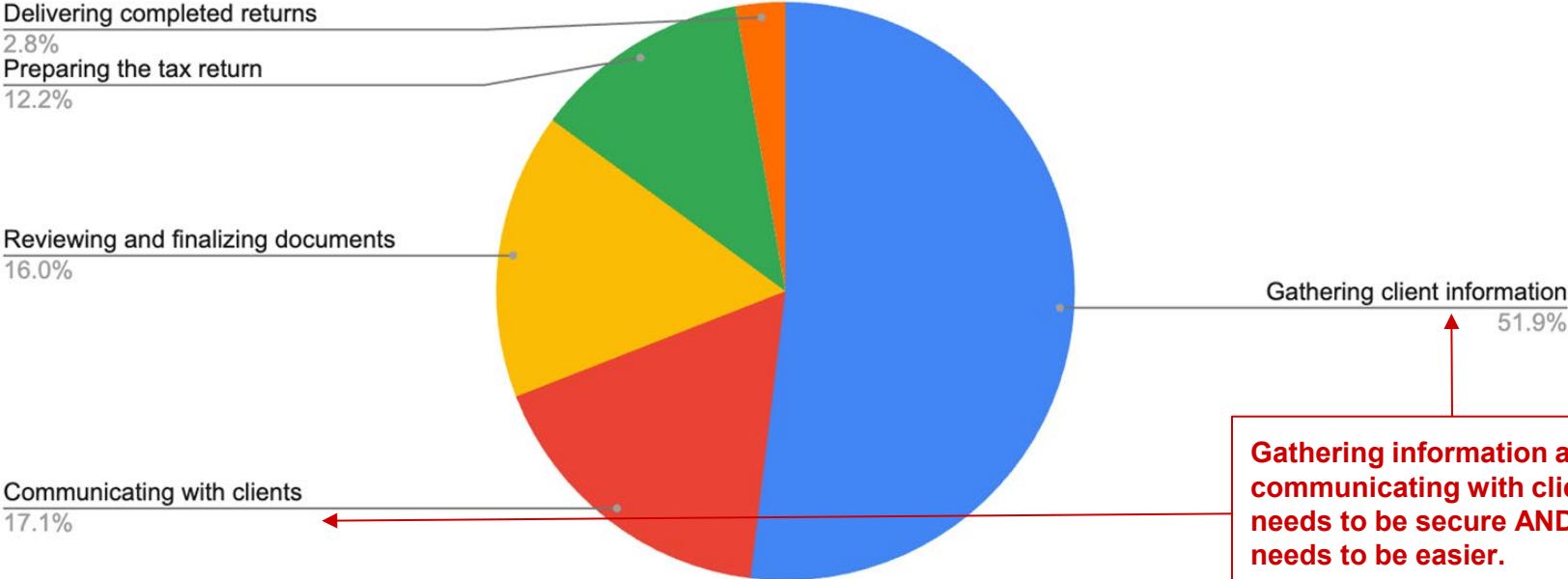
As a result, clients send documents every which way



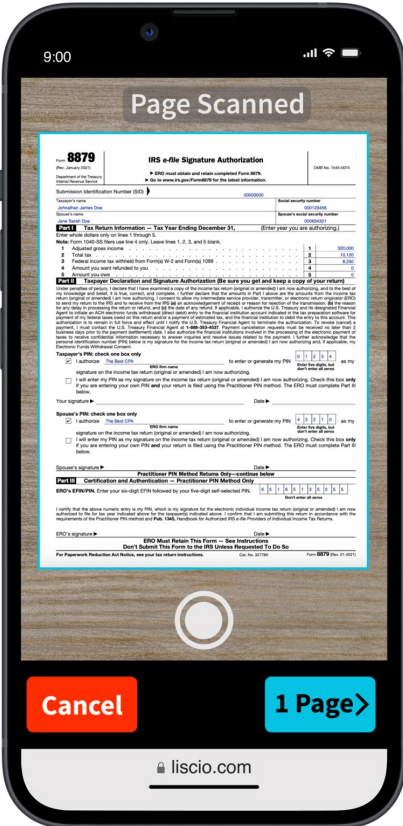
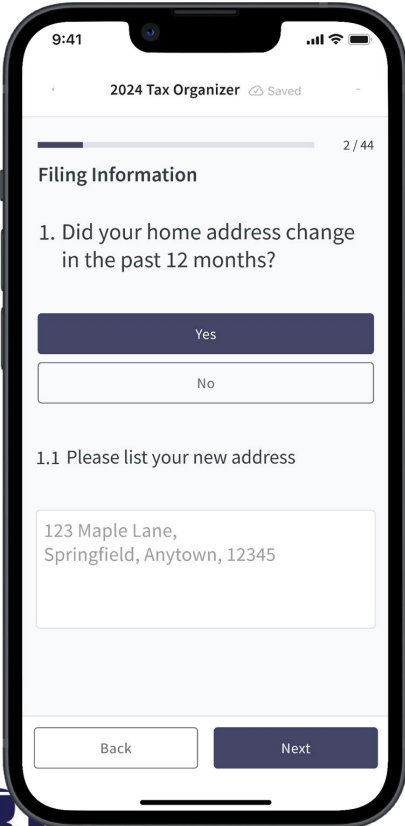
*This is a security and administrative nightmare.  
It was the single biggest waste of admin time during tax season.*

We end up with this problem. *70% of you are here.*

What is the most time-consuming part of the tax preparation and delivery process for you?



# The Secret is to Make EASY for Client to Work Securely



# A **Secure Tax Organizer** experience is easier for you too:

Just drag-and-drop batches of PDF organizers from your tax software:

ORGANIZER Page 8

2022	1040	US	Client Information	1
------	------	----	--------------------	---

**Tax Return Appointment**  
Date: 08/08/2024  
Time: 3:00 PM EDT  
Location: OFFICE 1

Telephone number:  
Fax number:  
E-mail address:

This tax organizer will assist you in gathering information necessary for the preparation of your 2022 tax return. Please add, change, or delete information as appropriate.

**CLIENT INFORMATION**

Filing Status	Filing status (table)	
Taxpayer	First name and initial Last name Title/suffix Social security number Occupation Date of birth (m/d/y) Date of death (m/d/y) 1-Lasted	Filing Status 1 = Single 2 = Married filing joint 3 = Married filing separate 4 = Head of household 5 = Qualifying surviving spouse (QS)
Spouse	First name and initial Last name Title/suffix Social security number Occupation Date of birth (m/d/y) Date of death (m/d/y) 1-Lasted	
Address	Street address Apartment number City State ZIP code	
Foreign Address	Region Postal code Country	

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Page 10  
2

me Phone  
Work  
Home  
Mobile

of Dependent  
Filing with taxpayer  
All filing with taxpayer  
Individual who has child  
Individual who has child  
Child  
1 (DS) only  
Individual credit only  
Applicable (default)  
Age 19 to 23  
US  
US claim the  
all phases  
of the  
US form  
Records or statement  
to primary mem-  
ber (statement)  
or provider  
Records  
Records  
IR-Agency statement  
agency record or  
Marriage statement  
to office statement  
or statement  
set child is disabled,  
with one of the re-  
qs of proof of dis-  
ability  
Statement  
with care provider  
services agency or  
statement

Page 11  
1 p2

Client Information

Page 12  
2

Dependent

TR TAX REP NETWORK

### Upload tax files

Automatically create new workflow requests from prior years' organizers or tax returns.

#### Tax Organizers

Drag & Drop PDF files here or browse to upload

[Browse](#)

Lacerte Organizer\_ID001245.pdf

#### Tax Returns

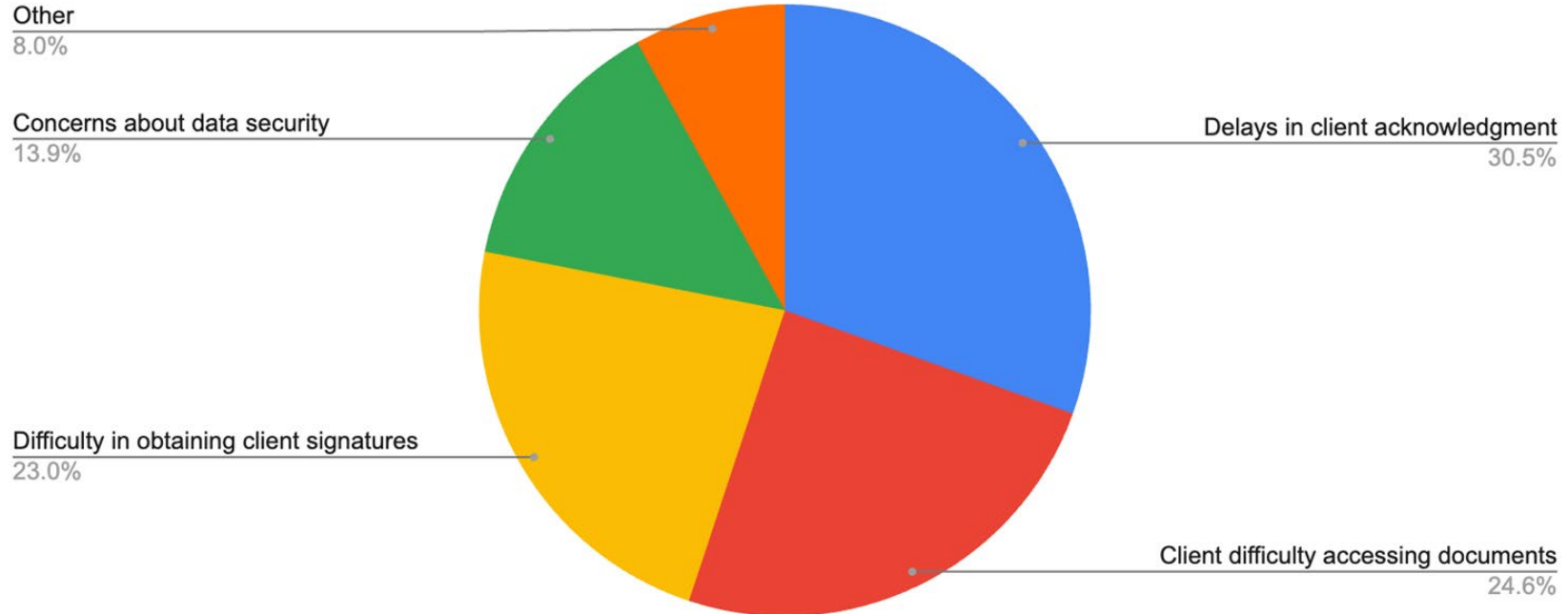
Drag & Drop PDF files here or browse to upload

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[Begin Upload](#)

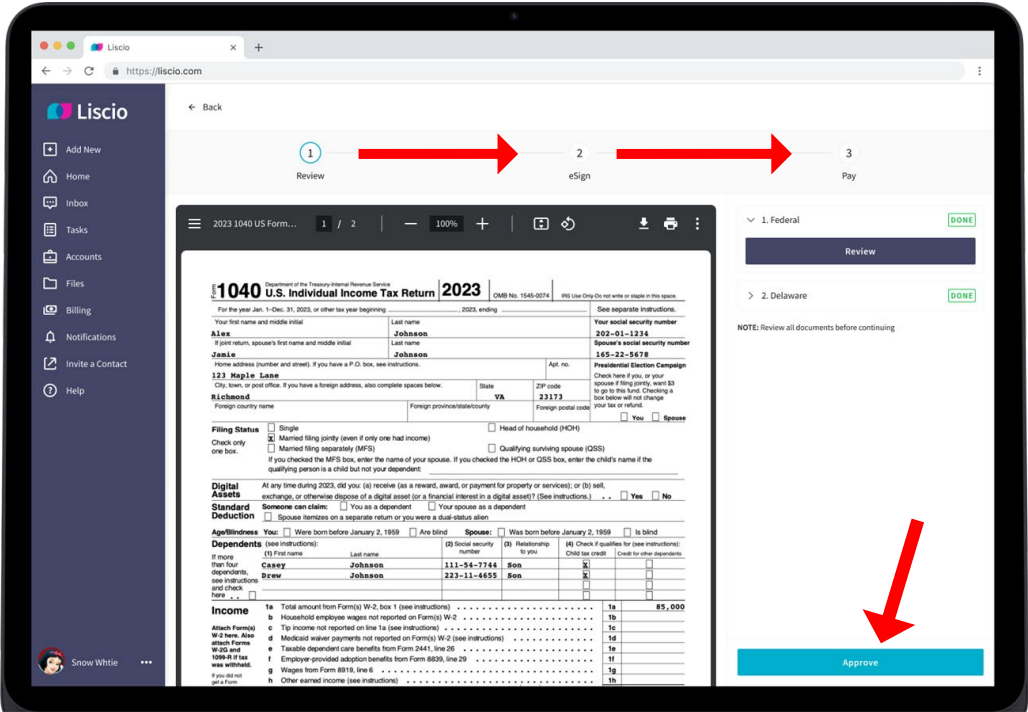
# The same process addresses **Tax Delivery**

What are the most common issues you face during the tax delivery process?

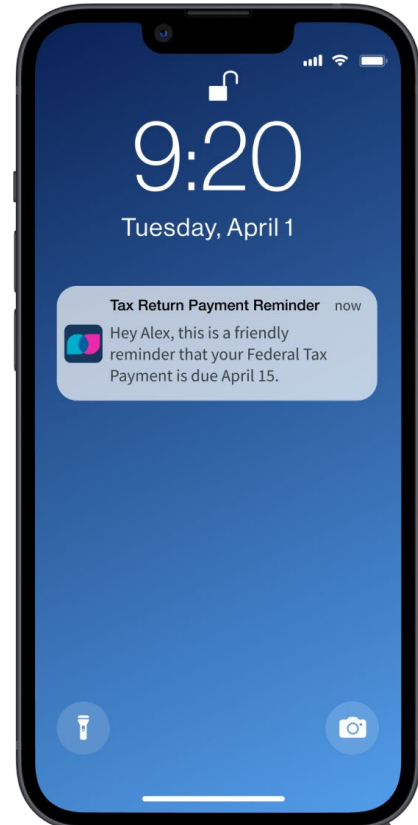
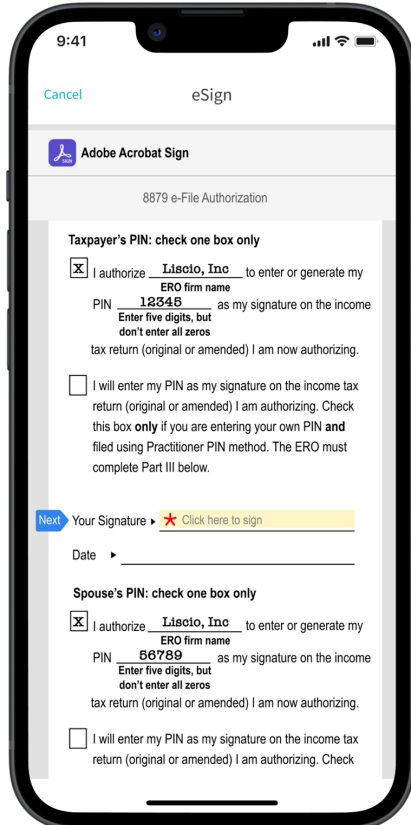
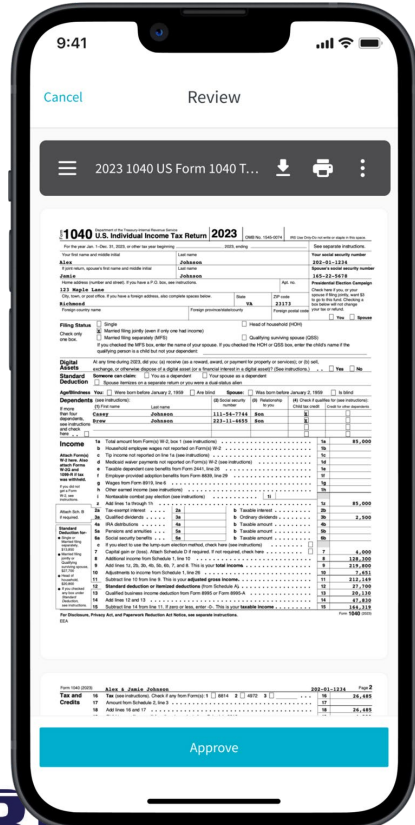


# Secure Tax Delivery

Secure tax delivery automation includes Review, eSign, Payments, and Estimated Tax Reminders:

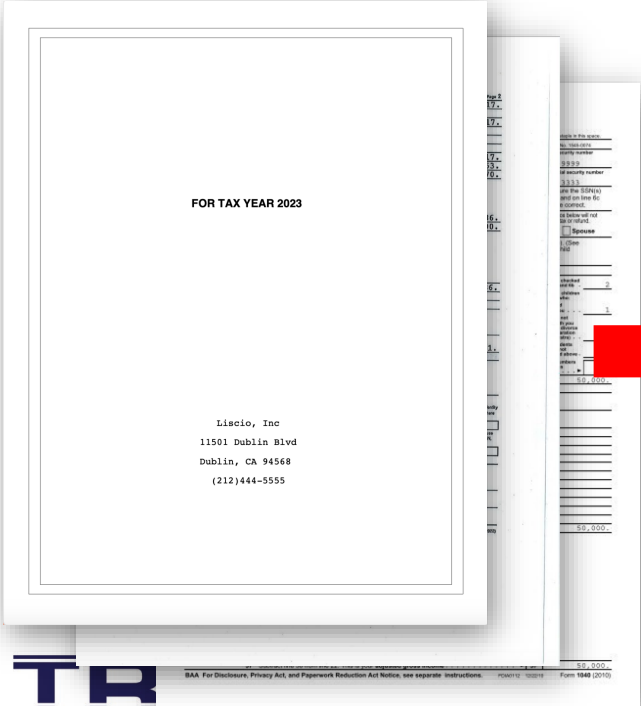


# Tax Delivery Made Easy



# How to Deliver Tax Returns more Securely

Automating the Tax Delivery Process is the same as the Organizer process. Just drag-and-drop.



### Upload tax files

Automatically create new workflow requests from prior years' organizers or tax returns.

#### Tax Organizers

Drag & Drop PDF files here or browse to upload

[Browse](#)

#### Tax Returns

Drag & Drop PDF files here or browse to upload

[Browse](#)

Snow\_White\_Tax\_Return.pdf

[Begin Upload](#)



# My System (Simple, Secure, Effective)

Tax Software

 Intuit Lacerte

Client Portal

 Liscio

Data Entry

 GruntWorx

DMS

 SmartVault

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## Organizers

Print PDFs



Creates and Sends Personalized Organizers (drag-and-drop from Lacerte)



Enters data into the tax software (drag-and-drop from Liscio)



*Integrated* with Lacerte and Liscio

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## Returns

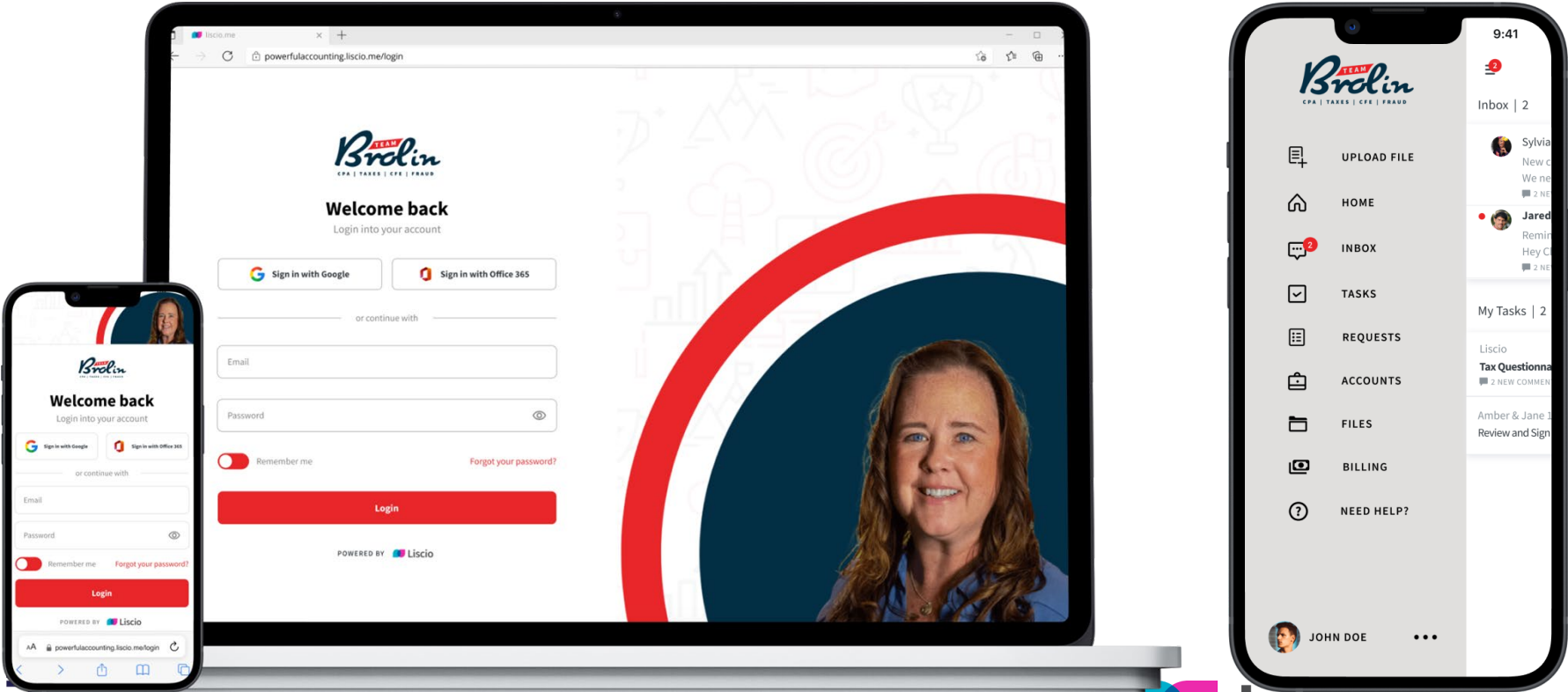
Print PDFs



Automates Tax Return Delivery (drag-and-drop from Lacerte)

*Integrated* with Lacerte and Liscio

# My Branded Liscio Portal



# Training and Implementation Time

1. Modern portals can be setup and learned in less than a day
2. Immediate ROI
3. The key is to set your intention and move forward!

# Typical Objections:

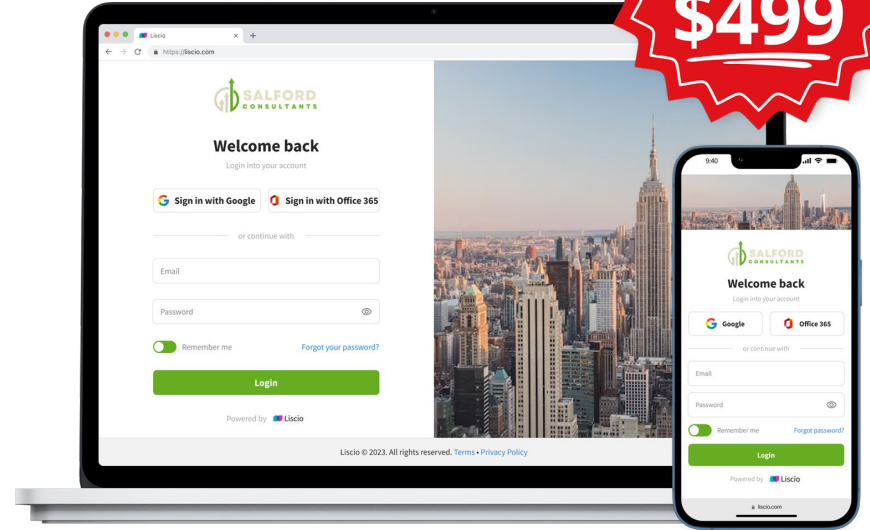
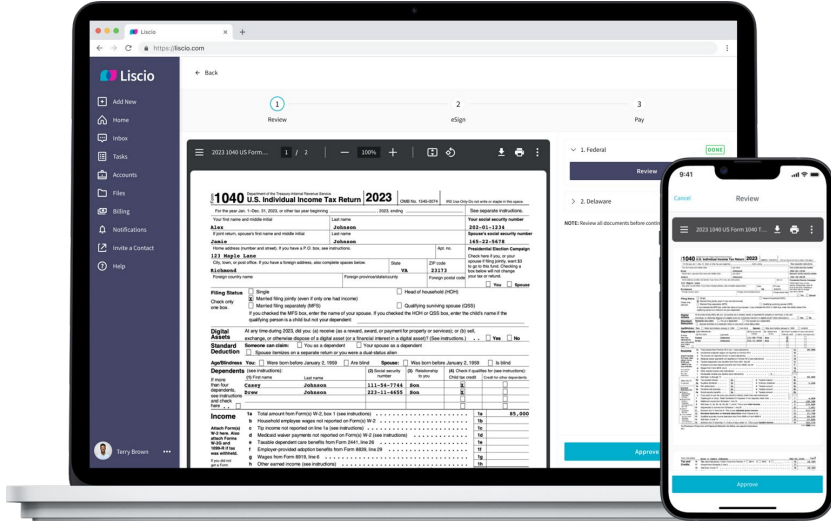
I want to address these because firms tend to talk themselves into “Same as Last Year”:

- ***My clients won't change***
  - They already have (even your oldest clients use online banking)
  - Remember COVID?
- ***My staff won't change***
  - Give them some credit...
  - My staff and I will work a fraction of the overtime, if any

# TRN Special –

# <https://www.liscio.me/affiliates/tax-rep-network>

For Only  
~~\$1,499~~  
**\$499**



**Implementation, training, data import, and custom branding for \$499 (save \$1,000!)**

**Limited time offer expires August 15.**

